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Ministry of Finance
Government of India

सत्यमेव जयते

Annual Report

2011-2012

Ministry of Finance
Government of India

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Ministry of Finance

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Introduction

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

1. Department of Economic Affairs

Economic Growth

As per the latest information (Advance Estimates) of National Income for 2011-2012 (at constant 2004-2005 prices), released by the Central Statistics Office, the growth of Gross Domestic Product (GDP) at factor cost is estimated at 6.9 percent in 2011-2012, with agriculture & allied activities growing at 2.5 per cent, industry at 3.9 per cent and services at 9.4 per cent. The corresponding growth in GDP in 2010-2011 was 8.4 per cent, with agriculture and allied sector, industry and services growing at 7.0, 7.2 and 9.3 per cent, respectively.

The latest information on quarterly estimates of GDP is available for the first two quarters of 2011-2012. The GDP growth in the first and second quarters of 2011-2012 is estimated at 7.7 per cent and 6.9 per cent, as compared to 8.8 per cent and 8.4 per cent during the corresponding periods of 2010-2011.

Data on the saving and investment is available up to 2010-2011. The saving rate as percentage of GDP at current market prices was estimated to be 32.3 percent in 2010-2011 as compared to 33.8 percent in 2009-2010, while the gross domestic capital formation was 35.1 percent in 2010-2011 as compared to 36.6 percent in 2009-2010.

Agriculture

As per the fourth advance estimates for 2010-2011, foodgrains production was estimated at 241.56 million tons, out of which Kharif production was 120.20 million tons and Rabi production was 121.36 million tons.

During the South West monsoon season of 2011, the country as a whole received 1 per cent more rainfall than the Long Period Average (LPA). Central India and North-west India experienced 10 percent and 7 percent, respectively and the Southern Peninsula received normal rainfall. North East India received 14 percent less rainfall than LPA. At district level, 24 per cent of districts received excess rainfall, 52 per cent normal rainfall, 23 per cent deficient rainfall and 1 per cent scanty rainfall. Southwest monsoon (June to September 2011) rainfall for the country as a whole and the four broad geographical regions is given in the table below:

Region	Actual (mm)	Long Period Average (LPA) (mm)	Actual % of LPA
All-India	899.9	887.5	101
Northwest India	654.8	615.0	107
Central India	1073.6	975.5	110
Southern Peninsula	715.2	715.5	100
Northeast India	1233.6	1438.3	86

Out of 36 Sub Divisions, 3 recorded deficient rainfall during the South West Monsoon in 2011. Out of the 33 remaining Sub Divisions 7 recorded excess rainfall and the remaining 26 recorded normal rainfall. Out of 603 Meteorological districts for which data are available 453 (76%) received excess/ normal rainfall and the remaining 150 (24%) received deficient/scanty rainfall during the season.

There has been a decline in the overall area coverage of foodgrains during kharif 2011-2012 as compared to kharif 2010-2011 (4th advance estimates). The area coverage under food grains during kharif 2011-2012 stood at 705.45 lakh hectares compared to 721.17 lakh hectares last year. The major decline in the area of kharif foodgrains has been due to shortfall in the area under bajra in Rajasthan, Haryana and Gujarat; and pulses in Maharashtra, Karnataka, Andhra Pradesh and Rajasthan. The area under coarse cereals and oil seeds has also been lower as compared to the previous year. The area coverage under kharif rice during 2011-2012 is around 394.7 lakh hectares which is higher by 15.12 lakh hectares compared to last year. The area coverage under sugarcane during the current year has slightly improved to 50.26 lakh hectares, which is higher by about 0.81 lakh hectares as compared to the previous year and the area under cotton has increased significantly to

119.89 lakh hectares as compared to 111.42 lakh hectares during 2010-2011, registering an increase of 8.47 lakh hectares.

As per the 1st Advance Estimates (covering only kharif crops), production of foodgrains during 2011-2012 is estimated at 123.95 million tons which is a significant achievement mainly due to increase in the production of rice in the states of Assam, Bihar, West Bengal, Jharkhand and U.P., which are major rice producing areas in the country. Oilseeds production stood at 20.89 million tons, sugarcane at 342.20 million tons and cotton at 36.1 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 2011-2012 (April-November), as per the Index of Industrial Production (IIP), the industrial sector grew at 3.8 per cent as compared to 8.4 per cent growth during the previous year. Out of the three broad sectors, the electricity sector has recorded the highest growth as in the manufacturing sector, the growth have been comparatively lower and in mining sector the growth is negative. During 2011-2012 (April-November), the electricity sector grew at 9.5 per cent and the manufacturing and mining sectors grew at the rates of 4.1 per cent and (-) 2.5 per cent respectively against the corresponding figures of 4.5 percent, 9.0 percent and 7.0 per cent respectively.

Among the use-based industry groups only basic goods sector recorded increase in growth during 2011-2012 (April-November) while the consumer goods (durables & non-durables) showed decline in growth and the capital goods and intermediate goods recorded negative growth as compared to previous year. The basic goods showed a growth of 6.2 per cent during 2011-2012 (April-November) as compared to the corresponding figure of 5.4 percent during 2010-2011 (April-November). In consumer goods sector, the growth rate for the current year is 4.9 per cent as against 8.0 per cent last year. In capital goods and intermediate goods sectors, the growth in 2011-2012 (April-November) was (-) 1.0 per cent and (-) 0.3 per cent as against 18.2 per cent and 8.1 per cent respectively in 2010-2011 (April-November). In consumer durables sector, the growth rate has declined to 5.3 per cent as compared to 14.6 per cent in 2010-2011 (April-November) and in consumer non-durables sector, the growth rate has increased to 4.6 per cent in 2011-2012 (April-November) as against 2.9 per cent in 2010-2011 (April-November). At the disaggregated level, 8 out of the 22 two-digit industrial groups - textiles, apparel, wood products, chemicals, rubber, machinery, electric machinery and furniture manufacturing recorded negative growth during 2011-2012 (April-November). Out of the remaining 14 industry groups, four groups recorded growth rates between 5 to 10 per cent , six industry groups namely food products, publishing and printing, basic metals, fabricated metals, motor vehicles and other transport equipment, recorded growth rate above 10 per cent and four groups namely, tobacco products, paper , coke and refined petroleum products and other non-metallic mineral products recorded growth rates below 5 per cent.

Infrastructure

The index for eight core industries (comprising crude oil, petroleum refinery products, coal, electricity, cement, finished carbon steel, natural gas and fertilizers with a combined weight of 37.90 per cent in the Index of Industrial Production) grew by 4.4 per cent during 2011-2012 (April-December) as compared to growth rate of 5.7 per cent achieved during the corresponding period of 2010-2011.Two out of the eight core sectors namely crude oil and steel recorded lower rates of growth of 1.9 percent and 7.5 percent respectively during 2011-2012 (April-December) as compared to 12.0 per cent and 8.3 percent during 2010-2011 (April-December). The growth in refinery products, cement and electricity was 4.1 per cent, 5.3 per cent and 9.2 per cent respectively during 2011-2012 (April-December) and in coal, natural gas and fertilizers sectors, the growth was negative during the same period.

Prices and Inflation

Inflation, measured by variations in the wholesale price index (WPI) on a year-on-year basis was 9.1 per cent in November 2011 as against 8.2 per cent in November 2010. The average WPI inflation rate for last 12 months (December 2010 to November 2011) was 9.58 per cent as compared to 9.37 per cent during corresponding period in 2010-2011. The build-up of inflation since March to November 2011 stood at 4.95 per cent as against 5.50 per cent in the corresponding period last year.

The WPI inflation of 9.11 per cent in November 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 8.53 per cent as compared to 14.67 per cent in the same month last year. Manufactured products, having weight of 64.97 per cent recorded an inflation of 7.70 per cent in November 2011 as compared to 5.02 per cent in the same month last year. However, fuel, power, lights & lubricants having weight of 14.91 per cent recorded annual inflation of 15.48 per cent as compared to 10.32 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 7.91 per cent in November 2011 as compared to 6.76 per cent in November 2010. Non-food inflation reported 9.57 per cent in November 2011 as compared to 8.77 per cent in November 2010.

Inflation in Consumer Price Index for Industrial Workers (CPI-IW) has declined to 9.39 per cent in November 2011 from its peak of 16.22 per cent in January 2010. CPI-IW food inflation (weight 46.20%) has also declined to 8.72 per cent in November 2011 from its peak of 21.29 per cent in December 2009. Inflation in other CPIs viz., CPI AI-RL has also declined to single digit.

This year the headline inflation remained sticky around 9 per cent mainly on account of three main factors (1) High food price inflation, that abated significantly for cereals and pulses with better weather and supplies, but which remained elevated and prone to shocks, especially for fruits and vegetables, and protein-rich items such as milk, eggs, fish and meat, as rising demand outpaced supply; (2) Shifting focus of inflation to non-food manufacturing inflation, as inflationary pressure rises in food prices spilled over to manufactures, and as (3) Rising global commodity prices of food and industrial materials and fuels inevitably spilled over to manufacturing prices in a cost-push manner.

However, the weekly data for food articles has shown moderation and inflation in food articles has declined to four year low of 0.42 per cent for the week ending 17 December, 2011.

Monetary Trends and Developments

The Annual Monetary Policy Statement (3 May, 2011) of the Reserve Bank of India (RBI) for 2011-2012 was set against the backdrop of a sharp rise in inflation and elevated inflationary expectations. Although the trigger was the sharp uptrend in international commodity prices, with demand remaining strong, the sharp rise in input costs were quickly passed on to domestic manufactured goods leading to generalised inflationary pressures. Headline inflation was expected to remain at an elevated level in the first half of the year. Even as inflation pressures were seen to accentuate there were visible signs of moderating growth, particularly in capital goods production and investment spending, suggesting the cumulative impact of monetary actions on demand. With the growth rate expected to moderate in 2011-2012 vis-a-vis 2010-2011, based on the assumption of a normal monsoon and crude oil prices averaging US$ 110 a barrel over 2011-2012, the baseline projection of real GDP growth for 2011-2012 was placed at 8 per cent. In such a scenario, the stance of monetary policy was to (i) maintain an interest rate environment that moderates inflation and anchors inflation expectations (ii) foster an environment of price stability that is conducive to sustaining growth in the medium-term coupled with financial stability; and (iii) manage liquidity to ensure that it remains broadly in balance, with neither a large surplus diluting monetary transmission nor a large deficit choking off fund flows.

The Annual Policy Statement also saw changes in the extant operating procedures of monetary policy effective 3 May, 2011. The repo rate was made the only independently varying policy rate; a new Marginal Standing Facility (MSF) was instituted under which scheduled commercial banks (SCBs) can borrow overnight at their discretion up to one per cent of their respective NDTL at 100 basis points (bps) above the repo rate and the revised corridor was defined with a fixed width of 200 bps. The repo rate was placed in the middle of the corridor, with the reverse repo rate 100 bps below it and the MSF rate 100 bps above it.

In 2011-2012 (up to 25 October, 2011) policy rates were raised five times by 175 bps. However, the period from December 2011 to January 2012 marked a reversal of the cycle, as policy rates were kept unchanged at Repo Rate-8.5 per cent and Reverse Repo Rate-7.5 per cent. The RBI in the Third Quarter Review (TQR) of Monetary Policy 2011-2012 on 24 January, 2012, lowered the Cash Reserve Ratio (CRR) from 6.0 to 5.5 per cent of net demand and time liabilities (NDTL) of scheduled banks with an aim to ease liquidity situation in the banking system and revive growth. In the TQR, the RBI has revised the GDP growth projections for 2011-2012 downwards from 7.6 per cent to 7.0 per cent. The baseline projection for WPI inflation, for end-March 2012, that was placed at 6 percent in May 2011 was subsequently revised upwards to 7 percent in the July 2011 and retained at that level in the January 2012.

During 2011-2012 (up to 2 December, 2011), Reserve money (Mo) increased marginally by 0.7 per cent as compared to an increase of 6.4 per cent during the corresponding period of the preceding year; Narrow money (M_1) declined by 0.5 per cent during the current year compared to an increase of 4.0 per cent during the corresponding period of the previous year.The growth in M_3 was 8.8 per cent as compared to 8.5 per cent during the corresponding period of the previous year.

Liquidity conditions generally remained in deficit during 2011-2012 and tightened further in November 2011. To ease tightness in liquidity the RBI conducted open market operations (OMOs) aggregating over ₹ 700 billion during November 2011 to mid January 2012. The money market, in general, remained orderly during 2011-2012.

During the financial year 2011-2012 (up to 16 December, 2011), growth in bank credit extended by SCBs stood at 8.2 per cent as compared to 12.3 per cent in the corresponding period in 2010-2011. Growth in non-food credit stood at 7.9 per cent as compared with 12.1 per cent in the previous year.

Balance of Payments during H1 (April-September 2011) of 2011-2012

As per the latest data, the highlights of BoP developments during the first half (H1 – April-September 2011) of 2011-2012 were higher trade deficit, marginally lower current account deficit and lower capital account surplus as percentage of GDP as compared to the first half of 2010-2011.

The merchandise exports of US$ 150.9 billion in H1 (April-September 2011) of 2011-2012 posted an increase of 40.6 per cent, as against a growth of 29.8 per cent in the corresponding period of the previous year. Similarly, import of US$ 236.7 billion recorded an increase of 34.3 per cent during April-September 2011 as against an increase of 28.2 per cent in H1 of the previous year. The trade deficit was higher at US$ 85.7 billion (9.4 per cent of GDP) during H1 of 2011-2012 vis-a-vis US$ 68.9 billion (8.9 per cent of GDP) in H1 of 2010-2011. This was mainly on account of increase in international prices of imported commodities viz. oil and gold & silver during H1 of 2011-2012.

Goods and Services deficit (i.e. Trade Balance plus Services) also widened to US$ 54.7 billion during 2011-2012 (up to H1) as compared to US$ 47.4 billion during the corresponding period last year on account of increase in trade deficit. However as ratio of GDP, it marginally declined to 6.0 per cent in 2011-12 (up to H1) from 6.1 per cent in 2010-2011 (up to H1). The net invisibles surplus of US$ 52.9 billion (5.8 per cent of GDP) during April-September 2011 was higher vis-a-vis US$ 39.3 billion (5.1 per cent of GDP) during April-September 2010. The current account deficit increased to US$ 32.8 billion in H1 of 2011-2012, as compared to US$ 29.6 billion during the corresponding period of 2010-2011, which was mainly attributed to higher trade deficit. As per cent of GDP, it was shade lower to 3.6 per cent during H1 of 2011-2012 as compared to 3.7 per cent in H1 of 2010-2011.

Net capital flows at US$ 41.1 billion in the first half of 2011-2012 remained higher as compared with US$ 38.9 billion in first half of 2010-2011. Under net capital flows, FDI has shown considerable increase at US$ 12.3 billion during H1 of 2011-2012 vis-à-vis US$ 7.0 billion in the corresponding period of 2010-2011. Similarly, external commercial borrowing increased to US$ 10.6 billion during H1 of 2011-2012 as against US$ 5.7 billion in H1 of 2010-2011. Portfolio investment, mainly comprising foreign institutional investors (FIIs) investments and American Depository Receipts (ADRs)/ Global Depository Receipts (GDRs), however, witnessed large decrease in inflows to US$ 1.4 billion in H1 of 2011-2012 vis-a-vis US$ 23.9 billion in H1 of 2010-2011. However, net capital inflows as percentage of GDP has shown moderation from 5.0 per cent in H1 of 2010-2011 to 4.5 per cent in H1 of 2011-2012.

Merchandise Trade

India' exports and imports registered a five to six fold increase in the last decade from US$ 42.3 billion and US$ 51.6 billion respectively in 2000, to US$ 222.8 billion and US$ 329 billion in 2010 respectively. While the compound annual growth rate of (CAGR) of India's export and imports (in US dollar terms) was 8.2 per cent and 8.4 per cent respectively in the 1990s, it increased to 19.5 per cent and 25.1 per cent for exports and imports respectively during 2000-2001 to 2008-2009. The resilience of India's trade can be seen from the fact that its exports and imports growth which fell to (-) 3.5 percent and (-) 5 per cent in 2009-2010 as a result of the jolt received from the 2008 global economic crisis, rebounded to 40.5 per cent and 28.2 per cent in 2010-2011.

India's share in global exports and imports also increased from 0.7 percent and 0.8 per cent respectively in 2000 to 1.5 per cent and 2.2 per cent respectively in 2010. Its ranking in the leading exporters and importers improved from 31 and 26 in 2000, to 20 and 13 in 2010 respectively. Similarly, its ranking in the leading importers also improved from 26 in 2000, 17 in 2005 and 13 in 2010 respectively.

During the first half of 2011-2012, India's export growth also witnessed a high growth of 40.5 per cent. However, since October 2011 onwards there has been a deceleration in export growth as a result of the crisis originating in the periphery of the Euro area and spreading to the core economies. Export growth decelerated to 3.9 per cent and 6.7 per cent respectively in November and December 2011 compared to a high growth of 36.4 per cent in September 2011.

Cumulative exports were at US$ 217.6 billion, registering a modest growth of 25.8 per cent during 2011-2012 (April-December). India's imports in 2011-2012 (April-December) at US$ 350.9 billion, registered a growth of 30.4 per cent. During 2011-2012 (April-December), the following export sectors have done well viz., petroleum & oil products registering a growth of 55 per cent; gems and jewellery 38.5 per cent; engineering 21.6 per cent; Cotton fabrics made ups etc., 13 per cent; electronics, 21.1 per cent; readymade garments 23.7 per cent and Drugs 21.5 per cent.

During 2011-2012 (April-December) POL imports at US$ 105.6 billion, grew by 40.4 per cent. Non-POL imports during at US$ 245.3 billion, grew by 26.5 per cent. Gold & Silver imports of US$ 44.7 billion grew by 69 per cent. Non-POL & Non Bullion imports which basically reflect the imports of capital goods needed for industrial activity and imports needed for exports valued at US$ 200 billion grew by 19.6 per cent.

Trade deficit for 2011-2012 (April-December) at US$ 133.2 billion was 38.5 percent higher than the level of US$ 96.2 billion in 2010-2011 (April-December) due to low export growth and moderate import growth.

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 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 end March 2010 and US$ 304.8 billion at end March 2011.

In 2011-2012, the foreign exchange reserves have shown increasing trend and reached its peak level of 322.0 billion at end August 2011. However, reserves have thereafter declined to US$ 311.5 billion at end September 2011. It stood at US$ 296.7 billion at end December 2011.

Exchange Rate

In the current fiscal 2011-2012, there are two distinct phases in the exchange rate of rupee. The Rupee continued exhibiting a two-way movement with an appreciating trend till about July 2011 after which the appreciating trend of the Rupee reversed and it started declining. The monthly average exchange rate of rupee depreciated by 14.6 per cent from ₹ 44.97 per US$ in March 2011 to ₹ 52.68 per US$ in December 2011.On point to point basis, the value of rupee against US dollar was highest at ₹ 43.94 on 27 July, 2011, which depreciated by 19.0 per cent to ₹ 54.23 per US$ on 15 December, 2011.

External Debt

India's external debt stock stood at US$ 326.6 billion at end September 2011 recording an increase of US$ 20.2 billion (6.6 per cent) over end-March 2011 estimates of US$ 306.4 billion. This increase was primarily on account of higher commercial borrowings and short-term debt, which together contributed over 80 per cent of the total increase in the country's external debt.

The maturity profile of India's external debt indicates the dominance of long-term borrowings. The long-term external debt at US$ 255.1 billion at end September 2011, accounted for 78.1 per cent of the total external debt while the remaining 21.9 per cent was short-term debt. Government (sovereign) external debt stood at US$ 79.3 billion, while non-Government debt amounted to US$ 247.3 billion at end September 2011. The share of Government external debt in total external debt declined from 25.5 per cent at end March 2011 to 24.3 per cent at end September 2011.

The currency composition of India's total external debt shows that the share of US dollar denominated debt was the highest in external debt stock at 55.8 per cent at end September 2011, followed by Indian rupee (18.2 per cent), Japanese Yen (12.1 per cent), SDR (9.1 per cent) and Euro (3.5 per cent).

India's foreign exchange reserves provided a cover of 95.4 per cent to the total external debt stock at end September 2011 vis-à-vis 99.5 per cent at end March 2011. The ratio of short-term external debt to foreign exchange reserves was at 22.9 per cent at end September 2011 as compared to 21.3 percent at end March 2011.

India's external debt has remained within manageable limits as indicated by the external debt to GDP ratio of 17.4 per cent and debt service ratio of 4.2 per cent in 2010-2011. This has been possible due to prudent external debt management policy pursued by the Government of India.

Social Sector Development

The focus of development planning in India over the years has been on issues related to human development and inclusive development with emphasis on poverty alleviation, employment generation, education, health and skill development. To achieve inclusive development, sector-specific priorities of the Government are 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 2005-2006 to 18.47 per cent in 2011-2012 (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 21.6 per cent in 2006-2007 to 25 per cent in 2011-2012 (BE).

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 2010-2011, 5.49 crore households were provided employment of 257.15 crore person days under this scheme as against 5.26 crore households and 283.59 crore person days during 2009-2010. During 2011-2012, 3.80 crore households have been provided employment of 122.37 crore person days as reported on 19 January 2012 and the share of SCs and STs are 23 per cent and 17 per cent respectively. Similarly women's share is 49 per cent of the total person days generated.

Sarva Shiksha Abhiyan (SSA)/Right to Education (RTE): Free education for all children between the age of 6 and 14 years has been made a fundamental right under the RTE Act, 2009. It implies that every child has a right to elementary education of satisfactory and equitable quality in a formal school which satisfies certain essential norms and standards. Some recent developments in this regard include (a) Notification of Central RTE Rules on 8 April, 2010, followed by notification of State RTE Rules by the States, (b) Revision of the SSA norms to correspond with the provisions of the RTE Act, (c) Revision of the fund sharing pattern between the Central and State Governments for implementation of RTE-SSA programme from the earlier pattern in the sliding scale to 65:35 ratio between the Centre and States for a five year period from 2010-2011 to 2014-2015, (d) Notifying the NCTE as the academic authority for laying down teacher qualifications, (e) Opening of 3,34,149 new primary and upper primary schools, construction of 2,67,209 school buildings, construction of 14,10,937 additional classrooms, 2,12,233 drinking water facilities, construction of 4,77,263 toilets, supply of free textbooks to 8.77 crore children and appointment of 12.24 lakh teachers. 19.23 lakh teachers received in-service training. There has been a significant reduction in the number of out of school children on account of SSA interventions. The number of Out of School Children has come down from 134.6 lakh in 2005 to 81.5 lakh in 2009 as per an independent study conducted by the SRI-IMRB, (f) Merging the Kasturba Gandhi BalikaVidyalayas (KGBV) with the (SSA) with effect from 1 April 2007. Now there are 3367 Vidyalayas in 26 States, providing residential schooling facilities at the upper primary stage for girls belonging predominantly to SC, ST, OBC and minority community, 663 KGBVs in blocks with high ST population and 1035 in SC dominated blocks. 2.83 lakh girls were enrolled in KGBVs, of which 30.32% belonged to SC, 25.43% to ST, 26.36% to OBC, 9.51% to Muslims and 10% to BPL category.

National Rural Health Mission (NRHM): National Rural Health Mission (NRHM) launched in 2005 aims to improve accessibility to quality healthcare for the rural population, remedy the architectural correction in the health system, bridge gaps in healthcare, facilitate decentralized planning in the health sector and bring about inter-sectoral convergence. NRHM provided an overarching umbrella to the existing programmes of Health & Family Welfare including Reproductive and Child Health (RCH-II) and various disease control programmes, including Tuberculosis, Leprosy, Vector Borne Diseases and Blindness control. The effort is to integrate all vertical programmes. All the programmes have now been brought under District Health Society at district level and State Health Society at State level. Under NRHM, over 1.4 lakh health human resources have been added to the health system across the country (up to September 2011) which include 11880 doctors/specialists, 11,072 AYUSH doctors, 66731 (Auxiliary Nurse Midwife (ANMs), 33790 staff nurses and 20159 Paramedics including AYUSH Paramedics. Accredited Social Health Activists (ASHAs) are engaged in each village/large habitation in the ratio of one per 1000 population. Till September 2011, 8.55 lakh ASHAs have been selected in the entire country out of which 8.07 lakh have been given the orientation training and engaged. So far over 8,330 PHCs have been made functional as 24x7 services across the country which accounts for nearly 35% of the total PHCs. Further, 453 districts in the country are equipped with Mobile Medical Units in the country under NRHM. Under NRHM, emphasis has been laid on prevention and promotive aspects of healthcare. There has been a steady increase in health care infrastructure available over the plan period. As on March 2010, 1,47,069 Sub-centres, 23,673 PHCs and 4,535 CHCs are functioning in the country. There has been an increase in the sub centres, PHCs and CHCs functioning.

2. 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.

3. Deapartment 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 2011-2012 to achieve these objectives. The details of these changes are given in paragraphs 3.3 and 4.9 of Chapter III.

In the financial year 2011-2012, 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 to facilitate and ensuring of effective interaction and coordination amongst the intelligence/enforcement and regulatory agencies in the areas of economic offences. The Bureau has also been charged with the responsibility of overall administration of COFEPOSA Act, 1974 (Conservation of Foreign Exchange and Prevention of Smuggling Activities Act) and monitoring of actions taken by the State Governments. As the Secretariat for the Economic Intelligence Council, the Bureau functions to improve coordination among the intelligence/enforcement agencies dealing with the economic offences. The Bureau also monitors the functioning of 22 Regional Economic Intelligence Councils (REICs) constituted for coordination activity amongst various enforcement and investigative agencies dealing with economic offences at the regional levels.

The Income Tax offices throughout the country continued their drive against tax evaders. During the financial year 2011-2012 (upto December 2011), 2,937 search warrants were executed leading to the seizure of assets worth ₹ 455.47 crore. During the financial year (upto September 2011), 1,271 surveys (provisional) were conducted which yielded a disclosure of additional income of ₹1,076 crore (provisional). As regards assessees, 2.09 lakh new assessees were added during the period upto September 2011.

The Customs and Central Excise offices also continued their drive vigorously against duty evasion. During the financial year 2011-2012 (upto December 2011), 371 cases of evasion of Central Excise duty involving ₹ 752.72 crore were detected and an amount of ₹ 161.92 crore was recovered during investigations. In respect of Service Tax, during the same period, 331 cases involving tax evasion amount of ₹ 4,417.74 crore were detected and an amount of ₹ 329.44 crore was recovered during investigations. Regarding evasion of Customs duty, 466 cases involving duty of ₹ 1311.89 crore were detected during April-September 2011. 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 April-September 2011, in 12,195 outright smuggling cases, contraband goods worth ₹ 1,515.66 crore were seized.

4. Department of Disinvestment

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.

5. Department of Financial Services

The Department of Financial Services (DFS) is mainly responsible for policy issues relating to Public Sector Banks (PSBs) and Financial Institutions including their functioning, appointment of Chairman cum Managing Directors (CMDs) & Executive Directors (EDs), legislative matters, international banking relations, appointment of Governor/Deputy Governor of Reserve Bank of India, matters relating to National Bank for Agriculture and Rural Development (NABARD), Agriculture Finance Corporation , Co-operative Banks, Regional Rural Banks (RRBs), rural/agriculture credit, Financial Inclusion, matters relating to Insurance sector and performance of public sector insurance companies, administration of various Insurance Acts, pension reforms including the New Pension System (NPS), legislative and other issues regarding the Pension Fund Regulatory and Development Authority (PFRDA) etc.

Department of Economic Affairs

Chapter-I

Department of Economic Affairs

1. Economic Division

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

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

1.3 The Division also brings out the Economic and the Functional Classification of the Central Government's Budget, which is placed in 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 Emerging Economies was organized by Economic Division in partnership with NIPFP on 14 December, 2011 wherein researchers, policy makers & industrialists from India and abroad participated including nobel laureate Prof. Amartya Sen.

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
- Climate Finance Cell

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 the movements in monetary parameters and also 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 matte` 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. The total authorized strength of the cadre at various grades is 511, which includes 471 duty posts and 40 as reserves.

1.16.1 The successful candidates (12) of the IES Examination 2009, appointed to the service on 3 January, 2011, are presently undergoing their inception-level probationary training. As a part of the training programme, courses were conducted at the "Institute of Economic Growth", Delhi; "The Indian Society for International Law", Delhi; "National Institute of Public Finance & Policy", Delhi; "National Institute of Financial Management", Faridabad; "North Eastern Council", Shillong; "Bankers Institute of Rural Development", Lucknow; "Indian Institute of Management", Lucknow; "Bhillai Steel Plant", Chattisgarh; "Indian Institute of Capital Markets", Vashi, Mumbai; "Indian Maritime University", Chennai; RBI, Chennai; "National Institute of Micro, Small and Medium Enterprises", Hyderabad; "Dr. MCRHRD Institute of AP", Hyderabad (Foundation Course); "Bureau of Parliamentary Studies", Delhi; Attachment with Regulatory Bodies; "National Centre for Agricultural Economics and Policy", New Delhi, the "Lee Kuan Yew School of Public Policy", National University of Singapore and district level attachment with State Governments. During the year, 17 successful candidates of the IES examination 2010 were also appointed to the Service and they are also undergoing their probationary training.

1.16.2 A Comprehensive Training Policy to augment the in-service training of the IES is being implemented for the in-service office` As per the policy, a compulsory mid-career training is being implemented for IES office` Each mid-career training course is of six weeks duration, comprising four weeks of domestic learning component and two weeks of overseas learning component. Two mid-career training courses have been conducted in 2011-2012 through the Indian Institute of Management, Lucknow.

1.16.3 In addition, regular training courses have been conducted for serving IES officers in several Institutes such as (i) "Administrative Staff College of India (ASCI)", Hyderabad on Macro-economic Policy; and on various topics covering areas on environment, health, education, energy etc. (ii) "Indian Maritime University", Chennai on Infrastructure Regulation; "The Indian Econometric Society" on Econometric Theory and Application (focusing on Panel and Cross Section data); (iii) "Duke University", Durham, USA on Project Appraisal and Risk Management; (iv) through "Banker's Institute of Rural Development", Lucknow on Hi-tech Agriculture and Extension System in Israel and on Micro Finance in Bangladesh. Officers are also being nominated for the courses conducted by the Joint India-IMF Training Programme held at Pune. In addition to the 40 officers who attended the Mid-career Training Programme, 53 IES officers have attended the other In-service training courses organized by the IES Cadre during the year.

1.16.4 During 2011-12, promotions have taken place in respect of different grades of the service. Three officers were promoted to the Higher Administrative Grade+ (Apex level), fifteen officers were promoted to the Higher Administrative Grade, thirty two officers were promoted to the Senior Administrative Grade and twenty three Senior Time Scale officers were promoted to the Junior Administrative Grade. Four officers from the feeder post holders were inducted into the Service.

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

1.16.6 The Indian Economic Service celebrated its Golden Jubilee Year, since the Service was constituted in 1961. This momentous year was celebrated with a series of events and projects. The inaugural function of the Golden Jubilee was held on 29 August, 2011. Hon'ble FM had graced the occasion. Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission and Dr. D. Subbarao, Governor, RBI, delivered the key lectures on the " Role of Economic Analysis in Government" and " Role of Economics in Policy Making" respectively .The logo of the service was unveiled on that day and two websites; the website of the Service, www.ies.gov.in and the knowledge website; www.arthapedia.in were launched. The website of the Service has all the details about the Service, such as postings, transfers, rules, guidelines and a corner for aspirants to the Service. The arthapedia is a knowledge website which is a storehouse of economic concepts specific to Indian context. It provides useful insight to the terminologies used in economic policy formulation.

1.16.7 The second function to celebrate the Golden Jubilee, was a distinguished lecture series held on 29 September, 2011. Dr. C. Rangarajan, Chairman, Prime Minister's Economic Advisory Council and Dr. Bimal Jalan, Chairman, Centre for Development Studies were the key speake` Dr. C. Rangarajan spoke on "The Current Economic Scene and Some Policy Options" and Dr. Bimal Jalan spoke on "The Future Role of IES in Improving Governance".

1.16.8 The finale of the Golden Jubilee Celebration of the Indian Economic Service was held on the 24 January, 2012. Hon'ble Speaker of the Lok Sabha Smt. Meira Kumar was the Chief Guest. The function was marked by distinguished lectures by Shri Nitin Desai on "Are we ready for a different future" and Ms. Usha Thorat on "Financial Sector Regulations, its implications on growth, stability and equity" and the release of two books "On the Turnpike: Indian Economy since 1947 & Indian Economic Service at 50" and "A Critical Decade – Policies for India's Development". The first publication was authored by Shri T. C. A. Srinivasa Raghavan, an eminent journalist of Business Line. It brings artistic flavour both contemporary and classical, tracking the economic events gone by and the progress in the Indian Economic Service seeking to intertwine the two. The second publication is a collection of articles on the development policies covering all the major sectors of the economy, authored by the officers of Indian Economic Service and edited by Shri Rajeev Malhotra, Economic Adviser in the office of Finance Minister.

1.16.9 An Essay Competition was also held as part of Golden Jubilee Celebrations. The topic for the competition was abundant Foodgrain Stocks, Ample Foreign Exchange Reserves and Poverty: Addressing the Challenges of India's Development Story". The competition was open to students enrolled for graduate/post graduate/M.Phil/Ph.D. courses. The winners were felicitated on the 24 January, 2012.

1.16.10 A special calendar was also released on the occasion of the Golden Jubilee Year. The Calendar consists of sketches of Nobel laureates/eminent economists from across the globe, along-with write-ups on each of them. The sketches are by one of India's most acclaimed artist, Sanjay Bhattacharya, who is known for his innovative style, a kind of "Sub continental Surrealism". It can therefore be considered as both a work of art as well as a mini economic survey. This calendar celebrates the art and creativity involved in economic policy formulation.

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

2.2 This Division also looks after matters relating to Duties, Powers and Conditions of Service of the Comptroller and Auditor General of India and 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 1 January, 2011 to 31 December, 2011, 34 reports of the C&AG of India were laid before the Parliament, and, 45 entrustment/re- entrustments of audit of various bodies to the C&AG of India were dealt by this Division.

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

2.4.2 Small Savings Collections

The gross deposits under various small savings schemes during 2011-2012 (upto December 2011) were ₹ 1,50,308 crore as against the deposit of ₹ 2,03,012 crore during the same period last year. An amount of ₹ 11,000 crore (Approx.) is proposed to be transferred as share of net small savings collections to the States and Union Territories (with legislature) during the current fiscal, as against the sum of ₹ 58,403 crore 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. 1 April, 1999. The net accretions under the small savings schemes are invested in the special securities of various States/Union Territories (with legislature)/Central Government. The minimum obligation of States to borrow from the National Small Savings Fund (NSSF) was brought down from 100 per cent to 80 per cent of net collections w.e.f. 1 April, 2007.

2.4.4 In pursuance of the recommendation of Thirteenth Finance Commission, the Government had 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 matte` The Committee submitted its report to the Government on 7 June, 2011. Comments/views of Department of Posts, Department of Revenue, Department of Financial Services, Department of Expenditure, Reserve Bank of India and all State/Union Territory Governments were sought on the recommendations made by the Committee.

2.4.5 The recommendations of the Committee have been considered in detail, taking into account the views/comments received from other Departments, States/UTs and representations received from Members of Parliament, various agents' associations and othe` After detailed examination the following decisions have been taken.

Rationalisation of Schemes

(i) The maturity period for Monthly Income Scheme (MIS) and National Savings Certificate (NSC) (VIII Issue) has been reduced from 6 years to 5 yea`

(ii) A new NSC instrument, with maturity period of 10 years, has been introduced.

(iii) Kisan Vikas Patras (KVPs) has been discontinued.

(iv) The annual ceiling on investment under Public Provident Fund (PPF) Scheme has been increased from ₹ 70,000 to ₹ 1 lakh.

(v) Interest on loans obtained from PPF has been increased to 2% p.a. from existing 1% p.a.

(vi) Liquidity of Post Office Time Deposit (POTD) – 1, 2, 3 & 5 years – has been improved by allowing pre-mature withdrawal at a rate of interest 1% less than the time deposits of comparable maturity. For pre-mature withdrawals between 6-12 months of investment, Post Office Savings Account (POSA) rate of interest will be paid.

Interest Rates on Small Savings Instruments

(i) The rate of interest paid under Post Office Savings Account (POSA) has been increased from 3.5% to 4% p.a.

(ii) The rate of interest on small savings schemes has been aligned with G-Sec rates of similar maturity, with a spread of 25 basis points (bps) with two exceptions. The spread on 10 year NSC (new instrument) will be 50 bps and on Senior Citizens Savings Scheme 100 bps. The interest rates for every financial year will be notified before 1st April of that year.

(iii) The rate of interest on various small savings schemes for current financial year on the basis of the interest compounding/payment built in the schemes, is shown in table 1.1.

(iv) Payment of 5% bonus on maturity of MIS has been discontinued.

Commission to Agents

(i) Payment of commission on PPF scheme (1%) and Senior Citizens Savings Scheme (0.5%) has been discontinued.

(ii) Agency commission under all other schemes (except MPKBY agents) has been reduced from existing 1% to 0.5%.

(iii) Commission at existing rate of 4% will continue for Mahila Pradhan Kshetriya Bachat Yojana (MPKBY) agents.

(iv) Incentives, if any, paid by the State/UT Governments will be reduced from the commission paid by the Central Government.

Investments from NSSF

(i) The minimum share of States in net small savings collections in a year, for investment in State Governments Securities, has been reduced from 80% to 50%. The remaining amount will be invested in Central Government securities or lent to other willing States or in securities issued by infrastructure companies/agencies, owned by Central Government.

(ii) Yearly repayment of NSSF loans made by Centre and States, will be reinvested in Central and State Government securities in the ratio of 50:50.

(iii) The period of repayment of NSSF loans by Centre and States has been reduced to 10 years, with no moratorium.

(iv) For the current financial year the prevailing interest rate of 9.5% will continue. From 1 April, 2012 revised interest rate will be notified.

(v) Half yearly payment of interest by the Centre and the States will be introduced.

(vi) Interest rate on existing investments from NSSF in Central Government securities till 2006-2007 will be reset at 9% and on those from 2007-2008 till 2010-2011 will be reset at 9.5%.

Operational Issues of NSSF

(i) A Monitoring Group drawn from Ministry of Finance, Reserve Bank of India, Department of Posts, State Bank of India, other select banks and select State Governments will be set up to resolve various operational issues like reducing the time lag between collection and investment, etc.

Necessary orders giving details of aforesaid changes have been issued on 11 November, 2011 and the changes in Small Saving Schemes have come into effect on 1 December, 2011.

2.4.6 An Expert Group was constituted under the Chairmanship of Additional Chief Advisor (Cost), Department of Expenditure, Ministry of Finance to review rates of agency charges payable to Department of Posts for operation of Small Savings Schemes. This Group submitted its report on 19 May, 2011. The Government has accepted the recommendations of the Expert Group.

Table 1.1

Instrument	Pre-Revised Rate (%)	Revised Rate (%)
Savings Deposit	3.50	4.0
1 year Time Deposit	6.25	7.7
2 year Time Deposit	6.50	7.8
3 year Time Deposit	7.25	8.0
5 year Time Deposit	7.50	8.3
5 year Recurring Deposit	7.50	8.0
5-year SCSS	9.00	9.0
5 year MIS	8.00 (6 year MIS)	8.2
5 year NSC	8.00 (6 year NSC)	8.4
10 year NSC	New Instrument	8.7
PPF	8.00	8.6

2.4.7 Measures for Improved Interface with the Public

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

2.4.7.2 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 Government Borrowing

2.5.1 The Central Government's normal borrowing through issue of dated securities for financing the fiscal deficit was budgeted in BE 2011-2012 at ₹ 4,17,128 crore (Gross) and ₹ 3,43,000 crore (net). Due to shortfall in other financing items (National Small Savings Funds) and also on account of lower net receipts after large refunds under direct tax, Government of India in consultation with RBI has enhanced the gross and net market borrowing through dated securities for 2011-2012 to the tune of ₹ 5,10,000 crore and ₹ 4,35,872 crore respectively.

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

2.5.3 The weighted average yield and maturity of dated securities issued during 2011-2012 (till February 2012) as a whole were 8.52% and 12.63 years respectively, as compared to 7.92% and 11.62 years in 2010-2011.

2.5.4 Detailed analysis of existing debt and liabilities of the government is brought out in the annual debt papers, published during 2010-2011 and 2011-2012. These are available at on the website at www.finmin.nic.in.

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 2011 to December 2011, the following documents were presented in the Parliament.

i) Medium-Term Fiscal Policy Statement 2011-2012

ii) Fiscal Policy Strategy Statement 2011-2012

iii) Macro-Economic Framework Statement 2011-2012

iv) Quarterly Statements on Review of the trends in receipts and expenditure in relation to the budget.

    (a) Third Quarter report for the year 2010-2011

    (b) Fourth Quarter report for the year 2010-2011

    (c) First Quarter report for the year 2011-2012

    (d) Mid-Year Review for the year 2011-2012

2.6.2 The details of fiscal performance during 2010-2011 and April-December 2011-2012 is shown in table 1.2.

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 1 April, 2007, provide that the Monthly Expenditure Plans may be drawn up to ensure greater evenness in expenditure and further reduce the problem of rush of expenditure at the end of the year or parking of funds. It has been decided that in addition to above, twenty three more Demands for Grants will be included in exchequer control based expenditure management system w.e.f. 1 April, 2012. 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.

Table 1.2

Item	2010-2011 (Provisional Account)	2011-2012 B.E.	Actuals up to December 2011
		(as percentage of GDP)	
Revenue Deficit	3.2	3.4	3.1
Fiscal Deficit	4.8	4.6	4.2
Gross Tax Revenue	10.2	8.8	5.5

2.8 Debt Management Office

2.8.1 Subsequent to the announcement made in the Union Budget 2007-2008 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 Ministry's 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 2011-2012 that the Public Debt Management Agency of India Bill will be introduced in 2011-2012. Draft legislation has been prepared and is in the process of being finalized for introduction in Parliament.

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 Classification Report 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 Governments and International Agencies, Cabinet Notes, Parliament questions/assurances, notifications, Standing Committee papers, monthly summary for the Cabinet, External Assistance Report etc.

3. Capital Markets Division

3.1 An introductory para about the functions/working of organization and set up of the Division, including its various Advisory Boards and Councils, if any, in a brief and concise forms:

This Division comprises various sections. The sections along with the work handled by them is shown in table 1.3.

Table 1.3

Primary Market	Secondary Market (SM) & UTI	EM & ECB
a. Primary Market	**I. Secondary Market**	**I. External Markets (EM)**
b. Related Intermediaries & Participants	a. Secondary Market	a. International Financial Markets
c. Board Meeting (primary responsibility)	b. Related Intermediaries & Participants	b. Mumbai as IFC
d. SEBI Act	c. Board Meeting (Secondary responsibility.	c. FEMA and related Rules & Regulations
e. Related Rules and Regulations	d. SC(R) Act	d. Liaison/Branch Offices
f. Corporate Bond/Debt Market Development	e. Depositories Act	e. Foreign travel of State Govt./ UT functionaries
g. Union Budget related matters	f. Related Rules and Regulations	f. Sectoral (Legal Affairs, Legislative Department and Parliamentary Affairs) Charge
h. National Institute of Securities Market	g. Taxes and Stamp Duties in Securities Markets	g. Any other matter, as may be assigned
i. Collective Investment Schemes	h. Database relating to Securities Markets	**II. External Commercial Borrowings (ECB)**
j. Related Intermediaries and Participants	i. Monitoring of stock market movement	a. ECB/FCCB
k. Private equity and venture capital	j. Self Regulatory Organisation	b. ADR/GDR
l. Financial Literacy	k. SME Exchange	c. FII
m. FSLRC (all policies & technical matters)	l. Saving investment survey	d. Any other, as may be assigned
n. Credit Rating Agencies	m. Investment Advisors Regulation	
o. Financial Regulatory Architecture	n. Related Intermediaries and participation.	
p. Sectoral Charge (Corporate Affairs)	o. Indian Trusts Act (section 20)	
	p. Any other, as may be assigned	
	II. UTI & other items	
	a. UTI Repeal Act ,2002	
	b. SUUTI	

Primary Market

q. Any other matter , as may be assigned

Regulatory Establishment (RE) & Coordination

a. SEBI Establishment

b. SAT Establishment

c. Related Rules and Regulations

d. Sectoral (Departments of Disinvestment, Expenditure, Revenue & Financial Services) Charge

e. Any other matter, as may be assigned.

Coordination Section

a. Internal coordination within CM Div.

b. Any issues/matter involving more than one section

c. Reports and Returns

d. Internship programme

Financial Action Task Force (FATF) Cell

a. Overseeing the implementation of India's Action Plan to FATF, and co-ordinating with all the other government departments and agencies involved in AML/ CFT matters.

b. Coordinating India's interface with the Financial Action Task Force (FATF)

c. All matters relating to Asia Pacific Regional Review Group, including the Co-Chairing and primary review

d. All matters relating to Euro Asian Group for anti money laundering and Terrorism financing

e. Follow up on implementation of ARFAC committee report, NPO sector Committee report and National Risk Assessment Committee report

Secondary Market (SM) & UTI

c. Any other matter, as may be assigned.

International Co-operation (IC) & JPC

I. International Cooperation

a. International Cooperation

b. Sovereign Credit Rating

c. Sovereign Wealth Fund

d. Financial Stability Board

e. Financial Sector Assessment Program

f. Interaction with financial analysts & economists

g. Financial Markets

h. NIPFP-DEA Research Programme

i. Any other matter, as may be assigned

II. JPC Cell

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

e. Any other matter, as may be assigned

EM & ECB

Financial Stability & Development Council (FSDC) Cell

I. Servicing the Council (FSDC);

II. Handles issues relating to the FSDC Sub-Committee.

3.2 Significant Developments/policy decisions taken during the year for the development of a particular sector , including initiatives for improving delivery of public services and for ensuring “inclusive growth”.

3.2.1 Financial Stability and Development Council (FSDC)

a. In pursuance of the announcement made in the Budget 2010-2011, with a view to strengthen and institutionalize the mechanism for maintaining financial stability and enhancing inter-regulatory coordination, Government has 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 authorities, Finance Secretary and/or Secretary, Department of Economic Affairs (DEA), Secretary, Department of Financial Services, and the Chief Economic Adviser.

b. Without prejudice to the autonomy of regulators, this Council would monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates. It will address inter-regulatory coordination issues and thus spur financial sector development. It will also focus on financial literacy and financial inclusion. A sub-committee of FSDC has also been set up under the chairmanship of Governor RBI.

c. So far, three meetings of the Council and five meetings of the its Sub-Committee have been held in which a range of financial sector stability and development issues, including inter-regulatory coordination matters have been discussed and decided.Under the aegis of FSDC, two empowered Technical Groups have been formed i.e. (a) Technical Group on Financial Literacy and Financial Inclusionand Inter-Regulatory Technical Group.

3.2.2 Financial Sector Legislative Reforms Commission (FSLRC)

a. Today we have over 60 Acts and multiple Rules/ Regulations that govern the financial sector. Many of them have been written several decades back. Large number of amendments to these Acts made at different points of time have increased ambiguity and complexity. Financial sector regulations are, as a consequence, fragmented. It was therefore proposed to set up the Financial Sector Legislative Reforms Commission (FSLRC), which would, inter-alia, evolve a common set of principles for governance of financial sector regulatory institutions. The Commission would also examine the case for greater convergence of regulations and streamline regulatory architecture of financial markets.

b. In pursuance of the announcement made in Budget 2010-2011, the Government has set up the Financial Sector Legislative Reforms Commission (FSLRC) with a view to rewriting and harmonizing the financial sector legislation, rules and regulations to address the contemporaneous requirements of the sector. The resolution notifying the FSLRC was issued on 24 March, 2011. The Commission is chaired by Supreme Court Justice (Retired) B. N. Srikrishna, and has ten members with expertise in the fields of finance, economics, law and other relevant fields. The Commission would examine financial sector legislations, including subordinate legislations.

c. The Commission engaged two technical/research teams and decided to constitute various Working Groups (WG), each one chaired by a Member of the Commission. Two WGs – on Pensions, Insurance, PFs& Small Savings and on Payment Systems - have been set up. Other WGs – on Securities, Banking, and Debt Management - are being set up. The WGs will follow the broad principles and approaches as approved by the Commission and examine the sector specific details, produce reports, draft laws thereon and report to the Commission. The Commission has had 12 meetings till December 2011.

3.2.3 Increasing Acess to Indian Capital Markets Qualified Foreign Investor (QFI) scheme

a In order to further liberalize the portfolio investment route, the Union Finance Minister had announced in the Budget for 2011-2012 to permit SEBI registered Mutual Funds (MFs) to accept subscriptions for equity schemes from foreign investors who meet the KYC requirements. The scope of the budget announcement has now been expanded to allow SEBI registered Mutual Funds to accept subscriptions from qualified foreign investors (QFIs) for debt schemes in the infrastructure sector. The QFI scheme has been operationalized on 9 August, 2011. Salient points of the scheme are:

i) A QFI is an individual, group or association, resident in a foreign country that is compliant with Financial Action Task Force (FATF) standard and that is a signatory to International Organization of Securities Commission’s Multilateral Memorandum of Understanding. QFIs do not include Foreign Institutional Investors or Sub-accounts as these are already permitted to invest in Equity and Debt markets in India as per the extant guidelines of SEBI and RBI.

ii) QFIs can invest through the direct route by holding MF units in demat accounts through SEBI registered depository participants, or through the indirect route by holding MF units via Unit Confirmation Receipts (UCR).

iii) As of now, it has been decided that the aggregate investments by QFIs in equity schemes of MFs under both the routes shall be subject to a ceiling of US$10 billion. Moreover, QFIs can invest up to an additional amount of US$ 3 billion under both the routes in the units of MF debt schemes which invest in infrastructure sector.

iv) The residual maturity of five years for QFI investment in Mutual fund debt schemes that invest in the infrastructure sector would refer to the original maturity of the instrument at the time of first purchase by an FII.

b) The scheme would enable QFIs to have direct access to the Indian Mutual Funds. It would widen the class of investors participating in the Indian capital market, help increase depth and reduce volatility in the market. The QFI scheme will also make it easier for overseas investors to participate in the infrastructure sector projects in India, and therefore would provide an additional source of overseas long term debt funding.

Increase in FII Investment Limit for Government Securities and Corporate Bonds

a) The Budget Speech (2011-2012), paragraph 33, reads as under:

"To enhance the flow of funds to the infrastructure sector, the FII limit for investment in corporate bonds, with residual maturity of over five years issued by companies in infrastructure sector, is being raised by an additional limit of US$ 20 billion taking the limit to US$ 25 billion. This will raise the total limit available to the FIIs for investment in corporate bonds to US Dollar 40 billion. Since most of the infrastructure companies are organised in the form of SPVs, FIIs would also be permitted to invest in unlisted bonds with a minimum lock-in period of three yea` However, the FIIs will be allowed to trade amongst themselves during the lock-in period."

b) In order to implement the previously mentioned Budget announcement, SEBI issued a circular on 31 March, 2011. The progression of the limits of FII investment in debt instruments is shown below. The utilization of these limits may be seen at Annexure.

c) In the last six months, following steps have been taken:

i. Pursuant to the budget announcement in February 2011, the Government in consultation with the regulators raised the limit for FII investment in long-term corporate bonds issued by the companies in the infrastructure sector from US$ 5 billion to US$ 25 billion.

ii. Qualified Foreign Investors (QFIs) have been allowed to invest a total of US$ 10 billion in Mutual Fund Equity Schemes and US$ 3 billion in Mutual fund debt schemes that invest in the infrastructure sector. Investment by QFIs in Mutual Fund Debt Schemes which invest in the infrastructure sector is subject to a total overall ceiling of US$ 3 billion within the existing ceiling of US$ 25 billion. It is learnt from SEBI that many of the leading banks have applied for registration with SEBI to become eligible Depository Participants for providing services to QFIs.

iii. A separate carve out USD 5 billion out of the remaining US$ 22 billion for FII investments in Long-term infra bonds has been created for FII investment in bonds which have an initial maturity of five years or more at the time of issue and residual maturity of one year at the time of first purchase by FIIs. These investments are subject to a lock-in period of one year. FIIs can, however, trade amongst themselves but cannot sell to domestic investors during the lock-in period of one year. SEBI has reported that as on 13 October, 2011, this limit of US$ 5 billion has been fully subscribed by FIIs.

iv. The remaining US$ 17 billion limit available to

Table 1.4: Progression of Limit of FIIs Investment in Debt Instruments (In US$ Billion)

	2006	2007	2008	2009	2010	2011
Corporate Bond	0.5	1.5	3	15	20(15+5*)	45(20+25**)
Government Securities	1.75	3.2	5	5	10	15

Note: * Incremental limit of US$ 5 billion would be invested in securities with residual maturity of over five years issued by companies in infrastructure sector.

** Distribution of USD 25 Billion limit is depicted below:

Type of Investment	Upper Cap (US$ Billion)
Total FII Limit for Long Term Infra 0f which	25
(a) QFI Investment in MF Debt Schemes which Invest in Infrastructure (including Investment in IDF)	3
(b) FII Investment in Long Term Infra Bonds having One Year Lock-in with One Year Residual Maturity	5
(c) FII Investment in Long Term Infra Bonds having Three Year Lock-in with Three Year Residual Maturity	17

FIIs can be invested in Long-term infra bonds which have an initial maturity of five years or more at the time of issue and residual maturity of three years at the time of first purchase by FIIs. These investments are subject to a lock-in period of three yea` During the three-year lock-in period FIIs can trade amongst themselves but cannot sell to domestic investors.

v. The residual maturity of five years for QFI investment in Mutual fund debt schemes that invest in the infrastructure sector would now onwards refer to the original maturity of the instrument at the time of first purchase by an FII.

Review of Limits for Foreign Institutional Investors (FII) Investments in Government Securities and Corporate Bonds

a) On 17 November, 2011, the policy has been reviewed in the context of India's evolving macroeconomic situation, the need for enhancing capital flows and making available additional financial resources for India's corporate sector. It has now been decided to:

   i. Increase the current limit of FII investment in Government Securities by US$ 5 billion raising the cap to US$ 15 billion. The incremental limit of US$ 5 billion can be invested in securities without any residual maturity criterion; and,

   ii. Increase the current limit of FII investment in corporate bonds by US$ 5 billion raising the cap to US$ 20 billion. The incremental limit of US$ 5 billion can be invested in listed corporate bonds.

Direct Investment by Qualified Institutional Investor (QFI) in Indian Equity Markets

A press release allowing QFIs to directly invest in Indian equity market was issued by the Government on 1 January, 2012. This was done to widen the class of investors, attract more foreign funds, reduce market volatility and deepen the Indian capital market. In brief, the QFIs shall include individuals, groups or associations, resident in a foreign country which is compliant with FATF and that is a signatory to IOSCO's multilateral MoU. QFIs do not include FII/sub-accounts. Earlier, only FIIs/sub-accounts and NRIs were allowed to directly invest in Indian equity market. In this arrangement, a large number of QFIs, in particular, a large set of diversified individual foreign nationals who were desirous of investing in Indian equity market did not have direct access to it. The Salient Features of the new Scheme are**:**

i. RBI would grant general permission to QFIs for investment under Portfolio Investment Scheme (PIS) route similar to FIIs.

ii. The individual and aggregate investment limit for QFIs shall be 5% and 10% respectively of the paid up capital of Indian company. These limits shall be over and above the FII and NRI investment ceilings prescribed under the PIS route for foreign investment in India.

iii. QFIs shall be allowed to invest through SEBI registered Qualified Depository Participant (DP). A QFI shall open only one demat account and a trading account with any of the qualified DP. The QFI shall make purchase and sale of equities through that DP only.

iv. DP shall ensure that QFIs meet all KYC and other regulatory requirements, as per the relevant regulations issued by SEBI from time to time. QFIs shall remit money through normal banking channel in any permitted currency (freely convertible) directly to the single rupee pool bank account of the DP maintained with a designated AD category-I bank. Upon receipt of instructions from QFI, DP shall carry out the transactions (purchase/sale of equity).

v. DP shall be responsible for deduction of applicable tax at source out of the redemption proceeds before making redemption payments to QFIs.

vi. Risk management, margins and taxation on such trades by QFIs may be on lines similar to the facility available to the other investo`

RBI and SEBI have issued the relevant circulars on 13 January, 2012 to operationalize this scheme.

Changes in Re-investment Period of FII Debt Limit

From interaction with market participants it was learnt that as per the existing methodology adopted by SEBI for allocation of debt instrument limits to FIIs only those FIIs could trade amongst themselves who had successfully won the limits and to the extent investment limits were available to them. This system of non-fungibility of limits was believed to be restrictive to the liquidity in the debt market and defeat the spirit of the provisions enabling FIIs to trade these bonds amongst themselves during the lock in period. Hence SEBI issued a circular on 3 January, 2012 changing the reinvestment period of FII debt limit. In the circular it was mentioned that henceforth re-investment period shall not be allowed for all new allocations of debt limit to FIIs/ sub-accounts. Thus, limits acquired in the bidding sessions henceforth shall expire/lapse on either sale or redemption at maturity of the debt investments. These limits then shall again be allocated in subsequent bidding processes.

3.4. Primary Market

Reforms in IPO Issuance Process

Encouragement of Retail Investor Participation

In order to increase retail investor participation and to keep pace with inflation, monetary limit on retail individual investor application was increased from ₹ 1 lakh to ₹ 2 lakh. The limit was enhanced with the objective that retail individual investors who have capacity and appetite to apply for securities worth above ₹ 1 lakh should not be constrained.

Enabling Retail Investors to Bid for IPOs at a Discounted Price

a) SEBI has allowed investors eligible for differential pricing in public issues to make payment at a price net of discount, if any, at the bidding itself. The measure will benefit investors through a lower cash outflow at a price net of discount and the availability to apply for more shares with same cash outlay.

Takeover Code Regulations

a) SEBI had notified the amended SEBI (Substantial Acquisition of Shares and Takeovers) Regulation 2011 on 23 September, 2011. The salient features of the new Regulations are as follows:

   i. New trigger for open offer at 25% of voting rights.

   ii. Open offer size should be at least 26% of total shares of the target company.

   iii. Non-compete fees have been done away with.

   iv. The acquirer whose shareholding exceeds the maximum permissible non-public shareholding, pursuant to an open offer under these regulations, shall not be eligible to make a voluntary delisting offer under the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, unless a period of twelve months has elapsed from the date of the completion of the offer.

   v. In the event the shares accepted in the open offer were such that the shareholding of the acquirer pursuant to completion of the open offer results in their shareholding exceeding the maximum permissible non-public shareholding, the acquirer shall be required to bring down the non-public shareholding to the level specified and within the time permitted under Securities Contract (Regulation) Rules, 1957.

   The full text of the regulation may be seen at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1316778211380.pdf

b) SEBI has inter-alia clarified the nature of disclosures to be made regarding encumbrances vide FAQs available on its website.at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1323687748395.pdf

Investor Assistance and Education – SEBI Complaints Redress System (SCORES)

a) SCORES (SEBI Complaints Redress System) is a web-based, centralized grievance redressal system for SEBI. All grievances are in electronic mode with facility for online updation of Action Taken Reports by the use` SCORES will reduce grievance process time at SEBI since physical movement of documents relating to grievances is not required. Similarly, the grievance redressal time will be reduced since the entire process is in electronic mode, including action taken report submitted by the company/intermediary. Similarly, the problem of physical storage and maintenance of documents related to grievances has also been addressed as SCORES permits conversion of physical documents into electronic mode. As the action taken on grievances can be tracked online, investors need not send multiple letters to ask for updates on the action taken on their grievances.

b) For introducing a curriculum on financial literacy in CBSE schools CBSE has constituted a curriculum committee of experts to introduce financial literacy in school education (post primary level) on 28 September, 2011.

c) SEBI has mandated that one and more SEBI regulated KYC registration agency would under-take KYC for all clients in the securities markets at the stage of accounting opening through SEBI regulated Points of Service.

Amendment to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and Listing Agreement

The amended Securities Contracts (Regulation) Rules 1957 require the listed companies to achieve and maintain minimum public shareholding at 25% (10% for PSUs) by June 2013. The following methods were available for increasing public shareholding to the specified minimum level:

a) Issuance of shares to public through prospectus.

b) Offer for sale of shares held by promoters to public through prospectus.

In its meeting held on 3 January, 2012, SEBI Board has approved the following two additional methods for increasing public shareholding, in addition to the existing ones:

a) **Institutional placement programme (IPP):** is avariant of Qualified Institutional Placement Mechanism, wherein, the company or promoter will offer shares through an issue of prospectus to all Qualified Institutional Buyers through bid mechanism in the stock exchange. The allotment of shares may be made on price priority, proportionate or on pre-specified criteria which has to be disclosed in advance in the prospectus and cannot be changed subsequently. There would be a reservation of minimum 25% to mutual funds and insurance companies. No single investor shall receive allotment for more than 25% of the offer size and issuers shall endeavor to maximize the number of allottees in order to ensure wider distribution of shares.

b) **Offer for sale (OFS) through stock exchanges:** This route is open to all investors except for the promoter group. Only the promoter/promoter group are allowed to offer their shares for sale on the floor of the stock exchange through a separate trading window for this purpose. Allotment would be done either on price priority or clearing price basis proportionately and would be overseen by the exchanges. Apart from use for compliance with minimum shareholding requirements, this method can be used by promoters of top 100 companies (based on average market capitalization) for sale of their stake.

Benefits

These additional methods for increasing public shareholding to the specified minimum level will provide additional avenues to the companies to comply with the stipulated requirement by June 2013. These additional methods will ensure both broad basing ownership and transparency. This would allow new investors to participate in the public shareholding process.

3.5 Secondary Market

Equity Finance for the Small and Medium Enterprises (SMEs)

a) In recognition of the need for making finance available to needy small and medium enterprises, SEBI Board had earlier decided to the creation of a separate Exchange for the SMEs. Accordingly, a discussion paper was brought out and based on the feedback received, the SEBI Board 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. Subsequently, decision on the operational aspects of the exchanges/platforms of stock exchanges for small and medium enterprises (SMEs) was taken. 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 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. NSE and BSE have been given final approval for launching SME platforms respectively during September-October 2011.

Review of Ownership and Corporate Governance Norms

b) 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 corporatization 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 investo` 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 maximize 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.

c) In view of this, SEBI has constituted under the chairmanship of Dr. BimalJalan on 8 February, 2010 to examine issues arising from the ownership and governance of market infrastructure institutions like depositories, clearing corporations and stock exchanges. The Committee submitted its report on 23 November, 2010 to SEBI. The report of the Committee was posted on the website of SEBI and public comments have been received by SEBI. Committee recommendations are being examined by Government and SEBI. To get an objective response/ feedback from stakeholders, a consultative workshop on the Jalan Committee recommendations was held on 30 September, 2011.

3.6 External Commercial Borrowing (ECB) Policy

a) 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 yea` 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$ 500 million in a financial year for both 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. The ECB which is not covered by the automatic route is considered under the approval route on a case-by-case basis by RBI.

b) The High Level Committee on ECB decided (May 2011) to enhance the overall ECB ceiling for the financial year 2011-2012 from US$ 40 billion to US$ 80 billion with the following sub limits:

   i. Pure ECB – US$ 30 billion,

   ii. FII investment in Government securities – US$ 10 billion and

   iii. FII investment in corporate bond – US$ 40 billion.

c) The High Level Committee on ECB took a number of decisions on 15 September, 2011 to expand the scope of ECB. They include:

i. High Networth Individuals (HNIs) who fulfill the criteria as prescribed by SEBI can invest in Infrastructure Debt Funds (IDFs).

ii. It was noted that Infrastructure Finance Companies (IFCs) have been included as eligible issuers for FIIs investment in corporate bonds long term infra category vide SEBI circular CIR/IMD/FIIC/15/2011 dated 26 August, 2011.

iii. ECB would be permitted for refinancing of rupee loans of infrastructure projects with the condition that at least 25% of such ECB shall be used for repayment of the said rupee loan and 75% shall be invested in new projects in the infrastructure sector. This would be permitted only under approval route.

iv. Refinancing of Buyer's/Supplier's credit through ECB for the purchase of capital goods by companies in the infrastructure sector was approved. This would also be permitted only under approval route.

v. ECB for Interest during Construction that accumulates on a loan during the project execution phase for companies in the infrastructure sector would be permitted.This would be subject to the condition that the IDC is capitalized and is part of the project cost.

vi. Renminbi (RMB) was approved as an acceptable currency for raising ECB subject to a limit of US$ 1 billion within the existing ECB ceiling. Such borrowings shall be allowed only through approval route.

vii. The existing ECB limits under automatic route were enhanced from US$ 500 Million to US$ 750 Million for eligible corporate as per the extant ECB guidelines. For borrowers in the services sector, the limit has been enhanced from US$ 100 Million to US$ 200 Million and for NGOs engaged in micro finance activities from existing US$ 5 Million to US$ 10 Million. All other conditions will apply as per the extant ECB guidelines.

viii. INR denominated ECBs would be permitted from foreign equity holders to 'all eligible borrowers ' except in the case of ECBs availed of by NGOs as per extant ECB guidelines under the automatic route.

3.7 Other Important Developments in the Capital Markets

Financial Action Task Force (FATF)

a) The Financial Action Task Force (FATF) is an inter governmental policymaking body that has a ministerial mandate to establish international standards for combating money laundering and terrorist financing. India joined the Financial Action Task Force (FATF) as its 34th member in June 2010. At present FATF has 36 members comprising of 34 countries and two organizations namely, the European Union and the Gulf Cooperation Council. At the time of joining FATF, India gave an Action Plan to overcome certain deficiencies in a time bound manner. The items of the Action Plan were divided into Immediate, short term and Medium term items, which were to be completed by June 2010, March 2011 and March 2012 respectively. India has completed the Immediate and Short-term Action Plan items within the stipulated time and the same have been acknowledged by the FATF technical onsite team that visited India in April 2011.

b) India participated in the Financial Action Task Force (FATF) plenary and working group meetings held in Mexico City, Mexico from 20-24 June, 2011. The plenary meeting discussed India´s Follow up Report of the FATF technical onsite team which visited India in April 2011 to assess India's fulfillment of its Short term Action Plan and if it is on track to fulfill its Medium term commitments. The FATF assessment team that came in April 2011 commented India for its commitment to anti-money laundering and combating financing of terror. It also appreciated India for being on course for the fulfilment of its medium-term commitment plan due in March 2012. During the preliminary and working group meetings of FATF held in Paris in October 2011 India contributed effectively to the process of identifying emerging challenges of anti-money laundering and terrorist financing and developing new standards by FATF.

c) Eurasian Group (EAG): In December 2010, India became 9th member of the Eurasian Group, which is a Financial Action Task Force (FATF) styled regional body, responsible for enforcing global standards on AML and CFT. The other members are Russia, China, Turkmenistan, Serbia, Tajikistan, Uzbekistan, Belarus and Kazakhstan. Sixteen nations and fifteen organizations are observers in the group. India is leading the project, 'Money laundering through Securities Market' in the EAG. India also participated in the joint FATF–EAG high-level mission to Tajikistan with regard to its asset repatriation program. India is committed at the highest of the Government to adopt, enforce and contribute to international best practices in AML and CFT.

Sovereign Credit Rating of India

a) The long-term strengths of the Indian economy and its sound growth fundamentals have been recognized by domestic and international investo` In this financial year, while most of the advanced economies are facing uncertain growth prospects and the attendant difficulties in maintaining their credit ratings, two international sovereign credit rating agencies (DBRS and Moody's) have upgraded the outlook and ratings for the sovereign credit rating of India.

b) India's sovereign debt is rated by six international sovereign credit rating agencies (SCRAs) namely Standard and Poor's (S&P), Moody's Investors Service, Dominion Bond Rating Service (DBRS), Fitch Ratings, Japanese Credit Rating Agency (JCRA) and Rating and Investment Information (R&I). These agencies normally visit the Ministry of Finance and the Reserve Bank of India before making their credit assessment.

c) The Government on its part has begun a structured interaction process with SCRAs. The Department of Economic Affairs (DEA) presents Government's perspectives to SCRAs about the strengths of the Indian economy and recent initiatives taken by the Government. DEA provides detailed data-based supporting documentation such as the 'India Factsheet,' 'Wealth in PSUs,' and a cross-country comparison of long-term economic, fiscal and financial indicators to SCRAs. During their visit to India, a number of structured meetings with senior officials of the Government of India are organized. Regular follow-up interaction is maintained with SCRAs to provide them with statistical updates and the latest information about the Government's policy initiatives.

d) During 2011, S&P, Fitch Rating and R&I have maintained their previous ratings.

e) In December 2011, Moody's have upgraded the rating on long-term government bonds denominated in domestic currency from Ba1 to Baa3 (from speculative to investment grade). The long-term country ceiling on the foreign currency bank deposits has been upgraded from Ba1 to Baa3 (from speculative to investment grade). The last time Moody's had upgraded any Indian long-term sovereign debt instrument from speculative to investment grade was in 2004.

f) In addition, Moody's have upgraded the short-term government bonds denominated in domestic currency from NP to P-3 (from speculative to investment grade). This short-term rating have been upgraded for the first time since it was newly assigned in 1998. Further, in January 2012, Moody's have confirmed the upgrade in the short-term country ceiling on the foreign currency bank deposits from NP to P-3 (from speculative to investment grade).

g) Moody's have recognized that the "diverse sources of Indian growth (no one industrial or service sector dominates) have enhanced its resilience to global shocks." They state that "[India's] growth, product mix and destinations of Indian exports reflect improved international competitiveness, another source of economic resilience." The present slowdown in growth rates "could reverse some time in F.Y. 2012/13, as inflation cools from current 9% levels." They have emphasized that the structural drivers of India's growth momentum will not be damaged by the present cyclical downturn.

h) Moody's report was preceded by DBRS's report in June 2011. DBRS upgraded the trend of India's Long Term foreign and local currency debt ratings from BBB (low) Negative to Stable outlook. DBRS appreciated, inter-alia, the efforts of the Government about fiscal consolidation by noting that "*since early 2010, India's authorities have shown renewed commitment for reducing both its fiscal deficit and debt……"* .

i) In addition, in June 2011, while affirming their existing ratings, Fitch has also appreciated the management of the economy by Indian authorities by pointing out *"India's fiscal and monetary policy response to the global credit crisis helped restore the economy to a path of higher growth."*

Financial Sector Assessment Programme (FSAP)

a) India's FSAP was initially completed by IMF/World Bank in 2000-2001 but it was not made public, as it was part of the Pilot FSAP assessment of 12 countries.

b) The Committee on Financial Sector Assessment (CFSA) – co-chaired by Deputy Governor RBI and Secretary (EA) – completed a self-assessment in 2009. Subsequently, in May 2010, India requested IMF/World Bank to conduct a full-fledged Financial Sector Assessment Programme (FSAP). Accordingly, India's FSAP was conducted during 2011. The IMF/WB scoping mission visited the Ministry on 1 February, 2011 to conduct FSAP Update.. The FSAP's two missions visited India from 14-27June, 2011 and from 3-18 October, 2011. The mission worked closuctely with the staff of RBI, IRFDA, SEBI and the Ministry of Finance and met with several representatives of government, academia and the public and private secto` Findings and recommendations of the mission are in the final stages of discussion. The FSAP process is likely to be completed by March 2012.

3.8 Representation of SCs, STs and OBCs, and persons with disabilities (PWDs) in the subordinate office including statutory bodies under the Department's control.

Information provided in the prescribed Proforma at **Annexure-I & Annexure-II.**

3.9 Position of ATNs in respect of summary of audit observations incorporated in the Annexure to the instant Annual Report as well as those included in the earlier Annual Reports, as per format at **Annexure- III.**

4. Infrastructue and Investment Division

4.1Functions/Working of Infrastructure Section

- Infrastructure Section is headed by Joint Secretary (I&I) and is assisted by Director (Infra), and Deputy

Director (Infra). The Functions of the Section include 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.
- Policy matters related to Public Private Partnership (PPPs).
- 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 secto`
- 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.

4.2 Infrastructure Section provided substantial policy inputs on the issues contained in the Cabinet/CCEA/CCI Notes available at **Annexure-I.**

4.3 The highlights of the work relating to Infra Section are as under:

Highlights

1. A Joint Parliamentary Committee (JPC) had been formed to examine the matters relating to allocation and pricing of telecom licenses and spectrum during the period 1998-2009. A number of JPC questionnaires were answered during the year and the entire record/ files/material/information relating to 2G Spectrum available in the Infra Section were also submitted to JPC from time to time.
2. A draft PPP Policy has been prepared and consultation with stakeholders has also been completed during the year. The final draft for PPP Policy is under preparation.
3. Cabinet note on "Identification of a harmonized list of Infrastructure sub-sectors" was prepared by the Infra Section and on the advice of CCI, a CoS Note was also prepared on the same subject which is under the consideration of Committee of Secretaries.
4. Issues related to Telecom Policy were analyzed and policy briefs were prepared for the Telecom Commission on various issues.

Annexure 1

Cabinet Notes	
1.	Budgetary Ceiling for Annuity Payment for PPP Projects
2.	Scheme for Creation of National Optical Fibre Network for Broad band connectivity to Panchayets.
3.	Draft Agreement on Maritime Transport between India and Syria.
4.	Relaxation of Cabotage Policy for exim containers.
5.	Draft Captive Policy, 2011 – Ref. from Essar Port Limited.
6.	Amendment of the NHAI Act, 1988 for increasing the number of Full-Time Post of Members to 10 and sanction of additional posts of Chief General Managers (Technical).
7.	Draft Motor Vehicle agreement and Cargo Traffic Agreement with Bangladesh.
8.	Cabinet Note on Rail Connectivity to the International Container Transhipment Terminal at Vallarpadaum in Cochin Port – 2nd Revised Cost Estimate (RCE).
9.	Draft Cabinet Note on Signing of Bilateral Aviation Safety Agreement (BASA) – Executive Agreement between India and USA.
10.	Draft Note for the Cabinet on Amendment in Tariff Policy.
11.	Draft CCEA Note on the Investment approval on the Revised Cost Estimate –I of Tripura Gas Based Power Project Monarchak, West Tripura, being implemented by North Eastern Electric Power Corporation Limited (NEEPCO).
12.	Draft CCEA Note on approval for disinvestment in National Building Construction Corporation Ltd. (NBCC).

13.	Draft Note for the Cabinet regarding Amendment of the National Highways Authority of India Act, 1988 for increasing the number of full time posts of members to 10 and sanction of additional post of Chief General Manager (Technical).
14.	Draft Note for the Cabinet regarding Amendment to the National Highway Act, 1956 (48 of 1956).
15.	Standard bidding Document for Hydro Power Project
16.	Redevelopment of Kidwai Nagar (East) for Construction of General Pool Residential Accommodation.
CCI Notes	
1.	CCI Note on funding of Power Project.
2.	CCI Note for Development of 30 km. wide corridors of improved roads at the burderi of Andhra Pradesh with Odisha.
3.	Draft Note for CCI – Bifurcation of scope of the project of up-gradation of iron ore handling facilities to accommodate 200,000 DWT vessels in outer harbor post.
4.	Draft Note for CCI on the Targets for Monitoring the Progress of Ongoing Infrastructure Projects of MoUD for 2011-2012.
5.	Upgradation/strengthening of 20,000 km. of single/intermediate/two lane National Highways Development Project Phase-IV.
CoS Notes	
1.	Identification of harmonized list of Infrastructure sub-sectors.
2.	Performance for “Indian Electronic Products”/”Manufactured-in-India Electronic Products” for all Government Procurements and Procurements by Government Licensees.
EGOM	
1.	Reconstitution of the Group of Ministers on power sector issues
2.	Empowered group of Ministers (EGoM) on Mass Rapid Transit System (MRTS) Projects.
3.	Empowered Group of Ministers (EGOM) on Greenfield Airports.
Full Telecom Commission	
1.	Full Telecom Commission meetings
MoU	
1.	Signing of an MOU between India and China on cooperation in the field of Road Infrastructure and Transportation Technology.
2.	Draft Cabinet Note on MoU between Ministry of Power and the Swiss Agency for Development and Cooperation (SADC) – project on Energy Efficiency in Building.

PPP

Public Private Partnership (PPP) Cell

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

The PPP Cell serves as the Secretariat for the PPP Appraisal Committee (PPPAC), which has been constituted with the approval of Cabinet Committee on Economic Affairs to establish an appraisal mechanism and guidelines for PPP projects in the central sector, on the lines of the PIB. The PPPAC is chaired by Secretary, Economic Affairs with Secretaries of Department of Expenditure, Department of Legal Affairs, Planning Commission and the sponsoring Ministry/Department as membe` Since its constitution in January 2006, PPPAC has granted approval to 223 (two hundred and twenty three) projects, with a total project cost of ‘ 212819.50 crore, shown in table 1.5.

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 2005-2006. Procedure for approval and institutional

Table 1.5			
Sector	No. of Projects	Total Project Cost (Rs. in Crore)	Sectoral Share (%age)
Highways	179	175013.64	80.27
Railways	01	8500.00	0.45
Ports	18	18383.00	8.07
Civil Aviation	02	1000.00	0.90
Tourism	01	148.87	0.45
Housing	17	7299.00	7.62
Sports Stadia	05	2475.00	2.24

mechanism for approvals of proposal seeking funding under the 'Scheme for Financial Supports to PPPs in Infrastructure (Viability Gap Funding Scheme)' have been notified. The total Viability Gap Funding provided under the Scheme is up to 20% of the capital cost of the project. The Government or statutory entity that owns the project may provide an additional 20% grant out of its own budget. So far, under the Scheme, 115 proposals have been granted approval by the Empowered Institution with a total project cost of ₹ 71,826 crore and an estimated Viability Gap Funding (VGF) support of ₹ 12,395 crore. The financial closure has been achieved for 25 projects. 14 projects in Madhya Pradesh and Gujarat have been awarded on premium where no VGF support will be required.The bidding process has been completed for 25 PPP projects. 9 projects received negative grant/revenue share on completion of the bidding process. An amount of ₹ 332.23 crore has been disbursed till December 2011 under the VGF Scheme.

2007-2008	₹ 23.00 crore
2008-2009	₹ 54.07 crore
2009-2010	₹ 45.85 crore
2010-2011	₹ 125.00 crore
2011-2012	₹ 87.45 crore (up to 31 December, 2011)

To promote private sector participation in creation of infrastructure, the Government has included the following sub-sectors under the Scheme for Financial Support to Public Private Partnerships (PPPs) in Infrastructure i.e. Viability Gap Funding Scheme.

- "*Capital investment in the creation of modern storage capacity including cold chains and post-harvest storage*" vide its Notification No. 3C/1/11-PPP dated 17 March, 2011.
- "*Education, health and skill development, without annuity provision*" vide its Notification No. 3C/1/11-PPP dated 4 May, 2011.

To promote PPPs and to ensure that the PPP projects are procured and implemented by following laid down process and observing principles of transparency, competitive bid process, affordability and value for money, the draft PPP Policy and draft PPP Rules have been prepared. These are undergoing extensive consultation process at the Central and State Governments level before their finalization.

The Union Finance Minister in his Budget Speech for 2007-2008 announced establishment of a mechanism to support the project development expenditure on PPP projects to accelerate the process of project preparation. To fulfil the commitment, the Scheme and Guidelines for India Infrastructure Project Development Fund have been notified in December 2007 to operationalise financial support for quality project development activities to the Central Ministries, States and local government. The 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, 49 projects have been approved with an IIPDF assistance of ₹ 60.06 crore. ₹ 1.32 crore, ₹ 7.55 crore and ₹ 7.00 crore respectively has been disbursed under the Scheme in 2008-2009, 2009-2010 and 2010-2011. Around ₹ 2.56 crore has been disbursed during 2011-2012, up to December 2011.

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.

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, which has been rolled out at the State level in collaboration with KfW Development Bank.

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.

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 secto` 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.

Two websites, 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 866 PPP projects with the Total Project Cost of ₹ 5,06,418.4 crore under different stages of implementation in the country is currently available on www.pppindiadatabase.com.

Recent Publications

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.

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.

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 stakeholde` 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.

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.

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.

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.

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

Infra Financing

Considering the crucial importance of enabling adequate financing for infrastructure, one Director has been exclusively entrusted with the task. Under the overall guidance of Joint Secretary (Infrastructure and Investment), assistance is provided by a Deputy Director (Infra Finance).

Several initiatives have been taken to promote the flow of long term funds in infrastructure sector (both domestic and off-shore funds) like setting up of the Infrastructure Debt Fund (IDF), raising the FII limits and liberalizing the ECB regime in order to facilitate off shore fund flows to infrastructure.

Infrastructure Debt Funds

Finance Minister in his Budget speech for 2011-2012 had announced setting up of **Infrastructure Debt Funds (IDFs)** to accelerate and enhance the flow of long term debt in infrastructure projects. To attract off-shore funds into IDFs, it was decided to reduce withholding tax on interest payments on the borrowings by the IDFs from 20% to 5%. Ministry of Finance engaged in wide-ranging discussions with stakeholders including the regulators like RBI, SEBI and IRDA to finalise the proposed structure of IDFs. Finance Minister approved the structure of the IDFs that *inter alia* allowed IDFs to be either set as a company, a Non Banking Finance Company (IDF-NBFC) or as a mutual fund (IDF-MF). IDFs through innovative means of credit enhancement is expected to provide long-term low-cost debt for infrastructure projects by tapping into source of savings like Insurance and Pension Funds which have hitherto played a comparatively limited role in financing infrastructure in India. The off-shore investors that these IDFs are targeted to tap are Pension Funds, Insurance Companies, Sovereign Wealth Funds, Endowment Funds etc. Regulations for IDFs on the respective structures were have since been issued by RBI and SEBI. Efforts are underway for setting up of IDFs.

Long-Term Infrastructure Bonds under Section 80 CCF of IT Act, 1961

In order to promote savings and raise funds for infrastructure, an additional deduction of ₹ 20,000 for investment in long-term infrastructure bonds was notified by the Central Government in 2010-2011. In the budget 2011-2012, this window was extended for one more year. In 2011-2012, so far ₹ 720.64 cr has been raised through this route.

Tax Free Bonds for Government Undertakings

In order to give a boost to infrastructure development in railways, ports, housing and highways development, Budget 2011-2012 also proposed to allow tax free bonds of ₹30,000 crore to be issued by various Government undertakings in the year 2011-2012. This includes Indian Railway Finance Corporation ₹ 10,000 crore, National Highway Authority of India ₹ 10,000 crore, HUDCO ₹ 5,000 crore and PFC ₹5,000 crore. So far, a sum of ₹ 2,012.69 crore has been raised entirely by way of private placement. The entities concerned have indicated that they are planning to launch public issue shortly to raise the balance amount and they expect a much better response, especially in view of the interest rate differential offered.

Other Measures Undertaken

Assisted the sub-group under Secretary, Department of Economic Affairs, which is examining proposals to strengthen the capital markets to promote routing of long term funds to infrastructure sector. The group is considering issues relating to estimating funding gap, developing corporate bond market, using savings in physical assets to fund infrastructure sector, developing innovative instruments etc.

Further, the FII limits have been substantially liberalized to promote long term off shore funds in the infrastructure sector. The ECB regime has also been liberalized substantially to promote off shore fund flows in infrastructure.

To propagate initiatives of Government of India to promote infrastructure financing amongst the off-shore investor community, several events were organised in major centres like USA, Singapore, London etc. which were attended by Finance Minister as well as senior officials of DEA like Secretary, Joint Secretary etc. These events besides raising awareness amongst the off-shore investor community also gave an opportunity to flag issues which hamper flow of foreign investment.

Energy & Skill Cell

The I&I Division is entrusted with the sectoral charge of the Ministry of Petroleum and Natural Gas, Ministry of Chemical and petrochemicals, Ministry of Coal, Department of Fertilizers, Department of Information and Technology, National Skill Development Corporation, National Skill Development Fund/Trust. In addition, the I&I Division is looking after the work relating to Committee on Allocation of Natural Resources (CANR).

This Cell is responsible for analysis of the proposals received from these ministries/departments and furnishes comments from policy and economic angles. This Cell is also responsible for analysis of Cabinet Notes, CCEA Notes, EGoM notes, GoM notes, CoS Notes, CCI Notes, ECS Notes and HPC Notes etc. and furnish comments in addition to preparation of briefs on the agenda for the meetings of the NSDC, ONGC/OVL Board of Directors and their committees whom DEA Officers represented as Government nominees.

A list of draft notes for Cabinet/CCEA/ECS/EGoM/GoM/NTS/CCI meetings etc. analyzed, comment of MoF and brief prepared for the meetings during 2011-2012 is enclosed as Annexure.

Some Highlights

(i) CoS Note was prepared by Energy Cell for the meeting of the CoS regarding examination of the recommendations of the CANR.

(ii) To follow up and monitoring the directions of the GoM in respect of the recommendations of CoS on CANR, several meetings were arranged by this Cell with the officers of the Ministries of Coal, Ministry of Urban Development, Ministry of Petroleum and Natural Gas and Delhi Development Authority.

(iii) Unutilized amount lying in the account of NSDF/Trust invested with the Fund Managers viz. SBI, UTI and LIC from the corpus of the NSDF/Trust. Some amount was given to NSDC from the corpus of the NSDF/Trust to facilitate them to achieve its objects for Skill Development.

Annexure

E&S	
1.	Note for Cabinet – ex-post facto approval for the agreement between the Government of Republic of India and Govt. of Russian Federationfor enhancement of cooperation in oil and gas sector.
2.	Draft note for the Cabinet on setting up Aajeevika Development Finance Corporation (ADFC) to catalyse the poverty reduction outcomes of the National Rural Livelihoods Mission.
3.	Note for the Cabinet Amendment to the Petroleum and Minerals Pipelines (Acquisition) of right to user in Land Act, 1962.
4.	Cabinet Note – Approval for permitting use railway land for railway's core activities and other related purposes.
5.	Draft Note for Cabinet – proposal for public private partnership for development and management of postal estates.
6.	Note for the Cabinet seeking its approval for policy directives for land management by major ports, 2012.
Draft CCEA Notes/Meetings	
1.	Note for the Cabinet Committee on Economic Affairs (CCEA) regarding proposed assignment of 30% of Participating Interest under Article 28.1 of the PSC by Reliance Industries Ltd. (RIL) to BP Exploration (Alpha) Ltd. in NELP Blocks.
2.	Meeting of the Cabinet Committee on Economic Affairs (CCEA) regarding proposed sale of shareholding by Cairn Energy Plc in Cairn India Ltd. to Vedanta Resources Plc
EGoM Meetings	
1.	Meeting of Empowered Group of Ministers (EGoM) regarding under-recoveries of the oil marketing companies

GoM Meetings	
1.	Meetings of GoM to consider the environmental and development issues relating to coal mining and other development projects
2.	Meeting of the GoM on the proposed sale of shareholding by Cairn Energy PLC in Carian India Ltd. to Vedanta Resources PLC
3.	Meeting of GoM to provide guidance on co-coordinating external interface on Energy security matters
CCI Meeting	
1.	Draft Cabinet Committee on Infrastructure (CCI) Note prepared by the Planning Commission for the information of the GoM to consider the environmental and developmental issues relating to coal mining and other development projects.
2.	Note for Cabinet Committee on Infrastructure (CCI) Meetingregarding Construction of Strategic Storage of Crude Oil – Progress during 1 April, 2010 to 31 December, 2010 reg.
3.	Draft Note for the Cabinet Committee on Infrastructure (CCI) regarding development of north-eastern region by enhancing the training education capacity in the Information Electronics & Communications Technology (IECT) Area.
Cabinet Secretary Meeting	
1.	Meeting of the Cabinet Secretary on Recommendations of the Committee on Allocation of Natural Resources (CANR)
Inter-ministerial Committee Meetings	
1.	Meeting of Inter-ministerial Committee on development of paper on various models of venture capital/investments for exploration and mining
2.	Meeting of Inter-Ministerial Committee to formulate a policy for pooling of natural gas prices & devise pool operating guidelines to make the policy operational
3.	Meeting of Inter-Ministerial Committeeto formulate a policy for pooling of natural gas prices & devise pool operating guidelines to make the policy operational
Committee of Study Group Meeting	
1.	Committee of Study Group under the chairmanship of Special Secretary, Ministry of Coal (MoC) to consider revision of rates of royalty on coal and lignite
PCPIR Meetings	
1.	High Powered Committee (HPC) on setting up of Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) – Proposal of the Government of Tamil Nadu for hosting PCPIR at Cuddalore and Nagapattinam
2.	Review of implementation of Petroleum, Chemical and Petrochemical Investment Region (PCPIR) in Vishakhapatnam region of Andhra Pradesh
Board Meetings	
1.	Meetings of the Board of Directors of Oil and Natural Gas Limited (ONGC)
2.	Meetings of the Board of Directors of Oil and Natural Gas Videsh Limited (OVL)
3.	Meetings of the Board of Directors of National Skill Development (NSDC)
FM Meeting	
1.	Meeting under Chairmanship of FM where the Interim Report of the Task Force on Direct Transfer of Subsidies on Kerosene, LPG and Fertilizer

Search Committee Meeting	
1.	Meeting of Search Committeefor recommending a panel of candidates for appointment of Member in the Petroleum and Natural Gas Regulatory Board vice Shri L.K. Singhvi
PIB Meetings	
1	Meeting of the Public Investment Board (PIB) to consider the Revised Cost Estimate (RCE) in respect of Assam Gas Cracker Project (AGCP)
Working Group Meeting (18 April, 2011 - EC)	
1.	Meeting of the working group on petroleum and natural gas sector for the 12th five year plan 2012-2017.
Prime Minister's Council Meetings	
1.	Meetings of Prime Minister's Council on Skill Development
Investment Advisory Board Meeting	
1.	Meetings of Investment Advisory Board with the Fund Managers of National Skill Development Fund (NSDF)

Foreign Investment Unit

FDI Policy

1. Government of India has embarked upon major economic reforms since mid-1991 with a view to integrate with the world economy and to emerge as a significant player in the globalization process. Reforms undertaken include de-control of industries from the stringent regulatory process; simplification of investment procedures, promotion of foreign direct investment (FDI), liberalization of exchange control, rationalization of taxes and public sector divestment.

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

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

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

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

6. 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).

7. Sectors in which FDI and FII (Foreign Institutional Investors) caps exist are shown in table 1.5(a).

8. 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.

9. From 1 April, 2010, a consolidated Policy on Foreign Direct Investment is being brought out by the

Table 1.5(a)		
S.No.	**Sector**	**Sectoral Cap/Route**
1.	Defence Production	26% FIPB
2.	Civil Aviation :	
	(i) Scheduled Air transport services /domestic Scheduled passenger airline	49% FDI (100% for NRIs) Automatic
	(ii) Non-scheduled Air Transport Service /Non-Scheduled airlines and Cargo airlines	74% FDI (100% for NRIs) Automatic
	(iii) Ground handling services	74% FDI FIPB beyond 49% 100% for NRIs Automatic
3.	Asset Reconstruction Companies (ARCs)	49% (only FDI) FIPB
4.	Banking Private Sector	74%(FDI+FII) FIPB beyond 49%
	Banking Public sector	20%(FDI+FII) FIPB
5.	Broadcasting	
	(i) FM Radio	20% (FDI+FII) FIPB
	(ii) Cable network	49% (FDI+FII) FIPB
	(iii) DTH	49% (20%FDI +FII) FIPB
	(iv) Headend-in-the-Sky (HITS)	74% (FDI+FII) FIPB beyond 49%
	(v) Setting up of hardware facilities : Up linking, HUB etc.	49% (FDI+FII) FIPB
	(vi) Up linking news & current affairs TV Channel	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	100% 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	74% FDI - FIPB beyond 49%
	(ii) ISP with gateways, Radio paging, end-to-end bandwidth	74% FDI - FIPB beyond 49%

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. 1 October, 2011. It can be accessed at the website dipp.nic.in. The next consolidated FDI Policy circular is to be issued on 31 March, 2012 and will be effective from 1 April, 2012.

10. From 10 January, 2012, FDI in Single Brand Retail Trading has been modified upto 100% on Government Route subject to specified conditions, vide Press Note 1 (2012) dated 10 January, 12.

FDI Inflows

11. The cumulative FDI equity inflows from April 2000 to November 2011 aggregate to US$ 152,552 million (₹ 6, 85,618 crores).

In the current financial year 2011-2012, the FDI equity inflows from April 2011 to November 2011 are US$ 22,835 million (₹ 104,895 crores) compared to US$ 14,025 million (₹ 64,083 crores) during the corresponding period in 2010-2011 representing an increase of 63% in dollar terms and an increase of 64% in rupee terms.

In the current calendar year 2011, the FDI equity inflows from January 2011 to November 2011 are US$ 26,226 million (₹ 120, 238 crores) compared to US$ 18,993 million (₹ 86,921 crores) during the corresponding period in 2010 representing an increase of 38% in dollar terms and an increase of 38% in rupee terms.

I.C Section

1. Bilateral Investment Promotion and Protection Agreement (BIPA)

BIPAs Signed

During the year from 1 January, 2011 to 31 December, 2011, Bilateral Investment Promotion and Protection Agreements (BIPAs) were signed with Lithuania, Slovenia and Nepal, taking the total number of countries with whom India has signed BIPA to 82.

Enforcement

During the year, BIPAs with Bangladesh and Lithuania were enforced. The Protocol to amend the existing BIPA with Czech Republic was also enforced. The total number of enforced BIPAs increased to 72.

Text Finalized

During the year, the text of Protocol to amend the Agreement between India and Croatia (signed in New Delhi on 4 May, 2001) was finalized.

Cabinet Notes

Two Cabinet Notes relating to BIPA with Slovenia and Iran were prepared and approval of Cabinet obtained during this period.

Increasing awareness about BIPA:

The text of BIPAs with 82 countries have been signed and the text of 72 BIPAs already in force have been placed on the MoF Website (www.finmin.nic.in).

A Consolidated Compendium of 70 BIPAs which were enforced as of end December 2010, has been published as part of its initiative to enhance awareness about the benefits of such Agreements among various stakeholders. Indian Missions abroad have also been requested to provide wider publicity to the BIPAs through hyperlink to their websites.

2. Overseas Investments for Setting up JV/WOS Abroad

During the year from 1 January, 2011 to 5 December, 2011, Actual Outflow on overseas investments for setting up joint ventures/wholly owned subsidiaries as equity and loan aggregated US$ 9586.80 million.

EIPB Unit

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, Ministry of Small Scale Industries, Department of Revenue, Department of Commerce, Ministry of External Affairs and Ministry 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.

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.

During the Financial year 2010-2011, 13 meetings were held, in which 505 proposals were considered. 197 proposals, with FDI inflow of approximately ₹ 33801.82 crore were approved. During the Financial year 2011-2012 (up to 31 December, 2011) 8 meetings were held, in which 354 proposals were considered. 152 proposals, with FDI inflow of approximately ₹ 28219.04 crore were approved.

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 31 May, 2000.
- The objectives of IMF is macro-economic growth, alleviation of poverty and economic stability, policy

advice & financing for developing countries, forum for cooperation in monetary system, promotion of exchange rate stability and international payment system.

- 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) 5,821.5 million, making it the 13th largest quota holding country at IMF and giving it a shareholdings of 2.44%. However, based on voting share, India (together with its constituency countries Viz. Bangladesh, Bhutan and Sri Lanka) is ranked 17th in the list of 24 constituencies at the Executive Board.

Quota Reforms

- As part of the Fourteenth General Review of Quotas (2010, India's total quota has been increased to SDR 13,114.4 million from SDR 5821.5 million. With this increase, India's share would increase to 2.75 % (from 2.44%), making it the 8th largest quota holding country in the IMF.
- 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 membe`

Governance

- At the 24-member Executive Board of the IMF. Currently, the members with the five largest quotas appoint an Executive Director each, while the rest of Executive Directors are elected. However, the reforms of the Executive Board would facilitate a move towards a more representative, all-elected Executive Board, ending the category of appointed Executive Directo` To this end, there has been a consensus to reduce the number of Executive Directors representation advanced European countries by 2 in favour of EMDCs (Emerging Market Developing Countries).
- The amendments are part of a package of reforms on quotas and governance in the IMF. Along with the recent quota reforms in IMF (i.e. Fourteenth General Review of Quotas), these amendments represents a major overhaul of the Fund's quotas and governance, and help in strengthening the Fund's legitimacy and effectiveness.

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 2-17 January, 2012.

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 31 December, 2010 India has made seventeen purchase transactions of SDRs 1194.16 million and twenty-two repurchase transactions of SDRs 795.98 million.

India's contribution to lending resources of IMF

- In the London Summit of the Group of Twenty (G-20), a decision was taken to triple the IMF's lending capacity upto US$ 500 billion. In pursuance of this decision, India decided to invest its reserves, initially up to US$ 10 billion through the Notes Purchase Agreement (NPA), and subsequently upto US$ 14 billion through New Arrangement to Borrow(NAB)
- As of 7 April, 2011, India has invested SDR 750 million (approx. ₹ 5,340.36 crores) through nine note purchase agreements with the IMF.

World Bank Group

India is a member of four of the five constituents of the World Bank Group viz., International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). India is 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.

International Bank for Reconstruction and Development (IBRD)

The total assistance extended by IBRD by way of loans to India was US$ 39075.96 million as on 31 December, 2010. During the period from 1 January, 2011 to 31 December, 2011, new commitments of US$ 3049 million were approved taking total assistance to US$ 42124.96 million as on 31 December, 2011. The main sectors for which IBRD assistance of US$ 3049 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 2011 are at Annexure-A.

International Development Association (IDA)

The total assistance extended by IDA by way of credits to India for which agreements were signed was US$ 37,299.16 million as on 31 December, 2010. During the period from 1 January, 2011 to 31 December, 2011, new

Annexure A: Projects approved during 1 January, 2011 to 31 December, 2011 for World Bank Assistance (in US$ million)

S.No.	Project Name	Bank Approval Date	IBRD Comm Amount	IDA Comm Amount	Total Amount
1	India: Uttar Pradesh Health Systems Strengthening Project (UPHSSP)	20 December, 2011	0	152	152
2	North East Rural Livelihoods Project (NERLP)	20 December, 2011	0	130	130
3	Second Kerala Rural Water Supply and Sanitation Project (Jalanidhi II)	15 December, 2011	0	155.3	155.3
4	West Bengal Accelerated Development of Minor Irrigation	4 October, 2011	125	125	250
5	Capacity Building for Urban Local Bodies-NURM	21 July, 2011	0	60	60
6	National Rural Livelihoods Project	5 July, 2011	0	1000	1000
7	Vishnugad Pipalkoti Hydro Electric Project	30 June, 2011	648	0	648
8	National Ganga River Basin Project	31 May, 2011	801	199	1000
9	Eastern Dedicated Freight Corridor-I	31 May, 2011	975	0	975
10	Biodiversity Conservation and Rural Livelihoods Improvement Project	17 May, 2011	0	15.36	15.36
11	e-delivery of Public Services	31 March, 2011	150	0	150
12	Kerala Local Government and Service Delivery	29 March, 2011	0	200	200
13	Second Karnataka State Highway Improvement	24 March, 2011	350	0	350
14	Uttarakhand Decentralized Watershed Project Additional Financing	11 January, 2011	0	7.98	7.98
15	Rajasthan Rural Livelihoods Project (RRLP)	11 January, 2011	0	162.7	162.7
	Total		**3049**	**2207.34**	**5256.34**

commitments of US$ 2,207.34 million were approved taking that assistance to US$ 39,506.5 million as on 31 December, 2011. The major sectors for which IDA assistance is provided are health, education, agriculture and poverty reduction sectors. Projects approved during 2011 are at Annexure-A.

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.

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$ 5,00,000 as a donor-member to SEETF. India has also contributed US$ 10,00,000 in World Bank administered Cultural Heritage and Sustainable Tourist Trust Fund.

Country Assistance Strategy (CAS)

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 F.Y. 2009-2012 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.

The focus of the CAS is on:

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

International Finance Corporation (IFC)

- The International Finance Corporation, Washington DC, (IFC) was established in 1956 as an affiliate of the World Bank, but as a separate entity, to promote the growth of the private sector 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.
- India has been a member of IFC since 1956. India currently holds 81,342 shares of IFC, representing 3.43% of IFC's subscribed share capital and 81,592 votes, representing 3.38% of the voting power. The India-elected Executive Director represents a constituency with 99,234 votes, equal to 4.11% of voting power.

IFC in India

- Over the past few years, IFC has augmented its portfolio in India, improving profitability and investing in high impact projects.
- India represents IFC's single-largest country exposure. IFC has a current portfolio of about US$3.6 billion committed in India (US$ 4.1 billion including syndicated loans).
- On an annual basis, IFC's committed total financing for India was US$ 1,044 million in IFC's Financial Year 2008 (i.e. 1 July, 2007 to 30 June, 2008), US$ 934 million in IFC's Financial Year 2009, US$ 1,802 million in IFC's Financial Year 2010 and US$ 754 million in IFC's Financial Year 2011. During IFC's Financial Year 2012 (through 31 December, 2011), IFC's commitments reached US$ 343 million in 14 projects and were concentrated in infrastructure, manufacturing, financial markets, agribusiness and renewable energy. The above figures include commitments for IFC's own account and mobilized financing.
- IFC is scaling up its presence and activities in the Low Income States and NE States (LIS) in India. A new office has been established in Kolkata to focus on the LIS, and approximately US$450 million has been invested in the LIS over the past two and a half financial years. Further, IFC Advisory Services is working in the LIS in the following areas:
  - i) Promoting the Investment Climate for Private Sector Development and Inclusive Growth;
  - ii) Financial Inclusion by working on financial services and Initiatives related to the sustainability of the MFI sector including Micro credit bureau, Risk mitigation initiatives, code of conduct setting etc.
  - iii) Renewable Energy (Solar and Biomass) and cleaner production as well as focus on key subsectors like agribusiness;
  - iv) Developing PPP transactions with focus on social services (health and education) and climate change impact projects.
- Infrastructure, which used to be only about 10% of IFC's portfolio in 2005 has been stepped up to 30-40% of the portfolio in India in the last few years and currently accounts for about US$ 1.1 billion of IFC's current committed portfolio of about US$ 3.6 billion in India.

Climate Investment Funds

The Climate Investment Funds (CIF) are a collaborative effort among the Multilateral Development Banks (MDBs) and countries to bridge the financing and learning gap between now and a post-2012 global climate change agreement. Designed through extensive consultations, the CIF are governed by balanced representation of donors and recipient countries, with active observers from the UN, GEF, civil society, indigenous peoples and the private sector. The CIF are comprised of two Trust Funds viz., Clean Technology Fund (CTF) and Strategic Climate Fund (SCF). CTF promotes investments to initiate a shift towards clean technologies, whereas SCF serves as an overarching framework to support targeted programs with dedicated funding to pilot new approaches with potential for scaled-up, transformational action aimed at a specific climate change challenge or sectoral response. Government of India has agreed in principle to access Climate Investment Funds. In the process of accessing these Funds, Climate Investment Plan (CIP) of India has been endorsed in the Trust Fund Committee meeting held on 4 November, 2011. India's Investment Plan which contained four proposed projects has been approved. Since all the funds under the CTF have already been pledged, projects under India's Investment Plan will be funded from additional resources as and when made available by the donors.

Global Environment Facility (GEF)

The Global Environment Facility (GEF) is a financial mechanism that provides grants to developing countries for projects that benefit the global environment and promote sustainable livelihoods in local communities. GEF projects address six designated focal areas: biodiversity, climate change, international waters, ozone depletion, land degradation and Persistent Organic Pollutants. India has been a leading developing country participant in the GEF since its inception in 1991 and has played a major role in shaping

GEF. India is both a donor and a recipient of GEF. It had contributed US$ 6 million to the core fund of the GEF Pilot Phase. India has pledged US$ 9 million towards each of the Five Replenishments. The total funds pledged so far amounts to US$ 51 million and an amount of US$ 46.5 million has been paid by December 2011.

International Fund for Agricultural Development (IFAD)

International Fund for Agricultural Development (IFAD) was set up in 1977 as the 13th specialized agency of the United Nations. 167 countries are members of the IFAD and these are grouped into three lists: List-A: Developed Countries, List-B: Oil Producing Countries and List-C: Developing Countries. India is in List-C. IFAD is headed by an elected President and has Governing Council and an Executive Board.

India has so far contributed US$ 104.0 million to IFAD's resources. India had pledged to contribute an amount of US$ 25 million to the 8th Replenishment of the IFAD's resources and has paid US$ 9 million in December 2009 as the first installment, US$ 8 million in October 2010 as the second installment of the 8th Replenishment and US$ 8 million in October 2011 as the third and final installment.

India has pledged an amount of US$ 30 million in the 9th Replenishment and emerged as the top donor within C-2 Group of countries. Being the highest donor within C-2 Group, India will continue to retain the membership of the Executive Board during the replenishment period 2013-2015.

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 is shown in table 1.6.

Negotiations for IFAD assistance of US$ 90 million for Integrated Livelihoods Support Project, Uttarakhand were held on 28-29 November, 2011. IFAD's Executive Board has also approved the loan of US$ 90 million for the "Integrated Livelihoods Support Project' Uttarakhand with IFAD's assistance on 14 December, 2011.

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

Asian Development Bank (ADB)

1. Background

India's Membership of ADB and its Status

India is a founding member of the Asian Development Bank (ADB) established in 1966. The Bank is engaged in promoting economic and social progress of its developing member countries (DMCs) in the Asia Pacific Region.

India has been borrowing from ADB (Ordinary Capital only) since 1986, and borrows 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. 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.

Table 1.6

S.No.	Name of the project	Date of Agreement	Amount (US$ Million)
1.	Jharkhand – Chhattisgarh Tribal Development Programme	13 March, 2001	22.80
2.	Orissa Tribal Empowerment & Livelihood Programme	18 December, 2002	20.00
3.	Livelihood Improvement Project for the Himalayas	20 February, 2004	39.91
4.	Post-tsunami Livelihoods Programme for the Coastal Areas of Tamil Nadu	11 November, 2005	30.00
5.	Tejaswini – Rural Women's Empowerment Programme	12 October, 2006	39.44
6.	Mitigating Poverty in Western Rajasthan	17 October, 2008	30.3 (loan)0.6 (grant)
7.	Priyadarshini: Women's Empowerment & Livelihoods Programme in Mid-Gangetic Plains	11 December, 2008	30.2
8.	Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Project	30 September, 2009	40.1 (loan)1.0 (grant)
9.	North-Eastern Region Community Resource Management Project for Upland Areas – Phase II (NERCORMP-II)	12 July, 2010	20.0

ADB's authorized and subscribed capital stock is approximately 165.2 billion of which **India's current subscription is** 10.5 billion, spread over a total of 672,030 number of shares (6.377% of the total share). **India's paid in capital** is 526.7 million and **callable capital** is 10.0 billion approximately as of 30 September 2011.

General Capital Increase-V of Asian Development Bank

India has supported GCI-VI of ADB in 2009 with 4% paid-in capital. India's subscription comes to US$ 216.20 million for 17,921 shares to be paid up in five annual instalments. 40% of this is to be paid in Convertible Currency and 60% by way of Promissory Notes. The respective annual subscription is US$ 17,295,198.68 and rupee equivalent of US$ 25,942,798.02. Two instalments have already been paid in the years 2010-2011 and 2011-2012.

2. Country Strategy Programme of ADB in India

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 that ADB proposes to provide to the DMC and approves for roughly 5 years wherein, the overall context, framework and strategy for lending by ADB to any of its DMC is elaborated. CSP includes an indicative lending pipeline for three (03) years. During implementation of CSP, the pipeline is updated on yearly basis by way of a Country Operations Business Plan (COBP), including tentative pipeline of next two years. COBP 2012-2014 for India includes following projects for delivery in Calendar year 2012 shown in table 1.7.

3. Status of Projects

During the Calendar 2011, loan document for the following projects have been negotiated/signed shown in table 1.8.

4. Sectorwise Operations

A **Sector wise breakup of ADB's assistance** to India is shown in table 1.9.

5. Portfolio Overview

The overall portfolio of ADB, as on 30 November, 2011, is as under:

(a) **73 loans** with a **net loan amount of US$ 11.218 billion**.

(b) **82** Technical Assistances (TAs) for **US$ 78.56 million** in different sectors.

6. Review of 2011 performance

As on 30 November, 2011, for the calendar year 2011, against a target of US$ 1.577 billion for contract awards, the achievement has been 1.572 billion (99.7%) and the disbursement achieved is US$ 1.298 billion against a target of US$ 1.7 billion (78.3%).

7. 25 years of Operations

Year 2011 marked 25th year of the ADB's lending operations in India. An event to mark 25th Anniversary of India-ADB partnership was held on 17 October, 2011 which included an Eminent Persons' Forum. Hon'ble Finance Minister inaugurated the event. A panel discussion on topic "Realising the Asian Century" was chaired by the Finance Minister. Mr. Cesar V. Purisima, Hon'ble Finance Minister of Philippines and Mr. Dato' Haji Ahmad Husni Bin Mohamad Hanadzlah, Hon'ble Finance Minister of Malaysia also participated in the discussions. The objective of the discussion was to bring together Asian policy makers, thinkers and experts to New Delhi to reflect on Asia's emergence as a vibrant economic and financial region in the global arena. ADB Publications titled "India-ADB Development Partnership" and "Facilitating Infrastructure Development in India" was also released on the occasion. The event has been widely appreciated in Media and Government circles.

6. Multilateral Relations Division

DEA-ICRIER MoU

A Memorandum of Understanding (MoU) has been signed on 1 February, 2011 by and between Department of Economic Affairs (DEA) and Indian Council for Research on International Economic Relations (ICRIER), New Delhi for conducting DEA Research Programme on G20 issues under MR-I Section/ G20 Secretariat, MR Division, DEA. Dr. Usha Titus, Director (G20), DEA and Dr. Francis Xavier Rathinam, Fellow, ICRIER are the coordinators from DEA and ICRIER respectively. The Research Programme on G20 issues conducted by ICRIER involves following topics:

1. A series of studies on thematic areas being deliberated in the G20
2. Research assistance to the Co-chair on G20 Working Group on Framework for Strong, Sustainable and Balanced Growth
3. Growth modeling for India on G20 MAP
4. Developing a G20 India Website and Research Library
5. Organizing workshops/conferences/seminars (India is organizing first G20 Framework Seminar and G20 Framework Working Group meeting on 9-10 January, 2012 in Neemrana, Alwar, Rajasthan.)

ICRIER has to submit all deliverables within time periods as specified in MoU. The deliverables under the Research Programme are in the form of Position Notes, Policy Issues and Options Papers, Research Papers etc.

DEA Online Database Service Providers

In 2011, DEA selected two online database service providers namely Centre for Monitoring Indian Economy (CMIE) and Bloomberg. These service providers provide online database to DEA in the areas of India Trades, Business Beacon and IES. MR Division, DEA have 9 terminals of CMIE for its officers (JS, EA, Director/DS, OSD, DD/ADs) and 2 terminals of Bloomberg each one for G20 India Secretariat, Jeevan Vihar Building, New Delhi and JS (MR), DEA, North Block.

Table 1.7

S.No.	Name of Project	Amount (US$ Million)
1	Rajasthan Solar Park Transmission Project	170
2	Utility Scale Concentrated Solar Power Demonstration Project	30
3	Enhancing Financial Inclusion	100
4	Municipal Finance Policy Loan in Himachal Pradesh	100
5	Rural Connectivity Investment Program	800
6	Additional Financing for Bihar State Highways-II	300
7	Kolkata Environmental Improvement Project-II	250
8	Bihar Urban Infrastructure Project	200
	Total	**1,950**

Table 1.8

S.No.	Project Name	Amount (US$ Million)	Status
1	Loan No.2687-IND: Himachal Pradesh Clean Energy Development Investment Program	208	Signed (on 11 January, 2011)
2	Loan No. 2677-IND: Assam Power Enhancement Investment Sector Program (Project-2)	89.7	Signed (on 11 January, 2011)
3	Loan No.2725-IND: Rajasthan Urban Sector Development Investment Program (Project-3)	63	Signed (on 17 March, 2011)
4	Loan No.2660-IND: National Capital Region Urban Infrastructure Financing Facility (Project-1)	78	Signed (on 17 March, 2011)
5	Loan No. 2732-IND: Madhya Pradesh Power Sector Investment Program (Project-6)	69	Signed (on 10 May, 2011)
6	Loan No. 2684-IND: Bihar Power System Improvement Project	132.2	Signed (on 15 June, 2011)
7	Loan No. 2736-IND: Madhya Pradesh State Roads (Project-III)	300	Signed (on 15 June, 2011)
8	Loan No.2676-IND: Infrastructure Development Investment Program for Tourism (Project-1)	43.42	Signed (on 20 July, 2011)
9	Loan No. 2679-IND: Sustainable Coastal Protection & Management Investment Program (Project-1)	51.5	Signed (on 17 August, 2011)
10	Loan No. 2764-IND: Madhya Pradesh Energy Efficiency Enhancement Program (Project-1)	200	Signed (on 17 August, 2011)
11	Loan No. 2705-IND: Karnataka State Highways Improvement Program	315	Signed (on 28 October, 2011)
12	Loan No. 2794-IND: Himachal Clean Energy Transmission Project (Project-1)	200	Signed (on 15 December, 2011)
13	Madhya Pradesh Energy Efficiency Enhancement Program (MFF)	400	Negotiated (on 19-20 May, 2011)
14	North Eastern State Roads Improvement Project (MFF)	200	Negotiated (16-17 June, 2011)
15	Railway Sector Investment Program	500	Negotiated (7-8 July, 2011)
16	Gujarat Solar Power Transmission Project	100	Negotiated (19 July, 2011)

S.No.	Project Name	Amount (US$ Million)	Status
17	Himachal Pradesh Clean Energy Transmission Project (MFF)	400	Negotiated (16 August, 2011)
18	National Power Grid Improvement Project	350	Negotiated (23-24 August, 2011)
19	Assam Power Sector Improvement Project (Project 3)	50	Negotiated (28 September, 2011)
20	Assam Urban Infrastructure Development Investment Program (MFF)	200	Negotiated (1-2 September, 2011)
21	Uttarakhand Urban Sector Development Investment Program (Tranche 2)	100	Negotiated (26-27 September, 2011)
22	Second India Infrastructure Project Financing Facility (Tranche 3)	270	Negotiated (11 November, 2011)
23	National Power Grid Investment Project (Tranche 3)	76	Negotiated (18 November, 2011)
24	North Eastern Region Capital Cities Development Investment Program (Tranche 2)	72	Negotiated (21 November, 2011)
25	Infrastructure Development Investment Program for Tourism (Tranche 2)	43.84	Negotiated (23 November, 2011)
26	Agribusiness Infrastructure Investment Program (Tranche-2)	24.3	Negotiated (28 November, 2011)
27	Madhya Pradesh Energy Efficiency Enhancement Programme (Tranche 2)	200	Negotiated (30 November, 2011)

Table 1.9

(As on 30 November, 2011)

Sector	No. of Loans	US$ Million	%
Agriculture, Environment & Natural Resources	5	238.7	1.0
Energy	46	7698.5	31.3
Finance	36	5530.0	22.5
Transport and Communications	41	8089.6	32.9
Urban Development & Multi Sector	25	3066.8	12.5
Total	**153**	**24,623.6**	**100.0**

G-20

Introduction

- The G20 was established in 1999 in the aftermath of the East Asian Crisis. The G20 was a Finance Ministers Forum till fairly recently. The G20 has led the initiative to save the global economy lapsing into a second Great Depression. Following the first G20 Leaders' Summit, which was held at Washington DC in November 2008 to address the challenges arising out of the biggest global financial and economic crisis since the Great Depression of the 1930s. The G20 has been raised to the level of Leaders and become the premier forum for international economic cooperation. A formal declaration to that effect was made at the third G20 Summit at Pittsburgh, USA in 2009. G20 Leaders will now meet each year at the Summit level. There were two summits each in 2009 and 2010. The G20 Leaders agreed in Pittsburgh Summit (November 2009) that there will be only one summit from 2011 onwards. The sixth summit was held at Cannes, France, on 3-4 November, 2011.
- The G20 covers a broad and expanding agenda of critical global economic issues, and its work stream involves, *inter alia,* Working Groups, Expert Groups, etc. in which all G20 countries are represented. Discussions in the working groups are conducted through email exchanges, conference calls and face-to-face meetings. The list of various G20meetings held in 2011 is given in Annexure-I.

Finance Channel

- The thematic areas under the Finance Channel deliberated during 2011 includes: (i) Global Economy,

(ii) Framework for Strong, Sustainable and Balanced Growth, (iii) Reform of International Monetary System, (iv) Strengthening Financial Regulation, and to some extent issue on Commodity Price Volatility and Fossil Fuel Subsidy which feeds into Sherpa's channel.

Sherpa Channel

- The thematic areas during 2011 includes: The Development Agenda, Infrastructure, Human Resource Development, Trade, Private Investment and Job Creation, Food Security, Domestic Resource Mobilization and Knowledge Sharing; Energy issues, such as Fossil Fuel Subsidy, Oil Price Volatility, Global Marine Environment Protection and Clean Energy and Energy Efficiency; Anti-Corruption; there are also separate G20 Ministerial meetings called directly by the G20 chair of Agriculture, Labour, Development, Energy Ministers etc.

Sixth G20 Summit 2011, Cannes, France

- The sixth summit of G20 Leaders was held on 3-4 November, 2011 at Cannes, France. The Indian Delegation was led by the honor'ble Prime Minister. DEA was represented by Shri R. Gopalan, Secretary Economic Affairs, Dr. Alok Sheel, Joint Secretary (MR), Mr. C. Vanlalramsanga and Ms Reetu Jain, Deputy Secretaries.
- French Priorities for the G20 Summit 2011 (a) Reforming the International Monetary System (which subsumes issues arising out of the Framework exercise) (b) Strengthening Financial regulation (c) Combating commodity price volatility (d) Strengthening jobs and the social dimension of globalization (e) Fighting corruption (f) Development agenda, focusing on the two pillars of infrastructure and food security.

Cannes Action Plan

- The Action Plan contains country specific policy commitments and even measurable targets. India's commitments are in the areas of fiscal consolidation, subsidy reform and infrastructure investments, which are all publicly, stated national priorities. Finance Ministers have been tasked to develop a framework for assessing implementation of the Action Plan.
- India along with Canada is a Co-chair of the Working Group Framework for Strong, Sustainable and Balanced Growth, which is the signature effort of the G20 launched in the Pittsburgh Summit (September 2009), with a commitment to work together to assess the collective implications of national policies on global growth and development, identify potential risks to the global economy, and take actions to achieve shared objectives.
- The first Framework Working Group meeting in 2012 was held on 10 January in India to discuss the 2012 Framework process. FWG members agreed to enhance monitoring of G20 commitments and identifying the need for additional policy actions building on the Cannes commitments.

The G20 in 2012

- The next Seventh summit is scheduled to be held in Los Cabos, Baja California in June 2012, under the Chairmanship of Mexico. As part of reforms to the G20, that after 2015, annual presidencies of the G20 will be chosen from rotating regional groups, starting with the Asian grouping comprising of China, Indonesia, Japan and Korea.
- The priorities for the Mexican Presidency constitutes: a) Economic stabilization and structural reforms as foundations for growth and employment b) Strengthening the financial system and fostering financial inclusion to promote economic growth c) Improving the international financial architecture in an interconnected world d) Enhancing food security and addressing commodity price volatility and e) Promoting sustainable development, green growth and the fight against climate change.

United Nations Development Programme in India

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, women empowerment and environmental protection. All assistance provided by the UNDP is grant assistance.
2. The UNDP derives its funds from voluntary contributions from various donor countries. India's annual contribution to the UNDP has been to the extent of US$ 4.5 million, which is one of the largest from developing countries. Over and above its annual contribution, the GOI also pays for the expenditure of the Local Office.
3. 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 current Country Programme(CP): 2008-2012 is in harmony with the 11^{th} Plan's thrust on inclusive growth. It is effective from 1 January, 2008 and will remain in force till 31 December, 2012. It will primarily concentrate on the goals namely, democratic governance, poverty reduction, HIV and development, disaster risk management and energy and environment. Further, it will focus on seven states that are economically laggard: Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh.
4. The next Country Programme Document for 2013-2017 is being finalized. The proposed allocation of UNDP Core funds for the Country Programe 2013-2017 is US$ 65.59 million as against the allocation of US$ 70 million for the Current Country programme (2008-2012).

Matters Relating to Bilateral Relations with Russia

The Indo-Russian Joint Task Force(JTF) on settlement of Mutual Financial Obligation headed by the Ministry of Finance of both the Government is meeting on annual basis to discuss the issues on settlement of Inter-Governmental financial obligations. Representatives of Ministry of Defence, Department of Commerce, RBI and Shipping Corporation of India are part of Indian delegation. Till date five meetings of the JTF were held.

The following issues are falling under the purview of Indo-Russia Joint Task Force:

(i) Utilization of the accumulated rupee funds towards investment in India.

(ii) Settlement of the claims of Indian exporters/shipping companies for deliveries of goods and services to the former USSR and the Russian Federation

(iii) Short payments under State Credit granted by the Government of the Former USSR and the Russian Federation to the Government of India.

Other Important Activities

This division has also been handling matters relating to ASEM Conference, SAARC, SAARC Development Fund, IGEG on Financial Matters, India-China Financial Dialogue India-Korea Finance Minister's Meeting etc.

The 10th Board Meeting of the SAARC Development Fund (SDF) was held in New Delhi from 14-16 March,2011. The 11th SDF meeting was held from 26-28 July,2011 in Thimpu, Bhutan wherein Dr. Alok Sheel, Joint Secretary represented India. The 12th Meeting of the SDF Board was held in New Delhi from 21-23 December,2011. Currently, Dr. Alok Sheel chairs the SDF Board meetings.

Second Bilateral Meeting between the Finance Minister of India and Republic of Korea was held in New Delhi on 17 January, 2011. Both sides exchanged views on Macro economic outlook and policy direction, and issues relating to cooperation at G20 and had indepth discussion on further cooperation in financial sector, taxation, infrastructure development measures to share policy and experience between Ministries of Finance of the two countries.

The fifth India-China Financial Dialogue was held on 8 November, 2011 in New Delhi. At the end of the meeting, a Joint Statement covering the issues discussed during the 5th India-China Financial Dialogue was signed and exchanged between the two countries.

The Fifth Meeting of the IGEG on financial issues was held in Kathmandu on 27-28 December,2011.

A. WTO and FTA matter

(i) During the current year the Trade & Economic Relations Committee (TERC) under the Chairmanship of the Prime Minister in its 17th Meeting approved the initiation of negotiations for a Comprehensive Economic Cooperation Agreement (CECA) with Indonesia, FTA with Australia, FTA with Common Market for Eastern & Southern Africa (COMESA) and to complete the India-EU BTIA negotiations. Besides this, issues pertaining to Singapore CECA were also taken up during the ongoing review meetings.

(ii) 5th Trade Policy Review (TPR) of WTO was held in Geneva on 14-16 September, 2011 where India was represented by a team of senior officials including the representative of this Department and was headed by Commerce Secretary. During the TPR process, unprecedented interest was evinced by the members of the WTO in India's economic and trade policies and close to one thousand questions on different subjects were raised by almost fifty countries.

B. 9th Meeting of the India- Saudi Arabia Joint Commission:

The 9th Meeting of the India- Saudi Arabia Joint Commission on Technical and Economic Cooperation (JCM) was held in New Delhi on 4-5 January, 2012. Shri Pranab Mukherjee, Hon'ble Finance Minister and H.E. Tawfiq bin Fowzan Al-Rabian, Minister of Commerce and Industry of the Kingdom of Saudi Arabia co-chaired the JCM.

The 9th meeting of the JCM took stock of the progress made since " Riyadh Declaration 2010" signed during the visit of Hon'ble Prime Minister to Riyadh. The discussions of the JCM were held in three bilateral Sub Committees dealing with (i) economic and commercial (ii) Education and Science & Technology and (iii) Consular and Community affairs. The agreed minutes of the 9th JCM which provide the contours of future action plans for mutually beneficial bilateral cooperation were signed by the head of the delegations at the end of the JCM.

Annexure I: G20 Summits so Far

Date	Event	Place
15 November, 2008	First G20 Summit	Washington D.C.
2 April, 2009	Second G20 Summit	London
25-26 September, 2009	Third G20 Summit	Pittsburgh, USA
26-27 June, 2010	Forth G20 Summit	Toronto, Canada
11-12 November, 2010	Fifth G20 Summit	Seoul, South Korea
3-4 November, 2011	Sixth G20 Summit	Cannes, France
Meeting Under Finance Channel in 2011		
Working Group Meeting in 2011		
13 January, 2011	G20 Framework Working Group	Paris
17 February, 2011	IMS Plenary Working Group	Paris
24 March, 2011	G20 Framework Working Group	Washington D.C.
27-28 March, 2011	IMS Sub Group Meeting	Frankfurt
31 March, 2011	IMS High Level Seminar	China
13 April, 2011	G20 Framework Working Group	Washington D.C.
13 April, 2011	IMS Working Group	Washington D.C.
17 April, 2011	IMS Sub Group Meeting	Washington D.C.
20 June, 2011	G20 Framework Working Group	Paris
21 June1, 2011	IMS Sub Group Meeting	Paris
8 July, 2011	IMS Plenary Working Group	Paris
2 September, 2011	IMS Sub-Group Meetings	Paris
7 September, 2011	Framework Working Group	Paris
21 September, 2011	Framework Working Group	Washington D.C.
22 September, 2011	IMS Plenary Working Group	Washington D.C.
Finance Minister & Central Bank Governors/Deputies Meeting		
15-16 January, 2011	Finance Minister & Central Bank Governors Deputies meeting	Paris
17-19 Febrauary, 2011	Finance Minister & Central Bank Governors · Deputies Meeting	Paris
14-15 April, 2011	Finance Minister & Central Bank Governors · Deputies Meeting	Washington D.C.
9-10 July, 2011	Finance Minister & Central Bank Governors Deputies Meeting	Paris
22 September, 2011	Finance Minister & Central Bank Governors Deputies Meeting Deputies	Washington
13-15 October, 2011	Finance Minister & Central Bank Governors Deputies Meeting	Paris
Communiqués of above meeting can be seen from the G20 Website: http://www.g20.org/pub_communiques.aspx		

MEETING UNDER SHERPA CHANNEL IN 2011		
DATE	EVENT	PLACE
25-26 January, 2011	Sherpa's Meeting	Paris
28-29 April, 2011	Sherpa's Meeting	Paris
21-22 July, 2011	Sherpa's Meeting	Paris
29-30 September, 2011	Sherpa's Meeting	Paris
2-3 November, 2011	Sherpa's Meeting	Paris
Joint Finance & Development Ministers Meeting Development Ministers Meeting		
23 September, 2011	Joint Finance & Development Ministers Meeting	Washington
BRICS Meeting		
23 September, 2011	BRICS Finance Ministers meeting	Washington

7. Aid Accounts & Audit Division

Introduction

AAAD is an ISO 9001:2008 certified office, is a part of the External Finance Wing of the Department of Economic Affairs. Back office function relating to External Loans/Grants obtained by Government of India from various Multilateral and Bilateral donors is being discharged by this Division. The main function handled by this 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 loan records, External Debt Statistics, compilation of various management information reports, publication of External Assistance Brochure on annual basis, and framing of Estimates of External Aid Receipts and Debt Servicing. In addition, audit of import licences issued to registered exporters for export promotion by the 41 licensing Offices under DGFT are also conducted by this Division.

Performance/Achievements upto Last Year

The external receipts on Government Account during 2010-2011 in the form of loans/credits were ₹ 30,406.08 crore against the Revised Estimates (RE) of ₹ 33,947.05 crore. Cash Grant Assistance received during 2010-2011 was of ₹ 2,613.67 crore against RE of ₹ 2,715.74 crore.

Performance/Achievements during Current Financial Year

The drawal of External Loans/Credits during 2011-2012 (upto 17 January, 2012) was ₹ 18,061.76 crore against Budget Estimates (BE) 2011-2012 of ₹ 26820.13 crore. Cash Grant Assistance received during the financial year (upto 17 January, 2012) was ₹ 2,485.75 crore against BE of ₹ 2,172.96 crore.

E-Governance

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

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

3. Functionality for submission of claims electronically by PIAs to this Division and from Division to Donors has been developed. Division took an initiative for submission/receiving of reimbursement claims in electronic mode by/from PIAs. In order to familiarise with the process training was imparted to PIAs officers and staff. During 2011-2012 Seven (7) training/ Programme were orgainsed in which 43 officer were trained. Out of 34 PIAs imparted training during 2011-2012, e-claims are being received from 5 PIAs. Till 17 January, 2012 three hindered thirty five claims have been received from 36 different PIAs.

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

8. Administration Division

Functions

Administration Division is responsible for personnel and office administration of the Department and implementation of Official Language policy of the Government in Department of Economic Affairs and its attached/subordinate offices/ statutory bodies and public sector enterprises.

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/statutory bodies & public sector enterprises for the year 2011-2012 is given in **Annexure-I & Annexure-II.**

Grants in aid

During the financial year 2011-2012, grant in-aid of ₹ 21 crore was sanctioned to 12 Institutions by Department of Economic Affaires. The deatils are given in Annexure-III.

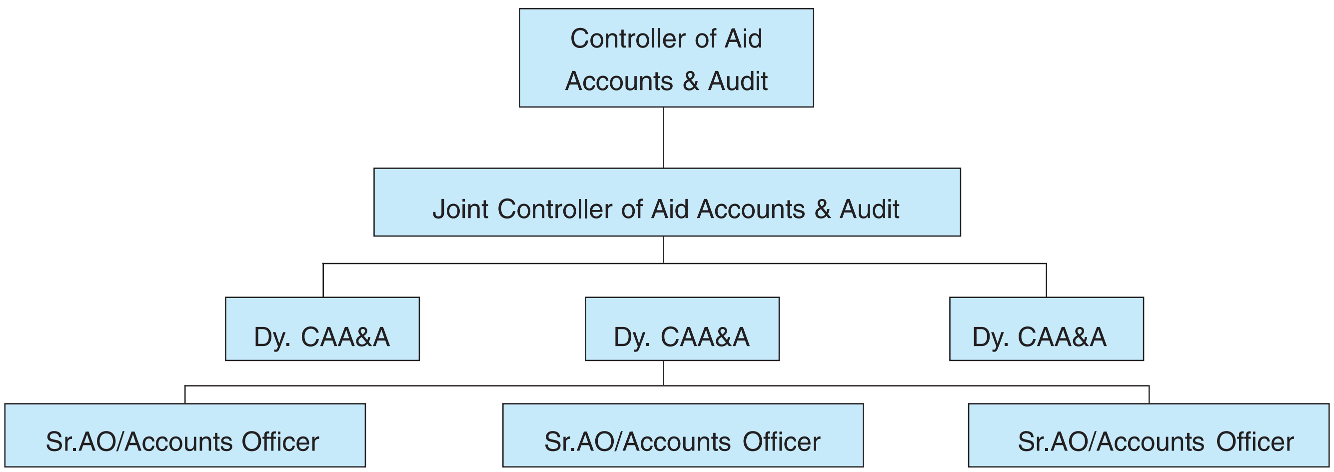
Complaints Committee on Sexual Harassment of Women Employees

In compliance with the Supreme Court's Judgement dated 13 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.

Use of Hindi in Official Work

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

Organisation Chart of the Aid Accounts & Audit Division



Annexure III

S.No.	Name of the Grantee Institute	Purpose of the Grant	Sanctioned Amount
1.	Madras School of Economics (MSE)	Corpus Fund ‘ 6 Crore for funding additional faculty position in MSE and bringing salary levels at par with UGC and Central Govt. Approved Scales.	₹ 10 crore
		Grant in aid ‘ 4 Crore for building the new academic block for MSE.	
2.	Ratan Tata Library (RTL) of Delhi School of Economics	Corpus fund for subscriptions and maintenance of journals for RTL	₹ 7 crore
3.	Centre for Development Economics (CDE)	Corpus Fund to finance a visiting fellow and to doctoral fellowship and also for development of CDE	₹ 3 crore
4.	Global India Foundation, Kolkata	For non recurring grant for development of infrastructure and academic resources	₹ 20 lakh
5.	Punjabi University, Patiala	As a one time grant-in-aid for establishing Centre for Development Economics and Innovation Studies (CDEIS)	₹ 20 lakh
6.	Tripura University, Tripura	As a one time grant-in-aid for building infrastructure facilities	₹ 10 lakh
7.	Manipur University, Manipur	As a one time grant to undertake a project on contemporary development trends and issues requiring attention in NE Region	₹ 10 lakh
8.	Delhi School of Economics, University of Delhi, Delhi	As a one time grant for organizing two conferences	₹ 10 lakh
9.	Indian Economic Association	As a one time grant as support for organizing conferences	₹ 4 lakh
10.	Indian Econometric Society	As a one time grant for improving the frequency and quality of journals	₹ 5 lakh
11.	Asian Development Research Institute, Patna	As a one time grant in aid for maintaining video library information centre and purchase of books)	₹ 11 lakh
12.	Department of Analytical and Applied Economics, Utkal University, Bhubaneswar	As a one time grant in aid for strengthening research activities in Analytical and Applied Economics	₹ 10 lakh
		Total	**₹ 21 crores**

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:

1. Annual programme for the year 2011-2012 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.
2. The introductory meeting of the reconstituted Hindi Salahkar Samiti of the Deptt. of Economic Affairs (including Deptt. of Financial Services) was held on 31 March, 2011 under the chairmanship of Hon'ble Minister of state (E&FS). Compliance of the decisions taken therein was ensured. The 2nd meeting of the committee has been held on 20 January, 2012.
3. Hon'ble Minister of Finance in his "Message" on the auspicious occasion of Hindi Day on 14 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.
4. In order to remove the hesitation amongst officials to do their official work in Hindi and to acquaint them with the rules and other instructions regarding the Official Language policy of the Government, Hindi workshops were organized. The participants were given rewards and reference and helping literature.
5. To create a conducive atmosphere in the Department regarding the progressive use of Hindi, Hindi Month was celebrated during 1-30 September, 2011. 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 and certificates were awarded to the winners on the merits.
6. 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. Evaluation process of the books received under the scheme for 2010-2011 is underway.
7. The website of the Department is bilingual. Besides other material, all Budget documents, Economic Survey and other publications and important circulars are uploaded simultaneously in Hindi and English.
8. Three sections of the Department were specified under rule 8(4) of the official language rules, 1976 to do all their work in Hindi. Kolkata Regional office of the National Savings Institute was notified in Gazette of India under rules 10(4) of the OL Rules, 1976.
9. Some of the 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 instructions etc. relating to Official Language are being complied with. and
10. Meetings of the Official Language Implementation Committee of the Department were held regularly in which the progress of implementation of Official Language Policy was reviewed and appropriate action on the suggestions given therein was taken.

Finance Library & Publication Section 2011-2012

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.

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 July 1990. All the posts in the library are ex cadre posts.

Collection

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

Electronic Resources

Electronic resources include the following CD-ROM databases

Census of India 2001

- DDO Manual
- DGCI&S - Foreign Trade Statistics of India
- DGCI&S - Statistics of foreign Trade of India
- DGCI&S - Monthly Statistics of Foreign Trade of India
- Government Accounting Rules, 1990
- IMF - Balance of Payments Statistics
- IMF - Direction of Trade Statistics
- IMF - Government Finance Statistics
- IMF - International Financial Statistics
- India - Civil Accounts Manual, rev. 2nd edition, 2007
- India - Economic Survey
- India - Pay Commission Report (1st, 3rd, 5th and 6th)
- India - Union Budget
- List of Major and Minor Heads of Accounts
- RBI - Banking Statistics & Basic Statistical Returns

- Receipts and Payments Rules
- The World Bank - World Development Indicators
- The World Bank - Global Development Finance
- UN- International Trade Statistics Year Book
- Vigilance Manual

Services

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

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

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

Publications

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

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

Digital Records

Finance Library also undertook a project in which the full text of Ministry of Finance, Gazette Notifications [published in the Pt. 2 Sec. 3 Subsection (i) (ordinary)] for the year 1950 to 1960 have been digitized.

Computerisation

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

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

Annexure-I(a): Representation of SCs, STs & OBCs in respect of Department of Economic Affairs

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	161	11	4	4	-	-	-	-	-	-	-	2	-	-
Group B	317	42	23	9	-	-	-	-	2	-	-	2	-	-
Group C	89	21	1	3	-	-	-	-	2	-	-	-	-	-
Group D (Excl. Safai Karam-charis)	181	72	3	9	1	1	-	-	-	-	-	-	-	-
Gr. D (Safai Karam-charis)	11	11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**759**	**157**	**31**	**25**	**1**	**1**	**-**	**-**	**4**	**-**	**-**	**4**	**-**	**-**

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

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														
NSI	12	2	-	3	-	-	-	-	-	-	-	-	-	-
SAT	5	-	-	1	-	-	-	-	-	-	-	-	-	-
Group B														
NSI	30	3	1	5	-	-	-	-	-	-	-	-	-	-
SAT	7	-	-	-	1	-	-	-	-	-	-	-	-	-
Group C														
NSI	38	10	3	5	-	-	-	-	-	-	-	-	-	-
SAT	15	3	-	4	3	1	-	1	1	-	-	-	-	-
Group D (Excl. Safai Karamchari														
NSI	23	10	2	3	-	-	-	-	-	-	-	-	-	-
SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gr.D (Safai Karamcharis														
NSI	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**130**	**28**	**6**	**21**	**4**	**1**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**-**

Annexure-I(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'

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
Officers	530	69	24	132	-	-	-	-	-	-	-	12	3	-
Secretaries	110	4	0	12	-	-	-	-	-	-	-	0	0	-
MSNGR	2	1	0	0	-	-	-	-	-	-	-	0	0	-
Total	**642**	**74**	**24**	**144**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**3**	**-**

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

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	218	39	12	18	21	2	0	8	22	4	1	6	1	0
Group B	552	102	32	36	49	8	3	13	61	7	6	1	0	0
Group C (Incl. Ind. Workman/ exl..Safai Karam-charis, etc.) 0	11732		2524	1054	686	218	34	17	59	1438	349	160	1	1
Gr.D (Safai Karam-charis)	75	55	4	2	0	0	0	0	0	0	0	0	0	0
Total	12577	2720	1102	742	288	44	20	80	1521	360	167	8	2	0

Annexure II(a): Representation of the Persons with Disabilities in respect of Department of Economic Affairs (Main)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Group A	161	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	317	-	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	89	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	192	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**759**	**1**	**2**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 Orthopadically Handicapped (persons suffering from locomotor disability or cerebral palsy).

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

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
NSI, Nagpur	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAT	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NSI	30	-	-	1	-	-	-	-	-	-	1	-	-	-	-	-	-	-
SAT	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NSI	38	-	-	1	-	-	-	-	-	-	1	-	-	-	-	-	-	-
SAT	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NSI	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAT	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**130**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**- -**

Annexure II(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	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Officers	530	6	1	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Secretaries	110	1	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MSNGR	2	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**642**	**7**	**1**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 Orthopadically Handicapped (persons suffering from locomotor disability or cerebral palsy).

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

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Group A	218	0	0	1	0	0	0	21	0	0	0	0	0	0	22	0	0	0
Group B	552	0	2	2	0	0	0	49	0	0	0	0	0	0	61	0	0	0
Group C (Incl. Industrial workmen/ Group D employee)	11807	45	80	226	0	0	8	218	0	0	2	0	0	0	1438	3	3	16
Total	12577	45	82	229	0	0	8	288	0	0	2	0	0	0	1521	3	3	16

9. Bilateral Cooperation Division

Japan I Section

Official Development Assistance

Japan has been extending bilateral loan and grant assistance to India since 1958. Japanese bilateral loan assistance to India, Grant Aid and Technical Cooperation to India is received through JICA (Japan International Cooperation Agency). Japan is the largest bilateral donor to India. Since 2003-2004, India has become the largest recipient of Japanese ODA loan.

The Japanese Official Development Assistance (ODA) loans to India are "untied loans". The procurement is through International Competitive Bidding. ODA loan is mostly project tied. The interest rates are 1.4% per annum for general projects with a 30 years tenure including a grace period of 10 years. For environmental projects, the interest rate is 0.65% per annum with a 40 years tenure including grace period of 10 years. In addition, a commitment charge @ 0.1% is levied after 120 days of the signing of the loan agreement on the undisbursed loan.

Government of Japan has committed JPY 155.54 billion (₹ 8,631.94 Crores approx.) for seven projects to India from 1 January, 2011 to 31 December, 2011. As on 31 December, 2011, sixty one projects are under implementation with Japanese loan assistance. The loan amount committed for these projects is JPY 1,160.751 billion (₹ 62,179 Crores approx.). The cummulative commitment of ODA loan to India has reached JPY 3,320.369 billion on commitment basis till 31 December, 2011.

The ODA loan disbursement to India from 1 January, 2011 to 31 December, 2011 was JPY 125.007 billion (₹ 7,381.22 Crores).

Japan II Section

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 were signed between Government of India and Government of Japan on 26 July, 2010 for JY 78,70,00,000.

Technical Cooperation Programme

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

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

There are 6 ongoing projects under Technical Cooperation and Development Study Programme.

JOCV Programme

In the year 2011-2012, ten Japanese volunteers have been appointed under:

JOCV programme and the proposals from eight institutes have been posed to Embassy of Japan.

JICA Partnership Programme

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

Grassroots Funding

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

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 impart training and conducts training programmes in Japan.

Table 1.10: List of On-going JICA assisted Projects (in Million Yen)				
S.No.	**IDP Number and Name of the Project**	**Location**	**Loan Amount**	**Date of Signing/ Closing**
	Ministry of Power			
1	(IDP-156) Umium Stage II Hydro Power Stn.	Meghalaya	1964	31.3.2004/18.6.2012
2	(IDP-167) Purulia Pumped Storage Project III	West Bengal	17963	31.3.2006/24.7.2013
3	(IDP-169) Rural Electrification Project	Central - Andhra Pradesh, Madhya Pradesh & Maharashtra	20629	29.8.2006/29.8.2012
4	(IDP-177) Bangalore Distribution Upgradation Project	Karnataka	10643	30.3.2007/11.7.2015
5	(IDP-178) Transmission System Modernization and Strengthening Project in Hyderabad Metropolitan Area	Andhra Pradesh	23697	30.3.2007/11.7.2014
6	(IDP-188) Maharashtra Transmission System Project	Maharashtra	16749	14.9.2007/28.11.2014
7	(IDP-190) Haryana Transmission System Project	Central – Haryana	20902	10.3.2008/12.9.2014
8	(ID-P 217) Madhya Pradesh Transmission System Modenization Project	Madhya Pradesh	18475	16.6.2011/22.9.2018
9	(ID-P 216) Andhra Pradesh Rural High Voltage Distribution System Project	Andhra Pradesh	18590	16.6.2011/12.10.2019
	Ministry of Environment and Forests			
10	(IDP-149) Yamuna Action Plan Project (II)	Central - Delhi, UP, Haryana	13333	31.3.2003/*31.7.2012
11	(IDP-158) Intg. Natural Resource Magt&Pov Red	Haryana	6280	31.3.2004/18.6.2014
12	(IDP-162) Tamil Nadu Afforestation Project II	Tamil Nadu	9818	31.3.2005/28.7.2015
13	(IDP- 163) Karnataka Sustainable Forest Mgt & Biodiversity Con Project	Karnataka	15209	31.3.2005/28.7.2015
14	(IDP-164) Ganga Action Plan (Varanasi)	Central - Uttar Pradesh	11184	31.3.2005/28.7.2015
15	(IDP-172) Swan River Integ. Watershed Management	H.P.	3493	31.3.2006/24.7.2016
16	(IDP-173) Orissa Forestry Sector Development Project	Orissa	13937	31.3.2006/24.7.2016
17	(IDP-182) Tripura Forest Environmental Improvement and Poverty Alleviation Project	Tripura	7725	30.3.2007/11.7.2017
18	(IDP-183) Gujarat Forestry Development Project Phase 2	Gujarat	17521	30.3.2007/11.7.2017
19	(IDP-194) Uttar Pradesh Participatory Forest Management and Poverty Alleviation Project	Uttar Pradesh	13345	10.3.2008/25.3.2018
20	(ID-P 199) Capacity Development for Forest Management and Personnel Training Project	Central – All India	5241	21.11.2008/16.10.2018

S.No.	IDP Number and Name of the Project	Location	Loan Amount	Date of Signing/ Closing
21	(ID-P 211) Sikkim Biodiversity Conservation and Forest Management Project	Sikkim	5384	31.3.2010/15.06.2022
22	(ID-P214) Tamil Nadu Biodiversity Conservation and Greening Project	Tamil Nadu	8829	17.2.2011/16.6.2021
23	(ID-P 221) Rajasthan Forestry and Biodiversity Project Phase 2	Rajasthan	15749	16.6.2011/12.10.2021
	Ministry of Urban Development			
24	(IDP-157) Bisalpur-Jaipur Water Supply Project	Rajasthan	8881	31.3.2004/19.10.2013
25	(IDP-165) Bangalore Water Supply and Sewerage (II)	Karnataka	41997	31.3.2005/28.7.2015
26	(IDP-168) Bangalore Water Supply and Sewerage (II-2)	Karnataka	28358	31.3.2006/24.7.2016
27	(IDP-171) Bangalore Metro Rail Project	Central – Karnataka	44704	31.3.2006/24.7.2016
28	(IDP-174) HussainSagar Lake and Catchment Area Improvement Project	Andhra Pradesh	7729	31.3.2006/24.7.2016
29	(IDP-175) Kolkata Solid Waste Management Improvement Project	West Bengal	3584	31.3.2006/24.7.2014
30	(IDP-184) Kerala Water Supply Project (II)	Kerala	32777	30.3.2007/ 11.7.2012
31	(IDP-185) Agra Water Supply Project	Uttar Pradesh	24822	30.302007/11.7.2017
32	(IDP-186) Amritsar Sewerage Project	Punjab	6961	30.302007/11.7.2015
33	(IDP-187) Orissa Integrated Sanitation Improvement Project	Orissa	19061	30.3.2007/11.7.2016
34	(IDP-189) Goa Water Supply & Sewerage Project	Goa	22806	14.9.2007/28.11.2017
35	(ID-P 191) Delhi Mass Rapid Transport System Project Phase.2 (III)	Central – Delhi	72100	10.3.2008/25.3.2012
36	(ID-P 193) Hyderabad Outer Ring Road Project Phase.1	Andhra Pradesh	41853	10.3.2008/25.3.2016
37	(ID-P 196) Tamil Nadu Urban Infrastructure Project	Tamil Nadu	8551	10.3.2008/25.3.2016
38	(ID-P 192) Kolkata East-West Metro Project	Central - West Bengal	6437	10.3.2008/04.9.2013
39	(ID-P 198) Hyderabad Outer Ring Road Project Phase 2	Andhra Pradesh	42027	21.11.2008/25.02.2017
40	(ID-P 197) Chennai Metro Project	Central - Tamil Nadu	21751	21.11.2008/19.03.2015
41	(ID-P 201) Guwahati Water Supply Project	Assam	29453	31.3.2009/28.07.2019
42	(ID-P 202) Delhi Mass Rapid Transport System Project Phase 2 (IV)	Delhi	77753	31.3.2009/28.7.2015
43	(ID-P 203) Kerala Water Supply Project (III)	Kerala	12727	31.3.2009/28.7.2013
44	(ID-P 206) Delhi Mass Rapid Transport System Project (Phase 2) (V)	Delhi	33640	31.3.2010/15.06.2016
45	(ID-P 207) Kolkata East-West Metro Project (II)	West Bengal	23402	31.3.2010/15.6.2017

S.No.	IDP Number and Name of the Project	Location	Loan Amount	Date of Signing/ Closing
46	(ID-P 208) Chennai Metro Project (II)	Tamil Nadu	59851	31.3.2010/15.06.2017
47	(ID-P 220) Bangalore Metro Rail Project (II)	Central – Karnataka	19832	16.6.2011/22.9.2017
	Ministry of Water Resources			
48	(IDP-155) KC Canal Modernization Project II	Andhra Pradesh	4773	31.3.2004/18.6.2012
49	(IDP-161) Rajasthan Minor Irrigation Improvement	Rajasthan	11555	31.3.2005/28.7.2015
50	(IDP-181) Andhra Pradesh Irrigation & Livelihoods Improvement Project	Andhra Pradesh	23974	30.3.2007/11.7.2016
51	(ID-P 210) Rengali Irrigation Project III	Orissa	3072	31.3.2010/24.11.2015
	Ministry of Tourism			
52	(IDP-150) Ajanta-Ellora Cons. & Tourism Dev. Proj-II	Central – Maharastra	7331	31.3.2003/31.7.2013 *
53	(IDP-166) Uttar Pradesh Buddhist Circuit Development	Central – Uttar Pradesh	9495	31.3.2005/28.7.2015
	Ministry of Shipping			
54	(IDP-180) Visakhapatnam Port Expansion Project	Central – Visakhapatnam	4129	30.3.2007/16.1.2016
	Department of Drinking Water Supply			
55	(IDP-195) Hogenakkal Water Supply and Fluorosis Mitigation Project	Tamil Nadu	22387	10.3.2008/25.3.2017
56	(ID-P 204) Hogenakkal Water Supply and Fluorosis Mitigation Project Phase 2	Tamil Nadu	17095	31.3.2009/28.7.2017
	Ministry of Railways			
57	(ID-P 205) Dedicated Freight Corridor Project (Phase 1)	Central – All India	2606	27.10.2009/23.02.2015
58	(ID-P212) Dedicated Freight Corridor Project (Phase 2)	Central – All India	1616	26.7.2010/16.11.2015
	Ministry of Agriculture			
59	(ID-P 213) Himachal Pradesh Crop Diversification Promotion Project	Himachal Pradesh	5001	17.2.2011/16.6.2021
	Department of Financial Services			
60	(ID-P 218) Micro, Small and Medium Enterprises Energy Saving Project (Phase 2)	Central – All India	30000	16.6.2011/22.9.2016
	Ministry of New and Renewable Energy			
61	(ID-P 219) New and Renewable Energy Development Project	Central – All India	30000	16.6.2011/22.9.2018
	Total		**1160751 (Rs. 62179 Crore) approx.**	

Europe-I Section

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). At present, development cooperation assistance from UK flows to mutually agreed projects mainly in the socio-economic sectors such as education, health, 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 three states, namely Bihar, Madhya Pradesh and Odisha in implementing programmes in the 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) also supports Indian NGOs.

DFID introduced their Country Plan for India 2008-2015 in June 2008. During the first phase of their Country Plan 2008-2011, DFID had committed to disburse £ 825 million for ongoing projects/programmes, which has since been fully utilized. The Second phase of the Country Plan (2011-2012 to 2014-2015) has commenced. DFID has offered to provide £ 1120 million (i.e. £ 280 million per year) for the four years (2011-2012 to 2014-2015). Future development partnership finalized between the two countries envisages DFID assistance in Government sector as well as non-Government sector. The major part of the DFID assistance would flow to Government sector programmes in Central and State Governments, while the non-Government sector would cover DFID-assisted NGO schemes and private sector development initiatives. Under the private sector development initiatives, it has been mutually agreed to implement programmes on pilot basis through Government sponsored organizations like Small Industries Development Bank of India (SIDBI) and National Skill Development Council (NSDC).

As committed earlier, DFID reaffirmed during the Annual Aid Talks held on 7 December, 2011 to provide development assistance of £ 280 million during 2011-2012. So far up to 30 November, 2011, DFID has disbursed £ 108.76 million(₹ 860.31 crore) for the ongoing projects through the Government of India account.

High Level Bilateral Meetings/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 25 July, 2011 in London to discuss various issues of mutual interests such as bilateral trade and investment, infrastructure financing, issues related to G20, climate change financing business environment, etc.

9.2.3 India-UK Development Cooperation Programme

A bilateral meeting between the Finance Minister and Mr. Andrew Mitchell, Secretary of State for International Development, UK was held on 16 December, 2011 in New Delhi to discuss issues of mutual interest concerning development cooperation such as private sector development initiative through a newly launched project titled "Samridhi" a collaboration between DFID and SIDBI, possibilities of collaboration through National Skill Development Council and the Millennium Development Goals.

9.2.4 Important International Economic Forum

Commonwealth Finance Ministers' Meeting (CFMM): The meetings of Commonwealth Finance Ministers and Senior Finance Officials (SFOM) were held in Washington DC on 21 September, 2011. Minister of State for Finance (E&FS) represented India in the Commonwealth Finance Ministers meeting. Topics for discussion in CFMM included strengthening collaboration between G20 and the Commonwealth, Effective Aid in a cohesive system of development finance and Innovative Finance. In the SFOM, the discussions focused on Aid effectiveness, strengthening South-South Cooperation within the Commonwealth and mobilizing domestic capital for investment. During the above mentioned meeting, Government of India pledged an annual contribution of £ 1,066,751 to Commonwealth Fund for Technical Cooperation (CFTC) for the year 2011-2012.

Europe-II Section

Norway

The Norwegian Bilateral Development Assistance Programme in India began in 1952 with traditional fisheries project in Kerala by way of technical assistance and financial support. Since 1970, Norwegian assistance was received as grant for technical cooperation and local cost projects, mainly in social and environmental sectors. Norway, being a non G8 and non-EU country, ODA from Norway is not acceptable in accordance with the existing policy on Bilateral Development Cooperation. The policy is under revision.

With the visit of Norwegian FM in the year, 2007, and keeping in view the potential of bilateral partnership and to further the regular structured dialogues between the two countries, it was agreed upon between the FMs of the two countries to hold the annual Bilateral meeting between the Ministries of Finance of India and Norway and since then regular meeting is being held annually at Senior Officers' level. The first meeting was held in 2009. The 3rd Annual Bilateral Meeting between the FMs of the two countries hold the Annual Bilateral meeting between the Ministries of Finance of India and Norway was held on 9-10 June, 2011 at Oslo, Norway. The meeting was centred on Exchange on views on the International Economic Development' Economic valuation of environmental assets; Tax havens – financial integrity; Exchange of views and experience within the field of private Public Partnership; Learning more about inclusive growth in India; Taxation of natural resources; Governmental Pension Fund of Norway and Climate Change.

Switzerland

Switzerland had extended economic and technical assistance to India since 1964. Although there is no Development Cooperation Agreement in general, a Technical & Scientific Cooperation Agreement was signed on 27 September, 1966 and amended on 1 November, 1977. Swiss assistance was channelled through Swiss Agency for Development and Cooperation (SDC). Switzerland had provided mixed credit comprising 40% grant and 60% loan for power sector project.

Switzerland is a non G8, non-EU country. Therefore, official development assistance from Switzerland shall not be acceptable in accordance with the existing policy on bilateral development cooperation. Presently, Swiss assistance in India is mainly directed towards NGO projects/autonomous institutions. An Memorandum of Understanding (MoU) on Financial Dialogue was signed on 3 October, 2011 between India and Switzerland during the State Visit of Hon'ble President of India to Switzerland and Austria during the period from 30 September, 2011 to 7 October, 2011.

1. 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).
2. 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.
3. The major programmes of Government of India which receives EU aid alongwith other development partners are SarvShikshaAbhiyan and National Rural Health Mission/Reproductive Child Health. The grants are extended by EU to support Government of India efforts to achieve Millenium Development Goals.
4. An Memorandum of Understanding (MoU) for MIP-I (2007-2010) was signed between India and EU on 30 November, 2007 during the 8th India-EU Summit held in New Delhi. 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). For MIP-II for the period 2011-2013, EU earmarked 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 has been signed on 22 February, 2011.
5. India-EU Sub Commission on Development Cooperation is a forum at which bilateral issues relating to development cooperation with EU are discussed and sorted out. The last meeting of India-EU Sub Commission on Development Cooperation was held at Delhi on 4 May, 2011. The annual meeting is held alternatively in Delhi and Brussels. The Indian delegation is led by Joint Secretary (Bilateral Cooperation). The next meeting of India-EU Sub Commission on Development Cooperation will be held at Brussels, in 2012.

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 Euro 517.7 million (approx. ₹ 3,600 crore) in 2011 for financial as well as technical assistance for implementing various projects in India.

The agreements for the commitment of Euro 250 million for the project '125MW Solar PV Plant, Shivajinagar (Sakri)' was signed on 10 August, 2011. DEA signed the Loan Agreement with KfW for the same.

During 2011-2012 (upto November 2011), Germany disbursed financial assistance of ₹ 871.38 crore under the Government projects. However, the total disbursement including the Non-Government projects during this period was Euro 171.96 million (approx. ₹ 1,125 crore).

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 September, 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 2011, AfD committed Euro 260 million (approx. ₹ 1,700 crore) which includes Euro 110 million for Bangalore Metro Rail Corporation and Euro 150 million for a line of credit to IDBI Bank.

North America

United Stated of America

Indo-US Financial and Economic Partnership

The second Cabinet meeting of **Indo-US Financial and Economic Partnership** was held in Washington on 28 June, 2011 under the co-chairmanship of Mr. Timothy F. Geithner, Secretary of the US Treasury and Shri Pranab Mukherjee, Finance Minister. The Partnership focused on three broad areas for discussions – macroeconomic policy, financial sector and infrastructure finance.

The Cabinet level discussion under the Partnership held on 28 June, 2011 focussed on macro overview, global economic outlook, financial sector reforms, financial inclusion, monetary policy, inflation, fiscal policies, capital flows and capital controls, infrastructure finance and public-private partnership (PPPs).

The second **sub-Cabinet level** held on 3 March, 2011 in New Delhi on focussed on macroeconomic developments, partnership progress including debt management and AML/CFT technical engagement.

U.S. Agency for International Development (USAID)

The United States of America (USA) bilateral development assistance to India started in 1951 and till March 2011, the total assistance extended to India has been of the order of approximately US$ 15.6 billion. US 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 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.

During 2010-2011, USAID had signed six new bilateral agreements with Government of India in areas such as education, health, clean energy, renewable energy, sustainable landscapes and food security. According to Aid, Accounts & Audit Division, DEA the bilateral assistance received from the us in 2010-2011 was of the order of ₹ 35 crores.

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 US$ 914,000 million in 2010-2011 as compared to US$ 3.70 million disbursed during 2009-2010.

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. 53 project proposals involving total grant of US$ 10.87million have been cleared in 2010-2011 as compared to 58 project proposals involving total grant of US$ 12.10 million have been cleared in 2009-2010.

Canada

Canadian Economic Assistance to India started in 1951. In the year 2006-2007, Canada has started extending grant assistance for local initiatives (CFLI) to India. During 2009-2010, 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 2008-2009.

Assistance from International Development Research Center (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 2010-2011, 35 proposals involving grant assistance of CAD 21.89 million have been cleared as compared to 19 project proposals for the total grant of CAD$ 2.94 million cleared in 2009-2010.

PMU Section

Department of Economic Affairs is the National Focal Point/ Nodal Point for administering all short term foreign training courses/seminars/workshops upto four weeks. These courses are meant for all middle and senior officers of the Govt. of India including officers of All India Services.

These programmes are offered by various international agencies like International Monetary Fund(IMF), Japan International Cooperation Agency (JICA), Sweden International Development Agency (SIDA), Commonwealth Sectt., Colombo Plan Sectt., Singapore Cooperation Programme Training Awards (SCPTA), UNDP, etc. on various subjects relating to almost all the ministries/departments.

Normally PMU handles about 180 to 200 such trainings in a year

Parliamentary Matters

During Parliament Sessions, LokSabha/RajyaSabha Questions on External Aid concerning more than one Credit Division of DEA are handled in PMU of BC Division.

PMU also receives requests from other Ministries/ Departments for furnishing of information for framing replies to the Questions to be answered by them. In these cases also, PMU collects the information/material from all the Credit Divisions of DEA and send the compiled information to them. **Normally in each Session, such information is sent to other ministries/departments.**

External Charge of Australia and New Zealand

Bilateral Economic Dialogues are held with Australia and New Zealand to strengthen the Economic relationship between India and the two countries.

The 3rd and 4th Bilateral Economic Policy Dialogues have been held on 26.11.2010 in New Delhi and from 12-14 September, 2011 in Australia. The 3rd Bilateral Economic Dialogue with New Zealand was held on 1.11.2011 at New Delhi.

The 5th Economic Dialogue with Australia will be held in New Delhi and the 4th Economic dialogue will be held in New Zealand in the last quarter of 2012.

Coordination Work

- All matters received from Administration and other Divisions of DEA.
- Preparation of Budgetary & Revised Estimates (BE & RE) in respect of Externally Aided Projects and for sub-heads “Foreign Travel Expenses”, “Publication” and “Protocol & Hospitality”.
- Coordination work with Office of CAA&A in respect of EAPs.
- All Parliamentary matters.
- Monthly/Quarterly Reports/Returns
- Preparation of Standard Briefs.
- Preparation of Induction material whenever new FM/ FS joins.
- Preparation of Brief in r/o BC Division
- Updation of website (for BC Division)

CIE-II Section

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

In the year 2011-2012 (from April 2011 to December 2011), following proposals for extension of Government of India supported lines of credit to be routed through the Exim Bank of India have been approved:

(1) US$ 67.19 million credit line to the Government of Gabon

(2) US$ 5 million credit line to the Government of Cuba

(3) US$ 15 million credit line to the Government of Togo

(4) US$ 13 million credit line to the Government of Mozambique

(5) US$ 70 million credit line to the Government of Congo

(6) US$ 20 million credit line to the Government of Central African Republic

(7) US$ 39.69 million credit line to the Government of Central African Republic

(8) US$ 13.095 million credit line to the Government of Togo

(9) US$ 47 million credit line to the Government of Ethiopia

(10) US$ 40.32 million credit line to the Government of Chad

(11) US$ 37.90 million credit line to the Government of Swaziland

(12) US$ 500 million credit line to the Government of Myanmar (In-Principal Approval)

(13) US$ 35 million credit line to the Government of Tanzania

(14) US$ 42 million credit line to the Government of Cameroon

(15) US$ 50 million credit line to the Government of Zambia

(16) US$ 19 million credit line to the Government of Guyana

(17) US$ 100 million credit line to the Government of Mali

10. Integrated Finance Division

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)

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/ Financial Sector Legislative Reforms Commission (FSLRC)/G20 Secretariat/Directorate of Currency (DoC)/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 shown in table 1.11.

The best practices followed for effective expenditure control included:

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

Table 1.11: Budgetary allocation of the Grants (Rs. in crores)				
Grant		**BE 2011-2012**	**RE 2011-2012**	**BE-2012-2013**
32-D/Economic Affairs	Plan	3080.63	3947.72	5142.45
	Non Plan	18551.59	17197.12	63899.99
	Total	**21632.22**	**21144.84**	**69042.44**
33-D/Financial Services	Plan	7850.00	14200.00	16088.00
	Non Plan	15855.94	9061.97	8349.24
	Total	**23705.94**	**23261.97**	**24437.24**

(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 22. Action Taken Notes (ATNs) in respect of C&AG audit paras during the year.

11. Directorate of Currency

11.1 Currency

A. Symbol for Indian Rupee

11.1.1 New series of coins has been introduced with new rupee symbol '₹'. The ₹ symbol has been encoded in Unicode Standard and National Standard ISCII. Approval has been sent to RBI on 1 April, 2011 to incorporate rupee symbol in currency notes, who had in turn informed that it would be done in a phased manner.

11.1.2 The ₹ symbol has been incorporated in all the following denomination of Indian banknotes.

B. Acquisition of Security Features

11.1.3 The acquisition of new security features is being processed by following the eight stage acquisition system recommended by Banerjee Committee as also flowing from the various inputs received from Intelligence Agencies, Ministry of Home Affairs, RBI etc. regarding FICN and transparent discussions during the meetings. The recommendations of the Banerjee Committee, including the recommendation for an eight stage acquisition system for security features promoting transparency and accountability were accepted by the Finance Minister. The recommended procedure promotes transparency, fairness & value for money. RFP is likely to be issued shortly to the security cleared short-listed vendors and the new series of currency notes with advanced security features are likely to be issued thereafter.

C. Indigenisation

11.1.4 The existing annual requirement of CWBN paper for printing of currency notes in India is approximately 19,000 MT. The existing estimated annual capacity of SPM, Hoshangabad is about 2,800 MT per year, out of which banknote paper constitutes about 2,000 MT per annum. The balance production relates to stamp-paper etc. The shortfall of banknote paper requirements are presently met through imports. Therefore, steps have already been initiated for indigenization of bank note paper. The Joint Venture Bank Note Paper Mill at Mysore with annual capacity of 12,000 MT per annum with two lines of paper machines is scheduled to fully commence commercial production by April 2014. Civil construction has already commenced and the first line is scheduled to be completed by October 2013. Similarly, the new CWBN paper line at SPM Hoshangabad enhancing the installed capacity from 2,700 MT per annum to 8,700 MT per annum is also likely to be commissioned by October 2013 subject to environmental clearance issues.

11.1.5 The existing production of ink is approx 250 tonnes as against the requirement of 450 tonnes by SPMCIL alone. In order to enhance the production of indigenous ink for security printing, modernization and expansion of the ink factory at Dewas has also been taken up to enhance the capacity up to 800 tonnes in two shifts. With this, the requirement of SPMCIL and BRBNMPL for the off-set numbering and intaglio ink will be taken care of.

11.2 Coins

A. The Coinage Act, 2011

11.2.1 The Coinage Bill, 2009 was introduced in the Lok Sabha on 17 December, 2009 and was referred to the Standing Committee on Finance (SFC). The Standing Committee on Finance submitted its Report to the Lok Sabha on 31 August, 2010 which was also laid in the Rajya Sabha on the same day. The recommendations of the Committee were examined and a draft of Amendments to the Bill was prepared and placed before the Cabinet, which approved the same. The Bill was accordingly amended to amalgamate the following four Acts and one Ordinance:

1. The Indian Coinage Act, 1906;

2. The Small Coins (Offences) Act, 1971;
3. The Metal Token Act, 1889;
4. The Bronze Coin (Legal Tender) Act, 1918;
5. The Currency Ordinance, 1940.

11.2.2. The Coinage Bill was passed by the Lok Sabha on 25 March, 2011 and by the Rajya Sabha on 11 August, 2011. The Hon'ble President has assented the Coinage Bill on 1 September and has been published in the Gazette of India on 2 September 2011.

11.2.3 The salient features of the Bill are:

- Enabling Central Government to establish a mint at any place, which may be managed by the Ministry of Finance or a person/organization authorized by it.
- Providing for making of coins from metals or mixed metals or any other material (the provision of 'any other material' has been made on the recommendations of the committee and also to include ₹ 1 notes in its preview on repealing of the Currency.
- Providing for minting of coins of denominations not higher than ₹ 1000 in any mint established under the Act;
- Providing for payments upto ₹ 1000 to be made in coins (earlier provision was upto any sum but the restriction has been proposed on recommendations of the RBI for reasons of difficulties in making transactions);
- Empowering Central Government to notify certain categories of coins as not being legal tender;
- Providing for repeal of the aforementioned existing legislations.

B. Call in from circulation the coins of denominations of 25 paise and below

11.2.4 Over a period of time, the metal value of coins of denominations of 25 paise and below has exceeded the face value, thus rendering them liable to melting and sale by unscrupulous elements. Moreover, these coins were hardly in demand. Therefore, a decision was taken by the Government to call in from circulation with effect from 30 June, 2011.

11.2.5 Pursuant to the above decision, gazette notification was issued on 20 December, 2010 calling in the coins of 25 paise and below from circulation by 30 June, 2011. The coins of denomination of 25 paise and below have been called in by the Government and they are now no longer legal tender w.e.f. 30 June, 2011.

C. New Series of Coins

11.2.6 The Hon'ble Finance Minister has released the new series of coins of the denomination of 50 paise, ₹ 1, ₹ 2, ₹ 5 and ₹ 10 on 8 July, 2011 with following features:

- New series of coins of 50 paise, ₹ 1, ₹ 2 and ₹ 5 contains a flowery design;
- ₹ 10 coins will now contains 10 petals in place of existing 15 petals;
- Parallel lines on the existing ₹ 10 coin has been removed and the size of the Ashoka Pillar increased;
- New series of coins has been introduced with new rupee symbol '₹';
- for easy recognition and distinction, the new series of coins contains features at the edge;
- The size of the coins of the denominations of 50 paise, ₹ 1, ₹ 2 has been reduced slightly.

D. Commemorative coins

11.2.7 The following commemorative coins were released during the period:

- 100 years of Civil Aviation in India.
- 100 years of Indian Council of Medical Research.
- 150th Anniversary of Comptroller and Auditor General of India.
- 150th birth Anniversary of Madan Mohan Malvaiya.

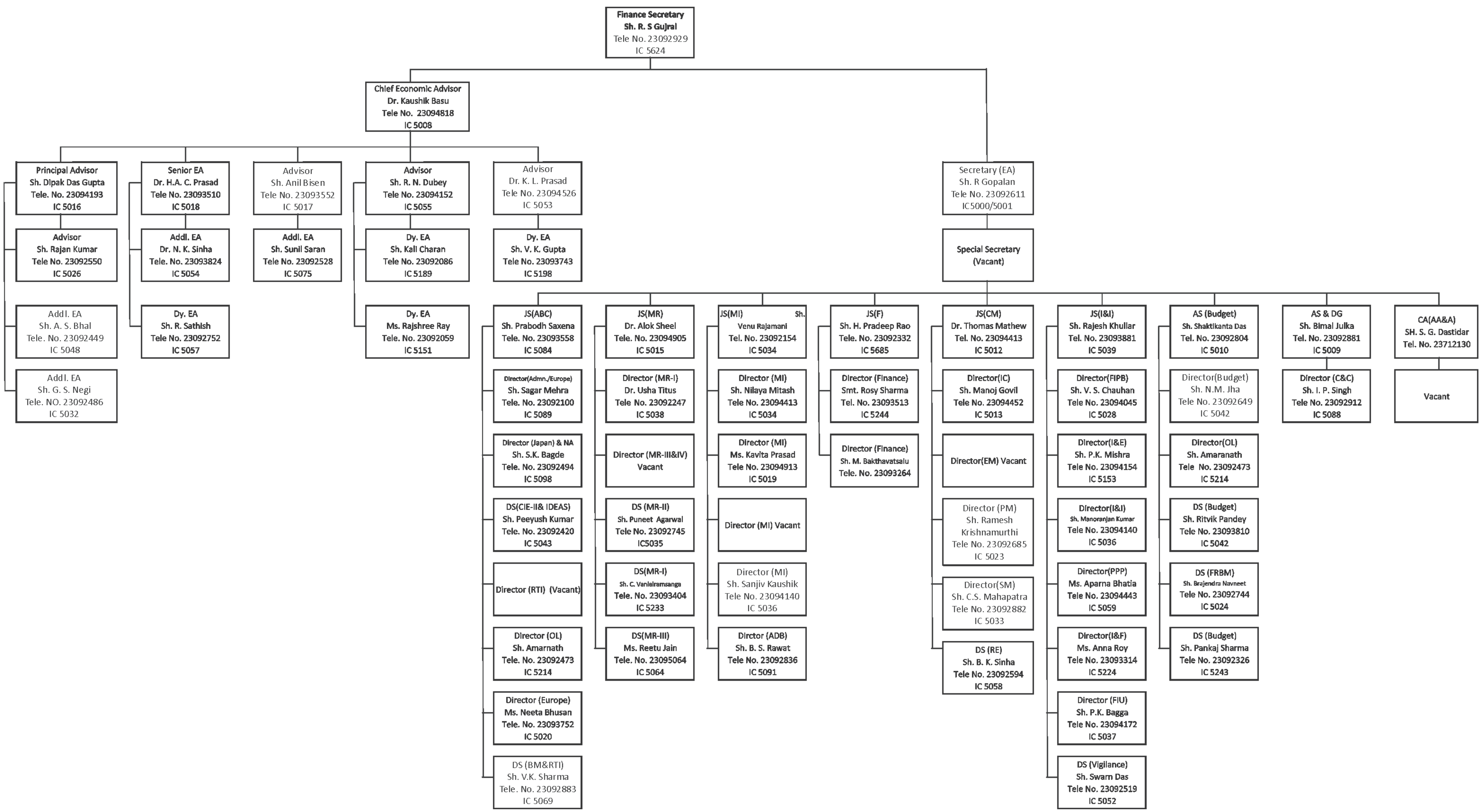
11.3 The Security Printing and Minting Corporation of India Limited (SPMCIL)

11.3.1 The Security Printing & Minting Corporation of India Limited(SPMCIL), a Mini-Ratna Category-I, Schedule 'A' Central Public Sector Undertaking(CPSU), was established on 13 January, 2006 to manage four India Government mints, two currency presses, two security presses and one security paper mill, which were earlier being managed directly by the Government of India (Ministry of Finance). The Corporation is wholly owned by the Central Government with authorised share capital of ₹ 2500 crore and paid up share capital of ₹ 5 lakh.

11.3.2 The client of two Currency Presses, i.e., BNP, Dewas and CNP, Nashik is RBI for currency notes. For other two Security Presses, i.e., SPP, Hyderabad and ISP, Nashik the clients are State Governments for Non-Judicial Stamp Papers and allied stamps and Postal Department for postal stationery, stamps, etc. Security Presses also produce various security items like cheques, railway warrants, income tax return order forms, saving instruments, commemorative stamps etc. for various clients and passports, visa stickers and other travel documents for Ministry of External Affairs and Ministry of Home Affairs. For four Mints at Mumbai, Kolkata, Hyderabad and Noida for circulation coins, the client is Ministry of Finance, Department of Economic Affairs, though they are circulating to RBI and small payments are received from individuals for commemorative coins, etc. The paper mill at Hoshangabad manufactures security paper for use of currency/security presses.

11.3.3 The Corporation achieved ever highest Turnover of ₹ 3,416.59 crore and posted ever highest Net Profit of ₹ 577.19 crore during the year 2010-2011. For the first time the company declared a dividend @ 20% on Profit After Tax (PAT) and paid to Government an amount of ₹ 115.44 crore. The Corporation has assets of about ₹ 4,978.09 crore as on 31 March, 2011 were. The company bagged two contracts valued ₹ 90 crore, for printing of Nepalese currency notes through global bidding.

Organisational Setup of Department of Economic Affairs



Department of Expenditure

Chapter-II

Department of Expenditure

1. Establishment Division

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 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, productivity linked bonus, General Financial Rules, Delegation of Financial Power Rules, Staff Car Rules, Screening Committee Proposal, Economy Instructions etc. It is also responsible for administrative matters concerning the Department of Expenditure.

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 2005-2006 and became the guiding principles of setting the work plan.

The Department of Expenditure and the Planning Commission had jointly prepared the first ever Outcome Budget for the year 2005-2006, which was presented to the Parliament on 25 August, 2005. Thereafter, a series of detailed guidelines were issued to all Ministries/Departments on preparation of Outcome Budget and 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 12 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 2005-2006. 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 December 2011, wherein it was emphasized that the projected physical output should be disaggregated by sex, wherever possible and appropriate i.e. where delivery is to individuals. Indicators of performance relating to individuals should also be sex disaggregated.

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.

During the year 2011-2012, various 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.

With a view to containing non-developmental expenditure, and thereby releasing additional resources for meeting the objectives of priority schemes, Ministry of Finance has been issuing guidelines on 'Austerity Measures' in the Government from time to time. Such measures are intended at promoting fiscal discipline, without restricting operational efficiency of the Government. The last set of instructions were issued vide OM No. 7(1)/E. Coord./2011 dated 11 July, 2011. While no general cut in Non-Plan expenditure has been imposed in 2011-2012, certain economy measures such as 10% cut in allocation for Seminars/Conferences, ban on purchase of vehicles and restriction on Foreign Travel, Consultancy Assignments, etc. have been imposed.

Department of Expenditure is in the process of drafting a Public Procurement Bill to regulate Public Procurement by all Ministries/Departments of the Central Government, Central Public Sector Enterprises (CPSEs), autonomous and statutory bodies controlled by the Central Government and other procuring entities with the objectives of ensuring transparency, fair and equitable treatment of bidders, promoting competition and enhancing efficiency and economy in the Procurement

Process. The draft of the proposed Bill was hosted on the website of this Department on 29 November, 2011 to invite comments from public. A Drafting Committee has been constituted to carry out wide consultations, inter alia, with Central Ministries/Departments, CPSEs and other stakeholders and to finalise the draft of the Bill.

Further, a portal called the Central Public Procurement Portal with an e-publishing as well as e-procurement module (URL eprocure.gov.in) has been set up. It has become mandatory w.e.f. 1 January, 2012 for all Ministries/Departments of the Central Government, their attached and subordinate offices to publish their tender enquiries, corrigenda thereon and details of bid awards (except certain individual cases where confidentiality is required for reasons of national security) on this portal using e-publishing module.

In pursuance of the recommendations of the Public Accounts Committee (PAC) contained in its 105th report (10th Lok Sabha), a Committee of Secretaries 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 17 June, 2010 and the follow up meetings on 2 November, 2010 and 5 January, 2012 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 Organisation of ATN Adalats/Workshops in every Ministries/Department on quarterly basis inviting representative of audit, to resolve and finalise the pending ATNs/ATRs, 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 remidial mesures.

2. Pay Research Unit (PRU)

The Pay Research Unit was established in 1968 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 unit brought out the 32nd issue of the series of brochure for the year 2009-2010 in July 2011. The work regarding the brochure for the year 2010-2011 is in progress.

3. Integrated Finance Unit (IFU)

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 service charges to the Central record keeping 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 shown in table 2.1.

The Integrated Finance Unit has expeditiously examined and disposed the financial and expenditure proposal 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

(₹ crore)

Table 2.1

Grant No.	Budget Estimates 2011-2012			Revised Estimates 2011-2012		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
38. Deptt. of Expenditure	5.00	96.97	101.97	3.48	125.01	128.49
39. Pensions	-	17000.00	17000.00	-	18030.00	18030.00
40. Indian Audit & Accounts Deptt.	-	2253.00	2253.00	-	2434.97	2434.97

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 paras included in the report of Auditor & Comptroller General of India have been monitored and submitted.

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

State Plan Schemes

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

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 the Gadgil Mukherjee 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 General Category States and 90% grant component for Special Category States. During 2010-11, an amount of ₹ 20007.6694 crore was released to States as NCA. An amount of ₹ 16633.0568 crore of NCA has been released in 2011-2012 (upto 31 December, 2011).

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

Apart from Normal Central Assistance and scheme-specific Additional Central Assistance, untied Special Central Assistance to meet the gap in resources for financing of the States' Annual Plans is also being allocated by the Planning Commission to 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. During 2010-2011, tied SCA of ₹ 3917 crore was released to Special Category States to keep tied over temporary difficulties. During 2011-2012, SCA of ₹ 5399.7841 crore has been released so far (upto 31-12-2011).

Special Plan Assistance (SPA) is provided to the Special Category States for funding of projects identified by the States that are not covered by any central scheme, for non-recurring expenditure of a developmental nature. SPA of ₹ 7085.5173 crore was released during the financial year 2010-2011. During 2011-2012, SPA of ₹ 29375.1775 crore has been released so far (upto 31 December, 2011).

National Social Assistance Programme (NSAP)

The National Social Assistance Programme (NSAP), which came into effect from 15 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 Ministry of Rural Development upto 2002-2003, 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. Further the age of the beneficiaries under IGNOAPS has been reduced from 65 to 60 years and the amount of pension for persons aged 80 years and above has been increased ₹ 200 to ₹ 500 w.e.f 1 April, 2011. 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 ₹ 5110.00 crore was released to the State Governments during 2010-2011. An amount of ₹ 5113.3633 crore has been released in 2011-2012 (upto 31 December, 2011).

Backward Regions Grant Fund (BRGF) Scheme

The Backward Regions Grant Fund (BRGF) aims to catalyze development of backward areas. The BRGF Scheme has two components, namely, (i) Districts Component covering 250 backward districts in 27 States, and (ii) State Component, which includes Special Plans for Bihar, West Bengal and the Kalahandi-Bolangir-Koraput (KBK) districts of Odisha, Bundelkhand Drought Mitigation Package and the Integrated Action Plan for 78 Selected Tribal and Backward Districts. The implementing Ministry for the Districts Component of the BRGF is the Ministry of Panchayati Raj, and for State Component, it is Planning Commission/Ministry of Finance.

An amount of ₹ 2130.00 crore was released for the State Plans under BRGF, ₹ 1,500 crore for IAP by Ministry of Panchayati Raj and ₹ 1,107.62 crore for the Bundelkhand Package by Ministry of Finance during the financial year 2010-2011. The BE provision for the Backward Regions Grant Fund (BRGF) for the current financial year 2011-2012 is

₹ 9,890 crore which includes ₹ 5,050 crore for the Districts component and ₹ 4,840 crore for the State Component. The allocation of ₹ 4,840 crore for the State Component of BRGF includes ₹ 1,470 crore for the Special Plan for Bihar, ₹ 130 crore for the Special Plan for the KBK districts of Odisha, ₹ 1,440 crore for Bundelkhand Package and ₹ 1,800 crore for the Integrated Action Plan (IAP) for 60 Selected Tribal and Backward Districts. During 2011-2012, with the inclusion of West Bengal Special Plan and 18 more districts under IAP, the provision is to be enhanced. During 2011-2012, ₹ 1,942.91 crore has been released so far (upto 31 December, 2011).

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 Februart, 2008. International projects where usage of water in India is required by a treaty, inter-State projects dragging on due to non resolution of inter-State issues and intra-State projects with additional potential of more than two lakh ha are eligible for funding under this category. A total of 14 projects are presently included in the list of 'National Projects'. The outlay for National Projects during 11th Plan period is ₹ 7,000 crore.

During the current year (2011-2012), as against a BE of ₹ 12620 crore the allocation made by Planning Commission for these State Sector Schemes is shown in table 2.2.

Based on the recommendations of Ministry of Water Resources, grant of ₹ 8,737.50 crore was released to the State Governments during 2010-2011. During 2011-2012, ₹ 3,279.31 crore has been released so far (upto 31 December, 2011).

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

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 3 December, 2005. Ministry of Urban Development is implementing the Sub-Mission on Urban Infrastructure and Governance (SMUIG) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), while Ministry of Housing and Urban Poverty Alleviation is implementing the Sub-Mission on Basic Services to the Urban Poor (BSUP) and Integrated Housing and Slum Development Programme (IHSDP).

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/UTs during 2008-2009, 2009-2010 and 2010-2011 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 ₹ 6,000 crore for UIG, ₹ 5,000 crore for UIDSSMT, ₹ 2,682 crore for BSUP and ₹ 2,361 crore for IHSDP. Based on the recommendations of Ministry of Urban Development and Ministry of Housing & Urban Poverty Alleviation, ACA of ₹ 35,697.54 crore has so far been released to the State Governments under the four components of JNNURM during

Table 2.2

S.No.	Scheme	Allocation made by Planning Commission (Rs. in Crore)
1	AIBP-Regular Programme	8300.00
	AIBP-National Projects	1450.00
2	Flood Management Programme	1600.00
3	Command Area Development and Water Management	584.00
4	Repair, Renovation and Restoration of Water Bodies	684.00
5	Dam Rehabilitation and Improvement Programme	1.00
6	Ground Water Development	1.00
	Total	**12620.00**

the entire mission period so far. An amount of ₹ 4,256.69 crore has been released in the current financial year 2011-12 (upto 31 December, 2011).

Rajiv Awas Yojana (RAY) is a new State Sector scheme announced under JNNURM in 2009-2010, that is aimed at making the country slum free by 2020. The scheme has now been moved to the Central Sector.

National E-Governance Plan (NEGP)

The Government approved the National e-Governance Plan (NeGP), comprising 27 Mission Mode Projects (MMPs) and 8 components, on 18 May, 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 2010-2011, ₹ 131.44 crore was released. For the F.Y. 2011-2012 budget allocation of ₹ 190.00 crore has been made for NEGP, ₹ 1.1555 crore has been released so far in 2011-2012 (upto 31 December, 2011).

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 ₹ 1 crore per district in existence on 1 April, 2010. Financial support from the Centre is available upto 75% (90% in case of North Eastern States) of the cost of the admissible components, limited to ₹ 75 lakh per district (₹ 90 lakh per district for North Eastern States). The scheme, to be implemented in about three years beginning 2010-2011, 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 holders. 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.

Additional Central Assistance for Externally Aided Projects

Till 2004-2005, 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 12th 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 1 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 ₹ 13,344.6495 crore was released to the State Governments during 2010-2011. During 2011-2012**,** ₹ 9,416.6797 crore has been released (upto 31 December, 2011).

Other Schemes

Special Central Assistance is also released for other schemes like Hill Area Development Programme (HADP) and Border Area Development Programme (BADP). An amount of ₹ 740.0053 crore has been released for BADP in 2011-2012 (upto 31 December, 2011) and ₹ 224.2487 crore has been released for HADP in 2011-2012 (upto 31 December, 2011). ₹ 387.2838 crore has been released for ACA for Other Projects in 2011-2012 (upto 31 December, 2011).

The different types of assistance allocated to the State Governments and released during 2011 are shown in table 2.3 (As on 31 December, 2011)

Finance Commission Division

States' Fiscal Consolidation (2010-2015)

The Thirteenth Finance Commission has worked out a fiscal consolidation road map for States requiring them to eliminate revenue deficit and achieve a fiscal deficit of 3 per cent of their respective Gross State Domestic Product, latest by 2014-2015. It has also recommended a combined States' debt target of 24.3 per cent of GDP to be reached during this period. The States are required to amend or enact their Fiscal Responsibility and Budget Management Acts (FRBMAs) to incorporate the fiscal consolidation roadmap recommended for each State. So, far eighteen states have amended/enacted their FRBMAs.

At the consolidated level, states could generate a marginal surplus of 0.2% of GDP in their revenue account in 2011-2012 (Budget Estimates) as against a deficit of

(₹ in crores)

Table 2.3

Sl. No.	Items/Schemes	Allocation for 2010-11 (BE)	Allocation for 2010-11 (RE)	Amount released during 2010-11	Allocation for 2011-12 (BE)	1st & 2nd Supplementary 2011-12	Amount released during 2011-12 (upto 31.12.11)
A.	**Plan Assistance**						
1	Normal Central Assistance	21728	21128	20007.67	23623		16633.06
2	Addl. Central Assistance for Externally Aided Projects	9551.25	13000	13344.65	11000	1000	9416.68
3	Special Plan Assistance	4500	8157	7085.52	2600		2935.18
4	Addl. Central Assistance for other Projects	1000	1836.47	1664.34	1000		387.28
5	Nutrition Programme for Adolescent Girls (NPAG)	0	0	0	0		0
6	Accelerated Power Development Reform Programme (APDRP)	0	0	0	0		0
7	Accelerated Irrigation Benefit Programme (AIBP) and other water related programme	11500	9500	8757.54	12620		3279.31
8	National Social Assistance Programme including Annapurna (NSAP)	5710	5110	5110	6107.61		5113.36
9	Central assistance for Hill Areas/Western Ghats Development Programme	272	272	271.19	299		224.25
10	Special Central Assistance for Border Areas Development Programme (BADP)	635	691	691	900		740.01
11	Central assistance for Backward Regions Grant Fund (State Component)	2250	2130	2130	4840		1942.91
12	National E. Governance Action Plan (NEGAP)	190	125	131.44	190		1.16
13	ACA for Drought Mitigation in Bundhelkhand Region	1200	1000	1107.62			
14	SCA	0.00	3500	3917	5400		5399.78
15	ACA for Jawaharlal Nehru National Urban Renewal Mission						

Sl. No.	Items/Schemes	Allocation for 2010-11 (BE)	Allocation for 2010-11 (RE)	Amount released during 2010-11	Allocation for 2011-12 (BE)	1st & 2nd Supplementary 2011-12	Amount released during 2011-12 (upto 31.12.11)
	(i) Sub Mission on Urban Infrastructure and Governance (SM-UIG)	5912.92	3067.92		5922		
	(ii) Urban Infrastructure development for Small and Medium Towns (UIDSSMT)	1500	1500		2300		
	(iii) Sub Mission on Basic Services to Urban Poor (SM-BSUP)	2000	1414	5284.57	2300		4256.69
	(iv) Integrated Housing and Slum Development (IHSDP)	1006.08	578.08		1000		
	(v) Rajiv Awas Yojana (RAY)	1200	1000		1000		
16	Tsunami Rehabilitation Programme (TRP)	0	0	0	0	0	0
17	Brihan Mumbai Storm Water Drain Project (BRIMSTOWA), Mumbai	0.5	0	0	0		
18	ACA for desalination Plant at Chennai	0.5	0		0	.01	
19	ACA for Accelerated Programme of Restoration and Regeneration of Forest Cover	0	0	0	0	0	0
20	ACA for Infrastructure Support for Opening Bank Branches in Unbanked Blocks	0	0	0	0	0	0
21	Long Term reconstruction of assets damaged during 2005-06 floods	0	0	0	0	0	0
	Total (A)	**70155.25**	**74009.47**	**69502.81**	**75701.61**	**1000.01**	**50329.67**

0.3% (of GDP) in 2010-2011 (Revised Estimates). In 2011-2012 (Budget Estimates), the consolidated fiscal deficit of the States reduced to 2.3% of GDP from 2.83% (of GDP) in 2010-2011 (Revised Estimates). Debt & other obligations of States too decreased to 23.4% in 2011-2012 (Budget Estimates) from 24.3% of GDP in 2010-11 (Revised Estimates).

The borrowing limits for each state are fixed by Ministry of Finance, GoI keeping in view the recommendations of Finance Commission. The borrowing limits for the year 2011-2012 has been fixed keeping in view the fiscal deficit targets prescribed by FC-XIII for States.

Non-Plan Grants to States

The States are supported through Non-plan grants as per recommendations of Finance Commissions. The award period of the 13th Finance Commission (FC-XIII) was commenced from 1 April, 2010 to 31 March, 2015. The year 2011-2012 is the second year of the award period of FC-XIII. On the Non-plan side ₹ 30,576.09 crore had been released as on 30 January, 2012 as grant-in-aid to States for Non-Plan Revenue Deficit, Performance Incentive, Local Bodies, State Disaster Response Fund (SDRF), Justice Delivery, Improvement of Statistical System, District Innovation Fund, Elementary Education, Roads & Bridges, Water Sector Management, Forests and State Specific Needs (being 62% of budget provision of ₹ 49,299.25 crore for 2011-2012). In addition to assistance released under SDRF, ₹ 1,636.64 crores has been released from National Disaster Response Fund (NDRF) as on 30 January, 2012.

5. Plan Finance-II Division

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.

During the period from 1 January to 31 December, 2011, 50 meetings of the Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) considered 52 Plan Investment Proposals/Schemes of various Ministries/ Departments costing ₹ 58042.42 crore. Also, 5 meetings of Public Investment Board (PIB) cases involving an amount of ₹ 15833.57 crore were considered and recommended by the competent authority shown in table 2.4.

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. It is also the Secretariat of National Clean Energy Fund, in respect of which, guidelines for appraisal/approval of the project have been issued.

Issues relating to Food, Fertilizers and Petroleum subsidies, including their quantification and extension of assistance to the Stake holders are also dealt with in Plan Finance-II Division. The division is actively involved, along with the concerned Department/ Ministry, in shaping subsidy policy of the Government so as to ensure effective targeting coupled with minimum burden on the Government. Revised Guidelines for Formulation, Appraisal and Approval of Government funded Plan Schemes/Projects have been issued vide O.M. No.1(3)/PF.II/2001, dated 1 April, 2010 This has been done to rationalize the Schemes of delegation further, align it more closely with the rapidly changing economic environment, empower Ministries/Departments further for undertaking Investment programmes and make the entire procedure more responsive and resilient in ensuring timely and well informed decision making.

6. Staff Inspection Unit

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.

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.

During the year 2011, SIU has issued 08 final reports covering the sanctioned strength of 2,208 posts. As against the sanctioned strength of 2,208 posts in different organizations covered by these studies, SIU has found justification for abolition of 499 posts and creation of 08 posts resulting thereby in a total number of 491 posts as surplus. The savings on account of abolition of posts after off-setting the additional expenditure on creation of new posts would result in an economy of ₹ 13.06 crores per annum.

7. Chief Controller of Accounts

The Chief Controller of Accounts (CCA) is overall incharge of the Accounting Organization of the Ministry, supported by 2 Controllers of Accounts, 2 Dy. Controllers of Accounts, one Asstt. Controller of Accounts, 37 Senior Accounts Officers/ Pay & Accounts Officers and 306 (sanctioned strength) 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 5 Departments in Ministry of Finance viz Department of Economic Affairs,

Table 2.4

S.No.	Ministry/Department	No. of Projects Recommended for Approval	Cost (₹ in Crore)
1	Power	1	2978.80
2	Shipping	2	1944.22
3.	Chemical & Petrochemicals	1	8879.21
4	Mines	1	2031.34
	Total	**5**	**15833.57**

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 receipt and expenditure for the information of the Secretaries of each Department. The summary statement are also uploaded on the Ministry's official website.
- Internal Audit of all Establishments/Banks and Institutions receiving financial aid from Govt. of India 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 with the jurisdictions of internal audit. In the current financial year more than 50 audits have been undertaken. Internal Audit has adopted a risk based audit approach since 2007.

Centre to State Funds transfer Monitoring

A significant responsibility assigned to CCA, Ministry of Finance is the release of funds 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 on 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 Investment has been computerized. Software called loan grants and investment (LGI) has been developed for monitoring these release. 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:

- Its entire portfolio of Ministry of Finance transfers on the website.
- Detailed reports of the monthly release made to them (Scheme wise/State wise).
- The actual repayments vis-à-vis the scheduled repayments.
- Prepayments effected by State Governments under the Debt Swap Scheme.
- State wise outstanding balances (rate of interest wise/ loan wise) on year to year basis.
- PDF copies of sanctions and IG Advices.
- Fully verified and reconciled data is available on the website application from the F.Y. 2004-2005 onwards.

Monitoring of Internal Debt

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 scheme 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 date entry and compilation of monthly accounts which is in use since 2003-2004. 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.

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.

Payment of pensions to pensioners of certain other countries settled in India.

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.

In addition, there are certain specialized functions enumerated below:

- Release and monitoring of repayment of loans to Financial Institutions.
- Account of loans to foreign governments.
- 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.
- The overall supervision and superintendence of the Staff Inspections Unit (SIU) of the Government of India is the responsibility of the CCA.
- Release and watch of repayment of loans to Banks and Financial Institutions.
- Accounting of Loans to foreign Governments.
- Preparation of Coinage Account.
- Calculation of average rate of interest on Capital Outlay in Commercial Departments of Central Government.
- 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.

- Management of Guarantee Fee.

Pensionary Benefit of Security Printing & Minting Corporation of India Limited (SPMCIL)

The Mints, Bank Note Presses, Security Presses and Security Paper Mill under the Ministry of Finance, Department of Economic Affairs have been placed under the Security Printing & Minting Corporation of India Limited (SPMCIL), which was incorporated on 13 January, 2006. Theses 9 units had 16,074 employees who were given the option of either continuing with Government or getting absorbed in the Corporation with Pro-Rata Pensionery benefits or Combined Pension benefits for the entire service in Government and SPMCIL. A total of 14,257 employees have opted for absorption in SPMCIL. Of these, 11,148 employees have opted for pro-rata pension and the remaining for combined pension.

Pension cases in respect of all the Pro-rata pension optees have been settled, GPF accounts & outstanding balances under Long Term Advances have been transferred and in respect of Combined pension optees will likely be completed by 31 March, 2012. Residual work pertaining to transfer of CGEGIS saving fund, Leave encashment and LSC&PC is likely to be completed in the next financial year.

Office of Chief Controller of Accounts
Annexure-I: Representation of SCs, STs & OBCs

Group	No. of officials				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	113	14	3	NIL	Done by O/o CGA, Ministry of Finance, Department of Expenditure									
Group C	110	29	11	9	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Group D (Excluding Safai Karam-charis)	12	2	1	2	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Group D (Safai Karam-charis)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total	**241**	**47**	**15**	**11**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**

Office of Chief Controller of Accounts
Annexure II: Representation of the Persons with Disabilities

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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 Orthopadically Handicapped (persons suffering from locomotor disability or cerebral palsy).

Office of Chief Controller of Accounts
Annexure III

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 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 PAC
1.		NIL	1 (One)	NIL	NIL

8. Controller General of Accounts

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.

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.

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

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.

The Government of India had 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 O/o C&AG, Budget Division, Planning Commission, National Institute of Public Finance and Policy and a few State Governments. The Committee was to 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, rationalization, standardization across national and sub-national governments. The Committee has now completed the work after due deliberations and the report is under submission.

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.

Central Plan Scheme Monitoring System (CPSMS)

Plan Accounting and Public Finance Management System (PA&PFMS), which is also known as the Central Plan Scheme Monitoring System (CPSMS), is a Central Sector Plan Scheme which is being implemented by the Office of Controller General of Accounts. The scheme aims at establishing a suitable on-line Management Information System and Decision Support System for the Plan Schemes of the Government of India. The system envisages to track funds to the tune of approx. ₹ 300,000 crores disbursed from Government of India under 1000 odd Plan Schemes and ultimately capture component wise expenditure under these schemes at different levels of implementation on a real time basis.

A. Objectives of CPSMS

(i) Funds Tracking;

(ii) Capturing Expenditure;

(iii) Reforms in the area of Public Financial Management;

(iv) Registration of all agencies receiving plan funds with their bank accounts;

(v) Enhance transparency and accountability in public expenditure.

B. Status of Implementation

CPSMS is being operated in all civil Ministries with effect from 1 April, 2008 by mapping their schemes, budget & head of accounts. The registration of all the implementing agencies who receive grants from Government of India on CPSMS Portal has been made mandatory for the release of funds to the agencies through the system of the generation of Sanction ID on the CPSMS by the Programme Division. The CPSMS is able to generate Ministry-wise, Scheme-wise, State-wise, Agency-wise, District-wise (in case of direct transfers of funds), and entity wise disbursements made under various Centrally Sponsored and Central Sector schemes. These reports, made available to the Programme Divisions in the respective Central Ministries as well as to the State Governments, have immense potential to facilitate greater transparency and accountability in implementation of these schemes.

CPSMS aims to provide a financial MIS regarding availability of funds and component wise expenditure incurred by different agencies of implementation, based on the bank account transactions captured from the Core Banking Solution (CBS) of the concerned bank. The CPSMS-CBS interface will ultimately provide transaction wise information on a real time basis. Various reports generated from the CPSMS portal can thus provide/facilitate the Decision Support System (DSS) for the benefit of Programme authorities, both at Centre and State levels. Select information can also be made available in the public domain as CPSMS is a web based application.

The Project team in the office of the Controller General of Accounts is carrying out the Pilot roll out of CPSMS in the State of Bihar, Madhya Pradesh, Mizoram, and Punjab in respect of four major centrally sponsored Schemes namely, NRHM, SSA, PMGSY and NREGA.

C. Benefits Derived from CPSMS

- It captures all schemes operated by central civil ministries with Budget provision on web site.
- All sanctions can be tracked right from its inception in Programme Division, movement to DDO for bill submission, to PAO for payment, and to bank with cheque/Advice detail. Report on sanctions issued, sanctions settled and sanctions pending is available to users. A pendency report can also be generated from the system. The 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 & to individual 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 & expenditure statement along-with % 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.

Information Technology Initiatives

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).

The Controller General of Accounts has implemented a fully secured electronic payment services using digital signatures through the Government e-Payment Gateway (GePG). It is a major e-Governance initiative which will enhance transparency and effectiveness in Government transactions in line with Central Vigilance Commission (CVC) guidelines.

Government electronic Payment Gateway (GePG) is a portal which enables the successful delivery of payment services from Pay & Accounts offices for online payment transactions. The application developed by the office of CGA has got the Standardization Testing and Quality Certification (STQC) from Department of Information & Technology. The GePG serves as middleware between COMPACT application at PAOs and the Core Banking Solution (CBS) of the agency banks/RBI.

The process involves uploading of digitally signed e-advices by the PAOs on GePG portal and downloading these e-advices by the concerned banks to credit the beneficiaries’ accounts through CBS/NEFT/RTGS as applicable. This will eliminate over a period of time the manual payment process of issuing cheques to the payees, time and promotes eco-friendly transactions.

This e-payment system (G2C)will reduce the citizen interface by eliminating the beneficiary dependency on government office and officials to hand over the cheque since the payments would be effected directly into their accounts. A transparent payment trail would ensure that the entire payment process is trackable and delays can be monitored online. This would be a major initiative for good governance and will be an important tool in reducing corruption.

This system covering all central government departments and ministries is expected to eliminate issuance of almost two crore cheques per annum by Central Government. When it becomes fully operational in Civil Ministries, Defence and

Railways, it is expected to cover a total payment of over ₹ 6 lakh crore.

The Hon'ble Finance Minister inaugurated 'Government e-payment' system & GePG portal on 31 October, 2011 in Vigyan Bhawan, New Delhi. The utility is currently functional in 11 Pay & Accounts Offices and expected to be implemented in all the PAOs of Civil Ministries by 31 March, 2012.

'e-Lekha', (operational since 2005) is a web-enabled financial management information system, established by the O/o CGA, has also been designed for enabling electronic submission of financial data in the Central Government. It has improved efficiency and accuracy of the accounting and payment processes of the Central Government. It is built around the COMPACT application running at more than 300 Pay and Accounts Offices (PAOs) spread across the geographical expanse of the Country.

'e-Lekha' is being used by all Civil Ministries of the Government of India covering over 324 Pay & Accounts Offices and 47 Ministries / Departments, which at the end of the day generate a single tamper-proof file from the COMPACT system and upload 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 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. Each Ministry then submits the monthly account through e-Lekha, which is then accessed and compiled by CGA at the Government of India level.

Compact (Comprehensive Payment & Accounting Package for PAOs) is an application for computerizing processes involved in payment/ receipts systems and accounting at 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 etc.

The current IT activities involve development of the Centralized GPF management system, a preliminary model is 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 through COMPACT. The application is currently being developed by the Accounts Informatics Division of NIC attached with the O/o CGA.

Examination Reforms Availability of efficient and properly trained man power is essential to fulfill the objective of maintaining adequate standards of accounting in the Civil Ministries. With this end in view, the CGA conducts the following departmental examinations for the staff of the Central Civil Accounts Service – (i) the Assistant Accounts Officer (Civil) Examination (once every year),

(ii) Departmental Confirmatory Examination for Accountants (twice a year).

(iii) Limited Departmental Competitive Examination for promotion of Matriculate Group 'D' Staff as LDCs and Limited Departmental Competitive Examination for promotion of LDCs as Accountants. The latter two examinations are conducted when vacancies under the departmental promotion quota are available.

During the year 2011-2012, the Assistant Accounts Officer (Civil) was conducted in October 2011 in Delhi and 9 other centres spread across the country. Around 1,013 candidates have taken the examination.

The first Departmental Confirmatory Examination for Accountants of the year was conducted in August 2011. 95 candidates took the Examination. The second examination of the year is slated to be conducted in February 2012.

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

Monitoring Cell

- Coordination and monitoring the progress of submission of corrective/remedial action taken notes (ATNs) on the recommendations contained in Public Accounts Committee's reports.
- Coordination, collection and monitoring the submission of corrective/remedial action taken notes on various paras contained in C&AG Reports (Civil, Defence Services, Railways and other Autonomous Bodies).
- Coordination, collection and timely submission to the Public Accounts Committee of the relevant Explanatory Notes duly vetted by Audit on excess expenditure and savings of ₹ 100 crores and above, appearing in the Annual Appropriation Accounts.
- Chasing up matters with various Ministries/ Departments of the Government of India to ensure that the recommendations made in PAC Reports are finalized well within time given by the Lok Sabha Secretariat.
- Persuading the Ministries/Departments to approach the Lok Sabha Secretariat for further extension of time if it is not possible for them to finalise ATN on particular report of PAC within the prescribed time of six months after its presentation to the Lok Sabha/Rajya Sabha.

- Bringing to the notice of various Ministries/ Departments the remarks made by the PAC in its reports regarding the delay either in sending the Action Taken Notes or in their being vetted by Audit.

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.

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 6000 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

- Expanded training programs to extend coverage to a total of 6262 participants.
- Opened a new centre at Aizawl, Mizoram (INGAF-NER) to cater to training requirements of the region and also to provide support in implementing the project on computerization of treasuries and CPSMS in the State Government of Mizoram.
- Organized 16 seminars/lectures for senior officers on a gamut of areas related to public policy, financial management, expenditure tracking and reporting, risk based audit and internal controls, leadership and other topical issues.
- More than 200 participants trained in modules related to the Central Plan Scheme Monitoring System (CPSMS).
- Extended both classroom and web-based training/ coaching support to more than 1,200 AAOs (Civil Exam 2010 Aspirants).
- Introduced mid-career programs for Senior AOs/AOs with a foreign training component .
- Provided special thrust to programs on risk based audit in collaboration with the Institute of Internal Auditors (IIA).
- Conducted special demand driven programs for state governments and UTs with focus on Andhra Pradesh and Bihar. Organized outreach programs at Port Blair, Kavaratti, Ahmedabad, Lucknow, Dehradun, Kochin, Indore, Pune, Nagpur, Amritsar and Bhubaneshwar.
- Organized PFM-related workshops (on demand) for officers of the Department of Animal Husbandry, KVIC, NIFT, the Department of Tele-Communications, IIT Mumbai and IIT Chennai, and e-governance linked programs on COMPACT for the Department of Posts, AG [Audit], and the Cabinet Secretariat and hosted a workshop for the 36th Advanced Professional Program in Public Administration [APPPA] course participants.
- Conducted pilot workshops on 'Understanding Change' to strengthen the ability to support change at the organizational level and organized two special seminars on 'Leadership and Change' for senior women leaders of Government of Afghanistan (in association with USAID and GIZ).
- As part of bilateral commitments conducted a customized workshop on financial management for the Government of Nepal and two programs on expenditure management for the Royal Government of Bhutan.
- As Secretariat of AGAOA, worked towards achieving the goals and objectives of the Association, extended support to the 3rd Assembly held at Dhaka, hosted the Governing Body Meeting of AGAOA, revamped the official website to meet the changing needs of the Association, and gave a final shape to the requirements/pre-requisites of the IDF grant on "Framework for Internal Control, Internal Audit and Related Capacity Development".
- Brought out the AGAOA Journal to address public policy related issues and deal with regional and global challenges.
- Conducted programs on different nuances of public policy and financial/expenditure management for delegates from the ITEC/SCAAP consortium – extended INGAF's international footprint to 110 countries in the Asian, African, East European, Central and Latin American, the Caribbean, and Pacific regions.

9. Central Pension Accounting Office

The Central Pension Accounting Office (CPAO) set up on 1 January, 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:
  - CPAO deals with pension related payment authorization 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.
  - The Central Pension Accounting Office during the year carried out its role efficiently processing all pension cases. Between 1 January to 31 December 2011, this office has processed 175414 (44425 pertain to new PPOs and 130989 to revision cases, including VI CPC revision cases).
  - To streamline pension delivery mechanism, all the authorized banks have been required and guided to speedily establish their Central Pension Processing Systems (CPPC). As a result 3 authorized banks (IDBI Bank, Axis Bank and Allahbad Bank) have been migrated to CPPC platform during this year.
  - A software package has been introduced for registration and management of grievances in CPAO in March 2011. The registration and follow up of grievances have been enabled on website.
  - A toll free call centre with toll free No. 1800-11-77-88 has also been set up for registration and redressal of Grievances of all Central Civil pensioners from September 2011. It has five lines and is managed by 10 officials.
  - 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, software was developed and implemented for quick disposal of a revision of pension cases. Several training programmes were also arranged. Within CPAO, MIS have been developed to enable a performance review of additional functionalities. E-scrolls and CPPC are another areas where office is regularly working to improve the deliverance in the coming year.
- The Toll Free Centre and Grievances Cell are working and resolving difficulties of civil pensioners across the country.
- 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.
- The Right to Information Act, has been implemented in this office and all the information disclosures required under the Act has been put up on this office's website www.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.
- Efforts have been made to improve delivery by the measurement of outputs for different functions within CPAO of receipt/authorization/ 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 FIFO treatment.
- All authorized banks have been required to report back the date of credit to enable a measurement of bank-wise performance for enhanced service.
- CPAO is also coordinating the implementation of the New Pension Scheme in the Central Civil Ministries since April 2008.The CPAO deals with pension related payment authorization 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.

E-Governance Activities at CPAO

CPAO is a fairly computerized office. Its main function is authorization of pension to Banks, and preparation of Budget and Accounts for the Pension Grant. The number of pensioners as on 28 December, 2011 is 10, 8, 142. On receipt, the PPO (Pension Payment Order), is diarized, a unique Diary No. is assigned and referred to respective authorizations section. After data entry and verification, the Special Seal Authority (SSA) is printed, authorized 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.

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

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.

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, Authorization, Computer Section etc. so that bottlenecks, if any, can easily be identified to initiate corrective measures.

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

(i) **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.

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

(iii) **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.

(iv) **Grievances Management Software:** NIC, CPAO has developed a software for Grievance Management where grievances are registered and processed in an organized manner.

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.

Office of Controller General of Accounts
Annexure-I: Representation of SCs, STs & OBCs (as on 31 December, 2011)

Group	No. of Employees				No. 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	207	39	16	18	13	2	-	5	48	11	3	-	-	-

*By induction from Gr.B to Gr. A

Office of Controller General of Accounts

Annexure II: Representation of the Persons with Disabilities (as on 31 December, 2011)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made*				No. of Vacancies reserved			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
Group A	207	-	-	-	2	2	1	-	-	-	-	-	-	-	-	-	-	-

*Requisition for three (3) P.H. vacancies have been given to UPSC for CSE-2011.

10. National Institute of Financial Management (NIFM)

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".**

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.

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.

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 within 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.

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.

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.

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.

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.

Organisational Set-up

National Institute of Financial Management is a society registered under the Societies Registration Act 1860. Hon'ble Finance Minister, Government 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.

Achievements in 2011-2012

NIFM runs the following long-term programs:

(i) Diploma in Public Financial Management (PTC)

(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

Professional Training Course

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

Diploma in Public Financial Management (18^{th} Professional Training Course) which started in January 2011 has completed on 4 November, 2011. The break-up of the participants from various participating services is as follows:

Service	Number
Indian Civil Accounts Service	07
Indian Defence Accounts Service	17
Indian P&T (Finance & Accounts) Service	10
Total	**34**

The Probationers of 18th PTC were also taken for International attachment with Manchester Metropolitan University Business School, U.K. (MMUBS) during the period 4-18 September, 2011. To revise the syllabus for the Probationers Training Course, a committee was constituted by the Board chaired by the Controller General of Accounts. The Committee has recommended revised syllabus. The 44 week attachment has been divided in three terms. The entire academic module would be covered in the first and second terms which will be completed in 32 weeks. The third term would have a set of (National and International) Seminars and Workshops leading up to the project work. The 19th Professional Training Course has started on 2 January, 2012 wherein 50 Probationers from four participating services are likely to join.

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 24 January, 2005. However, the program had four semesters as it was earlier.

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.

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.

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.

The program fee is funded by Planning Commission for the participants sponsored by Central/State/UT Governments. The pay allowances of sponsored participants are borne by their respective organizations.

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.

Diploma in Government Accounting & Internal Audit

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.

The first batch of the programme was concluded on 31May, 2009, with a total of 31 officer trainees. The 2nd batch with 26 officers was concluded on 30 April, 2010. The 3rd batch was concluded on 30.04.2011 with 33 participants. At present the 4th batch of DGAIA was commenced on 9 May, 2011 with 37 numbers of participants. The class room teaching segment has been completed and the project work is in progress. The participants shall be going for an International attachment with University Utara Malaysia which is scheduled during 28 January, 2012 to 3 February, 2012.

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. 10 May, 2010 and the third batch of the programme commenced on 9 May, 2011 with 5 participants.

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 programme commenced from March 2010 with 24 participants and the third batch of the programme is commenced on March 2011 with 30 participants. The programame has been renamed as Post Graduate Executive Programme in Financial Markets.

Management Development Programs

NIFM conducts Management Development Programs (MDPs) of varying durations every year. In 2011-2012 (upto December 2011), NIFM trained 632 participants in 27 programs that generated revenue of ₹ 3.19 crores.

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

Memorandum of Understanding with Indian Army: Having shared principles and objectives in our missions, mandates and portfolio of research, training, consultancy and information dissemination activities and considering the complementary nature of tasks of the NIFM and the mutually beneficial interests of enhancing Financial Management related skills for Indian Army officers and in establishing and augmenting close and harmonious engagement and cooperation with each other, NIFM entered into 'Memorandum of Understanding (MoU)' with the Indian Army (Training Directorate) for conducting 3-4 programmes in a year. As a consequence of this MoU and first in the series of programmes, a 3-week residential MDP on 'Financial Management' was conducted in November-December 2011 in NIFM.

In addition, International Training Programs under Technical Cooperation Scheme of Colombo Plan sponsored by Ministry of Finance are also run for Officers from different countries. In addition, various govt. departments, PSUs etc. also sponsor candidates for the specialized courses conducted by the Institute.

During the year, 3 month certificate course on 'Cyber Security and Computer Forensics' in collaboration with Gujrat Forensic Sciences University, Gandhinagar and academic alliance with Microsoft (MSDNAA) was conducted;

Special Programmes: Two 2-month certificate courses on 'Internal Audit & Controls' for officers of the office of Controller General of Accounts in collaboration with Deloitte were conducted. NIFM also conducted 2-week programme on 'Public Financial Management and Budgeting' for civil servants of the Government of Afghanistan

NIFM also conducted 1-week MDP for officers of the Ministry of Finance & Planning and Finance Commission, Government of Sri Lanka;

Consultancy Projects

There are four Consultancy Projects in hand and their latest status is indicated below:

A. Evolving Measures to Improve Effectiveness of Expenditure and the Quality of Outcomes-Pilot study of Manipur and Tripura

Government of India, Ministry of Development of North Eastern Region, New Delhi had awarded the consultancy assignment for Evolving Measures to Improve Effectiveness of Expenditure and quality of Outcomes; a Pilot study for Tripura and Manipur. The study includes:

(i) examine the timeliness and periodicity of flow of funds;

(ii) suggest changes to be made in the financial rules, if needed;

(iii) identify the duplication of activities of various schemes;

(iv) trace out the reasons for failure of the project/schemes with special focus on the activities relating to post sanction of funds;

(v) suggest measures to remove the cause of failure and duplication;

(vi) suggest an appropriate structure to ensure smooth and accountable flow of funds;

(vii) identify the gaps in various process and suggest appropriate changes in the business process and identify the training needs.

B. Revision of Orissa General Financial Rules and Delegation of Financial Power Rules

Government of Orissa, Finance Department had awarded the consultancy assignment for "Revision of Orissa General Financial Rules and Delegation of Financial Power Rules" to NIFM Faridabad. The work includes updating/revision of Orissa General Financial Rules and Delegation of Financial Power Rules including procedure for Budget formulation, budgeting and accounting for RIDF projects, Central Plan Schemes, Centrally Sponsored Plan Schemes & Externally Aided Projects, Management of Public Partnership Projects, Management of Public debt and Government guarantees, Procedure relating to implementation of Works, Procurement relating to implementation of Works, Procurement of Goods and Services, out sourcing of services including employment of consultants etc. and also the up-dation & revision of Delegation of Financial Power Rules.

C. Study on Central Autonomous Bodies

Government of India, Ministry of Finance, Department of Expenditure, New Delhi has awarded Study of Central Autonomous Bodies to NIFM to devise an operational construct comprising of financial and non-financial parameters for evaluation of performance, development of a grading system for categorization of autonomous bodies and recommendations for making autonomous bodies self reliant for operational viability, strengthening their operational and financial systems and identifying training requirements for internal sustainability.

The report is to be finalized and completed by the end of April 2012.

D. Study on "Unaccounted income/Wealth-both within and Outside the Country"

The Central Board of Direct Taxes (CBDT) New Delhi in March 2011 awarded the above study to NIFM Faridabad in addition to 2 other Institutions viz. National Institute of Public Finance and Policy (NIPFP), New Delhi and National Council of Applied Economics Research (NCAER) New Delhi to function on independent basis. The report is to be submitted within 18 months of signing of the MoU which was signed on 21 March, 2011. The scope of the study broadly include:

a) To assess/survey unaccounted income and wealth both inside and outside the country.

b) To Profile the nature of activities engendering money laundering both inside and outside the country with its ramifications of national security.

c) To identify important sectors of economy in which unaccounted money is generated and examine causes and conditions that result in generation of unaccounted money.

d) To examine the methods employed in generation of unaccounted money and conversion of the same into accounted money.

e) To suggest ways and means for detection of prevention of unaccounted money and bringing the same into the mainstream of economy.

f) To suggest methods to be employed for bringing to tax unaccounted money kept outside India.

g) To estimate the quantum of non-payment of tax due to evasion by registered corporate bodies

NIFM has constituted Core Study Team of its 5 Faculty Members which is headed by the Director NIFM.

The questionnaire after due consideration with CBDT has been implemented. A three tier approach has been adopted for better results as besides Income tax officials, the other groups such as customs officials and chartered accountants also have been put within the target group.

Infrastructure

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.

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.

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

All the programmes are residential, though few Delhi-based participants of PGDM (FM) and MDPs prefer to commute from Delhi.

A new Air Conditioned Hostel with 100 Rooms and independent dinning is being constructed with ultra modern kitchen and other lounge facility.

Staff Strength

The Institute has a total sanctioned strength of 89, which includes 28 faculty posts. 64 posts including 15 faculty posts are presently filled shown in table 2.5.

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.

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.

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.

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 2011 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.

Table 2.5

Category	No. of Posts		
	Sanctioned	In position	Vacant
Faculty	28	15	13
Staff	61	49	*12
Total	89	64	25

* Filled up through contractual employees

11. Office of Chief Adviser Cost

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.

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 involving cost and commercial financial accounting for Ministries/Departments of Government of India.

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 it. 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 our officers for the 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.

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.

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

(i) 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 on cost accounts matters.

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

(iii) Costing and pricing of products and services supplied to the Government, in order to enable Government Departments to negotiate the prices with the supplying organizations.

(iv) 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.

(v) Valuation of assets and liabilities of business taken over and shares of public sector undertakings.

(vi) Functioning as Chairman/Members of Committees constituted by Government/different Departments related to Cost/financial and Pricing matters.

(vii) Cost and performance audit of industrial undertakings.

(viii) Concurrent Internal audit of Escalation claims of urea manufacturing units determined by Fertilizer Industry Coordination Committee.

(ix) 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.

(x) Cost Accounting System for Departmental Undertakings/Autonomous bodies.

(xi) Time and Cost Overruns of major projects.

(xii) Advise on matters relating to determination of Abatement Rate for purposes of Central Excise.

During the period January to December 2011, 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) System Study

(a) Review of Revised Costing/Pricing formula in respect of Government of India Presses.

(b) Fixation of Common hourly rate and overhead percentage in respect of GIP, namely Santragachi, Faridabad, Minto Road, Mayapuri, Nasik, Santragachi, Shimla, Aligarh, Coimbator, Chandigarh.

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

(a) 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.

(b) Fixation of Fair Price of Barrack Blankets supplied by women's Development organization to various Government Ministries/Department under the Single Tender System.

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

(a) Fixation of final prices of DDT 50% WDP & Malathion Technical for the year 2009-2010 and Provisional Price for the year 2010-2011 supplied by Hindustan Insecticides limited to NVBDCP.

(b) Mail Rate Payable to National Aviation Company of India Ltd. (NACIL) by Department of Posts for carriage of Domestice Mail for the year 2007-2008 to 2009-2010.

(iv) Fixation of Service Charges for the services rendered by a Government Department/Agency on behalf of the other

(a) Market Intervention Scheme (MIS) for 'Ginger' procured under MIS in the state of Nagaland. 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 'Orange' in the State of Nagaland. Vetting/verification of Accounts for determination of share of loss to be borne as subsidy by the Central Government.

(c) Vetting of Loss on MIS for Procurement of Fresh Fruit Bunches of Oil Palm in Andhra Pradesh.

(v) Determination of subsidy

(a) Subsidy claim of Northern Railways for the year 2009-10 in respect of catering unit of PMO.

(b) Approval of subsidy rates for new SKO Depot commissioned after 31 March, 2002, Bahadurgarh Depot at Haryana Commissioned in August 2008.

(c) Revision of rates of special parties hosted by Lok Sabha, Rajya Sabha Secretariate and MPs in Ministry of Railway Canteen, Parliament House Complex.

(vi) 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 2010-2011.

(vii) User Charges

(a) Non Tax Revenue: User Charges/Fees in respect of Deptt. of Commerce; DGFT, SEZs and ITPO.

(b) Non Tax Revenue: User Charges/Fees in respect of Ministry of Earth Sciences.

(viii) Other studies

(a) Compensation of past costs incurred by ONGC in the discovered fields of Oil & Gas awarded to Joint Ventures/Private companies.

(b) Storage Charges payable by Food Corporation of India to Central Warehousing Corporation (CWC) for the years 2006-2007, 2007-2008 & 2008-2009.

(c) Reimbursement of Losses up to 15% of Landed Cost to STC Ltd. on import of Pulses for the year 2008-2009 and 2009-2010.

(d) Report on reimbursement of losses to PEC Ltd. on sales and imports of Edible Oil in open Market during 2008-2009 to 2009-2010.

(e) Reimbursement of losses to PEC Ltd. on import of Pulses for the year 2008-2009.

(f) Reimbursement of 15% losses to NAFED on import of Pulses for the year 2006-2007 and 2007-2008.

(g) Reimbursement of losses to NAFED on sale of imported edible Oil in open Market during 2008-2009 and 2009-2010.

(h) Reimbursement of losses up to 15% of Landed Cost to NAFED on import of Pulses for the year 2008-2009.

(i) Revision in Terminal charges for LPG import facilities at Haldia.

(j) Report of the Expert Group on review of rates of agency charges payable to D/o Post for operations of small scale saving schemes.

(k) Study of under recovery of petroleum products

(l) Costing of Coins produced by India Government Mint located at various places in India.

Major Committees Represented

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

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

(ii) National Pharmaceuticals Pricing Authority, Department of Chemicals & Petrochemicals.

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

(iv) Governing Body of Tear Smoke Unit, BSF, Tekanpur.

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

(vi) Fertilizer Industry Coordination Committee, Department of Fertilizers.

(vii) Committee to consider the procurement of agricultural commodities under the Market Intervention Scheme.

(viii) Committee for uniform costing and preparation of Proforma accounts for various mints and presses.

(ix) Committee to examine issues relating to under recoveries of the PSU Oil Marketing Companies.

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

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

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

(xiii) Committee constituted by Ministry of H&FW to propose a fee structure for procurement of work and services by Procurement Agent appointed on nomination basis.

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

(xv) Committee on "Modernization of Costing System in India Post" in Department of Post, Ministry of Communications.

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

(xvii) Committee to recommend price for Electronic Voting Machines.

e-Governance Activities

A separate website www.cac.gov.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.

Right to Information Act, 2005

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

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 of Assistant Director (Cost) which is the entry level of ICoAS 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 2011, 14 Assistant Directors (Cost) have been recruited through UPSC, out of which four candidates belong to OBC category and two belongs to SC category. All of the 6 candidates appointed from reserved categories have joined the Service in 2011.

12. Use of Official Language Hindi

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. Notifications, 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.

All the Officers/employees of the Department have the working knowledge/proficiency in Hindi. As per the quarterly progress report for the quarter ended on 30 September, 2011, the original correspondence with Region "A" and "B" was 59.40%, 44.79% 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. Four Hindi Workshops were organized in the Department.

The third Sub-Committee of the Committee of Parliament on Official Language inspected this Department on 12 January, 2011 to oversee the progressive use of Official Language Hindi in official work. Detailed discussions were held on the information provided to the Committee on the prescribed Inspection Questionnaire and the suggestions were given to increase the use of Hindi in the department.

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

For the propagation of official language Hindi in the Department, Hindi Magazine "Vyay Patrika" issue 2010-2011 was published by Hindi Section. During the period under report, Hindi version of Brochure on Pay and Allowances of Central Civilian employees was prepared and the same was published by Pay and Research Unit of the Department. Furthermore, translation of departmental publications such as Outcome Budget and Flagship Programmes was also carried out.

During the period under report "Hindi Fortnight" was organized in the department during 14-30 September. 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. All the winners of first, second and third positions in these competitions were awarded cash prizes along with the merit certificates including two consolation prizes. Further, Incentive Scheme for original Hindi Noting/Drafting in official work was implemented. As per the Annual Programme issued by the Department of Official Language, inspection of sections was carried out regarding progressive use of Hindi in the Department.

13. Computerisation in Department of Expenditure

A. Central Public Procurement Portal

As per the directions of Secretary(Expenditure), a Central Public Procurement Portal (www.eprocure.gov.in) was set up by NIC to enable Ministries/Departments, their attached/ subordinate offices, CPSEs and autonomous organizations under their administrative control, in a phased manner, to publish their tender enquiries, corrigenda and bid award details. This would enable prospective bidders to view the tender related information from a central portal and facilitate transparency in procurement.

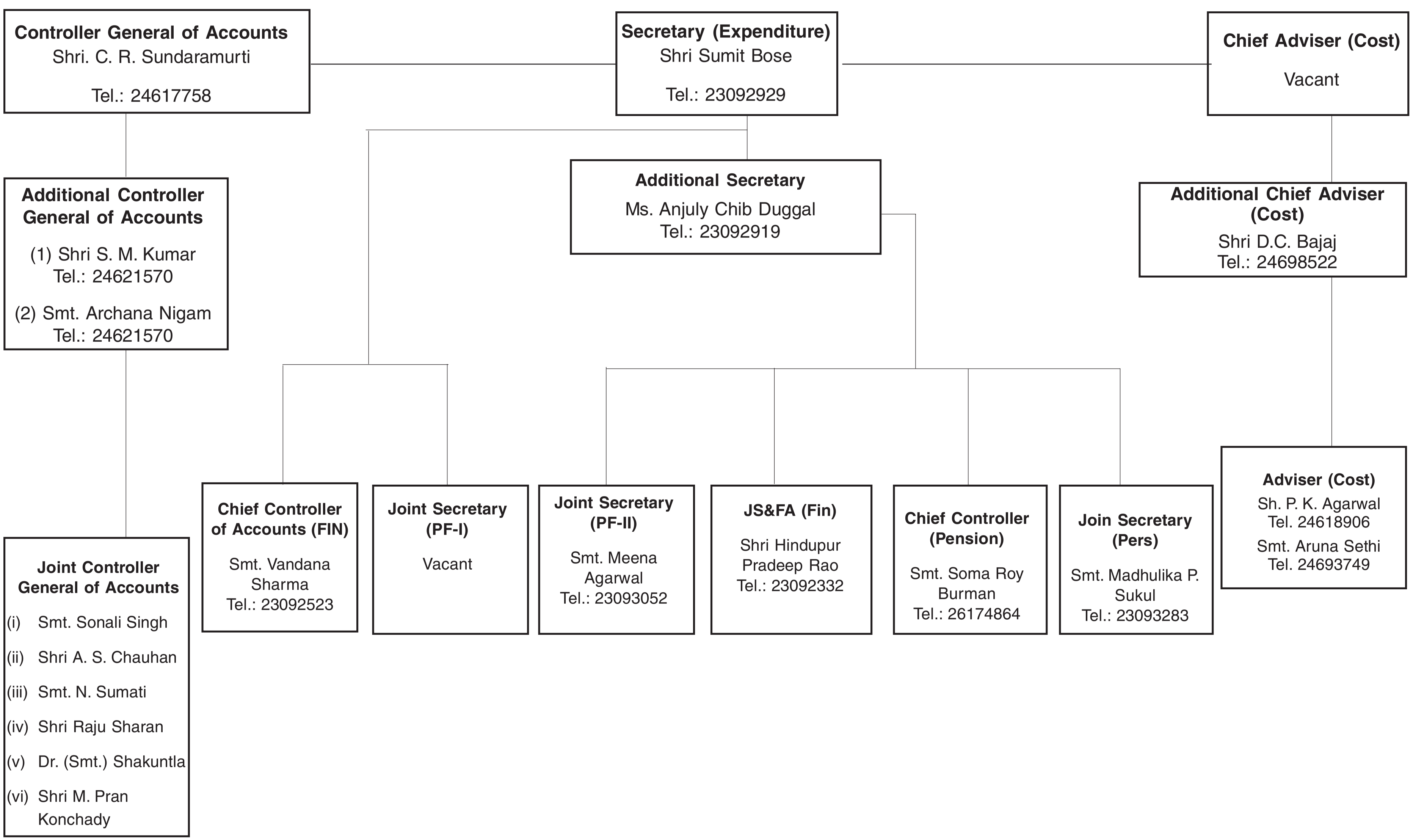
B. Online Central Assistance Monitoring System

The Online Central Assistance Monitoring System implemented in the Department in previous year was extensively used by 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 also has an interface to CPSMS system of CGA.

C. File Tracking System and Intranet (eOffice)

File Tracking System and Intranet(e-Office) implemented in the Department during the previous year were enhanced to enable connectivity from anywhere/anytime and provide additional reports. Through the eOffice, all the employees were provided interface to view their payslips, Income Tax details etc.

Organisational Chart of the Department of Expenditure



Department of Expenditure
Annexure-I: Representation of SCs, STs & OBCs

Group	No. of officials				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	59+18	04	03	Nil	06	-	-	-	-	-	-	-	-	-
Group B	206	24	09	07	-	-	-	-	-	-	-	-	-	-
Group C	101	12	07	05	-	-	-	-	-	01	-	-	-	-
Group D (Excluding Safai Karam-charis)	112	37	06	06	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-charis)	04	04	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**482+18**	**81**	**25**	**18**	**06**	**-**	**-**	**-**	**-**	**01**	**-**	**-**	**-**	**-**

Department of Expenditure
Annexure II: Representation of the Persons with Disabilities

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Group A	59+18																	
Group B	206																	
Group C	101																	
Group D	112+4	01	01	01														
Total	482+18	01	01	01														

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 Orthopadically Handicapped (persons suffering from locomotor disability or cerebral palsy).

Annexure III

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.	-	-	NIL	NIL	NIL

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 S.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;

xv. Financial Intelligence Unit, India (FIU-IND);

xvi. Income Tax Ombudsman;

xvii. Appellate Tribunal under Prevention of Money Laundering Act; and

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 2011-2012 with that during the previous financial year is shown in table 3.1.

1.5 An Organisation Chart of Department of Revenue is given at the end.

2. Revenue Headquarters Administration

2.1 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), the Prevention of Money Laundering Act, 2002 (PMLA) and matters relating to the following attached/ subordinate offices of the Department:

a) Enforcement Directorate

b) Central Economic Intelligence Bureau (CEIB)

c) Competent Authorities appointed under SAFEM (FOP) A and NDPSA

d) Chief Controller of Factories

e) Central Bureau of Narcotics

f) Customs, Excise and Service Tax Appellate Tribunal (CESTAT)

g) Appellate Tribunal for Forfeited Property (ATFP)

h) Customs and Central Excise Settlement 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) Indirect Tax Ombudsman

p) Appellate Tribunal under Prevention of Money Laundering Act

q) Adjudicating Authority under Prevention of Money Laundering Act

The DG (CEIB) reports directly to the Revenue Secretary. The Secretary (NCPSEW) reports to the Revenue Secretary through the Chairman, CBDT.

2.2 The following items of works are also undertaken by the Headquarters:

I. Appointment of:

   a) Chairman and Members of CBEC and CBDT

   b) Chairman and Members of ATFP

   c) Chairman, Vice Presidents and Members of CESTAT

   d) Chairmen, Vice Chairman and Members of CCESC and ITSC

   e) Chairmen and Members of AARs for Customs/ Central Excise and Income Tax

   f) 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) Indirect Tax Ombudsman

   l) Chairperson and Member of Adjudicating Authority set up under PMLA

Table 3.1

S.No.	Nature of Taxes	Amounts Collected during the Financial Year (₹ in crore)		
		2010-11 (upto December 10)	2011-12 (upto December 11)	Percentage of growth growth over last year
1.	Corporate Income Tax	2,03,244	2,14,446	5.51%
2.	Personal Income Tax (including FBT, STT, BCTT, Other Taxes)	95,714	1,09,509	14.41%
3.	Central Excise Duty*	97,819	1,05,411	7.8
4.	Customs Duty	98,992	1,12,670	13.8
5.	Service Tax	49,357	67,706	37.2

*Excluding cesses not administered by Department of Revenue

m) 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 2011-2012, 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, Department of Expenditure and the National Archives of India on the following:

(i) Compilation and consolidation of orders/instructions;

(ii) Review of rules & regulations and Manuals;

(iii) Review of periodical reports and returns;

(iv) Records management;

(v) Monitoring the progress of disposal of VIP references and other pending cases;

(vi) Annual Inspection of the sections in the Department of Revenue.

In addition to the above, the Induction Material of the Department has been updated regularly. The I.W.S.U. has initiated special steps to expand the coverage of sections/ branches of the Department for the purpose of O&M inspections. The progress of disposal of pending VIP/MP references in the Department has been monitored at the level of Secretary (Revenue) and Additional Secretary (Revenue) respectively with the officers concerned in the Department. The pendency position of VIP references is compiled and circulated to MOS (Revenue) and senior officers of the Department every fortnight. This has reduced the pendency of VIP cases considerably.

3. Central Board of Excise 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 Commissioners. These are Delhi, Mumbai-I, Mumbai-II, Kolkata, Chennai, Bangalore, Ahmedabad, Delhi Customs (Preventive), Patna Customs (Preventive), Mumbai-III Customs and Chennai Customs (Preventive).

3.1.3 Commissionerates of Central Excise

The Central Excise Commissionerates and Service Tax Commissionerates spread all over the country are 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.

The 93 positions of Commissioners 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, Kolhapur, 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, Calicut, 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 and 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, Cochin, Cochin Customs (Preventive), 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), Shillong Customs (Preventive) and Jamnagar Customs (Preventive).

3.1.6 Appellate and Tax Recovery Machinery

At presently, there are 61 Commissioners of Central Excise (Appeals), 6 Commissioners (TAR) and 8 Commissioners of Customs(Appeals). The appellate machinery comprising the Commissioners (Appeals) deals with appeals under the Customs Act, 1962, the Central Excise Act, 1944 and Service Tax laws against the order passed by the officers lower in rank than Commissioner of Customs and Central Excise.

3.1.7 Commissioners (Adjudication)

There are presently 4 posts of Commissioner (Adjudication) to decide the 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 April, 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

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 Commissioner (Authorised Representative)

R. Central Revenues Control Laboratory (CRCL)

The functions of the Directorates, NACEN, the Office of the Chief Departmental Representative and the Central Revenue 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 & 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 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) Preparation of charter of duties for various posts and their periodic review;

(iv) Providing support to CBEC in drawing annual direct recruitment plan;

(v) Support to CBEC in the matter of recruitment policy;

(vi) Designing of HR policies, processes and systems and aligning the CBEC's long-term goal to HR systems and processes, including proposals for diversion of posts from one functional area to another;

(vii) Maintaining Human Resource Information System for training, placement, skill up-gradation and succession planning;

(viii) Providing data support to CBEC for placement and transfer of officers;

(ix) Receiving feedback on transfer policy and transmitting the same to CBEC for further action;

(x) Providing support to CBEC in cadre review and restructuring of the department in the context of changing needs;

(xi) To assist the CBEC in preparation and maintenance of seniority list of different grades of officers;

(xii) Creation of institutional arrangement for periodic interaction with officers' associations;

(xiii) Develop manual and reference literature on administration related matters; and

(xiv) Provide support to the Board in bringing uniformity/ homogeneity in the administrative practices followed by the field formations.

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 prepare 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 Directorates under the Board for further action.

E. National Academy of Customs, Excise & 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 of 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 undervaluation as also for enabling assessments to be finalized speedily;

(d) To monitor valuation practices at various customs functions 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 of technical and administrative matters of Customs, Central Excise and 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 Commissionerate 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 Court 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 the 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 the 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 Commissioner (Authorised Representative)

(a) To receive the cause list of cases from the Tribunal registry and distribute case files among Authorised Representatives (ARs) for purpose of representation before the Bench on behalf of the department;

(b) To monitor the efficient representation by ARs 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 ARs and attend to administrative matters pertaining to the CC (AR)'s office including its regional offices at Mumbai, Kolkata, Chennai and Bangalore.

R. Central Revenues Control 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 2010-2011 and 2011-2012

After two years of depressed revenue collection, the fiscal 2010-2011 has shown a robust growth of revenue from indirect taxes. The total revenue collection of ₹ 3,43,705 crore exceeded the Revised Estimates (RE) of ₹ 3,34,500 crore by almost 3%. In terms of Budget Estimates (BE) of ₹ 3,13,741 the growth nearly touched the double digit being 9.6%. The fiscal consolidation measures taken in 2010-2011 budget as well as an improvement in the overall economic performance especially in the manufacturing sector are the main factors for this turnaround in indirect revenue performance. The fiscal consolidation process has been taken forward in this year's budget. The component-wise analysis of indirect tax revenue is as under:

3.2.1 Customs Duty

As against the Budget Estimates (BE) of ₹1,15,000 crore and Revised Estimates (RE) of ₹ 1,31,800 crore, an amount of ₹ 1,35,780 crore was collected from customs duties during 2010-2011, showing an increase of 3.02% over the RE. The provisional customs revenue for the year 2011-2012 (April-October) is ₹ 87,973 crore as compared to ₹ 75,338 crore for the period April-October 2010-2011.

3.2.2 Central Excise Duty

Actual revenue collection from Central Excise duties in 2010-2011 stood at ₹1,37,029 crore vis-à-vis the BE of ₹ 1,30,471 crore and the RE of ₹ 1,33,300 crore. This represented an increase of 2.80% over the RE. The provisional revenue from excise duties during April-October (2011-2012) is ₹ 82,680 crore, as against ₹ 73,805 crore collected during April-October 2010-2011.

3.2.3 Service Tax

As against the BE of ₹ 68,000 crore and RE of ₹ 69,400 crore, the actual service tax collection during 2010-2011 was ₹ 70,896 crore, thus showing a growth of 21.35% over revenue collection of ₹ 58,422 crore during 2009-2010. The provisional revenue for 2011-2012 (April-October) is ₹ 50,809 crore as compared to ₹ 37,799 crore for the period April-October 2010-2011.

3.2.4 The trends of revenue collection from indirect taxes since 2008-2009 are given in Annexure.

3.3 Changes in Budget 2011-2012

3.3.1 Customs

The peak rate of customs duty on non-agricultural products was retained at 10% in 2011-2012 budget. The other 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 has gone up from 6.9% in 2008-2009 to 7.7 % in 2010-2011. Some sector specific changes in the rates of duty were made as follows:

A. General: The basic customs duty rates of 2%, 2.5% and 3% were unified at the median rate of 2.5%.

B. Food/Agro Processing/Agriculture

- Basic customs duty was reduced from 5% to 2.5% on specified agriculture machinery like 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 was reduced from 7.5% to 2.5% on parts and components required for the manufacture of such equipment.
- Basic customs duty was reduced from 7.5% to 5% on micro irrigation equipment.
- Basic customs duty on raw pistachios and cranberry products was reduced from 30% to 10%.
- Basic customs duty on sun dried dark seedless raisin reduced from 100% to 30%.
- Full exemption from basic customs duty was extended to de-oiled rice bran oil cake.
- Export duty of 10% was imposed on exports of de-oiled rice bran oil cake.

C. Automobiles

- Full exemption from basic customs duty and special additional duty (SAD) alongwith concessional CVD @ 5% (by way of a central excise duty exemption) was extended to specified parts of the hybrid vehicles, namely, battery pack, battery chargers, AC/DC electric motors and motor controllers. The concession is subject to actual user condition and will be available till 31 March, 2013.
- The customs duty dispensation and concessional CVD @ 5% as above was also made available to import of spare battery packs for the electric vehicles by such importers which are registered with the agencies notified for Central Financial Assistance scheme of the Ministry of Non-conventional & Renewable Energy.
- A definition for "Completely Knocked Down (CKD) unit" of a vehicle including two wheelers, eligible for concessional import duty was inserted to exclude such units containing a pre-assembled engine or gearbox or transmission mechanism or a chassis where any of such parts or sub-assemblies is installed.

D. Special Economic Zones

- All clearances from SEZ into domestic tariff area (DTA) were exempted from special additional duty of 4% provided they are not exempt from the levy of VAT/Sales Tax.
- The CVD exemption available to plastic materials reprocessed in India out of the scrap or the waste of goods was extended to DTA clearances of such plastic materials manufactured in SEZ units also.

E. Ship Repairs

The benefit of exemption available to ship repair units on imports of spares and consumables required for repair of ocean going vessels was extended to such spares and consumables for repairs of ocean going vessels by owners of such vessels registered in India.

F. Textiles

- Basic customs duty was reduced on raw silk (not thrown) of all grades from 30% to 5%.
- Cotton waste was fully exempted from basic customs duty.
- Basic customs duty on Poly Tetra Methylene Ether Glycol and Diphenylmethane 4,

4-diisocyanate was reduced from 7.5% to 5% subject to actual user condition.

- Basic customs duty was reduced from 5% to 2.5% on Acrylonitrile.
- Basic customs duty was reduced from 7.5% to 5% on Sodium Polyacrylate.
- Basic customs duty was reduced from 10% to 7.5% on Caprolactum.
- Basic customs duty was reduced from 10% to 7.5% on Nylon chips, fibre & yarn.
- Basic customs duty on rayon grade wood pulp was reduced from 5% to 2.5%.

G. Capital Goods/Infrastructure

- The scope of full customs duty exemption to water supply projects for agricultural and industrial use was expanded by bringing the water pumping station and, water reservoir also within the ambit of exemption.
- The benefit of full exemption from basic customs duty and CVD available to 'Tunnel Boring machine' and parts thereof for hydro-electric power projects was extended to such machines for highway development projects also.
- Basic customs duty was reduced from 7.5% to 5% for specified gems and jewellery machinery.
- Full exemption from basic customs duty was provided to cash dispensers and parts required for the manufacturer of cash dispensers.
- Concessional 5% basic customs duty, 5% CVD & Nil SAD currently applicable to high-speed printing machinery was extended to mailroom equipment compatible with such printing machinery imported by registered newspaper establishments.
- A concessional rate of 5% basic customs duty, 5% CVD & Nil SAD was extended to parts and components for manufacture of 23 specified high voltage transmission equipment.
- Full exemption from basic customs duty was extended on bio-based asphalt sealer and preservation agent, millings remover and crack filler, asphalt remover and corrosion protectant and sprayer system for bio-based asphalt applications.

H. Concessions to Environment-Friendly Items

- Concessional CVD @ 5% and full exemption from SAD was provided to LEDs used for manufacture of LED lights and light fixtures.
- Basic customs duty was reduced from 10% to 5% on solar lantern or lamps.
- Full exemption from customs duty was extended to toughened glass and silver paste imported for manufacture of solar cells/modules on actual user condition.

I. Health Sector

- Endovascular stents were fully exempted from basic customs duty of 5%.
- A concessional import duty regime of 5% Basic customs duty, 5% CVD & Nil SAD prescribed on specified raw material for the manufacture of syringes, needles, catheters, cannulae on actual user condition.
- Exemption from SAD was provided to P&P medicines imported for retail sale.
- Customs duty on four specified life saving drugs and their bulk drugs was reduced from 10% to 5% with Nil CVD (by way of excise duty exemption).
- Basic customs duty on lactose for use in the manufacture of homoeopathic medicines was reduced from 25% to 10%.

J. Electronics Hardware

- A concessional import duty structure of 5% CVD and Nil SAD was prescribed on parts of inkjet and laser-jet printers imported for manufacture of such printers.
- Full exemption from basic customs duty was extended to parts/components required for the manufacture of PC connectivity cable and sub-parts of parts & components of battery charger, hands-free head phones and PC connectivity cable of mobile handsets including cellular phones.
- Full exemption from SAD available upto 31 March, 2011 on parts, components and accessories for manufacture of mobile handsets including cellular phones was extended upto 31 March, 2012.
- Full exemption from customs duty extended to additional specified capital goods and raw materials for the manufacture of electronic hardware.
- A concessional import duty structure of 5% CVD and Nil SAD was prescribed on parts for manufacture of DVD writers, Combo drives and CD Drives subject to actual user condition.

K. Aircrafts

- A basic customs duty of 2.5% was imposed on imports of aircrafts for non-scheduled operations. The exemption from additional duty of customs (CVD) and special additional duty of customs (SAD) would continue.
- Exemption from education cess and secondary and higher education cess presently available to aircrafts has been withdrawn.

L. Export Promotion

- The list of specified goods, allowed to be imported duty free for use in the manufacture of leather goods, for export was expanded.

- The list of specified goods, allowed to be imported duty free for use in the manufacture of textile and leather garments was expanded by including anti-theft devices like labels, tags and sensors therein.
- Description of some items changed in the list of items that are allowed to be imported duty free for manufacture of textile/leather garments and other leather goods for export.
- Benefit of duty free import was extended to trimmings, embellishments, components etc. for manufacture of leather goods, footwear and textile garments by merchant exporters/their supporting manufacturers.
- Specified tools used in the handicrafts sector included in the list of specified goods, was allowed to be imported duty free to the Handicrafts exporters.
- Full exemption from basic customs duty was extended to fin fish feed.
- Basic customs duty on vannamei broodstock was reduced from 30% to 10%.
- Basic customs duty on bamboo used for manufacture of agarbattis was reduced from 30% to 10%.

M. Paper: Basic customs duty on waste paper was reduced from 5% to 2.5%.

N. Metals

- Full exemption from basic customs duty was extended to stainless steel scrap.
- Basic customs duty on ferro-nickel was reduced from 5% to 2.5%.
- Statutory rate of export duty on iron ores was increased from 20% to 30% while unifying the effective rate of export duty on iron ore fines and lumps at 20%.
- Iron ore pellets was fully exempted from the export duty.
- Copper dross, copper residues, copper oxide mill scale, brass dross and zinc ash was exempted from special additional duty of customs of 4%.
- Basic customs duty on vanadium pentaoxide and vanadium sludge was reduced from 7.5% to 2.5%.
- Exemption from basic customs duty was provided on the value of gold and silver contained in the copper concentrate.

O. Precious Metals: An import duty of ‘Nil basic customs duty + CVD of ₹ 140 per 10 gram + Nil special additional duty of customs’ prescribed for gold dore bars of upto 80% gold purity imported for refining and manufacturing serially numbered gold bars in India.

P. Miscellaneous

- Basic customs duty was reduced from 5% to 2.5% on carbon black feed stock, petroleum coke and mineral gypsum.
- Crude palm stearin was fully exempted from basic customs duty for use in the manufacture of laundry soap on actual user basis.
- At present specified categories of works of art and antiquities are exempted from customs duty. The scope of the exemption expanded by including:
  - (a) works or arts or antiquities for exhibition or display in private art galleries or similar premises that are open to general public;
  - (b) works of art created by an Indian artist abroad, irrespective of the fact whether such works are imported along with the artist or the sculptor on their return to India.
- Special provision was made in the Finance Bill imposing definitive safeguard duty retrospectively on imports of caustic soda lye imported into India and retrospectively for the period 4 December, 2009 to 3 March, 2010.
- Special provision was made in the Finance Bill to retrospectively provide a concessional basic customs duty of 30% to fresh garlic imported by National Consumer Cooperative Federation and Madhya Pradesh State Cooperative Marketing Federation under import licenses issued by the Central Government and cleared after 15 January, 2003.
- Certain notifications were amended retrospectively to allow exports made under the EPCG scheme to simultaneously avail of Export Reward Schemes such as Served From India Scheme, Focus Market Scheme etc.

3.3.2 Central Excise

3.3.2.1 The fiscal consolidation, which started in the last year’s budget, was taken forward in this year’s budget. Some of the major initiatives taken in this regard are as under:

- An excise duty of 1% without Cenvat credit facility was imposed on about 130 specified items, which were hitherto either fully exempt from excise duty or chargeable to nil rate of excise duty.
- The merit rate of excise duty of 4% was increased to 5%.
- A mandatory excise duty of 10% was imposed on readymade garments and textile made ups bearing a brand name or sold under a brand name.
- An excise duty of 5% was imposed on automatic looms and projectile looms.

- Exemption from excise duty available to clearances upto 3500 metric tonne of paper manufactured from non-conventional material was withdrawn.

3.3.2.2 The other sector-specific concessions/changes are as under:

A. Food/Agro Processing

Full exemption from excise duty was extended to:

- Air-conditioning equipment, panels and refrigeration panels for installation of cold chain infrastructure for the preservation, storage, transport or processing of agricultural, horticultural, dairy, poultry, apiaries, aquatic and marine produce.
- Conveyor belt systems for use in cold storage for the preservation, storage, transport or processing of agricultural, horticultural, dairy, poultry, apiary, aquatic and marine produce and in mandis & warehouses for storage of food grains and sugar.

B. Capital Goods

- Excise duty exemption was extended to goods required for expansion of an existing mega/ultra mega power project under specified conditions at par with exemption from CVD on the import of goods for expansion of such projects.
- Excise duty was reduced from 10% to 5% on parts of specified textile machinery.
- Full exemption from excise duty was extended to specified parts of sewing machines (other than those with in-built motors).

C. Environment Friendly and Energy Saving Goods

- A concessional rate of excise duty of 10% was prescribed for hydrogen vehicles based on fuel cell technology.
- Excise duty was reduced from 10% to 5% on hybrid kits for conversion of fossil fuel vehicles to hybrid vehicles. Parts of such kits would also attract 5% duty.

D. Cement: The rates of duty on cement and cement clinker revised shown in table 3.2.

E. Health: Excise duty on sanitary napkins, baby & clinical diapers and adult diapers has been reduced from

Table 3.2

S.No.	Cement	Existing Rate	Revised Rate
Mini Cement Plant			
1.	Cleared in packaged form		
	(i) of retail sale price not exceeding ₹ 190 per 50 kg bag or of per tonne equivalent retail sale price not exceeding ₹ 3,800;	₹ 185 per tonne	₹ 215 per tonne
	(ii) of retail sale price exceeding ₹ 190 per 50 kg bag or of per tonne equivalent retail sale price exceeding ₹ 3,800;	₹ 315 per tonne	10% ad valorem + ₹ 30 per
2.	Cleared other than in packaged form.		10% ad valorem
Other than Mini Cement Plant			
1.	Cleared in packaged form		
	(i) of retail sale price not exceeding ₹ 190 per 50 kg bag or of per tonne equivalent retail sale price not exceeding ₹ 3,800;	₹ 290 per tonne	10% ad valorem+ ₹ 80 per tonne
	(ii) of retail sale price exceeding ₹ 190 per 50 kg bag of per tonne equivalent retail sale price exceeding ₹ 3,800;	10% of retail sale price	10% ad valorem+ ₹ 160 per tonne
2.	Cleared other than in packaged form.	10% or ₹ 290 per tonne, whichever is higher	10% ad valorem
	Cement clinker	₹ 375 per tonne	10% ad valorem+ ₹ 200 per tonne

10% to 1% with no Cenvat credit. Similar articles of textile wadding have also been provided this concessional duty treatment.

F. Water Supply

- Full exemption from excise duty currently available to pipes required for delivery of drinking water from its source to the plant and from there to the first storage point was extended to pipe fittings such as joints, elbows, couplings etc.
- Concessional rate of excise duty of 1% was extended to water filters using pressurized tap water but without use of electricity and their replaceable kits.

G. Automobile Sector

- Concessional rate of excise duty @ 10% was extended to factory built ambulances. Other vehicles retrofitted as ambulances subsequent to their removal from the factory shall continue to be eligible for refund based concession.
- The scope of the Taxi Refund Scheme has been extended to include vehicles carrying 13 persons including the driver.
- Concessional excise duty structure for taxis has been rationalized to provide refund of 20% of the excise duty paid on such vehicles if they are registered as a taxi subsequent to removal.
- Full exemption from excise duty has been extended to parts of power tillers when cleared to another factory of the same manufacturer for manufacturing power tillers.

H. Paper & Paper Board

- Cotton Stalk Particle boards has been fully exempted from excise duty.
- Concessional rate of 5% excise duty has been extended to corrugated boxes weather or not pasted with Duplex sheet on their outer surface.
- Excise duty has been reduced from 10% to 5% on greaseproof paper and glassine paper.

I. Precious Metals

- Excise duty has been reduced on serially numbered gold bars, other than tola bars, made starting from the ore/concentrate stage n the same factory from '₹ 280 per 10 grams' to '₹ 200 per 10 grams'.
- Concessional excise duty rate of ₹ 200 per 10 grams has been extended to serially numbered gold bars manufactured by refining of gold dore bar also.
- Excise duty of '₹ 300 per 10 gram' has been imposed on serially numbered gold bars, other than tola bars, manufactured during the process of copper smelting.
- Excise duty of '₹ 1,500 per Kg.' has been imposed on silver manufactured during gold refining starting from ore/concentrate stage or from gold dore bar or during the process of copper smelting.
- Excise duty of 1% has been imposed on branded jewellery and articles of precious metals.

J. Textiles: A tariff rate of excise duty of 10% has been prescribed for jute yarn while it is being simultaneously exempted from excise duty.

K. Miscellaneous

- Enzymatic preparations used in leather industry has been fully exempted from excise duty.
- Full exemption from excise duty (and hence from CVD on imports) has been provided to colour, unexposed cinematographic film in jumbo rolls of 400 feet and 1000 feet.

L. Additional Duties of Excise (Goods of Special Importance) Act, 1957.

Sugar and textile items has been omitted from the schedule of the Additional Duties of Excise (Goods of Special Importance) Act, 1957.

3.3.3 Service Tax

A. Service Tax was Imposed on the Following Services:

- Services provided by air-conditioned restaurants having a license to serve alcoholic beverages in relation to serving of food and/or beverages.
- Short-term accommodation provided by a hotel, inn, guesthouse, club or campsite, or any other similar establishment for a continuous period of less than three months.

B. Scope of Certain Existing Services was Expanded or Altered as Follows:

- The scope of the 'Life insurance service' widened to cover all services provided to a policyholder or any person, by an insurer, including re-insurer carrying on life insurance business. It is also being provided that tax shall be charged on the portion of the premium other than what is allocated for investment, when the break-up of premium is shown separately in any document given to the policy holder. The rate of composition is also being increased from 1% to 1.5%.
- The scope of the 'Club or association service' was expanded to include service provided to non-members within its ambit.
- The scope of 'Authorized service station service' was expanded to:

  (a) include services provided by any person;

  (b) cover all motor vehicles other than meant for goods carriage and three-wheeler scooter auto-rickshaws; and

(c) also cover the services of decoration and other similar services in respect of vehicles along with the services already covered.

- The definition of 'Business Support Services' amended so as to include the services provided by way of operational or administrative assistance in any manner.
- The scope of Legal consultancy services was expanded by bringing within its ambit the:

(a) service provided by a business entity to individuals in relation to advice, consultancy or assistance in any branch of law, in any manner;

(b) representational service provided by any person to any business entity (representational services, provided to individuals will continue to be exempt); and

(c) service of 'arbitration' provided by an arbitral tribunal to any business entity.

- In the Commercial Training or Coaching service, the definition of "Commercial training or coaching centre" has been amended so as to bring all unrecognized courses within the tax net, irrespective of the fact that such courses are conducted by an institute which also conducts courses which may lead to grant of a degree or diploma.

C. Exemptions

- Exemption was provided to services rendered in relation to business exhibitions held abroad.
- An abatement of 25% from the taxable value was provided for the purpose of levy of service tax under 'Transport of goods through coastal and inland shipping'.
- Exemption provided to 'Works contract' service rendered for construction or finishing of new residential complex under 'Jawaharlal Nehru National Urban Renewal Mission' and 'Rajiv Awaas Yojana'.
- Exemption provided to services rendered within a port or other port or an airport under the 'Works contract' service for specified purposes.
- Exemption provided to 'Rashtriya Swasthya Bima Yojana' under the 'General insurance' service.
- Value of air freight included in the assessable value of goods for charging customs duties has been excluded from taxable value for the purpose of levy of service tax under the 'Transport of goods by air' service.
- Services related to transportation of goods by road, rail or air when origin and destination is located outside India has been exempted from service tax.
- A modified scheme introduced to refund service tax to SEZ units and developers and notification No. 9/2009-ST superseded. In the modified scheme, 'wholly consumed' services defined in the notification in order to extend 'outright exemption' and to permit refund of all other services on a proportionate basis.

D. Withdrawal or Amendments of Exemptions

- The revised rates of service tax on travel by air as follows:

(a) Domestic travel (economy class): from ₹ 100 to ₹ 150

(b) International travel (economy class): from ₹ 500 to ₹ 750

(c) Domestic travel (other than: 10% (Standard rate) economy class)

- Exemption from service tax on the membership fees under 'Club or association service' was given to the associations or chambers representing industry or commerce for the period from 16 June, 2005 to 31 March, 2008.
- Retrospective effect was given to notification No.20/2009-ST dated 7 July, 2009 exempting service tax on inter-State or intra-State transportation of passengers in a vehicle bearing 'Contract carriage permit' or a tourist vehicle for the period from 1 April, 2000 to 6 July, 2009.

E. Point of Taxation Rules, 2011

The Point of Taxation Rules, 2011 framed and has been made effective from 1 April, 2011. These rules determine the point in time when the services shall be deemed to be provided.

3.4 Significant Post-Budget changes

3.4.1 Customs

Notification No. 52/2011-Customs dated 25 June, 2011 was issued to reduce the rate of basic Customs duty on Petroleum crude from 5% to 'NIL'; on Petrol and diesel from 7.5% to 2.5% and on other Petroleum products from 10% to 5%.

3.4.2 Central Excise

Notification No. 33/2011-Central Excise dated 25 June, 2011 was issued to reduce the rate of basic Excise duty on diesel intended for sale without a brand name from ₹ 2.60 per litre to 'NIL'.

3.5 Trade Facilitation Initiatives and other Important Measures

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

3.5.1.1 Customs Trade Facilitation Measures

3.5.1.1.1Self Assessment

Self Assessment of Customs duty by importers or exporters was introduced vide Finance Act, 2011. This is paradigm shift away from assessment by Departmental officers to a trust based system of self- assessment. The objective is to expedite release of imported / export goods. The interest of revenue in terms of ensuring correct declarations and duty payment is ensured by an electronic Risk Management System (RMS) that identifies risky consignments for assessment or examination or both. This is supported by a comprehensive audit at the premises of an importer or exporter. An immediate result of the shift to Self Assessment is the decision to increase the facilitation level of consignments imported through Air, Sea and Inland Container Depots (ICDs) from the present 60%, 50% and 40% to 80%, 70% and 60%, respectively, in next 6 months. Thus, ordinarily majority of imported goods will be allowed clearance without Customs intervention. Self Assessment is a major trade facilitation measures that would result in significant reduction in the time taken for clearance of imported/export goods through Customs and associated transaction costs.

3.5.1.1.2 On Site Post Clearance Audit (OSPCA) Scheme

In accordance with the legal provisions introduced vide the Finance Act, 2011 a scheme of 'On Site Post Clearance Audit' (OSPCA) has been implemented w.e.f. 1 October, 2011 in case of the importers registered under the Customs Accredited Client Programme (ACP). This scheme is aimed at facilitating Customs clearance of goods and reducing dwell time. At the same time interest of revenue shall be safeguarded by a comprehensive verification of records and documents at the premises of the importer/exporter on annual basis. Other categories of importers/exporters shall be considered for inclusion later.

3.5.1.1.3 Authorised Economic Operator (AEO) Programme

An Authorised Economic Operator (AEO) programme has been developed to enable businesses involved in the international trade to reap the following benefits:

(i) Secure supply chain from point of export to import;

(ii) Ability to demonstrate compliance with security standards when contracting to supply overseas importers/exporters;

(iii) Enhanced border clearance privileges in MRA (Mutual Recognition Agreement) partner countries;

(iv) Minimal disruption to flow of cargo after a security related disruption;

(v) Reduction in dwell time and related costs; and

(vi) Customs advice/assistance if trade faces unexpected issues with Customs of countries with which we have MRA.

3.5.1.1.3.1 The AEO programme applies to economic operators such as importer, exporter, logistics provider, Customs House Agent who satisfy following criteria:

(i) A record of compliance of Customs and other legal provisions;

(ii) Demonstrate satisfactory systems of managing commercial and, where appropriate, transport records;

(iii) Financially solvency; and

(iv) Demonstrate satisfactory security and safety standards

3.5.1.1.3.2 AEO programmes have been implemented by other Customs administrations that give AEO status holders preferential Customs treatment in terms of reduced examination, faster clearances and other benefits. Thus, our AEO programme is expected to result in Mutual Recognition Agreements (MRA) with these Customs administrations. MRAs would ensure our export goods get due Customs facilitation at the point of entry in the foreign country. Apart from securing supply chain, the benefits include reduction in dwell time and consequent cost of doing business.

3.5.1.1.4 Accredited Client Programme (ACP)

An ACP (Accredited Client Programme) was introduced in 2005 concurrently with introduction of Risk Management System (RMS). The objective of the programme is to provide assured facilitation to importers who show good track record and compliance. Presently, there are nearly 280 ACP importers at present covering 13% of the total imports. The imports by ACP clients are normally exempt from assessment of duty and examination of goods. Recently, the coverage of the Programme has been expanded by recognizing status holders, star trading houses under the Foreign Trade Policy as an eligible category for grant of ACP status.

3.5.1.1.5 Automation and Trade Facilitation

3.5.1.1.5.1 Customs Application ICES 1.5: ICES 1.5 works on the latest technology stack and provides a single uniform application to all Customs locations. As on 5 October, 2011, ICES 1.5 is functioning at 99 Customs locations in the country. ICES 1.5 has proved to be a major trade facilitator in the following manner:

(i) Centralized repository of Customs transactions - Enterprise Data Warehouse - to enable informed policy decisions.

(ii) Centralized management of directories for uniform applicability of duty rates and trade policy.

(iii) Centralized bond management and eliminations of Release Advices enabling traders to file a bond at any location and effect clearances at any other automated locations.

(iv) Automated clearance of import and export consignments including calculation of the duty and generation of bank challan for duty payment.

(v) Selective appraisement /examination thereby reducing dwell time.

(vi) Electronic interface to allow 24x7 filing of Customs clearance documents from office of importers, exporters and Custom House Agents with acknowledgements and query interaction with Custom Officers.

(vii) Establishment of Service Centres for helping trade in Customs documentation.

(viii) Facility of tracking status of goods through Service Centres and touch screen kiosks.

(ix) Facility of accountability and monitoring of transactions for better service to trade.

(x) Automatic calculation of Drawback amount for exporters and credit in exporters bank account in any bank in the country.

(xi) Easing grant of export benefits by electronic file transmission to DGFT.

(xii) Electronic compilation of trade statistics and Daily Trade Returns.

3.5.1.1.5.2 Risk Management System (RMS): RMS, an electronic system, interdicts import declarations (goods) on the basis of pre-defined risk parameters, which are then subject to assessment or examination or both. Other declarations (goods) are allowed clearance without examination and assessment. The present version of RMS (RMS 3.1) compatible with ICES 1.5 was launched on 4 June, 2010 and it provides the following benefits to the trade:

(i) Encourage voluntary compliance;

(ii) Reduced dwell time;

(iii) Reduces transaction costs; and,

(iv) Facilitates just-in-time operations and improves supply chain management.

3.5.1.1.5.3 Indian Customs EDI Gateway: ICEGATE portal connects about 15 external stakeholders - port authorities, custodians for sea, air and ICD cargo - with ICES 1.5 for exchange of about 100 messages with regards to goods clearance. Some of the ways in which ICEGATE contributes significantly to reducing transaction costs are:

(i) Message exchange with custodians for import, transhipment and transit procedures and for goods registration for examination/inspections, etc.

(ii) Automated electronic communication with the banks for duty collection and export incentive disbursal.

(iii) Automated electronic communication with DGFT for exchange of completed Exports Declaration Data and corresponding Import/ Export License data.

(iv) Meets data needs of various Government Agencies seamlessly.

3.5.1.1.5.4 ICEGATE and ICES 1.5 serve about 6 million importers/ exporters and handles more than 80% of all Customs clearance documents accounting for nearly 98% of all import and export. There are about 14,000 registered users at ICEGATE who act as intermediaries between Customs and about 6 million importers and exporters.

3.5.1.1.5.5 CBEC is the first Government department to receive the coveted ISO 27001 quality certification from Standardization Testing and Quality Certification (STQC) Directorate of the Ministry of Information and Communications Technology, Government of India, in July 2011.

3.5.1.1.6. Execution of a Common Bond by Exporters

The exporters working under the Advance Authorization, Duty Free Import Authorization (DFIA) and Export Promotion Capital Goods (EPCG) schemes were required to execute bonds binding themselves to the export obligation, at the time of each import. Further, this bond was required to be executed separately for each authorization at different ports in case the goods are being imported from different ports. The Task Force on Transaction Cost in Exports recommended that the authorization holders may be permitted to execute a single running bond with Customs authorities for all their imports under any Export Promotion (EP) scheme, from any port in India.

3.5.1.1.7 24x7 Deployment of Customs Officers

24x7 Customs operations were started at select port such as JNPT, Mumbai, Kolkata, Chennai, Ennore, Okha, Mangalore, Paradeep, Gopalpur, Mundra, Visakhapatnam, Sikka for attending to round the clock clearance of factory stuffed containers. In addition, the normal export related activities i.e. boarding operations, i.e. clearance of vessels arriving and departing and loading of export goods on board the vessel in dock and in anchorage also continue to be undertaken on 24x7 basis.

3.5.1.1.8 Single Factory Stuffing Permission

Exporters may avail a single factory stuffing permission applicable for all customs stations subject to certain procedural requirements. This means that exporter needs not to obtain factory stuffing permission on case to case basis from each jurisdictional officer. Such factory stuffing can be scheduled through e-mail provided the RBI writes off the requirement of realization of export proceeds and exporter produces a certificate from the concerned Foreign Mission of India about the fact of non-recovery of sale proceeds from the buyer.

3.5.1.1.9 Refund of 4% SAD

For expeditious sanction and refund of 4% SAD, the procedures applied in general and especially for ACP importers have been simplified for sanction of refund without pre-audit within a fixed time of 30 days. Further, the utilization of refund of 4% SAD paid through different scrips such as DEPB/Reward Schemes has been relaxed by allowing manual registration of such scrips.

3.5.1.1.10 Finalization of Projects under Project Import Regulations, 1986

It is now provided that project import contracts shall be finalized in 60 days from date of submission of required documents by the importer. It is also decided that project imports should be finalised within the validity period of the bank guarantee furnished in order to protect the interest of revenue.

3.5.1.1.11 Passenger Facilitation

For passenger facilitation the current form of Disembarkation Card (Customs part) has been amended to convey important instructions regarding declaration of foreign currency etc. at international airports.

3.5.1.1.12 CHA Licenses

All eligible applicants who had passed required examination under Customs House Agents Licensing Regulations, 2004 are now automatically given licenses. The net result is a greater choice of CHAs for the trading community and resultant efficiency in Customs clearance.

3.5.1.1.13 Improved communication with trade

A round the clock Helpdesk has been implemented at ICEGATE to assist the trade. Toll Free Number based Helpdesk support with new state of the art EPABX system is installed for the convenience of the trade. A section on frequently asked questions relating to ICEGATE services and the resolution of the same is implemented as a measure of self-help for the trade. ICEGATE provides complete real time tracking of the documents not only at ICEGATE/ICES end but their status vis-à-vis message exchange with trade partner.

3.5.1.1.14 Grievances Redressal Machinery

Customs wing is monitoring the grievances received from Trade/Industries/ Individual on daily basis. Efforts are being made to dispose off grievance in a stipulated time frame in order to ensure pendency at minimum level.

3.5.2 Central Excise

3.5.2.1 Measures

i) The ER return forms i.e. the returns filed by a C.E. assessee have been rationalized as a facilitation measure. For this, forms effective 1 January, 2012 have been notified vide notification No. 20/2011-Central Excise (N/T.) dated 13 September, 2011 issued under rule 12 of the Central Excise Rules, 2002, and sub-rule (7) of rule 9 of the CENVAT Credit Rules, 2004.

ii) Earlier only Chief Commissioner was empowered to grant registration to any unit under LTU and the application for registration was required to be filed before him. Now, the power has been decentralized. Notification No. 17/2011-Central Excise (N.T.) dated 18 July, 2011 has been issued to provide that for obtaining registration for a new factory/service provider/ input credit distributor/ first of second stage dealer, the Large Taxpayer shall make application to the Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise, Large Taxpayer Unit, in case of registration under the Central Excise Act, 1944 and the Superintendent, Large Taxpayer unit, in case of registration under the Finance Act, 1994

iii) The power of adjudication of the Additional Commissioner and Joint Commissioner have been made uniform. Circular No. 957/18/2011 dated 25 October, 2011, has been issued which prescribes an uniform monetary limit for both Additional Commissioners and the Joint Commissioners to adjudicate cases involving duty amount above of ₹ 5 lakhs upto ₹ 50 lakhs. Earlier the limit for joint Commissioner was ₹ 20 lakhs only.

iv) Circular No. 9494/10/2011-CX dated 19 July, 2011 has been issued for extending the facility to establish export warehouse at Tijara Tehsil of Alwar District in the state of Rajasthan, which would facilitate the trade and industry.

v) Circular No. 952/13/2011-CX dated 8 September, 2011 has been issued to remove the divergent procedures followed by the field formations regarding examination and stuffing of export containers in the factory or warehouse under the supervision of Central Excise Officers.

3.5.2.2 Automation and E-Filing

i) Notification No. 21/2011-Centaral Excise (N.T.) dated 14 September, 2011 has been issued, which amends Rule 12 and Rule 17, both of the Central Excise Rules, 2002 making mandatory for the specified assesses, irrespective of the duty amount, to file the Central Excise Returns electronically. Earlier only those assessees with a duty of ₹ 10 Lakhs or more were required to file the return electronically. Circular No. 955/16/2011-CX dated 15 September, 2011 has been issued prescribing the procedure.

ii) Notification No. 22/2011-Central Excise (N.T.) dated 14 September, 2011 has been issued, which amends Rule 9A of the CENVAT Credit Rules, 2004 making mandatory for the specified assessees, irrespective of the duty amount, to file the Central Excise Returns electronically. Earlier only those assessees with a duty of ₹ 10 Lakhs of more were required to file the return electronically. Circular No. 956/11/2011-CX dated 28 September, 2011 has been issued prescribing the procedure.

3.5.2.3 Other Measures

i) Notification No. 02/2011-Central Excise (N.T.) dated 18 February, 2011 has been issued to prescribe the procedure of export of goods to Bhutan for construction of Punatsangchhu-II and Mangdechhu Hydro-Electric Projects.

ii) Notification No. 24/2011-Central Excise (N.T.) dated 29/2011-Cental Excise all dated 5 December, 2011 have been issued. In terms of these notifications now exports to Nepal is to be treated at par with exports to other countries (except Bhutan). These amendments have been made effective from 1 March, 2012.

iii) In addition to above certain commodity specific notifications under Section 11C and Ad-hoc exemptions under Section 5A(2) were issued. Further clarification with regard to the classification of product (Chloroparaffins/ Chlorinated Paraffins) and another clarification with regard to liability of interest where CENVAT credit was wrongly taken, were also issued.

3.5.3. Service Tax

i) Circular No. 147/16/2011 – Service Tax dated 21 October, 2011 was issued vide F. No. 137/57/2011 Service Tax clarifying that in case the services provided by the sub-contractors to the main contractor are independently classifiable under Works Contract Service, then they too will get the benefit of exemption so long as they are in relation to the infrastructure projects.

ii) Notification No. 48/2011 – Service Tax dated 19 October, 2011 was issued from F. No. 137/99/2011 Service Tax amending the Service Tax Rules 1994. They interalia empower the Board to extend the period of filing of ST-3 and specifying the documents to be submitted alongwith the Registration application. The said notification also amends the instructions for filing the ST-3 return.

iii) Order No. 1/2011 – Service Tax was issued on 20 October, 2011 vide F. No. 137/99/2011 – Service Tax extending the period for filing of half yearly ST-3 return from 25 October, 2011 to 26 December, 2011.

iv) Instructions were issued vide letter F. No. 137/62/2011 Service Tax dated 21 October, 2011 clarifying that Commitment Charges levied by the Banks are to be included in the taxable value for payment of service tax.

v) Circular No. 146/15/2011 – Service Tax dated 20 September, 2011 was issued vide F. No. 137/115/2011 Service Tax – clarifying that in case of telephone services for local calls provided through Village Panchayat Telephones, BSNL is eligible for exemption from service tax.

vi) Clarification has been issued vide letter F. No. 137/135/2008 – CX. 4 dated 21 September, 2011 clarifying that the insurance activity of M/s Deposit Insurance Credit Guarantee Corporation falls within the ambit of Section 65(105)(d) of the Finance Act, 1994 (FA, 1994) and is chargeable to service tax under General Insurance Business service.

vii) Notification No. 43/2011 – Service Tax dated 25 August, 2011 was issued vide F. No. 137/99/2011 – Service Tax – to introduce Service Tax (Fourth Amendment) Rules 2011, making it mandatory for all service tax assessees to file their ST-3 return electronically with effect from 1 October, 2011.

viii) Instructions vide letter F. No. 137/62/2011 – Service Tax dated 13 July, 2011 were issued to field formations clarifying that document(s) issued under Rules 4 (A) of Service Tax Rules 1994, to be included in the list of documents provided under Rule 5 (2) of the Service Tax Rules 1994.

ix) Instructions vide letter F. No. 137/35/2011 – Service Tax dated 13 July, 2011 were issued to the field formations clarifying applicability of service tax on deputation of ONGC officers in Directorate General of Hydrocarbons under Manpower Recruitment and Supply Agency' service.

x) Instructions vide letter Dy. No. 2305/Commr(ST)/2011 dated 15 July, 2011 were issued to the field formations clarifying that the activity that amounts to manufacturing of excisable goods is not covered under Business Auxiliary Service.

xi) Instructions vide letter F. No. 137/21/2011 – Service Tax dated 15 July, 2011 were issued to the field formations clarifying the taxability of International Private Leased Circuit (IPLC) service received from service providers situated outside the country under Business Support Service.

xii) Ad-hoc Exemption Order No. 1/1/2011 – Service Tax was issued on 30 June, 2011 exempting the taxable service provided, to any person by Central Industrial Security Force in relation to 'Security Agency's service' falling under sub-clause (w) of clause (105) of section 65 of Finance Act, 1994, during the period 16 October, 1998 to 31 March, 2009 from the whole of the service tax leviable thereon under section 66 of the Finance Act, 1994.

xiii) Instructions vide letter F. No. 137/73/2011 – Service Tax dated 3 August, 2011 were issued to field formations regarding applicability of service tax on transactions between hospitals and doctors.

xiv) Instructions vide letter F. No. 106/Commr (ST)/2009 dated 8 July, 2011 were issued to field formations clarifying that the Development Fee charged at airports is leviable to service tax under Airport service.

xv) Circular No.138/07/2011 – Service Tax was issued on 6 May, 2011, regarding chargeability of service tax on consultants/sub-contractors or provider of other services who performs/provides any service in relation to the exempted works contracts such as roads, bridges, tunnels and dams.

xvi) Instructions were issued vide F. No. 137/25/2011 – Service Tax dated 8 August, 2011 - regarding service tax on delayed payment charges collected by the service provider. It was clarified that delayed payment charges received by the stock brokers are not includible in taxable value as the same are not charges for providing taxable services and thus service tax is not payable on the same.

xvii) Ad-hoc Exemption Order No. 2/2/2011 – Service Tax was issued to exempt outdoor catering provided by a Non Government Organisation registered under any Central Act or State Act, under the Centrally assisted Mid-Day Meal Scheme, from the whole of service tax leviable thereon under section 66 of the Finance Act, during the period 10 September, 2004 to 2 Sepetmeber, 2010.

xviii) Instructions were issued vide F. No. 137/78/2011 – Service Tax dated 31 July, 2011 clarifying that service tax is not applicable on services relating to VISA facilitation and Passport.

xix) Clarifications were issued vide letter F. No. 137/132/2010 – Service Tax dated 10 May, 2011 regarding leviability of Service Tax on the Flying Training Schools and Aircraft Maintenance Engineering Institutes.

xx) Instructions were issued vide letter F. No. 137/50/2008 - CX. 4 dated 31 May, 2011 clarifying the applicability of service tax on Clubs and Associations on a reference from Indian Merchant Chambers.

xxi) Instructions were issued vide letter F. No. 354/9/2011 TRU dated 12 July, 2011 regarding reversal of CENVAT credit availed by life insurance companies.

xxii) Clarifications were issued vide letter F. No. 137/147/2010 – Service Tax dated 11 July, 2011 clarifying the taxability of expenditure in foreign currency in the case of M/s ONGC Videsh Ltd.

xxiii) Clarifications were issued vide letter F. No. 137/15/2011 Service Tax dated 10 August, 2011 regarding taxability of service provided by operators of Direct Inward Dialling Exchanges (DIDE).

xxiv) Circular No.135/4/2011 – Service Tax dated 19 April, 2011 was issued conveying the Board's approval of Service Tax Audit Manual 2011

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 operationalization and monitoring (except SEZ, EOU and Gem & Jewellery 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 November, 2010 to 31 October, 2011 is as under:

(I) All Industry Rates (AIR) of Duty Drawback 2011-2012

The most important work handled by the Division is formulation of Duty Drawback based on the changes in duty structure announced in Annual Budget. The new All Industry Rates (AIR) of Duty Drawback for the year 2011-12 have been notified vide Custom Notification No. 68/2011-Cus (N.T.) dated 22 September, 2011 and has come in force with effect from 1 October, 2011. This notification was amended vide Notification No. 75/2011-Cus (N.T.) dated 14 October, 2011. Broadly,

(a) The Duty Entitlement Pass Book (DEPB) scheme came to an end on 30 September, 2011. The Drawback schedule for the year 2011-2012 incorporates items from erstwhile DEPB scheme. Additional 1100 (approximately) line entries were introduced in the Drawback Schedule for this purpose. The total line entries in the Drawback schedule are now over 3,900 in number.

(b) Duty Drawback rates have been provided for the first time in respect of passenger Cars.

(c) Value caps on drawback entitlement have been removed for the items having Drawback rates of equal to or less than 3%.

(II) Annual Supplement to Foreign Trade Policy 2009-2014

The Annual Supplement to the Foreign Trade Policy 2009-2014 was announced by the Commerce and Industry Minister on 13 October, 2011 and implemented.

(III) Measures for Reduction of Transaction Cost

The Task Force on Transaction Cost in Exports set up by Ministry of Commerce made recommendations. In line with these, Duty Drawback has been granted to the Exporters when the foreign exchange is not realized but the payment is received through Export Credit Guarantee Corporation of India Limited (ECGC) subject to certain conditions. Similarly, the holders of the Advance Authorization, Duty Free Import Authorization (DFIA) and Export Promotion Capital Goods (EPCG) Authorization, etc., can now execute a single/common bond with Customs for imports from any port across the country.

3.7 International Customs Division

3.7.1 Notification of Rules of Origin

3.7.1.1 Customs Tariff (Determination of Origin of Goods under the Preferential Trade Agreement between the Governments of the Republic of India and Malaysia) Rules, 2011 were notified with effect from 1 July, 2011 for implementing the Comprehensive Economic Co-operation Agreement between India and Malaysia.

3.7.1.2 Customs Tariff (Determination of Origin of Goods under the Comprehensive Economic Partnership Agreement between the Republic of India and Japan) Rules, 2011 were notified with effect from 1 August, 2011 for implementing the Comprehensive Economic Partnership Agreement between India and Japan.

3.7.2 Customs Cooperation

3.7.2.1 An Agreement between the Government of the Republic of India and the Government of the Republic of Argentina on Cooperation and Mutual Assistance on Customs Matters was signed between the Customs administrations of India and Argentina for co-operation and mutual assistance in Customs matters.

3.7.2.2 An Agreement between India-Taipei Association in Taipei and Taipei Economic and Cultural Centre in New Delhi was signed regarding Mutual Assistance in Customs Matters.

For the purposes of implementation of the Agreement, the designated representative of ITA is the Central Board of Excise and Customs.

3.7.3 India-Russia MoU - A Memorandum of Understanding was signed between Central Board of Excise and Customs and Federal Customs Service of Russia for exchange of foreign trade statistical data in March 2011. The data exchanged under the MoU would be used to analyse the dynamics of bilateral trade; for the purpose of monitoring the import-export trends and comparison of mutual trade data and to facilitate measures for enhancing economic cooperation.

3.7.4 Technical Assistance in Customs matters

3.7.4.1 As part of India's commitment to provide technical assistance and help in Capacity Building activities of the Member Countries of the World Customs Organization, assistance has been extended to various countries 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.

3.7.4.2 In the case of Ethiopia, Central Board of Excise and Customs executed a comprehensive 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 from Central Board of Excise and Customs.

3.8 Public Account Committee

3.8.1 Central Excise & Service Tax

3.8.1.1 The observation of Audit in respect of Central Excise and Service Tax matters made in Audit Report (Compliance Audit) are at comments stage. Audit Report No. PA 11 of 2010-2011, PA 30 of 2010-2011, PA 25 of 2010-2011 and PA 15 of 2009-2010 (Performance Audit) were dealt with by the PAC Section. The performance Audit Report contains the System Review.

3.8.1.2 During the year, 2010-2011, 379 (A&B category) Draft Audit Paras (DAPs) were received from C&AG in respect of Central Excise & Service Tax. Out of 155 DAPs ('A' category) and 224 DAPs ('B' category), comments in respect of 68 DAPs of 'A' Category (Central Excise-40 Nos. and Service Tax-28 Nos.) have been sent to C&AG and 170 DAPs ('B' category) (Central Excise-72 Nos. and Service Tax-98 Nos.) have been accepted by Ministry so far. The remaining cases are under process.

3.8.1.3 C&AG's Performance Audit Report in respect of No. PA 11 of 2010-2011 (Review on excise duty on pharmaceutical products), PA 30 of 2010-2011 (Cenvat Credit Scheme), PA 25 of 2010-2011(Service Tax Construction Services) and PA 15 of 2009-2010 (Service Tax on Banking and other financial services) were received. Action Taken Note in respect of report No. PA 11 of 2010-2011 has been sent to Audit. Action Taken Note in respect of PA 30 of 2010-2011 and PA 25 of 2010-2911 are in the final stage and efforts are being made to send these 2 reports to Audit urgently.

3.8.1.4 Ministry's reply on the Advance Questionnaire on Chapter-II of C&AG's Report No. 12 of 2009-2010 (Compliance Audit) relating to "Exemptions" was forwarded to Lok Sabha on 25 November, 2010.

3.8.1.5 Ministry has also sent its first Action Taken Note to Audit on the Observations/Recommendations included in 33rd Report on Action taken by the Government on the Observation/Recommendations of the Committee contained in their 15th Report to the PAC (15th Lok Sabha) on "Loss of Revenue due to short levy of Tax" "Incorrect Classification of Excisable goods" and "Non-fulfillment of export obligations". Final reply will be sent to Audit and Lok Sabha Secretariat in due course.

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 in the concerned section 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 2010-2011 (C&AG Audit for the period ending March 2010), 22 DAPS have been received from the C&AG. On examination, it was found that in respect of 5 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 have already been sent.

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 and one fixed X-ray scanner at Mumbai Sea Port. The department also proposed to install 7 additional Mobile and fixed container scanner during 2009-2010 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 February, 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 upto November 2010 placed at the disposal of concerned field formations under CBEC for further deployment.

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 November, 2008. With the approval of the competent authority, sanction has been issued to Directorate of Logistics i.e. the Purchaser on 6 August, 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.

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 September, 2010 for placement of order to the lowest bidder i.e. L-1 for procurement of 4 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 5 years after 2 years of warranty as proposed by the Directorate of Logistics has been given to Directorate of Logistics on 10 September, 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

Table 3.3: Anti-Smuggling Performance of DRI and Commissionerates – At a Glance (₹ in crore)

Sl.No	Item of work	2008-2009		2009-2010		2010-2011		2011-2012 (upto June 2011)	
		No. of Cases	Value/ Duty	No. of Cases	Value/ Duty	No. of Cases	Value/ Duty	No. of Cases	Value/ Duty
1	Seizure	43614	1721.01	37894	1583.90	36359	2506.70	4647	593.54
2.	Commercial fraud (CF) cases detected	3303	2121.30	3189	838.00	6686	1297.06	1683	518.63
3.	Investigation completed & SCN issued in CF cases	1575	2128.24	926	1457.68	1060	3279.08	244	821.33
4.	SCN issued in Outright smuggling cases	9054	147.54	8978	464.41	5054	645.09	1161	29.53
5.	Duty recovered	1737	674.06	4258	307.33	11085	611.60	1983	90.30
6.	Persons arrested	464	-	493	-	501	-	152	

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.

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 September, 2011 are given in table 3.4.

3.12 Publicity

Highlights of the performance and achievements during the year (April-November 2011):

3.12.1 The Directorate placed massive multi-media campaigns in English, Hindi and major regional segments 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 - 'RMG' to clarify public doubts on levy of Central Excise Duty on ready-made garments; 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; Certified Facilitation Centres (CFCs); reminder/s for filing of Service Tax returns by due dates; mandatory e-return/ e-payment by specified assessees; Sectoral advertisements correlating tax payment to provision of various social services; Safeguard Duty mechanism; on implications of non-compliance in tax matters; 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 to publicise on-line tax processes; last date(s) for filing Service Tax returns; Campaigns on reporting evasion of Central Excise Duty/ Service Tax; Campaigns featuring renowned singer Hariharan: Sector-based TVCs correlating tax payment to provision of various social services. The documentary/short film *"Central Excise - The Engine of Economic Growth"* showcasing the working of the Central Excise Department and produced by this Directorate during this year and another film '*History of International Trade and Collection of Customs Duties in Gujarat*' showing collection of customs duties from the ancient to the modern times were also telecast through English, Hindi and 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; Radio spot on the STRP Scheme; last date of filing Service Tax and Central Excise returns; SMS campaigns on last / extended date of filing Service Tax Return; Hoardings, Bus Shelters, Digital Screens etc. on timely & correct payment of taxes.

Table 3.4

S.No.	Appellate Forum	Total No. of Deptt. Appeals	Total Amt. Involved in Deptt. Appeals (₹ Crore)	Total No. Party's Appeals (D+P)	Total Amt. Invoved in Party's Appeals (₹ Crore)	Grand Total No. of Appeals (D+P)	Grand Total Amount Involved (₹ Crore)
1	Supreme Court	1967	6208.89	753	1217.63	2720	7426.52
2	High Courts	7249	5881.84	7685	4769.68	14934	10651.52
3	CESTAT	17560	11008.36	30530	31337.82	48090	42346.18
	Total	**26776**	**23099.09**	**38968**	**37325.13**	**65744**	**60424.22**
4	Commissioner Appeal	3623	659.94	23147	4661.46	26770	5321.04
	Grand Total (1+2+3+4)	**30399**	**23759.03**	**62115**	**41986.59**	**92514**	**65745.62**

3.12.5 Republic Day 2012 Tableau

The Directorate submitted a proposal with the Ministry of Defence for participation in Republic Day Parade, 2012 with a Tableau showcasing the varied facets of the working of the Indian Customs. The Expert Committee of Ministry of Defence communicated approval of the concept/design and the Tableau was displayed during Republic Day, 2012.

3.12.6 Publications (1 April, 2011 to 30 November, 2011)

- Tax Payer's Information Publications
- Customs Manual, 2011.
- Service Tax Audit Manual w.e.f. 1 April, 2011.
- ACES Automation of Central Excise and Service Tax. Instruction Sheet Linking/referencing Service Tax Audit Manual 2011 (STAM) with User Manuals of ACES Service Tax Audit Module.
- ACES Automation of Central Excise and Service Tax User Manual of ACES Service Tax Audit Module version 1.1. 15 September, 2009.
- Leaflets for Service Tax & Central Excise Assesses for e-filing.
- Duty Drawback Schedule 2011-2012.
- Departmental Publications
  - Supreme Court Judgments on Service Tax upto November 2010.
  - Annual Conference of Chief Commissioners and Directors General,

    Customs & Central Excise at New Delhi 8-9 June, 2011.
  - Conference of Customs on Tariff Allied Matters Minutes 9-10 May, 2011.
  - Information Booklet -CC Conference.
  - Monthly Audit Bulletin.
  - Custom Manual on Site Post Audit Clearance.
- Human Resource Development Publications
  - Complaint Handling Policy of CBEC.
  - Manual on Infrastructure.
  - ICE Magazine June 2011.
- Promotional Publication
  - Table Calendar.

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 throughout 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 formation is 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 Director General of Inspection is head of the Department having all India jurisdictions. He is supervising and controlling the functions of all the Regional Units located at Mumbai, Chennai, Kolkata, Delhi and Hyderabad.

Each Regional Unit is headed by one Additional Director General who is the head of the department. Except the Regional Units of Hyderabad, which is being headed by an officer incharge of Addl. Director, who reports to ADG SRU, Chennai. At the Head quarters office, the ADG(Admn.) has been delegated the powers of Head of Department. He also looks after Official Languages Section, Nepal Rebate and Bhutan refund section. Further ADG, HQ (C.Ex) is also incharge of (Customs) at the Hqrs, looks after inspection of the field formations. Certain Customs inspections are also allocated to regional Units by HQ Customs. The regional offices look in to 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 Human Resource Development.

All ADGs are assisted by Additional Directors/Joint Directors/ Deputy Directors and Assistant Directors.

3.13.3 Working

This 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 1 April, 1946 and given the status of an attached office.

3.13.4 Highlights of Performance is shown in table 3.5.

3.13.5 Central Excise - Special Assignments/Studies is shown in table 3.6.

The major policy initiatives and achievement made by this Directorate during the last one year are as under:

3.13.6 Customs Section is shown in table 3.7.

3.13.7 CBEC Guide to Best Practices

3.13.7.1 Board in its meeting BMB 25/2010 dated 23 April, 2010 had directed DGICCE to prepare a Guide of Best Practices in CBEC. The guide was aimed at promoting

Table 3.5: No. of Inspections of Commissionerates Conducted by DGICCE & RUs

Formation	2005-06	2006-07	2007-08	2008-2009	2009-2010	2010-2011	2011-2012 (1 April, 2011- 30 November, 2011)
DGICCE(C.Excise)	19	19	16	19+3 (Special Study)	17	7	5
DGICCE(Customs)	10	15	6	17	25	7	7
NRU	-	17	7	8	15	5	6
ERU	-	12	14+3 (Special Study)	13	14	4	4
CRU	1	7	11	11	12	4	2
SRU	2	18	12+4 (Special Study)	10 (8CE+ 2Cus.)	19(16CE+ 3Cus)	14(13CE+ 1Cus)	6
WRU	-	10	13	20 (18CE+ 2Cus)	25(CE20+ 5Cus)	9	5
Total	**32**	**98**	**86**	**101**	**127**	**50**	**35**

Table 3.6

S.No.	Subject
1.	Review on provisional assessment
2.	Preparation of Proposal for restructuring of Dte. of Legal Affairs and Dte. Of Inspection
3.	Study of demands, present status and realization of C.Ex duty/penalty confirmed by means of adjudication orders in cases where duty involved is Rs. one crore and above
4.	Monitoring of performance in Monthly Technical Reports (MTR) with special emphasis on Pendency in key areas.
5.	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 Commissionerate with high Pendency of adjudication cases and officers of this Directorate visit these Commissionerate 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.

Table 3.7

S.No.	Subject
1.	Monthly Technical Report on pendency of various items of work on customs is being sent to the Board on regular basis.
2.	Monthly Report on pendency of Adjudication cases pending over one year and above one crore is being sent to the Board.
3.	Quarterly report on Project Import is being sent to the Board.
4.	Report on Rosha Committee called for from the field formations for submission to the Board, interim report has been sent.
5.	The Section is monitoring the updating of Departmental Manuals.
6.	Further information on Best Practices being followed by the Commissionerates has been called for inclusion in the 'Innovation' compendium.
7.	Report on C& AG statistical data regarding adjudication cases has been called for from the Chief Commissioners of Customs for submission to the Board.

better government and appraising field formations of the best practices adopted by the department.

3.13.7.2 DGICCE worked with field formations and compiled the guide, "Innovations-the pursuit of excellence in Customs, Central Excise and Service Tax." It was released by Hon'ble Finance Minister on Central Excise day 25 February, 2011.

3.13.8 Implementation of Authorised Economic Operator (AEO) programme in CBEC

3.13.8.1 The AEO Programme has been launched by CBEC through Circular No. 3 7/200-1 1 Customs dated 23 August, 2011 with the objective of enhanced trade facilitation to various Customs operators. ADG (DGICCE) HQ Delhi has been designated as the programme implementation manager.

3.13.8.2 The AEO Programme is for different categories of economic operators such as Importers, Exporters, Customs House Agents, etc. The programme certifies the operators after due verification of application.

3.13.8.3 The AEO certificate shall be granted after detailed pre-certification and validation done by AEO Programme Team of DGICCE. The certificate will be given to the entities who would meet following four criteria.

- Establish a record of compliance in respect of Customs and other legal provisions
- Demonstrate satisfactory systems of managing commercial and, where appropriate, transport records.
- Be financially solvent.
- Demonstrate satisfactory systems in respect of security and safety standards.

3.13.9 Administration/Establishment

1. Training for Group 'D' non-matriculate staff as per direction of NACEN has been completed.
2. Recruitment of TA's allotted by SSC through Combined Graduate Level exam 2010 has been completed.

3.13.10 Hindi/Official Language

Implementation of Official Language Policy from 1 April, 2011 to 30 November, 2011

1. Conducted 10 Inspections during (1 April, 2011 to 30 November, 2011) of field formations with respect to implementation of Official Language(OL) Policy during the year.
2. Meetings of Parliamentary Committee and sub-committee on OL were coordinated and attended.
3 Translation of Central Excise Inspection Questionnaire in Hindi.
4 OL policy implemented workshop was organized for officers DGICCE.
5 Hindi day/Hindi Week was celebrated and various competitions were held in Hindi.
6 Workshops were conducted and held to facilitate the field formation. A cultural programme to promote Hindi was held as grand success. Incentive scheme was implemented and prizes were distributed.
7 All the material given by Sevottam was prepared as per rule.
8 Number of meetings with senior officers of many Commissionerates were held by DD (OL). Ministry's requisition with regard to OL was fulfilled.
9 Correspondence with diverse offices and contact programmes were made by DD (OL). Periodic report received from Commissionerates and field formation reviewed, consolidated and forwarded.
10 Periodic Reports of DGICCE offices New Delhi prepared and forwarded to Ministry.

3.13.11 Nepal Rebate Section

3.13.11.1 This Directorate is dealing with payment of rebate to Nepal Government and refund of duty to Bhutan Government Every month cheque is given to Nepal Government in this regard. Nepal Government has appreciated the regularity of this Directorate in processing their claims and taking required action. Similarly refund to Bhutan Government is paid every year. Refund cheque this year has already been sent to Bhutan Government and no claim of Bhutan Government is pending with this Directorate. (Details given below):

3.13.11.2 Nepal Rebate Sanctioned by Dgicce, New Delhi is shown in table 3.8.

3.13.12. Refund of Excise Duty Given to Royal Government of Bhutan is shown in table 3.9.

3.14 Systems & Computerisation

3.14.1 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 tax payers and other business users such as importers and exporters, custom house agents, 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.

3.14.2 Efforts are being made to make the Department's services available over the internet and through various service centers. Integrated service delivery is also being attempted by integrating processes, cutting across diverse field formations under CBEC and also by integrating with partner agencies such as Banks, Airlines, Custodians, CONCOR, etc.

3.14.3 Details of Completed Activities/Services is shown in table 3.10.

3.14.4 Brief details of on-going Projects are shown in table 3.11.

Table 3.8

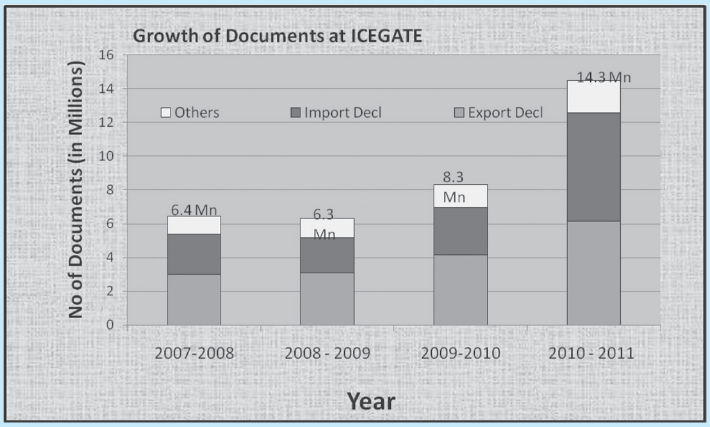
S. No.	Year	Total Amount (₹)	No. of invoices Processed
1.	2011-2012 (1 April, 2011-30 November, 2011)	127,58,07,971	45595

Table 3.9

Year 2011 (for the Year 2008)	
Amount Claimed	₹ 1,53,80,34,387
Amount finalized	₹ 1,22,74,21,407
Year 2011 (for the Year 2009)	
Amount Claimed	₹ 1,37,93,35,162
Amount finalized	₹ 1,11,80,32,053

Table 3.10

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 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 104 Commssionerates.)
3.	Online filing of Central Excise Claims, Intimations & Permissions	To enable the taxpayer to file online Claims, Intimations & Permissions On the website www.aces.gov.in (Currently available to users in 104 Commissionerates.)
4.	Online filing of Central Excise Returns	To enable the taxpayer to file their Central Excise Returns with CBEC over the Internet.On the website www.aces.gov.in (Currently available to users in 104 Commissionerates.)
5.	Online filing of Service Tax Returns	To enable the taxpayer to file their Service Tax Returns with CBEC over the Internet.On the website www.aces.gov.in (Currently available to users in 104 Commissionerates.)
6.	e-payment of Central Excise Duty	To enable the tax payer to make online e-payment by directing the user to the EASIEST website of NSDL or to the website of assessee's preferred bank.On the website www.aces.gov.in
7.	Online registration with ACES	To enable the tax payer to register online for transacting electronically with the Central Excise or Service Tax Department through ACES. (Currently available to users in 104 Commissionerates.) On the website www.aces.gov.in
8.	Online registration of Non – Assessee with ACES	To enable Non-Assessees such as Merchant exporters to register with ACES to transact with the DepartmentOn the website www.aces.gov.in (Currently available to users in 104 Commissionerates.)
9.	Online training on ACES	To enable assessees, non–assessees & other users to be familiar with the ACES through online tutorials (Learning Management Software), User Manuals and FAQs.On the website www.aces.gov.in
10.	Web-viewing and Web-tracking of status of Central	To enable tax payer & users to view or to ascertain the status of their Central Excise/ Service Tax documents filed through ACESOn the website www.aces.gov.in

S.No.	Activity	Brief Account
	Excise/Service Tax documents	
11.	Service Desk facility for ACES	To provide the users the facility of Service Desk to solve their problems in using ACES by calling national toll free No.1800-425-4251 (on working days between 9 AM to 7 PM) or by sending e-mails to aces.servicedesk@icegate.gov.in. (As on 10.11.2009 8205 calls were received out of which 8061 have been resolved.)
12.	Electronic credit of Duty Drawback	To enable the taxpayer to receive electronic credit of the amount due directly into his account with any bank. This is enabled in the Indian Customs EDI System ICES Exports.
13.	Dissemination of information relating to the indirect taxes through web.	To enable the taxpayers to obtain up to date information relating to Customs, Central Excise & Service Tax laws, forms, etc through internet.On the websites www.cbec.gov.in & www.aces.gov.in
14.	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.	The number of documents filed through ICEGATE has been consistently rising and in the FY 2009-2010 ICEGATE handled total 8.3 million documents. 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 2010-2011, 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. (out of total 108 prominent custom locations which are to be covered under Centralized architecture of the ICES 1.5, the work for operationalisation of Centralized architecture of the ICES 1.5 for 103 custom locations has already been completed.)

S.No.	Activity	Brief Account
		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 filingoptions	There are three options for filing the documents 1. E-Mails (SMTP – Simple Mail Transfer Protocol) 2. Web Upload 3. FTP (File Transfer Protocol)
17.	Electronic acknowledgement	Electronic acknowledgement of the documents filed electronically at ICEGATE as well as the error communication in the documents filed at ICEGATE
18.	Recent new message / facility additions 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 upgraded ICEGATE also allows filing of the Amendments to the already filed documents on mail. It also communicates queries 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. 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

S.No.	Activity	Brief Account
		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 Informationsharing and information to check status of DGFT related issues	The Customs department and DGFT in the Ministry of Commerce also share following information 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. In the year 2009-10 the helpdesk received more than 13197 e-mails and 88501 tickets were raised for resolution based on telephone calls and more than 90% were resolved on the same day. During April, 2010 to September, 2010 the helpdesk received 48559 e-mails and 39295 tickets raised for resolution based on telephone calls.

S.No.	Activity	Brief Account
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 available accurate tax payment data from banks for revenue and tax payer accounting. Under this system, data through all modes of payment including e-payment is captured by banks in the agreed format and uploaded in electronic form and made available to the Department. For improving data quality of Internet payments the EASIEST e-payment portal was developed. This is a web based feature which interfaces with the e-payment portals of the tax collecting banks. It is operational since November 2008. The various validations of the challans are done at this level before forwarding it to the bank's site for the financial transaction. Since September 2010, the assessee code has been made mandatory for making EASIEST payments. As on 31/12/2011, 27 banks are authorised and have got linked with this portal. Since April 1st 2011 to Dec 31st 2011, around 32 lakh challans have been uploaded by the banks. 96% of the revenue in Central Excise and 81% of revenue in Service tax is through e-payment. **Outcomes of the project** 1. With the implementation of EASIEST, it has become possible to ascertain the gross revenue collection figures for Central Excise and Service Tax on a daily basis by the senior management in CBEC. Web based MIS have been developed to monitor the tax collection. 2. Capture of the unique Assessee code in EASIEST data enables accounting of the tax paid by each taxpayer. 3. Automation in Central Excise and Service Tax (ACES) project has automated the workflow in the Central Excise and Service Tax Commissionerates. The data from EASIEST will be used by the ACES application and will assist in system verification of tax payment. 4. As part of the EASIEST project, the taxpayer is able to verify the status of tax payment over internet. This not only increases transparency but also provides a sense of confidence in the taxpayer that the taxes paid are correctly credited. **Resources available on the websites for taxpayers** ■ Link to the helpdesk (http://exciseandservicetax.nic.in/sermon) to handle queries ■ easiest-cbec@nic.in has been created to handle queries of the taxpayers and banks ■ Frequently Asked Questions (FAQs) on EASIEST on http// cbec.gov.in ■ Facility for online verification of tax payment status on https://cbec.nsdl.com. ■ Facility for verification of assessee registration details like name, address, and location code' using the link 'Assessee Code Based Search on https://cbec.nsdl.com **EASIEST MIS Reports** The EASIEST MIS are web based reports which can be used to monitor the tax collection as well as quality of data. The reports are user friendly and simple to use and can be exported to excel or printed and are sortable. The following broad categories of reports are available for EASIEST are **1. EASIEST Collection reports** which show collections based on the challan data of Central Excise Duty and Service Tax uploaded by banks. The types of report under this category are:

S.No.	Activity	Brief Account		
		Report	**Information Available**	**Levels**
		Summary Report	Gross collection amount Accounting code wise breakup current and previous year figures and growth percentage thereof	All India
		Chief Commissioner wise Wise collection Report	Excise and Service Tax collection Accounting code wise breakup current and previous year figures and growth percentage thereof	All India Chief Commissioner Commissioner
		Top Assessee Report Top 25/50/100/500/1000 taxpayers for selected period	Payments by Top taxpayers Major Accounting code wise top tax payers Minor account codewise and servicewise top taxpayers e-payment and physical payments	All India Chief Commissioner Commissioner (Division and range)
		e-payment Report	e-payment and physical payments Accounting code wise breakup The % of e-payment as compared to physical payment.	All India Chief Commissioner Commissioner

2. **EASIEST Coverage** reports are for monitoring data quality and show the coverage of EASIEST data in terms of funds and bank branches. The types of report under this category are:

Fund Settlement Statistics Report

Branch Coverage Statistics Report

3. **EASIEST Deficiency** reports are based on the error records uploaded by banks and give details branch wise of the various kinds of errors rectified.

4. Invalid assessee code report is for monitoring data quality and gives details bank wise of the invalid assessee codes for all India, Chief Commissionerate and Commissionerate during a month. This is applicable for the challans tendered prior to September 2010, after which the system generated assessee code has been made mandatory.

Table 3.11		
S.No.	**On Going Projects**	**Brief Account**
1.	Automation of Central Excise and Service Tax (ACES)	ACES is a centrally-hosted, web-based and workflow-based software application to automate the entire business processes relating to Central Excise and Service Tax that includes online registration, online filing and processing of returns, claims, intimations and permissions, filing and processing of excise related export documents, dispute resolution , audit etc. ACES has been rolled out in all 104 Commissionerates.
2.	Augmentation of Computer infrastructure within the department	An All India Wide Area Network linking 20,000 Departmental users to the National Data Centre, Data Replication and DR Site has been set up to link CBEC officers with the national data centre and disaster recovery site. The Wide Area Network (WAN) has been implemented except for sites facing force majeure issues. Helpdesks have been provisioned to address user complaints on WAN and LAN issues.
	System Integration	Equipment has been installed and commissioned and the system acceptance milestone has been achieved, i.e. software applications for customs and central excise and service tax have been ported and are running from the three national data centres. Personnel have been deployed for extending Facility Management support for five years. A Network Operations Centre (NOC) has been set up for providing support for applications users and pro-active monitoring of the infrastructure. A helpdesk is in operation for infrastructure and applications support for operations and resolution of the end user problems. A Single Sign-on (SSO) application has also been configured and rolled out for providing policy based access for CBEC's officers to different applications. SSO ids have been created for about 19,000 officers. The mail messaging solution has been made online from Data Center to provide official mail accounts to 20,000 officers.
	Local Area Network	Local Area Network Connectivity has already been provided to CBEC users in 1164 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 Enterprise DW called *SmartView* is a web-based analytical reporting solution that is specifically designed for fast querying and sophisticated analytical capabilities, using the latest Business Intelligence (BI) tools. It is the first of its kind in the field of taxation in India. It has the capability to extract the data from various online transactional systems such as ICES 1.5 (Customs), ACES (Central Excise & Service Tax Returns) and EASIEST (Central Excise & Service Tax Payments), at a regular pre-set frequency. CBEC's Data Warehouse is hosted on CBEC's centralized, consolidated IT infrastructure. It is expected to be a single repository for Indirect Tax data providing a holistic nation-wide view of the Customs, Central Excise and Service Tax data. This has enabled, for the first time, a 360 degree view of the taxpayer across Customs, Central Excise & Service Tax. *SmartView* has a user – friendly interface for accessing pre-defined reports and multi – dimensional analysis, along with an ad-hoc query facility. It also has data mining and text mining capabilities, which are being used to assist RMD in profiling entities involved in Import and Export. Around 75 Customs, Central Excise and Service Tax pre-defined reports have been developed so far in the Data Warehouse based on requirements taken from various field offices, Directorates (DRI, DGoV, DGCEI, etc), TRU, Board etc. There is no requirement for technical expertise to extract these reports or query the data from the DW portal and these reports are available to the user through CBECs applications' interface with a click of the mouse. The *SmartView* application has been rolled out for Departmental users and comprehensive end-use training has been imparted to a large number of officers. Additionally, the DW project team has also successfully

S.No.	On Going Projects	Brief Account
		implemented the TAX 360 project which enables Seamless Data Exchange between CBEC, CBDT and the Sales Tax Administration of the State of Maharashtra, and allows a 360 degree view of a taxpayer across Income Tax, Service Tax, Central Excise, Customs and State VAT. Other States such as Gujarat have requested for implementation of similar projects for their States.
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 the location are ready.
5.	Electronic Data Interchange (EDI)	Migration from the ICES 1.0 to the upgraded version of the Customs EDI System (ICES 1.5) was completed for all 41 Customs locations in April 2011. ICES 1.5 is now implemented at 103 Customs locations. New functionalities included in the application include facility for online refund of service tax which marks the initial steps in the integration of ICES with ACES, online registration of DFIA licences, centralized bond management. Other modules such as automation of precious cargo, greater integration with RMS, and online interface with SEZ are under development. The number of documents filed in ICES 1.5 the period April 2011 to December 2011 is as follows:Bills of Entry : 2513085Shipping Bills: 3883242Import General Manifests: 198110Export General Manifests: 183267
6.	Goods and Services Tax Network (GSTN)	GSTN proposes to improve Public service delivery through simplification of the process of tax compliances with the help of automation of business processes and reconciliation of tax information. The implementation of nationwide uniform tax compliance and reconciliation system integrating both Central and State levels would bridge gaps being exploited to evade tax.A pilot project by NSDL is underway with the participation of 11 States and CBEC from Centre.
7.	ICEGATE	ICEGATE is an infrastructure project that fulfils the department's EC/EDI and data communication requirements. ICEGATE is a portal that provides e-filing services to the trade and cargo carriers and other clients of Customs Department. Through this facility the Department offers a host of services, including on-line, electronic filing of the Bill of Entry (import goods declaration), Shipping Bills (export goods declaration) and related electronic messages between Customs and the Trading Partners using communication facilities (E-mail, Web-upload & FTP) using the communication protocols commonly used on the internet. Besides, data is also exchanged between Customs and the various regulatory and licensing agencies such as DGFT, RBI, and DGCIS through ICEGATE. The National Import Database (NIDB) and Export Commodity Database (ECDB) for Directorate of Valuation are also being serviced through ICEGATE. All electronic documents/ messages being handled by the ICEGATE are processed at the Customs' end by the Indian Customs EDI System (ICES), which is running at 103 customs locations. In addition to e-filing, ICEGATE also provides host of other services like e-payment, on-line registration for IPR, Document Tracking status at Customs EDI, online verification of DEPB/DES/EPCG licences, IE code status, PAN based CHA data and links to various other important websites/information pertaining to the Customs business.

3.14.5 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 websites: www.cbec.gov.in, www.icegate.gov.in, www.aces.gov.in .

Further, the following major initiatives have also been taken for upgradation of systems and moving towards e-mode.

3.15 Risk Management Systems (RMS)

3.15.1 As a measure of trade facilitation and effective enforcement through intelligent interdiction of only high risk cargo for customs examination, an Inter Ministerial Group (IMG) of finance, commerce and shipping ministries recommended implementation of Risk Management System (RMS) along with an assured customs clearance procedure for special clients having good track record and who meet specified criteria identified by the Customs.

3.15.2 Accordingly, the Central Board of Excise and Customs (CBEC) developed a risk management system in-house and starting with Air Cargo Complex, Sahar, Mumbai in December 2005, implemented it in 23 major Customs sea ports/airports covering about 85% of India's international trade. To operationalise the risk management system, the CBEC had issued a circular (43/2005 – Cus) on 24 November, 2005.

3.15.3 The implementation of the RMS was one of the most significant steps in the ongoing Business Process Re-engineering and e-governance initiatives of the Central Board of Excise and Customs.

3.15.4 The objective of the Risk Management System (RMS) is to enable the Indian Customs Administration 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 without examination based on the importers' self assessment. Other consignments go for assessment or examination or both depending on the evaluation of risk by the RMS.

3.15.5 All the qualified importers, who have demonstrated capacity and willingness to comply with the laws, Customs department is required to implement and registered with the Risk Management Division, established vide the CBEC circular 23/2007 – Customs dated 28 June, 2007 to implement the risk management system, under the Accredited Clients Programme (ACP), introduced vide the CBEC circular 42/2005 – Customs dated 24 November, 2005, get assured facilitation. 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 ACP importers are allowed clearance on the basis of self assessment. There are 300 such ACP importers (as on 2 January, 2012). The CBEC vide circular 29/2010 – Customs dated 20 August, 2010 extended the Accredited Clients Programme to the status holders under the Foreign Trade Policy.

3.15.6 Upon introduction of RMS, the erstwhile Concurrent Audit was replaced by Post Clearance Audit. Post Clearance Audit is carried out only on Bills of Entry selected by the Risk Management System for such audit. To take the post clearance audit to next level, the CBEC has recently introduced onsite post clearance audit. To begin with, the onsite post clearance audit will be limited to ACP clients.

3.15.7 The implementation of RMS has revolutionized the customs import clearance process by cutting down the clearance times drastically. This measure has brought about drastic reduction in the dwell time of cargo and transaction costs for importers, and improved their global competitiveness. Thanks to remote filing of import documents using the internet web portal of Indian Customs www.icegate.gov.in, introduction of e-payment facility and implementation of RMS, today the Indian importers are able to clear their goods within a few hours.

3.15.8 In recognition of the impact the RMS made on the public delivery standards in general and customs clearance in particular, the Prime Minister's Award for Excellence in Public Administration was conferred for the year 2007-2008 to the "Implementation of Risk Management System in Customs".

3.15.9 With the migration of ICES from version 1.0 to version 1.5 and from the earlier distributed environment to central environment at Delhi, the RMS application, which was running on a server located at RMD, Mumbai had also been moved to the central server at Delhi. A new version of Risk Management System (RMS 3.1) compatible with the ICES 1.5 version was developed.

3.15.10 The new version of Risk Management System (RMS 3.1) is operational in 69 Customs locations (as on 31.12.2011) including those 23 locations where old version (RMS 2.7) was in existence.

3.15.11 The Risk Management System for Exports is also ready and undergoing a series of pre-launch tests. The NIC is also working on certain work flow changes in ICES 1.5 that are essential to make it compatible with RMS 3.1. 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 40+ EDI locations is successfully completed.

3.15.12 The Risk Management System for courier clearances has been developed and is ready for implementation. 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.

3.15.13 ARTS (Automated Recording and Targeting System) module of IPR, which was implemented in the early 2008 as part of the RMS, had been further fine-tuned and made more user-friendly. The Centralised Bond Management module of ARTS was also developed and made available to users from 15 March, 2011.

3.15.14 A module for IGM based selection of containers for scanning on arrival at JNPT, Nhava Sheva was also developed by the Risk management Division and successfully implemented. The entire application was migrated to the central server and made it compatible with RMS 3.1.

3.15.15 The long pending issue of legitimacy of systems driven selective assessment in the absence of express provisions in the Customs Act was addressed in this year's union budget by introducing the concept of self-assessment.

3.15.16 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.

3.16 Sevottam

3.16.1 Under Phase-I, four offices, namely Directorate General of Inspection, Delhi-I (Central Excise), Delhi Customs (Import & General) and Delhi Service Tax, were awarded the Sevottam certificates by the Bureau of Indian Standards in 2010-2011. Subsequently, Sevottam has been rolled out in 20 more offices' in the ongoing phase II in 2011-2012. These offices are Delhi-II (Central Excise), Gurgaon, Rohtak, Inland Container Import, Chennai Airport & Air-cargo. Bangalore Customs, Mangalore Customs, Mumbai-HI Central Excise, Belapin, Mumbai Airport, Mumbai Import, Mumbai Export, Mumbai General, Ahmedabad-I, Ahmedabad-III, and Rajkot Central Excise. In the meantime, one more office, namely Hyderabad III (Central Excise) was certified by BIS.

3.16.2 Training on Sevottam was also organized by BIS/ NACEN at NITS Noida, Bhopal, Jaipur, Mumbai, Kanpur, Nagpur, Bangalore & Chennai etc. for sensitizing the officers of Customs & Central Excise. Specific training at Ranchi, Nagpur, Mysore, Gurgaon, Bangalore (Customs), Chennai (Customs), Pune Zone, and Indore Commissionerates were also organized. To systematize citizen facilitation, a proposal for implementation of an all India Helpline has been approved by Board. Tenders have been called for. Subsequently these will be submitted for financial approval to the Board.

3.16.3 An analysis of grievance redress system (CPGRAMS) has been completed for the grievances received during the last 2 years. The report has been sent to Board with areas for improvement.

3.16.4 A proposal for phase wise implementation of Sevottam in all field formations by 2014 has also been sent to Board. The roll out was proposed to be completed in five phases, out of which the Phase-I has already been completely and the Phase-II is currently being implemented.

3.16.5 Due to concerted efforts of DGICEE, 5 (five) offices got BIS-15700 certificate i.e. DGICEE, C. Ex-Delhi-I, Delhi Customs, Service Tax and C. Ex Hyderabad-II and the process of auditing of 4 Central Excise and Customs Commissionerates is being carried out to award BIS 15700 certificates.

3.16.6 Action taken on Sevottam programme during 2011-2012 (upto December 2011)

1. **April 2011:** The Hyderabad-III Central Excise Commissionerate has been Audited by the BIS for IS 15700 certification. The work on Sevottam Certification for Belapur Central Excise Commissionerate is at advanced stage. Sevottam Sensitization training is scheduled through BIS at Bhopal.

2. **May 2011:** The work of Sevottam implementation is completed at Central Excise Commissionerate Belapur & Rajkot. The applications of Sevottam Certification (IS 15700) at Central Excise Commissionerate Belapur & Rajkot have been submitted to BIS. Training are scheduled at Bhopal, Jaipur, Mumbai through BIS & NACEN.

3. **June 2011:** Hyderabad-III Central Excise Commissionerate has been certified by the BIS. Training was organized at BIS Bhopal, BIS Jaipur, NACEN Mumbai & NACEN RTI Hyderabad.

4. **July 2011:** The applications of Sevottam Certification (IS 15700) at Central Excise Commissionerates Ahmedabad-I, Ahmedabad-III, Mumbai-III & Mumbai Customs (Airport) have been submitted to BIS. Training on Sevottam including IS 15700:2005 was organized at Bangalore (Customs) & Mysore Central Excise.

5. **August 2011:** Training on Sevottam including IS 15700:2005 was organized at BIS Chennai, NACEN Kanpur & Indore Central Excise. Further the process of BIS audit at Belapur & Rajkot has been initiated by Bureau of Indian Standards.

6. **September 2011:** Gurgaon Central Excise & Rohtak Central Excise Commissionerate have been inspected by the DGICCE for Sevottam roll out in phase-II. Training have been organized at ICD(TKD) & Kolkata on Sevottam. Further process of Bureau of Indian Standards audit at Ahmedabad-I, Ahmedabad-III,

Mumbai-III and Mumbai (Customs) Airport has been initiated by Bureau of Indian Standards. CBEC helpline tender notice has been published in News paper and on CBEC website.

7. **October 2011:** CBEC helpline tender notice has been published & bids have been received in this office. Road map for Sevottam roll out in Phase-III has been sent to the Ministry with a list of 45 Commissionerates-29 Central Excise & Service Tax, 10 Customs and 6 exclusive Service Tax. Surveillance audit program from BIS has been received. Internal Audit has been conducted.

8. **November 2011:** Road map for Sevottam roll out in Phase-III has been announced by the Ministry with a list of 47 Commissionerates-29 Central Excise & Service Tax, 12 Customs and 6 exclusive Service Tax. Apex level Management Review has been conducted.

9. **December 2011:** Service Quality Manual, Documented procedure for Management Review & Documented procedure for Internal Audit has been dispatched to 47 Commissionerates. Minutes of meeting on Apex level has been dispatched. Training on Sevottam including IS 15700:2005 was organized at NACEN Chennai on 26-27 December, 2011.

3.17 Grievance Redressal Machinery

3.17.1 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 Chief Commissioners and Directors General, and over 22 sub-ordinate offices at the level of Commissioners have been created in CBEC to speed up the redressal of grievances. The references received under CPGRAM are addressed on priority.

3.17.2 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. In accordance with the instructions of Department of Pension and Pensioners Welfare, the Portal 'CPGRAMS' has been merged with the pension Portal 'CPENGRAMS'. Action under CBEC is accordingly being taken to assign the monitoring and data base handling for all grievances – pension and non-pension under 'CPENGRAMS'.

3.17.3 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 assesses. 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 Citizen' Charter.

3.18 Gender Issues/Empowerment of Women

3.18.1 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.

3.18.2 Directorate of Logistic had in the past taken certain specific initiatives for improvement/welfare of women. The work has now been entrusted to Directorate of Human Resources Development so that gender issues can be addressed promptly and with greater ease and efficiency. The Directorate of Logistics had been sanctioning ex-gratia financial assistance to the spouses of the employees who die while in service, in consideration of their poor financial condition. An amount of ₹ 22,00,000 has been sanctioned in 15 cases as ex-gratia to the wives of the employees who died while in service. Besides this, the sum of ₹ 6,00,000 each in 6 cases has been recommended to the widows of the departmental officials who died while performing officials duties.

3.18.3 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 the boys. In Scholarship Scheme of 2007-2008 and 2008-2009 eligibility criterion has been relaxed for the girl child in terms of rank they obtain in the All India Entrance Test/Examination.

3.19 Activities Undertaken for Disability Sector, SCs & STs and Other Weaker Section of Society

3.19.1 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.

3.19.2 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, 2010, 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. Two statements showing representation of Scheduled Castes and Scheduled Tribes and Other Backward Castes and representation of the persons with disabilities, as on 1 January, 2011 in CBEC, are given in Annexure-I & II at the end of this chapter.

3.19.3 **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: 2007-2008 and 2008-2009, eligibility criterion has been relaxed for the children of SCs/STs/OBCs officials.

Annexure: Year Wise Trends of Indirect Tax Revenue Collection (₹ in Crore)

S.No.	Head	2008-2009	2009-2010	2010-2011	April-October (Provisional)	
					2010-2011	2011-2012
I.	**Customs (0037)**					
	BE	118930	98000	115000	115000	151700
	RE	108000	84477	131800	131800	
	Actuals	99879	83324	135780	75337	87973
	% achievement of BE	84.0	85.0	118.1	65.5	58.0
	% achievement of RE	92.5	98.6	103.0	57.2	
	% growth over last year	-4.07	-16.58	62.95		16.77
II.	**Union Excise* (0038)**					
	BE	137874	106477	130471	130471	159208
	RE	108359	102000	133300	133300	
	Actuals	108613	103622	137029	73805	82680
	% achievement of BE	78.8	97.3	105.0	56.6	51.9
	% achievement of RE	100.2	101.6	102.8	55.4	
	% growth over last year	-12.13	-4.60	32.24		12.02
III.	**Service Tax (0044)**					
	BE	64460	65000	68000	68000	82000
	RE	65000	58000	69400	69400	
	Actuals	60941	58422	70896	37799	50809
	% achievement of BE	94.5	89.9	104.3	55.6	62.0
	% achievement of RE	93.8	100.7	102.2	54.5	
	% growth over last year	18.79	-4.13	21.35		34.42
IV.	**Indirect Taxes (Total)**					
	BE	321264	269477	313471	313471	392908
	RE	281359	244477	334500	334500	
	Actuals	269433	245368	343705	186941	221462
	% achievement of BE	83.9	91.1	109.6	59.6	56.4
	% achievement of RE	95.8	100.4	102.8	55.9	
	% growth over last year	-3.44	-8.93	40.08		18.47

Source: Receipts Budget/PrCCA

*Central Excise revenue for 2010-2011 is exclusive of cesses not administered by D/o Revenue.

4. Central Board of Direct Taxes

4.1 Organisation and Functions

The Central Board of Direct Taxes (CBDT), created by the Central Boards of Revenue Act 1963, is the apex body entrusted with the responsibility of administering direct tax laws in India. The CBDT consists of a Chairman and six Members. It is the cadre controlling authority for the Income Tax Department.

In its functioning, the CBDT is assisted by the following Directorates:

(i) Directorate General of Income Tax (Administration)
  a) Directorate of Income Tax (PR, PP&OL)
  b) Directorate of Income Tax (Recovery)
  c) Directorate of Income Tax (Income Tax)
  d) Directorate of Income Tax (TDS)
  e) Directorate of Income Tax (Audit)

(ii) Directorate General of Income Tax (Systems)

(iii) Directorate General of Income Tax (Logistics)
  a) Directorate of Income Tax (O&MS)
  b) Directorate of Income Tax (Infrastructure)
  c) Directorate of Income Tax (BPR)
  d) Directorate of Income Tax (Expenditure Budget)

(iv) Directorate General of Income Tax (Legal & Research)

(v) Directorate General of Income Tax (Training)

(vi) Directorate General of Income Tax (HRD)

(vii) Directorate General of Income Tax (Vigilance)

4.1.1 Various Chief Commissioners of Income Tax stationed all over the country supervise collection of direct taxes and provide taxpayer services. Directors General of Income Tax (Investigation) supervise the investigation machinery, which is tasked to curb tax evasion and unearth unaccounted money. DGIT(Exemptions) supervise the work of exemption and DGIT (International Taxation) supervise the work in the field of International Tax and transfer pricing. Chief Commissioners of Income Tax/Directors General of Income Tax are assisted by Commissioners of Income Tax/Directors of Income Tax within their jurisdictions. Commissioners of Income Tax also perform appellate functions, adjudicating disputes between taxpayers and assessing officers. The Income Tax department has presence in 530 cities and towns across India. With a taxpayer base of around 3.5 crore, the Income Tax department interfaces with almost every urban family in the country.

4.1.2 With modern information technology as a key driver, the CBDT is implementing a comprehensive computerization programme in the Income Tax Department. The programme is aimed to establish a taxpayer friendly regime, increase the tax-base, improve supervision and generate more revenue for the Government. Details of the computerization programme being implemented by the Income Tax department are given under the chapter e-governance.

4.2 Direct Tax Collections

Revenue collection from Direct Taxes has been growing consistently for the last five years. The Direct Tax Collections as a percentage of GDP has grown from 2.68% in F.Y. 1998-1999 to 5.67% in F.Y. 2010-2011.As a result of improved tax administration and better tax compliance direct tax collection is displaying positive trends.

4.2.1 An amount of ₹ 4,46,935 crore has been collected up to 31 March, 2011 at a growth rate of around 18.12% over previous year's corresponding collection of ₹ 3,78,063 crore. During the span of last five years, the collection has almost tripled. During 2005-2006, the direct taxes collection was ₹ 1,65,208 crore and for the year 2010-2011, the direct taxes collection has reached ₹ 4,46,935 crore.

4.2.2 The performance on the Direct Taxes front is commendable considering the fact that the cost of collection has decreased from 1.36% in the year 2000-2001 to 0.64% in 2010-2011 being one of the lowest in the world i.e the Department spends only 64 paisa for each 100 rupees collected.

4.2.3 The Department has collected ₹ 12,010 crore from arrear demand during 2010-2011 at a growth rate of 0.59% against a corresponding collection of ₹ 11,939 crore last year. In current demands, the collection for 2010-2011 stands at ₹ 41,704 crore at a growth rate of 71.62%. Arrear demand amounting to ₹ 24,300 crore has been liquidated pursuant to orders of appellate authorities, the courts and through rectification petitions.

During the current year (2011-2012), up to November 2011 the Income Tax Department has collected ₹ 2,35,333 crore at a growth rate of 8.63%, achieving 44.18% of the Budget Estimate of ₹ 5,32,651 crore for 2011-2012.

4.3 Annual Conference

The 27th Annual Conference of Chief Commissioners and Directors General of Income Tax was inaugurated by the Finance Minister Shri Pranab Mukherjee on 24 May, 2011. 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 (Expenditure) Smt. Sushama Nath along with other dignitaries.

In his Key note address the Finance Minister stated that the Department needs to be proactive and innovative so that the projected target by 13th Finance Commission of revenue collection of 8.3 lakh crores by F.Y. 2014-2015 can be achieved. It was also emphasised that the Tax administration needs to be further toned up by appropriate use of technology so that the department is able to achieve a zero grievance regime. The need for expediting vigilance matters was emphasised.

The main areas of discussions in the Conference were TDS, Recovery of tax arrears processing of returns, taxpayers' services and delegation of financial powers The valedictory address was delivered by the Minister of State for Finance (Revenue) Shri S. S. Palanimanickam on 25 May, 2011.

Table 3.12: Budget Estimate and Actual Collection of Direct Taxes during the Financial Years 2008-2009, 2009-2010 & 2010-2011 (₹ in Crore)

	2008-2009		2009-2010		2010-2011	
Taxes	**Budget Estimate**	**Collection**	**Budget Estimate**	**Collection**	**Budget Estimate**	**Collection up to 31 March, 2011**
Corporate Income-tax	2,26,361	2,13,395	2,56,725	2,44,725	3,01,331	2,98,688
*Personal Income Tax	1,38,314	1,20,013	1,12,850	1,32,833	1,27,982	1,47,560
Other	325	420	425	505	687	687
Total	**3,65,000**	**3,33,828**	**3,70,000**	**3,78,063**	**4,30,000**	**4,46,935**

Note: *Personal Income Tax collection includes collection under Security Transaction Tax, Fringe Benefit Tax and Banking Cash Transaction Tax.

Table 3.13: Arrear & Current Demand of Corpoarate Income Tax and Personal Income Tax for Financial Years 2009-2010 and 2010-2011 (₹ in Crore)

Financial	Financial Year 2009-2010	Financial Year 2010-2011
A. Total Outstanding Demand	2,48,927	3,33,079
B. Reason-wise Analysis		
1. Amount not fallen due	19,895	41,448
2. Amount difficult to recover including, amounts stayed by I.T. Authorities, Courts etc.	2,12,758	2,71,143
C. Net Collectible Demand (A-B)	16,274	20,488

Table 3.14: BE-RE-Actual Collection (₹ Crore)

Financial	Budget Estimates	Revised Estimates	Actual Collections	Growth Rate of Actual Collections Over Last Year	% age of Budget Estimates Achieved	% age of Revised Estimates Achieved
1996-1997	39004	40163	38895	15.88%	99.72%	96.84%
1997-1998	45710	51260	48280	24.13%	105.62%	94.19%
1998-1999	48855	49854	46600	-3.48%	95.38%	93.47%
1999-2000	59235	58074	57959	24.38%	97.85%	99.80%
2000-2001	72105	74467	68305	17.85%	94.73%	91.73%
2001-2002	85275	73972	69198	1.31%	81.15%	93.55%
2002-2003	91585	82445	83088	20.07%	90.72%	100.78%
2003-2004	95714	103400	105088	26.48%	109.79%	101.63%
2004-2005	139510	134194	132771	26.34%	95.17%	98.94%
2005-2006	177077	170077	165208	24.43%	93.30%	97.14%
2006-2007	210684	229272	230181	39.33%	109.25%	100.40%
2007-2008	267490	304760	312213	35.64%	116.72%	102.45%
2008-2009	365000	345000	333828	6.92%	91.46%	96.76%
2009-2010	370000	387008	378063	13.25%	102.18%	97.69%
2010-2011	430000	446000	446935	18.22%	103.94%	100.21%

Table 3.15: Cost of Collection (₹ in Crore)			
Financial Year	Total Collections	Total Expenditure (Revenue)	Exp. as % of Collection
1998-1999	46,600	852	1.83%
1999-2000	57,959	894	1.54%
2000-2001	68,305	929	1.36%
2001-2002	69,198	933	1.35%
2002-2003	83,088	984	1.18%
2003-2004	105,088	1050	1.00%
2004-2005	132,771	1138	0.86%
2005-2006	165,208	1194	0.72%
2006-2007	230,181	1348	0.59%
2007-2008	312,213	1687	0.54%
2008-2009	333,828	2286	0.68%
2009-2010	378,063	2726	0.72%
2010-2011	446,935	2845	0.64%

Table 3.16: Direct Tax-GDP Ratio (₹ in Crore)						
Financial Year	Net Collections of Direct Taxes	GDP at current Market Prices	Direct Tax-GDP Ratio	GDP Growth Rate	Tax Growth Rate	Buoyancy Factor
1991-1992	15207	653117	2.33%	14.85%	38.91%	2.62
1992-1993	18142	748367	2.42%	14.58%	19.30%	1.32
1993-1994	20299	859220	2.36%	14.81%	11.89%	0.80
1994-1995	26971	1012770	2.66%	17.87%	32.87%	1.84
1995-1996	33564	1188012	2.83%	17.30%	24.44%	1.41
1996-1997	38895	1368208	2.84%	15.17%	15.88%	1.05
1997-1998	48280	1522547	3.17%	11.28%	24.13%	2.14
1998-1999	46600	1740985	2.68%	14.35%	-3.48%	-0.24
199-2000	57959	1952035	2.97%	12.12%	24.38%	2.01
2000-2001	68305	2102376	3.25%	7.70%	17.85%	2.32
2001-2002	69198	2281058	3.03%	8.50%	1.31%	0.15
2002-2003	83088	2458084	3.38%	7.76%	20.07%	2.59
2003-2004	105088	2754621	3.81%	12.06%	26.48%	2.19
2004-2005	132771	3149412	4.22%	14.33%	26.34%	1.84
2005-2006	165208	3706473	4.46%	17.69%	24.43%	1.79
2006-2007	230181	4283979	5.37%	15.58%	39.33%	2.57
2007-2008	312213	4947857	6.31%	15.50%	35.64%	2.48
2008-2009	333828	5574449	5.99%	12.66%	6.93%	0.55
2009-2010	378063	6550271	5.77%	17.33%	13.25%	0.76
2010-2011	446935	7877947	5.67%	20.27%	18.22%	0.90

4.4 Direct Taxes Advisory Committees

With a view to encouraging mutual understanding between taxpayers and Income Tax Officers and to advise the Government on measures for removing difficulties of general nature pertaining to Direct Taxes a Central Direct Taxes Advisory Committee (CDTAC) at Delhi and 61 Regional Direct Taxes Advisory Committees (RDTACs) exist at important stations. Representative of trade and professional associations are also nominated to these committees. The term of these Committees is two years from the date of their constitution.

The Union Finance Minister is the Chairman of the Central Direct Taxes Advisory Committee. The official Members are Secretary (Revenue), Chairman, CBDT and Member (Revenue), CBDT. The non-official Members include four Members of Parliament: two from each House and representatives of Commerce and Industry like, FICCI, ASSOCHAM etc., lawyers and other professionals. The third meeting of CDTAC was held on 7 September, 2011. 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 2009-2010 and 2010-2011, investigation wing of the Income tax Department 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. During the financial year 2011-2012, assets worth ₹ 300 crore were seized and concealment of ₹ 3,887 crore detected/admitted in 2,190 search warrants executed (up to October 2011), while in 1,271 surveys (up to September 2011), concealment of ₹ 1,076 crore was detected. In fact, since April 2009, the Investigation Wing of the Income Tax department has detected undisclosed income exceeding ₹ 22,500 crore.

(ii). A table indicating the increased operational efficiency of the investigative machinery, with regard to search & seizure actions, is shown in table 3.17.

(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 last five years, the effectiveness of surveys carried out by the Income Tax Department has increased as indicated shown in table 3.18.

iv. The Directorates of Income Tax (CIB) have been re-designated as Directorate of Income Tax (Intelligence) and given powers to verify information. During the year 2010-2011, over 14 crore pieces of information collected by the CIB wing were uploaded

Table 3.17

Financial Year	No. of Warrants Executed u/s 132	Total Undisclosed Assets Seized (In ₹ crore)
2010-11	4852	774.98
2009-10	3454	963.50
2008-09	3379	550.23
2007-08	3281	427.82
2006-07	3534	364.64

Table 3.18 (₹ in Crore)

Financial Year	No. of Surveys Conducted u/s 133A	Total Undisclosed Income Detected	Undisclosed Income Detected per Survey
2010-11	3911	5894.44	1.50
2009-10	4680	4857.10	1.04
2008-09	5777	3059.89	0.53
2007-08	6071	3581.77	0.59
2006-07	6207	2612.77	0.42

on the Department's Computer Network, as against 4.5 crore pieces of information in the earlier year. The large data uploaded helped in launching the EFS or Enforcement Module in the ITD Network.

4.5.2 Measures to Address the Issue of Black Economy

(a) The government has commissioned a study by (i) National Institute of Public Finance & Policy (NIPFP), (ii) National Council for Applied Economic Research (NCAER), and (iii)National Institute of Financial Management (NIFM), will be completed in 18 months, i.e. by September 2012. The Terms of the Reference for the proposed study are as under:

(i) To assess/survey unaccounted income and wealth both inside and outside the country.

(ii) To profile the nature of activities engendering money laundering both inside and outside the country with its ramifications on national security.

(iii) To identify important sectors of economy in which unaccounted money is generated and examine causes and conditions that result in generation of unaccounted money.

(iv) To examine the methods employed in generation of unaccounted money and conversion of the same into accounted money.

(v) To suggest ways and means for detection and prevention of unaccounted money and bringing the same into the mainstream of economy.

(vi) To suggest methods to be employed for bringing to tax unaccounted money kept outside India.

(vii) To estimate the quantum of non-payment of tax due to evasion by registered corporate bodies.

(b) The Government has also constituted a Committee under the Chairman, CBDT, to examine ways to strengthen laws to curb generation of black-money in India, its illegal transfer abroad, and its recovery. The Committee is examining the existing legal and administrative framework to deal with the menace of black money through illegal means including, inter alia,

i. declaring wealth generated illegally as national asset;

ii. enacting/amending laws to confiscate and recover such assets; and

iii. providing for exemplary punishment against its perpetrators.

(c) The Government has established a Directorate of Income Tax (Criminal Investigation), in short DCI, as a wing of the Central Board of Direct Taxes (CBDT). The DCI will perform functions in respect of criminal matters having any financial implication punishable as an offence under any direct tax law, including collecting information about persons and transactions suspected to be involved in criminal activities having cross-border, inter-state or international ramifications, that pose a threat to national security and are punishable under the direct tax laws; investigating the source and use of funds involved in such criminal activities; causing issuance of show cause notice for offences committed under any direct tax law; filing prosecution complaint in the competent court under any direct tax law relating to a criminal activity; hiring the services of special prosecutors and other experts for pursuing a prosecution complaint filed in any court of competent jurisdiction; executing appropriate witness protection programmes for effective prosecution of criminal offences under the direct tax laws; coordinating with any other intelligence or law enforcement agency investigating crimes having cross-border, inter-state or international ramifications that pose a threat to national security in India or abroad and entering into agreements for sharing of information and other cooperation with them.

4.6 Widening of Tax Base, Assessment and Refunds

4.6.1 Widening of the Tax Base

Statistics showing the number of assesses over the last 7 years is as follows:

S.No.	Financial Year	Total Number of Assesses as on 31 March of F.Y
1	2005-2006	315.57
2	2006-2007	319.26
3	2007-2008	326.87
4	2008-2009	333.98
5	2009-2010	347.73
6	2010-2011	355.48
7	2011-2012 (upto September 2011)	341.85

Source: CAP II

4.6.2 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	2009-2010	48.84
2	2010-2011	80.45
3	2011-2012 (upto 17 November, 2011)	59.98

Source: DGIT (Systems)

4.6.3 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.

4.6.4 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 1,914 out of 2,912 cases during the F.Y. 2010-2011. During the current F.Y. 2011-2012 (up to September 2011), 576 cases were disposed of out of 1,620 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, various 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 mainly 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-takings/other Government Departments before Committee on Disputes (COD), appointment of Standing Counsels/Special Counsels and Prosecution Counsels 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 Department representatives before ITAT.

4.8.2 Status of Appeals

(i) Before ITAT, High Court & the Supreme Court:

Number of appeals filed by the Department during F.Y. 2008-2009, 2009-2010 and 2010-2011 and their disposal is shown in table 3.19.

(ii) Before Commissioner of Income Tax (Appeals) shown in table 3.20.

Although, the disposal of appeals by CITs (A), declined marginally in F.Y. 2010-2011; disposal of high demand cases

Table 3.19

	During F.Y. 2010-2011			During F.Y. 2009-2010			During F.Y. 2008-2009		
	Pendency of Appeals Filed by Dept. as on 1 April, 10	Total Appeals Filed by the Dept.	Total No. of Disposal of Cases	Pendency of Appeals Filed by Dept. as 1 April, 09	Total Appeals Filed by the Dept.	Total No. of Disposal of Cases	Pendency of Appeals Filed by Dept. as 1 April, 08	Total Appeals Filed by the Dept.	Total No. of Disposal of Cases
ITAT	22662	15362	14759	24,608	14,962	18,306	27,831	17,831	22,350
HC	31933	8686	6471	32,194	8,630	8,894	29,366	9,251	6,973
SC	4724	1036	587	3,598	1,418	398	2,993	1,172	532

Table 3.20

	F.Y. 2010-2011	F.Y. 2009-2010	F.Y. 2008-2009
Total appeals instituted in F.Y.	90125	89271	93813
No. of cases disposed of by CsIT(A)	70,474	79,709	66,351
High Demand cases disposed of by CsIT(A)	20,770	17,362	15,701
Total number of cases pending before CsIT(A) at the end of F.Y.	187,182	180,991	158,031
Number of high Demand Cases in total cases pending before CsIT(A) at the end of F.Y.	37896	32,734	27,411
Amount locked up in total appeals pending at the end of year. (Rs. in Crores)	198,088	220,148	199,101

Table 3.21		
No. of Cases Referred during 2010-2011	No. of Cases Referred during 2009-2010	No. of Cases Referred during 2008-2009
225	351	290

increased, which has resulted in decreased demand locked up in appeals at the end of the year.

4.8.3 COD Reference

The statistics of COD references made during the last 3 years is shown in table 3.21.

Hon'ble Supreme Court in case of Electronics Corporation of India Ltd. (Civil Appeal No.1883 of 2011 arising out of SLP (C) No.2538 of 2009) with civil appeal No.1903 of 2008 dated 17 February, 2011, has recalled its directions about mechanism of 'Committee of Disputes' i.e. C.O.D. given in its various orders reported as (i) 1995 Supp (4) SCC 541 dated 11 October, 1991, (ii) (2004) 6 SSC 437 dated 7 January, 1994 and (iii) (2007) 7 SSC 39 dated 20 July, 2007. In view of this the mechanism of COD ceases to exist w.e.f. 17 February, 2011.

4.8.4 During the last 3 years, the statistics of engagement of Standing Counsel, Prosecution Counsels and Special Counsels is as under:

Category of Counsels	2010-2011	2009-2010	2008-2009
Standing Counsel	39	22	24
Prosecution Counsel	04	08	08
Special Counsel	60	55	20

4.8.5 Major Steps for Streamlining the Judicial Function

Following the recommendations of the **Committee on Reducing Litigation**, set up by Hon'ble Finance Minister vide order dated 28 July, 2010, several measures are being taken by the CBDT with a view to streamline the litigation management system in the department. These measures include the following:

- **National Judicial Reference System** (NJRS) has been put on fast track. Standing Finance Committee has approved the project and the RFP document has been vetted by the Ministry of Law. Tender process is being initiated. It will enable the department to have online complete judicial database (reported and unreported orders/judgements of ITAT, High Courts and Supreme Court on direct taxes) with a powerful search engine. It will also have appeal tracking system facilitating timely action and effective monitoring of cases under litigation. On implementation, the NJRS would help the department in taking more judicious decisions, adopting uniform approach on an issue and mange the litigation more efficiently.
- With a view to bring clarity on the matters under litigation and to assist the field formation in taking decisions, the instructions and directions on the subject matter have been reviewed and consolidated compendium has been issued to all concerned vide letter of CBDT No. 279/Misc/M-36/2010-ITJ of 29 December, 2010. Further, a **'Digest of CBDT Circulars, Instructions and Notifications issued from 1 April, 1961 to 31 March, 2010'** was prepared in CD form and released in the video conference of the CBDT on 2 February, 2011.
- Vide Instruction of the CBDT No. 3 of 2011 dated 9 February, 2011, **monetary limits for filing appeals have been increased** from ₹ 2 lakh, 4 lakh and 10 lakh for filing appeals to ITAT, High Court and Supreme Court respectively to ₹ 3 lakh, 10 lakh and 25 lakh respectively. This is likely to reduce litigation at ITAT level by about 13% and at High Court and Supreme Court level by 25-30%.
- With a view to streamline the litigation management of the department with reference to **timely filing of appeals to Supreme Court, High Courts and ITAT and their proper monitoring,** Standard Operating Procedures have been prepared and issued as per following particulars:
  - For filing **SLPs before Supreme Court**: Instruction of the CBDT No. 4 of 2011 dated 9 March, 2011.
  - For filing **appeals before High Courts:** Instruction of the CBDT No. 7 of 2011 dated 24 May, 2011.
  - For filing **appeals before ITAT:** Instruction of the CBDT No. 8 of 2011 dated 11 August, 2011.
- Meeting was held with Hon'ble judges of Delhi High Court who are dealing with the cases of the department on 5 May, 2011 to explore ways and means **to speed up disposal of pending cases**. In order to facilitate **bunching of cases issue-wise**, efforts are on to compile the pending cases in Delhi High Court. The data has been computerised and further action is in progress. Similar exercise is being undertaken at other High Courts.
- With a view to improve quality of representation before judicial forums, new instruction has been drafted for engagement of counsels for the department. The same is in process of inter-ministerial consultation.
- With a view to speed up the disposal of first appeals by CsIT (A) new central action plan has been introduced for the F.Y. 2011-2012 with ambitious targets of disposal of 400 appeals per CIT (A) in a year.

4.9 Legislative Measures

Major changes by Finance Act, 2011

A. Changes in tax rates

4.9.1. Finance Act, 2011 brings various changes in the tax structure for different classes of individual tax payers (for the income of financial year 2011-2012). The changes made are as under.

(i). Basic exemption limit in the cases of resident individual, not being a woman, and Hindu Undivided Family (HUF) has been increased to ₹ 1.80 lakhs from ₹ 1.60 lakhs.

(ii). The qualifying age for senior citizens for the purposes of claiming higher basic exemption limit has been reduced to 60 years from 65 years.

(iii). Basic exemption limit in the cases of such senior citizen of the age above 60 years but less than 80 years has been increased to ₹ 2.50 lakhs from ₹ 2.40 lakhs.

iv). A special category for the resident individual tax payers above 80 years of age has been created having the basic exemption limit of ₹ 5 lakhs.

4.9.2 The tax slabs have not been altered 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%.

4.9.3 The rates for deduction of income-tax at source during the financial year 2011-2012 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, remains unchanged as those specified in Finance Act, 2010, however it has been provided that the rate of deduction for interest payments to non-resident, including foreign company by an infrastructure debt fund shall be 5%. The amount of tax so deducted in the case of every company other than a domestic company shall now be increased by a surcharge at the rate of two per cent instead 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. In the case of deduction or collection of tax at source, “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.

4.9.4 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 five per cent instead of seven and one half per cent (marginal relief will be provided). In all other cases (including section 115O, 115R etc) where surcharge at the rate of seven and one half per cent was applicable, the surcharge will be applicable at the rate of five percent. In the case of foreign companies having a total income exceeding one crore rupees the surcharge shall be levied at the rate of two per cent instead of two and one half per cent (marginal relief to be provided).

B. Other major changes by Finance Act, 2011 is shown in table 3.22.

C. Other Significant Initiatives in Direct Taxes

- **New PAN Form**

  The Central Board of Direct Taxes vide notification has amended rule 114 of the Income-tax Rules, 1962 and the existing Form 49A for the purpose of applying for Permanent Account Number (PAN). Further a new Form 49AA has been introduced for individuals not being citizens of India, entities incorporated outside India or unincorporated entities formed outside India. The amended Form 49A shall now contain a column for ADHAAR Number.

  Under the amended Rule 114, in the case of Hindu Undivided Family (HUF), an affidavit has to be filed by the Karta of the HUF stating the name, father’s name and address of all the coparceners on the date of the application for allotment of PAN. In the case of individuals not being citizens of India, apart from copy of passport, Person of Indian Origin (PIO) Card, Overseas Citizenship Card, copy of other national or citizenship Identification Number or Taxpayer Identification Number duly attested by “Apostille” (in respect of countries which are signatories to the Hague Apostille Convention of 1961) or by Indian embassy or High Commission or Consulate in the country where the applicant is located, shall be accepted as proof of identity and address.

  The notification has become effective from the 1 November, 2011.

- **Simplification of the procedures for issue of certificate of no deduction or lower deduction of tax**

  The Central Board of Direct Taxes (**CBDT**) has simplified the procedure for issue of certificate of no deduction of tax or deduction of tax at lower rate with effect from 1 April, 2011 by amending Rules vide notification No. 16/2011 S.O. No. 647 (E) dated 29 March, 2011. The revised procedure provides that the Assessing Officer shall issue the certificate for deduction of tax at lower rate or for no deduction of tax if he is satisfied that the existing and estimated tax liability of a deductee justifies the issue of such certificate. The Assessing Officer shall determine the existing and estimated tax liability on the basis of following parameters:

  (i) tax payable on estimated income of the previous year relevant to the assessment year;

  (ii) tax payable on the assessed or returned income, as the case may be, of the last three previous years;

Table 3.22

Amendment	Rationale for Amendment
Definition of “charitable purpose”	For the purposes of the Income-tax Act, 1961 (Act); “charitable purpose” has been defined in section 2(15) which, among others, include “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, if receipts from such activities is below the specified limit in the previous year. Vide the Finance Act, 2011 is has been provided that the specified monetary limit in respect of receipts from such activities shall be 25 lakh rupees instead of 10 lakh rupees. This amendment shall be effective from 1 April, 2012 and will, accordingly, apply in relation to the assessment year 2012-2013 and subsequent years.
Exemption of certain perquisites of Chairman and Members of Union Public Service Commission	The existing provisions of the Act provide for the taxation of any perquisites or allowances received by an employee under the head ‘salary’ unless it is specifically exempt under the Act. Vide the Finance Act, 2011, a new section 10(45) has been inserted in the Act to provide specific exemption to the both serving as well as retired Chairmen and Members of the Union Public Service Commission in respect of specified perquisites and allowances, which will be notified by the Central Government. This amendment has been made effective retrospectively from 1 April, 2008 and will accordingly apply in relation to the assessment year 2008-09 and subsequent years.
Provision relating to exemption of a specified income of certain Bodies or Authorities or Trust or Board or Commission	Vide Finance Act, 2011, a new section 10 (46) has been inserted in the Act, to provide exemption from income-tax to any specified income of Body, Authority, Board, Trust or Commission which is set up or constituted by Central, State or Provincial Act or constituted by the Central Government or a State Government with the object of regulating or administering an activity for the benefit of general public, which is not engaged in any commercial activity, and; is notified by the Central Government in this behalf. Such notified entities shall also file its return of income. These amendments have been made effective from 1 June, 2011.
Taxation of certain foreign dividends at a reduced rate	Vide Finance Act, 2011, a new section 115BBD has been introduced in the Act to provide that where total income of an Indian company for the previous year relevant to assessment year 2012-2013 includes any income by way of dividends received from the specified foreign company then such dividends shall be taxable at the rate of fifteen percent (plus applicable surcharge and cess) on the gross amount of dividends. Also, no expenditure in respect of such dividends shall be allowed under the Act. Prior to this amendment such dividend was taxed at maximum marginal rate. This amendment has been made effective from 1 April, 2012 and will accordingly; apply in relation to the assessment year 2012-2013.
Tax on Distributed Income to unit holders	Vide the finance Act, 2011, section 115 R (2) of the Act has been amended to provide levy of additional income-tax at a higher rate of 30 per cent on income distributed by debt funds to a person other than an individual or a HUF. The amended section provides that the Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate of: (a) 25% if the recipient is an individual or a HUF in case of distribution by money market mutual fund or liquid fund; (b) 30% if the recipient is any other person in case of distribution by money market mutual fund or liquid fund; (c) 12.5% if the recipient is an individual or a HUF in case of distribution by debt fund other than money market mutual fund or a liquid fund; and

Amendment	Rationale for Amendment
	(d) 30% if the recipient is any other person in case of distribution by debt fund other than money market mutual fund or a liquid fund. There will be no change in the rate of income-tax in case of distribution to any individual or HUF. Distribution by an equity oriented fund shall continue to be exempt from tax. These amendments have been made effective from 1 June, 2011.
Rationalization of provision relating to Transfer Pricing	Vide the Finance Act, 2011 the provisions related to transfer pricing have been rationalized in the following way. (i). Section 92C of the Act provides the procedure for computation of the Arms Length Price (ALP). The section provides the methods of computing the ALP and mandates that the most appropriate method should be chosen to compute ALP. It is also provided that if more than one price is determined by the chosen method, the ALP shall be taken to be arithmetical mean of such prices. The second proviso to section 92C (2) has been amended to provide that if the variation between the actual price of the transaction and the ALP (i.e. allowable variation), as determined above, does not exceed such percentage as may be notified by Central Government in this behalf of the actual price, then, no adjustment will be made and the actual price shall be treated as the ALP. This amendment shall be effective from 1 April, 2012 and it shall accordingly apply in relation to the Assessment Year 2012-2013 and subsequent assessment years. (ii). Section 92CA of the Act provides that the Transfer Pricing Officer (TPO) can determine the arms length price in relation to an international transaction, which has been referred to the TPO by the Assessing Officer. Further, Section 92CA (7) provides that for the purpose of determining the ALP, the TPO can exercise powers available to an assessing officer under section 131(1) and section 133(6). These are powers of summoning or calling for details for the purpose of inquiry or investigation into the matter. These have been made effective from 1 June, 2011. Section 92CA of the Act has been amended to enable the Transfer Pricing Officer to determine the ALP in respect of other international transactions, which are noticed by him subsequently, in the course of proceedings before him. These international transactions would be in addition to the international transactions referred to the TPO by the Assessing Officer. Further, section 92CA (7) of the Act has also been amended enabling TPO to conduct on-the-spot enquiry and verification by exercise of power conferred under section 133A of the Act. These have been made effective from 1 June, 2011. (iii). In addition to filing of return of income, assessees who have undertaken international transactions are also required (under the provisions of section 92E) to prepare and file a transfer pricing report in Form 3CEB before the due date of filing return of income. Section 139 of the Act has been amended to provide 30 November of the Assessment Year as the due date for filing of return of income in the case of such corporate assessees. Prior to this amendment, the date of filing of return of income was 30 September of the Assessment Year. This amendment has been made effective from 1 April, 2011.
Tool box of counter measures in respect of transactions with persons located in a Non- cooperative jurisdiction.	In order to discourage transactions by a resident assessee with persons located in any country or jurisdiction, which does not effectively exchange information with India, a set of counter measures have been provided vide the Finance Act, 2011. A new section 194A has been inserted in the Act to specifically apply to transactions undertaken with persons located in such country or area. The newly inserted section provides: (i) an enabling power to the Central Government to notify any country or territory outside India, having regard to the lack of effective exchange of information by it with India, as a notified jurisdictional area;

Amendment	Rationale for Amendment
	(ii) that if an assessee enters into a transaction, where one of the parties to the transaction is a person located in a notified jurisdictional area, then all the parties to the transaction shall be deemed to be associated enterprises and the transaction shall be deemed to be an international transaction and accordingly, transfer pricing regulations shall apply to such transactions; (iii) that no deduction in respect of any payment made to any financial institution shall be allowed unless the assessee furnishes an authorization, in the prescribed form, authorizing the Board or any other income-tax authority acting on its behalf, to seek relevant information from the said financial institution; (iv) that no deduction in respect of any other expenditure or allowance (including depreciation) arising from the transaction with a person located in a notified jurisdictional area shall be allowed under any provision of the Act unless the assessee maintains such other documents and furnishes the information as may be prescribed; (v) that if any sum is received from a person located in the notified jurisdictional area, then, the onus is on the assessee to satisfactorily explain the source of such money in the hands of such person or in the hands of the beneficial owner, and in case of his failure to do so, the amount shall be deemed to be the income of the assessee; (vi) that any payment made to a person located in the notified jurisdictional area shall be liable to deduction of tax at the higher of the rates specified in the relevant provision of the Act or rate or rates in force or a rate of 30 per cent. These amendments have been made effective from 1 June, 2011.
Reporting requirement by certain non-residents	Foreign companies or firms or associations of individuals operate in India through a branch or a liaison office after approval by Reserve Bank of India. The branch constitutes a permanent establishment of the entity and is, therefore, required to file a return of income along with requisite details. A non-resident does not file a return of income with regard to its liaison office on the ground that no business activity is allowed to be carried out in India. Vide Finance Act, 2011, a new section 285 has been inserted in the Act, mandating the filing of annual information, within sixty days from the end of the financial year, in the prescribed form and providing prescribed details by non-residents as regard the liaison offices established in India.This amendment has been made effective from 1 June, 2011.
Infrastructure Debt Fund	In order to augment long-term, low cost funds from abroad for the infrastructure sector, vide the Finance Act, 2011, provisions have been made to facilitate setting up of dedicated debt funds. Section 10 of the Income-tax Act excludes certain incomes from the ambit of total income. A new section 10(47) has been inserted in the Act, so as to provide enabling power to the Central Government to notify any infrastructure debt fund which is set up in accordance with prescribed guidelines. Once notified, the income of such debt fund would be exempt from tax. It will, however, be required to file a return of income. Section 115A of the Act has also been amended to provide that any interest received by a non-resident from such notified infrastructure debt fund shall be taxable at the rate of five percent on the gross amount of such interest income. Similarly, a new section 194LB has been inserted in the Act to provide that tax shall be deducted at the rate of five percent by such notified infrastructure debt fund on any interest paid by it to a non-resident. These amendments have been made effective from 1 June, 2011.
Investment-linked deduction in respect of specified business	Under the existing provisions of section 35AD, investment-linked tax incentive is provided by way of allowing hundred percent 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. Currently, the following "specified businesses" are eligible for availing the aforesaid investment-linked deduction:

Amendment	Rationale for Amendment
	(i) setting up and operating a cold chain facility; (ii) setting up and operating a warehousing facility for storage of agricultural produce; (iii) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network. (iv) building and operating, anywhere in India, a new hotel of two-star or above category as classified by the Central Government; (v) building and operating, anywhere in India, a new hospital with at least one hundred beds for patients; (vi) developing and building a housing project under a scheme for slum redevelopment 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.Two new businesses have been included as “specified business”, i.e., (a) developing and building a housing project under a scheme for affordable housing 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 (b) production of fertilizer.The eligible date of commencement of operations in the case of the two “specified businesses” of affordable housing projects and production of fertilizer in a new plant or in a newly installed capacity in an existing plant shall be on or after 1 April, 2011. These amendments have been made effective from 1 April, 2012 and will, accordingly, apply in relation to the assessment year 2012-2013 and subsequent assessment years.
Deduction for investment in long-term infrastructure bonds	Under the existing provisions of section 80CCF, a sum of ₹ 20,000, (over and above the existing limit of ₹ 1 lakh available under section 80CCE for tax savings), is allowed as deduction in computing the total income of an individual or a Hindu Undivided Family if that sum is paid or deposited during the previous year relevant to the assessment year 2011-2012 in long-term infrastructure bonds as notified by the Central Government. The availability of this deduction has been extended to the year 2011-2012 (assessment year 2012-2013) also, if the sum is paid or deposited during that year. This amendment has been made effective from 1 April, 2012 and will, accordingly, apply in relation to the assessment year 2012-2013.
Extension of sunset clause for tax holiday for power sector under section 80-IA	Under the existing provisions of clause (iv) of sub-section (4) of section 80-IA, a deduction of profits and gains is allowed to an undertaking which, a) is set up for the generation and distribution of power if it begins to generate power at any time during the period beginning on 1 April, 1993 and ending on 31 March, 2011; (b) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on 1 April, 1999 and ending on 31 March, 2011; (c) undertakes substantial renovation and modernization of existing network of transmission or distribution lines at any time during the period beginning on 1 April, 2004 and ending on 31 March, 2011. The above terminal date has been extended for a further period of one year, i.e., upto 31 March, 2012.This amendment has been made effective from 1 April, 2012 and shall accordingly apply in relation to assessment year 2012-2013 and subsequent years.

Amendment	Rationale for Amendment
Minimum Alternate Tax	Under the existing provisions of sub-section (1) of section 115JB, 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 1 April, 2011, is less than such minimum. The amount of tax paid under the said section is allowed to be carried forward and set off against tax payable up to the tenth assessment year immediately succeeding the assessment year in which the tax credit becomes allowable under the provisions of section 115JAA. The rate of MAT has been increased to eighteen and one-half percent (18.5%) from the existing rate of eighteen percent of such book profit. This amendment has been made effective from 1 April, 2012 and will, accordingly, apply in relation to the assessment year 2012-2013 and subsequent assessment years.
Provisions relating to Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) in case of Special Economic Zones	Under the existing provisions of section 10AA of the Income-tax Act, a deduction of hundred percent is allowed in respect of profits and gains derived by a unit located in a Special Economic Zone (SEZ) from the export of articles or things or from services for the first five consecutive assessment years; of fifty percent for further five assessment years; and thereafter, of fifty percent of the ploughed back export profit for the next five years. Further, under section 80-IAB of the Income-tax Act, a deduction of hundred percent is allowed in respect of profits and gains derived by an undertaking from the business of development of an SEZ notified on or after 1 April, 2005 from the total income for any ten consecutive assessment years out of fifteen years beginning from the year in which the SEZ has been notified by the Central Government. Under the existing provisions of sub-section (6) of section 115JB of the Income-tax Act, an exemption is allowed from payment of minimum alternate tax (MAT) on book profit in respect of the income accrued or arising on or after 1 April, 2005 from any business carried on, or services rendered, by an entrepreneur or a Developer, in a Unit or Special Economic Zone (SEZ), as the case may be. Further, under the existing provisions of sub-section (6) of section 115-O of the Income-tax Act, an exemption is allowed from payment of tax on distributed profits [Dividend Distribution Tax (DDT)] in respect of the total income of an undertaking or enterprise engaged in developing or developing and operating or developing, operating and maintaining a Special Economic Zone for any assessment year on any amount declared, distributed or paid by such Developer or enterprise, by way of dividends (whether interim or otherwise) on or after 1 April, 2005 out of its current income. Such distributed income is also exempt from tax under sub-section (34) of section 10 of the Act. The above provisions were inserted in the Income-tax Act by the Special Economic Zones Act, 2005 (SEZ Act) with effect from 10 February, 2006. Currently, there is no sunset date provided for exemption from MAT in the case of an entrepreneur or a Developer, in a Unit or SEZ or from DDT in case of an undertaking or enterprise engaged in developing or developing and operating or developing, operating and maintaining an SEZ. The availability of exemption from MAT in the case of SEZ Developers and units in SEZs has now been sunset in the Income Tax Act as well as the SEZ Act. This amendment to section 115JB of the Income-tax Act has been made effective from 1 April, 2012 and will, accordingly, apply in relation to the assessment year 2012-2013 and subsequent years.Further, the availability of exemption from dividend distribution tax in the case of SEZ Developers has been discontinued under the Income-tax Act as well as the SEZ Act for dividends declared, distributed or paid on or after 1 June, 2011. This amendment to section 115-O of the Income-tax Act has been made effective from 1 June, 2011.

Amendment	Rationale for Amendment
Deduction under section 80-IB in respect of profits and gains from undertakings engaged in commercial production of mineral oil	Under the existing provisions of sub-section (9) of section 80-IB of the Income-tax Act, 1961, a seven-year profit-linked deduction of hundred percent is available to an undertaking if it fulfils any of the following, namely: (i) is located in North-Eastern Region and has begun or begins commercial production of mineral oil before 1 April, 1997; (ii) is located in any part of India and has begun or begins commercial production of mineral oil on or after 1 April, 1997; (iii) is engaged in refining of mineral oil and begins such refining on or after 1 October, 1998 but not later than 31 March, 2012; (iv) is engaged in commercial production of natural gas in blocks licensed under the VIII Round of bidding for award of exploration contracts (NELP-VIII) under the New Exploration Licencing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG.DO.VL, dated 10 February, 1999 and begins commercial production of natural gas on or after 1 April, 2009; (v) is engaged in commercial production of natural gas in blocks licensed under the IV Round of bidding for award of exploration contracts for Coal Bed Methane blocks and begins commercial production of natural gas on or after 1 April, 2009. For the purposes of claiming this deduction, all blocks licensed under a single contract, which has been awarded under the New Exploration Licencing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG.DO.VL, dated 10 February, 1999 or in pursuance of any law for the time being in force or by the Central or a State Government in any other manner, are treated as a single "undertaking". Thus, an undertaking which is located in any part of India and is engaged in commercial production of mineral oil is eligible for the above-mentioned deduction if it has begun or begins commercial production of mineral oil at any time after 1 April, 1997 and no sunset date has been provided. The aforesaid deduction available for commercial production of mineral oil now will not be available for blocks licensed under a contract awarded after 31 March, 2011 under the New Exploration Licencing Policy announced by the Government of India vide Resolution No. O-19018/22/95-ONG.DO.VL, dated 10 February, 1999 or in pursuance of any law for the time being in force or by the Central or a State Government in any other manner. This amendment has been made effective from 1 April, 2012 and will, accordingly, apply in relation to the assessment year 2012-13 and subsequent assessment years.
Recognition to Provident Funds – Extension of time limit for obtaining Exemption from EPFO	Rule 4 in Part A of the Fourth Schedule to the Income-tax Act provides for conditions which are required to be satisfied by a Provident Fund for receiving or retaining recognition under the Income-tax Act. One of the requirements of rule 4 [clause (ea)] is that the establishment shall obtain exemption under section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF & MP Act). Rule 3 in Part A of the Fourth Schedule provides that the Chief Commissioner or the Commissioner of Income-tax may accord recognition to any provident fund which, in his opinion, satisfies the conditions specified under the said rule 4 and the conditions which the Board may specify by rules. The first proviso to sub-rule (1) of rule 3, *inter alia*, specifies that in a case where recognition has been accorded to any provident fund on or before 31 March, 2006, and such provident fund does not satisfy the conditions set out in clause (ea) of rule 4 and any other conditions which the Board may specify by rules in this behalf, the recognition to such fund shall be withdrawn if such fund does not satisfy such conditions on or before 31 December, 2010.

Amendment	Rationale for Amendment
	In order to provide further time to Employees' Provident Fund Organization (EPFO) to process the applications made by establishments seeking exemption under section 17 of the EPF & MP Act, the proviso has been amended so as to extend the time limit from 31 December, 2010 to 31 March, 2012. This amendment has been made effective retrospectively from 1 January, 2011.
Weighted deduction for contribution made for approved scientific research programme.	Under the existing provisions of section 35(2AA) of the Income-tax Act, weighted deduction to the extent of 175 per cent is 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 scientific research programme, the said section has been amended to increase this weighted deduction from 175 per cent to 200 per cent. This amendment has been made effective from 1 April, 2012 and shall, accordingly apply in relation to the assessment year 2012-13 and subsequent years.
Tax benefits for New Pension System (NPS)	Section 80CCD of the income-tax Act provides, *inter alia*, a deduction in respect of contributions made by an employee as well as an employer to the New Pension System (NPS) account on behalf of the employee. In view of the provisions of section 80CCE, the aggregate deduction under sections 80C, 80CCC and 80CCD cannot exceed one lakh rupees, as the allowable deduction under section 80CCD includes both the employee's as well the employer's contribution to the NPS. The section 80CCE has been amended, so as to provide that the contribution made by the Central Government or any other employer to a pension scheme under section 80CCD(2) shall be excluded from the limit of one lakh rupees provided under section 80CCE. Under the existing provisions, the contribution made by an employer towards a recognised provident fund, an approved superannuation fund or an approved gratuity fund is allowable as a deduction from business income under section 36, subject to certain limits. However, the contribution made by an employer to the New Pension System is not allowed as a deduction. In view of this, section 36 has been amended to provide that any sum paid by the assessee as an employer by way of contribution towards a pension scheme, as referred to in section 80CCD(2) on account of an employee to the extent it does not exceed ten per cent of the salary of the employee in the previous year, shall be allowed as deduction in computing the income under the head "Profits and gains of business or profession". These amendments will be effective from 1 April, 2012 and shall, accordingly apply in relation to the assessment year 2012-13 and subsequent years.
Alternative Minimum Tax for Limited Liability Partnership	The Limited Liability Partnership Act, 2008 (LLP) has come into effect in 2009. The LLP has features of both a body corporate, as well as a traditional partnership. The Income-tax Act provides for the same taxation regime for a limited liability partnership as is applicable to a partnership firm. It also provides tax neutrality (subject to fulfilment of certain conditions) to conversion of a private limited company or an unlisted public company into a limited liability partnership. A Limited Liability Partnership, being treated as a firm for taxation, has the following tax advantage over a company under the Income-tax Act: i) it is not subject to Minimum Alternate Tax; ii) it is not subject to Dividend Distribution Tax (DDT); and iii) it is not subject to surcharge. In order to preserve the tax base vis-à-vis profit-linked deductions, a new Chapter XII-BA in the Income-tax Act has been inserted, which contains special provisions relating to certain limited liability partnerships.

Amendment	Rationale for Amendment
	As per the amended provisions, where the regular income tax payable for a previous year by a limited liability partnership is less than the alternate minimum tax payable for such previous year, the adjusted total income shall be deemed to be the total income of such limited liability partnership and it shall be liable to pay income tax on such total income at the rate of eighteen and one-half per cent.For the purpose of the above: (i) "adjusted total income" shall be the total income before giving effect to this newly inserted Chapter XII-BA as increased by the deductions claimed under any section included in Chapter VI-A under the heading "*C – Deductions in respect of certain incomes*" and deduction claimed under section 10AA; (ii) "alternate minimum tax" shall be the amount of tax computed on adjusted total income at a rate of eighteen and one-half per cent; and (iii) "regular income-tax' shall be the income-tax payable for a previous year by a limited liability partnership on its total income in accordance with the provisions of the Act other than the provisions of this newly inserted Chapter XII-BA. It is further provided that the credit for tax (tax credit) paid by a limited liability partnership under this newly inserted Chapter XII-BA shall be allowed to the extent of the excess of the alternate minimum tax paid over the regular income-tax. This tax credit shall be allowed to be carried forward up to tenth assessment year immediately succeeding the assessment year for which such credit becomes allowable. It shall be allowed to be set off for an assessment year in which the regular income tax exceeds the alternate minimum tax to the extent of the excess of the regular income tax over the alternate minimum tax. This amendment is to take effect from 1 April, 2012 and will, accordingly, apply in relation to the assessment year 2012-13 and subsequent years.
Collection of information on requests received from tax authorities outside India	Under the existing provisions of section 131(1) of the Income-tax Act, certain income-tax authorities have been conferred the same powers as are available to a Civil Court while trying a suit in respect of discovery and inspection, enforcing the attendance of any person, including any officer of a banking company and examining him on oath, compelling production of books of account and other documents and issuing summons. In order to facilitate prompt collection of information on requests received from tax authorities outside India in relation to an agreement for exchange of information under section 90 or section 90A of the Act, section 131 was amended and new sub-section(2) was inserted. The new sub-section provides that for the purpose of making an enquiry or investigation in respect of any person or class of persons in relation to an agreement referred to in section 90 or 90A, it shall be competent for any income-tax authority, not below the rank of Assistant Commissioner of Income Tax, as notified by the Board in this behalf, to exercise the powers currently conferred on income-tax authorities referred to in section 131(1). The authority so notified by the Board shall be able to exercise the powers under section 131(1) notwithstanding that no proceedings with respect to such person or class of persons are pending before it or any other income-tax authority. Further section 133(3) of the Act was amended to empower the aforesaid authority, as notified by the Board, to impound and retain books of account and other documents produced before it in any proceedings under the Act. These amendments have taken effect from 1 June, 2011.
Exemption to a class or classes of persons from furnishing a return of income	Under the existing provisions contained in section 139(1) of the Act, every person, if his total income during the previous year exceeds the maximum amount which is not chargeable to income-tax, is required to furnish a return of his income.In the case of salaried taxpayer, entire tax liability is discharged by the employer through deduction of tax at source. Complete details of such tax payers are also reported by the employer through Tax Deducted at Source (TDS) statements. Therefore, in cases where there is no other source of income, filing of a return is a duplication of existing information.

Amendment	Rationale for Amendment
	In order to reduce the compliance burden of small tax payer, a new section 139(1C) was inserted in the Income-tax Act empowering the Central Government to exempt, by notification, in the Official Gazette, any class or classes of persons from the requirement of furnishing a return of income, having regard to such conditions as may be specified in that notification. The Central Board of Direct Taxes has, vide Notification No. 36/2011 [S.O. 1439(E)] dated 23 June, 2011, exempted salaried taxpayers with total income up to ₹ 5 lakh from filing income tax return for assessment year 2011-2012, which will be due on 31 July, 2011. Individuals having total income up to ₹ 5,00,000 for F.Y. 2010-2011, after allowable deductions, consisting of salary from a single employer and interest income from deposits in a saving bank account up to ₹ 10,000 are not required to file their income tax return. Such individuals must report their Permanent Account Number (PAN) and the entire income from bank interest to their employer, pay the entire tax by way of deduction of tax at source, and obtain a certificate of tax deduction in Form No.16. Persons receiving salary from more than one employer, having income from sources other than salary and interest income from a savings bank account, or having refund claims shall not be covered under the notification. The notification shall also not be applicable in cases wherein notices are issued for filing the income tax return under section 142(1) or section 148 or section 153A or section 153C of the Income Tax Act 1961. The notification has come into force from the date of its publication i.e. 23 June, 2011.
Extension of time limit for assessments in case of exchange of information	Section 153 of the Income-tax Act provides for the time limits for completion of assessments and reassessments. In Explanation 1 to section 153 of the Income-tax Act, certain periods specified therein are to be excluded while computing the period of limitation for completion of assessment or reassessments. In order to exclude the time taken in obtaining information from the tax authorities in jurisdictions situated outside India, under an agreement referred to in section 90 or 90A, from the statutory time limit prescribed for completion of assessment or reassessment a new clause (viii) was inserted in Explanation 1 to section 153. It provides that the period commencing from the date on which a reference for exchange of information is made by an authority competent under an agreement referred to section 90 or 90A and ending with the date on which the information so requested is received by the Commissioner, or a period of six months, whichever is less, shall be excluded. Similar amendments have also been done in section153B of the Act. These amendments have taken effect from 1 June, 2011.
Modification in the condition for filing an application before the Settlement Commission	The existing provisions contained in the proviso to section 245C(1) allow an application to be made before the Settlement Commission, if: (i) the proceedings have been initiated against the applicant under section 153A or under section 153C as a result of search or a requisition of books of account, as the case may be, and the additional amount of income-tax payable on the income disclosed in the application exceeds fifty lakh rupees; (ii) in other cases, if the additional amount of income-tax payable on the income disclosed in the application exceeds ten lakh rupees. In order to expand the criteria for filing an application for settlement by a tax payer in whose case proceedings have been initiated as a result of search or requisition of books of account, a new clause (ia) has been inserted in the proviso to section 245C(1). This stipulates that an application can also be made, where the applicant: (a) is related to the person [referred to in clause (i) above] in whose case proceedings have been initiated as a result of search and who has filed an application; and

Amendment	Rationale for Amendment
	(b) is a person in whose case proceedings have also been initiated as a result of search, the additional amount of income-tax payable on the income disclosed in his application exceeds ten lakh rupees. This amendment has become effective from 1 June, 2011
Power of the Settlement Commission to rectify its orders	The existing provisions of section 245D(4) of the Income-tax Act provide that the Settlement Commission may pass an order, as it thinks fit, on the matters covered by the application received by it, after giving an opportunity of being heard to the applicant and to the Commissioner. Further under section 245F (1), the Settlement Commission has been conferred all the powers which are vested in an income-tax authority under the Act. An Income-tax authority has the power under section 154 to amend any order passed by it for the purpose of rectifying any mistake apparent from the record. A new sub-section (6B) has been inserted in section 245D so as to specifically provide that the Settlement Commission may, at any time within a period of six months from the date of its order, with a view to rectifying any mistake apparent from the record, amend any order passed by it under section 245D(4). It is further provided that a rectification which has the effect of modifying the liability of the applicant shall not be made unless the Settlement Commission has given notice to the applicant and the Commissioner of its intention to do so and has allowed the applicant and the Commissioner an opportunity of being heard. Consequential amendments have also been made in Section 22D of the Wealth Tax Act. The amendments have taken effect from 1 June, 2011.
Omission of the requirement of quoting of Document Identification Number	Under the existing provisions contained in section 282B of the Income-tax Act, every income-tax authority shall, on or after the 1 July, 2011, allot a computer-generated Document Identification Number (DIN) in respect of every notice, order, letter or any correspondence issued by him to any other income-tax authority or assessee or any other person and such manner shall be quoted thereon. Considering the practical difficulties due to non-availability of requisite infrastructure on an all India basis, it is proposed to omit the aforesaid section. This amendment has taken effect from 1 April, 2011
Reporting of activities of liaison offices	Foreign companies or firms or associations of individuals operate in India through a branch or a liaison officer after approval by Reserve Bank of India. The branch constitutes a permanent establishment of the foreign entity and is, therefore, required to file a return of income along with requisite details. A non-resident does not file a return of income with regard to its liaison office on the ground that no business activity is allowed to be carried out in India. It is necessary to seek regular information from non-residents regarding the activities of their liaison officers in India. A new section 285 is, therefore, inserted in the Act mandating the filing of annual information, within sixty days from the end of the financial year, in the prescribed form and providing prescribed details by non-residents as regards their liaison offices. The amendment has taken effect from 1 June, 2011.

(iii) existing liability under the Income-tax Act,1961 and Wealth-tax Act,1957;

(iv) advance tax payment for the assessment year relevant to the previous year till the date of making application under sub-rule (1) of rule 28;

(v) tax deducted at source for the assessment year relevant to the previous year till the date of making application under sub-rule (1) of rule 28; and

(vi) tax collected at source for the assessment year relevant to the previous year till the date of making application under sub-rule (1) of rule 28.

Consequently, the form for making application for issue of certificate of no deduction/lower deduction of tax, i.e. Form No.13, has also been revised.

In view of the above amendments, an assessee who is required to collect large number of certificate of tax deduction at source (TDS) may approach the assessing officer for issue of certificate of no deduction of tax by discharging his existing and estimated tax liability by upfront payment of taxes.

- **Release of Discussion Paper on Tax Accounting Standards**

Section 145 of the Income-tax Act, 1961 ('the Act') provides that the method of accounting for computation of income under the head "Profits and gains of business or profession" and "Income from other sources" can either be the cash or mercantile system of accounting. The Finance Act, 1995 empowered the Central Government to notify Accounting Standards for any class of assessees or for any class of income. The Central Board of Direct Taxes ('CBDT') constituted a Committee comprising of departmental officers and professionals in December 2010 to inter alia suggest Accounting Standards for notification under section 145 of the Act.

The Committee submitted its Interim Report in August 2011. The Committee recommended that the Accounting Standards notified under the Act should be made applicable only to the computation of taxable income and a taxpayer should not be required to maintain books of account on the basis of Accounting Standards notified under the Act .This would ensure that a tax payer is not required to maintain two sets of books of account i.e. one in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)/notified under the Companies Act, 1956; and another in accordance with the Accounting Standards notified under the Act. The Committee further recommended that the Accounting Standards notified under the Act should be termed as "Tax Accounting Standards" (TAS) to distinguish them from the Accounting Standards issued by the ICAI/notified under the Companies Act, 1956.

In October 2011, the Central Board of Direct Taxes (CBDT) has made public the discussion paper containing the main recommendations of the Committee and draft of the TAS on Construction Contracts and Govt. Grants for inviting comments/ suggestions from all stakeholders.

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 current year till 9 December, 2011 is as under:

(a) DTAA: Negotiations for partial revisions of existing DTAAs have been completed with four countries, viz. France, UK, Spain and Sweden. New DTAAs have been signed with three countries/jurisdictions i.e. Lithuania, Georgia and Estonia. DTAAs with Switzerland and Georgia have entered into force.

(b) TIEA: During this period, TIEA negotiations have been completed with Guernsey, Costa Rica and Gibraltar. TIEA with Jersey has been signed and five TIEAs with Bermuda, Bahamas, British Virgin Islands, Isle of Man and Cayman Islands have entered into force.

(ii) Mutual Agreement Procedure (MAP) negotiations were held with US, Japan, UK, Netherlands and France competent authorities which led to resolution in a number of cases.

(iii) India provided 8 assessors who assessed various countries under the Peer Review Process of the Global Forum on Transparency and Exchange of Information for Tax Purposes. India actively took part in Peer Review Process of other countries and provided valuable inputs for their assessments. A five pronged strategy to deal with issues of tax evasion and black money was also devised. It includes:

- Joining the global crusade against black money;
- Creating an appropriate legislation framework;
- Setting up of institution for dealing with illicit money;
- Developing systems for implementations; and
- Imparting skill to the manpower for effective action.

(iv) India played a major role in G-20 discussion during this period and highlighted the importance of automatic exchange of information & importance of obtaining past banking information.

(v) The division successfully defended a PIL in Supreme Court requesting Apex Court's direction to the Central

Government to take steps to bring back the money stashed in foreign banks

(vi) India has also obtained useful information about Indians having bank accounts in Swiss bank. This is under investigation.

(vii) Dedicated Exchange of Information Cell has been created to handle the work related to exchange of information in line with latest international standards.

(viii) All requests for down linking satellite signals were examined in the light of down linking guidelines in relation to taxation issues.

(ix) 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.

(x) 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. India also took part in meetings of UN Sub-committee on Transfer Pricing Guidelines.

(xi) 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 35 officers have been sent to various OECD training courses to enhance their professional expertise.

(xii) 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.

(xiii) This division organized an international conference on Transfer Pricing in June 2011 in collaboration with OECD. Another major international conference i.e. 4th International Tax Dialogue on 'Tax and Inequality' in collaboration with European Commission, IMF, OECD and World Bank group etc. was also organized during 7-9 December, 2011.

4.10.2 Foreign Tax & Tax Research Division-II

(i) **India-Indonesia Revised DTAA:** The first round of negotiations for the revision of Double Taxation Avoidance Agreement between India and Indonesia were held from 21-23 December, 2010 at Jakarta.

(ii) **India-Ethiopia DTAA:** The third round of DTAA negotiations for entering into DTAA with Ethiopia was held from 30 November-2 December, 2010 at New Delhi. All Articles were resolved and the Agreement was signed at official level.

(iii) **India-Singapore Revised DTAA:** The negotiations with Singapore were held from 18-19 January, 2011 at Singapore. Draft protocol for effective exchange of Information was initialled.

(iv) **India-Bhutan DTAA:** The Third round of DTAA negotiations with Bhutan were held from 25-28 January, 2011 at New Delhi. All pending issues were resolved during this meeting.

(v) **India-Australia DTAA:** The negotiations with Australia were held from 14-18 February, 2011at Canberra in Australia for revision of existing India-Australia DTAA. A Protocol for limited revision of DTAA was initialled.

(vi) **India-Maldives TIEA:** The negotiations with Maldives were held from 30-31 March, 2011 at Maldives for entering into Tax Information Exchange Agreement (TIEA).

(vii) On 13 May, 2011, Agreement between the Government of the Republic of India and the Republic of Colombia for the Avoidance of Double Taxation (DTAA) and Prevention of Fiscal Evasion with respect to Taxes on Income was signed at New Delhi.

(viii) During PM's visit on 25 May, 2011, Agreement between the Republic of India and the Federal Democratic Republic of Ethiopia for the Avoidance of Double Taxation (DTAA) and Prevention of Fiscal Evasion with respect to Taxes on Income was signed at Addis Ababa.

(ix) On 27 May, 2011, Revised Agreement between Republic of India and Tanzania for the Avoidance of Double Taxation (DTAA) and Prevention of Fiscal Evasion with respect to Taxes on Income was signed at Dar es Salaam.

(x) 5th Round of Negotiations for concluding DTAA between Republic of India and Iran took place in Tehran during 3-4 May, 2011.

(xi) 1st Round of Negotiation for concluding Tax Information Exchange Agreement between Republic of India and Democratic Republic of Congo for the Avoidance of Double Taxation (DTAA) and Prevention of Fiscal Evasion with respect to Taxes on Income took place in Congo.

(xii) The negotiations for entering into a Protocol amending the India-Bangladesh DTAA were concluded during 7-8 July, 2011 at New Delhi

(xiii) The DTAA between India and Taiwan was signed on 12 July, 2011 at New Delhi

(xiv) A SAARC Seminar on 'Automation and System Management was organized by NADT at Nagpur during 11-14 July, 2011.

(xv) The first round of India-Fiji DTAA negotiations was held from 28-30 August, 2011 at New Delhi.

(xvi) The IBSA "Capacity Building Seminar" organized by the South African Revenue Service at Pretoria from 29-31 August, 2011 was attended by two officers of this division.

(xvii) On 8 September, 2011, Agreement between the Government of the Republic of India and the Oriental Republic of Uruguay for the Avoidance of Double Taxation (DTAA) and Prevention of Fiscal Evasion with respect to Taxes on Income was signed at New Delhi.

(xviii) The negotiations for TIEA and Limited Air Transport Double Taxation Avoidance Agreement with Bahrain were held from 28-30 September, 2011 at New Delhi.

(xix) On 3 October 2011, the Agreement for Exchange of Information and Collection of Taxes (AEI&ACT) was signed between India and Liberia at Monravio, Liberia.

(xx) On 11-14 October 2011, Conference of IBSA countries (India-Brazil-South Africa) was held where 6th IBSA Heads of Revenue Administrations Working Group (HRAWG) and 9th IBSA Revenue Administrations Steering Group (RASG) Meeting took place at New Delhi.

(xxi) On 13 October, 2011, IBSA – CETI (Centre for Exchange of Tax Information) was inaugurated at New Delhi jointly by the three Revenue Heads of IBSA countries.

(xxii) On 19-20 October, 2011, Second round of Negotiations for Double Taxation Avoidance Agreement (DTAA) between India and Fiji took place at Suva, Fiji.

(xxiii) During 14-17 November, 2011, 4th Round of renegotiations between India and Egypt took place in Cairo.

(xxiv) On 21 November, 2011, Agreement for Exchange of Information and Collection of Taxes (AEI&ACT) was signed between India and Argentina at Buenos Aires, Argentina.

(xxv) On 21-24 November, 2011, conference of IBSA countries (India-Brazil-South Africa) was held at Rio De Janeiro which was attended by two officers of this division.

(xxvi) On 27 November, 2011, revised DTAA between India and Nepal was signed by our Hon'ble Finance Minister at Kathmandu, Nepal.

(xxvii) India-Australia revised DTAA is scheduled to be signed at New Delhi on 16 December, 2011.

4.10.3 Directorate General of Income Tax (International Taxation)

4.10.3.1 Directorate General of Income Tax (International Taxation) deals with International taxation issues pertaining to entities having cross border transactions. It encompasses determination of tax on a person or business subject to the tax laws of different countries. The Income tax system in India imposes tax on local income and/or on worldwide income. Such system of taxation varies widely from country to country and there are no broad general rules. These variations create the potential for double taxation (where the same income is taxed by different countries) and no taxation (where income is not taxed by any country). Generally, where worldwide income is taxed, reductions or foreign credits are provided for taxes paid to other jurisdictions. With any system of taxation, it is possible to shift or re-characterize income in a manner that reduces taxation. Jurisdictions often impose rules relating to shifting income among commonly controlled parties, often referred to as transfer pricing rules. The various offices of DGIT (Intl. Taxn.) are continuously in the process of scrutinizing the cases of cross border mergers/acquisition of companies, as and when such transactions happen to tax capital gains arising on transfer of shares consequent to merger and acquisition of companies.

4.10.3.2 The Government of India has been keen to provide a suitable mechanism for resolution of tax disputes between the tax department and foreign companies operating in India. In this direction, the Government inserted provisions relating to Advance Rulings vide Finance Act, 1993. For this purpose, government has constituted an Authority for Advance Rulings which is headed by a retired judge of Supreme Court. The Authority has been doing a commendable job in pronouncing Advance Rulings. Therefore, number of cases referred to Authority for Advance Rulings are rising day by day. However, after introduction of advance rulings provisions, new sections were added in the Act relating to Transfer Pricing. This has led to creation of new disputes particularly in determination of "Arm's Length Price" which is to be followed in international transactions. The advance ruling legislation does not provide any effective remedy for determination of ALP to avoid possible disputes with the tax department. Taking cognizance of the above problem, the Finance Act, 2009 introduced provisions relating to Dispute Resolution Panel (DRP) to provide for an alternate dispute resolution mechanism which will facilitate expeditious resolution of disputes on a fast track basis. At present, ten Dispute Resolution Panels (DRP) are in operation under the charge of DGIT (Intl. Taxn.)

4.10.3.3 Directorates of Transfer Pricing have conducted a total of 2,589 transfer pricing audits during the year. Out of the above, transfer pricing adjustments were made in 1,338 cases. The quantum of adjustment made by Transfer Pricing Officers is ₹ 44,510 crores. A number of quality transfer pricing orders have been passed after due analysis of relevant data and information in consonance with global best practices.

4.11 Audit & PAC Division

(i) Given the importance of C&AG and Public Accounts Committee (PAC) of Parliament in providing checks and balances to the functioning of the Income Tax Department, the observations of the C&AG by way of Draft Paragraphs (DPs) and System Appraisals are thoroughly examined by the Audit & Public Accounts Committee (A&PAC) Section of CBDT. The replies/ comments of the Ministry are compiled in consultation with the field authorities and then furnished to the C&AG and the PAC as the case may be.

(ii) During the year 2011 the C&AG has forwarded 467 Draft paras (DPs) proposed for inclusion in their Audit Report for the year 2010-2011 which is yet to be tabled in the Parliament. Replies of 62 DPs out of the above have so far been furnished to C&AG after processing the reports received from the field formation in the remaining DPs replies would be submitted after receiving the reports from the field formation.

(iii) Besides the above, rejoinders received from C&AG Office on DPs of various Audit Reports from

1999-2000 to 2009-2010 were also processed after receiving reports from the field offices and replies were sent to the C&AG Office regularly during the year.

(iv) The Public Accounts Committee conducted detailed examination of "Non-Compliance by the Ministries/ Departments in timely submission of Action Taken Report (ATRs) Action Taken Notes (ATNs) on the reports of the PAC and the CAG' in February 2010. Subsequently, the Committee of Secretaries (COS) headed by the Cabinet Secretary, has taken up the issue for close monitoring. As per the directions of the COS the Standing Audit Committee (SAC) of the Department of Revenue was setup. The SAC is chaired by the Revenue Secretary with Officers of CBDT, CBEC and the C&AG as members. The SAC regularly monitors the progress of work. In addition to the above, keeping in line with the recommendations of the PAC contained in the 15 Report (Fifteenth Lok Sabha) the CBDT has taken up monthly reconciliation of pendency with the C&AG. Further, regular meetings are being conducted at the level of CIT (A&J), CBDT and DG (DT), C&AG.

(v) The position in respect of audit paras pertaining to the CBDT as on 30 November, 2011 is shown in table 3.23.

(vi) System Reviews/Appraisals:

(a) Entry conference

Entry conference on "Recovery of Arrear of Tax Demand" held on 5 January, 2011

Entry conference on the Performance Audit of "IT Audit of ITD Applications" was held on 15 February, 2011.

Entry conference on the Performance Audit of "Strengthening the tax base through use of information" was held on 25 November, 2011.

The outcome of these reviews is likely to be included in the C&AG Audit Report to be tabled in the Parliament during 2011-2012. All CCsIT/ DGsIT and relevant Directorates have been requested to issue directions to all officers to extend full cooperation to the Audit teams of C&AG and to ensure that relevant information and records requisitioned are produced/ furnished to the Audit Teams without any delay.

(b) Exit Conference

Exit conference on performance audit of "Taxation of assesses engaged in *Film and Television Industry"* held on 25 February, 2011. The report (Report No. 36 of 2010-2011) was tabled in Parliament on 25 March, 2011.

Exit conference on "Performance Audit on Taxation of Assessee's engaged in the Business of Civil Construction" held on 22 June, 2011. The report (Report No. 12 of 2011-2012) was tabled in Parliament on 23 August, 2011.

The exit conference on "Recovery of Arrear of Tax Demand" was held on 27 November, 2011. The report (Report No. 23 of 2011-2012) was tabled in Parliament on 16 December, 2011.

(vii) 33rd Report (15th Lok Sabha) of PAC

Thirty-third Report on Action Taken by the Government on the Observation/Recommendations of the Committee contained in their Fifteenth Report (Fifteenth Lok Sabha) on "Loss of Revenue due to Short Levy of Tax, Incorrect Classification of Excisable Goods and non-fulfillment of Export Obligation" relating to the Ministry of Finance (Department of Revenue) was received from the Lok Sabha Secretariat and Action Taken Report on the observations has been furnished to the Lok Sabha Secretariat on 21 September, 2011 within the stipulated time.

4.12 Directorate General of Income Tax (Administration)

There are five Directorates under DGIT (Admn):

(i) Directorate of Income Tax (Income Tax)

(ii) Directorate of Income Tax (PR,PP&OL)

(iii) Directorate of Income Tax (Audit)

(iv) Directorate of Income Tax (Recovery)

(v) Directorate of Income Tax (TDS)

4.12.1 Directorate of Income Tax (Income Tax)

The Directorate of Income-tax (Income-tax) is an attached office of the CBDT under the administrative control of the

Table 3.23

A	Pending audit paras upto Audit Report Year (ARY) 2007-2008 as on 1 January, 2011	781
B	Addl. Audit Paras for ART 2008-09 added during 2011 (report No. 4 of 2009-2010)	342
C	Add: Audit Paras for ARY 2009-10 added during 2011 (report No. 26 of 2010-2011)	453
D	Total Audit paras for disposal (A+B+C)	1576
E	Disposal upto 30 November, 2011	1366
F	Pendency as on 30 November, 2011	210
G	Percentage of disposal out of work load at D above	86.67%

Department of Revenue, Ministry of Finance. It is headed by a Director of Income-tax who is an officer in the rank of Commissioner of Income-tax and comprises of two wings, namely, Inspection Wing and Examination Wing.

4.12.1.1 Inspection Wing

(i) The instrument of inspection is an effective tool to enhance, upgrade and sustain a high quality of work standard in the assessment/administrative units, maintenance of files/records and various record keeping systems and in dealing with the public grievances. It is also an important tool for providing guidance to the officials in their work. During these Inspections, the work done in the preceding financial year is examined by the Inspecting Officer in a comprehensive manner, highlighting the achievements and shortcomings of the concerned officers in the key areas of their work, with a view to bring out the strengths and weaknesses of the work practices and thereby strengthen the administrative machinery.

(ii) A New System of Inspection came into operation vide Instruction No. 16/2008 dated 4th November, 2008 which provided for an annual comprehensive inspection of the CIT (Appeals), Range Offices and Assessing Officers for which the reports were to be in accordance with the prescribed proforma in each class of inspection. Under the new system of Inspection, the following Inspections are to be carried out are shown in table 3.24.

(iii) The Proformae for the inspection of the work of TRO, ITO (Hqrs.), DDO, ITO (Judicial), CIT (Audit) and CIT (TDS) are under preparation in order to implement an inspection regime for these offices too.

(iv) A concept paper has been finalized wherein certain modifications/improvements have been identified for the inspection process and the relevant Proformae. New timelines for conducting of inspection are also proposed in this paper so as to make the inspection exercise more effective. This concept paper is an important policy input towards improving the efficacy of the entire inspection exercise.

(v) A comparative analysis of inspections done since F.Y. 2009-2010 onwards is shown in table 3.25.

4.12.1.2 Examination Wing

(i) 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 human resource management in the Department by ensuring the conduct of Departmental examinations in an efficient, time-bound, fair and impartial manner. The Directorate has also been constantly reviewing the Examination rules and policy/ syllabus taking into accounts the new developments in the field of Income Tax and thus, is a check point for providing quality staff/officers to the Department. The Examination wing also deals with the complaints, grievances and representations of the candidates who have appeared in the Departmental Examinations conducted by the Directorate & with RTI applications connected with Departmental Examinations.

(ii) ITO and ITI Exam, 2011 were smoothly conducted in the month of September, 2011 in the new objective

Table 3.24

S. No.	Inspected Office	Inspecting Officer	Reviewing Officer	No. of Inspections to be Done
1.	CIT (Appeals)	Concerned CCIT	-	All CIT (Appeals) working in her/his charge
2.	Addl./JCIT	Concerned administrative CIT	Concerned CCIT	One Range Head
3.	DCIT/ACIT	Concerned administrative CIT	Concerned CCIT	Two DCsIT/ACsIT of her/his charge
4.	ITO	Concerned Range Head	Concerned CIT	Two ITOs of her/his Range

Table 3.25

Financial Year	Inspection Carried out for the F.Y.	No. of Reports Received	No. of Reports Reviewed
2009-10	2007-08	1126	744
2010-11	2008-09	1803	926
2011-12*	2009-10	1102	256

*Reports received and reviewed till 20 December, 2011 type pattern. The total number of candidates appearing for these exams was around 9,500.

(iii) 1st Departmental Exams for ACsIT (Prob.) of 64th batch, were held in the month of August 2011. The results of the same are under compilation.

(iv) Results of the 2010 Exams for both ITOs and ITIs was declared during the month of May 2011.

(v) Till last year approx 5-6 months were spent to prepare and conduct the examinations and another 5-6 months for declaration of results, thereby spreading the whole event into two calendar years. Since the declaration of results is directly linked to the promotion, the latter was consequently getting affected. This year sincere efforts were made to conduct the examinations as also to declare the results within the same year. The 1st part i.e. conducting the exams has been successfully completed, within a record period of about 3 months only i.e. from 15 June to 15 September, 2011 the results are proposed to be declared by 31 December, 2011.

(vi) New initiative taken this year to curtail the time taken in conducting the exams and declaration of result are as follows:

- Designing of the application forms – in the form of OMR sheets, to facilitate computerised capturing and maintenance of candidate's database. (In earlier years OCR sheets were in use).
- Scanning of application forms & capturing the data for allotment of Roll Nos. & generating Admit Cards & Attendance Sheets. The candidates were given the facility to download the admit cards from the Web-Link.
- Getting the answer keys of the objective-type question papers validated by NADT and putting these keys in public domain by placing these on the departmental website.
- Adopting a centralized evaluation system for subjective papers to speed up evaluation in respect of ITO exam.

(vii) Besides conducting the Departmental Examinations for various cadres as detailed above, the following miscellaneous functions were also carried out by this Directorate

- Examination and processing of cases filed by the candidates on different issues before various benches of the Central Administrative Tribunal/Courts
- Issue of Instructions regarding effective date of passing the Exams
- Processing and disposal of Applications under the Right to Information Act (RTI) and RTI Appeals filed by the candidates on different issues
- Review, amendment and interpretation of the Examination Rules and setting the syllabus for various Departmental Examinations
- 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 e.g. on the issue of grace marks policy and the related issue of passing on own-merit in respect of SC/ST candidates
- Processing and disposal of cases of use of unfair means in the Exams.

4.12.2 Directorate of Income Tax (Public Relations, Printing, Publications and Official Language)

The Directorate of Income-tax (Public Relations, Printing, Publications and Official Language) is an attached office responsible for the Publicity, Public Relations, Printing and Publications and Implementation of Official Language Policy in the Income-tax Department all over India. Some of the important work done by this Directorate during the period 2011-2012 is given below:

(i) 150 years of Income Tax

The yearlong celebration commemorating 150 years of Income Tax in India was concluded in a function held on 15 July, 2011 at Vigyan Bhawan. The function was presided over by Hon'ble President of India. A short film titled "150 years of Income Tax: A journey across three centuries" was screened during the function. A book titled "A celebration through Art: 150 years of Income Tax in India" was released on the occasion by Hon'ble Finance Minister and its first copy was presented by him to Hon'ble President of India. A brochure titled "A journey across three centuries" was also released and distributed during the function. The work relating to development of concept and story line including historical research, development of script, editing and production of the film and the brochure was handled by the Directorate.

(ii) Shift in communication strategy of Income-tax Department

In order to promote voluntary compliance, it is essential for the Department to communicate with the taxpayers for creating awareness about the tax laws and procedures. Since the last 2 years, 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 process. The Department has effectively conveyed to the taxpayers that their contribution helps in building a secure, progressive and developed nation. As a component of this reoriented strategy, a 20 second Radio Spot titled "Thank You Tax Payer" was also broadcast through Electronic Media during the final match of the ICC World-2011 to acknowledge robust tax payments by the taxpayers.

(iii) Increase in channels for Publicity

In order to reach out to the maximum number of taxpayers, the Department has extended the channels of publicity by adding new media like SMS, Web advertisement and Outdoor campaign in addition to the traditional media like Television, Radio and Newspapers. The outdoor campaign used Metro Stations, Bus Shelters and Kiosks to reach out to the daily commuters.

(iv) Communication Strategy for School Children

In order to educate School Children, a communication strategy for school children in the age group of 10-12 years and 16-18 years to introduce them to the subject "Need for taxation in civil society" was framed. A proposal of the Directorate to amend Article 51 A of the Constitution by inserting one more fundamental duty on "Contribution to Nation Building by payment of due taxes honestly and promptly" has been approved by the Hon'ble Finance Minister and the process to take this proposal further is on.

(v) Taxpayers' Lounge

Taxpayers' Lounge set up by the Income Tax Department at India International Trade Fair, 2011 from 14-27 November, 2011 has been adjudged 'First for Excellence in Display' in the category Government Departments by the India Trade Promotion Organization (ITPO). The Lounge, inaugurated by Chairman, CBDT, on 15 November, 2011 was conceptualized by the Directorate of Income Tax (PR, PP & OL). The Directorate also supervised its actual implementation as well as functioning throughout the duration of the Trade Fair.

The Taxpayers' Lounge had a very friendly look. The motto and the caption "Service with Smile" and caption "Taxpayer Services at your door step" created a positive atmosphere. To communicate with the taxpayers, the Taxpayers' Lounge used all three modes of communication i.e., information, interaction and transaction. The tax tutorials running on the LCD screens, posters, pamphlets, Taxpayer Information Series booklets and various Departmental publications such as 'Let us Share'(public versions) and the coffee table book commemorating 150 years of Income Tax in India were made available for the Taxpayers. Taxpayers made full use of the live demonstration of services related to PAN, 26AS, TRP Scheme, e-filing, e-payment etc. The TRPs present at the stall educated the taxpayers about the scheme and resolved their basic queries relating to income tax. The taxpayers were also provided services related to application of fresh PAN, change in PAN as well as registration for 26AS and e-filing.

On spot drawing/ painting competitions were organized for children where they had to draw on the theme 'contribution of taxes in nation building'. The children were awarded laminated certificates with their names and photographs for participating in the competition. Touch screen kiosks were kept where children were able to take quiz and were also awarded winner certificate. The quiz included multiple choice question on general knowledge and basics of Income Tax.

During the 14 day period about 2,500 certificates were awarded to children for participating/winning the competitions organized at the Taxpayers' Lounge. During the entire period of the Trade Fair almost 70-80 thousand persons visited the stall. Visitors' registers that was kept for obtaining feedback from the public recorded more than 500 comments.

(vi) TRP 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. Graduates have been trained at 100 different locations across India to become a professionally trained TRP to serve the taxpayers. TRP as an intermediary improves service delivery as well as remove inhibition of the common taxpayer both in terms of utilization of technology and complying with tax requirements. 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.trpscheme.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 and Service Tax Returns within its ambit primarily to provide a more meaningful self employment opportunity to the TRPs throughout the year. 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 regular basis. This Advance Learning Portal gives detailed information on contemporaneous issues as well as opportunity to the TRPs to test their knowledge through online mock tests. 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 nominated Mentors at every station who are entrusted with the responsibility 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.

(vii) Public Relations

Booklets and brochures under the 'Tax Payer's Information Series' have been published to increase the awareness of the taxpayers about the provisions of tax laws and steps taken by the government to reduce the complexities of tax laws and improve Tax Payers Service. The following TPI Series/brochures have been brought out:

- Know Your Income Tax Rates for Assessment Year 2012-2013 (Individual/HUF/AOP/BOI/ Artificial Juridical Person)(Hindi & English)
- Know Your TDS Rates for Financial Year 2011-2012 (Hindi & English)
- Know Your Income Tax Rates for Assessment Year 2011-2012 (Companies/Co-operative Societies & Local Authorities) (Hindi & English)
- Citizen's Charter 2010 (Hindi & English)
- Form 26 AS Check Anywhere Any time (Tax credit status)
- Dates with Direct Taxes for 2012
- e-file your Income Tax Return
- Aaykar Seva Kendra (Hindi & English)
- PAN
- Tax Deductee's Guide
- Tax Deductor's Guide
- Tax Return Preparer Scheme

(viii) Printing and Publication

The Directorate also printed & published several publications for the use of departmental officers. The important publications during the period included, Let us Share Vol. IV (Deptt. version); Audit Manual, 2011; Celebration through Art: 150 years of Income Tax in India; Central Action Plan for the F.Y. 2011-2012; I.T. Act & Rules, 2011; W.T. Act & Rules, 2011(English & Hindi); Aayakar Tarangnee Vol. 2011(Hindi); Do's & Don't Manual, 2011; Vision 2020; Quarterly Tax Bulletin Vol. 88 (April-June 2009); Quarterly Tax Bulletin Vol. 89+90 (Combined) (September-December 2009); Quarterly Tax Bulletin Vol. 91 (January-March 2010); and CBDT (Admn.) Bulletin Vol. 53 (January-December, 2007).

(ix) CD for Notification, Circulars and Instructions

The Directorate has distributed CDs containing a Digest of CBDT Circulars, Instructions and Notifications from 1 April, 1961 to 31 March, 2010. The CDs have been given to officers upto the level of ITO. This CD is updatable through "Live updates' using Internet and also has a tab to view "What is New."

This CD is the most comprehensive compilation on the subject so far and has nearly 16,000 documents with a powerful search engine which supports search on various parameters like, Circulars/Notifications/ Instruction number of File Number or SO number, Chapter or Section, Date, Subject or Key word text & phrase etc.

The pages of circulars that have been omitted or superseded or substituted have been watermarked prominently. The users have the facility to see their search history and also save the search through book mark facility. A live demo facility has been provided in the CD itself so that the officers can self-learn to operate the CD. The CD is not computer specific and can be used at any computer whether in office or at residence.

(x) Implementation of Official Language Policy

75th, 76th, 77th meetings of Direct Taxes Official Language Implementation Committee were organized in time. All India Hindi seminar was organized for Assistant Directors (OL) in Goa. Second issue of the yearly Hindi Magazine "Aayakar Tarangini" (2011) was published and distributed.

4.12.3 Directorate of Income-Tax (Audit)

(i) A New Internal Audit System has been put in place w.e.f. June 2007 under which audit functions have been assigned to a specialized Internal Audit Wing. The wing comprises 22 CsIT, 22 Addl. CsIT, 22 Special Audit Parties (SAPs) and 272 Internal Audit Parties (IAPs). Special Audit Parties are headed by officers of the rank of DCIT/ACIT and Internal Audit Parties are headed by Income-Tax Officers. The Addl. CIT has also been given the task of Internal Audit. The CIT (Audit) is the overall in charge of the audit wing and functions under the administrative control & supervision of the jurisdictional CCIT (CCA). The Addl. CIT (Audit) has to audit 50 cases per year, whereas SAPs will audit 300 cases in a year. The IAPs have been asked to carry out audit of 600 cases companies/700 cases of non company assessees.

(ii) A comparative statement on the performance for the period upto September, 2011 with the performance during the two earlier financial years is shown in table 3.26.

(iii) Internal Audit Manual 2011: New Internal Audit Manual 2011 duly approved by CBDT was got published and has been supplied to all the CsIT (Audit).

(iv) The Annual Conference of CsIT (Audit) was held on 18 August, 2011 at Jhandewalan, New Delhi. This acted as a platform for discussion on various aspects of audit. The participants highlighted issues of

Table 3.26				
S.No.	Internal Audit Report	F.Y. 2009-2010	F.Y. 2010-2011	F.Y. 2011-2012 (Upto September 2011)
1.	Total number of Internal Audit cases in which mistakes were detected.	35876	42936	41312
2.	Revenue effect of Pt. (1) above (in Lakhs)	462896.496	943845.94	924641.70
3.	No. of Internal Audit Objection settled	6434	7996	4434
4.	Revenue effect of Pt. (3) above (in Lakhs)	65757.789	92185.29	29293.92

difficulties in obtaining Audit records/reports, shortage of staff and lack of staff with requisite skill sets. During the interaction, some strategies to motivate audit set up and improve its efficacy including institution of awards for good work done, frequent interaction/ meeting of local CsIT (Audit) with C & AG officers were finalised. Follow up action on decisions taken during the conference has been initiated

(v) **Revenue Audit Work:** During April to November 2011, the Directorate of Audit, New Delhi has sent 401 Action Taken Notes to A&PAC wing of CBDT for settlement with C&AG. The Directorate of Audit has ensured that the decisions received from A&PAC are promptly attended to and ATNs are prepared and sent back to A&PAC swiftly. In order to accelerate disposal, computerisation of records is underway. The Directorate of Audit also keeps in touch with A&PAC in the matter of reconciliation of pending ATNs. Currently, 1,033 ATNs are pending because of non receipt of Proforma A & B reports as well as decision of CBDT on acceptance/non acceptance of the Audit objection by the ministry.

4.12.4 Directorate of Income Tax (Recovery)

The work assigned to the Directorate of Recovery, can broadly be classified under 3 heads:

- Monitoring collection/reduction of arrear demand and compiling and collating data relating to recovery of tax arrears arising from current and arrear demand primarily with reference to Dossiers cases of demand of ₹10 crore and above.
- Processing of write off, partial write off and scaling down of arrear demand proposals received from CCIT charges.
- Processing of BIFR/AAFIR cases in terms of granting relief/concessions under the Income Tax Act.

A synopsis of significant work done by the Directorate is as follows:

(i) Recovery of arrear and current demands:

(a) The target of cash collection from the arrear demand during the year 2011-2012 has been fixed at ₹ 27,148 crore. As per the CAP of September 2011 prepared by the DOMS, cash collection is shown at ₹ 10,253 crore as against the arrear collection of ₹ 12,011 crore for the entire fiscal year 2010-2011.

(b) Two types of dossier reports are received (i) cases having demand of ₹ 10-25 crore (ii) cases having arrear demand above ₹ 25 crore. The dossier reports of both the categories have been periodically compiled and analysed to identify the trends and areas where further action can speed up recovery. Presently there are 882 dossier cases of demand exceeding ₹ 25 crore. Out of this, there are 541 cases having wholly actionable demand. Dossier cases of demand between ₹ 10-25 crore number 950. Out of this, there are 587 cases of actionable demand. Tours to major stations are also to be undertaken for discussion with the field officers for strategising for accelerating collection and recovery of outstanding demand.

(c) Recovery of "Demand Not Under Dispute": The statistical data with the Department shows that substantial arrear demand is reflected as "Demand not under dispute". A Special Cell has been constituted for getting information regarding such cases verified at CCIT level, and to identify the reasons for non recovery and segregate demand which is recoverable by action under the control of the tax authorities. Collection of recoverable demand is diligently monitored by this cell.

(d) Recovery of Demand in the category "Assessee not Traceable" and "No Assets/Inadequate Assets" for recovery: In order to address the issue of mounting tax arrears from a policy perspective, a Committee was constituted which focused on these categories of demand. The Committee examined options for a cost effective and flexible mechanism to manage recovery of such dues and conducted a pilot study with Dossier cases of demand of ₹ 10 crore and above which were available with the Directorate of Recovery. DIT(Systems) and FIU-IND were also approached to provide any available information for these cases from the data available with them. Pursuant to the recommendations of the Committee accepted by CBDT, a time bound methodology for dealing with cases in these categories has been instituted through the Special Cell in Directorate of Recovery. The methodology includes, an exhaustive exercise at field level to explore all possible avenues to locate taxpayers/assets as also utilization of the information available with Directorate of Income Tax (Systems). Moreover, FIU-IND will be periodically approached for getting information from their data base. A process of putting the names of chronic defaulters in public domain has also been finalised. Besides, a Reward scheme for informants who supply information resulting in collection of outstanding demand from such tax defaulters is being formulated.

(ii) Write off Matters

(a) During the year, CBDT had decided to centralize all write off proposals in the Directorate of Recovery and accordingly there are 72 write off proposals currently pending with the Directorate. There are certain deficiencies in these proposals and field authorities have been advised to provide the clarifications/documents/information necessary to ensure compliance of administrative procedure for writing off.

(iii) BIFR Matters

(a) The Board for Industrial and Financial Reconstruction (BIFR) has been created under The Sick Industrial Companies (Special Provisions) Act, 1985 for the purpose of detection of sick companies and to frame scheme for revival of the sick companies.

(b) The DGIT (Admn.) is the nodal agency in all BIFR cases for matters concerning CBDT .The work on behalf of DGIT (Admn.) is done by the BIFR unit in the Directorate of recovery. This unit gets associated with the BIFR process right from the time of a Company filing a reference for sickness and rehabilitation to ensure that genuinely sick companies get the BIFR shelter, tax dues are factored in and only justifiable tax reliefs figure in the Rehabilitation Scheme and preferably are not granted where further enquiries are necessary and are only put for "consideration" of CBDT. When BIFR approves a Sanctioned Scheme for rehabilitation, envisaging certain reliefs from CBDT, further determination of such reliefs is done by the BIFR unit by associating both the Assessing Officer and the Company with the process. The case is thereafter presented to the CBDT for final approval.

(c) During the year, efforts have been made to address the following:

- Attending all statutory notices of the hearing before BIFR/AAIFR by filing written submission/representation through counsel after obtaining specific information from the company and the field authorities. During the period 1 April, 2011 to 30 November, 2011 written submissions have been sent to BIFR/AAIFR in 956 cases in response to the statutory notices of hearing.
- Obtaining the status of outstanding demand and comments on the sickness of the case from the field authorities 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 some cases BIFR has given directions to the companies to provide the IT dues in the sanctioned scheme.
- Processing the IT reliefs and concessions for the sick companies after taking necessary input from the company and field authorities. During the period from 1 April, 2011 to 30 November, 2011, tax reliefs and concessions have been processed by this Directorate in 14 cases.
- Challenging any adverse order of BIFR/AAIFR/High Court by filing Miscellaneous Applications/Appeal/Writ Petitions/SLPs before BIFR/AAIFR/High Courts/Supreme Court in suitable cases. During the period 1 April, 2011 to 30 November, 2011 MA/Appeal/Reply to the Appeal/Rejoinders/Written Synopsis/SLPs have been filed in 99 cases before BIFR/AAIFR/High Courts/Supreme Court after making judicial analysis of the cases. Besides this in 83 cases MA/Appeal/Writ filed by the company/other parties have also been addressed.

(d) The important legal issues decided in the favour of Department during this period are as under:

- Where the Central Government is to provide financial assistance in the form of reliefs and concessions, its consent is mandatory u/s 19 of SICA and this consent has to be of the nodal agency who is an authorized person on behalf of Central Government.
- On behalf of the Central Government, the nodal agency appointed by CBDT to coordinate the aspect of grant of financial concessions or financial assistance to be given to a sick industrial company would be Director General of Income Tax (Admn.).

- Before consent is sought, the Draft Rehabilitation Scheme (DRS) should quantify the extent of reliefs and concessions to be provided to a sick industrial company. It is necessary for BIFR to quantify the tax leviable on the total sacrifices and consider whether payment of tax on the sacrifices would adversely affect the projected profitability of the scheme and cash flows and also the viability of the company
- If the sanctioned scheme envisages that the Central Government shall consider grant of tax reliefs and concessions, the authorities on behalf of Central Government is not required to grant concessions but to consider the request of the sick company objectively. After considering the reliefs and concessions, it can be either accepted fully or partly or can be rejected.
- If the appellant is not a party before BIFR, the issuance of order of BIFR is treated as not communicated to the appellant in terms of Regulation 15 of the BIFR Regulations, 1987. The date of obtaining of the certified copy would be the starting point of limitation for filing appeal before AAIFR in such cases
- The sanctioned scheme stipulates a revival period during which all the provisions of the sanctioned scheme are to be implemented. If the provisions of the sanctioned scheme do not get implemented, BIFR is competent only during the rehabilitation period to re-visit the sanctioned scheme and modify it through appropriate procedure as laid down under SICA i.e. through Modified Draft Rehabilitation Scheme (MDRS).
- BIFR should itself monitor the cases even after discharge of the Company from the purview of SICA, where the unimplemented provisions of a sanctioned scheme are to be implemented

4.12.5 Directorate of TDS

The important aspects of current year's performance on TDS are summarised below:

(i) Collection of TDS

5.1.1 TDS collection of ₹ 1,29,342 crore as on 30 November, 2011 against collection of ₹ 1,01,848 crore for the corresponding period last year reflects a robust growth of 26.99%.

(ii) Initiative Taken by Directorate (TDS):

- MIS proforma: A unified MIS proforma has been devised and the reports from all quarters are filed in the standardised proforma helping the Directorate to identify the strong and weak areas and to make SWOT analysis.
- Monitoring Muffassil charges: Considering that a large number of charges and independent ITO stations are without a dedicated TDS officer, all cadre controlling charges were requested to identify the areas under their jurisdiction having limited reach of TDS. Constant monitoring of such areas will henceforth be done.
- Sensitizing compliance: Efforts have been made to sensitize all major ministries for compliance on filing TDS statement/corrective statement. On the request of Mem.(R), the Deptt. of Public Enterprises under the Ministry of Heavy Industries and Deptt. of Financial Services have already issued letters to their respective field formations for giving attention on TDS matter and also to file proper TDS statements and corrected statements.
- TDS conference and Standing Committee Meeting: The Bi-annual meeting of all CsIT (TDS) in the country helps the Directorate to assess the growth and challenges in the field formation across the country and to take necessary corrective steps to improve the collection. Similarly, Bi-annual Standing Committee meeting with all the important National level Associations and other stake holders gives the Directorate an opportunity to know the reactions of the industries on Departmental actions on TDS. Suggestions in these meetings are critically examined and necessary amendment/changes are made to facilitate compliance. All field formations have been asked to form Local Standing Committees and hold bi-annual meeting to thrash out local contentious issues.

(iii) Tax deductors' education programme

The constant follow up by the Directorate has resulted in stepping up of the efforts in this key area identified by Board in Central Action Plan Targets for F.Y. 2011-2012. The cumulative figures of the Seminar/ Workshops conducted, media campaigns and other efforts show that substantial activity has taken place across the country.

(iv) Surveys/Spot Verification

The effort of the Directorate in this field has borne fruit in as much as all charges have conducted Surveys/ Spot verification exercise and it has an overall impact on the growth. The best practice compilation is being made on the basis of cases reported in second quarter and the same shall be made available to all Commissionerates soon in order to enable them to tap TDS defaults in similar businesses/industries in their respective jurisdictions.

(v) AINs Allotted/Notice to Non-Filers

Major workload of generation of notices to non-filers has been completed but a lot of consistent effort shall be required to complete the targets. Monitoring the Govt. Deductors is still posing a challenge.

4.13 Directorate General of Income Tax (Logistics)

There are four Directorates under DGIT (Logistics):

(i) Directorate of Income Tax (O&MS)

(ii) Directorate of Income Tax (Infrastructure)

(iii) Directorate of Income Tax (BPR)

(iv) Directorate of Income Tax (Expenditure Budget)

4.13.1 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-à-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-à-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 fourth 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-IV has also been finally prepared and would be released shortly.

II. 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 has now been fully crystallized and is being implemented by setting up of Aayakar Seva Kendras (ASK) throughout the country in phases.

ASK Pune was granted certification IS 15700 last year. This year ASK Kochi has been granted certification. In the first phase of roll out, 15 Aayakar Seva Kendras have been set up at various buildings of the Income-tax Department. The process of making these centres Sevottam compliant has also begun. Internal Audit has already been conducted by the teams of this Directorate at ASK Chinsurah, Guwahati, Gandhinagar, Surat, Chandigarh, Mohali, Ludhiana and Ranchi. On the basis of performance, an application has been filed with Bureau of Indian Standards requesting them to conduct external audit for grating certification to five Aayakar Seva Kendras viz. Gandhinagar, Surat, Chandigarh, Mohali and Ludhiana.

To implement Hon'ble Finance Minister's Budget Announcement 2011, CBDT, in its Annual Action Plan, has decided to set-up Aayakar Seva Kendras at 60 locations during this financial year. The work of setting up of ASK at these locations is in progress. The budget for creating 60 ASKs has already been granted by the competent authority. This Directorate is providing all out assistance to the respective Chief Commissioners of Income-tax in setting up of these Kendras within this financial year.

To sensitize officers and staff about the concept of Sevottam, a massive training programme was organized wherein about 600 officers/staff of the Income-tax Department were imparted training by National Institute of Training for Standardization (NITS), Bureau of Indian Standard.

III. **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 2011-2015 prepared after extensive consultations with all the stake holders was approved by the Board. This important document has finally been released by the Hon'ble Finance Minister on 5 January, 2011.

IV. **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. Shown in table 3.27.

4.13.2 Directorate of Income Tax (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 November, 2005. The Directorate of Income Tax (Infrastructure) is presently headed by two Directors. The Directorate functions under the administrative control of DGIT(Logistics), 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

Table 3.27		
S.No.	**Activity of Citizen Charter**	**Action Taken**
1	Action taken to formulate the Charter for the Ministry/Department and its subordinate formulation.	The Charter of 2007 was reviewed & rewritten which was released by the Hon'ble Minister of Finance on 24 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. hold for proper implementation of Charter.	Wherever ASK centers 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 Organisation 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 specifically designed software.
6.	Details of revision made in Charter on the basis of external review	The department intends to review the Citizen's Charter 2010 within a period of three years.

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) Highlights of the performance and achievements:

Certain important projects (exceeding ₹10 crores) which have been accorded administrative approval and financial sanction during the year are as under:

(i) Comprehensive special repair / up-gradation of Ghagra Tower, Saraswati Tower, and Sharda Tower in Vaishali, Ghaziabad of ₹ 14,17,90,198.

(ii) Comprehensive special repair/up-gradation of Ratnagiri Tower in Kaushmbi, Ghaziabad. (2) Comprehensive special repair/up-gradation of Girnar Tower in Kaushmbi, Ghaziabad & (3) Comprehensive special repair/up-gradation of Narmada Tower in Vaishali of ₹ 14,26,34,400.

(iii) Purchase of Ready built office accommodation at Thane at an cost of ₹ 49,53,85,759.

(iv) Purchase of land at Vadodara for Office Building at an cost of ₹ 13,24,00,000.

(v) Construction of office building for I.T. Department at G-Block, BKC, Mumbai CNE was held on 23 August, 2010. Further vide order dated 15 September, 2011 an amount of ₹ 64,16,24,844 was also sanctioned.

(vi) The SFC has approved of purchase of ready built office accommodation at Thane at an cost of ₹ 49,53,85,759.

4.13.3 Directorate of Income Tax (BPR)

During the year 2011-2012 Directorate of BPR has been active in various processes to make the Income Tax Department more efficient, citizen centric and e-enabled. The following initiatives were taken by the Directorate during the year:

(i) Record Management has been an Achille's Hill for the Department and the same had been identified in the BPR Report as well. Three Committees were formed for this purpose- Durgesh Shankar Committee, S. S. Rana Committee and M P Varshnay Committee. The reports submitted by these committees were studied and a detailed presentation was made before the full Board on 18 February, 2011. The Director General (Logistics) has been nominated as implementing agency with regard to Record Management. This Directorate is further studying the Public Records Act and will discuss with the National Archives of India for a policy framework for a viable and efficient Record Management System for the Department.

(ii) The Report of the Qaiser Shamim Committee on Training Needs Analysis has already been submitted.

(iii) M. C. Joshi Committee on TAN/PAN has also submitted its report, which has given detailed suggestions about the various aspects of the proposed Directorate of TDS.

This Directorate has invited comments of the Directorate of HRD on the suggestions that the proposed Directorate be headed by an officer of the rank of DGIT.

(iv) The report of external consultant i.e. Price Waterhouse Coopers had made recommendations on 64 items, out of which 60 recommendation have fully or in modified form been 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.

4.13.4 Directorate of Income Tax (Expenditure Budget)

During the year, 2011, a new Directorate namely the Directorate of Income Tax (Expenditure Budget) was created. This Directorate acts as the nodal authority in respect of all Budget matters for the Grant No. 43 – Direct Taxes and performs all work related to the management of Expenditure Budget under this Grant. The Directorate also prepare the statement of Budget estimates for inclusion in the relevant Budget documents and monitors the progress in expenditure vis-a-vis sanctioned grant.

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 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 23 MSTUs which impart training to all officials of the Department from Ministerial staff upwards.

(i) Programmes for the Officers & Officials of income Tax Department

The National Academy of Direct Taxes (NADT), Nagpur, the apex training institution of the Indian Revenue Service of the Income Tax Department is entrusted with the responsibility of imparting training to the Department Personnel. The flagship programme of NADT is the 16-month Induction Training for the newly recruited officer-trainees of the Indian Revenue Service. In our 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. This is followed up by a scheme of constant upgradation. The current batch (64th) has thus adopted a modified curriculum which inter alia includes a two-week international attachment module. Besides induction training, NADT also conducts regular in-service programme for the serving personnel (from the rank of Assistant Commissioners to Chief Commissioners of Income Tax). Such programmes are aimed to impart quality contemporary inputs to the participants and to generate meaningful discussion on key result areas. In-service programmes organized this year included:

- Seminar on Economic, Fiscal & Tax Policy for Commissioners of Income-Tax;
- Seminar on Dispute Resolution for the Commissioners who are members of Dispute Resolution panel;
- Course on International Taxation & Transfer Pricing for Commissioners of Income Tax;
- Course on Effective Representation for Departmental Representatives before ITAT; and
- Course on Strategic initiatives in infrastructure augmentation for officers posted in Head Quarters
- Courses were also conducted on several other topics of contemporary relevance.
- NADT has also organized two-programmes for departmental officers in partnership with the Organization for Economic Cooperation and Development (OECD)
- Programme on Exchange of Information; and
- Programme on Advanced Transfer Pricing.
- The Direct Taxes Regional Training Institutes (DTRTI) working under NADT have conducted training programmes for other officials from the rank of Inspectors to Income Tax to Addl. Commissioners of Income Tax. The training programmes were framed on various topics chosen based on the training needs analysis of the field formations.

(ii) Out-Reach Programmes for Other Central Services

Like last year, NADT has also conducted a 15 week Foundation Course for the Civil Services along with other premier institutions such as LBSNAA. NADT has also conducted Out Reach Programmes for officer-trainees of Indian Audit and Accounts Service, and Indian Corporate Law Service.

(iii) International Programmes

NADT has hosted a seminar on Automation and Systems Management in Income Tax for the revenue authorities of SAARC countries in which representatives from Pakistan, Bangladesh, Afghanistan, Sri Lanka and Maldives have participated.

(iv) Infrastructure

Two major infrastructural projects are under way at the NADT campus, Nagpur. Of this, the 156-room hostel project for officer trainees has been completed on time. The construction of the others: Advanced Training Center, Hostel-II & Mess project are progressing as per schedule. The total investment involved in the two projects is about ₹ 125 crores. DTRTI, Bangalore has started functioning from its newly constructed premises. The construction of own premises for DTRTI, Kolkata is in the final stage of completion. Land has been acquired for the proposed premises of DTRTI, Chandigarh and the construction work would start soon.

4.16 Directorate of Income Tax (HRD)

This Directorate is mandated to assist the Central Board of Direct Taxes in the following main areas of work:

- To develop and design strategic human resources plan, policies and procedures and to assist CBDT in implementing proper HR policies including those related to recruitment of manpower, promotions, career progression, transfers and succession plans, performance appraisal, equal opportunity and employee welfare;
- To operate human resource information system by accessing database maintained by CBDT;
- To assess and determine job requirement, job profiles and skills needed for various jobs in the Income Tax Department;
- To identify training needs, formulate training policies and facilitate skill enhancement and to coordinate with other educational/training institutions in India and abroad;
- To foster international cooperation for incorporating administrative best practices.

Some of the main activities/initiatives of the Directorate of Income Tax (HRD) during the year 2011-2012 are as follows:

(i) **Advanced Mid Career Training Programme: Advanced Mid Career Training**

Programmes for IRS officers of the rank of Addl. CITs and CITs were organized. The programmes consist of three weeks domestic training followed by 2 weeks international training conducted by management institute/international universities of repute.

(ii) **International Attachment of 64th batch of Officers Trainees:** International attachment for officer Trainees of the 64th batch of IRS with (i) Tax Policy Centre, Georgia State University, USA (ii) University Tun Abdul Razak, Malaysia (iii) The International Bureau of Fiscal Documentation, the Netherlands with the Organization of Economic Cooperation and Development (OECD) Paris, (iv) University of Sydney Law School, Australia and (v) South Africa Revenue Service was processed to impart exposure to international best practices to the officer trainees.

(iii) **Domestic and International Training Programmes**: Nominations of cases of IRS officers for various domestic and international training programmes of long/short duration such as Joint Civil Military Training Programmes at Mussoorie, MPA Programme, at LKY School of Public Policy, Singapore, MPA programme at YLP-GRIPs, Japan, Programme on Public Policy and Sustainable Development at TERI University, N. Delhi, Post graduate Programme in Public Policy and Management (PGPPM) at IIM Bangalore, Short-term and long term training courses under DFFT Scheme of DoPT, Management Development Programmes conducted on various topics by the National Institute of Financial Management, Faridabad, Training programmes conducted by National Productive Council, New Delhi, Trainer's training programme at Civil Services College, Singapore and 52nd NDC Course conducted by the National Defence College.

(iv) **Human Resource Information System (HRIS):** The parameters of the proposed Human Resource Information System have been approved by the CBDT. The HRIS envisages speedy response through automation of administrative processes, creation of an Information database for strategic decision-making and a platform for seamless communication between the administration and the workforce through information technology. A committee consisting of officers from DGIT (Systems), DGIT (HRD), etc. has been formed. A consultant has been engaged and the process of preparing the DPR is underway.

(v) **Performance Management System (PMS):** The proposal of the Directorate for creating an effective performance management system by identification of key performance indicators (KPIs) in various business units of the Income tax Department, designing of domain specific APAR system on the basic of such KPIs, and placement and training on the basis of performance appraisals has been approved by the CBDT. A facilitator (consultant) is being engaged to advise the Directorate on how to design the Performance Management System.

4.17 Directorate of Income Tax (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 proposals for filing Special Leave Petitions in the Supreme Court against the judgments of High Court which are not found acceptable. Another area assigned to the Directorate is to carry out research on topic assigned by the Board.

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, 2007, 2008, 2009, 2010 and 2011 are as under:

No. of SLP Proposals

Year	Received	Not Approved
2006	1269	477
2007	1971	958
2008	2167	208
2009	2223	379
2010	1858	569
2011 (upto November 2011)	2122	552

The Directorate is a nodal agency for the Income Tax Department for matters relating to Supreme Court. Apart from processing of proposals to file SLP other related activities including co-ordination with the Ministry of Law (Central Agency Section) and Ld. Law Officer and the field formations are attended to with constant monitoring. There has been considerable improvement in compliance with the Directions of the Hon'ble Court. The counsels appearing on behalf of the Department are satisfied with the assistance provided to them in the matter of briefing etc.

4.18 E-Governance in the Income Tax Department

4.18.1 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, upload the data on the NCC (National Computer Centre), printing PAN cards 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 6,478 front offices (PAN centres), receive and process the PAN application 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 PANs are issued.
- It was decided to capture the biometric features of the applicant and do the matching of the biometrics feature in the backend against the database to detect the duplicate PAN applicants. The biometrics 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. The process of integrating AADHAAR Number issued by UIDAI with PAN data is initiated.
- New PAN application forms have been notified. FORM 49A is notified for use of Indian Citizens/Indian Companies/Entities Incorporated in India/ Unincorporated entities formed in India whereas FORM 49AA is for Individuals not being a Citizen of India/Entities incorporated outside India/ Unincorporated entities formed outside India.
- Space for proving AADHAAR Number by PAN applicant has been added in the PAN application Form 49A.
- **PAN Verification**

  (i) PAN verification facility is provided through CBDT's e-filing server to Government departments through the Internet. One by one PAN verification or bulk verification of 50,000 PANs in one go can be done by the users. PAN can also be verified where Name, Father's Name and DOB/DOI are known through "Know Your PAN" facility on Income-tax official web site www.incometaxindia.gov.in. PAN and Assessing officer is informed in reply for valid PANs.

  (ii) Services for PAN verification is also provided by income tax PAN Service Providers (UTITSL and NSDL) to agencies such as (a) Financial Institutions (b) Government Agencies (c) Persons required to file Annual Information Returns (AIR) and (d) Companies and Government deductors of TDS for the purpose of verifying PAN of TDS/TCS deductees. This facility is on chargeable basis.
- **Achievements**

  (i) PAN database has shown steady growth in tune with economic progress. The progressive number of PANs allotted as on 21 November, 2011 is 13,74,03,213. During the current year (upto 21 November, 2011) 1,63,57,097 PANs have been allotted.

(ii) PAN has taken role of National identifier. Process of integrating PAN database with other Government Department for various projects like e-biz a project of DIPP, pilot project on GST by CBEC and pilot project on Data Exchange between Centre & State are in progress.

4.18.2 Project Name: E-filing of Income Tax Returns

Project Description

The project is aimed at enabling E-filing of all Income tax returns over Internet directly by taxpayers and through e-return intermediaries. The e-filing project is an eminent e-governance and e-delivery measure taken by the Income Tax Department for better services to the taxpayers and was notified in 2006-2007. The system also provides for PAN/TAN verifications. The System has been enhanced in F.Y. 2010-2011 to include submission of online rectifications, verification of status updates for receipt of ITR-V, processing status and refunds for e-filed returns processed at CPC, Bangalore

Achievements

- The Income Tax Act has with effect from 1 April, 2010 has made e-filing of returns compulsory for the Individual, HUF in addition to Firms with turnover of ₹ 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 July, 2006.
- E-Filing for all I-T returns for A.Y. 2011-2012 commenced from May 2011. In F.Y. 2011-2012, nearly 1.04 crore received upto 8 December, 2011 as compared to 58.46 lakh for similar period in F.Y. 2010-2011, which shows the enthusiastic response of taxpayers towards e-filing of I-T returns. Total E-filing for the financial year 2011-2012 is expected to be around 1.5 crore returns.
- The progressive achievement of e-filing scheme is as under:

F.Y. 2006-2007	3,62,961
F.Y. 2007-2008	21,70,687
F.Y. 2008-2009	48,31,300
F.Y. 2009-2010	52,52,771
F.Y. 2010-2011	90,50,289
F.Y. 2011-2012	1,04,37,616 (upto 8 December, 2011)

- Of the e-returns filed, nearly 80% have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of 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.

4.18.3 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), Income Tax Department, 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 A.Y. 2008-2009 of Bangalore were commenced.
- By April 2010, processing of E-filed returns of A.Y. 2009-2010 was taken up.
- In November 2010 e-returns of A.Y. 2010-2011 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.

Table 3.28: PAN Allotment

Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (till 21 November, 2011)
PAN allotted during the year	85,03,616	1,32,13,826	1,59,41,691	1,50,05,002	2,46,26,617	1,63,57,097
Progressive PAN Database	5,22,58,980	6,54,72,806	8,14,14,497	9,64,19,499	12,10,46,116	13,74,03,213

- 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 84.99 Lakh I-T returns processed.
- Over 27.36 Lakh refunds generated.
- Over 125 crore TDS and Tax payment data entries from F.Y. 2007-2008 onwards and 60,40,000 outstanding arrear demand entries totaling to ₹ 1.84 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. It may be appreciated that these achievements, reached within a short period since start of the project, are of the scale of the Department's combined output of 3 southern states of Kerala, Karnataka and Tamil Nadu, managed with a miniscule strength of officers and staff.

4.18.4 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 day of data being delivered to SBI. The electronic method of payment has reduced delivery time to 1-2 days as against paper refunds which takes 4-8 days. 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 January, 2007 in a 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 August/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 State Bank of India has set up remote printing facility for Income Tax refunds at Chennai, Kolkata, Delhi Bangalore, Hyderabad, Bhopal and Lucknow.
- 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 status of refunds issued through the scheme.
- There has been steady increase in number and percentage of refunds issued through the scheme, as illustrated in the following Table. With extension of the Scheme to the non-corporate charges all over India (with effect from August/September 2010), the percentage of number of refunds issued through the scheme in F.Y. 2010-2011 substantially went up to approx. 73 % of the total number of refunds issued all over India. During current F.Y. 2011-2012 (up to November 2011), the percentage of number of refunds issued through the scheme is more than 95% 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 has been launched for officers in the Directorate of Income Tax (Systems) for monitoring issue of refunds. The Dashboard containing RCC-wise summary figures is likely to be extended shortly to senior functionaries of the Income Tax Department.

Table 3.29: Achievements of Refund Banker Project				
Year	No. of Refunds (Paid) through Refund Banker	No. of Other Refunds (Paid)	Total	Percentage of Refunds Paid through Refund Banker
F.Y. 2006-2007	12,035	44,41,605	44,53,640	0.27%
F.Y. 2007-2008	3,13,513	44,95,973	48,09,486	6.52%
F.Y. 2008-2009	7,35,981	38,05,253	45,41,234	16.21%
F.Y. 2009-2010	11,82,549	37,01,889	48,84,438	24.21%
F.Y. 2010-2011	58,62,949	21,82,815	80,45,764	72.87%
F.Y. 2011-2012 (Up to 30 November, 2011)	63,14,769	3,24,375	66,39,144	95.11%

4.18.5 Project Name: System integrator (SI) Project for Data Base Consolidation

Project Descriptions

System Integrator project of CBDT has been purported to integrate the regional database contained in 36 Regional Computer Centers (RCCs) into a Single National Database (Referred to as Primary Database Center-PDC). The SI initiative also envisages a Data Replication & Disaster Recovery Planning, by setting up the replica of PDC at Mumbai as a full-fledged Business Continuity Process (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

Un-interrupted services are rendered at Primary Data Centre (PDC), Business Continuity Process (BCP) and Disaster Recovery Site (DR) to the Income-tax department.

4.18.6 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.
- Income Tax and Corporate Tax can also be paid through ATMs of specified banks

Achievements

- With effect from 1 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 30 out of 31 agency banks collecting direct taxes. SBI has started the e-payment facility online through its debit cards as well.
- Facility of payment of direct taxes has been launched through ATMs of Corporation Bank, Bank of Maharashtra, Axis Bank, Central Bank, Bank of India, HDFC Bank, Canara Bank, Union Bank of India, Punjab & Sind Bank, Punjab National Bank, Indian Bank, UCO Bank, Andhra Bank, Bank of Baroda and Oriental Bank of Commerce.

In F.Y. 2010-2011, an amount of ₹ 4,13,317.14 crores came through e-payment out of total gross tax collection of ₹ 5,15,107.86 crores. In terms of percentage, the count and amount of e-payment challans for F.Y. 2010-2011 were **44.51%** and **80.24%** respectively. In F.Y. 2011-2012 (up to November 2011), the count and amount of e-payment challans have gone up to **53.53%** and **83.58%** respectively, registering substantial increase, both in terms of count and amount.

4.18.7 Project Name: E- TDS

Project Features

- Filing of e-TDS Returns has been made compulsory for following categories of tax payers:

- All Corporate deductors
- All 44AB deductors
- All Govt. deductors both Central and State Govt.
- For all deductors where number of deductee records 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 F.Y. 2007-2008 to 16.2 lakh till F.Y. 2011-2012 Q2.
- Overall PAN quoting has improved from 46% for F.Y. 2006-2007 to 95% for F.Y. 2011-2012.
- Challan matching with OLTAS has improved to 96% in F.Y. 2011-2012.
- 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. Besides the statements also contains details of certain high value transactions that are being reported by third parties in Annual Information Return (AIR). This is to facilitate taxpayer about ascertaining tax liabilities. Till 30 November, 2011, more than 82 lakh taxpayers have viewed such statements online. 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 31 banks.
- Department is in the process of setting up Centralized Processing Centre (CPC) for processing of TDS statements.CPC (TDS) will open up new channels of communication including Portal, Call Centre, Document Management Systems etc., to manage the defaults detected in processing of TDS statements and to resolve issues relating to TDS mismatches. Besides, it will employ Business Intelligence tools for sensitivity analysis and effective MIS to field officers for enabling enforcement.

Table 3.29: Status of e-TDS and e-TCS Filing

TDS Returns for	e-TDS Return Received	e-TCS Return Received
2006-2007 Quarter I	6,18,753	11,311
2006-2007 Quarter II	6,48,148	11,987
2006-2007 Quarter III	6,65,596	12,429
2006-2007 Quarter IV	8,34,499	13,773
2007-2008 Quarter I	7,72,889	13,926
2007-2008 Quarter II	8,47,294	15,729
2007-2008 Quarter III	8,82,032	16,455
2007-2008 Quarter IV	11,72,432	18,273
2008-2009 Quarter I	9,74,280	18,378
2008-2009 Quarter II	10,15,472	19,098
2008-2009 Quarter III	10,25,226	18,702
2008-2009 Quarter IV	13,66,870	20,853
2009-2010 Quarter I	1,002,571	18,063
2009-2010 Quarter II	10,37,002	19,041
2009-2010 Quarter III	10,36,854	19,583
2009-2010 Quarter IV	13,49,883	21,289
2010-2011 Quarter I	9,78,583	18,449
2010-2011 Quarter II	10,08,587	19,519
2010-2011 Quarter III	10,29,531	19,928
2010-2011 Quarter IV	13,04,774	22,039
2011-2012 Quarter I	6,97,626	16,029
2011-2012 Quarter II	5,27,002	14,195

4.18.8 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' 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 basis.
- 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 13,000 branches including 3 private sector banks are authorized by the RBI for collecting direct tax payments.

Achievements

- OLTAS is now fully operational and is being implemented in close coordination with RBI, Agency Banks and TIN (presently being managed by NSDL). During F.Y. 2010-11, the count and amount of tax payment challans handled through OLTAS was more than **2.99 crores** and **₹ 5,15,107 crores** respectively.
- With effect from 1 June, 2008, computerized acknowledgement receipt to the taxpayers has been made operational for the tax payments.
- Modified File validation instructions have been got installed in the software of all collecting banks and at TIN 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 Pr. CCA, CBDT and RBI, for monitoring and follow-up.
- TIN is providing OLTAS dashboard to the collecting bank branches, their nodal branches as well as their link cells for monitoring upload of tax payment data and for its reconciliation with funds remitted by them to RBI.
- A separate OLTAS dashboard facility has also 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.

4.18.9 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 1 April, 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 (there are at present 2,205 TIN FCs spread over 729 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 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).
- Individual Transactions Statement (ITS) provides a 360 degree view of a taxpayer. 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 Directorates of Intelligence for investigation and tax-payer profiling.
- The PAN quoting ratio has shown substantial improvement in the AIRs filed for F.Y. 2010-11 as compared to previous years:

F.Y. 2004-2005	35.47%
F.Y. 2005-2006	61.56%
F.Y. 2006-2007	62.63%
F.Y. 2007-2008	69.39%
F.Y. 2008-2009	64.47%
F.Y. 2009-2010	68.48%
F.Y. 2010-2011	73.22%

- 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.

Table 3.30: Annual Information Return (Status as on 15 November, 2011)

S.No.	Category of Transaction	AIR for F.Y. 2008-2009		AIR for F.Y. 2009-2010		AIR for F.Y. 2010-2011	
		No. of Trans-action	Value (in ₹ Crore)	No. of Trans-action	Value (in Rs. Crore)	No. of Trans-action	Value (in ₹ Crore)
1	Cash deposits aggregating to Rs. 10 Lakhs or more in Savings account with a bank	10,60,807	1,85,856	11,63,994	2,19,351	15,76,029	5,07,466
2	Payment against Credit Card bills aggregating to Rs. 2 Lakh or more	7,98,211	32,199	6,04,080	21,811	9,19,532	38,212
3	Payment of Rs. 2 Lakh or more for purchase of units of Mutual Fund	10,21,805	50,21,214	12,79,686	86,95,653	14,60,658	79,00,370
4	Payment of Rs. 5 Lakh or more for acquiring Bonds/ debentures issued by a company	53,810	6,08,612	46,366	7,25,681	58,576	3,71,962
5	Payment of Rs. 1 Lakh or more for acquiring shares (through public or rights issue) issued by a company	14,255	30,411	44,700	1,37,512	3,52,140	2,12,658
6	Purchase of Immovable property valued at Rs. 30 Lakh or more	1,16,089	1,31,085	1,40,739	1,87,041	1,66,372	1,54,718
7	Sale of Immovable property valued at Rs. 30 Lakh or more	1,09,337	1,31,090	1,35,324	1,87,038	1,65,337	1,54,718
8	Payment of Rs. 5 Lakh or more in the aggregate for purchase of RBI Bonds	4,621	3,92,165	18,829	5,52,616	19,624	5,54,769
	Total	**31,78,935**	**65,32,632**	**34,33,718**	**1,07,26,703**	**47,18,268**	**98,94,874**

Table 3.31: Transaction-wise Comparative Statistics of Valid PAN in AIR Info (as on 15 November, 2011)

Txn. Year	Transaction type	Total	With valid PAN	Valid PAN Cases (%)
2008-2009	Cash deposits in SB a/c	8,92,667	3,29,066	36.86
	Credit Card payments	5,34,249	2,48,211	46.46
	Mutual Fund	12,68,953	12,62,055	99.46
	Bonds /debentures	57,260	53,674	93.74
	Shares	14,754	13,719	92.98
	Immovable property purchase	1,64,404	66,721	40.58
	Immovable property sale	2,10,263	50,574	24.05
	RBI Bonds	5,960	5,805	97.40
	Total	**31,48,510**	**20,29,825**	**64.47**
2009-2010	Cash deposits in SB a/c	12,02,792	4,82,874	40.15
	Credit Card payments	6,01,740	3,40,910	56.65
	Mutual Fund	15,80,116	15,71,651	99.46
	Bonds /debentures	49,799	47,344	95.07
	Shares	45,520	44,020	96.70
	Immovable property purchase	2,10,552	1,10,650	52.55
	Immovable property sale	2,44,711	91,300	37.31
	RBI Bonds	24,992	23,388	93.58
	Total	**39,60,222**	**27,12,137**	**68.48**
2010-2011	Cash deposits in SB a/c	15,77,240	7,65,386	48.53
	Credit Card payments	9,17,598	6,23,745	67.98
	Mutual Fund	18,29,661	18,24,017	99.69
	Bonds /debentures	60,499	58,414	96.55
	Shares	2,88,018	2,85,508	99.13
	Immovable property purchase	2,36,284	1,25,165	52.97
	Immovable property sale	2,60,158	96,689	37.17
	RBI Bonds	26,838	25,967	96.75
	Total	**51,96,296**	**38,04,891**	**73.22**

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.

4.18.10 Project Name: Change Management

Project Descriptions 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 Addl. Commissioner and above. Further, training to departmental officers was 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.

4.18.11 Project Name: Aaykar Samparak Kendra (ASK)

Project Description

(i) Providing the taxpayers and all other, access to information on various aspects of income tax and other Direct taxes of India.

(ii) 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%
April 2010 to March 2011	694625	694379	99.96%

4.18.12 Project Name: IT Website/http://incometaxindia.gov.in

Project Description

- Provides dissemination of information to taxpayers on the department and its activities.
- The field offices and various Directorates have also got their independent pages at the cadre controlling Chief Commissioner level and at DGIT level respectively.
- Provides tax law related information and downloads online like Acts, Rules, Circulars, Notifications, Returns, Forms and Challans etc. Tutorials on Income-Tax returns and TDS statement, Exempted Institutions and Feedback on Black Money etc. have also been made available during the F.Y. 2011-2012.
- 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. Further, online services, like Tax Return Preparer Locator, Bank Branch Locator for Tax Payment, Challan Correction Mechanism, TIN Facilitation Locator and Public grievances have also been added during the F.Y. 2011-2012

Achievements

- Website has more than 15,000 concurrent visitors on average daily during F.Y. 2011-2012.
- The Website is witnessing on average 2 lakh hits per day and the peak hits of more than 1 crore during the month of July 2011.
- A new Website is under process with several enhanced new features.

'Sevottam' - for an Integrated Delivery of Services

"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".

Sevottam application provides the following functionalities:

1. Dak Receipt
2. Return receipt
3. Dak Resolution
4. RRR data availability to AST
5. Dak Status
6. Refund status
7. Registers (RDR & DDR)
8. Various MIS report.

- Presently Sevottam application is working at 29 locations.
- Total Dak received through Sevottam application shown in table 3.32.

Table 3.32

S.No.	Category	Period	
		1 April, 2010 to 31 March, 2011	1 April, 2011 to 30 November, 2011
1	Citizen charter	6201	24597
2	Grievance	8807	18411
3	Others	9401	49033
	Total	**24409**	**92041**

Table 3.33: Total Returns Received through Sevottam Application			
S.No.	Returns Received	Period	
		1 April, 2010 to 31 March, 2011	1 April, 2011 to 30 November, 2011
1	Refund Cases	81738	106284
2	Non Refund cases	363741	481058
	Total	**445479**	**587342**

MIS Reports in CAP-1 & Dossier

MIS reports made available online from the month of June 2011 onward, since then, online CAP-1 from the field offices are being received through this module. In the month of September 2011, 98 CCsIT out of 108 CCsIT & DGsIT have sent their CAP-1 reports to the Board online. More than 569 dossier reports have been uploaded in the system online.

4.18.13 Project Name: AST

The main function of AST is Maintenance and upgradation of ITD software to cater to the needs of field functionaries. We have introduced many new upgradations and security features like:

(i) Online approval of refunds above ₹ 1 lakh

(ii) Auto Blocking of refunds of certain categories and unblocking software with approval

(iii) Introducing 143(1) Software for entering cases processed in 'Offline' TMS use in an effort to bring whole data on ITD application. This software can be used for online standardized TMS processing also

(iv) Creating new MIS for various field functionaries, thus saving time and creating effective monitoring

(v) Introduced online versions of 148/263 and manual selection of cases.

4.19 Grievance Redressal Machinery

In the Income-tax Department a comprehensive and multilayered Grievance Redressal Machinery is functioning as stated hereunder:

(i) A Central Grievance Cell under the Chairman, Central Board of Direct Taxes at New Delhi which 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 grievances.

(iii) In all other places, where there is no Chief Commissioner or Director General of Income Tax, Grievance Cell functions under the Commissioner of Income Tax.

(iv) Income-tax Ombudsman 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 Aaykar Sewa Kendras have been opened in identified stations all over India to help tax payers in filing income tax returns as well as to redress their grievances related to income tax matters.

(vi) Besides, CBDT has also adopted the web based Centralised Public Grievance Redress and Monitoring System (CPGRAMS) introduced by the Department of Administrative Reforms & Public Grievance for redressal and effective monitoring of grievances lodged online, by the citizens on various issues against the Income Tax Department. 55 subordinate offices at the level of the Chief Commissioner & Director General of Income Tax have been created in CBDT by giving them user ID and Password to speed up the redressal of grievances received online through this system.

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 grievances, mentioning the grievance in brief to the Grievance Cell functioning under the concerned Commissioner.

If the grievance is not redressed even after a month of making the application as indicated, the applicant may address the grievance to the Regional Grievance Cell functioning under the concerned Chief Commissioner of Income Tax. Nodal Officers have been placed in charge of these Cells. Besides, there are facilitation Counters to receive grievance petitions and to assist the public.

If the grievance is not redressed by the Regional Grievance Cell within 2 months, an application may be sent to the Central Grievance Cell functioning under the Chairman, Central Board of Direct Taxes. The Central Grievance Cell is handled by the Director (Hqrs), CBDT.

The applicant should give his name, address and PA Number so that the Grievance Cell can make further communication with him, if required.

The number of grievances received and disposed off by the Central Grievance Cell during the year 2011 (from 1 January, 2011 to 22 November, 2011) is shown in table 3.33.

Table 3.33		
	Number of Application Received	Number of Applications Disposed of
In Dak	1842	0630
Online	2806	2299
Total	4648	2929

Table 3.34: Status of implementation as on 30 November, 2011 of Announcements made by Finance Minister in Budget Speech, 2011

S.No.	Para No.	Announcement	Status of Implementation
1.	22	As Hon'ble Members are aware, the Direct Taxes Code Bill was introduced in Parliament in August 2010. After receiving the report of the Standing Committee, we shall be able to finalize the Code for its enactment during 2011-2012. This has been a pioneering effort in participative legislation. The Code is proposed to be effective from 1 April, 2012 to allow taxpayers, practitioners and administrators to fully understand the legislation and adjust to the revised procedures.	The DTC Bill is with Standing Committee on Finance and is under process.
2.	87	During the year, we have concluded discussions for 11 Tax Information Exchange Agreements (TIEAS) and 13 new Double Taxation Avoidance Agreements (DTAAs) along with revision of Provisions of 10 existing DTAAs. To effectively handle the increase in tax information exchange and transfer pricing issues, Foreign Tax Division of CBDT has been strengthened. A dedicated Cell for exchange of information is being set up to work on this agenda.	A software application to be used by the dedicated cell to effectively handle the increase in tax information exchange and transfer pricing issues has been developed. The steps for setting up the dedicated cell in the Department of Revenue are being taken.
3.	89	The Ministry of Finance has commissioned a study on unaccounted income and wealth held within and outside our country. It would suggest methods to tax and repatriate this illicit money	MoU has been signed on 21 March, 2011 between CBDT and three institutions namely National Institute of Public Finance and Policy, National Institute of Financial Management & National Council of Applied Economic Research for carrying out a study on unaccounted income and wealth held within and outside our country. The Study will be completed within a period of 18 months from the date of MoU.
4.	121	IT Initiatives The backbone of an efficient tax administration is a robust IT infrastructure and its deployment for enhanced taxpayer services. Towards this objective, both the Central Boards of Direct Taxes (CBDT) and Excise and Customs (CBEC) have put in place the following measures :-	

S.No.	Para No.	Announcement	Status of Implementation
		The on-line preparation and e-filing of income tax returns, e-payment of taxes through 32 agency banks, ECS facility for electronic clearing of refunds directly in taxpayers' Bank accounts and electronic filing of TDS returns are now available throughout the country. These measures have empowered taxpayers to meet their tax obligations without visiting an income tax office.·	It is just a statement. No action is required
		The Centralized Processing Centre (CPC) at Bengaluru has increased its daily processing capacity from 20,000 to 1.5 lakh returns in 2010-2011. This project has won a Gold Award for e-Governance in 2011. Two more CPCs will become operational in Manesar and Pune by May 2011 and a fourth CPC will come up in Kolkata in 2011-2012.	No bids were earlier received for the CPC Manesar & Pune. Therefore, a meeting was held with the persons who bought the Tender documents. The main reason for non submission of bids as found out during these meetings was that bidders apprehend that there will be a decline in the volume of paper returns filed with the department. Further, the staff unions have been resisting the processing of paper returns in CPC/ RPCs. Based upon the feedback, the retendering was done. Three bids were received on 21 November, 2011. Technical Evaluation Committee is examining these bids. If the bids are found valid, the RPCs at Pune and Manesar could then be set up in six months from the date of award of contract. The tendering for RPC Kolkata can be initiated only after completion of tendering process for RPCs at Pune & Manesar. A provision has been made in the RFP of Pune & Manesar for setting up RPC at Kolkata. CCIT, Kolkata has also been informed to do preliminary work of identifying the space
		The 'Sevottam' concept has been adopted by both Boards. The three pilot projects of Aayakar Seva Kendras (ASKs) under CBDT have come of age. CBDT will commission eight more such centres this year. In 2011-2012, another fifty ASKs will be set up across the country. CBEC has also launched a similar initiative and four of their pilot projects have been commissioned.	60 locations have been identified and Financial Sanction for creating infrastructure at these locations has been obtained and communicated to respective CCsIT. The work of setting up ASK is decentralized and the local Chief Commissioners are in the process of setting up of ASKs. They have also been provided the Standardized design on the basis of prototype developed at earlier locations. It is expected that the 50ASKs as announced by the F.M. shall be made operational during the year.
		The electronic filing of Tax Deduction at Source (TDS) statements has stabilized. The Board shall soon notify a category of salaried taxpayers who will not be required to file a return of income as their tax liability has been discharged by their employer through deduction at source.	Notification for exempting a category of salaried tax payers from filing of the income tax return has been issued vides Notification No. 36/2011 dated 23 June, 2011.
		CBDT will provide a separate web-based facility to enable a direct, stand-alone interface for taxpayers with the Income Tax Department so that they can report and track the resolution of their refunds and credit for prepaid taxes.	Refund and Tax Credit Track and Resolution Facility The feasibility of hosting the facility on existing e-filing server and Income Tax website were explored and both these options were not found feasible for the time

S.No.	Para No.	Announcement	Status of Implementation
			being. Therefore, the matter was discussed with NIC for developing and hosting of RT-TRF on NIC Data Centre through a fresh contract. The NIC has not submitted the Techno Commercial Proposal in spite of reminders. However, now the NSDL has been asked to develop the functionality. The scope of work and the commercials involved are being worked out. The backend processes shall be firmed up once the formats are finalized with NSDL.
5.	125	I propose to introduce a new simplified return form 'Sugam' to reduce the compliance burden of small taxpayers who fall within the scope of presumptive taxation.	A new simplified return form SUGAM has been notified vide Notification No.18/2011/F.No.142/02/2011-TPL dated 5 April, 2011 and the same is available for use by the small taxpayers who fall within the scope of the presumptive taxation.
6.	144	To attract foreign funds for financing of infrastructure, I propose to: Create special vehicles in the form of notified infrastructure debt funds; Subject interest payment on the borrowings of these funds to a reduced withholding tax rate of 5 per cent instead of the current rate of 20 per cent; Exempt the income of the fund from tax.	Finance Act, 2011 has inserted a new sub-section 10(47) in the Income-tax Act, 1961 which provides income of infrastructure debt fund set up in accordance with the prescribed guidelines shall be exempt from taxation. Further, withholding rate of 5% and exemption for the income of the fund has also been incorporated in the Act. The effective date of the newly inserted section is from 1 June, 2011. The Department of Economic Affairs (DEA) is in the process of finalizing the suitable structure for the proposed infrastructure debt fund. Once it is finalized the guidelines for infrastructure debt fund will be notified by Department of Revenue.
7.	147	In order to give boost to production in the agriculture sector, I propose to extend the benefit of investment linked deduction to businesses engaged in the production of fertilizers.	Finance Act, 2011 has amended section 35AD of the IT Act to include the specified business of production of fertilizers in India for the purpose of investment-linked deduction.
8.	148	Considering the importance of housing, I also propose investment linked deduction to businesses which develop affordable housing under a notified scheme.	The guidelines are being framed after consultation with the Housing Ministry
9.	149	In this Decade of Innovation, I enhanced the weighted deduction on payments made to National Laboratories, Universities and Institutes of Technology for scientific research to 175 per cent in the last budget. I propose to further enhance this to 200 per cent.	Weighted deduction on payments made to National Laboratories, Universities and Institutes of Technologies for scientific research has been enhanced to 200 percent by the Finance Act, 2011 with effect from 1 April, 2012.
10.	150	In order to strengthen our system of collection of information from foreign tax jurisdictions, I propose to provide a toolbox of counter measures to discourage transactions with entities located in non-cooperative jurisdictions as may be notified by the Government.	Finance Act, 2011 has inserted a new section 94A in the IT Act to provide toolbox of counter measures to discourage the transactions with entities located in non-cooperative jurisdiction.

5. Narcotics Control Division

5.1 National Policy on Narcotic Drugs and Psychotropic Substances

There are four broad aspects of narcotic drugs and psychotropic substances:

(i) Administration of the NDPS Act and Rules framed there under,

(ii) Legal production, manufacturing, trade and use of narcotic drugs and psychotropic substances for medical and scientific uses,

(iii) Drug (Illicit) supply reduction, and

(iv) Drug (Illicit) demand reduction.

In India, these four aspects are handled by different ministries and organisations in the Government of India as well as by the State Governments. In order to have uniformity of approach and coordinated action by all Central and State Government Ministries/Departments/Organisations in the matter, Government announced a 'National Policy on Narcotic Drugs and Psychotropic Substances' covering all four dimensions of the subject mentioned above. The salient features of the 'National Policy on Narcotic Drugs and Psychotropic Substances' are as under:

(i) Regarding licit poppy cultivation in the country, while the policy recommends its continuance for medical and scientific purposes, it also provides for simultaneous cultivation of poppy for extraction of alkaloids through the alternate route – the Concentrate of Poppy Straw (CPS) route, in which the poppy capsule is not lanced and opium is not produced. The CPS route is more efficient method of extraction of alkaloids from the poppy crop and is also less prone to diversion.

(ii) The cultivation of the poppy crop only for production of seeds will also be permitted when established and tested methods to distinguish the plants used only for production of seeds, from the ones producing opium, become available.

(iii) There will be a time bound reduction in the use of poppy straw by addicts, in view of the recommendation of an Expert Committee, as per which the provision of poppy straw to addicts is not a medical necessity.

(iv) On the illicit cultivation of poppy and cannabis, there will be emphasis on the use of satellite imageries for detection of illicit crop and its subsequent eradication. Further, recognizing the multi-dimensional nature of the problem, development of alternate means of livelihood in respect of cultivators in pockets of traditional illicit cultivation will be encouraged.

(v) The private sector will be involved in production of alkaloids of opium, to augment the domestic production of alkaloids, presently carried out by the two Government Opium and Alkaloid Factories located at Ghazipur and Neemuch.

(vi) Government will introduce non-intrusive methods of regulating such psychotropic substances through an online system to provide for better monitoring, control, collection of statistics and submission of timely reports to international agencies as part of the country's obligation under the 1971 UN Convention, in respect of psychotropic substances.

(vii) Adequate access of morphine and other opioids for pain and palliative care will be endeavoured by simplification of rules by the State Governments pertaining to sale, purchase, possession etc. of morphine and other opioids, inclusion of courses on palliative care in the curriculum of undergraduate medical students, as also establishment of at least two palliative care centres in each District, where hassle free supply of morphine and other opioids, shall be ensured by the State Governments.

(viii) The issue of street peddlers of drugs will be addressed by increasing public awareness about the potential harm street peddlers can do to the society and the need to report peddlers to police by active involvement of NGOs, resident welfare societies, etc.

(ix) To curb the spread of drug abuse among prison inmates, the policy underscores the need for registration of addicts within prisons and their compulsory de-addiction as also inclusion of tests for drug abuse in the medical checkup of prisoners.

(x) Periodic surveys of drug abuse will be conducted to gauge the extent, pattern and nature of drug abuse in the country.

(xi) A system will be introduced for 'recognition' of privately run de-addiction centres, after laying down standards and guidelines to be followed by them, where addicts volunteering for treatment can be given immunity from prosecution as per provisions of the NDPS Act, 1985.

(xii) The National Policy provides for a uniform approach towards treatment of patients of drug abuse. On this subject, different Ministries in the past have been following different approaches leading to a lack of clear-cut and consistent stand of the country in international fora. The policy aims to set at rest this divergent approach and provides for adoption of the Opioid substitution approach for treatment of addicts in the country.

(xiii) Based on the recommendations of the International Narcotics Control Board (INCB) given pursuant to its mission to India, a time bound plan of action, detailing the steps to be taken by different Ministries/ Departments/Agencies, in response to the INCB's recommendations has also been included.

5.2 Functions/Working of the Central Bureau of Narcotics (CBN)

5.2.1 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.

5.2.2 Control Oover 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 provision of Narcotics Drugs & Psychotropic Substances Act, 1985.

Narcotics Drugs & Psychotropic Substances can only be exported out of India/imported into India under an export authorization/import certificate issued by the Narcotics Commissioner (Rule 58 and Rule 55 of the Narcotics Drugs & Psychotropic Substances Rules 1985). CBN is also assigned the responsibility for issue of registration for import of poppy seed.

CBN is also designated authority for control of import and export of specified precursor chemicals. As per EXIM Policy, 'No Objection Certificate' (NOC) is required from Narcotics Commissioner for export of Acetic Anhydride, Ephedrine, Pseudo-Ephedrine, 3-4 Methylene Dioxyphenyl 2-propanone, 1-Phenyl 2-Propanone, Methyl Ethyl Ketone, Anthralic Acid and Potassium Permanganate. Also under the EXIM policy, the import of Acetic Anhydride, Ephedrine and Pseudo-Ephedrine requires 'NOC' from the Narcotics Commissioner.

Central Bureau of Narcotics is also exercising administrative control over import of Heliotropin (Piperonol), Ergometrine Maleate/ Methy Ergometrine Maleate, Ergotamine Tartrate and Norephedrine (Bulk).

Central Bureau of Narcotics also issues manufacturing licence/renews the manufacturing licence for manufacture of synthetic narcotic drugs & issues no objection certificate for export of Ketamine.

5.2.3 Achievements

(i) The performance/achievement with respect to issuance of NOC's issued by Central Bureau of Narcotics during the year 2010-11 (from 1 April, 2010 to 31 March, 2011) and for the period from 1 April, 2011 to 30 November, 2011 for the export/import of Precursor chemical are shown in table 3.35.

(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 transactions. CBN had issued 1,416 PEN's (During the year 2010-2011) and 852 PENs during the period from 1 April, 2011 to 30 November, 2011) to the Competent Authority 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 has identified and stopped many suspicious transactions of Precursor Chemicals suspected to be diverted from the licit channels to illicit channels during the year under report.

(iii) The performance/achievement with respect to issuance 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 is shown in table 3.36.

(iv) 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 shown in table 3.37.

(v) The procedure of allocation of quota of narcotic drugs has been changed from the year 2010. The Narcotics Commissioner, Central Bureau of Narcotics (CBN), Gwalior is the designated authority 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 2011 are shown in table 3.38.

(vi) The following Policy initiatives have been taken during the reporting period:

(a) Security measures concerning import and export documents issued by Central Bureau of Narcotics, Gwalior:

The Government of India has implemented the Commission on Narcotic Drugs (CND)

Table 3.35

	From 1 April 2010 to 31 March, 2011	From 1 April, 2011 to 30 November, 2011
No. of NOCs issued for export of Precursor Chemicals	1460	907
No. of NOCs issued for import of Precursor Chemicals	137	74

Table 3.36				
	Psychotropic Substances		Narcotic Drugs	
	2010-2011	2011-2012	2010-2011	2011-2012
No. of Export Authorization Issued	2008	1702*	173	111
No. of Import Certificate issued	139	134*	75	94

* The number of export/import includes the figure relating to Ketamine which has been declared as Psychotropic Substance w.e.f. 10 February, 2011.

Table 3.37			
No. of Registration certificates issued in Poppy seeds		No. of Manufacturing licence issued in calendar year wise	
2010-2011	**2011-2012 (till 15 January, 2012)**	**2010**	**2011**
313	343	20	25

Table 3.38			
S.No.	Name of Narcotic Drugs	No. of Companies to whom Quota has been Allocated during 2011	Total Quantity Allocated (in Kg.)
1.	Codeine	175	68,577
2.	Dextropropoxyphene	46	176,199
3.	Diphenoxylate	21	22,994
4.	Ethylmorphine	6	527
5.	Fentanyl	16	2.5207
6.	Medicinal Opium	52	4085.5
7.	Morphine	20	280
8.	Oxycodone	4	13.52
9.	Pethidine	6	171.39
10.	Pholcodone	10	295
11.	Thebaine	7	891
12.	Dihydrocodine	1	733
13.	Hydrocodone	2	0.477
14.	Methadone	1	4.5
Total	**14 Drugs**	**367**	

* Data maintained calendar year wise for INCB reports.

Resolution 50/7 titled "Strengthening the security of import and export documents relating to controlled substances". Now for import and export of narcotic drugs and psychotropic substances and precursor chemicals, Import Certificate, Export Authorisation and No Objection Certificate (NOC) are printed on secured paper incorporating security features. Besides, the critical document needed for allocation of quota of narcotic drugs is generated on special paper with certain security features invisible to naked eye. These security papers have distinguishing colours for different activities so as to differentiate and identify the document easily.

(b) Declaration of Ketamine, a Psychotropic Substance under the NDPS Act, 1985.

Presently, Ketamine is not controlled under the three international Conventions 1961, 1971 and 1988 on drugs. However, considering the wide spread misuse of Ketamine, the Commission on Narcotic Drugs (CND) has passed a resolution 49/6 titled "Listing of ketamine as a controlled substance" and requested the countries to consider controlling the use of ketamine by placing it on the list of substances controlled under their national legislation, where the domestic situation so required.

The Govt. of India acting on reports of misuse and smuggling activities in Ketamine from India to other countries in the region, has declared Ketamine as psychotropic substance vide Gazette notification S.O. 311 (E) dated 10 February, 2011, whereby violation relating to Ketamine will amount to an offence and attract punishment under the NDPS Act, 1985.

(vii) Details of seizure cases effected by CBN financial year 2011-12 (up to 15 December, 2011) is shown in table 3.39.

(viii) Destruction of illicit poppy crop in 2011-2012

Table 3.39

Name of Drug	Details of Seizure	
Opium	Qty. (in kgs.)	5.061
	No. of cases	6
	Persons Arrested	8
Heroin	Qty. (in kgs.)	1.1
	No. of cases	1
	Persons Arrested	2
Methaqualone	Qty. (in kgs.)	0.3
	No. of cases	1
	Persons Arrested	1
Ephedrine	Qty. (in kgs.)	0.004
	No. of cases	-
	Persons Arrested	-
Poppy Husk	Qty. (in kgs.)	323.84
	No. of cases	-
	Persons Arrested	-
Illicit Poppy Cultivation		
	State	**Area (in Hect)**
	Arunachal Pradesh	0.400
	West Bengal	1390.600
	Uttarakhand	320.500
	Kullu (H.P.)	1.000

The officers of the Central Bureau of Narcotics were deputed to conduct verification and destruction of illicit poppy cultivation on the basis of satellite imagery and intelligence received by the CBN in the states of Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Uttarakhand and West Bengal.

While conducting survey officers spotted illicit poppy cultivation in West Bengal and Uttarkhand states while in Arunachal Pradesh and Himachal Pradesh no significant poppy cultivation was found. The illicit poppy crop destroyed by the CBN officers in these states in indicated in table 3.40.

5.2.4 Cultivation of Opium Poppy and Production of Opium during the Year 2010-2011.

During the crop year 2010-2011, 1014 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 2010-2011 was 62.75, 60.33 and 33.48 kgs./hectare (provisional) respectively. The All India average yield during 2010-2011 was 61.40 kgs./hectare at 70 degree consistence (provisional). The figures related to opium cultivation are provisional as final reports from factories for the crop year 2010-11 are awaited. The figures are for 2010-2011 as the crop cycle for the cultivation of opium is October to September next year. For the crop year 2011-2012, Settlement Operation has been completed during the month of October 2011 and consequently 48,857 licenses have been issued.

5.2.5 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 year 2011, several significant seizures of NDPS were effected by Central Bureau of Narcotics:

(1) On the basis of secret information, a joint preventive party of the District Opium Officer, Chittorgarh-I and III and Bhilwara, detected and destroyed illicit cultivation of opium poppy measuring a total of 72 ares in Village Umaria, Revenue village Bhanpa, Tehsil Dungla, Chittorgarh (Rajasthan) on 22 February, 2011. Two persons were arrested on the spot.

(2) A preventive party of CBN, Gwalior effected a seizure of 1,486 illcit opium Poppy plants and 105 Cannabis plants on 25 February, 2011 at Village Naperi, PS and Tehsil Kailaras, District Morena (M.P.) Four persons were arrested in this case.

(3) During the course of regular checking, a preventive party of P&I Cell, Singoli effected a seizure of 7.700 kgs. of Opium on 6 March, 2011 at Jawad, near Morwan Road, Distt. Neemuch (M.P.). Two persons were arrested under Section 8/18 of NDPS Act, 1985. An unnumbered Alto Car was seized.

(4) On the basis of a secret information, a preventive party of CBN, Garoth effected a seizure of 51 kgs. of Opium on 24 March, 2011 at Bhadaka Tiraha, Village Kundala, P.S. Chaumahla, Distt. Jhalawar (Rajasthan). Three persons were arrested and, one Sonalika Tractor and a motorcycle were seized in the case.

(5) During the course of general checking, a preventive party of CBN, Kota effected a seizure of 6,440 kgs. of Poppy Straw powder being transported in a truck near Panchawati Hotel, Jagpura, Jhalawar road, Kota (Rajasthan). Two persons were arrested on the spot on 30 March, 2011 and the said truck was seized.

(6) During the course of general checking, a special squad of O/o DNC, Neemuch alongwith a sniffer Dog and Dog handler intercepted a Hero Honda Motorcycle at Jawad phanta, Tehsil and Distt. Neemuch (M.P.) on 1 April, 2011 and recovered 0.500 kgs of opium. One person was arrested in this case under the relevant provisions of the NDPS Act, 1985. During follow-up action, lanced Opium capsule weighing 323.840 kgs was seized from a residential premises.

(7) On the basis of a secret information, a preventive party of DNC, Kota intercepted two persons on 7 April, 2011 at Gobaria Baudi, Kota and recovered 1.100 kgs of Heroin and arrested them.

(8) During the course of general checking, a preventive party of DNC(O), Kota (Rajasthan) intercepted one person traveling in a roadways bus plying between Jhalawar to Kota. Two sachets of white powder were recovered from his search which on testing were found to be 0.300 kgs of Methaquolone and 0.004 kgs of Ephedrine. The said person was arrested under relevant provisions of the NDPS Act, 1985.

A total of 321.90 hectares of illicit Poppy cultivation was destroyed by CBN during the current financial year. The relevant statistical details of seizures booked by CBN during the financial year 2010-11 and 2011-12 (upto 15 December, 2011) is enclosed herewith as **Annexure-"A".**

5.2.6 Other highlights of performance and achievements during the year 2011-12

(i) Celebration of World Drug Day, 2011 by Central Bureau of Narcotics

Table 3.40

Uttarakhand (Uttarkashi District)	320.5 hectares	May 2011
Himachal Pradesh (Kullu District)	1.0 hectares	May 2011
Arunachal Pradesh	0.4 hectares	May 2011

Table 3.41: Number of Persons Convicted/Acquitted in CBN Cases Decided by Various Court during the Financial Year 2011-2012				
Financial year	Total no. of Persons who were Facing Prosecution	Total no. of Persons Convicted	Total no. of Persons Acquitted	Conviction Rate (%)
2011-12	65	36	29	55.4%

Table 3.42: Number of Cases Convicted/Acquitted of CBN Decided by Various Court during the Financial Year 2011-2012				
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 (%)
2011-12	36	26	10	72.2%

On the occasion of the International Day against Drug Abuse and Trafficking, Central Bureau of Narcotics organized a series of events from 26 June, 2011 to 30 June, 2011. The following events were organized:

Motor Cycle Rally: A Motor Cycle Rally was organised on 26 June, 2011. The staff members distributed attractive stickers on drug abuse to the Taxi drivers, Autorikshaw drivers and General Public throughout the city with a view to raise awareness among general public. Stickers were also pasted at prominent places of the city.

Tree plantation: Tree plantation was organised at the Headquarters on 26 June, 2011. Narcotics Commissioner, Dy. Narcotics Commissioner and other Officers and staff planted trees in the office premises.

Signature Campaign: For raising awareness of the masses regarding the growing menace of drug abuse, a Signature Campaign was organized at Deendayal City Mall, Gwalior on 26 June, 2011. The Signature Campaign attracted an overwhelming response from the general public. The general public was invited to give their messages on the menace of drug abuse.

Health Check- up camps: Health Check-up camp for officers and staff members was organized on 27 June, 2011. A team of doctors from Kalyan Memorial & KDJ Hospital, Gwalior were invited for conducting the health checkup camp

Voluntary Blood Donation Camp: Voluntary Blood Donation was organized on 28 June, 2011. Doctors from Indian Red Cross Society, Gwalior were invited to conduct to blood donation camp. Officers and Staff members have come forth and voluntarily donated blood;

Slogan and Poem writing competition: Entries were invited for Slogan and Poem writing competition through leading News Paper and Media. Entries received were scrutined by an Expert Panel and rewards were distributed to the winners of the Slogan and Poem writing competition.

(ii) **Anti-Drug Marathon:** Daudega Gwalior on 22 October, 2011

The Dineshnandini Ramkrishna Dalmia Foundation and Varishth Nagrik Seva Sansthan in association with the Central Bureau of Narcotics, Gwalior organised Anti-Drug Marathon in Gwalior on 22 October, 2011. The Marathon was organised with a view spread awareness to youth and children and other member of society about the dangers of drug abuse.

The Marathon was flagged off by the Hon'ble Union Minister of State for Commerce and Industry Shri Jyotiraditya M. Scindia and Shri Raj Babbar, Member of Parliament. The Marathon started at 7:00 AM from the office of Central Bureau of Narcotics in Morar, Gwalior and ended at LNIP Physical College, Gwalior. About 20,000 participants from various institutions, local bodies, schools participated in the Gwalior Marathon.

(iii) Hosting of two international meetings

(a) Second Paris Pact Expert Working Group meeting on Precursors held in New Delhi during 14-15 November, 2011

The Central Bureau of Narcotics (CBN) on behalf of the Government of India hosted the 2nd Paris Pact Expert Working Group meeting on Precursors at New Delhi during 14-15 November, 2011. The Conference was organized jointly by CBN and the United Nations Office on Drugs and Crime (UNODC), Vienna, Austria. About 60 participants from different countries, observers of States, specialist of intergovernmental organisations attended the meeting. The Hon'ble Minister of State (Revenue) Shri S. S. Palanimanickam inaugurated the meeting on 14 November, 2011 at New Delhi.

(b) 35th meeting of Heads of National Drug Law Enforcement Agencies (HONLEA) Asia and the Pacific held at Agra during 22-25 November, 2011

The Central Bureau of Narcotics (CBN) on behalf of the Government of India hosted the 35th meeting of Heads of National Drug Law Enforcement Agencies (HONLEA) Asia and the Pacific held at Agra (Uttar Pradesh) during 22-25 November, 2011. The Conference was organized jointly by CBN and the United Nations Office on Drugs and Crime (UNODC), Vienna, Austria. About 84 participants from different countries, observers of States, specialist of intergovernmental organisations attended the meeting. Shri R. S. Gujral, Finance Secretary and Secretary (Revenue), Govt. of India inaugurated the meeting on 22 November, 2011 at Agra.

5.3 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.

5.4 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.

5.5 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 Sahi Ram Meena, Deputy Narcotics Commissioner, Neemuch has been appointed as a Liaison Officer to look after the interest, representation and welfare of ST/ST/OBC employees.

5.6 Implementation of the Judgment/Orders of the CAT

The information is shown in table 3.43.

5.7 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.

5.8 E-Governance Activities

As regards, E-Governance activities, it is stated that various

Table 3.43

S.No.	OA No. Name & Subject	Judgment of Case	Status of Implementation
1.	O.A. No. 732/2011- Subhasini Chaudhary Vs. UOI filed before Hon'ble CAT, Allahabad. (F.No. 8/6/Estt./2011)	The Operative Part of the case is as under : The case of the applicant will be kept open till it comes up for consideration on merit. A waitlist of applicant be published in the order of date of application and be provided to the applicant and also display on the office notice board. As and when the case of the applicant is considered a reasoned and speaking order disclosing full proceeding and result of the selection process will be declared for all interested applicants to see. The selection process has to be as per rule and based on objective parameters. **The case was decided on 1 June, 2011**	Draft W.P. and application to stay have been sent to DNC, Lucknow for filling before Hon'ble High Court, Allahabad against the CAT Order dated 01-06-2011.

instructions of the Government on issue of e-governance are noted for compliance and necessary action. Use of CCTV's at Settlement and weighment centers was also successfully carried out.

Computers have been provided, all most, in each section and have been interconnected through Network. All urgent reports or replies to the references received from the Ministry are forwarded to the Ministry of Finance, New Delhi through e-mail as far as possible.

The Central Bureau of Narcotics web site has been updated and all the application forms for issue of export/import authorization for export/import of psychotropic substances/ precursor chemicals and controlled substances can be downloaded from the CBN website: www.cbn.nic.in.

Annexure A: Seizure cases effected by CBN financial year 2010-2011 & 2011-2012 (upto 15 December, 2011)

Name of Drug		2010-2011	2011-2012 (upto 15 Dcember, 2011)
Opium	Quantity (in kgs.)	116.67	5.061
	No. of cases	15	6
	Persons Arrested	31	8
Heroin	Quantity (in kgs.)	0.96	1.1
	No. of cases	2	1
	Persons Arrested	2	1
Acetic Anhydride	Quantity (in ltrs.)	54	-
	No. of cases	0	-
	Persons Arrested	0	-
Methaqualone	Quantity (in kgs.)	-	0.3
	No. of cases	-	1
	Persons Arrested	-	1
Ephedrine	Quantity (in kgs.)	-	0.004
	No. of cases	-	-
	Persons Arrested	-	-
Poppy Husk	Quantity (in kgs.)	10570.54	323.84
	No. of cases	2	-
	Persons Arrested	7	-
P.H.Powder		91.24	-
Illicit Poppy Cultn.	Area (in Hect)		
	Arunachal Pradesh	-	0.400 hectares
	West Bengal	1390.6	1390.600 hectares
	Uttarakhand	144.5	320.500 hectares
	Kullu(H.P.)	13.25	1.000 hectares
Canabis	Kullu(H.P.) & J&K	-	-
	Destruction of poppy cultivation	72 Ares	-
	case	4	-
	Persons Arrested	2	-
Cultivation (in poppy cultivation in Arunachal Destruction of illicit Poppy growing areas)	Hqrs.	1486 Opium Plants and 105 plants Cannabis	
	Case	1	
	Persons Arrested	4	

5.9 Government Opium and Alkaloid Works (GOAW)

5.9.1 Chief Controller of Factories

The Government Opium & Alkaloid Works (GOAWs) 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 GOAWs 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 Organization 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 pharmacoepial grades to meet the domestic demand of the pharmaceutical industry. The GOAWs have employed a total work force of about 1400 people at its two opium and alkaloid plants. The work force comprises of officials and staff drawn from the Central Board of Excise and Customs, Central Bureau of Narcotics, Central Revenues Control Laboratory, apart from personnel selected by the Union Public Services Commission directly. The security aspects of these factories are looked after by Central Industrial Security Force (CISF), a paramilitary force of the Ministry of Home Affairs.

The overall performance/ achievements for the previous year (2010-2011) are shown in table 3.44.

Table 3.44

Government Opium and Alkaloid Factories (GOAF)

Performance of Goaf for the Year 2010-2011

S.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	460	415	- 10
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KGS.	400	151	- 62
	b) Morphine Sulphate	KGS.	300	322	7
	c) Codeine phosphate (I.P.)	KGS.	10733	15005	40
	d) Dionine	KGS.	500	198	-60
	e) Pure Thebaine	KGS.	717	829	16
	f) Noscapine BP	KGS	3500	3158	-10
	g) Pholcodine	KGS	250	171	- 32
	Total Finished Drugs	**KGS**	**16400**	**19834**	
	h) IMO Powder	KGS.	8000	8918	11
	i) IMO Cake	KGS.	2000	2045	2
	j) Papavarine S.R.	KGS		1713	
3.	i) C.P. Import for Domestic Market		25500		
	ii) Import for Vendor Specific				
	a) Codeine Phosphate U.S.P.	KGS.		11535	
	b) Codeine Phosphate (SEZ)	KGS		1730	
	Total (ii)			**13265**	

B. Provisional Sales

S.No.	Particulars	Qty. Kgs.	Sales ₹ Crore
(1)	(2)	(3)	(4)
1	Export of opium at 90ºC	**392159**	**125.32**
2	Domestic Sale of Drugs :		
	a) Codeine Sulphate	186	0.86
	b) Morphine salts	253	1.26
	c) Codeine Phosphate (I.P. + import)	33625	110.96
	d) Dionine	299	1.61
	e) Pure Thebaine	489	2.08
	f) Noscapine B.P.	1923	6.73
	g) Papavarine S.R.	1200	0.25
	h) Pholcodine	125	0.57
	i) IMO Powder	7846	3.53
	j) IMO Cake	2438	1.01
	Total	**48384**	**128.86**
3	Sale of Imported Drugs (Vendor Specific)		
	a) Codeine Phosphate U.S.P.	11535	28.28
	b) Codeine Phosphate (SEZ)	1730	3.44
	Total (a+b)	**13265**	**31.72**
	Grand Total (1+2+3)	**453808**	**285.90**

C. Provisional Sales (Qty. in MTS)

Unit	USA	Iran	France	Japan	Total
Ghazipur	0	0	0.795	132.101	132.896
Neemuch	241.655	17.608	0	0	259.263
Total	**241.655**	**17.608**	**0.795**	**132.101**	**392.159**

D. OPIUM CHARGED FOR PRODUCTION OF DRUGS: (Qty. in MTS at 90° C)

149.382

E. REVENUE RECEIPTS (ON REALISATION BASIS) (₹ in crores)

Unit	Opium Factories	Alkaloid Works	Total
Ghazipur	39.96	49.69	89.65
Neemuch	63.98	83.58	147.56
Total	**103.94**	**133.27**	**237.21**

Table 3.45: Achievements during the Period April to November of Current Year 2011-2012

Achievement of CCF Organisation

up to the Month of November 2011 with Comparative Data of Previous Year i.e. 2010 For the Similar Period

S.No.	Particulars	Unit	Actual Production up to November		Percentage Increase Over Previous Year
			2010	2011	
1	2	3	4	5	6
A.	**PRODUCTION**				
1	Drying of opium for Export at 90 C	MT	360	355	-1
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KGS.	122	118	-3
	b) Morphine salts	KGS.	-	-	0
	c) Codeine phosphate	KGS.	9127	9277	2
	d) Dionine	KGS.	60	68	13
	e) Pure Thebaine	KGS.	294	133	- 55
	f) Noscapine BP	KGS	2241	1896	-15
	g) Pholcodine	KGS	72	127	76
	h) Papavarine S.R.	KGS	902	1108	23
	i) IMO Powder	KGS.	5575	3975	88
	j) IMO Cake	KGS.	1260	2366	27
	Total Finished Drugs	**KGS**	**19653**	**19068**	
3.	i) Import for Domestic Market		6000	30000	400
	ii) Import for Vendor Specific				
	a)Codeine Phosphate U.S.P.	KGS.	9530	0	- 100
	b) Codeine Phosphate (SEZ)	KGS	0	0	0
	Total (ii)		**9530**	**9530**	

B. Provisional Sales

S.No.	Particulars	Qty. Kgs.	₹ Crore	Qty. Kgs.	₹ Crore
(1)	(2)	(3)	(4)	(5)	(6)
1	Export of opium on accrual basis	247317	(*) 95.72	269309	(*) 86.38
2	Domestic Sale of Drugs : (on actual basis)				
	a) Codeine Sulphate	113	0.52	116	0.54
	b) Morphine salts	105	0.53	118	0.46
	c) Codeine Phosphate (I.P. + import)	16378	54.05	44216	132.65
	d) Dionine	154	0.83	91	0.49
	e) Pure Thebaine	249	1.06	301	1.08
	f) Papavarine	600	0.12	1100	0.22
	g) Noscapine BP	849	2.97	2043	5.43

	h) Pholcodine	72	0.33	172	0.80
	i) IMO Powder	5224	2.50	3629	1.25
	j) IMO Cake	1723	0.70	2467	1.15
	Total	**25467**	**63.61**	**54253**	**144.07**
3	Import (Vendor Specific)				
	a) Codeine Phosphate U.S.P.	9530	22.16	0	0
	b) Cod. Phos. Hemihydrate	0	0	0	0
	c) Thebaine	0	0	0	0
	Total	**9530**	**22.16**	**0**	**0**
	Grand Total (1+2+3)	282314	181.49	323562	230.45

*** Provisional figures.**

C. Comparitive Country Wise Export of Opium (up to November of each Financial Year) (Qty. in MTS at 90C)

Unit	USA	France	Hungary	Japan	Iran	Total
2010-11						
Ghazipur	0	0	0	74	0	74
Neemuch	173	0	0	0	0	173
Total	**173**	**0**	**0**	**74**	**0**	**247**
2011-12						
Ghazipur	0	1	0	63	0	64
Neemuch	191	0	0	0	14	205
Total	**191**	**1**	**0**	**63**	**14**	**269**

D. Camparitive Revenue Receipt on Realisation Basis (upto November of each Financial Year) (₹ in Crore)

Unit		Opium Factories	Alkaloid Works	Total
2010-11				
Ghazipur		22.63	23.79	46.42
Neemuch	23.87	48.98	72.85	
Total	**46.50**	**72.77**	**119.27**	
2011-12				
Ghazipur	21.53	39.33	60.86	
Neemuch	71.26	104.52	175.78	
Total	**92.79**	**143.85**	**236.64**	

5.9.2 Development of North Eastern Region. The CCF organization including GOAWs are located in Uttar Pradesh, Madhya Pradesh and Delhi only and therefore, there is nothing to specify with regard to work done on the development of North Eastern region and Sikkim Project Schemes.

5.9.3 E-Governance Activities: The Organization of Chief Controller of Factories has launched its own website which contains complete information about the organization, its activities, contact details, etc. All tenders for procurement of material and services are timely loaded in the website for information and participation of the manufacturers/suppliers. The organization has also arranged to display various information pertaining to production of drugs, sale of drugs, etc. through internet. Placing of various other information for information of the concerned authorities have also been taken up and likely to be provided soon through internet.

5.9.4 Grievances Redressal Machinery: Public Grievances in the CCF's Organization are dealt promptly. The labour grievances are also dealt with expeditiously and the relations between the Management & workers during this period was harmonious and cordial.

5.9.5 Gender Budgeting/Empowerment of Women: Equal opportunity/status is enjoyed by women in CCF organization and Group "A" post is held by a woman and in the case of gender bias/harassment reported if any, it is ensured that appropriate action is taken against the erring official.

5.9.6 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 Director Generals, Joint Secretary (COFEPOSA), Assistant Director Generals, 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 67.

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 implements 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.

6.1.6 The Government constituted a Committee to review the role, functions and structure of the Central Economic Intelligence Bureau. The Committee after conducting its proceedings during the period April-June 2011 submitted its report to Hon'ble Finance Minister in the first week of July 2011. The recommendations of the Committee on the organization, functioning and role of CEIB have been examined by the DoR and action for implementation by CEIB is underway.

6.2 Major Activities Undertaken by the Bureau during the Current Financial Year (April-November 2011-12) are as follows:

6.2.1 Meeting of the working Group on Intelligence Apparatus chaired by the Revenue Secretary was organized and held on 20 May, 2011 preparatory to the meeting of EIC. Meeting of EIC under the chairmanship of Hon'ble Finance Minister was organized and held on 22 June, 2011, 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 All India Conference of Regional Economic Intelligence Councils (REICs) Conveners was held on 29 April, 2011 to discuss the problem and current economic issues common to all REIC's and to co-ordinate inter REIC activities. A handbook was also brought out on the functioning of REICs wherein all the guidelines and information relevant for the functional and operational requirements of REICs have been incorporated.

6.2.3 The Head of Agencies (HOA) 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 other cases with inter agency ramifications, for joint and /or coordinated action. The HOA in DOR met four times. The following issues were discussed/monitored at these meetings:

a. Trend Assessment Reports.

b. Trends in Customs, Central Excise, Income Tax, Hawala and FICN

c. In addition to sharing information on trends in Economic Offences, it was also decided that all Agencies would identify cases having inter agency ramifications and share this information with the concerned Agency.

d. Cases of multi-agency ramifications were also discussed in the meeting.

6.2.4 The Group on Economic Intelligence (GEI) provides a co-ordination platform for sharing of intelligence between 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 Intelligence and Enforcement Agencies for further action. During the current year, 36 intelligence inputs were shared among the Member Agencies through the Bureau. The inputs covered various fields such as smuggling of; FICN, Drugs, Hawala networks, receipt of foreign funds from suspect sources, violation of MTSS guidelines.

6.2.5 Other issues discussed/ monitored under the GEI were

i) Information on important 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. **Multi Level Marketing Scheme**: There has been growing concern regarding proliferation of the money circulation schemes in the guise of multilevel marketing schemes. The wide spread of such schemes (both licit and fraudulent) make it difficult to regulate it through setting up of an Authority and the need would be to take effective preventive action by the Police and State Govt authorities at the earliest possible stage. Conveners of the REICs have been sensitized and advised to, in turn sensitize the members on the issue particularly the Police Authorities.

The matter was also discussed in the EIC meeting dated 22 June, 2011. The Council was informed that the recommendations of the IMG have been approved by the Government with the modification that State Governments and Police Authorities empowered to act under Prize Chits and Money Circulation Schemes (Banning) Act, 1978 be asked to examine the schemes and take appropriate action. The CEIB has written to the concerned Ministries and State Governments for appropriate action.

B. **Rigging of equity Capital:** An Inter Ministerial Group (IMG) was constituted in the Bureau as per the directions of the Economic Intelligence Council (EIC) to study the issue of manipulation and rigging of the equity capital by promoters of several companies. The group comprised of representatives from Central Bureau of Investigation (CBI), Intelligence Bureau (IB), Serious Frauds Investigation Office (SFIO), Reserve Bank of India (RBI), Securities & Exchange Board of India (SEBI), Central Board of Direct Taxes (CBDT) and Financial Intelligence Unit (FIU).

The group met on several occasions and finalized a draft report giving certain recommendations to counter the menace of manipulation and rigging of equity capital. The draft report was circulated among all the member agencies of the group soliciting their response to the various recommendations. The agencies furnished their comments generally agreeing with the recommendations of the Group. Approval of the Competent Authority was thereafter taken and the recommendations were sent to the concerned agencies for taking appropriate action.

C. **Street Financing:** The issue of 'street financing' was taken up for examination at the fora of GEI (Group on Economic Intelligence) and several Regional Economic Intelligence Councils (REIC), wherein it was observed that Bank Drafts of less than ₹ 50,000 were being endorsed by successive users and used as cash in the market, creating a parallel Banking System. Street financing not only facilitated money laundering but also tax evasion by creation of bogus bills.

A core group comprising of representatives from Central Board of Direct Taxes, Financial Intelligence Unit-India, Enforcement Directorate, Narcotics Control Bureau, Reserve Bank of India & Central Economic Intelligence Bureau, was accordingly constituted to examine the legal and financial implications of Draft & Cheque Discounting.

After detailed deliberations in successive meetings, the Draft Report incorporating the suggestions by the constituent members of the core group was finalized.

The report of the IMG was submitted to the Government and after approval, the recommendations of the IMG were circulated to the concerned agencies for implementation.

Thereafter, RBI has since informed that they have taken following actions based on the recommendations of the IMG:

i. Validity period the cheques and draft have been reduced from six months to three months with effect from 1 April, 2012.

ii. All the demand drafts of ₹ 20,000 and above are to be issued invariably with account payee crossing.

iii. Fresh circular has been issued reiterating RBI's earlier instructions regarding collection of account payee cheques and prohibitions on creating proceeds to their party accounts.

D. **Money Transfer Service Scheme:** A Sub-Group consisting of Officers from IB, RBI, FIU-IND, DRI and ED is studying the issue and concerns related to identify of remitters/recipient using MTSS. The Sub-Group has observed that the IB's proposal requiring the service provider of MTSS to mandatorily record and maintenance of photographs of all recipients/remitters will require amendment of PMLA Regulations. The conclusions of the Sub-Group have been forwarded to FIU-IND and RBI for their views and thereafter, the Sub-Group will be finalizing its recommendations.

E. **Smuggling of Cattle from Indo-Bangladesh Border:** A Sub-Group consisting Officers from BSF, IB, MEA and CBEC is studying the issue and concerns related to smuggling of cattle across Indo-Bangladesh Border. The second meeting on the menace of cattle smuggling was held in the CEIB on 6 June, 2011. The matter was also discussed in the EIC and Hon'ble Finance Minister while appreciating the enormity of the problem observed that the issue is sensitive, multifaceted and complex and there are no easy solutions. He advised for the resolution of the problems within the available provisions and existing mechanism.

F. **Use of satellite images to detect/destroy illicit opium poppy cultivation:** The Bureau is coordinating with ADRIN and field Agencies (NCB & CBN) for the development of satellite imagery based information on illicit opium cultivation in the states of. West Bengal, Jharkhand, Bihar, Karnataka, Orissa, Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh, Manipur and Uttaranchal. The information was used by the field Agencies in their operations in destruction of illicit opium cultivation. Bureau coordinated with ADRIN, CBN & NCB on satellite imagery for the year 2008-09, 2009-10, 2010-11 and 2011-12. On completion of crop season 2010-11, ADRIN was requested to undertake technical appraisal on the efficacy of their predictions based on pre imaging human intelligence and feedback information furnished by the field formations after verification of the imageries. ADRIN submitted the technical appraisal report on 6 November, 2011. The technical appraisal report by ADRIN has assessed the efficacy of imagery based predictions. The estimated accuracy of prediction of locations of illicit cultivations is 70 to 75%. In anticipation of availability of high resolution data from season 2011-2012, ADRIN acquired high resolution data for some areas of West Bengal for test check of expected improvement in prediction efficacy. It is assessed that with the support of high resolution data the prediction accuracy would be enhanced up to 85%.

6.4 Foreign Currency Declarations

6.4.1 The Bureau receives reports of currency declarations from Customs Airports, of international passengers arriving in India with more than US$ 10,000. These are collated and analyzed in the Bureau and the results are shared regularly with concerned agencies.

6.4.2 The total Currency Declaration forms (CDFs) received during the period April 2010 to October 2011 was 10,961. The CDF report are being received via e-mail from Airport Customs Commissionerate at Delhi, Mumbai and Chennai, thereby, reducing considerably, the time taken to enter this voluminous data in the computer.

6.4.3 Currency Declaration Data for the period November 2009 till August 2011 was analysed and the analysis report disseminated to various agencies viz, Cabinet Secretariat, IB, NCB, DRI, FIU-IND and Member (Customs), for further action at their end. CEIB has also received certain request from intelligence agencies to share details in this regard. On the Bureau's Report, FIU-IND had sought permission to share the intelligence with Foreign Law Enforcement Authorities with country of residents of the passenger in high value cases.

6.5 CEIB's Database on Economic Offences and Offenders

CEIB is building up a comprehensive 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. At present it contains dossiers of about 1200 Economic Offenders and about 10000 cases of Economic Offences relating to FICN, Drugs, tax and duty 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 1 January, 2011 to 14 November, 2011, 50 persons were actually detained during this period, including those against whom Detention Orders were issued during this year and previous years. 88 Representations received from the detenus/proposed detenus/their relatives have been considered and disposed off.

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 2011-2012, training programmes on the following subjects were organized:

- "Prevention of Insurance Frauds" at the National Insurance Academy, Pune;
- "Computer and Internet Crimes" at Sardar Vallabhai Patel Police Academy, Hyderabad;
- "Banking operations & Fiscal Law Enforcement" at State Bank Staff College, Hyderabad;
- "Investigating Economic Crimes in Financial Markets" at Indian Institute of Capital Markets, Mumbai;
- "Intelligence Gathering & Intelligence Tradecraft" at Cabinet Sectt.;

  Training Institute, Gurgaon;
- "Intelligence gathering & Intelligence tradecraft" at Military Intelligence Training School & Depot, Pune.

7. Directorate of Enforcement

7.1 Organisations and Functions

7.1.1 The Directorate of Enforcement is headed by the Director of Enforcement, an Additional/Special Secretary rank officer. The other officers of the Directorate are Special Directors; Additional Director; Joint Directors; Deputy Legal Advisors; Deputy Directors; Assistant Legal Advisors; Assistant Directors; Enforcement Officers and Assistant Enforcement Officers assisted by other ministerial staff. The strength of the Directorate was restructured in March 2011 with the approval of the Department of Revenue, Ministry of Finance increasing the number of offices from 22 to 39 and the total strength of officers and staff from 745 to 2,063. Apart from this, 01 more post of Joint Director was sanctioned by the Ministry of Home Affairs for matters relating to Multi Agency Center (MAC). Thus the total strength of the Directorate has been increased to 2,064 at various levels as under:

Post	Strength
Executive	1218
Ministerial	376
Computer Staff/Official Language Staff	69
Operational Staff	375
Legal Staff	26
Total	**2064**

7.1.2 The Directorate has already initiated the process of opening new offices as well as to fill up the posts in a phased manner viz., first phase (2011-12), second phase (2012-13) and third phase (2013-14). After the process of restructuring is completed, the Directorate will have a Head Quarters Office at New Delhi, 05 Regional Offices at New Delhi, Mumbai, Kolkata, Chennai and Chandigarh besides 11 Zonal Offices and 22 Sub Zonal Offices as under:

Zones (11): Lucknow, Cochin, Ahmedabad, Bangalore, Hyderabad, Guwahati, Jalandhar, Jaipur, Patna, Srinagar and Goa.

Sub Zones (22): Agartla, Aizwal, Bhopal, Dehradun, Gangtok, Imphal, Itanagar, Jammu, Kohima, Raipur, Ranchi, Shilong, Mangalore, Shimla, Surat, Vishakapattinam, Varanasi (being shifted to Allahabad), Calicut (being shifted to Thiruvanthapuram), Indore, Nagpur, Bhubaneswar & Madurai.

7.1.3 **Functions:** The Directorate of Enforcement implements two Acts viz. Foreign Exchange Management Act, 1999 (FEMA) and Prevention of Money Laundering Act, 2005 (PMLA). FEMA replaced the Foreign Exchange Regulation Act, 1973 (FERA) with effect from 01.06.2000. The Directorate also continues to perform the residual work under the repealed FERA, 1973. The Directorate also implements the provisions of COFEPOSA, 1974.

The main functions of the Directorate are as under:

i) To collect, develop and disseminate intelligence relating to contraventions of FEMA. The intelligence inputs are received from various sources such as Central and State Intelligence agencies, RBI, complaints, information gathered by officers, etc.

ii) To investigate suspected contraventions of the provisions of FEMA relating to activities such as hawala, unauthorized dealings in foreign exchange, non-realization of export proceeds, unauthorized retention of funds abroad including bank accounts, unauthorized acquisition of immovable properties abroad, contraventions relating to Foreign Direct Investments (FDIs), External Commercial Borrowings (ECBs), Foreign Currency Convertible Bonds (FCCBs), etc.

iii) To adjudicate cases of violations of the erstwhile FERA, 1973 and FEMA, 1999.

iv) To realize penalties imposed on conclusion of adjudication proceedings.

v) To handle appeals and prosecution cases under the erstwhile FERA, 1973.

vi) To handle appeals under FEMA.

vii) To process and recommend cases for detention under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act (COFEPOSA) in respect of contraventions under FEMA.

viii) To initiate investigations under PMLA to ascertain whether proceeds of crime have been generated from the Scheduled offence booked by the concerned Law Enforcement Agency and such proceeds have been laundered. If a prima facie case of money laundering is made out, the Directorate attaches the property derived with/out of the proceeds of crime.

ix) 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.

x) To file prosecution complaints in the designated PMLA Court for the offence of money laundering under PMLA.

7.2 Performance and Achievements during the Year 2011-12.

i) The performance and achievements of the Directorate during the year 2011-2012 (up to November 2011) are contained in the enclosed Annexure 'A' (in respect of FEMA and FERA) and Annexure 'B' (in respect of PMLA).

ii) India, after having successfully met the strict evaluation norms of the Financial Action Task Force (FATF), was granted full-fledged membership (34th Member) of the FATF in June 2010. The global anti-money laundering body FATF granted such membership to India after being satisfied with the AML/CFT measures already taken and those committed to be taken in the near future for tackling money laundering. India, by its continuous efforts to put in place the machinery and the legislation against money laundering has, thus, entered the global elite group. In further recognition of the anti-money laundering efforts of the Government of India, the regional grouping of anti-money laundering comprising jurisdictions spread over Asia and Pacific region and called Asia Pacific Group (APG) on Money Laundering and Terrorist Funding chose India as Co-chair of the Group at its annual meeting in Singapore in July 2010. For furtherance of the objectives to join the global efforts against money laundering and bolster the national programme against laundering of dirty/black money, the Annual Meeting of APG was successfully hosted between 18-22 July, 2011 at Kochi, Kerala by the Department of Revenue, Ministry of Finance with the active assistance of the Directorate of Enforcement at all levels. Besides the member nations of the APG countries, multilateral global agencies like the FATF, World Bank and representatives of other regional bodies from all over the world participated in the meeting.

7.3 E-Governance

7.3.1 The Directorate of Enforcement has completed computerization in its Head Quarters at New Delhi and at all Zonal Offices located at Ahmedabad, Bangalore, Cochin, Chennai, Chandigarh, Lucknow, Hyderabad, Kolkata, Delhi, Mumbai. All these Zonal Offices have been linked with Head Quarters through NICNET connectivity (LAN/WAN Network).

7.3.2 NIC officers have been posted at all the Zonal Offices of the Directorate including at Headquarters who have been assisting in development of useful Software Applications for the purpose of data management and monitoring of legal cases. During the year 2011-12 (up to 31 December, 2011), following progress has been made by the Directorate to implement E-Governance:

1. Monthly Progress Report Software (FERA/FEMA/PMLA)
2. Monthly Integrated Proforma (PMLA) Software
3. Legal Monitoring System (LMS) to monitor court cases
4. Employee Information System (EIS) Application to maintain data of officers/staff of the Directorate with a view to improve administration.

7.3.3 Steps for E-Governance

1. Security Guidelines as per Ministry of IT & Communication and NIC have been circulated to all offices of the Directorate.
2. Use of email IDs from NIC domain have been made compulsory for all officers/staff of the Directorate for the purpose of official correspondence (in respect of Non-Sensitive Category only).
3. All correspondence/files are being routed through FTS Application provided by NIC.
4. Official website i.e. www.directorateofenforcement.gov.in, of the Directorate is already on public portal.
5. Vigorous efforts are being made under dynamic supervision of Director of Enforcement in view of increase in size and strength of the Directorate after cadre – restructuring with a view to enhance the activities of E-Governance.

7.4 Grievances Redressal Machinery

Grievances officers have been nominated at Headquarters Office and Zonal/Sub-Zonal Offices of the Directorate for redressal of public/staff grievances and prompt action is taken to redress their grievances.

7.5 GENDER BUDGETING / EMPOWERMENT OF WOMEN

A complaint Committee for prevention of sexual harassment of women at workplace has been constituted in the Directorate. However, no case of gender discrimination or harassment of women at work place has come to the notice of the Committee.

Annexure A: Directorate of Enforcement - Statistical Data for the Year 2011-2012 (From 11 January to November 2011) - FERA/FEMA

A	SEARCHES & SEIZURES	FEMA		
1	Searches conducted	56		
2.	FE seized(Rs. in lakhs)	727.45		
3.	IC seized(Rs. in lakhs)	1752.20		
B	**INVESTIGATION**			
1.	Initiated	1212		
2.	Disposed	703		
3.	Pending	5846		
4.	SCNs issued	300		
5.	Amt. involved in SCNs issued(Rs. in Lakhs)	1033138.50		
C	**ADJUDICATION**	**FERA**	**FEMA**	**TOTAL**
1.	Cases adjudicated	22	198	220
2.	Cases pending adjudication	1218	1530	2748
3.	Confiscation of foreign exchange(Rs. in lakhs)	-	27.73	27.73
4.	Confiscation of Indian currency(Rs. in lakhs)	-	226.93	226.93
D	**PENALTIES**			
1.	Imposed (Rs. in lakhs)	353.99	32254.38	32608.37
2.	Realized (Rs. in lakhs)	491.85	1573.93	2065.78
3.	**Pending for realization (Rs. in lakhs.)**	871349.13	158101.55	1029450.68
E	**COFEPOSA**			
1.	Orders issued	-	01	01
2.	Detained	01	01	02
F	PROSECUTIONS			
1.	Disposal	123		123
i)	Conviction	20		20
ii)	Acquittal	42		42
iii)	Discharge	32		32
iv)	Withdrawn	-		-
v)	Otherwise	29		29
II	Pending	3668		3668

Statistical Data for the Year 2011 (11 January to 11 November) – PMLA ECIRs		
S.No.	**Key Item of Work**	**Total at the End of the Month**
1.	No. of ECIRs	168
2.	No. of Provisional Attachment Orders issued	41
3.	Value of properties under attachment (in Lacs of Rupees)	64502.64
4.	No. of PAOs confirmed	36
5.	Value of assets under PAO confirmed by the Adjudicating Authority (in Lacs of Rupees)	12683.68
6.	No. of PAOs under confirmation/Pending before the Adjudicating Authority	21
7.	No. of PAOs not confirmed by the Adjudicating Authority	1
8.	Value of Assets in respect of PAOs not confirmed by the Adjudicating Authority only (in lacs of rupees)	14675
9.	No. of Appeals before Tribunal	
	a) Filed by the party	48
	b) Filed by the DirectorateTotal:	01
	c) Total	49
10.	No. of persons arrested	09
11.	No. of Cases in which Prosecution Complaints Filed	23*

*23 prosecution in 15 cases.

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 and the Foreign Exchange Regulation Act, 1947 and Foreign Exchange Regulation Act, 1974 and the persons detained under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. The Narcotics 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 the Prevention or Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988 and Jammu and Kashmir Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.

8.2 SAFEM(FOP) Act and NDPS Acts provide for appointment of Competent Authorities for carrying out forfeiture of illegally acquired properties. At present, 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 2011-2012 (January 2011 to December 2011), the Competent Authorities have forfeited property worth of ₹ 530.69 lakhs in 19 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 off, year-wise, from 2000-2001 to 2011-2012 are given in Annexure ‘A’.

8.4 During the period from 1 April, 2011 to 31 December, 2011, 26 appeals and 12 miscellaneous petitions were filed in the Appellate Tribunal for Forfeited Property (ATFP) and 89 appeals and 14 miscellaneous petitions were disposed off under SAFEMA and NDPS Acts.

Annexure 'A': Forfeiture of Illegaly Acquired Property under NDPSA and SAFEM(FOP)A by Competent Authorities

Financial Year	Number of Reports Received from Enforcement Agencies	Number of Notices for Forfeiture Issued & Value of Property Involved		Number of Forfeiture Orders Issued and Value of Property Involved		Value of Sale Proceeds of Property Disposed off
		Number	Value (Lakh)	Number	Value (Lakh)	
1	2	3	4	5	6	7
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
2010-2011	128	19	1394.06	22	45.57	1123.49
2011-2012 (January 2011 to December 2011)	**80**	**21**	**1670.69**	**19**	**530.69**	**41.68**

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 measures taken on indirect tax side. VAT has been introduced by all the States/UTs, except for the UTs of Andaman & Nicobar Islands and Lakshadweep. Sales Tax/VAT being a State subject, the Central Government has been playing the role of a facilitator for successful implementation of VAT. Some of the steps taken by the Central Government are listed below:

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 ₹ 19002.82 crore has been released by Central Government to the States till date on account of claims filed by the States for the years 2005-06, 2006-07 & 2007-08.

ii. Technical and financial support on 100% basis has been provided to North Eastern States to enable them to take up computerization of their VAT administrations. A project for computerization of VAT administration in Himachal Pradesh and Jammu & Kashmir with an overall cost of ₹ 40.49 crore has been sanctioned. A Mission Mode project for computerization of VAT administrations of State and UTs has been launched.

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 as 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 so far. The new system has been received well by all the stake-holders and the States revenues have grown rapidly since the introduction of VAT.

9.3 Central Sales Tax (CST)

Entry 92A of List-I (Union List) empowers the Central Government to impose tax on inter-State sale of goods. Further, Article 269 (3) empowers the Parliament to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade of commerce. Similarly, Article 286 (2) of Constitution empowers the Parliament to formulate principles for determining when the sale or purchase of goods takes place outside a State or in the course of imports into or exports from India. Besides, Article 286(3) of Constitution authorizes the Parliament to place restrictions on the levy of tax by the States on sale or purchase of goods, declared by the Parliament by law to be goods of special importance in the inter-State trade or commerce.

The Central Sales Tax Act, 1956 imposes the tax on inter-State sale of goods and formulates the principles and imposes restrictions as per the powers conferred by the Constitution. The Government of India has also framed the Central Sales Tax (Registration and Turnover) Rules, 1957 in exercise of powers conferred by section 13(1) of the CST Act, 1956. Though the Central Sales Tax Act 1956 is a Central Act, the States collect and appropriate the proceeds of Central Sales Tax as per Article 269 of the Constitution of India.

The CST however, being an origin-based non-rebatable tax, is inconsistent with the destination based taxation concept of VAT. CST rate has been reduced from 4% to 3% w.e.f. 1 April, 2007. The CST rate has further been reduced from 3% to 2% w.e.f. 1 June, 2008.

A package of compensation to the States 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. 1 April, 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 ₹ 30860.42 crore to States till date as compensation for the loss due to reduction of rate of CST for the claims years 2007-08, 2008-09, 2009-10 & 2010-11.

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). At present duty is levied on all these documents except cheques;

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 7th Schedule of the Constitution;

iii. Provisions other than those relating to rates of duty fall within the legislative power of both the Union and the States under Entry 44 of the Concurrent List in the Schedule-VII.

Stamp duties even when levied by the Central Government are also 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. A Cabinet Note has been prepared and circulated amongst the Ministries for their comments. Their comments have been received. Efforts are being made to introduce the amendment bill in the Parliament as early as possible.

9.5 Goods and Services Tax (GST)

The proposal to introduce a national level Goods and Services Tax (GST) by 1 April, 2010 was first mooted by the then Finance Minister Shri P. Chidambaram in his Budget Speech for the financial year 2006-07. Since the proposal involved reform/ restructuring of not only indirect taxes levied by the Centre but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers chaired by Dr. Asim K. Dasgupta, former Finance Minister of West Bengal.

In April, 2008, the Empowered Committee submitted a report to the Central Government titled “A Model and Roadmap for Goods and Services Tax (GST) in India” containing broad recommendations about the structure and design of GST. A dual GST model with one component being Central GST &

another State GST has been proposed in this paper. In response to the report, the Department of Revenue made some suggestions to be incorporated in the design and structure of proposed GST.

Based on inputs from Department of Revenue, Government of India and States the Empowered Committee of State Finance Ministers released its 'First Discussion Paper on Goods and Services Tax in India' on the 10 November, 2009 at New Delhi. This Discussion Paper was released with the objective of generating a debate and obtaining inputs from all stakeholders – taxpayers, including industry, trade and agriculture as also consumers. Department of Revenue, Government of India had also sent its response on the said paper to EC.

A Bill to further amend the Constitution to enable introduction of Goods and Services Tax has been introduced in the Lok Sabha on 22 March, 2011 for their consideration. The Bill further has been referred to Standing Committee on Finance for examination. Thereafter the Standing Committee requested this Department to send some material and background note on the Bill. The same has been provided to them on 15 April, 2011. The Committee after examination of the Bill, sent further questionnaire to this Department. The reply of the Questionnaire has also been sent to them on 5 November, 2011.

Further, three sub-working groups of officers have been constituted to work on various important elements of GST. One sub-working group is working on finalization of process regarding registration, return, payment etc., to be followed in GST regime. The second sub-working group is working on drafting Central GST & model State GST legislation. Third sub-working group was set up to suggest IT infrastructure related issues related to GST. Later, an Empowered Group for development of IT Systems required for Goods and Services Tax regime has been set up under the chairmanship of Dr. Nandan Nilekani. This group has identified NSDL as a partner to develop the IT infrastructure for the GST. A strategy paper has been brought out by this group which has also been approved by the Empowered Committee of State Finance Ministers. NSDL has so far visited 11 participating States in GST pilot project to conduct the 'As-Is' study of these States' IT infrastructure and Business processes. In the IInd phase of this Pilot project, 22 more States are to be visited by NSDL.

9.6 Highlights of the performance and achievements during the year:

9.6.1 Action taken to implement the Programme and other Important Policy initiatives announced in Budget Speech, 2011-12 is shown in table 3.46.

9.7 Work Done on the Development of North Eastern Region and Sikkim – Projects/ Schemes being Operated and Actual Expenditure Thereon:

The Department is providing technical and financial support to the North Eastern States and Sikkim in taking up computerization of their VAT administrations under MMP (CT) programme under NeGP.

9.8 E-Governance Activities

9.8.1 Under the National e-Governance Plan (NEGP), the Department of Revenue has launches a Mission Mode Project (MMP-CT) for computerizing of Commercial Taxes. The Cabinet in February, 2010 approved the Mission Mode Project for computerization of Commercial Taxes administrations of State Governments under NeGP. This project, with an overall cost of ₹ 1,133.44 crore, will 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 State Governments.

9.8.2 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 33 States/UTs, having overall cost of ₹ 993.63 crore have been approved. An amount of ₹ 442.68 Crore (i.e. 63.30% of total Central share) has already been released to 33 States as part of Central Share till 30 November, 2011.

9.8.3 In order to facilitate 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. In this project, Central Government is funding 50% of the project cost 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 18 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, Central Bureau of Investigation, Intelligence agencies and regulators of financial sector. FIU-IND does not investigate cases.

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 thereunder came into force with effect from 1 July, 2005. The objective of this Act is to prevent money

Table 3.46: The Statements and Status of Implementation of Various Paras

S.No.	Para No.	Text of Announcement	Status of Implementation as on 31 October, 2011.
1.	23.	Unlike DTC, decisions on the GST have to be taken in concert with the States with whom our dialogue has made considerable progress in the last four years. Areas of divergence have been narrowed. As a step towards the roll-out of GST, I propose to introduce the Constitution Amendment Bill in this session of Parliament. Work is also underway on drafting of the model legislation for the Central and State GST.	A Bill to further amend the Constitution to enable introduction of Goods and Services Tax has been introduced in the Lok Sabha on 22 March, 2011. The Bill has now been referred to the Standing Committee on Finance.
2.	122.	Mission Mode Projects for computerization of Commercial Taxes in States that I announced in my last Budget, will allow States to align with the roll out of GST. Funds have been released for 31 projects received from the States and Union Territories. Most of the States and UTs have already enabled the facility of dealers making electronic payments. A number of States have already started accepting Electronic Tax Returns and issuing forms required for inter-state trade.	a) Most of the States/UTs have completed the legal changes required to enable the e-services. b) 22 States/UTs have successfully started e-payment facility to their dealers. c) 21 States/UTs have successfully started e-Return filing facilities for their dealers. d) 13 States/UTs have collected more than 80% of PAN details from their dealers and remaining others are collecting it on priority. Most of the States/UTs have made PAN compulsory for filling return. e) 12 States/UTs have successfully started e- Registration. f) In 5 States/UTs e-refund is operational.
3.	123.	With the development of the economy, the need to review the provisions of the Indian Stamp Act, 1899 has been felt over the years. I propose to introduce a Bill shortly to amend the Indian Stamp Act.	Draft set of the amendments proposed had been finalized sent for Inter-Ministerial consultations. Based on the feedback obtained, a revised set of amendments had been prepared. The revised draft note for Cabinet had been circulated on 8 August, 2011 to Ministries/Departments for obtaining their views on it. The comments have been received. The legal vetting of the draft Bill is in progress and steps are being taken to introduce the Bill as early as possible.
4.	124.	Five years ago, we took an initiative to introduce a modern and people-friendly e-stamping facility in the country. Only six States have introduced this system so far. I propose to launch a new scheme with an outlay of Rs. 300 crore to provide assistance to States to modernize their stamp and registration administration and roll out e-stamping in all the districts in the next three years.	A note for the consideration of CNE had been prepared and sent to Department of Expenditure for appraisal by the CNE. Department of Expenditure has raised certain queries, replies to which requires input from States. In this regard States have been asked to furnish information. Information from 12 Staes still awaited. These have been reminded on 1 November, 2011.

S.No.	Para No.	Text of Announcement	Status of Implementation as on 31 October, 2011.
5.	130.	TAGUPIn pursuance of the announcement made in the Budget 2010-11, I had set up a Technology Advisory Group for Unique Projects (TAGUP). The Group has submitted its report and its recommendations have been accepted in principle. The modalities of implementation are being worked out.	To discuss and implement the recommendations of Technology Advisory Group for Unique Projects (TAGUP), a High Level Coordination Committee (HLCC) has been constituted under the Chairmanship of Finance Secretary to carry forward the recommendation made by TAGUP. First meeting of HLCC was held on 16 September, 2011.

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 1 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 Section 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 lakh or its equivalent in foreign currency;

ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month;

iii) All transactions involving receipts by non-profit organizations of value more than 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

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 fied purpose; or

d. gives rise to a reasonable ground or 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:

1. Suspicious Transaction Reports (STRs)

Category	2010-2011	Cumulative (Till March 2011)
Banks	12,287	24,127
Financial Institutions	7,006	9,878
Intermediaries	1,405	3,902
Total	20,698	37,907

2. Cash Transaction Reports (CTRs)

Category	2010-2011	Cumulative (Till March 2011)
Public Sector Banks	54,63,252	1,59,70,115
Indian Private Banks	24,42,286	89,94,883
Private Foreign Banks	1,05,288	4,22,866
Others	6,76,281	16,05,478
Total	**86,87,107**	**2,69,93,342**

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	2010-2011	Cumulative (Till March 2011)
Law Enforcement Agencies	8,818	18,905
Intelligence Agencies	5,523	6,084
Regulators & others	127	360
Total	**14,468**	**25,349**

iii) The feedback received from intelligence/law enforcement agencies on the inputs provided by this office has been 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. In order to provide a structural framework for enhanced cooperation and understanding with partner agencies, FIU-IND has entered into Memorandum of Understandings (MoUs) with Central Board of Direct Taxes (CBDT), Central Bureau of Investigation (CBI) and Enforcement Directorate(ED).

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.

vi) 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:

	2010-2011	Cumulative (up to March 2011)
Number of Seminars and Training Workshops	50	379
Number of participants in Seminars/Workshops	2264	17,254
Number of review meetings with POs	31	98
Number of participants in review meetings	435	2,033
Number of trainings with LEAs	27	50
Number of participants in trainings with LEAs	848	1,858

vii) 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 the 15 foreign FIUs till March 2011. MoUs with more than 20 countries are under various stages of negotiation.

10.5 STR Trend Analysis Report

FIU-IND prepared a STR trend analysis report covering 17,209 STRs received during the first four financial years of its operation i.e. 2006-07 (817), 2007-08 (1916), 2008-09 (4,409) and 2009-10 (10,067). This report presents trends over the four years in STR reporting, covering:

- Reporting entity category distribution
- Reporting institution type distribution
- Sector wise distribution
- Geographical distribution of STRs with sector wise breakup
- Number of transactions reported in STRs
- Type of suspicion reported in STRs with sector wise breakup

Summary of trends identified in the STR in general are:

i) The number of STRs increased at a compounded annual growth rate (CAGR) of 131% during the period from 2006-07 to 2009-10.

ii) There was a decline in the relative share of STRs filed by intermediaries from 36% to 10%.

iii) Maharashtra (29.0%), Delhi (12.1%) and West Bengal (7.3%) account for a dominant share of STRs.

iv) Other significant states in terms of share in STRs are Gujarat (6.0%), Uttar Pradesh (6.0%), Tamil Nadu (5.7%), Punjab (5.1%), Karnataka (4.7%) and Andhra Pradesh (4.4%).

v) The average number of transactions reported in an STR increased from 26.0 in 2006-07 to 56.5 in 2009-10. This is on account of implementation of red flag indicators involving linkage of multiple transactions and increasing effectiveness of alert review process.

vi) The average number of suspicion tagged in an STR increased from 1.33 in 2006-07 to 2.24 in 2009-10 indicating greater capability of reporting entities to tag multiple suspicions to one STR.

vii) There was an increasing trend in the percentage of STRs with the category of suspicion falling under 'Activity in Account' (35 to 56), 'Value of transactions' (22 to 62) and 'Nature of transactions' (19 to 74).

10.6 Project FINnet

FIU-IND initiated project FINnet in 2006 with the objective to *"Adopt industry best practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering and related crimes".* FIU-IND signed the contract for implementation of project FINnet (Financial Intelligence Network) with M/s Wipro Ltd. on 25 February, 2010. Project FINnet would greatly enhance the efficiency and effectiveness in the FIU-IND's core function of collection, analysis and dissemination of financial information. IT enablement of key processes would ensure substantially higher productivity, faster turnaround time and effective monitoring in all areas of FIU-IND's work. The key outcomes of the project are :

i) Advanced utilities to prepare, validate and encrypt electronic reports in XML format for the reporting entities.

ii) Online secure gateway to receive the reports.

iii) Streamlined process for Data Quality validation and feedback.

iv) Rules based systems to assign risk and prioritize alerts for analysis of STRs .

v) Alerts generated from analysis of CTRs for further processing.

vi) Automated detection of suspicious transaction patterns using data mining tools.

vii) Advanced trend analysis using Business Intelligence tools.

viii) Secure role based access of data to partner agencies using agreed information exchange protocol.

10.7 FATF Membership

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, 2011, FATF had 34 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.

The evaluation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of India in terms of the Forty Recommendations and the Nine Special Recommendations on Terrorist Financing of the Financial Action Task Force (FATF) was carried out by FATF/APG during 2009 and 2010. The FATF team of experts reviewed the institutional framework, the relevant AML/CFT laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter money laundering and financing of terrorism through financial institutions and Designated Non-Financial Businesses and Professions (DNFBP), as well as assessed the capacity, the implementation and the effectiveness of all these systems. FIU-IND was actively involved in the preparation of the Indian response to the Mutual Evaluation Questionnaire (MEQ) and in the mutual evaluation of India, as well as in various onsite meetings organized for interaction of FATF/ APG Evaluation Team with various Indian agencies. The Mutual Evaluation Report (MER) of FATF was released in June 2010, which was discussed and adopted in the June Plenary of FATF at Paris. India was admitting as a member of FATF. Based on the findings of MER, FIU-IND has drawn an Action Plan to be implemented with regard to the specific suggestions made by 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), D/o 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 (CESTAT), Settlement Commission (IT/WT), Authority for Advance Rulings, Appellate Tribunal for Forfeited Property, Adjudicating Authority under PMLA, Income Tax Ombudsman, National Committee for Promotion of Social & Economic Welfare, all field offices of Income Tax Department which include Directorate General of Income Tax (Systems), Directorate General of Income Tax (Legal & Research), Directorate of Income Tax (O&M Services), Directorate of Income Tax (Infrastructure), National Academy of Direct Taxes, all field offices under the Central Board of Direct Taxes and Central Board of Excise & Customs, etc., are serviced by the three units of Integrated Finance Division in terms of Budget formulation, allocation, expenditure monitoring, control, enforcing economy, scrutiny and sanction of expenditure proposals beyond the delegated powers of field offices.

11.2 Details of Expenditure and Financial Proposals Scrutinized and Approved

(a) Creation and continuation of posts, construction/ purchase/hiring of offices, as well as residential accommodation for the field formations of Central Board of Excise & Customs and Central Board of Direct Taxes, Department of Revenue and its attached offices.

(b) Procurement of goods and services including procurement of anti-smuggling equipments i.e. scanners and marine vessels.

(c) Proposals for deputation abroad of officers of the Department, CBDT, CBEC and their field offices.

(d) Restructuring proposals, redeployment of personnel in field formations and constituent units.

(e) Comprehensive Computerization of Department of Revenue, its field formation including Customs and Central Excise formations and Income Tax field formations.

(f) Computerization of States for Value Added Tax (VAT) purposes and compensation to States for loss of revenue due to introduction of VAT.

(g) Compensation to States for loss of revenue due to phasing out of Central Service Tax (CST).

(h) Proposals from Committee of Management (COM), D/o Revenue which oversees the functioning of Government Opium & Alkaloid Works (GOAWs).

(i) Grants-in-aid to National Institute of Public Finance & Policy and Central Revenue Sports Board.

(j) Proposals for Standing Finance Committee (SFC), Committee of Non-Plan Expenditure (CNE) and Cabinet Committee on Economic Affairs (CCEA) relating to comprehensive computerization plan of CBDT/CBEC, capital expenditure involving construction of office/residential complexes and readymade office/residential buildings of all the three Departments, Mission Mode Project for Commercial Taxes (MMP-CT) Project and NEVAT Computerization project.

(k) Proposals received 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 2011-12/RE 2011-12 and BE 2012-13 was prepared, discussed with Secretary (E) and finalized is shown in table 3.47.

11.2.2 Integrated Finance Division has taken the following steps/initiatives in 2011-12:

(i) The work related to Budget was transferred to CBDT and CBEC. DIT (Exp. Budget) in CBDT and ADG (EMC) are now responsible for formulation of Budgetary Estimates, distribution of budget to their field offices and monitoring of expenditure for financial year 2011-12 onwards.

(₹ in crore)

Table 3.47

Grant	Gr. No.	2011-2012		2012-2013
		BE	RE	BE
D/o Revenue	41	13356.90	5382.79	1178.59
Direct Taxes	42	3881.55	3315.78	3380.46
Indirect Taxes	43	3378.39	3351.79	3601.08

(ii) Implementation of Cash Management Plan as per Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) as envisaged by Budget Division.

(iii) Review of Monthly and Quarterly Expenditure vis-à-vis budgetary allocations and MEP/QEA and report to Revenue Secretary and Expenditure Secretary through quarterly DOs.

(iv) 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.

(v) Preparation and review of Outcome Budget and monitoring of Outputs and Outcomes, with reference to the targets and budgetary allocation, was done in respect of important schemes of Implementation of VAT Scheme and compensation to States/UTs for loss of revenue due to implementation of VAT/CST; Setting up of Tax Information Exchange System (TINXSYS); Government Opium & Alkaloid Works; Comprehensive computerization of the Income Tax Department; Acquisition of residential and office accommodation; Strengthening of IT capability for e-governance of CBEC; Acquisition of ships and fleets to strengthen Marine capability & Acquisition of Anti-Smuggling equipments.

(vi) In continuation of the revised Delegation of Financial Powers issued to Heads of Departments in 2008-09, further review of Delegation of Financial Powers to Heads of Departments of Revenue including field units of Central Board of Excise & Customs and Central Board of Direct Taxes was conducted and revised delegation of financial powers were issued in September 2011.

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.

11.2.5 The status of Action Taken Notes of the Audit Para concerning Department of Revenue is given in table 3.48.

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 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. 8 sections of the Department have been specified for doing their 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 ;

Table 3.48: Status of Action Taken Notes of the Audit Paras concerning Department of Revenue

S.No.	Year	Details of the Paras/PA reports on which ATNs are pending			
		No. of Paras/PA Reports on which ATNs have been Submitted to PAC after Vetting by Audit	No. of ATNs not Sent by the Ministry even for the First Time	No. of ATNs sent but Returned with Observations & 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	1995	-	-	1	-
2	2000		-	1	-
3	2008	-	-	1	-
4	2009	-	-	2	-
5	2011	-	1	-	
	Total	**-**	**1**	**5**	**-**

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 first meeting of the reconstituted Joint Hindi Advisory Committee was held on 2 November, 2011 under the chairmanship of the Minister of State for Finance (E&FS) in which the position regarding implementation of Official Language Policy of the Union in the Department of Revenue was reviewed and discussed in detail. Suggestions were put forth by the Members regarding ways for increasing the use of the Official language in the official work.

12.3.2 The meetings of the Official Language Implementation Committee of the Department of Revenue were also 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.

12.3.3 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 as well as the meetings of the Central Official Language Implementation Committee held under the chairmanship of the Secretary, Department of Official Language, Ministry of Home Affairs. 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 Central Board of Direct Taxes on 9 June, 2011 to assess the position regarding use of Hindi in the Board. Action has been initiated on the suggestions given by the Committee during the inspection meeting for increasing the use of Hindi in the Board. Also, 8 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 valuable 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 14 sections/offices under the control of the Department during the year under report with the view to assess the progress in the use of Hindi in the Department and suggested ways to accelerate the use of Hindi in the official work in these offices.

12.5 Hindi Day/Hindi Pakhwara

12.5.1 On the occasion of Hindi Day, appeals were issued by the Finance Minister, Home 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 14 September, 2011 to 28 September, 2011. Various competitions like Hindi noting & drafting, Essay writing, Extempore Speech competition, Quiz competition, Hindi typing and Hindi Shorthand 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, Ministry of Home Affairs , 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. The first prize for writing original book in Hindi for the year 2008-10, which carries a cash award of ₹ 25,000 was given to Shri Rajendra, CIT for his book 'Karadhan ki pramukh Awadharanye' on income tax. The second prize carrying cash award of ₹ 15,000 in the same category was given to Shri C. L. Garg, Retd. Assistant Director for his book 'Nashile Padarth-Samasya aur Samadhan' on narcotics.

12.7 Training

During the year 2011-12, 9 LDCs/UDCs/Assistants and 10 Stenographers were nominated for training in Hindi typing and Hindi stenography, respectively, in the courses run by the Central Hindi Training Institute, Ministry of Home Affairs.

12.8 Hindi Workshop

In order to remove hesitation amongst Hindi knowing employees to do their work in Hindi, a two day Departmental Hindi workshop was organized on 12-13 September, 2011 in which 13 officials were imparted training in Hindi noting/ drafting.

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 (3) three years and consists of 14 Members including with its Chairman being 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) Director/Deputy Secretary &

(iii) Section Officer

13.1.2. Present Committee was formed on 1 February, 2011. The names of the Committee members is shown in table 3.49.

13.1.3 The functions and procedures of the National Committee are governed by Rules 11-F to 11-O of the 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 Rule 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. Thereafter, the National Committee either grants or rejects its approval of an associations and institutions. 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. And in cases where the Committee does not find it 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 2011-12, a total number of (05) five Business Meetings were held in which 538 applications/ projects were considered and 134 cases were approved.

13.1.6 It is not feasible to facilitate online filing of application for approval of National Committee for Promotion of Social and Economic Welfare as the Committee requires certified documents/information from the applicants for further processing of the case.

Table 3.49

S.No.	Name of the Committee Members	Designation	Place
1.	Mr. Justice S.P. Bharucha	Chairman	Mumbai
2.	Dr. Kaanchana Kamalanathan	Member	Tamil Nadu
3.	Mrs. Veena Singh	Member	New Delhi
4.	Prof (Ms.) Sabra Habib	Member	Lucknow
5.	Dr. Bhagirath Prasad	Member	Indore
6.	Dr. Md. Abbas Ali	Member	Hyderabad
7.	Prof. Margaret Ch. Zama	Member	Mizoram
8.	Dr. J. Prabhakar Reddy	Member	Hyderabad
9.	Ms. Atiya Habib Kidwai	Member	New Delhi
10.	Mr. D. R. Mehta	Member	Jaipur
11.	Mr. Michael Ferrira	Member	Mumbai
12.	Mr. Amardeep Singh Cheema	Member	Chandigarh
13.	Dr. Jatin De	Member	Lucknow
14.	Mr. Sanjiv Kumar Arora	Member	New Delhi

14. Appellate Tribunal for Forfeited Property

14.1 The Appellate Tribunal for Forfeited Property (ATFP) was constituted under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEMA). It started functioning w.e.f. 3 January, 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 generally of the level of Additional Secretary to the Government of India). It is situated at New Delhi without any Benches elsewhere. However, in order to provide justice at the doorstep 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 1 April, 2011 to 31 December, 2011, 26 appeals and 12 miscellaneous petitions were filled and 89 appeals and 14 miscellaneous petitions were disposed 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 lakh), 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	Institution of Appeals	Disposal of Appeals
From April 2011 to December 2011	13,905	7,415

15.2 E-Governance Activities

The existing software of this Tribunal is windows-based software in which some features are not working according to the current requirements of this Tribunal and therefore, the same is being upgraded into new Linux-based software which is suitable for the current demand of this Tribunal. The new software is in testing stage and will be implemented at the Headquarter first and on its successful implementation at the Headquarter the same will also be implemented in the regional benches. The new software carries all the judicial work of this Tribunal in computerized manner.

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. 1 April, 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. 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, which is 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 following Benches

(i) Principal Bench at New Delhi.

(ii) Additional Bench at Mumbai.

(iii) Additional Bench at Kolkata.

(iv) Additional Bench at Chennai.

16.4 In December 2011, 2 new Additional Benches at New Delhi and one New Additional Bench at Mumbai have been notified. These benches are yet to become operational.

16.5 Each bench has three Members. The Principal Bench is presided over by the Chairman and each Additional Bench is presided over by a 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.

16.6 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 Additional Income which has not been disclosed before the Assessing Officer and the additional tax payable on the additional income should be more than 10 lakh in cases other than search cases. In respect of search cases, the main person (specified person) is required to pay minimum amount of additional tax of ₹ 50 lakh while other cases related to the specified person have to pay minimum amount of ₹ 10 Lakhs as additional tax.

16.7 The applicants are required to pay the additional tax together with the interest before filing the application in the Settlement Commission. The Application is to be disposed off by the Settlement Commission within 18 months from the date of filing of the application. Further details about Commission are available on its website (www.itscindia.gov.in). A statement regarding additional tax applications received during the year is shown in table 3.50.

16.8 A statement showing the number of Applications filed and disposed of from the year 2001-02 till 2011-12 (Upto December 2011) is shown in table 3.51.

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 shown in table 3.52.

17.3 Year-wise Performance/achievements of the Settlement Commission is shown in table 3.53.

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. 1 June, 1993. The Authority gives rulings on the taxation issues raised by non-residents

Table 3.50: Statement Regarding Additional Taxes in Applications Received from 1 April, 2011 to 31 December, 2011				
S.No.	**Benches**	**No. of Applications Received**	**No. of Applications Admitted**	**Amount of Additional Taxes (in Crore)**
1.	Delhi	123	40	93.01
2.	Mumbai	50	22	177.62
3.	Kolkata	87	39	90.60
4.	Chennai	43	23	62.76
	Total	**303**	**124**	**123.99**

Table 3.51: Statement of Consolidated Receipt and Disposal of Applications by the Settlement Commission (IT&WT)						
Financial Year	**Total No. of Cases Pending at the Begining of the year i.e 1 April**	**No. of Cases Received during the Year**	**Addition due High Court Order**	**Total for Disposal**	**Total Disposal u/s 245D(4) during the Year (including Rejection)**	**Total Pendency for Disposal**
1	2	3	4	5	6	7
2001-2002	1974	671	-	2645	340	2305
2002-2003	2305	560	-	2865	273	2592
2003-2004	2592	491	-	3083	188	2895
2004-2005	2895	434	-	3329	373	2956
2005-2006	2956	479	-	3435	301	3134
2006-2007	3134	602	-	3736	350	3386
2007-2008	3386	668	-	4054	1845	2085
2008-2009	2100	39	-	2139	799	1340
2009-2010	1340	48	53	1388	203	1238
2010-2011	1356	108	138	1611	423	1184
2011-2012 Upto December 2011	1209	303	(-) 15	1497	248	1249

Table 3.52		
No. of Applications Received during 2011-2012 (up to October 2011)	**No. of Applications Disposed during 2011-2012 (up to October 2011)**	**Duty Settled (Rs. in Crore) during 2011-2012 (up to October 2011)**
190	448	350.25

Table 3.53: Chart Showing Receipt & Disposal of Cases/Applications upto 2010-2011							
Year	Receipt		Disposal				
	No. of Cases	No. of Applications	Rejected		Settled		
			No. of Cases	No. of Applications	No. of Cases	No. of Appl-ications	Duty Settled (Rs. in Crore)
1999-2000	3	3	1	1			
2000-2001	139	327	16	28	52	146	21.28
2001-2002	224	559	42	63	75	153	26.64
2002-2003	321	656	53	105	176	365	187.51
2003-2004	374	753	76	141	211	431	114.04
2004-2005	545	1273	98	205	483	1143	181.25
2005-2006	656	1587	137	283	532	1207	129.09
2006-2007	816	1960	104	219	580	1434	239.02
2007-2008	594	1596	157	369	809	2274	507.92
2008-2009	231	857	59	124	162	569	125.43
2009-2010	198	723	27	68	163	599	67.36
2010-2011	365	885	39	103	254	770	114.33
2011-2012 (upto October 2011)	190	448	29	72	170	410	350.25
Total	**4656**	**11627**	**832**	**1771**	**3667**	**9501**	**2064.12**

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 March, 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. 1 March, 2006 vide notification dated 3 February, 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. 1 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 November, 2010 is shown in tables 3.54 & 3.55.

Table 3.54: Figures Pertaining to Income Tax

Financial Year	Opening Balance	Applications Received	Total	Decisions	C/f.
1993-1994	Nil	05	05	Nil	05
1994-1995	05	15	20	06	14
1995-1996	14	66	80	42	38
1996-1997	38	66	104	55	49
1997-1998	49	69	118	75	43
1998-1999	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
Upto 30 November, 2010)	44	131	175	07	168

Table 3.55: Figures Pertaining to Central Sales Tax					
Financial Year	Opening Balance	Applications Received	Total	Decisions	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
(upto 30 November, 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 certainity to intending investors. Statutory changes have been brought out 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.

  (iv) Resident Public Limited Company.

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 matter 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 ₹ 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 Authority are binding on the 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 upto the Last Year

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 August, 2002. The Service Tax (Advance Rulings) Rules were notified vide Notification No. 17/2003-S.Tax (N.T.) dated 23 July, 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 March, 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 7 January, 2005.

19.2.2 The first application for seeking an advance ruling was received on 20 November, 2002. During the period 20 November, 2002 to 31 March, 2011, 146 applications were received, out of which rulings were pronounced in 86 cases (68 relating to Customs, 11 relating to Central Excise and 7 relating to Service Tax). During this period, orders were also issued in 50 cases [18 relating to Customs issued under section 28I (2) of the Customs Act, 1962, 08 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 were required to be issued under the provisions relating to advance rulings. Eight applications were pending as on 31 March, 2011.

19.3 Highlights of Performance and Achievements during the Year

19.3.1 For the period from 1 April, 2011 to 30 November, 2011, seven applications seeking advance ruling were received. During the period, the total number of applications for pronouncement of advance rulings with the Authority was fifteen including eight of the previous year. Out of fifteen, eleven applications have already been disposed off.

19.3.2 During the period supra, the ambit of the authority was widened to include the "resident public limited company" to seek Advance Rulings under Section 28H of the Customs Act, 1962, as per the amended provisions vide Notification No.67/2011-Cus(NT) dated 22 September, 2011.

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 2011 the Adjudicating Authority has received 102 Enforcement Case Information Reports (ECIR), 48 Provisional Attachments and 44 Original Complaints (OCs). Final orders have already been passed in 35 OCs and 8 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. 1 July, 2005.

21.2 The Tribunal comprises a Chairman (who is or has been a Judge of the High Court or Supreme Court) and two members. One of the Members is an Accountant Member, who has been in the practice of accountancy as a Chartered Accountant for at least ten years and the other Member is a person who is or has been a judge of a High Court or who is a member of India Revenue Service and has held the post of Commissioner/Joint Secretary or equivalent post in Indian Legal Service, Income Tax, Indian Economic Service, Indian Customs and Central Excise Service or Indian Audit and Accounts Service in that service for at least three years.

21.3 The Appellate Tribunal under PMLA is 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 at New Delhi without any benches elsewhere in the country.

21.4 The appeals and allied petitions are disposed off by the Benches as constituted by the Chairperson with one or two Members as the Chairperson may deem fit. During the period 1 April, 2011 to 15 December, 2011, 147 appeals and 133 miscellaneous petitions were filed and 13 appeals and 14 miscellaneous petitions were disposed.

22. National Institute of Public Finance and 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. Established in 1976 as an autonomous institution under the Societies Registration Act, it has grown into an important think tank on public finance and fiscal policy. The Governing Body is chaired by an Economist of Eminence. Government is represented by the Finance Secretary, Revenue Secretary, Chief Economic Adviser of the Ministry of Finance. There are three eminent Economists in the Governing Body and representatives of FICCI and ASSOCCHAM. There is an Academic Committee advising the Director.

22.2 Research conducted in matters relating to tax policy and administration, public expenditure and control, public debt and its management, inter-governmental fiscal relations, economics and pricing of public and industrial enterprises in addition to other aspects of public finance have resulted in efficiency and growth potential and competitiveness of the Indian economy in medium to long term time frame.

22.3 The Institute has enhanced and improved understanding of the above issues by conducting several training courses, seminars, and policy dialogue for public servants and policy makers and disseminating its research output. Expert advice of the NIPFP faculty in the successive Finance Commissions, high level committees have aided policy makers to devise schemes for eliminating revenue deficit to bring about greater fiscal discipline".

23. Implementation of the Right to Information Act, 2005

23.1 Revenue Headquarters

The Right to Information Act, 2005 stands implemented in Revenue Hqrs. The details of Central Public Information Officers are available on Department's website. Also all the manuals have been put on the website of the Department. The internal procedure formulated for handling the applications/requests for information is working smoothly.

23.2 Central Board of Direct Taxes

The Central Board of Direct Taxes has already implemented the Right to Information Act, 2005. CPIOs and Appellate Authorities have already been appointed in all the offices of Income Tax Department. During the year, 2011, the Director General of Income Tax (Logistics) was appointed as Transparency Officer on behalf of CBDT. Further as desired by the Central Information Commission, all quarterly returns are being uploaded on the website of CIC. The names and addresses of all the CPIOs and Appellate authorities in CBDT have also been uploaded on the official website of the Income Tax Department.

23.3 Central Board of Excise and Customs

The Central Board of Excise and Customs have appointed 32 CPIOs and 30 Appellate Authorities under the Right to Information Act, 2005. During the year 2011-12 (upto September, 2011), a total of 1050 applications were received. Out of it, only 16 were rejected by the concerned authorities under the appropriate sections of the RTI Act, 2005.

23.4 Central Economic Intelligence Bureau

The Bureau is exempted from the purview of RTI Act, 2005, exempted under Section 24(1), read with Second Schedule of Act. However, during the period 2011-2012 (till 17 November, 2011); the Bureau received 13 applications which have been disposed off in time.

23.5 Narcotics Control Division

23.5.1 Central Bureau of Narcotics

The various provisions relating to the Right to Information Act, 2005 have been implemented in the Central Bureau of Narcotics. Central Public Information Officer have been nominated. Detailed functions and various aspects of the work done by the Department are also available on CBN website http://www.cbn.nic.in

23.5.2 Government Opium and Alkaloid Works

A cell in each unit of this organization, such as the factories at Ghazipur and Neemuch, as also at the Delhi and Gwalior office of the CCF have been set up. These cells function directly under the officials designated as CPIO/APIO. The applications received are regularly disposed off within the prescribed time-frame.

23.6 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 1 November, 2011, 24 applications seeking information under RTI Act, 2005 were received in the State Taxes Section and all these applications have been disposed off.

23.7 Directorate of Enforcement

During the year 2011-12 (up to December 2011), 128 RTI applications were received in Headquarters office of the Directorate, which were promptly disposed of within the stipulated period.

23.8 Authority for Advance Rulings (Central Excise, Customs & Service Tax)

The provision of the Right to Information Act, 2005 has been implemented. Twelve manuals, as prescribed under Right to Information Act and related to the Authority, have been updated regularly on the website of the Authority i.e. http://www.cbec.gov.in/aar /aar.htm . PIO/Appellate Authority/ Transparency Officer under the said Act has also been duly designated and details are posted on the website as well as on the Notice Boards of the Authority. During the year 2011-12 a total of 5 applications have been received and out of which one is transferred to other concerned Public Authority and the remaining 4 were disposed off.

23.9 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.

23.10 National Committee for Promotion of Social and Economic Welfare

During the financial year 2011-12, a total number of (16) sixteen RTI applications were received in the Secretariat of National Committee and all the applications were dealt in a proper and time bound manner.

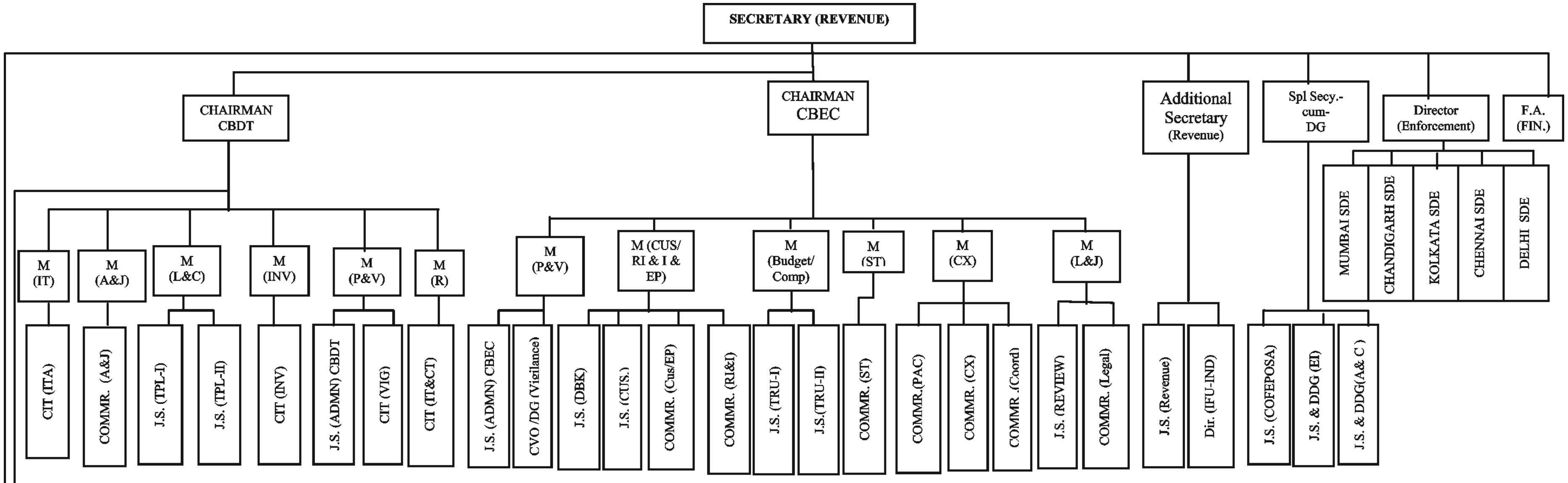
23.11 Customs & Central Excise Settlement Commission

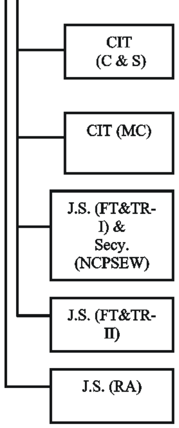
For smooth implementation of the Right to Information Act, 2005, CPIOs and ACPIOs have been nominated to provide information to the applicants.

23.12 Set-up for Forfeiture of Illegally Acquired Property

During the year, the Competent Authorities have received 14 applications under Right to Information Act, 2005. The applications were disposed off within time limit to the satisfaction of the RTI applicants.

Organisational Chart of the Department of Revenue





LEGEND

CBDT: Central Board of Direct Taxes
CBEC: Central Board of Excise & Customs
M (IT): Member (Income Tax)
M (A&J): Member (Audit & Judicial)
M(L&C)): Member (Legal & Computerization)
M (Inv.): Member (Investigation)
M (P&V) : Member (Personnel & Vigilance)
M(R): Member (Revenue)
M(P&V): Member(Personnel & Vigilance)
M (Cus/RI&I & EP) Member (Customs/Revenue Intelligence and Investigation/Export Promotion)
M(Bgt/Comp.): Member(Budget/Computerization)
M(ST): Member (Service Tax)
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 Policy and Legislation
FT&TR: Foreign Tax and Tax Research
FA (FIN): Financial Advisor (Finance)
RA: Revision Application
Rev.: Revenue
JS (COFEPOSA): Joint Secretary (Conservation of Foreign Exchange & Prevention of Smuggling Activities)
CEIB: Central Economic Intelligence Bureau
DDG: Deputy Director General
PAC: Public Accounts Committee
Enf. : Enforcement.
ITA: Income Tax Assessment
C&S: Coordination and Systems

Attached Offices/ other Bodies of the Deptt. of Revenue (H.Q.)

1. Enforcement Directorate
2. Central Economic Intelligence Bureau
3. Central Bureau of Narcotics
4. Chief Controller of Factories
5. Competent Authorities (SAFEM (FOP) Act & NDPS Act
6. Committee of Management.
7. National Committee for Promotion of Social & Economic Welfare
8. Custom & Central Excise Settlement Commission
9. Income Tax Settlement Commission
10. Appellate Tribunal for Forfeited property
11. Custom Excise & Service Tax Appellate Tribunal
12. Authority of Advance Ruling (Income Tax)
13. Authority of Advance Ruling (Customs & Central Excise)
14. Financial Intelligence Unit-India (FIU-IND)
15. Income Tax Ombudsman
16. National Institute of Public Finance & Policy (NIPFP)
17. Adjudicating Authority under PMLA
18. Appellate Tribunal under PMLA

Annexure-I: Representation Of SCs, STs & OBCs

Headquarter (Revenue)

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	Department of Personnel & Training, being the Cadre Controlling Authority, maintains the data.													
Group B	218	42	19	5	7	-	-	-	12	1	-	-	-	-
Group C	157	23	5	16	-	-	-	-	3	-	-	4	1	1
Group D (Excluding Safai Karam-chari)	176	58	15	3	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	12	12	-	-	-	-	-	-	-	-	-	-	-	-
Total	**551**	**135**	**39**	**24**	**7**	**-**	**-**	**-**	**15**	**1**	**-**	**4**	**1**	**1**

Central Board of Excise and Customs (CBEC)

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	2100	315	159	152	178	27	13	48	64	9	4	-	-	-
Group B	33216	5193	2381	1620	860	137	69	267	1824	264	124	65	3	2
Group C	11639	2458	871	1172	576	90	43	199	666	179	39	17	-	-
Group D (Excluding Safai Karam-chari)	5625	1333	493	465	10	4	-	4	127	30	13	-	-	-
Group D (Safai Karam-chari)	177	89	9	13	-	-	-	-	-	-	-	-	-	-
Total	**52757**	**9388**	**3913**	**3322**	**1624**	**258**	**125**	**518**	**2681**	**482**	**180**	**82**	**3**	**2**

Central Board of Direct Taxes (CBDT)

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	3590	442	232	217	148	23	11	39	100	22	6	N/A	N/A	N/A
Group B	6820	1345	497	397	-	-	-	-	1151	238	72	3	1	1
Group C	25485	5018	1743	2779	1438	170	80	365	3336	656	198	38	13	18
Group D (Excluding Safai Karam-chari)	4512	1480	266	553	63	22	7	13	139	29	5	3	-	-
Group D (Safai Karam-chari)	232	161	13	17	1	-	-	-	-	-	-	-	-	-
Total	**40639**	**8446**	**2751**	**3963**	**1650**	**215**	**98**	**417**	**4726**	**945**	**281**	**44**	**14**	**19**

Central Bureau of Narcotics (CBN)

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	7	-	1	2	Recruitment/Promotion is done by the Ministry.									
Group B	56	6	6	-	No Direct Recruitment				14	-	1	-	-	-
Group C	404	71	32	28	14	2	2	4	89	16*	16**	-	-	-
Group D (Excluding Safai Karam-chari)	291	70	28	9	1	-	-	1	-	-	-	-	-	-
Group D (Safai Karam-chari)	11	11	-	-	-	-	-	-	-	-	-	-	-	-
Total	**769**	**158**	**67**	**39**	**15**	**2**	**2**	**5**	**113**	**16**	**16**	**-**	**-**	**-**

* 7 SC candidates promoted against unreserved vacancies.

** 8 ST candidates promoted against unreserved vacancies.

Central Economic Intelligence Bureau (CEIB)

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	16	4	1	-	-	-	-	-	-	-	-	-	-	-
Group B	24	3	1	1	-	-	-	-	-	-	-	-	-	-
Group C	26	10	2	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	**67**	**18**	**4**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Directorate of Enforcement

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	39	02	-	-	-	-	-	-	06	01	-	03	NA	NA
Group B	177	19	04	-	-	-	-	-	54	18	03	52	NA	NA
Group C	247	25	10	20	18	02	02	06	15	02	01	32	NA	NA
Group D (Excluding Safai Karam-chari)	122	42	05	05	07	04	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**585**	**88**	**19**	**25**	**25**	**06**	**02**	**06**	**75**	**21**	**04**	**87**	**-**	**-**

Set up for Forfeiture of Illegally Acquired Property

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	7	-	2	1	-	-	-	-	-	-	-	3	-	1
Group B	15	1	-	-	-	-	-	-	-	-	-	2	-	-
Group C	18	4	1	3	1	1	-	-	-	-	-	3	-	-
Group D (Excluding Safai Karam-chari)	8	2	-	1	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**48**	**7**	**3**	**5**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**1**

Financial Intelligence Unit – India (FIU – IND)

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	18	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	9	1	-	-	-	-	-	-	-	-	-	-	-	-
Group C	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	4	2	-	1	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**32**	**4**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

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	4	2	-	2	-	-	-	-	-	-	-	-	-	-
Group B	11	7	-	4	-	-	-	-	2	2	-	-	-	-
Group C	45	19	6	20	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	35	24	1	10	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	3	3	-	-	-	-	-	-	-	-	-	-	-	-
Total	**98**	**55**	**7**	**36**	**-**	**-**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**-**

Income Tax Settlement Commission

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	36	4	-	-	The Commission does not make appointments to Group 'A' post									
Group B	24	2	-	-	-	-	-	-	-	-	-	-	-	-
Group C	109	13	2	7	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	42	8	3	4	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Total	**215**	**31**	**5**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Authority for Advance Ruling (Income Tax)

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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	3	2	1	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	5	2	1	2	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	**9**	**5**	**2**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Authority for Advance Ruling (Central Excise, Customs and Service Tax)

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	1	-	1	-	-	-	-	-	-	-	-	-	-	-
Group B	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Appellate Tribunal under PMLA, 2002

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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	1	1	-	-	-	-	-	-	-	-	-	1	1	-
Group C	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**-**

National Institute of Public Finance & Policy (NIPFP)

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	36	2	-	-	4	-	-	1	-	-	-	-	-	-
Group B	19	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	25	3	1	3	2	-	1	-	-	-	-	-	-	-
Group D (Excluding Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**80**	**5**	**1**	**3**	**6**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**

N.B.: Appellate Tribunal for Forfeited Property (ATFP), Customs & Central Excise Settlement Commission and Adjudicating Authority under Prevention of Money Laundering Act, 2002 have furnished 'Nil' information.

Annexure II: Representation of the Persons with Disabilities

Headquarter (Revenue)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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'					Department of Personnel & Training, being the Cadre Controlling Authority, maintains the data.													
'B'	218	-	-	2	Deptt. of Expenditure and Deptt. of Official Languauge, being the Cadre Controlling Authority i.r.o. CSS.CSCS Cadres and Ex-cadre posts respectively maintains the data.													
'C'	157	-	1	3														
'D'	2	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**377**	**-**	**1**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Central Board of Excise and Customs (CBEC)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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'	2100	-	11	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	33216	10	12	265	5	14	23	565	3	-	7	1	-	1	831	2	-	14
'C'	17441*	17	11	128	10	11	38	649	22	-	15	2	2	20	447	-	-	7
'D'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**52757**	**27**	**34**	**404**	**15**	**25**	**61**	**1214**	**25**	**-**	**22**	**3**	**2**	**21**	**1278**	**2**	**-**	**21**

* Including erstwhile Gr. 'D', who are now placed in Gr. 'C'.

Central Board of Direct Taxes (CBDT)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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'	3590	-	43	-	-	3	-	-	-	3	-	-	-	-	-	-	-	-
'B'	6820	3	4	106	-	-	-	-	-	-	-	-	-	-	200	1	2	10
'C'	25485	47	41	518	17	18	57	692	15	12	36	20	23	69	1161	1	1	59
'D'	4744	3	3	44	1	5	11	29	-	-	1	2	1	5	2	-	-	5
Total	**40639**	**53**	**91**	**668**	**18**	**26**	**68**	**721**	**15**	**15**	**37**							

Central Bureau of Narcotics (CBN)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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'	3	1	-	2	-	-	-	1	1	-	-	-	-	-	-	-	-	-
'D'	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**4**	**1**	**-**	**3**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Directorate of Enforcement

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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'	39	-	-	-	-	-	-	-	-	-	-	-	-	-	09	-	-	-
'B'	177	-	-	01	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	54	-	-	01
'C'	247	-	-	02	-	-	01	18	-	-	01	-	-	-	15	-	-	01
'D'	122	-	-	-	-	-	-	07	-	-	-	-	-	-	-	-	-	-
Total	**585**	**-**	**-**	**03**	**-**	**-**	**01**	**25**	**-**	**-**	**01**	**-**	**-**	**-**	**78**	**-**	**-**	**02**

Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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'	2	-	2	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-
'D'	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**5**	**-**	**5**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

National Institute of Public Finance and Policy (NIPFP)

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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'	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
'D'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-

N.B.: Central Economic Intelligence Bureau (CEIB), Appellate Tribunal for Forfeited Property (ATFP), Set up for 'Forfeiture of Illegally Acquired Property, Financial Intelligence Unit-India (FIU-IND), Income Tax Settlement Commission (ITSC), Customs and Central Excise Settlement Commission, Authority for Advance Rulings (Income Tax), Authority for Advance Rulings (Central Excise, Customs & Service Tax), Adjudicating Authority under PMLA, 2002 and Appellate Tribunal under PMLA, 2002 have furnished 'Nil' information.

Department of Disinvestment

Chapter-IV

Department of Disinvestment

1. Functions

As per Government of India (Allocation of Business) Rules, 1961 the mandate of the Department is as follows:

1. 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.

2. Decisions on the recommendations of the Disinvestment Commission on the modalities of Disinvestment, including restructuring.
3. Implementation of disinvestment decisions, including appointment of Advisers, pricing of shares, and other terms and conditions of disinvestment.
4. Disinvestment Commission wound up with effect from 31 October, 2004
5. CPSEs for purposes of disinvestment of Government equity only.
6. Financial Policy in regard to the utilization of the proceeds of disinvestment channelized into the National Investment Fund .

2. Vision

Promote people's ownership of Central Public Sector Enterprises to share in their prosperity through disinvestment. Enhanced People's ownership shall lead to better corporate governance.

3. Mission

1. List all profitable Central Public Sector Enterprises on stock exchanges and increase public shareholding in the ones listed, to facilitate in:
   (a) Higher disclosure levels that bring about greater transparency and accountability in the functioning of the Central Public Sector Enterprises.
   (b) Bringing market discipline to the functioning of Central Public Sector Enterprises.
   (c) Unlocking the true value of the Central Public Sector Enterprises for all stakeholders – investors, employees, Company and the Government.
2. Already listed profitable Central Public Sector Enterprises (not meeting mandatory minimum public shareholding of 10%) are to be made compliant by 'Offer for Sale' by Government or through issue of fresh shares by the CPSEs or a combination of both.
3. To raise budgetary resources.

4. Organisational Structure

Shri Mohd. Haleem Khan assumed the charge of Secretary, Department of Disinvestment on 28 June, 2011. The Secretary 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 level of Under Secretary.

The Organisational structure of the Department is placed at **Annexure-I.**

5. Policy on Disinvestment

The present disinvestment policy has been articulated in the President's addresses to Joint Sessions of Parliament and the Finance Minister's Budget Speeches. The policy envisages the development of "People ownership" of Central Public Sector Enterprises.

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 5 November, 2009, Government approved the following approach for disinvestment:

(i) Already listed profitable CPSEs (not meeting mandatory minimum public shareholding of 10%) are to be made compliant by 'Offer for Sale' by Government or through issue of fresh shares by the CPSEs 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 CPSEs 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 seek Government approval in cases of Offer for Sale of Government equity.

7. Benefit of Disinvestment

(i) Disinvestment and listing of CPSEs on stock exchanges which at a policy level takes the economic reform agenda forward and inter alia

- **Improves corporate governance**
- Higher disclosure levels as mandated by SEBI/ stock exchanges and under Company law bring in greater transparency and answerability. The oversight mechanism therefore becomes robust and multilayered.
- Enhanced corporate governance with the induction of independent Directors.
- Higher levels of investor focused scrutiny and research demand adherence to professional conduct of business resulting in improved corporate culture.
- The company will be subject to market discipline that helps improve the working culture both at the managerial level as well as at the shop floor level. Day-to-day variations in trading price not only benchmarks the performance with the competition but also signifies the impact of everyday events.
- **Develops and deepens the capital market through spread of equity culture.**
- The process of listing of CPSEs on stock exchanges facilitates development and deepening of capital market and spread of equity culture.
- Resources locked in sectors developed enough to raise money from the market are channelized into areas of economy that are less likely to access resources for the market because of their stage of economic development.
- When more resources are used for infrastructure development, it creates jobs for large number of unemployment and simultaneously provides platform for higher economic growth.
- This also creates fiscal space for relocation of resources locked with CPSEs.

Unlocks true value of the Enterprises for all stakeholders, namely, investors, employees of the CPSE concerned, the Company and the Government.

- Consequent to listing, the CPSEs will be able to approach the capital market to raise resources for their capital expenditure requirements as is the case among private companies. Thus, the dependence on Government funding will be reduced.

(ii) Raise budgetary resources for the Government.

8. Reform Measure and Policy Initiatives

The following measures have been taken this year to make the process of disinvestment more efficient and transparent.

Initiatives taken to bring CPSEs on Board

Department has approached the disinvestment mandate with a view to improve corporate governance. Accordingly, Department has positive interaction with the Department of Public Enterprises. The two issues deserve mention:

- Granting of Navratna or miniratna status to a CPSE (which allows greater financial autonomy to CPSEs) should be contingent on its becoming a listed company.
- A successful public issue [either an Initial Public Offer (IPO) or a Follow on Public Offer (FPO)] involves considerable effort and obligation with regard to accountability and answerability on the part of the management of the CPSE. The Department of Public Enterprises may consider suitable recognition of the same in the MoU system.

Awareness Programmes

- To increase retail participation investor awareness programme have been held through various forums.

- Workshops have been organized on topics like "Listing as a tool for improved corporate Governance' in which CPSEs who have done successful disinvestments have been asked to share their experience with the management of CPSEs who have to initiate the listing process so that their concerns are addressed.
- Interactive sessions held with select brokers and broker associations registered with SEBI to seek their views and suggestions, specifically to increase retail participation.

Other Initiatives

- Incentivisation of the marketing chain, i.e. brokers and payment of incentive in a time bound manner.
- Incentivisation of retail investors by offering discount.
- Selection of BRLMs having strong retail network.
- To codify the entire public issue process for CPSEs the Department has prepared and published a Handbook on Disinvestment. The handbook explains in a step by step method the entire process and the role of the various parties concerned.
- To ensure that listed companies should have sustained interface with the investment community, the Department has prepared a Guidelines on Investor Relations for all listed CPSEs. Listed companies to set up investor relationship cells.

9. Performance/Achievements

The Department of Disinvestment has no plan or non-plan scheme. The entire Budget of the Department is under non-plan for payment of salary, wages, professional services and other administrative expenses, etc. The Budget Estimate for the financial year 2011-2012 for the Revenue was ₹ 62.63 crore and Revised Estimate for financial year 2011-2012 is ₹ 50.58 crore.

(i) Disinvestment transactions completed during 2011-2012 (upto December 2011).

Power Finance Corporation Ltd.: Disinvestment of 5% paid-up equity capital of the Company in conjunction with issue of fresh equity of 15% paid-up capital by the Company through a Further Public Offer in the Domestic Market. Government of India shareholding has come down from 89.78% to 73.72%. Government realized an amount of ₹ 1,144.55 crore.

(ii) Disinvestment transaction(s) under implementation:

(a) **Oil and Natural Gas Corporation Ltd. (ONGC):** Disinvestment of 5% paid-up equity capital of the Company out of Government shareholding through a Further Public Offer in domestic market. Government of India shareholding will come down from 74.14% to 69.14%. The disinvestment is expected to be completed during the current financial year.

(b) **Bharat Heavy Electricals Ltd. (BHEL):** Disinvestment of 5% equity capital of the company out of Government shareholding through a Further Public Offer in domestic market. The Government of India shareholding will come down from 67.72% to 62.72%. Disinvestment is likely to be completed during the current financial year.

(c) **National Building Construction Corporation Limited (NBCC):** Disinvestment of 10% equity out of Government shareholding of 100%. The Public offering is likely to be completed in the current financial year.

(d) **Tyre Corporation of India Ltd.:** Government has approved disinvestment of 100% of Government equity in Tyre Corporation of India Ltd. through outright sale. The transaction is likely to be completed in the financial year 2012-2013.

(e) **Central Inland Water Transport Corporation (CIWTC):** In 2005 Government accorded 'in principle' approval for disinvestment of 100% Government shareholding in Central Inland Water Transport Corporation to a strategic partner. The process for disinvestment is yet to be taken up.

(iii) Transactions awaiting approval

(a) **Steel Authority of India Ltd. (SAIL):** Disinvestment through offer for sale of Government of India's equity shareholding of 10% of paid-up capital, in conjunction with issue of fresh equity of 10% of SAIL's paid-up capital, in two distinct tranches each comprising 5% offer for sale and 5% issue of fresh equity. Since SAIL Board decided that the Company does not require raising capital the proposal is being revised to cover only disinvestment by the Government.

(b) **Hindustan Copper Ltd. (HCL):** Disinvestment of 10% paid-up equity capital of the Company out of Government shareholding in conjunction with issue of fresh equity of equal size by the Company through a Further Public Offer. This could not be completed in financial year 2010-2011 due to concerns on valuation of the Company.

Since the Company informed that it does not require funds the Department is revising the proposal for only disinvestment of 10% equity of the Company out of Government shareholding.

(c) **Rashtriya Ispat Nigam Ltd. (RINL):** Proposal for disinvestment of 10% paid up equity of RINL out of Government Shareholding has been mooted. Preparatory action for appointment of Advisors has been completed.

(d) **Hindustan Aeronautics Ltd.:** Ministry of Defence has given its consent for disinvestment of 10% paid-up equity out of Government shareholding. Preparatory action for appointment of Advisors has been completed.

(e) **Scooters India Ltd. (SIL):** The Government has approved the disinvestment of entire Government equity of 95.38% in Scooters India Ltd. to a strategic partner. The process would commence once a resolution to this effect is passed by both the Houses of the Parliament.

10. Proceeds from Disinvestment

The Government has, till December 2011, realized an amount of ₹ 1,144.55 crore from disinvestment of 5% paid-up equity capital of Power Finance Corporation Ltd in conjunction with issue of fresh equity of 15% paid-up capital by the Company through a Further Public Offer in the domestic market.

11. National Investment Fund (NIF)

On 27 January, 2005, the Government 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 channelized. 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.

Salient Features of 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.

Fund Managers of NIF

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

The corpus of the Fund is ₹ 1,814.45 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 2008-2009, ₹ 2,48.98 crore in the year 2009-2010, ₹ 107.32 crore in the year 2010-2011 and ₹ 128.95 crore up to December 2011. Average income of the first two years was 9.36%. During 2009-2011, the average income was 7.03%. The fall in interest income was due to the lowering of interest in the debt market, as also the fall in equity markets.

Use of Disinvestment Proceeds

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.

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.

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

12. Official Language Policy

The Department has a full-fledged Official Language Unit for handling all work relating to Official Language.

13. 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) is updated on a regular basis. The website is user friendly and makes available information in an organized and systematic fashion.

14. Grievance Redressal Mechanism

The Department is using the Centralized Public Grievance and Monitoring System (CPGRAMS). Also the website of the Department has an in built mechanism for receiving grievances from public. An Additional Secretary has been nominated as Director of Public Grievances.

Internal Complaints Committee on Sexual Harassment of Women Employees

In compliance with Supreme Court's Judgement dated 13 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.

15. Vigilance Machinery

Additional Secretary has been designated as Chief Vigilance Officer of the Department.

16. Implementation of Right to Information Act, 2005

In pursuance of the Right to Information Act., 2005, the following officers have been designated to handle RTI matters of the Department:

- Shri V. N. Gaba, Deputy Secretary as Central Public Information Officer (CPIO)
- Shri Pramod Agrawal, Joint Secretary as Appellate Authority
- Shri Sidhartha Pradhan, Additional Secretary as "Transparency Officer"

Information relating to the Department of Disinvestment has been posted on the Department's website in compliance with Section 4(1) (b) of the RTI Act, 2005. The information is updated from time to time.

17. Result Framework Document 2011-12

As required under the "Performance Monitoring and Evaluation System (PMES) for Government Departments", the Department has prepared a Results Framework Document (RFD) for 2011-2012 which is placed on its website www.divest.nic.in.

Initiative for Good Governance

As per the mandate provided by the Government of India (Allocation of Business) Rules, 1961 the Department is not involved in the delivery of any public services or has any direct interface with the citizens or public at large. However, the Department has prescribed timelines for disposal of transaction related bills to avoid delay and any scope of corruption as also to promote good governance. These have been included under "Service Standards" in the Citizen/Client's Charter which is also placed on the website of the department.

18. Audit Paras/Objections

The office of the Principal Director of Audit conducted audit in the Department during October 2011. No Audit paras/ Objections are pending in the Department.

19. Integrated Finance Unit

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 shown in table 4.1.

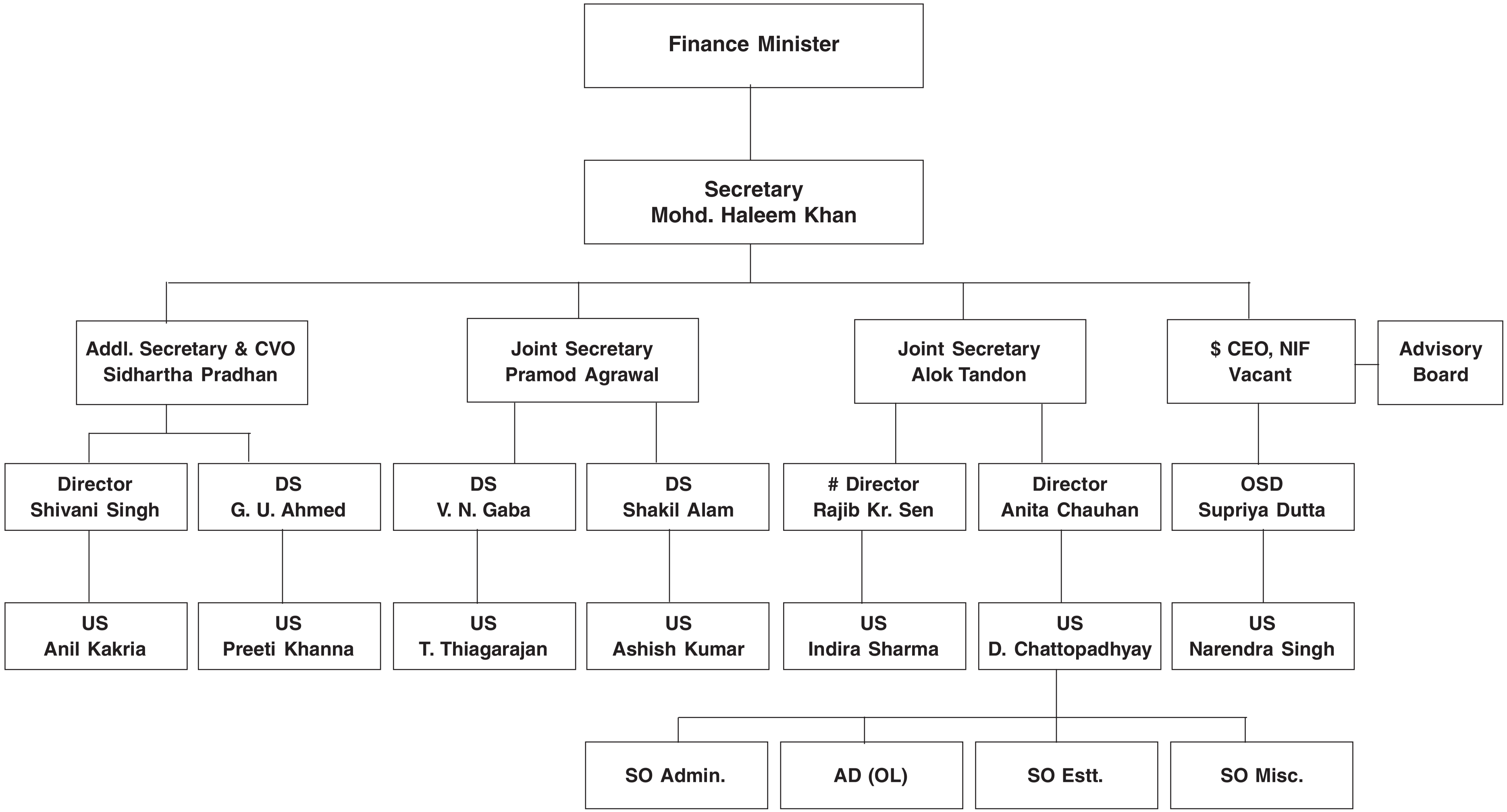
The Integrated Finance Unit monitors all financial and expenditure related proposals of the Department like appointment of consultants, foreign deputation/visits of officers etc. The expenditure trend of the Department is consistently monitored by the IF Unit. All budget related matters including issues concerning Standing Committee on Finance come within the purview of this unit.

(₹ in crores)

Table 4.1

Grant No.	Budget Estimates 2011-12			Revised Estimates 2011-12		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
44 - Department of Disinvestment	-	62.63	62.63	-	50.58	50.58

Organisational Setup of Department of Disinvestment



$ Chief Executive Officer (National Investment Fund). Additional Charge held by AS (P)

Against the post of Consultant, One Director (Shri R.K. Sen) has been posted on Central Staffing Scheme.

Department of Financial Services

Chapter-V

Department of Financial Services

Work Allocation Among Sections

Banking Operation-I (BO-I): Appointment of Governor/ Deputy Governor of RBI, Chairman & MDs of SBI, CMDs and EDs of Nationalised Banks, CMDs of NABARD and NHB; appointments of Whole Time Director in Exim BANK, SIDBI and IDBI, salary allowances and other terms and conditions of Whole Time Directors of PSBs and FIs/above institutions; constitution of Boards of Directors of RBI and PSBs; appointment of Workmen Employee Directors, appointment of Part Time Non Official Directors and Officer Employee Directors of PSBs.

Banking Operation-II (BO-II): Publicity in PSBs; functioning of PSBs; disputes and arbitration between PSBs and between PSBs and other Goverment Departments/PSEs; appointment of advocates in PSBs, acquisition/leasing/renting/ vacation of premises; residuary matters of Portuguese Banks in Goa, Estate Officers under Public Premises Act, 1971; opening and shifting of administrative offices of banks including currency chests; office of the Court Liquidator at Kolkata High Court; terrorist financing matters. All acts and laws relating to commercial banks(excluding those specifically allotted to other Sections); banking sector reforms, subordinate legislations on the aforesaid matters. Matters relating to Appellate Authority on NBFCs. NBFCs/Asset Restructuring Companies; Deposit Insurance and Credit Guarantee Corporation (DICGC) policy matters; Local Area Banks. Receipt and payment work of Government.

Banking Operation-III (BO-III): Customer Service in Banks, All kinds of complaints/representations received from individual/ associations for redressal of their grievances on delay in clearance of cheques, non-payment/non-issue of drafts, non issue/delay in issue of duplicate drafts, misbehaviour/rude behaviour/harassment on the part of staff of the Bank, non settlement/delay in settlement of deceased accounts, non-transfer/delay in transfer of accounts from one office to another, non opening/delay in opening of new accounts, non-compliance with standing instructions of the customers, non-payment of term deposits before maturity, delay in payment to pensioners, including those related to credit cards against PSBs, All kinds of complaints received from MPs/VIPs/PMO/President Sett. , received against PSBs on items allotted to the Section, All kind of complaints received from DARPG/DPG relating to Public/Private Sector and Foreign Banks, All kind of complaints received from MPs/VIPs/PMO against Private Sector & Foreign Banks. Banking Customer Service Centres; Banking Ombudsman.

Banking Operation & Accounts (BOA): Licensing, amalgamation, reconstruction, moratorium funds, and acquisition of private sector banks; overseas branches of Indian banks; operation of foreign banks in India; preparation of annual consolidated review on the working of Public Sector Banks and laying it on the Tables of both Houses of Parliament; pattern of accounting and final accounts in Public Sector Banks; study and analysis of the working results of PSU Banks; audit of banks, IFSC, appointment and fixation of remuneration of auditors of PSBs/FIs; laying of annual reports and audit reports etc., of PSU Banks, in Parliament; taxation matters of PSBs/FIs; dividend payable to Central Government by PSBs; scrutiny of the annual financial reviews of PSBs conducted by RBI under Section 35 of the Banking Regulation Act, 1949 and follow up action; operation of the schemes of bank guarantee and complaints; matters regarding PSBs; capital restructuring of banks *(including restructuring of weak public sector banks)* and Government's contribution to share capital, public issue of banks; notification regarding exemption from various sections of the Banking Regulation Act, 1949 and Payment and Settlement System Act, 2007 for public as well as private sector banks; appointment of appellate authority to hear appeals under BR Act and PSBs Act; Release of externally aided grants to ICICI Bank under USAID. Citizen's Charter of Public Sector Banks/RBI.

Agriculture Credit (AC): Agriculture Credit; Agricultural Debt Waiver and Debt Relief Scheme, 2008; matters relating to NABARD (except service matters), Agriculture Finance Corporation (except Service matters), State Legislations on the subject, Co-operative Banks (including Urban Co-operative Banks), World Bank, ADB and kfw aided projects relating to rural/agriculture credit, appeals made by Co-operative Banks, matters relating to Micro Finance, financial assistance to persons affected by natural calamities, riots disturbances, etc. Bank credit to KVIC, handloom and handicraft sector. Citizen Charter of NABARD.

Credit Policy (CP): Priority Sector Lending,; lending to weaker sections of Priority Sector including SC/ST; PM's New 15 Point Programme for the Welfare of Minorities; Credit to Minorities; Follow up action of Select Parameters recommended by Sachar Committee; DRI Scheme; Government Sponsored Schemes-PMEGP, Education, employment generation scheme of SJSRY; SGSY and other poverty alleviation programmes, educational loans.

Regional Rural Banks (RRB): Legislative matters with regard to RRB Act, 1976 and framing of rules thereunder; nomination of non-official directors on the Board of RRB, appointment of Chairman, Recommendation of RRBs, review of performance of RRBs, wage revision, manpower planning; laying of Annual Reports of all RRBs along with review thereof; formation of Staff Service Regulation and Promotion Rules for employees and officers of RRBs, IR matters of RRBs. Citizen's Charter of RRBs.

Financial Inclusion (FI): Work relating to financial inclusion, coordination with other sections, offices, institutions etc on Financial inclusion; Branch expansion of banks; Lead Bank Scheme and Service Area Approach; District and State Level Bankers' Committee(SLBC); Regional imbalances of banking network, matters related to Business Correspondents/ Business Facilitators, Mobile Banking etc., matters relating to e-Governance in all FIs and e-Payments in banking system and computerisation of PSBs.

Industrial Relations (IR): Service matters of PSBs including IDBI/FIs/NABARD/RBI; Industrial Disputes Act matters, HR matters relating to PSBs and RBI Unions and Associations in the Banking Industry, Bipartite settlements of, policy of transfer, promotion, and HRD in banks; IB reports about political activities of bank employees; Pay and Allowances of bank employees in overseas branches; HR Reforms.

Coordination (Coord.): Organisation of FM's meetings with CEOs of PSBs; and regional consultative committee meetings; Presidential address to the Joint Session of Parliament; Staff Meeting of Secretary (FS); monitoring & review of disposal of VIP references, PMO references, coordination of RBI pending matters; compilation and submission of material for Parliament Questions to other Ministries/Departments; Parliament Questions regarding VIP references; Monthly DO letter to Cabinet Secretary from Secretary (FS);Appointment of CPIOs, ACPIOs, AA and Nodal Section for RTI matters of DFS and to deal with CIC for Annual Report etc.; Co-ordination of VIP, PMO, President Sectt., etc. references involving more than two Divisions of DFS.

Establishment (Estt.): Matters pertaining to the Officers and Staff of DFS, including RRs, Updation of Induction Material for DFS, appointment, ACRs, deputation(including abroad), training, IWSU, SIU, welfare, review of officers under FR 56(J), internal vigilance, staff grievances, pension, etc.; grant of various advances to officers and staff, payment of fees to advocates, settlement of medical claims and CGHS matters, family welfare programme.

General Administration (GA): House keeping, cleanliness, stores, canteen, R&I, library, Staff Car Drivers, vehicles to the officers of DFS, purchase of Computer Hardware and Maintenance of Computers, Printers and other equipments. Providing of Identity Cards to the Staff of DFS and CMDs/EDs/PROs of Public Sector Banks/Financial Institutions/Insurance companies, etc.

Parliament: Collection, identification and marking of Parliament Questions, Notices, admitted Questions, and getting the files approved from the Minister. Preparation of facts and replies for pads of Ministers; keeping track and record of pending Assurances, Special Mentions and References under Rule 377 and other matters as mentioned in the Induction Material.

Office of Custodian: Joint Parliamentary Committee (JPC) (which enquired into irregularities in securities transactions); disciplinary action against bank employees/executives involved in irregularities in securities transactions; establishment matters relating to Special Courts/Office of the Custodian; all issues pertaining to continuation of posts, budget matters of the O/o Custodian and Special Court including extension of the Office of Custodian and appointment of Custodian.

Audit Paras

Hindi: Implementation of Official Language Policy of the Government, translation work relating to Parliament Questions, Standing Committees, Minutes of the Meetings; Hindi Teaching Scheme and other miscellaneous work as mentioned in induction material of DFS.

SCT: matters relating to recruitment, promotion and welfare measures of SC/ST/OBC/PH and Ex-servicemen in PSBs/FIs; matter of policy regarding reservation for these categories in PSBs/FIs, Insurance Companies, reservation matters in RRBs etc.

Data Analysis (DA): Reserve Bank of India Credit Policy – Busy Season – Slack Season and selective credit control; financial sector assessment and sectoral credit analysis; Banking Statistics regarding bank deposits and advances; deposits and advances of banks; rates of interest on bank deposits and advances; Dissemination of results and important information relating to RBI, IBA, studies on banking reforms; analysis of other international reports relevant to banking sector in India; Analysis of Reports of committees on Financial Sector Reforms etc. Management Information System – collection, collation of data relating to Banking Industry. Result Framework Document (RFD), Speeches of FM/MOS on different occasions.

Industrial Finance-I (IF-I): Administration of the Export-Import Bank Act-1981 and Scheme for financing Viable Infrastructure Projects (SIFTI) of IIFCL, Operational/Policy/ Budgetary matters relating to Exim Bank, IIFCL, IWRFC and IIBL Ltd; Matters related to IFCI Ltd, IDFC Ltd, Closure of IIBI Ltd, related matters; Board level appointments-Whole Time Directors-IIFCL, IWRFC and IIBI Ltd; Government Nominee Directors-Exim Bank, IIFCL, IWRFC, IIBI Ltd., IFCI Ltd. and IDFC Ltd.; Non-official Directors-Exim Bank, IIFCL, IWRFC and IIBI Ltd.; Sector-specific matters like infrastructure, power, textiles, exports; commerce etc.; Administration of Exim Bank Act; laying of annual reports of

FIs; matters related to Ratnagiri Gas and Power Pvt. Ltd (RGPPL). Citizen's Charter of EXIM Bank and IIFCL.

Industrial Finance-II (IF-II): Matters relating to NHB and Housing Policy, BIFR, Appellate Authority for Industrial and Financial Reconstruction (AAIFR), Sick Industrial Companies (Special Provisions) Act (SICA), appointment of members of BIFR, AAIFR; Small and Medium Enterprises (SMEs), SIDBI, SFCs, Credit Guarantee Fund for Micro and Small Enterprises; MLIs, Credit Guarantee Scheme and other related matters on the subject. Citizens Charter of NHB and SIDBI.

Housing: Issues relating to operation of 1% Interest Subvention Scheme on housing loans upto ₹ 10 lakh where the cost of the house does not exceed ₹ 20 lakh. National Housing Bank (NHB) and Reserve Bank of India (RBI) are the nodal agencies for the scheme for Housing Finance Companies (HFCs) and Scheduled Commercial Banks (SCBs) respectively. All claims received are being released to NHB and RBI for further sanction to HFCs and SCBs. Implementation of Credit Guarantee Fund Trust for Low Income Housing (CGFTLIH) being managed by Ministry of Housing and Urban Poverty Alleviation (Ministry of HUPA) Issues relating to Rural Housing Fund (RHF).Issued related to Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) being operated by Ministry of HUPA. Administration of National Housing Bank Act, 1987.

Vigilance: Consultation with CVC/CTE; nomination of CVOs for PSBs/FIs; correspondence with CBI; Annual Action Plan on Anti Corruption measures; investigation of cases of frauds by CBI & RBI; matters under Prevention of Corruption Act; preventive vigilance; vigilance systems and procedures in RBI/PSBs/FIs and Insurance Companies; inquiry into complaints against GMs/EDs and CMDs of PSBs/FIs and Vigilance Surveillance over them; major frauds in PSBs (in India and abroad); PMO references on anti corruption measures; bank security; robberies & loss prevention in banks; sanction of prosecution in case of ED/CMDs; War Book matters; Annual Reports of CVC; Conduct Regulation in PSBs/FIs, employment after retirement regulations in PSBs; CVC/CBI references relating to DRTs/DRATs.

Debts Recovery Tribunals (DRT): Establishment of DRTs/ DRATs under the Recovery of Debts due to Banks and Financial Institutions Act, 1993; framing or amending rules for implementing of the provisions of the DRT Act; filling up of the posts of Chairpersons, Presiding Officers, Registrars, Assistant Registrars, Recovery officers, and other posts in DRTs/DRATs; issuing clarifications/guidelines etc. on administrative matters/review; progress and disposal of cases by DRT/DRATs; budget provisions, monitoring, etc relating to DRTs/DRATs. SARFAESI/DRT, Central Registry and CIBIL, Securitisation and Foreclosure, subordinate legislation on the aforesaid matters; resolution of NPAs of PSBs etc.

Micro Finance

Matters related to Micro Finance Institutions and Legislation thereon, Self Help Groups, as well as NABARD's Micro Finance, etc.

Insurance-I (Ins.-I)

LIC Business: Review of the performance of LIC; Laying of Reports of LIC in Parliament; Opening/winding up of branches of LIC in India; Appointment of Auditors for LIC; Administration of PP Act in LIC and references relating to Estate matters in LIC; Foreign operations/subsidiaries of LIC; References on Social Security Schemes and other life insurance schemes; Review of performance and making budgetary provisions for various GOI funded schemes such as Janashree Bima Yojana, Shiksha Sahayog Yojana, Varishatha Bima Yojana and Aam Aadmi Bima Yojana; Other Social Security Group Insurance Schemes under LIC; Central Government Employees Group Insurance Scheme; Postal Life Insurance Scheme;Employees' Provident Fund Scheme; All Government sponsored/ supported schemes in life insurance; Any other life insurance or social security products/scheme proposals; Others: Appellate Authority constituted under Section 110H of the Insurance Act, 1938;

Coordination work relating to the following Committees: Committee for the Welfare of Women; Committee for the Welfare of SC/ST; Estimates Committee;

Appointments – LIC: Selection & appointment of Chairman/ MDs, LIC, appointment of Directors on the Board of LIC, appointment of ex-officio members on the subsidiaries of LIC; Permission for foreign deputation of Chairman and MDs of LIC; Permission for commercial Employment after Retirement for Chairman/MDs, LIC and other executives of LIC; **IRDA:** Appointments of Chairperson and Members of IRDA; Service condition of Chairman, Members and employees of IRDA; Budget and Funds of IRDA; Other matters relating to Brokerage agencies, entry of new companies and regulations of IRDA.

Service Matters: Service matters, rules and regulations in all public sector insurance companies; Representations on service matters by employees of public sector insurance companies; Service matters of Development Officers/Agents/ Intermediaries; Wage Revision/Bonus/VRS in LIC/Public Sector General Insurance Cos; Implementation of Pension Scheme/policy matters on commercial employment. Citizen's Charter of Life Insurance Corporation Ltd.

Insurance-II (Ins.-II)

Grievances: Public grievances against services provided by Public Sector Insurance Companies including AICL and IRDA other than on service matters; Periodical meetings of Public Grievances Officers of public sector insurance companies; Functioning of internal public grievances redressal machinery in public sector insurance companies; Functioning of external redressal machinery like Consumer Courts, Ombudsmen, Lok Adalats, MACT and Courts etc; Appellate Authority constituted under Section 110H of the Insurance Act 1938. Citizen's Charter of Non Life Insurance Companies.

Housekeeping: Care taking and maintenance of computers, furniture, photocopiers etc. in Insurance Division. I-card for staff and executives of Insurance Companies.

Insurance Sector Reforms: All matters relating to reforms in insurance sector; Reforms related amendments to Insurance Act, 1938, LIC Act, 1956, GIBNA Act, 1972, IRDA Act, 1999 and Actuaries Act, 2006; Implementation of Law Commission Reports.

Appointments: Policy issues concerning selection of Chief Executives in the PSU insurance companies including AICL; Appointment on the Boards of public sector non-life companies including AICL; Foreign deputation of Insurance executives; permission for Chief Executives of non-life companies including AICL.

General Insurance: Review of the performance of General Insurance Companies including AICL; Matters relating to Insurance Schemes of Public Sector General Insurance Companies including AICL and audit paras thereon; Computerization of public sector general insurance companies; References relating to Surveyors and Agents of non-life PSICs; Foreign operations of public sector general insurance companies; Reference relating to Re-insurance, Third Party Administrators, Tariff Advisory Committee; Opening/ winding up of branches ; Administration of War Risk (Marine Hull) Reinsurance Schemes, 1976; Reference from RBI on permission for release of foreign exchange for insurance policy abroad; Laying down of Annual reports of General Insurance Companies/GIC/AICL; Administration of PP Act in non-life insurance companies and references relating to Estate matters in those companies.

Coordination: Work relating to Budgeting, Tax proposals, Budget Announcements relating to insurance, Annual Report, Economic Survey, India Reference Annual, Economic Editors Conference, PMO/Cabinet References, CII & FICCI, within Insurance Division, matter related to e-payments in Insurance Companies, computerization of Insurance Companies.

Coordination work relating to the following Committees: Standing Committee on Finance; Committee on Subordinate Legislation; Petitions Committee; Committee on Public Undertaking (COPU).

Others: WTO multi-lateral/bilateral agreements; Inter-Government agreement between India and any other country.

Pension Reforms (PR): Coordinating and introducing Pension Reforms; Introduction of New Pension System and extension of its coverage to State Governments and unorganised sector and implementation of the Co-Contributory Swavalamban Scheme; Creation of a Non-statutory Interim Pension Fund Regulatory and Development Authority and administrative matters relating thereto; Formulation of the Pension Fund Regulatory and Development Authority Bill, 2011 and its passage through the Parliament; Matters relating to the Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds.

International Cooperation: International Relations (Banking, Insurance and Pensions Reforms); Financial Action Task Force (FATF); International Cooperation in Joint Investment Fund-Oman-India Fund and Indo-Saudi Fund. WTO and Border Banking facilities.

Work relating to Parliament Questions, Legislation, Cabinet Notes, Court Cases, VIP References, RTI applications will be attended to by the respective Sections.

New Initiatives

1. Banking Operations

1.1 Amalgamation/Mergers

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 with the managements of the banks themselves. 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 considering any merger proposal, Government ensures that the interests of the stakeholders and employees of the merging banks are adequately protected.

In the year 2011, approval has been granted for the acquisition of SBI Commercial & International Bank Ltd. (SBICI Bank) by State Bank of India (SBI).

1.2 Providing Capital Assistance to the PSBs

The Government is committed to keep all the Public Sector Banks(PSBs) financially sound and healthy so as to ensure that the growing credit needs of our economy are adequately met. With this objective in mind, for the year 2011-2012, the Government intends to infuse capital in PSBs to ensure that their Tier-I capital is maintained at a minimum of 8%; and the Government holding in them is at a minimum of 58%. An amount of ₹ 12,000 crore has been provided for F.Y. 2011-2012 to meet this objective.

For the year 2012-2013 a sum of ₹ 14,588 crore has been provided in BE.

Government has appointed a High Level Committee headed by Finance Secretary

i. To assess the need for capitalisation of various PSBs for the next 10 years keeping in view various challenges the PSBs have to face due to the impending implementation of Basel III norms and the credit needs of the fast growing Indian economy; and

ii. To explore various options to raise resources to capitalize the PSBs and analyse various suggested/ preferred modes of capitalisation.

The Committee has submitted its report to the Government recommending formation of a Holding Company in case of PSBs. The recommendations of the Committee are under consideration.

Government is signing Memorandum of Understandings (MoUs) with the PSBs whereby capital infusion will be linked to achieving the targets by PSBs on various productivity parameters as envisaged in their respective MoUs.

1.3 A Key Advisory Group has been constituted on 16 November, 2011 under the Chairmanship of Secretary (Financial Services) to examine the issued relating to Payment Systems in India. The terms and references of the Key Advisory Group are as under:

I. Review of existing legal/regulatory/institutional framework for payment system and its efficacy;

II. Action plan including policy initiatives for orderly growth of the Sector;

III. To recommend the legal/institutional/regulatory initiatives related measures required for orderly growth of the Sector;

IV. To study the reforms of Electronic Payment Systems, Clearing Houses, Currency Chests, ATMs, Credit and Debit Cards in India.

1.4 e-Governance in Government of India

The technological developments have modernized the payment systems in India, such as, internet banking, online payment of taxes, use of credit/debit cards, Electronic Clearing Service (ECS), National Electronic Fund Transfer (NEFT), Real Time Gross Settlement System (RTGS), etc. This has brought efficiency, cost-effectiveness, transparency and enhanced credibility of the payment systems. To realize the potential of technology, improve accountability and credibility and to make available various public services and also the banking services to the people at large at affordable cost, Government has targeted to roll-out the e-payment platform the Government Electronic Payment Gateway (GePG) in all Pay and Account Offices of the Civil Ministries of the Government of India by end of March 2012. This will also enable electronic transfer of benefits to the beneficiaries of various Government Schemes on real time basis.

1.5 e-Governance in Financial Sector

Further, to improve the quality and efficiency of Financial Services for improved service delivery, Government has taken various pro-active measures and issued instructions to the banks and Financial institutions, as under:

i. All Institutions, corporate or otherwise which take any loans or in whose equity any financial institutions has invested, shall ensure that

- They make payments to staff, vendors and clients electronically except for office petty cash requirements;
- They receive all payment electronically except when cheques are drawn on banks which are not on National Electronic Fund Transfer (NEFT), Real Time Gross Settlement System (RTGS).

ii. Public Sector Banks (PSBs), Financial Institutions, viz., NABARD, SIDBI, EXIM Bank and Public Sector Insurance Companies (PSICs) would take up the e-Governance initiatives in a pro-active manner. All PSBs, FIs and PSICs would, w.e.f. 1 September, 2011, except for petty cash, deal with disbursal/payments only through direct credit to accounts; Elimination of post-dated cheques and gradual phase-out of cheques.

iii. All banks of all sizes need to be on Core Banking Solution (CBS) with immediate effect. Further, all banks which are on CBS should be automatic members of the clearing house to get their cheque cleared.

iv. All PSBs and the Regional Rural Banks (RRBs) have been brought under the NEFT platform so as to enable them offer e-Payment facilities to their customers.

v. All POS and ATMs to be inter-operable.

vi. RBI has issued guidelines to the NBFCs for increased use of electronic payment systems.

Government is committed to ensure that the benefits of technology based payment systems reach to the "Aam-admi" at the most affordable cost in most efficient manner.

1.6 Currency Chests and Clearing Houses

Government is pursuing to ensure that all the districts of the Country have atleast one Currency Chests and Clearing House each in all the districts, and the Currency and Clearing requirements of the economy are adequately fulfilled. The Reserve Bank of India informed the Government that, in October 2011, a total of 20 districts in the Country did not have a Currency Chests and 63 districts did not have a Clearing House. Government has advised the Reserve Bank of India and the concerned SLBC convenor Banks to initiate urgent action to ensure that all the districts of the Country have atleast one Currency Chest and Clearing House there. Government will continue to monitor the requirement of Currency and Clearing facilities of each part of the Country, and these facilities would be made available at all districts/ centres requiring such services, by March 2013.

1.7 Legislations Passed by Parliament during the Year

(a) **The State Bank of India (Subsidiary Banks Laws) Amendment Bill, 2011** – which seeks to suitable modify the reflect the changes in the ownership of State Bank of India (SBI) from Reserve Bank of India (RBI) to the Central Government pursuant to coming into force of State Bank of India (Amendment) Act, 2007, was passed by both the Houses of Parliament in August 2011.

(b) **The Factoring Regulation Bill, 2011 –** passed by Lok Sabha and Rajya Sabha on 21 & 27 December, 2011, respectively, to provide for a comprehensive legislative framework for development of factoring business in India by determining the rights, liabilities and obligations of the parties involved. This will, in-turn, help to mitigate the problem of delayed payments to industrial and commercial undertakings, especially, MSME Units, and would increase the credit access to MSME section thereby increasing economic growth and employment.

2. Branch Network of RRBs

The number of branches of RRBs increased to 16,001 as on 31 March, 2011 as against 15,480 as on 31 March, 2010.

2.1 Branch Expansion Programme

The RRBs have opened 529 branches during 2010-2011, taking their network to 16001 branches spread over 620 districts in 26 states and 1 Union Territory.

2.2 Capital Infusion for Improving CRAR

Consequent upon the decision taken in the Finance Minister's Review Meeting of RRBs dated 18 August, 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, to examine the financials of RRBs with reference to CRAR and suggest a roadmap for achieving a CRAR of 9% by March 2012. As per Dr. K. C. Chakarbarty Committee Report recapitalization to 40 selected RRBs in 21 states was started in 2010-2011. The recapitalization amount is to be shared by the stake holders in proportion of their shareholding i.e. 50%, 35% and 15% by Central Government, concerned sponsor banks and State Government. As per approved scheme , the release of Central Government share is subject to proportionate share by the Central Government, concerned sponsor banks and State Government. An amount of ₹ 66.49 crore was released to 5 RRBs during 2010-2011 and ₹ 110.63 has been released to 10 RRBs during the current year upto 31 December, 2011.

2.3 Core Banking Solution (CBS) in RRBs

RRBs have plaid a vital role in providing credit facility to small and marginal farmers, agricultural labourers and rural artisans. The RRBs need to be well equipped with modern technology to compete with other commercial banks and improve their performance and services. The CBS will give necessary impetus to performance of RRBs. Out of 82 RRBs 80 have implemented CBS and participating in NEFT through their sponsor banks.

2.4 Financial Performance

As on March 2011, 82 RRBs operated with a network of 16,001 branches covering notified districts in 26 States and one Union Territory (Puducherry). 75 RRBs have earned profit (before tax) to the extent of ₹ 2,421 crore as on 31 March, 2011. The total profit of the RRBs has decreased marginally from ₹ 2,515 crore in 2009-2010 to ₹ 2,421 crore during the year 2010-2011. After payment of Income Tax of ₹ 634 crore, the net profit aggregated to ₹ 1,787 crore. The number of loss making RRBs had increased from 3 in 2009-2010 to 7 during the year 2010-2011 and their losses increased to ₹ 71 crore from ₹ 5.65 crore in 2009-2010. As on 31 March, 2011, 23 of the 82 RRBs had reported accumulated losses to the tune of ₹ 1,532 crore as against ₹ 1,775 crore (27 RRBs) as on 31 March, 2010. The accumulated loss was decreased by ₹ 243 crore during the year under review.

As the result of improved financial performance, the aggregate reserves of RRBs stood at ₹ 9,565.58 crore as on 31 March, 2011 as against ₹ 8,065.25 crore as on 31 March, 2010.

2.5 Recovery Performance

There has been an improvement in the recovery percentage over the years from 80.09% as on 30 June, 2009 to 81.18% as on 30 June, 2010. The aggregate overdues, however, increased by ₹ 933 crore to ₹ 9,805 crore as on 30 June, 2010.

2.6 Non-performing Assets (NPA)

The Gross NPA of RRBs which was ₹ 3,085 crore as on 31 March, 2010 (i.e.3.72%) has increased to ₹ 3,712 crore as on 31 March, 2011 (i.e.3.75%). The Net NPA of RRBs which was ₹ 1,423 crore as on 31 March, 2010 (i.e.1.8%) has increased to ₹ 1,941 crore as on 31 March, 2011 (i.e.2.05%).

3. Financial Inclusion

The objective of Financial Inclusion is to extend financial services to the large hitherto unserved population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making financing available to the poor in particular. Department of Financial Services, Ministry of Finance has been actively pursuing the agenda of Financial Inclusion, with key interventions in four groups, viz., expanding banking infrastructure, offering appropriate financial products, making extensive and intensive use of technology, and through advocacy and stakeholder participation.

Some of the major achievements of the Department in the area of Financial Inclusion during 2011 are enumerated below:

I. Of the about 73,000 habitations having a population of over 2000 identified by banks for extending banking facilities by March 2012 through Business Correspondents (BCs)/Business Correspondent Agents (BCAs)/Bank branches, about 49,000 villages have been provided with banking facilities till November 2011.

II. Out of 81 **unbanked blocks** in the country as on 31 March, 2011, with the persistent efforts of the Government, banking facilities have been provided in 39 blocks from April 2011 to November 2011. Banks have been further directed by the Government to provide banking facilities in all the unbanked blocks by March 2012.

III. For furthering the Financial Inclusion efforts of banks, detailed **Strategy and Guidelines on Financial Inclusion** have been issued by the Government to banks on 21 October, 2011 which inter-alia provide emphasis on:

i. Setting up more brick and mortar branches with the objective to have a bank branch within a radial distance of 5 km.

ii. To open bank branches by September 2012 in all habitations of

   a. 5,000 or more population in under banked districts

   b. 10,000 or more population in other districts

iii. To provide a Business Correspondent within a radial distance of 2 km.

iv. To cover villages of 1,000 and more population in 10 smaller States/UTs by September 2012.

v. To consider Gram Panchayat as a unit for allocation of area under Service Area Approach to bank branch and BC.

vi. Banks have been advised to transfer subsidies through **Electronic Benefit Transfer** (EBT) under 32 schemes which are in operation and, funded by the Government of India, so that benefit gets credited directly to the account of the beneficiaries.

vii. Banks have been directed that in order to ensure convergence and to assist viability of BC, it would be necessary that in the villages to be covered, wherever a CSC exists, the CSC is made a BCA.

In order to minimize the cost of the financial inclusion initiative and to see that the cost has a relationship to the growth in business and, hence, the profitability of the bank, Government in continuation of its Strategy and Guidelines on Financial Inclusion has issued Guidelines to Banks for Opening of branches/Ultra small branches in rural areas on 28 December, 2011 as under:

(a) At places where opening a brick and mortar branch is considered viable. The branch should be on total e- governance platform, and

(b) At places where opening a brick and mortar branch is presently not viable, the bank may set up Ultra Small branches. When the bank reaches the desired level of business, the Ultra Small branch can be upgraded into a regular bank branch. The network security guidelines provided by the Department of IT has also been issued to Banks for the purpose of opening of Ultra Small Branches.

4. Pension Reforms

The pension sector reforms were initiated in India to establish a robust and sustainable social security arrangement in the country against the backdrop that only about 12-13 per cent of the total workforce was covered by any formal social security system.

4.1 Pension Reforms Initiatives

The Pension Reforms Section of the Department of Financial Services is concerned with the issues and policy matters relating to pension reforms including the New Pension System (NPS). NPS was introduced w.e.f. 1 January, 2004 for newly recruited Central Government employees. Pension Fund Regulatory and Development Authority (PFRDA) was set up by the Government of India to develop the Pension Market and to regulate the NPS. The Pension Reforms Section is responsible for formulating legislative proposals concerning the Pension Fund Regulatory and Development Authority (PFRDA).The Pension Reforms Section is also responsible for administrative issues concerning the Interim Pension Fund Regulatory and Development Authority (PFDRA).

4.2 Main Programmes and Schemes

Some of the important Programmes and Schemes of the Department during the year were

- NPS-Lite/Swavalamban Scheme – a co-contributory scheme for unorganised sector

4.3 Pension Sector

With a view to providing adequate retirement income, the New Pension System (NPS) has been introduced by the Government of India with a view to develop the pension sector. It has been made mandatory for all new recruits to the Government (except armed forces) with effect from 1 January, 2004 and has also been rolled out to all citizens with effect from 1 May, 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 restriction.

The NPS architecture is transparent and web-enabled. It allows a subscriber to monitor his/her investments and returns. The facility for seamless portability is designed to enable subscribers to maintain a single pension account throughout the saving period.

Pension Fund Regulatory and 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 NPS distribution network. The process of making NPS available to all citizens entailed the appointment of NPS intermediaries, including twenty eight institutional entities as Points of Presence (POPs) that will serve as pension account opening and collection centres, a Centralised Record Keeping Agency (CRA) and six Pension Fund Managers to manage the pension wealth of the investors. PFRDA adopted a transparent, non-discretionary, competitive bidding process for selection of NPS intermediaries, in line with best international practice, which ensured high quality service delivery for NPS subscribers at optimum cost.

As of date, 27 State Governments/UT Governments have notified to join the NPS. Of these, 23 (twenty three) States/

UTs have already signed agreement with NPS Trust and 24 (twenty four) States/UTs have signed agreements with CRA for carrying forward the implementation of the New Pension System. The other States are at different stages of preparation for roll out of NPS. In addition, over 18.74 lakh employees of the Central and various states Government are already a part of the NPS. The corpus being managed under the NPS is ₹ 12,407.37 crore.

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 280 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. PFRDA is already engaging with Nationalised banks through IBA for initiating the process of bringing on board employees joining on or after 1 April, 2010.

Under the NPS for all citizens, a subscriber has the facility to open NPS account at any of the registered branches (14,891 branches so far) of the thirty seven (37) Points of Presence (PoPs) appointed by PFRDA. The PFRDA has also appointed the Department of Posts as PoP in addition to 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 1 May, 2009. Tier-II, the withdrawable account has been made operational from 1 December, 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.

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 percent. 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.The offer document containing details of the NPS, application form for opening NPS account is available on the website of PFRDA (www.pfrda.org.in) as well as the website of other NPS intermediaries.

Swavalamban Scheme: 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 encourage the workers in the unorgnised sector to save voluntarily for their old age, an initiative called Swavalamban Scheme was launched on 26 September, 2010. It is a co-contributory pension scheme whereby the Central Government would contribute a sum of ₹ 1,000 per annum in each NPS account opened having a saving of ₹ 1,000 to ₹ 12,000 per annum. The Union Finance Minister in his Budget Speech 2011-2012 has made the following announcements:

> **Para 106:** I had announced a co-contributory pension scheme 'Swavalamban' in the Budget 2010-2011. This scheme has been welcomed by the workers in unorganised sector. Over 4 lakh applications have already been received. On the basis of the feedback received, I am relaxing the exit norms whereby a subscriber under Swavalamban will be allowed exit at the age of 50 years instead of 60 years, or a minimum tenure of 20 years, whichever is later. I also propose to extend the benefit of Government contribution from three to five years for all subscribers of Swavalamban who enroll during 2010-2011 and 2011-2012. An estimated 20 lakh beneficiaries will join the scheme by March 2012.

The Swavalamban Scheme was initially announced for three years for the beneficiaries who enroll themselves in 2010-2011 which has now been extended to five years for the beneficiaries enrolled in 2010-2011 and 2011-2012. The Scheme operates through 24 Aggregators and 36 PoPs. Recently the incentive on per subscriptions basis for Aggregators and PoPs has been increased from ₹ 60/70 to ₹ 150 per subscriber. A Total of 3,01,920 during 2010-2011 and 90,256 subscribers have been enrolled till 30 December, 2011. A budget provision of ₹ 110 crore in RE 2011-2012 and ₹ 330 crores in BE 2012-2013 has been made for the scheme.

It is important that the pension reforms in India are carried forward. Substantial interest has been generated in the

Table 5.1: Number of Subscribers Registerd under NPS (as on 13 January, 2012)

S. No.	Employe/Sector	Number of Subscribers	Corpus under NPS (in Crore)
1.	Central Government	893895	9804.55
2.	State Government	980708	2602.82
3.	Private Sector	63260	185.02
4.	NPS – Lite	825607	92.05
	Total	**2763470**	**12684.44**

defined contribution pension schemes and market related investments, notwithstanding the turbulence in the financial sector. Pension funds, with their long investment horizons, have the inherent advantage of providing the stabilising force to the financial markets. It is felt that as the pension sector in India grows, it will play an important role in providing socio-economic stability as well as in meeting the long term financing needs of the economy.

5. Financial Insitutions

5.1 India Infrastructure Finance Company Ltd. (IIFCL)

India Infrastructure Finance Company Ltd (IIFCL) has been set up as a Special Purpose Vehicle to provide long term finance to commercial viable infrastructure projects in sectors like Roads and Highways, Power, Airport, Port, Urban Infrastructure, etc. The Company was incorporated in January 2006 and commenced its operations in April 2006.

IIFCL is presently regulated under sui-generis system. In October 2011, Union Cabinet approved bringing IIFCL under the regulatory ambit of Reserve Bank of India as a NBFC-IFC and also approved increasing its authorized capital from ₹ 2000 crore to ₹ 5,000 crores.

At the end of December 2011, the cumulative gross sanctions made by the company on a consolidated basis amounted to ₹ 56,058 crore to 245 infrastructure projects. The cumulative net sanctions made by the company on a consolidated basis amounted to ₹ 48,408 crore to 239 infrastructure projects. Of the sanctioned projects, 188 projects have achieved financial closure. On a consolidated basis, cumulative disbursement of ₹ 19,396 crore has been made in 165 projects including refinance of Rs 3500 crore to Power Finance Corporation & Rural Electrification Corporation and takeout finance. Commercial Operation Date (CoD) has been achieved in 41 projects (incl. 2 projects of IIFC(UK)).

To facilitate incremental lending to the infrastructure sector by addressing banks' exposure and asset-liability mismatch constraints, IIFCL has implemented the Takeout Financing Scheme in April, 2010. Following the modifications in the Takeout Finance Scheme, IIFCL has sanctioned ₹ 2,897 crore in 20 projects of which the company has disbursed ₹ 110 crore in 2 projects till 31 December, 2011. IIFCL has also signed Memorandum of Understanding (MOU) with 5 public sector banks and IDFC & LIC and several insurance companies for take-out finance.

On 5 January, 2012, Hon'ble Finance Minister launched the first pilot transaction under Credit Enhancement Scheme of IIFCL. This new product will help in development of infrastructure bond market through creation of new class of investors like Insurance Companies and Pension Funds. This would also free up Banks capital for financing new projects by addressing constraints faced of Asset-Liability mismatch and exposure norms.

IIFCL has signed MoU with LIC of India and seven major Public Sector Banks namely State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India, Canara Bank, Union Bank of India, and IDBI Bank, to create a financing mechanism for direct financing of infrastructure projects. An MoU was also signed between IIFCL & HUDCO to support initiatives for infrastructure financing in India through joint pooling of respective complimentary resources and expertise of both the organizations.

Since commencement of operations, the company has raised ₹ 4,100 crore by way of domestic bonds, ₹ 1,000 crore as long term loan from LIC and ₹ 1,500 crore from the National Small Savings Fund and Rs 91 crore through tax-exempted infrastructure bonds. Asian Development Bank has sanctioned loan of US$ 1,200 million to the company of which US$ 821 million has been availed till end December 2011. World Bank has sanctioned a line of credit of US$ 1195 million of which IIFCL has availed US$ 19.56 million. Out of loan of Euro 50 million from KfW, the company has availed Euro 28.25 million till date.

5.2 IIFC (UK) Limited

IIFCL has set up its wholly owned subsidiary, IIFC (UK) Ltd. at London with the objective of borrowing up to US$ 5 billion from the Reserve Bank of India and on-lend to Indian companies implementing infrastructure projects in the country for the purpose of meeting the capital expenditure solely outside India.

IIFC (UK) began its operations from April 2008 and till end December 2011 has sanctioned US$ 3.25 billion to 28 infrastructure projects in the port, power sector, gas pipeline and the mass rapid transport (metro rail) sector. IIFC (UK) has raised US$ 380 million in two tranches from the Reserve Bank of India of which the company has disbursed US$ 360.80 million. Further, the company has issued outstanding Letter of Comfort of US$ 301 million till end December 2011.

5.3 Export-Import Bank of India (Exim Bank)

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.

The Exim Bank Act 1981 was amended through Exim Bank Amendment Bill, 2011 to increase the authorized capital of the Bank from ₹ 2,000 crore to ₹ 10,000 crore, with a provision empowering the Government of India, to increase the authorized capital further, that it may deem necessary from time to time, through notification and to make a provision for appointment of two-Whole Time Directors, other than the Chairman and Managing Director (CMD). The Bill was passed by both the Houses of the Parliament and has been sent for assent of the President.

During the year 2010-2011, Exim Bank extended 22 LoCs, aggregating US$ 2.38 billion, to support export of projects, goods and services from India. Several of these lines have been extended at the behest of Government of India.

During the financial year 2010-2011, the Bank approved loans of ₹ 47,798 crore as against ₹ 38,843 crore during 2009-2010. Disbursements during the year amounted to ₹ 34,423 crore as compared to ₹ 33,248 crore during the previous year. Loan assets increased to ₹ 45,655 crore as on 31 March, 2011 from ₹ 39,036 crore as on 31 March, 2010.

Exim Bank also actively supports and facilitates outward investments by Indian companies in their quest for enhanced access to global markets. During the year 2010-2011, 64 corporates were sanctioned funded and non-funded assistance aggregating ₹ 83.25 billion for part financing their overseas investment in 28 countries. Exim Bank has provided finance to 331 ventures set up by 268 companies in 68 countries so far, including Austria, Bangladesh, Brazil, Canada, China, Croatia, Egypt, Indonesia, Ireland, Israel, Italy, Malaysia, Malta, Mauritius, Morocco, Nepal, Netherlands, Oman, Romania, Singapore, South Africa, Spain, Sri Lanka, Sudan, UAE, UK, USA, and Vietnam.

BRICS Interbank Cooperation Mechanism

Exim Bank and other nominated development banks of BRICS nations, viz., Banco Nacional de Desenvolvimento Economico e-Social – BNDES, Brazil; State Corporation Bank for Development and Foreign Economic Affairs – Vnesheconombank, Russia; China Development Bank Corporation, (CDB) China; and Development Bank of Southern Africa (DBSA), South Africa, have entered into a Framework Agreement for financial cooperation, which was signed in the presence of Heads of States/Governments of all the five BRIC countries, including India, during the BRICS Summit 2011, held in Sanya, China.

5.4 Irrigation and Water Resources Finance Corporation Limited (IWRFC)

In the Budget Speech for 2008-2009, 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.

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.

5.5 Interest Subvention to Exporters

To help the exporters, Government of India has extended interest subvention of 2% on pre and post-shipment rupee export credit with effect from 1 April, 2011 to 31 March, 2012 to the following employment intensive sectors:

i. Handicrafts

ii. Handlooms

iii. Carpet

iv. Small and Medium Enterprises (SMEs)

Annexure-I: Representation of SCs, STs & OBCs

Group	No. of Employees (Regular)				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	OBCs	Total	SCs	STs	OBCs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Groups A	55	6	2	6	14	1	1	1	-	-	-	-	4	-	-	-
Groups B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Groups C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Groups D (excluding Safai Karam-chari)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Groups D (Safai Karam-chari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**56**	**6**	**2**	**6**	**14**	**1**	**1**	**1**	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**-**

Annexure II: Representation of the Persons with Disabilities

Group	No. of Employees (Regular)				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Groups A	1	-	-	1	-	-	1	1	-	-	1	-	-	-	-	-	-	-
Groups B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Groups C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Groups D	1	-	-	1	-	-	1	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 Orthopadically Handicapped (persons suffering from locomotor disability or cerebral palsy).

Annexure: Representation of the Persons with Disabilities

Group	No. of Employees				Direct Recruitment							Promotion						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Group A	272	0	0	4	0	0	1	1	0	0	1	NA	NA	NA	NA	NA	NA	NA
Group B	NA																	
Group C	Exim Bank has no employees in clerical cadre.																	
Group D	5	0	0	0	There are only 5 employees in Sub-staff category. All recruited in 1982. No recruitment has occurred in this category since 1983.													
Total	**277**	**0**	**0**	**4**	**0**	**0**	**1**	**1**	**0**	**0**	**1**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

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 Orthopadically Handicapped (persons suffering from locomotor disability or cerebral palsy).

Annexure-I: Representation 0f 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	272	26	18	30	64	5	2	15	NA	NA	NA	NA	NA	NA
Group B								NA						
Group C					Exim Bank has no employees in clerical cadre.									
Group D (Excluding Safai Karam-charis)	5	0	0	0	There are only 5 employees in Sub-staff category. All recruited in 1982. No recruitment has occurred in this category since 1983.									
Group D (Safai Karam-charis)					Exim Bank has no employees in this cadre.									
Total	**277**	**26**	**18**	**30**	**64**	**5**	**2**	**15**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

Exim Bank is officer-oriented and all the promotions in the Bank are by selection. Hence, there is no reservation provided for promotion in officer's cadre

NA: Not Applicable

6. Agricultural Credit Sector

6.1 Agriculture Credit Targets

6.1.1 In order to boost agriculture productivity, farmers need access to affordable and timely credit facilities. The target for the credit flow to agriculture and allied sector had been fixed at ₹ 3,75,000 crore during 2010-2011. 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 ₹ 4,59,341 crore exceeding annual target by ₹ 84,341 crore.

6.1.2 As against the farm credit target of ₹ 4,75,000 crore for the year 2011-2012, an amount ₹ 2,62,129 crore was disbursed upto October 2011. Year wise position of target flow to agricultural credit and achievement is shown in table 5.2.

(₹ in crore)

Table 5.2

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	4,59,341
2011-12	4,45,000	2,62,129*

* Provisional figures upto October 2011

6.2 Interest Subvention Scheme

6.2.1 The Government of India has since 2006-2007 been subsidizing short term crop loans to farmers in order to ensure the availability of crop loans to farmers for loans up to ₹ 3.00 lakh, at 7% p.a. This Interest Subvention Scheme has been further continued for 2011-2012 for Public Sector Banks, Regional Rural Banks and Cooperative Banks. In the year 2010-2011, an additional subvention of 2% was being provided to farmers who repay timely. This additional subvention has been increased from 2% in 2010-2011 to 3% in 2011-2012. Thus, the effective rate of interest for such farmers will be 4% per annum.

6.2.2 Around ₹ 870 crore, ₹ 1,856 crore, ₹ 2,472 crore, ₹ 3,083 crore, ₹ 2,011 crore and ₹ 3,531 crore have already been reimbursed to the lending institutions during the years 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010 and 2010-2011 respectively for implementation of the Scheme. A provision of ₹ 4,868 crore has been made in the BE 2011-2012, out of which, ₹ 1,422.95 crore has been released upto 31 December, 2011.

6.2.3 In order to discourage distress by farmers and to encourage them to store their produce in warehousing against warehouse receipts, the benefit of interest subvention will be available during 2011-2012 to small and marginal farmers having Kisan Credit Card for a further period of up to six months post harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.

6.3 Kisan Credit Card (KCC)

The Kisan Credit Card (KCC) Scheme was introduced in 1998-1999, as an innovative credit delivery system aiming at adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, convenient and cost effective manner. The Scheme is being implemented by all the District Central Cooperative Banks, Regional Rural Banks (RRBs) and Public Sector Commercial Banks throughout the country.

During the past 12 years of implementation, the coverage of farmers under KCC has increased from a mere 7.84 lakh in 1998-1999 to 10.38 crore in 2010-2011.Presently, the available data, 10.38 crore Kisan Credit Cards have been issued by the banking system in the country cumulatively, of which Cooperative Banks have issued 4.07 crore (40.3%), Commercial Banks have issued 4.79 crore (44.6%) and RRBs have issued 1.52 crore (15.1%) as on 31 March, 2011.

6.4 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 March, 2011, 74.62 lakh SHGs were linked to banks with the total savings aggregating to ₹ 7,016.30 crore. Besides, the loans amounting to ₹ 31,221.16 crore were outstanding against 47.87 lakh SHGs to the Banking System.

6.5 Rural Infrastructure Development Fund (RIDF)

The annual allocation of funds announced in the Union Budget has gradually increased from ₹ 2,000 crore in 1995-1996 (RIDF-I) to ₹ 18,000 crore in 2011-2012 (RIDF-XVII). The aggregate allocations have reached ₹ 1,34,000 crore. As against the total allocation of ₹ 1,34,000 crore, under RIDF-I to XVII, sanctions aggregating ₹ 1,32,808 crore have been accorded to various State Governments, and disbursements under the fund amounted to ₹ 86,624 crore up to December 2011.

Further, a separate window was created under RIDF with an allocation of ₹ 4,000 crore per annum, from 2006-2007 to 2008-2009 for partly funding the rural roads and bridges components of the Bharat Nirman Programme. This amount was raised to ₹ 6,500 crore in 2009-2010, thus cumulatively adding upto ₹ 18,500 crore.

The total allocation under RIDF by Government of India, for States and NRREDA put together, reached ₹ 1,52,500 crore. Against this, NABARD has sanctioned ₹ 1,51,308 crore upto December 2011.

During 2011-2012, sanctions under RIDF-XVII to the States amounting to ₹ 11,055 crore have been accorded to various State Governments. This includes an amount of ₹ 465 crore sanctioned to various State Governments for creation of warehousing infrastructure, for which an exclusive allocation of ₹ 2,000 crore has been made under RIDF-XVII. The disbursement under the fund amounted to ₹ 6,118 crore during 2011-2012 (upto end of December 2011).

6.6 Agriculture Debt Waiver and Debt Relief Scheme (ADWDRS) 2008

6.6.1 The Scheme of Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) 2008 for farmers has been implemented by its due date i.e. 30 June, 2008. However, the last date for payment of 75% by 'Other Farmers' under OTS Scheme was extended from 30 June, 2009 to 30 June, 2010. The last date for submission of grievances was extended till 31 January, 2010 was further extended upto 31 July, 2010. In respect of Public Sector Banks, Private Sector Banks and Local Areas Banks, 104 lakh farm loan accounts have been benefited under Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS), 2008. In respect of Regional Rural Banks (RRBs) and Cooperative Banks, 186.92 lakh farm loan accounts have been benefited under ADWDRS 2008.

6.6.2 The Government has released 1st, 2$^{nd.}$, 3rd and 4th installment of reimbursable claims of the lending institutions totlling ₹ 52,919.88 crores under the Agricultural Debt Waiver and Debt Relief Scheme, 2008.

6.7 Main Programmes and Schemes

Some of the important Programmes and schemes of AC Section during the year were:

(i) Interest Subvention Scheme for interest relief to farmers on short term production credit

(ii) Scheme for financing to warehousing infrastructure under specific allocation of ₹ 2,000 crore under RIDF.

(iii) Augmentation of Capital base of NABARD by infusing equity of ₹ 3,000 crore.

(iv) Agricultural Debt Waiver and Debt Relief Scheme, 2008

(v) Revitalisation of the Short Term Cooperative Credit Structure;

6.8 Other Legislations

The Micro Finance Institutions (Development and Regulation) Bill, 2011, for promotion, development and regulation of Micro Finance Institutions in rural and urban areas, is under formulation in the Ministry.

6.9 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. The Govt of India has released its entire share of ₹ 9,245.28 crore to NABARD towards implementation of the Scheme.

6.10 Revitalisation of Long Term Cooperative Credit Structure

The revival package for the Long Term Cooperative Credit Structure (LTCCS), based on the recommendations of Vaidyanathan Task Force-II was approved by the

Government of India. Total outlay for implementation of this Revival Package is for ₹ 3,070 crore (₹ 2,206 crore for Government of India, ₹ 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 2008-2009. A provision of ₹ 1,000 crore has been made in the BE 2010-2011 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 report of the Task Force has been accepted by the Government. A revival package for LTCCS (merger of STCCS and LTCCS) is under consideration of the Government.

Credit Policy

7. Credit Monitoring and Development

7.1 Educational Loans

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. As higher education has progressively moved into the domain of private sector, there is need for institutional funding in this area. 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 28 April, 2001. The scheme was subsequently modified by IBA from time to time. The last revision was carried out in August 2011.

The Educational Loan Scheme aims at providing financial support from the banking system to meritorious students for pursuing higher education in India and abroad. The main emphasis is that a meritorious student, though poor, is provided with an opportunity to pursue education with the financial support from the banking system with affordable terms and condition. The main features of the revised Model Educational Loan Schemes are shown in table 5.3.

7.2 Performance of Education Loans

The total outstanding education loans of Public Sector Banks (PSBs) as on 31 March, 2011 stood at ₹ 43,074 crore in 22,37,031 accounts. The increase in total loans outstanding over previous year in absolute and percentage terms was ₹ 7,187 crore and 20.03 per cent respectively.

Year-wise break-up of education loans outstanding as on 31 March, 2005 to as on 30 September, 2011 is given in table 5.4.

Bank-wise (PSBs) details of education loan outstanding as on 31 March, 2011 and 30 September, 2011 are given in table 5.4(A).

7.3 Concession for Girl Students on Interest Rates

IBA on 4 February, 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.

7.4 Educational Loan Scheme for Vocational Courses

Indian Banks' Association (IBA) had recently formulated "Model Educational Loan Scheme for Vocational Courses" as an extension of the existing Model Educational Loan Scheme for pursuing higher education in India & Abroad, to support the national initiatives for skill development. The aim of the scheme is to provide financial support from the banking system to those who, after passing 10th Class, wants to pursue employment oriented skill development courses offered by recognized institutions.

8. Priority Sector Lending & Lending to Women & Minorities

8 .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),

Table 5.3

Limit of loan	
For studies in India	Rs. 10 lakhs
For studies abroad	Rs.20 lakhs
Rate of Interest	Interest to be charged at rates linked to the Base rate as decided by individual banks;
Security Norms	
Upto Rs. 4 lakh	No security, Parents to be joint borrower(s)
Above Rs. 4 lakh and Upto Rs. 7.5 lakh	Besides the parent(s) executing the documents as joint borrower(s), collateral security in the form of suitable third party guarantee will be taken. The bank may, at its discretion, in exceptional cases, waive third party guarantee if satisfied with the net-worth / means of parent/s who would be executing the document as joint borrower(s).
Above Rs. 7.5 lakh	Parent(s) to be joint borrower(s). Tangible collateral security of suitable value acceptable to bank, along with the assignment of future income of the student for payment of installments.
Repayment Schedule	
For loans upto Rs. 7.5 lakhs	upto 10 years
`For loans above Rs. lakhs	upto 15 years

Table 5.4

As on 31 March	No. of A/c	Amt. O/s (₹ in Crore)	Year on Year Growth (%)	
			No. of A/c	Amount
2005	4,68,207	6,713	46.62	47.54
2006	6,79,945	10,012	45.22	49.14
2007	9,44,397	14,283	38.89	42.65
2008	12,46,870	19,817	32.03	38.75
2009	16,03,385	27,646	28.59	39.51
2010	19,11,460	35,887	19.21	29.81
2011*	22,37,031	43,074	17.03	20.03
As on 30.09.2011*	23,26,812	47,591	4.01#	10.49#

Source: IBA * Source: PSBs (Figures are provisional) # Growth over March, 2011.

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. As reported by RBI, the outstanding priority sector advances of public sector banks increased from ₹ 8,63,777 crore as on the last reporting Friday of March 2010 to ₹10,28,614 crore as on the last reporting Friday of March 2011, showing a growth of 19.0 per cent. Advances to agriculture by PSBs amounted to ₹ 4,14,991 crore, constituting 16.5 per cent of ANBC as on the last reporting Friday of March 2011. Sector-wise break up of priority sector advances of PSBs as on the last reporting Friday of March 2011 is given in table 5.4(B).

8.2 Economic Empowerment of Women

8.2.1 To help overcome the hurdles being faced by women in accessing bank credit and credit plus services, the Government of India had drawn up a 14-point action plan (now 13-point action plan) in the year 2000 for implementation by public sector banks. The public sector banks were advised to earmark 5 per cent of their ANBC for lending to women. As reported by RBI, as on 31 March, 2011, the amount outstanding towards credit to women was ₹ 1,82,667.41 crore forming 7.46 per cent of ANBC of public sector banks. Further as per reports from RBI, as at the end of March 2011, eleven public sector banks (Canara Bank, Dena Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab National Bank, Punjab & Sind Bank, State Bank of Travancore, Union Bank of India and United Bank of India, Bank of Baroda and Bank of Maharashtra) have opened 31 specialized branches for women. Particulars of Credit to women are given at **Annexure-IV (a), Annexure-IV (b) and Annexure-IV (c).**

8.3 Prime Minister's New 15 Point Programme for the Welfare of Minorities:

8.3.1 In order to ensure improved financial services for the welfare of minorities, Reserve Bank of India issued a Consolidated Master Circular dated 1 July, 2011 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.

8.3.2 The following are some of the major instructions/ guidelines issued by RBI vide Master Circular dated 1 July, 2011 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.

8.3.3 Apart from the above, the public sector banks (PSBs) have been directed by the Government of India in October 2007 to step up lending to minorities. As per progress reported by PSBs, total outstanding loans to minority communities as on 31 March, 2011 stood at ₹ 1,43,396.70 crore which works out to 14.16 per cent of total priority sector advances of PSBs. Further, as per reports of PSBs, the total outstanding loans to Minority Communities, as on 30 September, 2011 stood at ₹ 1,47,082.67 crore (provisional) which works to 14.50% of total priority sector advances of PSBs. As reported by PSBs, the total number of new branches opened by PSBs in Minority Concentrated Districts/areas as on 31 March, 2011 was 814 and during the year 2011-2012, upto 30 September, 2011, the total number of new branches opened by PSBs in these areas was 348.

Vig Section

9. Vigilance Machinery in Department of Financial Services

9.1 Department of Financial Services is the administrive department of Public Sector Banks(PSBs), Financial Institutions (FIs) and Public Sector Insurance Companies (PSICs), Joint Secretary (IF) has been designated as Chief Vigilance Officer in respect of vigilance matters pertaining to PSBs/FIs and PSICs and attached/subordinate offices. He is assisted by a Director (Vig.) and Under Secretary (Vig.) in the discharge of his functions. The Vigilance Section in the DFS deals with, inter alia, the following issues pertaining to PSBs, FIs and PSICs:

A. Vigilance matters of all Public Sector Banks/Financial Institutions/Insurance Companies/and RBI

1. Consultation with CVC/CTE/CBI on matters relating to complaints, clearances, sanction of prosecution and any other matter of the Board level appointees.
2. Appointment of CVOs.
3. Annual Action Plan on Anti-Corruption measures.
4. Matters under Prevention of Corruption Act; preventive vigilance; vigilance systems and procedures; Conduct Regulation;
5. Annual Reports of CVC.

B. Reports on Bank Security; Robberies & Loss Prevention in Banks.

C. CVC/CBI References Relating to:

a. Government appointees in DRTs/ DRATs.
b. Members and Chairman in of BIFR and AAIFR.
c. Officers of Custodian's office, BIFR and AAIFR.

9.2 To strengthen the preventive vigilance, steps taken by Vigilance Department are briefly summarised below:

a) To ensure timely completion of various tasks relating to vigilance work, a close liaison is maintained with all CVOs in PSBs/FIs/PSICs.
b) CVO implemented the Annual Action Plan for vigilance/ anti corruption measures of the DoPT. The CVOs in

Table 5.4(A): Total Educational Loan Outstanding of Public Sector Banks (₹ in crore)				
Name of the Bank	As on 31 March, 2011		As on 30 September, 2011	
	No. of A/cs	Amount	No. of A/cs	Amount
Allahabad Bank	43147	1030.65	45260	1147.16
Andhra Bank	73987	1621.67	74291	1585.30
Bank of Baroda	81605	1718.39	84267	1845.52
Bank of India	104553	1945.78	112625	2134.12
Bank of Maharashtra	24354	481.39	24576	511.78
Canara Bank	192895	3503.12	197830	3855.66
Central Bank of India	83499	1580.39	94650	1975.44
Corporation Bank	42262	928.02	44258	1014.66
Dena Bank	14677	316.03	14903	329.66
Indian Bank	184852	2810.70	191552	3201.84
Indian Overseas Bank	156075	1970.96	165479	2310.54
Oriental Bank of Commerce	45254	1102.43	47608	1173.34
Punjab National Bank	140386	2820.57	145757	3151.12
Punjab & Sind Bank	7446	218.28	7451	219.10
Syndicate Bank	103386	1902.85	105816	2166.68
Union Bank of India	77453	1582.19	82161	1789.03
United Bank of India	20629	448.03	20455	464.48
UCO Bank	41753	838.11	43847	946.26
Vijaya Bank	31284	602.90	31814	635.11
State Bank of India	538451	11036.47	561199	12296.12
State Bank of Bikaner & Jaipur	20406	437.62	21304	472.36
State Bank of Hyderabad	53080	1124.82	53930	1175.84
State Bank of Mysore	28434	559.79	28679	592.34
State Bank of Patiala	13491	342.91	14040	362.03
State Bank of Travancore	108939	2041.99	108054	2109.90
IDBI Bank Ltd	4733	108.38	5006	125.58
Total	**2237031**	**43074.44**	**2326812**	**47590.97**

Source: PSBs (Data is provisional)

Table 5.4(B): Advances to Priority Sector by Public Sector Banks

Sector	No. of Accounts (in lakh) As on last reporting Friday of March				Amount Outstanding (₹ crore)			
	2008	2009	2010	2011@	2008	2009	2010	2011@
Agriculture	276	288	316	339	2,49,397 (18.3%)	2,99,415 (17.7%)	3,72,463 (17.3%)	414991 (16.5%)
i) Direct	272	283	310	332	1,77,259 (13%)	2,17,931 (12.86%)	2,65,826 (12.8%)	3,00,085 (12%)
ii) Indirect	4	5	6	7	72,138 (5.3%)	81,483 (4.8%)	1,06,637 (5.1%)	1,14,907 (4.6%)
Small Enterprises* (#)	40	41	72	75	1,51,137 (11.1%)	1,91,408 (11.3%)	2,76,319 (13.3%)	3,76,625 (15.1%)
Other Priority Sector Advances	-	-	-	-	-	-	-	-
Micro Credit*	7	12	13	8	2,707	4,505	5,916	7,350
Education*	12	15	19	22	19,748	27,002	35,855	41,344
Housing*	34	36	37	40	1,46,868	1,57,441	1,73,184	1,88,268
Total Priority Sector Advances*	401	425	458	484	6,10,450 (44.7%)	7,24,150 (42.8%)	8,37,777 (41.6%)	10,28,615 (41.2%)
Adjusted Net Bank Credit	-	-	-	-	13,64,268	16,93,437	20,78,398	24,93,499

Source: RBI @ Data is Provisional.

* 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.

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.

the PSBs etc. are asked to implement the Plan effectively and report the progress every quarter to the Department. Regular reviews of vigilance activities in these institutions are undertaken and reports sent to the DoPT at the end of every quarter.

c) All reports required to be sent to CVC and DoPT, are sent to the concerned authorities at the prescribed periodic intervals.

d) Banks and FIs are advised to ensure regular rotation of staff posted in sensitive posts. It serves as an effective tool in ensuring that only persons with unimpeachable integrity are posted in sensitive places. It also helps to curb development of vested interest.

e) The Vigilance Division of the Department monitors the progress on disposal of complaints received from various sources and pendency of disciplinary/vigilance cases regularlly.

9.3 The Vigilance Awareness Week was observed from 31 October, 2011 to 5 November, 2011. A pledge was administered by the Secretary (Financial Services) on 31 October, 2011 to the officers of the Department. Further to this, a Conference of CVOs of PSBs, FIs and PSICs was organised on 2 November, 2011 in New Delhi. It was addressed by Shri Pradeep Kumar, CVC, Shri D. K. Mittal, Secretary (FS), Shri J. M. Garg, Vigilance Commissioner, CVC, Shri Anil Sinha, Addl. Secy, CVC, Shri Balwinder Singh, Spl. Director, CBI, Shri V. K. Gupta, Spl. Director, CBI, Shri Rakesh Singh, AS (FS), Shri K. R. Kamath, CMD, PNB and Shri Basant Seth, CMD, Syndicate Bank. During the conference, a number of suggestions emerged and necessary follow up action on the suggestions has been taken.

9.4 Besides above, periodical review of pendency is undertaken by Vigilance Division in this Department by having meeting with CVOs at appropriate intervals. Last two such review meetings were held at the level of CVO, DFS on 2 June, 2011 and 21 September, 2011.

10. Debt Recovery Tribunals

10.1 Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2011

Pursuant to the Budget announcement 2011-2012, in order to ensure expeditious recovery of defaulted loans of Banks and Financial Institutions through effective enforcement of their security interest, it has been decided to amend the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and Recovery of Debts due to Banks and Financial Institutions Act (DRT Act), 1993. Accordingly, the aforesaid Bill has been introduced in the Lok Sabha on 12 December, 2011.

The Bill, when passed, will empower the banks to accept the immovable property in full or partial satisfaction of the claim of the bank against the defaulting borrower at any subsequent sale, in case there is no acceptable bid in the first auction; lays down the procedure to be followed by the Chief Metropolitan Magistrate or the District Magistrate before taking possession of the secured assets on any application filed by a bank or an FI; enable the banks or any other person to file caveat so that before granting any stay, the bank or any other person is heard by the Debt Recovery Tribunal so as to expedite recovery of defaulting loans; allows the Central Registry to register the existing transaction of securitisation, reconstruction or creation of security interest; and enable the banks and financial institutions to enter into settlement or compromise with the borrower and empower the Debt Recovery Tribunal to pass an order acknowledging such settlement or compromise.

10.2 Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)

In pursuance to the Finance Minister's announcement in the Budget Speech, 2011, and to prevent frauds in loan cases involving multiple lending from different banks on the same immovable property, The Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) has been incorporated as a Government Company under Section 25 of the Companies Act, 1956. The Central Registry has been operationalised w.e.f. 31 March, 2011.

10.3 Debts Recovery Tribunals/Debts Recovery Appellate Tribunals

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.

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.

As per data (Provisional) made available by DRTs, a total number of 12,122 cases involving ₹ 21,155 crores were disposed off by the DRTs during the period 1 January, 2011 to 31 December, 2011.

11. National Housing Bank – Activities & Operations

(The financial year of National Housing Bank (NHB) is from July to June)

Refinance Operations Department

11.1 Performance during the year

During the year 2010-2011 (July-June), refinance aggregating ₹ 11,722.79 crore was disbursed, out of which ₹ 5,785.58 crore was disbursed for rural housing under the Golden Jubilee Rural Housing Refinance Scheme and the Rural Housing Fund.

For the year 2011-2012 (July-December 2011) refinance aggregating ₹ 8,045.27 was disbursed, out of which ₹ 2,943.12 crore was disbursed for rural housing under the Golden Jubilee Rural Housing Refinance Scheme and the Rural Housing Fund.

The breakup of the releases made during 2010-2011 (July-June) is shown in table 5.5.

The breakup of the releases made during 2011-2012 (July-December 2011) is shown in table 5.6.

11.2 Performance under Rural Housing

Out of the total refinance releases of ₹ 11,722.79 crore made during the year 2010-2011, 49.35% aggregating 5,785.58 crore have been made under the Rural Housing Fund (RHF) and the Golden Jubilee Rural Housing Refinance Scheme (GJRHRS) in respect of loans given by Primary Lending Institutions (PLIs) in rural areas.

(₹ Crores)

Table 5.5

Institution Category	Regular Scheme	RHF	GJRHRS	Total
I	II	III	IV	V
HFCs	1139.21	1687.54	481.92	**3308.67**
Banks (SBs)	4798.00	316.12	3300.00	**8414.12**
Total	**5937.21**	**2003.66**	**3781.92**	**11722.79**

(₹ Crores)

Table 5.6				
Institution Category	**Regular Scheme**	**RHF**	**GJRHRS**	**Total**
I	**II**	**III**	**IV**	**V**
HFCs	1822.15	1079.01	304.61	3205.77
Banks (SBs)	3280.00	409.50	1150.00	4839.50

During the year 2011-2012 (July-December 2011), 36.58% of total disbursements of 8,045.27 crore i.e. 2,943.12 crore have been made under the Rural Housing Fund (RHF) and the Golden Jubilee Rural Housing Refinance Scheme (GJRHRS) in respect of loans given by Primary Lending Institutions (PLIs) in rural areas.

The breakup of the disbursements made for rural housing (RHF and GJRHRS) is shown in table 5.7.

11.3 Rural Housing Fund

The Hon'ble Finance Minister, in his Union Budget speech for 2008-2009, 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 2008-2009 was ₹ 2,000 crore, which was enhanced by 2,000 crore during 2009-2010, another 2,000 crore for 2010-2011 and further by 3,000 crore by 2011-2012. A total amount of 7,261.48 crore has been received by the Bank under the Fund till December 2011 (2011-2012), and the Bank has been able to deploy the full amount towards refinance for rural housing for the target groups. For the year 2011-2012 (July-December 2011), the Bank has disbursed 1488.51 crore under this scheme.

The breakup of the disbursements made under RHF is shown in table 5.7.

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.

Also, one of the benefits of the Rural Housing Fund has been that availability of funds at competitive rates for housing 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 2010-2011, added 6 new Regional Rural Banks as its refinance clients. 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.

(₹ Crores)

Table 5.6		
Institution Category	**2010-2011**	**2011-2012 (July-December 2011)**
Housing Finance Companies	2169.46	1383.62
Scheduled Banks	3616.12	1559.50
Total	**5785.58**	**2943.12**

(Rs. Crores)

Table 5.7		
Institution Category	**2010-2011**	**2011-2012 (July-December 2011)**
Housing Finance Companies	1687.54	1079.01
Banks	316.12	409.50
Total	**2003.66**	**1488.51**

11.4 Focus on EWS and LIG

The disbursement of refinance during the year 2010-2011 focused on EWS and LIG. The refinance disbursements in respect of housing loans under ₹ 15 lakhs amounted to 84% of the total disbursements, with refinance in respect of housing loans upto 5 lakhs amounting to more than 35% of the total disbursements.

11.5 Equity Participation by NHB

As part of its promotional role, NHB presently has equity participation in two housing finance companies, namely, Cent Bank Home Finance Limited and Mahindra Rural Housing Finance Limited, a company formed for extending housing finance exclusively in rural and semi-urban areas. A 'MoU' has been signed by the Bank with IFC and Government of Rajasthan for formation of new Housing Finance Company to provide housing finance for low income groups in the State of Rajasthan. In the partnership of Au Financiers India Private Limited, International Finance Corporation, HDFC, Government of Rajasthan and NHB, the new company is shortly to be set up. The Bank has also participated in the equity share capital of the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), a Section 25 company formed to maintain and operate a registration system for the purpose of registration of transactions of securitisation, asset reconstruction of financial assets and creation of security interest over property, as contemplated under Chapter IV of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).

11.6 Energy Efficient Housing Programme

NHB has entered into an agreement with KfW of Germany for energy efficient housing under the Indo-German Bilateral Development Cooperation. The purpose of the agreement is the implementation of a pilot promotion programme for energy efficient residential buildings. This is to contribute to the emission reduction of greenhouse gases, especially CO_2 and thus towards climate change mitigation and sustainable economic development. Under this programme, KfW will provide a line of credit of 50 million euros, including financial cooperation funds of 12 million euros over three years. The first tranche of 6 million euros and second tranche of 8 million euros have been drawn during the period 1 January, 2011 to 31 December, 2011. Under the Refinance Scheme for Energy Efficient Housing for new residential units, the Bank has disbursed ₹ 37 crore for housing loans to beneficiaries who have purchased houses/flats in various projects which have been certified for energy savings by a tool developed by TERI and Fraunhofer of Germany.

11.7 Project Finance Department

Till 31 December, 2011 (2011-2012), NHB has sanctioned 438 projects having project cost of 6,679.64 crore and loan component of ₹ 4,840.36 crore to provide low income housing for the poor and has financed various agencies including Public Housing Agencies, MFIs, NGOs, and Public Private Partnership projects. NHB through its long term financial support, technical assistance and training, engaged many MFIs/NGOs in doing housing finance for low income families.

During the year 2011-2012 till 31 December, 2011 the Bank has sanctioned Project Finance assistance for 4 projects amounting to ₹ 312.00 crore and disbursed ₹ 62.77 crore including unutilized sanctions of previous years. The disbursements were made to Housing Micro Finance Institutions, Public Agencies and Public Private Partnership.

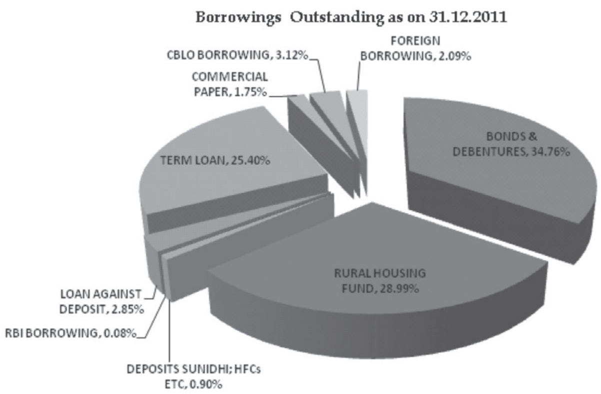
Under Housing Micro Finance, the Bank's focus is to develop sustainable human habitats which are eco friendly, cost effective and productive. Work sheds form an integral part of all housing projects with necessary water and sanitation facilities. Housing microfinance (HMF) programme of Bank during last six years of operation, has displayed encouraging results. So far, the Bank has sanctioned ₹ 95.12 crore to 30 Microfinance Institutions spread across in 11 States for financing 29,530 urban and rural housing/sanitation units. The beneficiaries include farmers, petty traders, artisans, dairy workers and other low income households. More than 90% of the beneficiaries were women.

NHB has launched the water and sanitation programme along with UN-HABITAT, and financed ₹ 2.25 crore for construction of about 5,312 toilets for members of SHGs/MFIs in the States of Tamil Nadu and Gujarat.

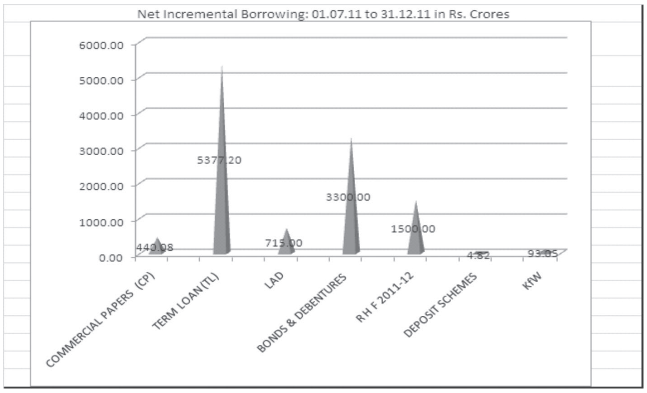
11.8 Resources Mobilised during the Half Year Ended 31 December, 2011 (2011-2012)

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 was ₹ 26,150 crores, net incremental borrowing was ₹ 11,430 crores.

The total borrowing outstanding as on 31 December, 2011 (2011-2012) was ₹ 25,109 crores.



Amounts Outstanding under Various Products as on 31 December, 2011 (in percent)



Name of Instruments

11.9 Main Avenues of Resources

a) Rural Housing Fund (RHF)

While presenting the Finance Bill for the year 2008-2009, the Hon'ble Finance Minister established a Rural Housing Fund administered by National Housing Bank. Contributions to this fund are done by various banks based on allocation made by Reserve Bank of India which fall short in their lending to priority sector.

The position of RHF Mobilized year wise till date is as follows:

(₹ crores)

Year	Allocation	Amount
2008-2009	1,778.18	1,778.18
2009-2010	2,000.00	2,000.00
2010-2011	2,000.00	2,000.00
2011-2012 (July- December)	3,000.00	1500.00
Total	**8,778.18**	**7,278.18**

As against allocation of ₹ 3,000 crores for the year 2011-2012, the Bank has received an amount of ₹ 1,500 crore. till the end of 31 December, 2011 (2011-2012). Further, demand for the third & fourth installment each of ₹ 750 crore. will be issued to the contributing scheduled Commercial Banks in due course.

b) Bonds

One of the main components of resources raised during the half year was through issuance of Bonds. 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. Bonds for a face value of 3,300 crores were issued during the year for tenors ranging from 13 months to 36 months.

c) "SUNIDHI" & "SUVRIDDHI" term deposit schemes

NHB launched two new term deposit schemes viz. "SUNIDHI" & "SUVRIDDHI" during the year 2008-2009. "SUNIDHI" term deposit is open for individuals/HUFs/Partnerships/Societies & Trusts/ Association of Persons. Minimum tenor is one year and the maximum is five years. "SUVRIDDHI" is term deposit scheme open only for individuals / and HUFs and the tenor is five years. "SUVRIDDHI" is notified under section 80C of Income Tax Act, 1961.The total amount outstanding as on 31 December, 2011 under both the schemes is ₹ 215 crores out of which ₹ 5 crore was mobilised during the half year.

Representation of SCs, STs & OBC and representation of persons with disabilities are at **Annexure-III(a) & III(b).**

12. Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India (SIDBI), set up on 2 April, 1990 under an Act of Indian Parliament, presently acts as the Principle Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and also co-ordinates the functions of the institutions engaged in similar activities. As on 31 December, 2011, the Authorised Capital of SIDBI is ₹ 1,000 crore and Paid Up Capital is ₹ 450 crore. The Bank is primarily a refinancing Institution and provides refinance support to more than 900 Primary Lending Institutions (PLIs), comprising banks, SFCs, etc. and having a combined network of over 87,000 branches. Refinance support is extended for (i) setting up of new projects and for technology upgradation/ modernisation, diversification, expansion, rehabilitation, energy efficiency, adoption of clean production technologies, etc. of existing MSMEs, (ii) service sector entities and (iii) infrastructure development and upgradation. SIDBI also provides direct credit in niche areas to fill the gaps in lending to the MSME sector by way of supplementing and complementing the efforts of banks and FIs in providing credit to the MSME sector. Direct Finance is channelised through Bank's network of 103 branches spread over the country, covering more than 600 MSME clusters.

12.1 Refinance

SIDBI has initiated various schemes for upliftment of MSME sector and continues to be the prime lending institution for MSME sector. The necessity of continuously providing low cost credit to MSEs through concessional resource support to SIDBI has become more pronounced in the present scenario of recovery of the Indian economy from the economic slowdown. In order to augment the refinance capabilities of SIDBI and stimulating the growth of MSEs, Hon'ble Finance Minister in his Union Budget 2011-2012 provided ₹ 5,000 crore to SIDBI for refinancing Banks/SFCs at concessional rates.

12.2 Risk Capital

In order to meet the risk capital requirements of MSMEs, especially those involving innovations and new technologies, the Union Budget for F.Y. 2008-2009 announced setting up of a fund of ₹ 2,000 crore with SIDBI for risk capital financing. The corpus was allocated by RBI @ ₹ 1,000 crore per annum for F.Y. 2008-2009 and F.Y. 2009-2010. Till 31 December, 2011, ₹ 500 crore i.e. 25% of the corpus, 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. directly as well as through venture capital funds. As on 31 December, 2011, a total of ₹ 949 crore out of the Risk Capital Fund has been committed by SIDBI to MSMEs and VC funds.

12.3 Responsible Micro Finance

- Responsible Lending has been one of the top priorities of the Bank and SIDBI's endeavours on spearheading the issue of responsible finance amongst the assisted MFIs was initiated much before the sectoral setback seen in Andhra Pradesh. The Responsible Finance Initiative – cross-linked to the financing – helps improve management, corporate governance, operational practices and disclosures. SIDBI has been playing an active role in impressing upon its assisted MFIs to adopt and practice fair means of managing their micro finance operations. As part of its responsible finance initiative, SIDBI has created a Lenders' Forum, comprising key MFI lenders, with a view to promote cooperation among MFI lenders for leveraging support to MFIs across the sector to promote more responsible lending practices. Pursuant to the initiatives of SIDBI, regional chapters of Lenders' Forum have been set up for better co-ordination amongst the lenders and closer interaction with the MFIs.
- SIDBI has developed a Code of Conduct Assessment Tool, which applies to providing credit services, recovery of credit, collection of thrift etc. for MFIs to assess their degree of adherence to the voluntary Microfinance Code of Conduct formulated by the MFIs. SIDBI has also partnered with ACCION International and is supporting Smart Campaign, which is a global effort to embed a set of Client Protection Principles (CPPs) viz. - awareness about client protection, develop, disseminate and assist MFIs to implement best practices and create processes to certify MFIs as pro-client and has undertaken the following activities viz.- educating MFIs on Client Protection Principles, conducting Client Protection Assessments and Capacity Building and Strengthening Client Protection amongst assisted MFIs under the SIDBI-Smart Campaign Partnership. These initiatives are in line with the Responsible Lending agenda adopted, practiced and advocated by SIDBI and efforts are on to further mainstream these initiatives.
- **India Microfinance Equity Fund:** Hon'ble Union Finance Minister, while presenting the Union Budget for F.Y. 2012, had made an announcement regarding setting up of ₹ 100 crore fund titled "India Microfinance Equity Fund" (IME Fund). The Fund has focus on smaller socially oriented MFIs/NBFCs with the objective of poverty alleviation and achieving long term sustainability of operations in unserved and underserved parts of the country. The operational guidelines of IMEF have been put in place and the Fund is in the process of being operationalised.

12.4 MSME Financing and Development Project (MSMEFDP)

SIDBI is implementing a multi-agency/multi-activity MSME Financing and Development Project (MSMEFDP). The Department of Financial Services, Ministry of Finance, Government of India is the Nodal Agency for the Project. The World Bank; Department for International Development (DfID) UK; KfW and GIZ, Germany are the international partners in the Project. The primary objective of the Project is to meet both the demand and supply side concerns of MSMEs through a judicious blend of financial and non – financial services..

The Project has two major components: Credit Facility by World Bank and KfW and Technical Assistance by DFID, UK; KfW and GIZ, Germany. For Credit Dispensation, it has channelized over US$ 445 Million to 7800 MSMEs through Environment and Social Risk (E&S) aligned facilities for which 130 plus Credit Officials, Internal /external auditors etc. have been trained. For Credit Supplementation, it has supported piloting of Risk Sharing Facility (through CGTMSE which has been institutionalised and being scaled up), setting up of SME Commercial Bureau in Credit Information Bureau (India) Ltd. (CIBIL) (database has grown from 0.04 Million to 7.59 Million with more than 4.5 Lakh Credit information reports being accessed till October 2011), SME Rating Agency of India Ltd. (SMERA) (emerged sustainable through 12,000 plus ratings and launch of first timer Green ratings etc.), Capacity Building of strategic institutions in Risk Capital, Technology Access etc.)

SIDBI has strengthened its Cluster Development Approach (CDP) with thrust on private sector development. The MSMEFDP is illustrative project in MSME sector in India which has, by fostering Business Development Services (BDS) in 19 pan India clusters, endeavoured to 'Make Market Work for MSMEs'. It involved strengthening localized Business Development Services providers (BDSPs) on theme basis with ownership of stakeholders build in from the very inception till exit from the cluster. By kindling appetite of MSMEs through sensitization and awareness programme, SIDBI has instilled functionality in the BDS market by match-making the demands of MSMEs with supplies from BDS. This systemic change has led to gradual shift from subsidy to self-sufficiency and dependence to competitiveness. This BDS based CDP has yielded sizable impact in these clusters by recording upward momentum in income, employment, turnover and profitability of MSMEs.

The Project has adopted many international best practices which have demonstrated scalability and replicability attributes and received recognition and awards at international level. Overall, the progress of the Project has been quite noticeable as it has so far reached out to about

37,000 beneficiaries comprising 34,500 MSMEs and 2,500 bankers and other stakeholders. In the year 2011, MSMEFDP won the international ADFIAP Award 2011 with the agenda of "Making Markets Work for Indian MSMEs".

12.5 Credit Guarantee

Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE): 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 CGTMSE to implement the Credit Guarantee Scheme (CGS) and launched the scheme was formally on August 30, 2000. Under the scheme, credit facilities upto ₹ 100 lakh, extended by eligible lending banks/Financial Institutions without collaterals or third party guarantee, are covered under the CGS. A number of initiatives have been taken by the Government to enhance the coverage of credit guarantee to incentivise collateral-free lending to MSE sector. Cumulatively, as on 31 December, 2011, guarantee approvals were extended by CGTMSE to 7,15,458 proposals (97% of which are loans upto ₹ 25 lakh) covering credit assistance of around ₹ 32,941 crore.

12.6 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. National Venture Fund for Software and Information Technology Industry (NFSIT) and 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 31 December 31, 2011, total of ₹ 84.40 crore has been invested under NFSIT and ₹ 456.09 crore has been invested under SGF. As on 31 December, 2011, both the funds are fully invested and are presently in divestment phase.

SVCL has launched its third fund viz., "India Opportunities Fund" (IOF) in 2010. IOF has so far received aggregate commitments of ₹ 615.65 crore. IOF is sector agnostic and shall focus on making early and growth stage investments.

12.7 Rating

SME Rating Agency of India Ltd. (SMERA): SIDBI, along with Dun & Bradstreet (D&B) and several Public and Private Sector banks , has set up 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 had achieved market leadership position in MSME ratings and as on 31 December, 2011 has rated more than 14,000 MSMEs out of which micro and small enterprises constitute 98%. SMERA has also commenced providing newer services, such as; Green Field & Brown Field Ratings, Micro Finance Institutions' Ratings, Maritime Institutions Grading, Educational Institutes Grading and Risk Model Mapping/Validation. To promote green rating in MSME sector, SIDBI, in association with SME Rating Agency of India Limited (SMERA), launched a pilot scheme called Green Rating for the first time in the country, to encourage MSMEs to get their manufacturing facilities rated on environmentally sustainable parameters.

The financial year 2010-2011 saw SMERA's registration as a 6th Credit Rating Agency (CRA) in the country under the SEBI (Credit Rating Agencies) Regulations, 1999, thus paving way for SMERA to rate capital market instruments like IPOs, Bonds, Commercial Paper, Security Receipts etc.

12.8 Transfer of Technology

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. ISTSL has identified Clean Development Mechanism and carbon credits 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 the carbon credit market.

12.9 Asset Reconstruction

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.

Representation of SCs, STs & OBC in SIDBI and representation of persons with disabilities in SIDBI are at **Annexure-I & II**.

13. Insurance

The functions of the Insurance Division include formulation of policy for the orderly growth of the insurance sector, monitoring of the performance of the nationalized insurance companies, framing of rules and regulations in respect of service conditions of employees of nationalized insurance companies; framing of rules in respect of terms and conditions of service of the Chairpersons and Members of Insurance Regulatory and Development Authority (IRDA), appointment of Chief Executives and Directors on the Boards of nationalised insurance companies, framing of rules under IRDA Act, 1999 and appointment of Chairperson and Members of the IRDA.

The following main Acts, inter alia, are administered by this Department:

(i) Insurance Act, 1938;

(ii) Life Insurance Corporation Act, 1956

(iii) General Insurance Business (Nationalization) Act, 1972

(iv) Insurance Regulatory and Development Authority (IRDA) Act, 1999

(v) Actuaries Act, 2006

In addition to the above, the Insurance Division administers special socially oriented insurance schemes such as the Universal Health Insurance Scheme (UHIS), Janshree Bima Yojana, Varishta Pension Bima Yojana and Aam Aadmi Bima Yojana, etc.

13.1 Reforms in the Insurance Sector

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.

13.2 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 49 insurers operating in the life, non-life and re-insurance segments (including specialized insurers, viz., Export Credit Guarantee Corporation and Agricultural Insurance Company), as on 30 September, 2011. 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 three insurance companies which have set up operations in the life segment post opening up of the sector, twenty one 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 seven insurance companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe.

13.3 Industry Statistics

(a) Life insurance industry

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 2010-2011 was ₹ 1,26,381 crore as compared to ₹ 1,09,894.02 crore in 2009-2010 registering a growth of 15% against growth rate of 25.84% during the year 2009-2010. In terms of linked and non-linked business during the year 2010-2011, 37.38% of the first year premium was underwritten in the linked segment while 62.62% of the business was in non-linked segment as against 43.52 & 56.48 in the previous year. The total premium, which includes first year premium and renewal premium during 2010-2011, was ₹ 2,91,605 crore as compared to ₹ 2,65,447 crore in 2009-2010 registering a growth of 9.85% against 19.69% in the previous year. In terms of linked and non-linked business during the year 2010-2011, 37.38% of the total premium was procured in the linked segment while 62.62% of the business was in non-linked segment as against 43.52 & 62.62 in the previous year.

The life insurers underwrote new business of ₹ 62,428.87 crore during the period April-November 2011 during 2011-2012 as against ₹ 76,989.88 crore in the corresponding period in 2010-2011, recording decline of 18.91 per cent. Of the new business premium underwritten, LIC accounted for ₹ 45,758.98 crore (73.29 per cent market share) and the private insurers accounted for ₹ 16,669.89 crore (26.71 per cent market share). The market share of these insurers was 72.10 per cent and 27.90 per cent respectively in the corresponding period of 2010-2011.

(b) Non-life insurance industry

The non-life insurers underwrote premium of ₹ 42,576 crore in 2010-2011, as against ₹ 34,620 crore in 2009-2010 registering a growth of 22.98%. This premium includes the business done outside India by the private sector. 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 23.35 per cent (₹ 9,944 crore) of the gross premium underwritten by the non-life insurance industry in 2010-2011 as against 21.12 per cent (₹ 7,311 crore) in 2009-2010. Health insurance is one of the fastest growing segments in the non-life insurance industry in recent years, and has grown 23.35 per cent during 2010-2011.

At the time of opening up of the sector in 2000-2001, 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 ₹ 1,536 crore in 2010-2011 as against ₹ 1,072 crore in 2009-2010.

The non-life insurers underwrote a premium of ₹ 42,020.59 crore during the period April-December 2011 during 2011-2012 recording a growth of 24.00 per cent over ₹ 33,889.23 crore underwritten in the same period in 2010-2011. The private sector non-life insurers underwrote a premium of ₹ 17,522.51 crore in April-December 2011 as against ₹ 13,829.05 crore in April-December 2010, reporting a growth of 26.70 per cent. The public sector non-life insurers underwrote a premium of ₹ 24498.08 crore which was higher by 22.12 per cent (₹. 20,060.18 crore in the April-December 2010). The market share of the public and private insurers stood at 58.30 and 41.70 per cent at the end of December 2011 (59.19 and 40.81 at the end of December 2010).

(c) Penetration and Density

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).

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 5.10 in 2010 (Life 4.40 and Non life 0.70). The insurance density in India was US$9.9 in 2000 which has increased to US$ 64.4 in 2010 (Life 55.7 and Non-life 8.7).

13.4 Initiatives Taken by IRDA

Recent initiatives taken by the Authority 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.

(ii) Portability of Health Insurance

Insurance Regulatory and Development Authority (IRDA) has issued guidelines vide circular dated 9 September, 2011 implementing portability of health insurance policies amongst non-life insurance companies w.e.f. 1 October, 2011. The health insurance policy holder by virtue of the said circular can, at the time of renewal, switch:

i) from one insurance company to another insurance company of his choice; or

ii) from one insurance plan to another insurance plan with the same insurance company.

By the process, the policy holder will not lose the credits gained in terms of waiting periods for pre-existing conditions, time-bound exclusions, etc. The Health Insurance Policy Holder can at the time of Renewal of his/her policies can shift to another Insurance Company for a similar product, if he is not satisfied with the present Insurance Company for any reason, without losing the Credits gained, if renewed with the existing company. This was not the case earlier; because change in insurance company or plans amounted to loss of these credits and the policies started as new, carrying all time limitations afresh. Thus "Portability" helps to have a level playing field for all insurance companies and the Customer can choose and compare benefits across products and Companies. IRDA has also provided a portability portal facilitating easy data transfer between the insurance companies.

(iii) 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 2000-2001 to ₹ 9,944 crore (19 times) in 2010-2011. 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 Authority has allowed insurance companies to offer pure term life insurance products along with health insurance products under the umbrella of a single product. It is envisaged that the combi-products could enhance the penetration of personal lines of insurance business with a wider product choice to policyholders.

(iv) 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 10,482 (PY 8678) micro insurance agents operating in the micro insurance sector as at the end of 2010-11. The new business premium secured during the year was ₹ 130.40 crore (₹ 243.41 crore in 2009-2010) on 36.51 Lakh lives (1.68 crore lives in 2009-2010) in group category and ₹ 158.22 crore premium (₹ 158.22 crore in 2009-2010) on 1.53 crore policies (0.33 crore policies in 2009-2010) in the individual category. An amount of ₹ 208.43 crore (₹ 178 crore in 2009-2010) was paid on 50,805 claims (43463 claims in 2009-2010) in group category and ₹ 17.04 crore (₹ 8.19 crore in 2009-2010) on 11391 policies (7,508 policies in 2009-2010) in the individual category during the year 2010-2011.

(v) Investments by the Insurance Sector

During 2009-2010, 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 31 March, 2011 was ₹ 14,30,118 crore (₹ 12,05,155 crore in 2009-2010), of these ₹ 3,99,116 crore (27.91 per cent of total funds) represents ULIP funds and the remaining ₹ 10,31,002 crore (72.09 per cent) is the contribution by traditional products.

Non-Life insurers have contributed around 5.45 per cent of total investments made by the insurance industry. The total amount of investments made by the sector, as on 31 March, 2011, was ₹ 82,520 crore (₹ 66,372 crore as on 31 March, 2010). During 2010-2011, the net increase in investments by the non-life industry stood at ₹ 16,148 crore (24.33 per cent growth over previous year).

(vi) Initiatives at Enhancing Ppublic Disclosures

With a view to improving transparency in operations, the IRDA 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 31 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.

(vii) 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 31 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.

(viii) 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 31 March, 2006. Insurers are required to ensure that a proper AML policy framework is in place effective from 1 August, 2006 in case of life insurance companies and 1 January, 2007 in case of non-life insurance companies.

(ix) Data Warehouse

The IRDA 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.

(x) 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 IRDA has also implemented the Integrated Grievance Management System (IGMS) through automation of the Grievance Cell for on-line registration of complaints which enables on-line verification of status and redressal. Further, under the Corporate Governance guidelines, the IRDA has also mandated that insurers shall have in place the Policyholder Protection Committee.

(xi) Variable Insurance products

Guidelines have been issued by IRDA on Variable Insurance products (VIP) on 23 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.

(xii) Credit Insurance

Guidelines on Trade credit insurance policies were issued by IRDA which are effective from 13 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.

(xiii) 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 1 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.

14. Life Insurance Corporation of India (LIC)

LIC was established on 1 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.

The LIC has Branch Offices in Fiji, Mauritius and United Kingdom. It also operates through Joint Venture Companies in overseas Insurance Market, 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.

Representative Office in Singapore was established on 6 November, 2008 and efforts are on to establish a wholly owned subsidiary there.

Among the above two Joint Ventures (JVs), Kenindia Assurance Co. Ltd., Nairobi, Kenya and Saudi Indian Company for Co-operative Insurance (SICCI), Riyadh, Kingdom of Saudi Arabia are composite companies transacting life and non-life business; and two JVs, LIC (Nepal) Ltd. & SICCI are listed on their respective Stock Exchanges.

As on 31 December, 2011, LIC has 8 Zonal Offices, 113 Divisional Offices, 2048 Branch Offices and 1187 Satellite Offices.

New business procured during the calendar year is shown in table 5.8.

LIC has the agency force of 13,15,413 including new recruitment of 1,86,298 agents during the current calendar year up to December 2011

14.1 Group Insurance Business: For the year ended 31 March, 2011, business under group schemes, both new and renewed, was to the tune of ₹ 5,51,432.89 crore providing cover to 897.93 lakh lives against ₹ 4,57,628.70 crore providing cover to 763.66 lakh lives during the preceding year. Under group superannuation scheme, new annuities to the tune of ₹ 1,332.03 crore per annum was granted to 11.73 lakh lives as against ₹ 520.38 crore per annum to 51.17 lakh lives during the preceding year.

14.2 Social Security Schemes of LIC: The Social Security Fund (SSF) was set up in 1988-1989 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 Government's announcement in the Budget 2000-2001, LIC launched a new scheme of group insurance namely, 'Janashree Bima Yojana' on 10 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

Table 5.8: New Business Performance for the Period 1 January, 2011 to 31 December, 2011

	First Year Premium		%Growth rate	Policies		% Growth rate
	Jan'11 to Dec'11	Jan'10 to Dec'10		Jan'11 to Dec'11to	Jan'10 to Dec'10	
Total	39893.50	58032.87	-31.26	3,59,59,926	3,77,03,065	-4.62
Single Premium	13633.33	32208.70	-57.67	22,61,298	54,92,611	-58.83
Non-Single Premium	26260.17	25824.17	1.69	3,36,98,628	3,22,10,454	4.62

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 December, 2011, 1,86,36,723 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 5 years are shown in table 5.9.

During the period, 1 January, 2011 to 31 December, 2011 total number scholarships paid were 25,59,200 amounting to ₹ 1,78,11,85,880.

(c) Aam Aadmi Bima Yojana (AABY)

AABY was launched on 2 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 ₹ 2,000 crore has been placed in a Fund by Government of India during 2007-2008 & 2008-2009, that will be maintained by LIC.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 December, 2011, 1,93,26,860 Rural landless households were covered under this scheme.

During the period: 01 January, 2011 to 31 December, 2011 total number scholarships paid were 7,66,142 amounting to ₹ 77,75,30,800.

14.3 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 28 September, 2006 by the then President of India, Hon'ble Dr. A. P. J. Abdul Kalaam. Jeevan Madhur is a simple savings related life insurance plan with unique feature of Auto Cover. The second micro insurance product "**Jeevan Mangal**", a term assurance plan with refund of premium, was launched on 3 September, 2009. The salient features of these products are as follows.

Jeevan Madhur

- With Profit Endowment Plan
- In-built Accident Benefit
- Min/Max Age at entry – 18/60 yrs
- Maximum Maturity age – 65 years.
- Min/Max Policy term 5/15 years
- Minimum/Maximum Sum Assured ₹ 5,000/30,000
- Premium payment mode: Weekly/Fortnightly/Monthly/Quarterly/Hal-year/Yearly.

Table 5.9

Financial Year	No. of Scholarships	Total Amount (in ₹)
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	67,58,87,984
2010-11	13,78,744	1,02,52,96,780

Table 5.10: Scholarships Settled under AABY since Inception

Financial Year	Scholarships	
	Number	Amount (in ₹)
2008-09	2,17,211	13,03,26,600
2009-10	86,905	5,44,86,600
2010-11	8,40,568	81,84,77,200

- Minimum premium: ₹ 25 Weekly, ₹ 50 Fortnightly, ₹ 100 Monthly and ₹ 250 for other modes.
- Maturity Benefit : Maturity Sum Assured + Accrued Bonuses
- Death Benefit: Total premiums payable during the policy term alongwith vested bonuses, if any.
- Auto Cover: 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.

Jeevan Mangal

- Term assurance plan with return of premium paid on maturity
- Accident Benefit Optional/available as a rider
- Min/Max Age at entry – 18/60 yrs
- Maximum Maturity age – 70 years.
- Min/Max Policy term 10/15 years
- Minimum/Maximum Sum Assured ₹ 10,000/50,000
- Premium payment mode:

  Weekly/Fortnightly/Monthly/Quarterly/Half-Yearly/Yearly and Single Premium.
- Minimum premium: ₹ 15
- Maturity Benefit: Return of premiums (excluding accident benefits and any other extra premiums)
- Death Benefit: In case of death under natural circumstances, Basic Sum Assured is payable. In case of death due to accident, an additional amount equal to the sum assured is payable if accident benefit rider is opted for.
- Grace period: Two calendar months or 60 days (for all modes) whichever is higher.

The progress of MI Vertical since inception till 31 December, 2011 has been as under.

- MI policies sold: 98.33 lakh
- Number of Death claims settled: 13,480
- Claim Amount disbursed: ₹ 21.38 crore
- Number of Micro Insurance Agents: 11,103

14.4 Settlement of Claims

The settlement of claims is a very important aspect of service to the policyholders. Hence, LIC has laid great emphasis on expeditious settlement of the maturity as well as death claims. During the period 1 January, 2011 to 31 December, 2011, the LIC has settled 1.83 Crore number of claims out of the total 1.86 Crore claims payable. It is our endeavour to settle the claims before the due date.

14.5 Redressal of Public Grievances

The LIC has Grievance Redressal Officers (GRO) at Branch/ Divisional/ Zonal/ Central Office to redress grievances of customers. Their names with contact numbers are available on our website www.licindia.in. Also GROs 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.

IT enabled proactive support systems have been operationalised to reduce manual interventions and minimize grievances. For ensuring quick redressal of customer grievances LIC has introduced a Customer friendly **Integrated Complaint Management System (ICMS)** through our **Customer Portal (website) which is http://www.licindia.in**, where policy holder can directly register complaint/grievance and track its status (online). This ICMS system has been integrated with IRDA's Integrated Grievance Management System (IGMS) w.e.f. 1 June, 2011.

As per the Corporate Governance Guidelines 2009 issued by IRDA, the LIC has constituted 'Policyholders Protection Committee' consisting of 3 Members of the LIC to look into the issues related to the protection of the interest of the policyholders as well as the grievance redressal mechanism of the LIC.

A Grievance Redressal Committee has also been constituted by the Chairman of the LIC under the supervision of Executive Director (CRM) to monitor the functioning of the grievance

Table 5.11: Inspection by various Parliamentary Committees

Inspection by the Committee on Official Language	Branch Office, Delhi-II	12 January, 2011
Inspection by the Committee on Official Language	Branch Office, Gaya	15 January, 2011
Inspection by the Committee on Official Language	Mumbai	1 February, 2011
Inspection by the Committee on Official Language	Branch Office, Kochi (Ernakulam)	12 February, 2011
Inspection by the Committee on Official Language	Sri Nagar	16 June, 2011
Inspection by the Committee on Official Language	Divisional Office, Sambalpur	1 October, 2011
Inspection by the Committee on Official Language	Diu	16 November, 2011

redressal mechanism, with Chief (Health), Chief (Pension & Group Scheme) and Secretary (Micro Insurance) as members of the committee.

The LIC Board has approved Grievance Redressal Policy framed as per the Guidelines issued by IRDA.

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.

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.

15. General Insurance Corporation of India

General Insurance Corporation of India (GIC Re) was approved as 'Indian Reinsurer' on 3 November, 2000. GIC Re aims at optimizing the retention within the country and developing adequate reinsurance capacity.

As the "Indian Reinsurer", GIC Re provides reinsurance support to non-life and life insurance companies in India. It continues its role as a reinsurance facilitator by managing Marine Hull Pool, Terrorism Pool and Indian Motor Third Party Insurance Pool on behalf of Indian insurance Industry.

The GIC Re continues to lead the reinsurance programme of the Insurance Companies in SAARC nations, African countries and Middle East. In the process, it has emerged as a preferred Reinsurer in the Afro-Asian region. GIC Re is expanding its global presence and now plans to enter the Latin American market having got the 'Eventual Reinsurer' status in Brazil. GIC Re has been selected as a Manager for Nat Cat Pool promoted by the Federation of Afro-Asian Insurers & Reinsurers (FAIR).

During the year 2010-2011, the net premium of the GICRe was ₹ 10512.57 crore as against ₹ 8,776.87 crore in the previous year. The net incurred claims were at ₹ 8,625.77 crore i.e. 90.4% as against ₹ 6,856.30 crore in the previous year i.e. 84.9%. Profit after tax was ₹ 1,033.41 crore as on 31 March, 2011 compared to ₹ 1,774.6 crore as on 31 March, 2010. The total assets and networth as on 31 March, 2011 was ₹ 49,728.56 crore and ₹ 9,820.22 crore, respectively.

The GICRe has its presence in foreign reinsurance business through its Branch offices in Dubai, London and Kuala Lumpur and a Representative office in Moscow. Apart from reinsurance business, GIC Re continues to participate in the share capital of Kenindia Assurance Company Ltd., Kenya; India International Insurance Pvt. Ltd., Singapore; Asian Reinsurance Corporation, Thailand; East Africa Reinsurance Company Ltd., Kenya and Agricultural Insurance Company of India Ltd.

15.1 Public Sector General Insurance Companies

The General insurance industry was nationalized in 1972 and 107 insurers were amalgamated and grouped into four Companies – National Insurance Co. Ltd., the New India Assurance Co. Ltd., the Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd. The four entities were set up as subsidiaries of General Insurance Corporation of India (GIC) which also played the role of Re-insurer.

With the opening up of the insurance sector the Insurance Regulatory and Development Authority (IRDA) came into existence in 1999 and GIC became the Indian Reinsurer and the four Public Sector General Insurance Companies got delinked from GIC.

15.2 National Insurance Company Limited

Incorporated in 1906 with Headquarters at Kolkata has a Paid-up Share Capital of ₹ 100 crore. Gross Direct Premium Income (GDPI) in 2010-2011 was ₹ 6,245 Crores against GDPI of ₹ 4,646 Crores in 2009-2010 showing a growth of 34.42% against a growth of 8.15% in the previous year. The Incurred claim Ratio for the year 2010-2011 is 97% as against 85% in 2009-2010. Profit After Tax was ₹ 75 Crores in 2010-2011 against ₹ 220 Crores in 2009-2010. It has 1,216 offices including Micro offices and has got 15,600 employees. 'National' has its foreign operations in Nepal. "AAA/STABLE" rating by CRISIL.

15.3 The New India Assurance Company Limited

Incorporated in 1937, with Headquarters at Mumbai has a Paid-up Share Capital of ₹ 200 crore. Gross Direct Premium Income (GDPI) in 2010-11 is ₹ 8,226 Crores against GDPI of ₹ 7,099 Crores in 2009-2010 showing a growth of 15.87% against a growth of 9.97% in the previous year. The Incurred claim Ratio for the year 2010-2011 is 101% as against 90% in 2009-2010. Profit/Loss after Tax is ₹ (-) 422 Crores in 2010-2011 against ₹ 405 Crores in 2009-2010. It has 1,088 offices and has 19,417 employees. The Company operates through a network of 19 Branches, 7 Agencies, 3 Subsidiary Companies and 4 Associate Companies in 20 countries. "A" (excellent) rating from AM Best & Co. (Europe)

15.4 The Oriental Insurance Company Limited

Incorporated in 1947 with headquarters at New Delhi and has a Paid-up Share Capital of ₹ 100 crores. Gross Direct Premium Income (GDPI) in 2010-2011 was ₹ 5,570 Crores against GDPI of ₹ 4,855 Crores in 2009-2010 showing a growth of 14.73% against a growth of 19.05% in the previous year. The Incurred claim Ratio for the year 2010-2011 is 88% against 82% in 2009-2010. Profit After Tax was ₹ 55 Crores in 2010-2011 against loss of ₹ (-) 44 Crores in 2009-2010. It has 1,195 offices with 15,789 employees. 'Oriental' has its foreign operations in Nepal, Dubai & Kuwait. "B++"(very good) rating from AM Best & Co. (Europe).

15.5 United India Insurance Company Limited

Incorporated in 1938 with headquarters at Chennai has a Paid-up share capital of ₹ 150 Crores. Gross Direct Premium Income (GDPI) in 2010-2011 was ₹ 6,377 Crores against GDPI of ₹ 5,239 Crores in 2009-2010 showing a growth of 21.71% against a growth of 22.47% in the previous year. The Incurred claim Ratio for the year 2010-2011 is 86% against 79% in 2009-2010. Profit after Tax was ₹ 131 Crores in 2010-2011 against ₹ 708 Crores in 2009-2010. Dividend for the year 2010-2011 is ₹ 30 Crores. 'United India' has 1,437 offices with 17,134 employees. Rated "IAAA" by ICRA.

The Public Sector General Insurance Companies provide coverage for insurance other than Life such as, Fire, Marine (Cargo & Hull), Motor, Workmen's Compensation, Personal Accident, Aviation, Engineering, Liability, Health, etc.

The Public Sector General Insurance Companies (PSGICs) witnessed a growth rate of 20.97% during 2010-2011 collecting a total premium of ₹ 26,418 Crores against ₹ 21,839 Crores during 2009-2010. The market share of the Public Sector General Insurance Companies stood approximately at 59% in 2010-2011. Motor and Health Insurance have been the major drivers of growth.

The PSGICs have various policies to provide insurance cover to the poor for reconstruction of their houses in case of natural calamities like fire, flood, cyclone, earthquake etc. Policies like Gramin Suraksha Micro Policy, Farmers Package Policy, Hut Insurance Policy, Tribal Package Policy, Uni-Micro Policy. Long Term House Policy to cover houses constructed under Weaker Section Housing Scheme for a period of 10 years is also available. Strategic Alliances spearhead the retail focus of the companies through tie-up arrangements with automobile manufacturers, banks and other entities with large distribution network. Besides providing cover through traditional policies, the PSGICs are continually evolving themselves to provide tailor made policies to suit the changing/emerging needs of the customers.

Some of the recent special Initiatives started by the Companies for increase in their market share/profitability are as follows:

(1) **Business Process Re-Engineering and Core Insurance Solutions:** The Business Process Re-engineering (BPR) and implementation of Core Insurance Solutions has been undertaken through usage of IT in order to enhance their efficiency by rendering services in a more professional manner at a quicker pace. E-governance plans have been formulated and being implemented to ensure focus on customer in all fields of operations;

(2) **Preferred Provider Network (PPN):** Creation of a common Preferred Provider Network (PPN) for all the 4 GIPSA Member Companies which involves empanelment of hospitals after due negotiations on rationalization of charges for prescribed procedures for similarly placed service providers in the interest of policy holders.

(3) **Common Mechanism for Compromised Settlement of Third Party Claims CMCSTPC:** Framing and implementing the Scheme of Common Mechanism for Settlement of Compromised Third Party Cases (CMCSTPC) which involves setting up of independent Committees of experts from the Judicial, Medical & Insurance fields who can adjudicate on the pending Motor Third Party Claims without the insured having to go through the tedious & time consuming legal processes. Four Pilot Projects were launched at Cuttack, Kochi, Ahmedabad & Jaipur Centres and thereafter Centres are being opened at all the towns which have substantial pendency of cases. So far the four Centres mentioned above, Committees have become operational at Baroda, Chennai, Madurai, Nagpur, Chandigarh, Mehsana, Aurangabad & Indore and more Centres are being planned.

PSGICs Redressed 115% grievances (16,135 out of a total of 23,179) and had only around 12% (2,677) outstanding grievances in 2010-11. 'National' redressed 92.60% out of a total of 9,937 and outstanding grievances were of 7.40%. 'New India' redressed 90.07% out of a total of 5,324 grievances and 9.03% grievances were outstanding. 'Oriental', out of a total of 8,960 grievances redressed 168.29% and 22.52% grievances was outstanding. 'United India', out of a total of 2,397 grievances redressed 91.86% and 8.14% grievances was outstanding.

15.6 Universal Health Insurance Scheme (UHIS)

This scheme, launched in July 2003, is subsidized by the Central Government and is being operated through four PSGICs. It was redesigned in July 2004, restricting it to BPL families only. The Scheme was again modified in September 2008 to enhance the benefits under this Scheme. The modified policy is available for individuals upto the age of 70 years (can be renewed thereafter without any age limit). The Policy covers mainly hospitalization benefits up to a limit of ₹ 30,000 for a family on floater basis and Personal Accident cover for death of the earning head of the family for ₹ 25,000. An amount of ₹ 50 per day for the period of hospitalization to the earning head/spouse of the family is payable for a maximum of 15 days. The policy also covers pre-existing diseases. It further provides for one maternity benefit with one year waiting period upto a limit of ₹ 2,500 for normal delivery and ₹ 5,000 for caesarean delivery. The premium payable under the Policy is ₹ 300 for an individual, ₹ 450 for a family of five members and ₹ 600 for a family of seven members including subsidy of ₹ 200, ₹ 300 and ₹ 400 respectively by Government of India.

15.7 Agriculture Insurance Company of India Limited (AICIL)

Agriculture Insurance Company of India Limited (AICIL) was established on 20 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 ₹ 1,500 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 1 April, 2003.

15.8 National Agricultural Insurance Scheme (NAIS)

The Government of India introduced the scheme from Rabi 1999-2000 season to protect the farmers against losses suffered by them due to crop failure on account of natural calamities such as drought, flood, hailstorm, cyclone, fire, pest/diseases etc. so as to restore their credit worthiness for the ensuing season. The scheme is currently implemented by Agriculture Insurance Company of India 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, 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.

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.

NAIS is presently being implemented in 24 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, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand, West Bengal, Andaman & Nicobar Islands and Puducherry. Rajasthan has decided to implement WBCIS in place of NAIS.

The cumulative performance under National Agricultural Insurance Scheme (NAIS) since inception in Rabi 1999-2000 till Rabi 2010-2011, covering 23 seasons is (as on date) given in the table 5.12.

The Performance under NAIS during last two season i.e. Rabi 2010-2011, Kharif 2011 falling within the period is given in the table 5.13.

15.9 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 2010-2011 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

Table 5.12

Farmers Insured	Area Insured (Ha. Crore)	Sum Insured (₹ Crore)	Premium (₹ Crore)	Claims (₹ Crore)	Farmers Benefited (Crore)
17.62	26.85	221307	6599	22135	4.87

Table 5.13

Season	Farmers Insured (Crore)	Area Insured (Ha. Crore)	Sum Insured (₹ Crore)	Premium (₹ Crore)	Claims (₹ Crore)	Farmers Benefited (Crore)
Rabi 2010-11	0.49	0.68	10689	288	577	0.11
Kharif 2011	1.01	1.38	20060	615	*	*

* Claims for Kharif 2011 season will be processed after receipt of yield data.

Table 5.14						
Season	Farmers Insured	Area Insured (Ha.)	Sum Insured (₹ Lakh)	Premium (₹ Lakh)	Claims (₹ Lakh)	Farmers Benefited (Lakh)
Rabi 2010-11	336723	311196	66678	4524	1732	46224
Kharif 2011	469070	677212	140434	9846	*	*

* Claims for Kharif 2011 season will be processed after receipt of yield data.

infrastructure and experience have also been empanelled for piloting the MNAIS. During Rabi 2010-2011 season, AICL implemented MNAIS in 32 districts across 12 States and during Kharif 2011 in 31 districts across 13 States.

The Performance under MNAIS during last two season i.e. Rabi 2010-2011, Kharif 2011 is given in the table 5.14.

15.10 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 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 148 districts across 16 States during Kharif 2011. 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 2010-2011 and Kharif 2011 as on date is given in table 5.15.

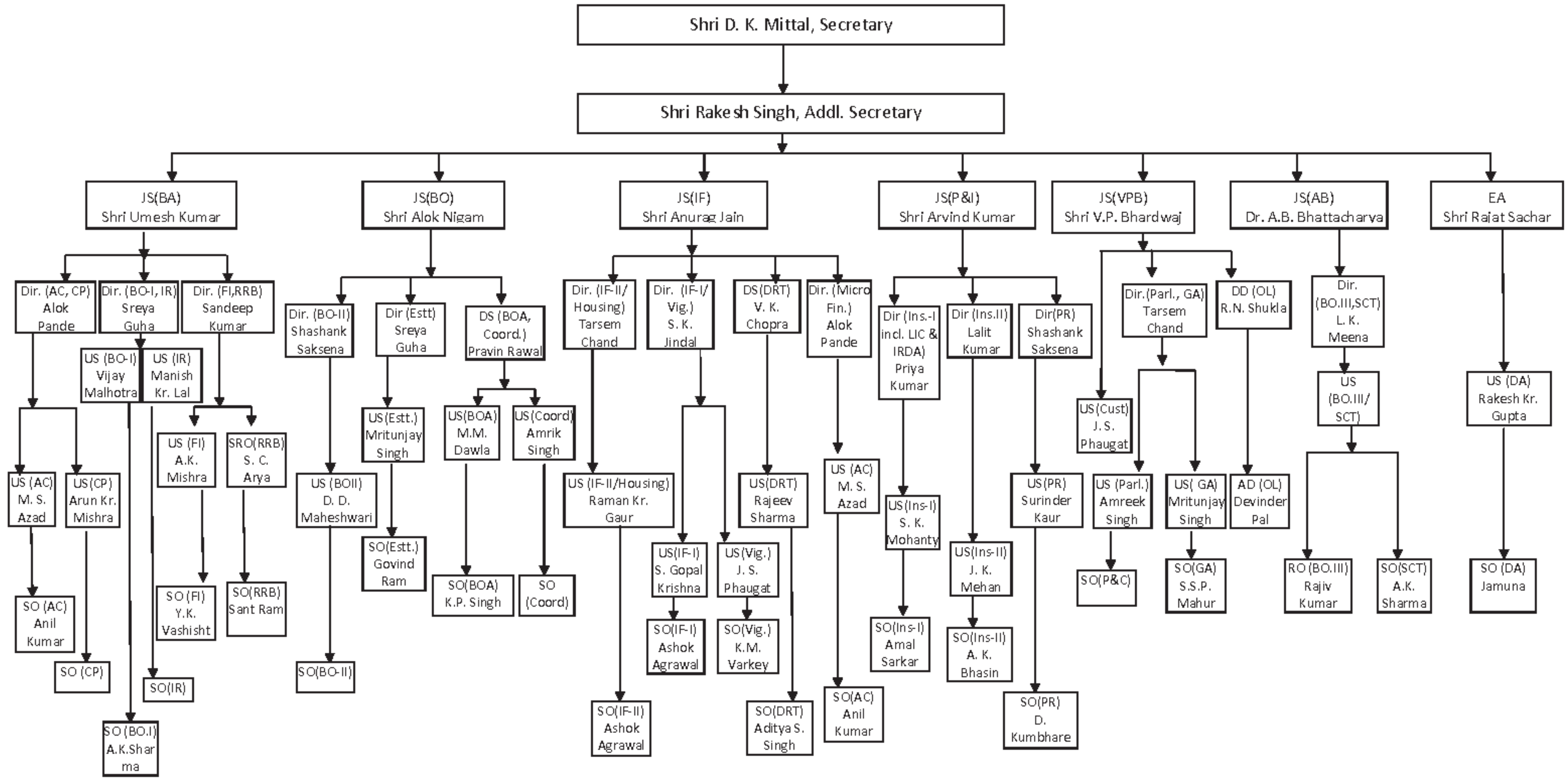
15.11 AIC's Own Commercial Insurance Products

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, MNAIS 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.

Table 5.15						
Season	Farmers Insured	Area Insured (Ha.)	Sum Insured (₹ Lakh)	Premium (₹ Lakh)	Claims (₹ Lakh)	Farmers Benefitted (Lakh)
Rabi 2010 - 11	28.22	35.49	524668	42756	28822	17.20
Kharif 2011*	52.86	76.19	837424	83973	40250	25.10

*Claims & farmers benefitted of Kharif 2011 season are provisional.

Organisational Chart of the Department of Financial Services



Annexure-I: Representation of SCs, STs & OBCs in Small Industries Development Bank of India

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	865	133	50	121	28*	1	-	-	5	2	-	NA	-	-
Group B	Not Applicable													
Group C	93	26	7	4	-	-	-	-	-	-	-	NA	-	-
Group D (Excluding Safai Karam-charis)	69	21	14	7	-	-	-	-	-	-	-	NA	-	-
Group D (Safai Karam-charis}	3	1	0	1	-	-	-	-	-	-	-	NA	-	-
Total	**1030**	**181**	**71**	**133**	**28**	**1**	**-**	**-**	**5**	**2**	**-**	**-**	**-**	**-**

Note: * Total of 91 candidates including 16– SCs, 5- STs & 26- OBCs have been shortlisted for recruitment, out of this 28 have joined the Bank during calendar year 2011 and others would be joining during calendar year 2012.

Annexure II: Representation of the Persons with Disabilities in Small Industries Development Bank of India

Group	No. of Employees				Direct Recruitment (2011)							Promotion (2011)						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Group A	865	-	-	10	1	28	-	-	-	-	-	-	-	-	-	-	-	-
Group B	Not Applicable																	
Group C	93	-	-	4	-	-	-	-	-	-	-	-	-	-	1	-	-	-
Group D	72	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 Orthopadically Handicapped (persons suffering from locomotor disability or cerebral palsy).

Annexure-III (a): 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	82	10	3	16	Nil	Nil	Nil	Nil	NA	NA	NA	NA	NA	NA
Group B	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Group C	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Group D (Excluding Safai Karam-charis)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Group D (Safai Karam-charis)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	**82**	**10**	**3**	**16**	**Nil**	**Nil**	**Nil**	**Nil**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

Note: NHB is Officer Oriented institution and does not have Group B,C or D on its rolls.

Annexure III (b): Representation of the Persons with Disabilities

Group	No. of Employees				Direct Recruitment (2011)							Promotion (2011)						
					No. of Vacancies reserved			No. of Appointment made				No. of Vacancies reserved			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
Group A (officers-scale I)	38	NA	NA	1	NA	NA	1	NIL	NA	NA	NIL	NA	NA	NA	NA	NA	NA	NA
Group B	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Group C	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Group D	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	**38**	**NA**	**NA**	**1**	**NA**	**NA**	**1**	**NIL**	**NA**	**NA**	**NIL**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

Note:

1. NHB is Officer Oriented institution and does not have Group B,C or D on its rolls.
2. There is no reservation for persons with disabilty in promotion, in Group A.

Annexure-IV (a): Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March 2011

(Amt. in Lakhs)

Name of the Bank	Adjusted Net Bank	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 prog.		Others	
		No. of A/cs	Amt. O/s	% to NBC	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
All bad	7160500	342720	364500.00	5.09	255325	235200.00	87395	129300.00	139487	84400.00	18747	79800.00	93646	49500.00	3445	21500.00
Andhra Bk	5678386	556195	439416.06	7.74	395887	312363.06	160308	127053.00	242548	247113.00	9244	11924.61	46491	15342.00	97604	37983.45
BOB	13164362	654919	664790.38	5.05	562280	505666.12	92639	159124.26	44504	16007.01	48674	36903.56	79063	32258.90	410572	439563.77
BOI	16429139	520590	1398432.00	8.51	440977	623873.00	79613	774559.00	259847	56677.00	77070	231416.00	108286	72958.00	268846	319976.00
BOMah	4052656	182548	186412.74	4.6	144589	128901.53	37959	57511.21	62140	13896.65	3788	4605.08	57764	29006.59	20897	81393.21
Can Bk	16050800	1277923	2702200.00	16.84	1167577	1854900.00	110346	847300.00	89562	272600.00	43723	599700.00	64135	19100.00	970157	963500.00
C B I	10614612	555957	579536.00	5.46	403311	389181.00	152646	190355.00	91226	105244.00	32566	49051.00	154181	84290.00	125338	150596.00
Corp Bk	6320256	157447	381572.00	6.04	119733	207308.00	37714	174264.00	22658	89759.00	10164	33981.00	7321	7527.00	79590	76041.00
Dena Bk	3572134	148092	204265.00	5.72	127069	152337.00	21023	51928.00	24458	9765.00	24797	39012.00	28782	8951.86	49032	94608.00
Ind Bk	5948165.00	704972	542182.52	9.12	474364	359159.80	230608	183022.72	2291	951.12	3837	16249.10	7179	2105.02	461057	339854.56
I O BK	7341112	1148302	1137335.00	15.49	1051230	816374.00	97072	320961.00	108186	92302.00	49845	124978.00	116316	41766.00	776883	557328.00
O B C	8348930	142871	427898.49	5.12	109854	338820.56	33017	89077.93	21391	13410.00	9440	47726.01	21307	7863.82	57716	269820.73
P N B	18136300	602348	921841.00	5.08	497855	670849.00	104493	250992.00	57422	41037.00	55947	64197.00	140855	89275.00	243631	476340.00
P &S Bk	3274867	39914	160736.00	4.91	30033	108825.00	9881	51911.00	711	11399.00	7203	23034.00	9118	7115.00	13001	67277.00
Synd Bk	79210.11	615937	631976.43	7.98	476896	493255.23	139041	138721.20	19033	13655.04	74634	88058.70	16353	10481.00	366876	381060.49
U B I	11727269	535062	630677.86	5.38	477813	493079.12	57249	137598.74	134468	48849.93	59653	76883.72	116041	58308.00	167651	309037.47
United Bk	4275600	397723	245090.00	5.73	340535	177300.06	57188	67789.94	127075	45937.46	26382	22124.80	136947	53279.55	50331	56158.25
UCO Bk	7214500	302435	411894.89	5.71	278305	281545.22	24130	130349.67	82776	46935.33	12251	19648.59	93052	62280.49	90226	152680.81
Vijaya Bk	4193500	219116	324287.00	7.73	182995	246445.00	36121	77842.00	42357	41310.00	28175	49048.00	24271	8432.00	88192	147646.00
S B I	56810100	2955340	3834652.00	6.75	2159269	2403636.00	796071	1431016.00	956621	246500.00	24795	298651.00	491739	355845.00	1177853	1858485.00
S B B J	3556315	175683	194478.00	5.47	130150	130039.00	45533	64439.00	62571.00	16886.00	6243	2168.00	20258	4875.00	41078	106110.00
S B Hyd	5335109	512280	462492.00	8.67	418468	334782.00	93812	127710.00	984	1545.00	182	2300.00	124449	100555.00	292853	230382.00
S B My	2988300	135050	181026.67	6.05	89717	123827.53	45333	57199.14	15831	6286.17	1485	2245.52	5690	2388.09	66711	112907.75
S B Patl	4702800	116073	255574.00	5.43	84454	191681.00	31619	63893.00	2520	23399.00	3356	1116.00	5012	3082.00	73566	164084.00
S B Tra	3937541	473009	554406.00	14.08	264325	315397.00	208684	239009.00	78852	60984.00	23788	70088.00	38280	44101.00	123405	140224.00
IDBI	13862456	45147	429069.00	3.10	29111	249909.00	16036	179160.00	263	6945.00	110	523.00	2808	1485.00	25983	241975.00
Total	244774918.8	13517653	18266741.04	7.46	10712122	12144654.23	2805531	6122086.81	2689782	1613793.71	656099	1995432.69	2009344	1172171.32	642494	7796532.49

Source:RBI

Annexure-IV (b): Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March 2011

(Amt. in Lakhs)

Name of the Bank	Of the Credit to Women Under Non-Priority				Credit Extended under different Government Sponsored Programmes											
	Under Medium & Large Industries		Others		PMRY						SJSRY					
					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 Bk	165	2754.00	61644	38733.00	73488	48619.00	8275	6146.00	11.26	12.64	19889	56.84	6286	2138.00	31.60	37.61
Alh,bk	678	9400.00	86717	119900.00	43126	31415.00	4712	5610.00	10.93	17.86	34325	21625.00	6102	5820.00	17.78	26.91
Andhra	37	9850.00	160271	117203.00	31104	20217.56	8603	4737.38	27.66	23.43	18413	4971.46	6746	1225.47	36.64	24.65
BOB	9	1779.82	92630	157344.44	35173	16585.20	7438	2278.89	21.15	13.74	28633	8884.00	7280	1674.80	25.43	18.85
BOI	256	556061.00	79357	218498.00	37762	22528.00	5813	3043.00	15.39	13.51	24713	8586.00	6723	2289.00	27.20	26.66
BkOMah	5	9.43	37954	57501.78	23463	10286.60	4297	1802.56	18.31	17.52	9238	3556.35	2507	611.18	27.13	17.19
Can Bk	4725	470100.00	105621	377200.00	49167	25300.00	22300	9400.00	45.00	37.00	16005	7000.00	9867	3200.00	62.00	46.00
C B I	3951	21413.00	148695	168942.00	84686	63856.00	12388	9346.00	14.63	14.64	56822	20072.00	9832	5735.00	17.3	28.57
Corp Bk	92	26841.00	37622	147423.00	11284	8170.00	3067	2369.00	27.18	28.99	3465	1225.00	1482	539.00	42.77	44.00
Dena Bk	21	8059.00	21002	43869.00	19326	9221.13	3412	1753.46	17.65	19.02	11393	2390.23	3488	886.75	30.62	37.10
Ind Bk	1	2395.93	230607	180626.79	6180	2360.97	2675	834.36	43.28	35.36	5092	1334.27	2812	636.81	55.22	47.73
I O BK	2590	152778.00	94482	168183.00	16494	8940.00	3611	2390.00	21.89	26.73	7570	3037.00	3720	1390.00	49.14	45.76
O B C	44	6843.99	32973	82233.94	31747	23017.55	3986	1631.94	12.55	7.09	14341	3368.83	3509	741.02	24.46	21.99
P N B	31	18346.00	104462	232646.00	87569	39358.00	9673	4329.00	11.00	11.00	34785	9985.00	9289	2796.00	27.00	28.00
P &S Bk	0	0.00	9881	51911.00	14029	6646.00	2154	1246.00	15.35	18.75	3136	1151.00	708	320.00	22.58	27.80
Synd Bk	848	977.13	138193	137744.07	24717	15851.13	3885	2256.47	15.72	14.23	11724	5537.90	2873	1363.67	24.5	24.62
U B I	948	27903.08	56301	109695.66	62578	36390.03	12314	6548.33	20.00	18.00	28715	3602.65	9166	2272.27	32.00	26.00
United Bk	1094	13129.45	56094	54660.49	43565	37384.91	11623	9024.12	27.36	24.13	23522	10351.65	6223	2587.34	25.55	24.52
UCO Bk	1073	55211.40	23057	75138.27	34591	31829.94	10847	8734.78	31.36	27.44	21081	8169.79	9432	3434.24	44.74	42.04
Vijaya Bk	0	0	36121	77842.00	20123	3633.70	5872	2136.40	29.11	58.79	8243	1895.40	2013	736.20	35.34	38.84
S B I	22430	82316.00	773641	1348700.00	220015	162660.00	33887	20134.00	15.4	12.40	82609	34255.00	20255	5182.00	24.5	15.10
S B B J	6	1446.00	45527	62993.00	17646	8992.00	1629	782.00	9.23	8.70	20784	4605.00	6125	1282.00	29.47	27.84
S B Hyd	223	882.00	93589	126828.00	12289	8289.00	2498	1174.00	20.33	14.16	4869	2104.00	1823	627.00	37.44	29.80
S B My	0	0.00	45333	57199.14	9689	4980.37	3038	1368.06	31.36	27.47	4100	1792.29	2003	646.95	48.85	36.10
S B Patl	2805	42253	28814	21640.00	13389	10993.00	2018	1268.00	15.07	10.74	2675	932.00	634	189.00	23.7	20.28
S B Tra	675	100013.00	208009	138996.00	9270	3946.00	3805	1641.00	41.00	42.00	3143	904.00	1305	483.00	42.00	53.00
IDBI	11	37	16025	179123.00	2241	1730.00	481	340.00	21.00	19.65	1604	810.00	583	349.00	36.00	43.09
Total	42553	1608045.23	2762978	4514041.58	961223	614582.09	186026	106178.75			481000	172145.82	136500	47017.70		

Source: RBI

Annexure-IV (c): Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March 2011

(Amt. in Lakh)

Name of the Bank	Credit extended under different Govt. sponsored programmes												Of total credit to women Non-Perorrming Assets		
	SGSY						Others								
	Total Outstandings		Against Women		Percentage		Total Outstandings		Against Women		Percentage				
	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	% of NPA to toal credit to Women
Alh,bk	121020	56512.00	50017	16410.00	41.33	29.04	219210	119810.00	31903	19045.00	14.55	15.9	19803	12910.00	3.59
Andhra	19923	6574.49	5030	2126.85	25.25	32.35	107448	24355.07	26112	7252.31	24.30	29.78	30596	11070.00	2.52
BOB	88222	38404.00	26778	7632.65	30.35	19.87	138011	125791.56	37567	20672.56	27.22	16.43	32679	18966.30	2.85
BOI	108128	39530.00	30876	13818.00	28.56	34.96	584325	588432.00	64874	53808.00	11.1	9.14	30917	76485.00	5.47
BOMah	26179	11731.64	4155	1149.95	15.87	9.80	284001	211612.08	46805	25442.91	16.48	12.02	25517	12356.04	6.62
Can Bk	48189	23400.00	10240	4200.00	21.00	18.00	32748	5300.00	21728	2300.00	66.00	43.00	49213	55700.00	2.06
C B I	129080	60080.00	71393	35031.00	55.31	58.31	226524	106142.00	60568	34178.00	26.74	32.2	34768	27423.00	4.73
Corp Bk	2387	1462.00	1346	1080.00	56.39	73.87	3250	11909.00	1426	3539.00	43.88	29.72	22274	11233.00	2.94
Dena Bk	32741	7314.36	11108	3352.89	33.93	45.84	28307	22395.60	10774	2958.76	38.06	13.21	16324	6069.79	2.97
Ind Bk	4806	2223.88	1690	631.97	35.16	28.42	18	9.71	2	1.39	11.11	14.28	16473	10846.20	2
I O BK	76084	27845.00	71271	25214.00	93.67	90.55	49651	18622.00	37714	12772.00	75.95	68.59	35685	32053.63	2.82
O B C	14297	3346.77	4251	1014.87	29.73	30.32	34506	22324.63	9167	4417.42	26.56	19.78	16757	29682.80	6.94
P N B	129193	39569.00	39215	20971.00	30.00	53.00	298114	299240.00	82678	61179.00	28.00	20.00	67904	25002.00	2.71
P &S Bk	9326	4499.00	2171	1958.00	23.28	43.52	13814	13157.00	4085	3591.00	29.57	27.29	5608	7463.00	4.6
Syndicate	15766	8896.00	4819	3438.59	30.56	38.65	26436	21096.00	4776	3422.27	18.07	16.22	16237	12133.95	1.92
U B I	66305	24722.02	24977	8469.62	38.00	34.00	323770	244398.17	69584	14017.78	21.00	17.00	49294	24229.05	3.84
United Bk	113038	31430.75	72030	21150.96	63.72	67.29	172155	56822.65	47071	20517.13	27.34	35.73	24124	8287.34	3.38
UCO Bk	84405	32003.31	35037	16476.83	41.51	51.48	137156	87194.17	37736	33634.64	27.51	38.57	15927	8706.92	2.11
Vijaya Bk	2836	3660.60	4253	1882.30	54.28	51.29	21175	22481.50	11233	3677.20	53.17	16.36	11864	9923.40	3.06
S B I	327625	136970.00	73381	33633.00	22.40	24.60	751842	882476.00	364216	296896.00	48.40	33.60	214559	141608.00	3.69
S B B J	31630	7797.00	11421	2640.00	36.11	33.86	3960	747.00	1083	171.00	27.35	22.89	4293	3200.05	1.65
S B Hyd	3466	1338.00	1304	357.00	33.62	26.68	272229	218650.00	118824	32397.00	43.65	45.00	14914	6531.00	1.41
S B Mys	1935	1562.35	649	373.08	33.54	23.88	0	0.00	0	0.00	0.00	0.00	0	0.00	0
S B Patl	3858	1225.00	1021	261.00	26.46	21.31	5256	44626.00	1339	1364.00	25.47	3.51	7656	6414.00	2.51
S B Tra	5180	3377.00	3004	1293.00	58.00	38.00	37148	43849.00	30166	40684.00	81.00	93.00	27057	22176.00	4.00
IDBI	1639	1089.00	731	538.00	45.00	49.40	3194	1597.00	1013	258.00	32.00	16.16	3740	8757.00	2.04
Total	1467258	576563.17	562168	225104.56			3774248	3193038.14	1122444	698196.37			794183	589227.47	

Source: RBI

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