

additionality of resources to the sector, not less than 60% of the total outlay for the project must come from sources other than Public Financial Institutions.

Upto hundred per cent (100%) foreign equity participation can be permitted for projects set up by foreign private investors.

The condition of dividend balancing by export earnings which is normally being applied to cases of foreign investment upto 51% equity will not be applicable to foreign investments in the power sector.

The rates for depreciation in respect of assets have been liberalised.

With the approval of the Government, import of equipment for power projects will also be permitted in cases where foreign supplier(s) or agency(ies) extend concessional credit.

The customs duty for import of power equipment has been reduced to 20% and this rate has also been extended to machinery required for modernisation and renovation of power plants.

A five year tax holiday has been allowed.

The excise duty on a large number of capital goods and instruments in the power sector has been reduced.

Upto 16% return on the foreign equity included in the tariff can be provided in the respective foreign currency.

Fixed costs can be recovered at 68.5% PLF. Attractive incentives are prescribed for performance beyond this PLF.

Tariff can be fixed in deviation of norms stipulated in the March, 1992 tariff notification provided that the per unit tariff does not exceed the per unit tariff worked out on the basis of the norms.

#### Specific incentives for generating companies

Normative parameters notified which inter alia provide for 16% return on equity at 68.5% PLF and upto 0.7% return on each incremental 1% PLF.

Generating companies operating coal based, gas based and hydro projects can sell power on the basis of a suitably structured two part tariff.

The tariff and other norms specified are the ceiling norms and allow Boards and Generating Companies to agree on improved norms.

Premium raised by the Generating Company while issuing share capital and investment of internal

resources created out of free reserve of existing company shall also be eligible for return of equity provided such amount is actually utilised for meeting the capital expenditure of the power generation project and forms part of the financial package approved by the Authority.

The tariff norms for Hydro-electric projects have been liberalised such as providing Capacity Charge, Primary Energy Charge, incentive of upto 0.7% rise in ROE for each percentage point increase in availability of installed capacity beyond 90%.

The specific incentives for Licensees are:

Licences of longer duration of 30 years in the first instance and subsequent renewals of 20 years instead of 20 and 10 years respectively as it was before.

Higher rate of return of 5% in place of the previous 2% above the RBI rate.

Capitalisation of Interest During Construction (IDC) at actual cost (for expansion projects also) as against 1% over RBI rate as it was before.

Special appropriations to meet debt redemption obligations.

[Translation]

#### GATT Agreement

1092. DR. RAMESH CHAND TOMAR:

SHRI SANTOSH KUMAR GANGWAR:

SHRI DEVI BUX SINGH:

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government are aware of the fact that the pharmaceutical industry has been affected by the GATT agreement;

(b) if so, the number of medicines, whose prices have increased by more than 40 per cent during the last two years;

(c) the percentage of escalation in the prices of life saving drugs after the agreement; and

(d) the reasons therefor and the steps being taken by the Government to curb this tendency?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILISERS AND MINISTER OF STATE IN THE DEPARTMENT OF ELECTRONICS AND DEPARTMENT OF OCEAN DEVELOPMENT (SHRI EDUARDO FALEIRO): (a) to (d). The Patents Act, 1970 is yet to be amended to bring it in line with the TRIPS

Agreement. Therefore, as far as the Pharmaceutical Industry is concerned, status quo prevails and increase in prices, if any, cannot be attributed to the GATT agreement.

[English]

#### U.S.-Pak Ties

1093. SHRI RAMASHRAY PRASAD SINGH: Will the Minister of EXTERNAL AFFAIRS be pleased to state:

(a) whether the Government are aware of the news-item captioned "US for more flexible ties with Pakistan" published in the 'Hindustan Times' dated September 24, 1995; and

(b) if so, the reaction of the Government thereto?

THE MINISTER OF EXTERNAL AFFAIRS (SHRI PRANAB MUKHERJEE): (a) Yes, Sir.

(b) Government have conveyed unambiguously to the US that while India understands the US desire for better relations with Pakistan, we cannot but be concerned at the proposed transfer of military equipment to Pakistan, which has always used such weaponry against India in the past, and which is in the forefront in training and directing international terrorism and financing such activities through narco-trafficking. The transfer of US military equipment to Pakistan will not promote peace, security and stability in South Asia. The advanced military equipment offered to Pakistan contains a number of force multipliers and new items not part of current military holdings in the region and would have an adverse impact on India's security. Government are, therefore, determined to take all necessary measures to counter the adverse effect of the US military package to Pakistan.

#### Land Reforms Act

1094. SHRI V. DHANANJAYA KUMAR: Will the Minister of RURAL AREAS AND EMPLOYMENT be pleased to state:

(a) whether the Union Government have received wide ranging complaints in the matter of recent amendments

made to the Karnataka Land Reforms Act;

(b) if so, whether the legal impact of the amended Act has been examined by the Law Ministry of the Union Government; and

(c) if so, the corrective measures Government propose to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF RURAL AREAS AND EMPLOYMENT (DEPARTMENT OF RURAL DEVELOPMENT) (SHRI UTTAMBHAI HARJIBHAI PATEL): (a) Yes, Sir. Some complaints have been received by the Government of India in the matter of the recent amendment made to the Karnataka Land Reform Act.

(b) and (c). The legal impact of the amended Act is being examined in consultation with Law Ministry and the Government of India will be taking appropriate measures after getting their legal opinion.

[Translation]

#### Potable Water Project

1095. SHRI HARISINH CHAVDA: Will the Minister of RURAL AREAS AND EMPLOYMENT be pleased to state:

(a) whether any potable water project is being started in the country with the German cooperation;

(b) if so, the details thereof; and

(c) the name of States, where this project is likely to be started and the total expenditure to be incurred on the said Project?

THE MINISTER OF STATE IN THE MINISTRY OF RURAL AREAS AND EMPLOYMENT (DEPARTMENT OF RURAL EMPLOYMENT AND POVERTY ALLEVIATION) (SHRI VILAS MUTTEMWAR): (a) Yes, Sir.

(b) and (c). The details of the potable water supply and sanitation projects likely to be started in the States of Himachal Pradesh, Madhya Pradesh, Maharashtra, Rajasthan and West Bengal are given in the enclosed Statement.

#### STATEMENT

Sl. No.	State	Project	Estimated Cost (in crores)	Particulars
1	2	3	4	5
1.	Himachal Pradesh	Rural Water Supply & Sanitation	203.00	Coverage by Water Supply & Sanitation of 3883 habitations in 12 districts (Bilaspur, Chamba, Hamirpur, Kangra, Kullu, Kinaur, Lahaul & Spiti Mandi, Shimla, Solan, Sirmour & Una) covering population of 2.05 lakh.