

15

**STANDING COMMITTEE
ON EXTERNAL AFFAIRS
(2006-2007)**

FOURTEENTH LOK SABHA

MINISTRY OF EXTERNAL AFFAIRS

**DEMANDS FOR GRANTS
(2007-2008)**

FIFTEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2007/Vaisakha, 1929 (Saka)

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(2007-2008)

Presented to Lok Sabha on 26 April, 2007
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NEW DELHI

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STANDING COMMITTEE ON EXTERNAL AFFAIRS (2006-2007)

LOK SABHA

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3. Shri C.V. Gadgil - Director
4. Shri P.V.L.N. Murthy- Deputy Secretary

* Nominated w.e.f. 16th January, 2007

INTRODUCTION

I, the Chairman of the Standing Committee on External Affairs, having been authorised by the Committee to present the Report on their behalf, present this Fifteenth Report of the Standing Committee on External Affairs (2006-2007) on Demands for Grants (2007-2008) of the Ministry of External Affairs

2. The Committee took oral evidence of the representatives of the Ministry of External Affairs on 12th April, 2007.

3. The Committee considered and adopted this report at their sitting held on 25th April, 2007. Minutes of the sittings held on 12th and 25th April, 2007 are given in Annexure I and II to the Report.

4. The Committee wish to express their thanks the Ministry of External Affairs for placing before them the material and information which they wanted in connection with examination of the Demands for Grants (2007-2008). They also wish to thank in particular the representatives of the Ministry of External Affairs who gave evidence and placed their considered views before the Committee.

NEW DELHI
25 April, 2007
5 Vaisakha, 1929 (Saka)

DR. LAXMINARAYAN PANDEY,
Chairman,
Standing Committee on External Affairs

CHAPTER I

IMPLEMENTATION OF THE COMMITTEE'S RECOMMENDATIONS

The 11th Report of the Standing Committee on External Affairs on Demands for Grants of Ministry of External Affairs for the year 2006-2007 was presented on 18th May, 2006. The Report contained 36 recommendations/ observations.

1.2 In compliance of Direction 73-A of the Directions by the Speaker, the Minister of State for External Affairs made a statement in Lok Sabha on 18th December, 2006 giving the status of implementation of various recommendations made by the Committee in their 11th Report (14th L.S.). An analysis of the Ministry's statement showed that the Government had accepted 31 out of 36 recommendations. The reply of the Government on one Recommendation (Rec. No. 29) was satisfactory. Replies to 4 Recommendations were not found satisfactory.

1.3 On the basis of Action Taken replies received from the Ministry of External Affairs on the above mentioned Report, the Committee presented their 13th Action Taken Report to the House on 18th December, 2006. The Committee commented on the Action Taken Replies furnished by the Ministry in respect of recommendations at Nos. 1, 10, 20, 21, 26 and 35 contained in the original Report. Statement giving replies to the comments contained in 13th Action Taken Report has since been received from the Ministry. The Statement will be laid on the Table of both the Houses as per the procedure laid down in Rule 37 of the Rules of Procedure (Internal Working) of DRSCs.

1.4 Regarding status of implementation of the recommendations, the Foreign Secretary informed the Committee, during the course of evidence on Demands for Grants of Ministry of External Affairs for the year 2007-2008 as under:

“We have taken very serious note of all the recommendations and observations made in the Eleventh Report of the Standing Committee examining the Demands for Grants for the year 2006-07. I am happy to report to you that the Ministry has taken steps to implement most of the Committee’s recommendations.”

CHAPTER II


BUDGETARY ALLOCATION

The Ministry of External Affairs is responsible for looking after all aspects of external relations with foreign countries. In the performance of this role, the Ministry pursues India's national interests and the interests of its citizens in the political, economic, commercial, cultural, consular and other areas through bilateral, regional and international interactions at the headquarters in New Delhi and through 165 Missions, Posts and specialized offices and centres across the world and representative offices in different parts of the country.

2.2 The budget of the Ministry has traditionally been non-Plan in nature with a small Plan component.

2.3 The total Demands for Grants of the Ministry of External Affairs for the year 2007-2008 are for Rs. 4433.60 crore.

2.4 Outlining the allocations for the Ministry, the Foreign Secretary stated during oral evidence that the total budgetary allocation for the Ministry in 2007-08 is Rs. 4,433 crore. Compared to the BE of Rs. 3,695 crore in 2006-07, this represents an increase of Rs. 738 crore or 20 per cent; while compared to the RE of Rs. 4,123 crore in the last fiscal year 2006-07, this marks an increase of Rs. 310 crore or 7.5 per cent. The increase is primarily on account of enhanced allocation of funds under the Plan Head, which has gone up from Rs. 222 crore in 2006-07 to Rs. 500 crore in BE 2007-08, an increase of almost 125 per cent in the Plan Head, for infrastructure projects in Bhutan, Afghanistan, Nepal and Myanmar. The Tala hydroelectric project has been commissioned and is ready for formal inauguration very quickly and the Ministry is hoping to take up new

projects in Bhutan in the next year and that is why the big increase in the Plan Budget. 

2.5 The Non-Plan Budget has increased from Rs.3472 crore in BE 2006-07 to Rs.3933 crore in BE 2007-08 – an increase of Rs.461 crore or 13 per cent; however, compared to RE 2006-07, the increase is only Rs.33 crore or 0.8 per cent in the Non-Plan side. The allocation under the Revenue Section is Rs.3674 crore and in the Capital Section, it is Rs.759 crore.

2.6 The total budgetary allocation for the Ministry of External Affairs year-wise since 2004-05 alongwith revised estimates (RE) for the respective years is as follows:

(Rs. in crore)

Year	Budget Estimate	Revised Estimate	Actual	Increase at RE stage	Shortfall in utilization of RE
2004-05	3,641	3,885	3,756	244	129
2005-06	3,928	4,182	4,089	254	93
2006-07	3,695	4,095	-	400	-
2007-08	4,434	-	-	-	-

2.7 It may be seen from the above that the initial budgetary allocations have had to be raised at the RE stage and the quantum of increase has been on the rise. Asked what necessitated considerable enhancement of budgetary allocation every year at RE stage, the Ministry stated in a written reply that the requirement of additional funds, at the RE stage, becomes necessary for two major reasons given below:

- i. Dynamic nature of international relations and India's status as a growing power necessitates increasing levels of additional commitments in development assistance to our bilateral partners and in contributions to international organizations during the course of the year. Not all of these developments can be anticipated when

preparing BE estimates and thus augmentation is sought at RE stage.

- ii. Due to inadequate budget allocation to the Ministry at BE stage. The projections made by the Ministry for budget allocations are based on a realistic assessment of the programmes being implemented for fulfillment of the objectives of the Ministry.

2.8 A comparative statement of the projections made by the Ministry and the budget allocations received during the last three financial years as observed from the information furnished by the Ministry is as follow:

(in Rupees crore)

Financial Year	Proposed BE	Approved BE	Short-fall	Shortfall %age	Additionality at RE stage
2004-05	4200.92	3640.69	560.23	13%	244.31
2005-06	4797.74	3928.00	869.74	18%	253.97
2006-07	4348.97	3695.05	653.92	15%	428.00
2007-08	6429.76	4433.60	1996.16	31%	

2.9 In this context, the Ministry further stated as under:

“Efforts have always been made to seek budget allocations based on a realistic assessment of requirement of funds for the Ministry. Fuller allocation of budget facilitates better implementation of ongoing programmes without having to curtail / slowdown certain projects mid-stream. At the same time, it must be acknowledged that there is also an element of unpredictability inherent in budget making for MEA as it is not possible to fully accommodate the possibility of new developments and consequent need for augmentation of funds at a later stage during the financial year.

2.10 The Foreign Secretary said during evidence that the budgetary allocations for 2007-08 have been pegged around the levels of RE of 2006-07. Some enhancement in allocations in the Non-Plan Budget has been provided in BE 2007-08 over RE 2006-07 for items under Embassies and Missions; Training through the Foreign Service Institute which has gone up by 95 per cent and the Capital Outlay on Public Works and Public Housing is up by 56 per cent. There has been a modest increase in the allocation for Technical and Economic

Cooperation under the Non-Plan Head by Rs.4 crore but a significant increase is there under the Plan Head for Technical and Economic Cooperation which is of the order of 125 per cent. Given the expanding nature of its commitments, the Ministry anticipates a possible need for augmentation of budget further during the course of the year.

2.11 On being asked as to whether the budget estimates for 2007-08 would also require mid-year augmentation; the Ministry replied as under:

“Yes, the need for augmentation of resources is likely during the year and the Ministry will make necessary proposals at the RE stage.

- i) There is an inherent unpredictability in the conduct of foreign relations and sometimes, new commitments may arise in the course of the year which have to be accommodated on an expeditious basis. The assistance to Nepal, in the last financial year, is an example of such items.
- ii) There are a number of areas / activities where the budget allocation in BE 2007-08 has been pegged at a level below the projections made in the proposals for BE 2007-08.

In order to prioritise between the different items of committed expenditure, the budget allocation of all heads of account have been made according to the total allocation received for the BE 2007-08. Some instances where augmentation may be necessary include the following areas:

- An amount of Rs.238 crore was projected in the proposal for BE 2007-08 towards creation of SAARC Poverty Alleviation Fund on account of US \$ 50 million to be paid (out of GOI's total contribution of US \$ 100 million). However, this proposed contribution could not be included in BE 2007-08 as the total budget allocation for BE 2007-08 had to be pegged at Rs.115.09 crore against the projection of Rs.347.19 crore under the head of account, International Co-operation.
- Similarly, certain additional contributions to UN organizations have now come up which were not included in BE 2007-08.
- The budget allocation has been significantly increased under Technical and Economic Cooperation with Other Countries which caters to India's multilateral and bilateral aid and assistance programmes to neighbouring and other developing countries as

compared to the allocations in the previous financial year. However, the allocations do fall short of the projections for the implementation of all envisaged projects and programmes under this head. Augmentations may be necessary during the year for certain countries and areas.

- Similarly, under the Capital head projection of around Rs 600 crore was made in BE 2007-08 for public works and housing on the basis of current expectations, whereas allocation of only Rs 250 crore could be made because of inadequate funds.

Ministry may seek augmentation of the budget allocation in all such cases where the expenditure incurred is committed and cannot be avoided. The quantum of augmentation required at RE stage would be known during the course of the financial year 2007-08.”

2.12 On being asked whether there was any shortfall in utilization of the revised allocation (RE) during 2006-2007 and the reasons for under utilization of the revised allocations year after year, the Ministry submitted as under:

“There will be a shortfall of less than Rs 102 crore in utilization of the revised allocation (RE) 2006-07 of Rs 4095 crore (plus Rs 28 crore provided subsequently). The shortfall has been Rs 53 crore under the Capital head and Rs 49 crore under the Revenue head. This represents a shortfall of about 2% in utilization of the RE allocation of the Ministry. The utilization of RE allocation during 2006-07 has been about 98%.”

While every effort has been made for optimum utilization of the budget allocation, the following factors contribute to the underutilization of the available funds, including to the extent of less than Rs 102 crore during 2006-07:

- i. Although projections are made on a realistic assessment of requirement of funds and efforts are made to adhere to timelines and cost schedules and phasing of expenditure, there may be unanticipated developments in the international arena, including war, natural disaster, delay in reaching agreement with foreign governments, etc, due to which there may be under-utilization of RE allocation.

- ii. BE allocations generally fall short of the projections made by the Ministry and augmentation is provided at RE stage. However, the release of such funds is approved close to the end of the financial year leaving very little time to implement and execute some of the projects leading to under-utilisation of funds.
- iii. Schedule of implementation of projects/schemes are affected due to paucity of funds and this leads to time and cost overruns as well as additional approvals, resulting in shortfall in utilization of funds.”

2.13 On the issue of under utilization of funds by the Ministry, the Foreign Secretary further elaborated during evidence as under:

“..... The utilization of our budget allocation of 2006-07 has been a healthy 98 per cent. The surrenders include Rs.40 crore from the Plan Head and around Rs.60 crore from the Non-Plan Head. It is largely due to the inflexibility in our ability to re-appropriate between the Heads. We had a committed expenditure that we were ready to incur which would have taken us to 100 per cent. But we were unable, for various reasons, to re-appropriate between the Heads in time. But we did spend. Our expenditure did account for 98 per cent of our allocation last year which is much better than ever before.”

2.14 It has been stated in the Outcome Budget of the Ministry that budget increases may need to be of a higher level in the coming years, in response to India’s expanding role in global affairs. When asked details of any projections of their budgetary requirements made for the coming years including the proposed activities, the Ministry in their detailed written submission stated as under:

“India’s expanding role in global affairs has led to an increased level of economic and technical assistance to our neighbours and other developing countries. This includes training programmes, community projects, sector-specific programmes, infrastructure development and disaster relief and humanitarian assistance in the beneficiary countries. Ministry wishes to seek higher levels of Plan allocations for large projects, especially in our neighbourhood. While the programme of such assistance will be constantly evolving, the details of some of the major proposed projects under non-Plan and Plan allocations are under :

Non-Plan

- i. Bhutan assistance: This includes Development Subsidy, other subsidies and Project Tied Assistance for socio-economic development projects in various sectors during Bhutan's 9th Five Year Plan amounting to Rs 2610 crore for Bhutan's 9th Plan (2002-2008). Cooperation and assistance for Bhutan's 10th Plan is under discussion.
- ii. Infrastructure development in Myanmar and Afghanistan: Some prominent examples are Tamu–Kalemyo-Kalewa Road and proposed Rhi Tiddim-Rhi Falam Road (Rs 50 crore) in Myanmar and Salma Dam (Rs 351 crore) in Afghanistan.
- iii. Small Development Projects (SDP): These projects in Afghanistan (Rs 90 crore, or US \$ 20 million), Nepal and Sri Lanka are aimed at social development and minor infrastructure projects.
- iv. Pan African e-Medicine and e-Education Network (Rs 543 crore)
- v. Reconstruction and assistance to Palestine (Rs 67 crore, or US \$ 15 million) and Iraq
- vi. Development cooperation in other parts of the world including Central Asia, South East Asia

Plan

The Ministry is involved in a number of large projects in the neighbourhood which are proposed to be undertaken under Plan allocations. These mega-projects also provide direct benefit to India in terms of provision of power, connectivity and leverage. It is our intention that an increasing share of our mega-project activity is done under the Plan head in the forthcoming years. Some of the major projects on the anvil are Punatsangchu I hydro-electric project (Rs 4000 crore) and Mangdechu hydro-electric project, in Bhutan.”

2.15 When asked about details of the activities that will be affected by less allocation of funds, the Foreign Secretary responded during the course of evidence as under:

“What we would like to do is to place our expenditure in three activities, which will be immediately affected. One is our cultural work. Unfortunately, it is a fact that most of what we have asked for is really to be spent right in the first half of the year. The second one is on the Capital Account, on the construction of new projects, new Embassies, and new residences. The third aspect, where we think we will have some difficulties, is in starting up new projects in our neighbourhood. For instance, in Bhutan, we want now to start the actual construction activity on Punatsangchu I, which would be the big project for over 1,000 MW,

that is, 1,095 MW, and to finish the DPRs which have already started the work for the next two projects, which would bring us up to 3,000 MW under construction. We would like to finish those DPRs before the end of this year. But that we will have to stagger now a little bit. We are not, as of now, stopping anything because we are hoping that at the RE stage, we will be able to recover some of those allocations. “

2.16 According to the Outcome Budget of the Ministry, it is not practical to quantify the overall objectives of the routine expenditure on establishment, costs, mandatory contribution to international organizations etc. which constitute over half of the budget. The Ministry has, however, attempted quantitative evolution of Outcomes of the activities which include the computerization programme of consular work, activities of grant-in-aid institutions, development projects undertaken under technical assistance, training programme and the acquisition of capital assets.

2.17 When asked about reasons for not developing indicators for their Outcome Budget in quantifiable terms, the Foreign Secretary responded as under:

“..... We are trying to do three things and we hope to do in the next few months. One is, we are putting into place a Management Information System within the Ministry so that at any time we know how certain parameters are working in each Mission, in each Division. We can break it down and check. This is not just for passports or for easily quantifiable work, but for other work also. We started that exercise. We hope to have an initial management system in place in the next three months. We will then develop that system so that we have ways of checking of what is going wrong, where we are achieving and what we should be achieving.

Secondly, we will go outside the Ministry and get either a research institute or a consultant or somebody who knows about these things, who can use modern management methods, to develop indicators for our Outcome Budget because it is true that ours is a rather peculiar situation; we are not like other Ministries. You cannot just measure our output or achievement or outcome in financial terms or in terms of the expenditure. That is the second thing that we need to do.

The third thing is that we have been so used to looking at it purely as an expenditure function. All our budgeting, we look at it in terms of how much did we get and how much did we spend; we do not look at the quality of work that we are doing. That is something that we need to do internally. So, we need retraining of ourselves.”

2.18 The sectoral allocation of funds in the Ministry's budget as per the revised estimates for 2006-07 and budgetary estimate for 2007-08 as observed from MEA's outcome budget is as shown below:

Allocation (in Rs. crore)

Sectors	RE 2006-07	BE 2007-08
MEA Secretariat	154.23	156.18
Embassies & Missions	951.41	990.01
Passport & Emigration	154.98	160.00
Special Diplomatic Expenditure	873.01	850.01
Contributions to International Organisation	117.93	115.09
Technical & Economic Cooperation	1,536.73	1,754.11
Grant to ICCR	68.5	70.00
Loans to Foreign Governments	35.2	104.60
Others	238.09	233.60
Capital Outlay	160.00	250.00
Total Budget	4,095.05	4,433.60

2.19 The Committee observed that some of the figures furnished by the Ministry as above particularly of the Technical & Economic Cooperation sector were incorrect. Admitting that there were mistakes in the statement, the Ministry furnished a modified statement. It is observed that corrections are with respect to the following:

	<u>RE 2006-2007</u>		<u>BE 2007-2008</u>	
	<u>As shown in Outcome Budget</u>	<u>Corrected</u>	<u>As shown in Outcome Budget</u>	<u>Corrected</u>
Technical & Economic Cooperation	1536.73	1457.53	1754.11	1663.95
Others	238.09	78.32	233.60	73.77

CHAPTER III

ESTABLISHMENT STRENGTH

The Committee observed from the establishment strength shown in the Demands for Grants document that the number of officials actually in position were in excess of the sanctioned strength as shown below:

Pay Scale	No. of Officials in position	Sanctioned strength	Excess
18400-22400	199	189	10
15100-18300	178	174	4
12750-16500	339	273	66

3.2 When asked about the reasons for as many as 80 officials in senior positions in excess of the sanctioned strength, the Ministry replied as under:

“The Ministry exercises due care to ensure that number of officials in position in any grade does not exceed the sanctioned strength at any point of time. Inadvertently, in the figures provided regarding officials in position, certain non-MEA officials posted abroad had also been counted erroneously. After effecting the necessary corrections, it can be confirmed that officials in position did not exceed sanctioned strength, as follows:

<i>Pay Scale</i>	Officials in position	Sanctioned Strength
Rs. 18400-22400	189	189
Rs. 15100-18300	154	174
Rs. 12750-16500	264	273

3.3 Pointing out that during the last 10 years, the work of the Ministry has increased manifold, but the number of personnel of the Ministry has actually shrunk, the Foreign Secretary stated during evidence as under:

“If you look at overall work of the Ministry, in the last 10 years our work has increased manifold. Our foreign trade has grown 7 times in the last 10 years, passports issued have doubled to 44 lakhs last year and visas granted have tripled to over 57 lakhs. If you look at just high level State visits – the visits by Heads of States and Governments and official visits of Foreign Ministers – these have increased by about 165 per cent. India has joined 13 new multi-lateral organization or groupings in this period. To cope with this increased work load and apart from our increased political work load, our budget has tripled in these ten years. But the number of personnel has actually shrunk. We have gone down from 4,866 to 4,746. I must speak frankly that the strain is telling on us... ..”

3.4 In this regard, the Foreign Secretary also submitted as under:

“..... On the size of the IFS, the IFS is really less than 700 people today; and when we look at comparable countries, for every Indian diplomat, there are four Brazilian diplomats; for every Indian diplomat, there are seven Chinese diplomats. Now, we might be wonderful and very efficient, but we are not that efficient or that good. I mean, it is really a problem. But we have a decision in principle, by the Government at the highest level that we will increase the size of our cadre, and what we are talking about now of the Ministry as a whole, what we are now examining is more than doubling the size over the next five years. It will have to be phased and organized, and we will include more than just increasing the size of the Foreign Service. It would also mean, looking at how we can organize our work slightly differently, use the capacities that exist outside in society very simply. For instance, when the Ministry was set up, protocol had to do everything that the hospitality industry in India now can do. Now, these are the jobs that we can actually get done, and we can concentrate on our primary functions.”

3.5 The Foreign Secretary also added:

“.....We have recently got sanction from Ministry of Finance for 220 more posts for consular and visa wings of the Missions especially in the Gulf where most of the population is and where the consular work is there. It will help to some extent to improve our work there.”

CHAPTER IV

AGREEMENTS AND TREATIES

A. Nuclear Energy Cooperation

An understanding was reached with USA in July 2005 on resumption of civil nuclear energy cooperation. Several steps were taken by both the countries to implement the understanding on resumption of civil nuclear energy cooperation. It represents an important landmark in the evolving bilateral ties between the two countries. On being asked to elaborate the details of the agreement arrived at in this regard, the present status of its implementation and the parameters of cooperation, the Ministry informed the Committee that the decision to resume full civil nuclear cooperation was taken during Prime Minister Manmohan Singh's visit to USA in July 2005. According to the Joint Statement issued during the visit, President Bush conveyed to PM,:

“that he will work to achieve full civil nuclear energy cooperation with India as it realizes its goals of promoting nuclear power and achieving energy security. The President would also seek agreement from Congress to adjust U.S. laws and policies, and the United States will work with friends and allies to adjust international regimes to enable full civil nuclear energy cooperation and trade with India, including but not limited to expeditious consideration of fuel supplies for safeguarded nuclear reactors at Tarapur. In the meantime, the United States will encourage its partners to also consider this request expeditiously.”

4.2 The Ministry also submitted that, India on its part reciprocally agreed to :

“assume the same responsibilities and practices and acquire the same benefits and advantages as other leading countries with advanced nuclear technology, such as the United States. These responsibilities and practices consist of identifying and separating civilian and military nuclear facilities and programs in a phased manner and filing a declaration regarding its civilians facilities with the International Atomic Energy Agency (IAEA); taking a decision to place voluntarily its civilian nuclear facilities under IAEA safeguards; signing and adhering to an Additional Protocol with respect to civilian nuclear facilities; continuing India's unilateral moratorium on nuclear testing; working with the United States for the conclusion of a multilateral Fissile Material Cut Off Treaty;

refraining from transfer of enrichment and reprocessing technologies to states that do not have them and supporting international efforts to limit their spread; and ensuring that the necessary steps have been taken to secure nuclear materials and technology through comprehensive export control legislation and through harmonization and adherence to Missile Technology Control Regime (MTCR) and Nuclear Suppliers Group (NSG) guidelines.”

4.3 With regard to the present status of implementation on resumption of civil nuclear energy cooperation, the Ministry submitted as under:

“The implementation of this initiative has been proceeding on multiple tracks and significant forward movement has occurred. During the visit of President Bush in March 2006, both sides successfully completed discussions on India’s separation plan in accordance with commitments outlined in the July 18 Joint Statement. India agreed to offer 14 out of the current 22 thermal reactors to be placed under IAEA safeguards. This would be done in a phased manner by 2014. The Prime Minister tabled the Separation Plan in Parliament on March 7, 2006, followed by tabling of the fully complete version on May 11, 2006.

United States on its part has amended its domestic laws to legally enable it to resume full civil nuclear cooperation with India. This was done through passage of the ‘Henry J. Hyde United States-India Peaceful Atomic Energy Cooperation Act of 2006’ in the U.S. Congress on December 8-9, 2006. President Bush then signed the Hyde Act into law on December 18, 2006. India has welcomed the Act while noting that it contains certain extraneous and prescriptive provisions. We have also maintained that our obligations and commitments will be those that we undertake in the bilateral 123 Agreement and that we expect that to reflect the commitments of July 18 Joint Statement and the Separation Plan.”

4.4 As regards, the parameters of Nuclear Energy Cooperation is concerned, the Ministry, in a written reply submitted as under:


“The two countries are presently engaged in negotiations on a bilateral agreement (123 Agreement) that will identify the specific parameters of civil nuclear energy cooperation. Two rounds of talks on June 12-14, 2006 and March 25-27, 2007 have been held as well as one informal meeting between teams of the two countries on November 6-8, 2006. According to the Separation Plan, an India-specific safeguards agreement will be negotiated between India and the IAEA providing for safeguards to guard against withdrawal of safeguarded nuclear material from civilian use at any time as well as providing for corrective measures that India may take to ensure uninterrupted operation of its civilian nuclear reactors in the

event of disruption of foreign fuel supplies. Taking this into account, India has offered to place its civilian nuclear facilities under India-specific safeguards in perpetuity and negotiate an appropriate safeguards agreement to this end with the IAEA. Discussions with the IAEA on the agreement were initiated during the meeting of Chairman, AEC with the Director General of IAEA in Vienna in early March 2006. Subsequently, an IAEA team visited New Delhi for discussions with the Indian side on July 8, 2006.”

4.5 On being asked as to how soon the Ministry expect resumption of supplies from the Nuclear Suppliers Group, the Ministry replied as under:

“India and the United States are engaging member states of the Nuclear Suppliers Group to bring about adjustment of NSG Guidelines with respect to India to enable full civil nuclear cooperation. India had sent a team to Vienna to make a presentation to the NSG during its Consultative Group meeting in October 2006. Our delegation used the opportunity to interact bilaterally with several NSG countries. Earlier, we had used the IBSA summit in September to bring up this issue with South Africa and Brazil. We are continuing our efforts with the NSG countries as and when there is an opportunity at a high level.”

4.6 On the issue of civil nuclear energy cooperation, the Foreign Secretary stated during evidence as under:

“.....We have a very clear approach to what we are discussing with the US on civil nuclear cooperation. Whatever we do with the US will not affect our nuclear strategic programme; secondly it will not in any way involve our three such indigenous civil nuclear energy programmes.  Here we will use ultimately thorium in our breeder reactors to produce energy for our own growth. Thirdly, I think we would respect and implement what the Prime Minister said to the Parliament on the 17th of August last year when he laid down the red lines we will not cross which I think command broad support across the political spectrum.”

4.7 The Foreign Secretary also said in this context:

“..... What Parliament tells us, what our Government decides, is what guides our negotiators. There may be a difference. But so far the US has said to us that nothing in the Hyde Act is not compatible with July 18, 2005 Joint Statement and March, 2006 Separation Plan. Our job, as I see it, is to implement the Joint Statement, the Separation Plan, and the parameters that were outlined by the Prime Minister in Parliament.”

B. South Asian Free Trade Area (SAFTA)

4.8 SAFTA came into force from January 1, 2006. It can be an important instrument to deepen intra-regional trade if it is complied by all member states and implemented in letter and spirit. SAFTA is a small but a significant beginning on a long path towards economic integration within the region. Full implementation of SAFTA will catalyze other areas of economic integration, including enlarging the scope of SAFTA to services and investments. SAFTA also provides a forum to address issues relating to non-tariff barriers, trade facilitation, harmonization of customs and other procedures to enhance intra regional trade.

4.9 The Committee were informed that, despite ratifying the SAFTA Agreement, Pakistan in its customs notification on SAFTA has singled out India from the agreed and negotiated "Sensitive List", restricting trade with India to existing bilateral "Positive List". India regards this as a violation of the Agreement and raised its concerns at the 27th Council of Ministers Meeting. It was decided that this issue would have to be resolved by the SAFTA Ministerial Council (SMC) before the next Council of Ministers Meeting with a view to ensure a smooth implementation of the Agreement.

4.10 When the Committee desired to know what further steps are proposed for full implementation of SAFTA and what positive results have emerged after implementation of SAFTA, the Ministry submitted as under:

- “a)** During the 14th SAARC Summit held in New Delhi on April 3-4, 2007, the Heads of State/Government emphasized that SAFTA should be implemented in letter and spirit. Successful implementation of SAFTA will catalyze other areas of economic integration, including enlarging the scope of SAFTA to services and investments. It was agreed that SAFTA must be expanded to cover trade in services. It was also agreed that the Agreement on Investment Promotion and Protection should be finalized.

The 14th Summit also underlined the importance of trade facilitation measures. Member countries agreed to take concrete steps in reducing Non-Tariff Barriers, harmonization of customs and other procedures to enhance intra regional trade. As the largest country in the region, India is ready to accept asymmetrical responsibilities, including opening her markets to her South Asian neighbours without insisting on reciprocity. Prime Minister, during the Summit, announced that before the end of the current year, India would allow the Least Developed Countries among its South Asian neighbours duty free access to its markets. It will also further reduce the Sensitive List in respect of these countries.

- b)** According to latest available statement showing India's trade with SAARC countries, the volume of export from India to SAARC countries during April November 2006 was US\$. 4191.69 million as compared to US \$ 3530.08 million during the corresponding period last year, registering an increase of 18.74%. Similarly the imports from SAARC countries during April-Nov 2007 were US\$. 999.78 million over US\$ 917.35 million previous year registering an increase of Rs 8.9%.”

CHAPTER V

TECHNICAL AND ECONOMIC COOPERATION

The allocation for technical assistance to neighbouring countries and other developing countries for the year 2007-08 is around Rs. 1769 crore which accounts for 39% of the total budget of the Ministry. The principal beneficiaries of the aid and loan programmes as per the revised estimates of 2006-07 and Budget Estimates of 2007-08 as furnished by the Ministry in a written reply are as follows:

Allocation (in Rs. Crore)

Country/Region	RE 2006-07	BE 2007-08 (Proposed)
Bangladesh	20.00	15.00
Bhutan	599.51	770.91
Nepal	188.00	138.00
Sri Lanka	28.02	28.00
Maldives	6.00	15.00
Myanmar	44.57	80.41
Other developing countries	456.67	550.68
Disaster Relief	11.19	4.10
ITEC and SCAAP	71.25	68.00
SAARC	3.06	3.00
African countries	16.00	50.00
MER	25.00	25.00
Investment Promotion	0.45	0.45
Central Asia	17.00	20.00
Total Aid Budget	1486.73	1768.55

5.2 It is seen from the above table that aid and loan to Bhutan accounts for over 43% of India's total aid and loan budget for 2007-08. In absolute terms, the proposed aid to Bhutan is about Rs. 771 crore (Rs. 666.31 crore aid and Rs. 104.60 crore loan) in 2007-08. When asked to furnish the project/programme-wise details of aid and loan proposed to be given to Bhutan in 2007-08, the Ministry furnished the details as given at **Annexure-III**.

A. Projects

5.3 When asked to furnish project-wise details of the major projects, programmes/schemes costing over Rs. 50 crore, under implementation giving details of the originally estimated, revised cost, the original and anticipated date of completion and the reasons for cost and time overrun, the Ministry furnished the details as given at **Annexure – IV**.

Details of projects under implementation which have suffered cost overrun and/or time overrun are observed to be as follows:

i) Afghanistan:

(1) The cost of constructing 218 km. Road from Zaranj to Delaram has increased from Rs. 377 crore to Rs. 730 crore. The cost and time overrun has been mainly due to security and related logistical problems. There have been repeated incidents of attacks on project site and its personnel. Committee of Secretaries in its meeting on December 13, 2005 increased the number of ITBP personnel from 38 to 254 for this project. BRO, the project execution agency, has requested for additional deployment of 134 ITBP personnel, which if approved, will further increase the cost of the project to Rs 746.50 crores.

(2) The cost of reconstruction and completion of Salma Dam Power Project in Herat province has gone up from rs. 351.58 crore to Rs. 498.68 crore. The commencement date was January 2005 and expected date of completion is January 2009. However, main civil works commenced in Mar 06. Design of Electro-mechanical works presently under progress at Hq. Pre-construction survey /design/fabrication and testing of transmission line towers completed; Infrastructure work almost completed except 28 km realigned road. Hydro mechanical diversion tunnel design cleared and fabrication of gate presently in advanced stage; fabrication of 2nd stage embedment completed and dispatched. Cost overrun is due to cost escalation for civil and electro-mechanical work.

(3) The cost of Construction of Afghanistan's Parliament building has risen from Rs. 296.45 crore to Rs. 337.58 crore. The tentative date for submission of tenders to Works Board is fixed as June 07. The project completion date is July 2010. CPWD is expected to invite combined tenders for the project of construction of Afghan Parliament Building and Indian Chancery Complex at Kabul in June 07. These, after evaluation by a Works Board comprising officials from CPWD and MEA, will be forwarded to MEA for obtaining CNE and Cabinet approval. After finalisation of the project, the Afghan government requested for additional requirements in the building, which would lead to time and cost overrun.

ii) Bhutan:

(1) The cost of Tintibi-Tongsa bumthang Transmission Line has gone up from Rs. 34.38 crore to Rs. 61.70 crore. The contract for 37 kms 132 kV Tintibi-Yurmoo and 37 kms 66 kV Yurmoo-Bumthang transmission line was awarded to M/s Utkal Galvanisers, Orissa in joint venture with M/s Bhutan Engineering Company on 8 May 2006 at contract amount of Rs. 38 crore. The contract is for 24 months and expected to be completed by May 2008. The contract for construction of 33 kV substations at Yurmoo, Trongsa and Bumthang along with staff quarters and 33 kV tower line from Yurmoo to Trongsa had been awarded to POWERGRID on 28.7.2006 at Rs. 26 crore which includes the consultancy cost. Considering the variation between initial tentative estimates and actual bids received during tendering process, the agreed costs for the two transmission lines were enhanced and approvals sought.

(2) The cost of Jigme Dorji Wangchuck National Referral Hospital Expansion has increased from Rs. 65.69 crore to Rs. 71.60 crore. Construction works to be completed by June 2007. The cost increase was reprioritized on the basis of approved work plan and change in project scope as agreed at the 3rd Project Monitoring Committee meeting held in April, 2006.

(3) Babesa – Phuntsholing Highway (Double laning) – cost increase for Rs. 232.42 crore to Rs. 359.00 crore for all the three phases of the highway. From the total of 162 km from Phuentsholing to Babesa, 114 kms are to be double laned (excluding 48 km section from Damchu to Chhukha). There was cost escalation for this project as the standards were revised as per the Asian Highway standards, environmental reasons which necessitated dumping of excavated earth at long distances, environment friendly blasting technology etc. The cost is on the basis of approved DPR and estimates. Work on Damchu-Babesa stretch would be completed by December; 2007. This project would be completed in Bhutan's 10th Five Year Plan.

iii) Nepal:

Nepal Bharat Maitri Emergency cum Trauma Centre, Kathmandu Rise in cost from Rs. 41.39 crore to Rs. 61.39 crore. Construction began in October 2006, with an estimated time frame of 18 months. Project expected to be completed in about 24 months. Enhanced cost on account of increase in cost of construction material, inputs and location of projects in a congested area. Unrest in Tarai Region has somewhat slowed down the project.

B. Tala Hydro-electric Project

5.4 The 1020 MW Tala Hydro-electric project in Bhutan constructed under Technical and Economic Cooperation from India was expected to be fully commissioned on 31 March, 2007 and India will receive 1020 MW of power. An outlay of Rs. 141.50 crore has been allocated for this project during the year 2007-08. The Committee desired to know the reasons for allocating of Rs. 141.50 crore for the project in 2007-08, as the project was already commissioned on 31 March, 2007. The Ministry responded to the queries of the Committee as under:

“Though the Project was commissioned on 31 March 2007, an additional allocation of Rs. 141.50 crore was required to cover the cost of:

- i) 10% of balance payments for electro-mechanical & hydro-mechanical equipment already supplied & functional;
- ii) Construction of energy dissipation arrangements e.g. plunge pool, downstream of the Dam possible to be started only after closure of the diversion tunnel/filling of the reservoir;
- iii) Finishing works of various components;
- iv) Settlement of work done bills ending March. '07; and
- v) Settlement of final bills/adjustments, closure of Audit & Accounts, establishment and other miscellaneous expenditure.”

5.5 The Committee observed that the Tala Hydro-electric Project cost reportedly escalated from Rs. 3850 crore to Rs. 4124 crore. When asked about the reasons for the cost overrun , the Ministry replied as under:

“The Project was sanctioned for Rs. 3580 crore based on estimate framed in September 1999. The estimate had to be revised in 2005 from Rs 3850 crore to Rs 4124 crore to incorporate the changes as under.

- i) Change in alignment of Head Race Tunnel (HRT) at Kalikhola due to adverse geological conditions in the original alignment and encountering of adverse geological occurrence in 337 m reach on the diverted alignment. This has been rated as one of the worst tunneling situations in the world;
- ii) On account of encountering squeezing zone in about 650 m reach of HRT in Padechu due to which support system got damaged necessitating in rectification of the damaged support system resulting in additional cost;
- iii) Change of design from Plain Cement Concrete (PCC) lining in HRT with Reinforcement Cement Concrete (RCC) lining resulting in additional cost on account of steel reinforcement;
- iv) Due to non-availability of adequate suitable material from the quarry sites in the project area, boulders were brought from Toorsa river, near Phuentsholing for use as aggregate in HRT lining and for concrete works in dam in Power House Complex;
- v) Due to additional cost of steel sluice liners in dam as per revised design;
- vi) On account of providing steel supports in three desilting chambers; and
- vii) Escalation on account of revised commissioning schedule.

5.6 Regarding time overrun of the project, the Ministry stated as follows:

“The DPR envisaged construction of the Project in 8 years including 2 years of infrastructure development. The Project despite the construction of very difficult infrastructure of 100 km of new road in hilly and difficult terrain for accessing the sites, serious setback due to unprecedented rainfall of about 2000 mm between 1 – 3rd August 2000 (It resulted in wide spread damage to the infrastructure and project works including washing away of some men and machinery state-of-the-art imported construction equipment, the replacement of which took about six months’ time), adverse geological situations met in the construction of Desilting Chambers, Head Race Tunnel, Surgeshaft, Pressure Shafts, Power House and Tail Race Tunnel got delayed only by about a year. In spite of these odds, the Project got completed within a cost and time-frame comparable with the best ones constructed so far.”

The entire funding for the Project has been provided by the Government of India in the form of grant (60%) and loan (40%) to the Royal Government of Bhutan.”

5.7 The Committee observed that the Tala Hydro-electric Project has reportedly commenced commercial operations in July, 2006. On being asked about the extent of power generation by the project since July, 2006 and the position regarding transmission of the power to India, the Ministry replied as under:

“The first generating unit of 170 MW commenced commercial operation on 31st July 2006 followed by commissioning of four other units. The last unit was successfully spun on 29th March 2007. The actual generation so far (up to 00 hours on 29th March 2007) has been 1156 million units against the target of 1096 million units of which 374 million units was the internal consumption of Bhutan and 782 million units have been supplied to India.

5.8 On being asked about the role and responsibility of the Ministry of External Affairs in execution of the project, the Ministry replied as under:

“Ministry of External Affairs is the nodal agency of Gol for the Project and liaises with the Royal Government of Bhutan for the completion of the THEP. Government of India have nominated three Directors on the Tala Hydroelectric Project Authority - an Autonomous joint governmental body of the Gol and RGoB, responsible for implementation of the Project, of

whom two Directors, Additional Secretary & Financial Advisor and Joint Secretary (North) are from the Ministry of External Affairs. The Ministry has been responsible for effective and timely decision-making in administrative, technical and financial matters of the Project. “

5.9 When the Committee desired to know about the cost of power supplied from Bhutan Projects, the Foreign Secretary submitted during evidence as under:

“As far as the question about Bhutan and the power rates, we have so far constructed 1416 MW in three power plants in Chuka, Kurichu and Tala, which we have just completed, which is about 1020 MW. We intend to construct another 3,000 MW in the next 8-10 years. The cost per unit of electricity of these is roughly half the cost of similar hydel plants in India. So, it is very cheap electricity. 95 per cent of the outcome of these plants comes to India. We are the ones who use that power. Actually for us, it is environment friendly because if you see, for instance, the number of people displaced, in the case of Tala, it is just 14. That is all, and we have got 1020 MW. The entire production comes to us. So, actually we would like very much to enter into similar arrangements with Nepal, but it has not been possible so far.”

5.10 During the course of evidence, the Committee desired to know as to whether there are similar plan to establish Power Project as established in Bhutan in other neighbouring countries also. Responding to the query of the Committee, the Foreign Secretary submitted as under:

“Nepal is a good example, where for 60 years, the Government has been trying to do exactly what we have done in Bhutan. We have not managed because of the local fear that here is a huge Government of India which wants to come and do it here; it also becomes a part of the Nepalese politics. However, it seems to be easier if the Indian companies go and do this. That is where the question of Public Private Partnership (PPP) comes in. There are places where it is easier for the Indian company to do this kind of a work than it is for the Government itself to go ahead with that. that is what we meant when we talked about PPPs in implementing projects. In places where there is less resistance, it might be easier; maybe, that is the way to go. That is why we have mentioned it.”

C Kaladan Multi-modal Transit :

5.11 Budgetary allocation of Rs. 40.41 crore has been made for the Kaladan Multi-Modal Transit Transport System in Myanmar to provide alternative access route to the North-East. During evidence, the Committee observed that the Kaladan Multi-modal transit project was to be finalized by November/December 2006, but the project had not been finalized yet. When the Committee desired to know the actual status of the Kaladan Project, the Foreign Secretary replied as under:

“On the Kaladan project, we had another senior officials’ meeting with Myanmar in March. They had raised some issues in the agreement which we have to sign with them. We are hoping to sort out those with them. Our internal process is that it has gone through CNE approval. It is now waiting for a final Cabinet approval. Separately we have also talked to our own sister Ministries to start doing the road on our side because we cannot do anything within the borders. We have talked to them and they have put it into their plan. So, we hope to do the road on our side up to the border. There are issues still to be settled in the agreement. But we think that we can move the Kaladan multimodal project quite quickly.”

D. Pan African Project

5.12 According to Outcome Budget of 2006-2007, the timeline for Pan Africa Telemedicine and Tele education Project was 3 years. The Outcome Budget of 2007-08, however, appears to have raised the timeline for the project to 5 years and has proposed an outlay of Rs.130.44 crore for this year. When the Committee desired to know the reasons for raising the timeline of the project to 5 years from the original proposal of 3 year, the Ministry informed that the timeline of the project was raised to 5 years on the basis of a request of the African Union, the detailed background of which is as under:

“Originally the project was envisaged by MEA for a time period of three years. A technical team from Indian side visited Addis Ababa to discuss the implementation of the project with African Union on 20-22 July 2005.

The visit was a follow up on the presentation made to AU Chairperson, Prof. Alpha Konare and other senior members of the Commission in May 2005.

During the meeting, two working groups were set up and in their report they recommended that India assume the responsibility for the project for five year period instead of three years as proposed by us.

The issue was discussed in a meeting chaired by Secretary (West) on 17 August 2005 and it was decided to accept the request for running the project for five year period to ensure its long term sustainability and to provide sufficient time for training and handover of the project to local personnel.”

5.13 When asked about the details of the project including the total estimated cost and anticipated date of completion of the project and also the nature of assistance to the project, the Ministry furnished the details as under:

“The project is to connect 53 African Union (AU) member countries into one network through satellite, fibre optics and wireless links to provide tele-education, tele-medicine and voice and video conference facility amongst AU Heads of State. The network envisages a hub earth station at Senegal through which 53 learning centres, 53 medical centres and 53 VVIP nodes (one in each of the African countries) will be connected to university centres and specialty hospitals in India. 5 university centres and specialty hospitals in Africa will also be linked in this network. The project envisages imparting education to 10,000 students in various courses under tele-education. In tele-medicine, it is planned to provide one-hour live tele-consultation and 5 patients offline consultation per day per country for the 53 AU members. The project is to be implemented by Telecommunication Consultants of India Limited (TCIL), a wholly owned Government subsidiary. The project is at present expected to cost Rs. 542.90 crore. The project will be implemented in a phased manner. In the first phase, 21 countries will be covered while the rest will be covered in subsequent years depending on their readiness to participate in the project. After the start of the operation of the hub station, a period of one year will be provided for countries to come aboard the project. TCIL will operate the project in each country for a 5-year period starting with its installation in the given country. The entire expenditure on the project will be in the form of *Grant in Aid*.”

5.14 On the issue of Grant-in-aid to African countries, the Foreign Secretary stated during evidence as under:

“We had so far extended more than a billion dollars worth of training, deputation of experts and projects in Africa and over 1,000 officials from Sub-Saharan Africa receive training in India annually in Information Technology. Annually, over 15,000 African students study in India and this is a sizeable investment and the results, frankly, are not bad because one-fourth of the Ethiopian Cabinet has been trained in India and 3 Nigerian Presidents have studied in India. This is a resource, which is very important to us because as we grow economically, we need the raw materials to support this growth. Many of them are to be found in Africa and we will find future trading partners in these countries. If you look at even the gems and jewellery, which is one of our biggest exports – for diamonds we end up going to Africa – this is, in a sense, an investment in our own future. It is a very important part of our work. “

5.15 Pointing out that the aid to Africa will go up this year, the Foreign Secretary stated as under:

“..... we have a commitment under the Pan Africa E-Network to spend Rs.542 crore in the next six years which means Rs.90 crore per year. So, it will go up. It is not reflected yet in the Budget figures which you have but we will have to go back and ask for Revised Estimates for Africa. There is no question of going back on our commitment on this.”

It is observed from the Annual Report of the Ministry that over 1000 officials from Africa received training in India, over 10,000 African students studied in India and several Indian experts went on secondment. The Ministry provided direct assistance to a number of countries in response to humanitarian emergencies or in the content of longer-term development projects.

E. Establishment of Umbrella Organization

5.16 According to the Outcome Budget 2007-2008, an Agency to be named 'India International Development Cooperation Agency' is proposed to be set up to

provide better management of aid and technical assistance to other countries. On being asked to spell out details of the proposed organization giving among other things, the form, structure, functions and management and to state how soon the agency will be set up, the Ministry furnished the details as under:

“.....India International Development Cooperation Agency (IDCA), as it is proposed to be called, would on the one hand seek to expand, diversify, strengthen, and streamline India’s development cooperation programme in its myriad activities with a view to promoting the country’s political, strategic, economic and commercial interests in a rapidly globalising world, and on the other it would seek to make the delivery of the country’s development cooperation more efficient, cost-effective, well coordinated, and professional in content and manner. A vigorous process of internal consultations within the Ministry’s is already in hand with a view to clearly defining details of the proposed organisation, including its form, structure, functions, management, and the manner of its setting up. Once these consultations are concluded with Minister of External Affairs approval, a wider process of inter-Ministerial consultations will be undertaken before moving a Cabinet Note for the Government’s approval for the proposal. The entire process is being pursued with the objective of concluding it in about 3 months.”

5.17 Elaborating further on the establishment of India International Development Cooperation Agency (IDCA), the Foreign Secretary also mentioned that:

“The Finance Minister announced that the Government will establish an India Development Cooperation Agency and we have set up a Task Force within the Ministry to prepare the Concept Paper. Once the Government has approved that, we will have an executing agency which will do our projects, do our lines of credit and also do our technical cooperation work with other developing countries, including training of people in India and deputing experts abroad. The idea is to make these activities professionally managed and handled within one agency which can then coordinate this work and to make the delivery much more prompt and efficient than it has been in the past. We have, therefore, enhanced the technical assistance and economic cooperation allocation in Budget Estimates of 2007-08 to levels above 2006-07 especially under the Plan allocation. We have a task force which is now looking into establishing the agency and how it should be structured. When we proposed it, it started as an MEA proposal, the idea was to bring together the implementation of our projects, of our technical assistance, of our lines of credit, to have an

efficient implementing agency. Policy decisions will remain where they are. For issues like where do we want to direct our assistance and which projects do we pay, we wanted one organization which could evaluate and implement in an efficient manner. When we said third-party evaluation I think what we mean is that there must be an independent means of evaluating that a project is on track and is performing the way it has to.”

CHAPTER VI

OTHER MATTERS

A. Passport and Visa Services

The Consular, Passport & Visa (CPV) Division through its Passport Offices all over the country and Consular Wings in Indian Missions/Posts abroad constitutes the public face of the Ministry of External Affairs.

6.2 All Passport Offices are issuing machine-printed and machine readable passports as per the guidelines laid down by the International Civil Aviation Organization (ICAO). More than 44 lakh passports were issued and more than 5.5 lakh miscellaneous services were rendered in 2006 compared to 22 lakh passports issued and 2.57 lakh miscellaneous services rendered in 2000.

6.3 Pointing out the need for amending passport regulation, the Foreign Secretary said during evidence:

“There is a problem about issuing passports to wives living away from husbands but are not divorced. Unfortunately, under the present regulation the husband has to consent to the issue of passport in such cases. We will certainly do what we can and we will try and change this. As was said, I do not think this makes sense in today’s day and age to do this.”

6.4 On the functioning of the Passport Offices, the Foreign Secretary said:

“There has been a significant improvement in the functioning of our Passport Offices though we would be the first to admit that we would like them to work even better. There is much more to do. In 2006-07, about 44 lakh passports were issued compared to 35.7 lakh in the previous year despite the constraints of resources in the Passport Offices all over the country. One very significant measure that we took in the last year was to remove the requirement of police verification before the issue of all passports. We have now moved to an identity-based rather than location-based police verification system. If any applicant can submit three out of a list of 14 documents and if one of those documents is a photo-identity document, the police verification is now carried out after the passport is issued. It means the applicant can get the passport under the Tatkal

System within seven days which used to be ten days when we last reported to the Committee. We have now brought it down to seven days for the Tatkal System. This would mean that at least one of the major bottlenecks in the past which used to delay the issue of passports should not apply in several cases.

We have tried to clear pendency in many of our Passport Offices. As you have seen, the number of passports that we have issued has gone up tremendously. The revenues from passport services have also gone up. The earning for 2006-07 is projected at over Rs.650 crore against Rs.604 crore during the previous year.”

6.5 Elaborating further on the functioning of the passport offices, the Foreign Secretary stated as under:

“Computerisation and use of IT is now widespread in the Passport Offices. We have now introduced on a test basis a Centralised Passport Printing System for passport printing for select Missions which should make it faster. We have also decided to undertake a pilot project on the issuance of e-passports or biometric passports for diplomatic and official categories by the end of 2007. Based on the experience gained by the pilot project, we will start issuance of e-passports in the ordinary category by the end of 2008. This will put an end to tampering and will also make secure travel documents as is increasingly the required international standards laid down by the ICAO. We have opened new Passport Offices during 2006-07 in Mallapuram and Shimla and we propose to open new Passport Offices in Raipur, Dehradun, Amritsar, Coimbatore and Madurai during the current year. Meanwhile, the work of the District Passport Collection Centres (DPCs) have further picked up and the coverage has been extended. The National Institute of Smart Governance (NISG) has been entrusted and is undertaking a detailed study of the Passport Offices and all the IT aspects with a view to improving the passport issuance system in the country. We expect to have their report by the end of this month and to start implementing it as soon as we can thereafter.”

6.6 The total revenue to the Ministry on account of passport and visa services were to the tune of Rs. 1,319 crore in 2005-06. The projected revenue in this regard for the year 2006-07 is Rs. 1400 crore, which is equivalent to roughly over one-third of the Ministry’s total budget of 2006-07. When asked about the basis for fixing the charges for passport and visas and whether the charges are considered reasonable, the Ministry informed that:

“There are different sets of criteria for fixing charges for passports and visas. For instance, passport fee is charged taking into account the cost of printing of passport booklet at India Security Press, Nashik, its transportation charges, payment to State Governments/Union Territories on account of District Passport Centres and cost of overhead establishment in the Passport Office, including cost of printing, dispatch, delivery charges etc. The present passport fees structure is as under;

a) Fresh Passport:	Rs. 1000/-
b) Passport under Tatkal: category	Rs.1000+1500=Rs.2500 (within 1-7 days) Rs.1000+1000=Rs.2000 (within 8-14 days)

The passport fee-structure was last revised in 2002. Meanwhile, the cost of passport booklet, which is printed in India Security Press, Nashik has risen from Rs. 136/- in 2002-03 to Rs. 184.97 in 2006-07. There has also been an increase in the cost of transportation and related expenses. Thus, there exists a case for increasing the passport fee. On the other hand, visa fees are charged mainly on the basis of reciprocity and also in accordance with agreements signed with other countries. The member countries of the European Union (EU) have recently raised their visa fee from Euro 50 to Euro 60. Currently Indian visa fee for EU nationals is Euro 50. It is, therefore, proposed to raise it to Euro 60 as early as possible. There are also reports that the US is proposing to increase visa fee for Indian nationals. In that event, our visa fee would be enhanced accordingly. Assuming a total of roughly one million visa applicants from EU countries and the proposed increase of Euro 10 per applicant, it is expected that additional revenue of 10 million Euros equivalent to Rs. 58 crore (approximately) would be generated during 2007-2008. The Ministry has already set in motion the exercise for reviewing the visa fee structure, and the process would be completed by the end of April 2007.”

6.7 There are presently 31 Passport Offices and 16 Passport Collection Centres in India. It has been proposed to open new Passport Offices in Amritsar, Dehradun, Raipur, Shimla, Coimbatore and Madurai in 2007. The Passport Office in Shimla is understood to have since been opened. When asked about the progress made in this regard at the remaining places and the time by which they are expected to be opened, the Ministry submitted as under:

“The New Passport Office in Shimla was opened on 16th March 2007. The present status of opening Passport Offices in Amritsar, Dehradun, Raipur, Coimbatore and Madurai is as under:

1. Amritsar: Furniture and requisite office equipment have been procured and required manpower has also been identified. The Passport Office is expected to be operational by September 2007. Efforts are now being made to acquire a suitable building as early as possible. The building identified for the Passport Office in December 2006 could not be made available by the State Government of Punjab.

2. Dehradun: Notwithstanding our continuing efforts, we have not been able to locate so far a suitable building for the Passport Office. Advertisements have been issued in the newspapers recently inviting offers from prospective landlords in Dehradun. Furniture and office equipment have already been procured and are ready to be installed as and when the building will be available. It is expected to open the Passport Office in Dehradun by October 2007.

3. Raipur: A suitable building has been purchased for the Passport Office. Furniture and office equipment including computers etc. are being procured and will be installed by May 2007. On completion of other administrative arrangements, including positioning of staff, the Passport Office in Raipur will be functional by July 2007.

4. Coimbatore: This Ministry is already in touch with the District Authorities of Coimbatore to acquire an appropriate building for the Passport Office. A suitable building has been identified and is presently under renovation, which will be completed by September 2007. Proposals for procuring furniture and office equipment including computers are being processed. It is expected to open the Passport Office in Coimbatore by December 2007.

5. Madurai: Madurai District Authorities, on the request of this Ministry, have offered a suitable building for the Passport Office. Proposal to procure furniture and office equipment will be processed expeditiously on acquisition of the building. We expect to open the Passport Office in Madurai in August 2007.”

6.8 With a view to taking the passport issuance and related services nearer to the doorsteps of the applicants, District Passport Cells (DPCs) have been opened at the district level, where the office of the District Magistrate/Superintendent of Police receives passport applications and after

scrutiny and police verification, forwards them to the concerned passport offices for issuance of passport office. Currently, there are 463 DPCs in India covering more than 77% of the country. On being asked as to how many districts do not have DPCs at present and whether any time frame has been laid down to open DPCs in these districts, the Ministry replied as under:

“Out of 593 districts in the country, 129 districts do not have District Passport Cells (DPCs) at present. A new DPC was opened at Nehru Place in Delhi in March this year, bringing the total number of DPCs in the country to 464 at present. While no precise time-frame has been specified in this regard, the Ministry of External Affairs has been continually impressing upon the concerned State Governments to open DPCs in the remaining districts of the country as early as possible.”

6.9 Since District Passport Cells (DPCs) provide convenient facilities of passport issuance to citizens, the Committee desired to know whether a programme will be chalked out in consultation with States to set up DPCs in remaining 129 districts within reasonable time limit, the Ministry responded to the query of the Committee as under:

“There is no such proposal at this juncture. However, the Ministry of External Affairs has been continually impressing upon the concerned State Governments to open DPCs in the remaining Districts of the country as early as possible and within a reasonable timeframe as desired by the esteemed Parliamentary Standing Committee.”

6.10 When asked about the details of the work being done by DPCs, the Ministry submitted that, the DPCs receive and scrutinize passport applications, collect passport fees and verify personal particulars given in the passport applications from the concerned police authorities and forward the passport applications to the concerned Passport Offices for issuance of passports.

B. Grant-in-aid to Institutions

i) Indian Council for Cultural Relations

6.11 The Indian Council for Cultural Relations (ICCR) was set up in 1950 with the primary objective of establishing, reviving and strengthening cultural relations

and mutual understanding between India and other countries. On the Budgetary allocation to ICCR, the Foreign Secretary stated during evidence as under:

“We have been constrained by the paucity of funds, but within those limitations, the budgetary allocation for ICCR was enhanced from Rs. 60.5 crore in Budget Estimates of 2006-07 to Rs. 62.5 crore at the Revised Estimates stage and it has been further enhanced to Rs. 70 crore in the Budget Estimates in 2007-08. The potential and momentum of cultural diplomacy is so great I am almost certain that we will end up coming back to you asking for enhanced allocation in the course of the year.

6.12 Explaining about the activities of the ICCR, the Foreign Secretary stated during the evidence as under:

“In the last year, the ICCR arranged a major festival involving over 100 events in Brussels from October, 2006 to January, 2007 which subsequently moved across the entire European Union. The year-long Festival of India in Japan was inaugurated during the Prime Minister’s visit in December last year. The Council presently operates 17 Cultural Centres and 2 Sub Centres abroad. There are plans to open new centres at Kabul, Katmandu, Dhaka, Beijing and Tokyo in the near future and to upgrade the centre in Kuala Lumpur. In addition, we are exploring the possibility of setting up centres at Washington, Paris and Bangkok during the year. The Council also maintains 19 Chairs of Indian Studies abroad and there are plans to set up more. The Council administers close to 1,800 scholarships for foreign students and has taken the additional responsibility of handling 500 scholarships each year for Afghan nationals which now, since the second batch of 500 has just come, means that they are handling 1,000 Afghan students at this moment. Last year, they sponsored over 70 cultural groups abroad and hosted 25 foreign performing groups. They run a very active Distinguished Visitors Programme as well and bring out 6 quarterly journals in Hindi, Arabic, English, French and Spanish.”

6.13 Elaborating further on the Budgetary allocation to ICCR, the Foreign Secretary further stated as under:

“We are also very much worried that the allocation for ICCR, for our cultural work is really not enough.....The only thing that we can say is that we will keep on trying to increase this in whatever way we can.”

ii) Indian Council of World Affairs (ICWA)

6.14 The Indian Council of World Affairs (ICWA) was founded with a view to encourage the study of Indian and Internal Affairs in the country. The Council serves the public in general and the intellectual community in particular by providing through its publications, lectures, and a specialized library, valuable information for basic understanding of the complexities of the international system. The Ministry had informed that the rules pertaining to the functioning of the Governing Body of the Indian Council of World Affairs were under preparation and that the first meeting of the Governing Body would be convened as soon as the draft of the proposed rules had been prepared. When the Committee enquired to know whether the aforementioned rules have been prepared and whether the Governing Body of ICWA since met, the Ministry informed the Committee as under:

“The first meeting of the Governing Body of the ICWA was held on 16th February, 2007 with the Hon’ble Vice President of India in the Chair. During the meeting, the Governing Body, inter alia, approved the Regulations framed under Section 26(3) of the ICWA Act, 2001. These Regulations at **Annexure-V** include provisions pertaining to the powers and functions of the Governing Body. The text of the Regulations, in English and Hindi, will shortly be laid on the Table in both Houses of the Parliament.”

C. World Hindi Secretariat

6.15 According to MEA's Annual Report 2006-07, the Ministry is actively coordinating work relating to the establishment of World Hindi Secretariat (WHS) in Mauritius. On being asked to provide details in this regard and the time by which the World Hindi Secretariat is likely to be established, the Ministry informed that to promote Hindi as an international language and to institutionalize the organization of World Hindi Conferences it was decided to set up a World Hindi Secretariat. The Ministry also informed the Committee that, the idea to set up WHS was first conceived by the then Prime Minister of Mauritius Sir

Seewoosagar Ramgoolam during the first World Hindi Conference held in Nagpur in 1975.

6.16 The Ministry in their written submission to the Committee further stated that, the Governments of India and Mauritius have been engaged since then in realizing this concept. In India, Ministry of External Affairs is the nodal Ministry for coordinating the working relating to the establishment of the Secretariat. In this connection the following progress has been made so far.:

- “An MOU between India and Mauritius was signed on 20th August 1999 on setting up of World Hindi Secretariat in Mauritius.
- World Hindi Secretariat Act was passed by the Mauritian cabinet on 12th November, 2002.
- The Act was promulgated on 12th September 2005.
- A bilateral agreement was signed between India and Mauritius on 21st November 2003.”

6.17 The Secretariat has a Governing Council, an Executive Board and a Secretary General. A piece of land has been provided adjacent to the Indira Gandhi Centre for Indian Cultural in Phoenix by Government of Mauritius. The foundation stone for the Secretariat was laid in November, 2001. The first meeting of the Executive Board is likely to be held in April 2007 in Mauritius.

Recommendations / Observations of the Committee

1. It is regrettable that the budgetary allocations to the Ministry of External Affairs for the year 2007-08 has been pegged at a level steeply below the projections made by the Ministry. As against the projection of over Rs. 6429 crore, the budgetary allocation to the Ministry is just Rs. 4433 crore which is 31% less than the projection. Given the expanding nature of its commitments, the Ministry anticipates a possible need for augmentation of the allocation during the course of the year. It has been stated that the reduction in allocation will affect the cultural work, starting up new projects in neighbourhood and construction of new embassies and residences. Considering the Ministry's record of healthy utilization of allotted funds and to enable the Ministry to effectively perform India's expanding role in global affairs, the Committee recommend that the Ministry of External Affairs should be allotted sufficient additional funds at the time of revised allocation.

2. The outcome budget of the Ministry has attempted quantitative evaluation of outcomes of activities which are amenable for such quantification. The Foreign Secretary said in this connection during evidence that to develop indicators for outcome budget, an outside agency will be engaged to go into the issue and that a Management Information System within the Ministry will be put into place. The

Committee appreciate the initiatives in this regard and trust that outcome of the proposed exercises will lead to an objective performance appraisal of the Ministry. The Committee would like to be apprised of the outcome of these exercises.

3. Incidentally, discrepancies have crept into some figures shown in the Outcome Budget and Demand-for-Grants document presenting a misleading picture. The errors relate to sectoral allocations shown in the outcome budget under the head 'Technical and Economic Cooperation' and the head 'Others' and relate to the establishment strength shown in the Demands-for-Grants document. The Ministry have since submitted corrected figures to the Committee. The Committee would, however, like to caution the Ministry that extreme care should be exercised in future to ensure that the documents / information presented to Parliament are free of flaws.

4. The Committee have been informed that while the overall work of the Ministry in the last 10 years has increased manifold, the number of personnel has actually shrunk. It has been stated in this connection that India's foreign trade has grown 7 times; passports issued doubled to 44 lakhs; visas granted tripled to over 57 lakhs; the high level state visits by Heads of States and Governments and official visits of Foreign Ministers increased by 165 per cent and budget of the Ministry tripled. However, the personnel strength of

the Ministry has gone down from 4866 to 4746 of which the size of the officers belonging to the IFS is less than 700. Obviously, there is an urgent need to raise the manpower strength of the Ministry to cope with the expanding role of the Ministry. In this connection, it is heartening to learn from the Foreign Secretary that a decision-in-principle has been taken at the highest level to increase the size of the Ministry's cadre. The Committee suggest that an assessment of additional manpower requirements over the period of next five years, with due regard to the proposed outsourcing of certain peripheral jobs, be made expeditiously and action taken to ensure that the projected level of personnel is in place at the earliest.

5. The Committee observe that India and the United States are presently engaged in negotiations on a bilateral agreement that will identify the specific parameters of civil nuclear energy cooperation and two rounds of talks in June 2006 and in March 2007 have been held in this regard. India and the United States are also reportedly engaging member-States of the Nuclear Suppliers Group to bring about adjustment of NSG Guidelines with respect to India to enable full civil nuclear cooperation. Discussions have also been held by India with IAEA for an India-specific safeguards agreement. The Committee desire that, in line with the assurance given by the Prime Minister in both Houses and without compromising our sovereign and strategic interests, it should be ensured that all these

negotiations are led to mutually agreeable agreements and fuel supplies to our civil nuclear plants resumed expeditiously with a view to achieving energy security.

6. That despite less than full compliance, South Asian Free Trade Area (SAFTA) has yielded positive results underlines the need for enlarging the scope of SAFTA to services and investments and eventually to economic integration. The Committee are glad to note that this has been partly achieved in the 14th SAARC Summit held in the beginning of April 2007. It has now been agreed to expand the scope of SAFTA to cover trade in services. It should be ensured that agreement on Investment promotion and protection is finalized early and steps taken to reduce Non-Tariff Barriers.

7. The Committee find that out of eleven projects, each costing over Rs. 50 crore being executed in neighbouring countries under Technical and Economic Cooperation, there has been cost escalation in three Afghanistan projects, three Bhutanese projects and one Nepalese project. The projects slipped up in adhering to time schedule and have run into variety of difficulties. It is not clear as to what exactly is the role and responsibility of MEA in execution of these projects. In any case, the authority responsible for implementation of these projects should immediately undertake a critical review of these projects with a view to overcoming the problems and rectifying the deficiencies.

8. On examination of whatever details made available, the Committee received an impression that the Ministry does not have any in-house capability or organized set up for project delivery. It is only now that the Ministry has proposed to set up an agency called 'India International Development Cooperation Agency', whose mandate is set to include efficient project implementation. The Committee hope that the agency will be established soon and deficiencies in project implementation removed and would like to be kept informed of the progress in this regard.

9. Regrettably, not all relevant project details such as the original and anticipated dates of completion, factor-wise analysis of cost escalation, impact of cost over-run on viability of project (in whichever case applicable) were made available to the Committee. The Committee suggest that such details in future should be disclosed in the Outcome budget of the Ministry for information and use of Members of Parliament.

10. The Committee observe that 1020 MW Tala Hydro-electric project in Bhutan, funded fully by India (60% grant and 40% loan of the total cost of Rs. 4124 crore) and commissioned on 31 March 2007, would supply the entire 1020 MW power generation to India at a very low cost. The Ministry intends to construct another 3,000 MW in the next 8-10 years. Considering the cost effectiveness and other advantages of such projects, the Committee suggest that efforts

should be directed at tapping the entire hydro-power potential available in the region including Nepal in a time bound manner rather than looking at it in piece meal. The Committee would await an assessment of viable hydro power potential in the region including Nepal and a perspective plan to exploit the same with the cooperation of the Bhutanese and Nepalese Government.

11. It is learnt from the Foreign Secretary that finalization of Kaladan Multi-modal Transit Project is getting delayed as there are certain issues still to be settled in the agreement to be signed with Myanmar. The Committee desire that these issues should be sorted out early and the project finalized for execution without further delay so that the benefits expected to accrue on completion of the project become available to the public in time.

12. The Committee find that technical assistance budgeted for African countries is abysmally low which accounts for less than 3% of India's total aid and loan budget for 2007-2008. The figure may marginally go up when the commitment for Pan Africa Telemedicine and Tele education project is reflected in the budget at the time of revised allocation. The Committee are not impressed by the figures reeled out by the Foreign Secretary in this regard that over 1,000 African officials received training and over 15,000 students studied in India. The Committee are of the firm view that India's relations with Africa need to be upgraded at various levels especially as a

partner in their economic development. The Committee hope that the Ministry will place sufficient emphasis on this.

13. The Ministry of External Affairs expects by the end of April, 2007, the report of the National Institute of Smart Governance which is looking into the problems in passport offices and the related IT aspects. The Committee hope that on the basis of the report, functioning of the passport system will be streamlined and made efficient. It should be ensured that stipulated time limit (end of 2008) for introduction of e-passports/biometric passports for all categories of passports is strictly adhered to.

14. The Committee would also like to be informed of the action taken to amend the gender restrictive regulation which requires consent of the husband for issue of passport to wife. The Committee would also like to be apprised of the issue of opening of District Passport Cells in 129 districts which do not have passport cells at present.

15. India is growing as a major cultural power-house and there is great potential for cultural diplomacy. According to the Foreign Secretary, the budgetary allocation of Rs. 70 crore in 2007-08 for the Indian Council for Cultural Relations (ICCR) is vastly inadequate. It has been stated that there are plans to open new cultural centres at Kabul, Kathmandu, Dhaka, Beijing and Tokyo in the near future and that the possibility of setting up centres at Washington, Paris and

Bangkok is being explored during the year. Implementation of all these in addition to the other cultural activities will necessitate substantial augmentation of allocation to ICCR. The Committee, therefore, recommend that fund allocation to the ICCR should be substantially enhanced so as to be commensurate with its plans and activities.

16. The Committee are dismayed to note that not much has been done for construction of the World Hindi Secretariat, the foundation stone for which was laid as early as in November, 2001 in Mauritius. A bilateral agreement was reportedly signed in this regard between India and Mauritius in November, 2003. The establishment of the World Hindi Secretariat is aimed at promoting Hindi as an international language and to institutionalize the organization of World Hindi Conferences. It is not clear whether the Secretariat has already been functioning and if so, what are its functions and whether any plan for construction of the Secretariat Building has been drawn up and if so, the details of cost and schedule of completion. The Committee would await full details and the present status of the project.

17. The Committee express their deep concern at the deteriorating law and order situation in Sri Lanka, the effects of which are increasingly spilling over India. The Committee feel that the Indian

Government should safeguard the welfare of Indian Fishermen who are often taken captive by the Sri Lankan authorities.

18. The Committee desire that the NRIs coming to India and committing crimes/unlawful acts should not be allowed to escape from long hands of law.

NEW DELHI
25 April, 2007

5 Vaisakha, 1929(Saka)

DR. LAXMINARAYAN PANDEY,
Chairman,
Standing Committee on External Affairs

ANNEXURE-I**MINUTES OF THE FOURTEENTH SITTING OF THE STANDING
COMMITTEE ON EXTERNAL AFFAIRS HELD ON 12 April, 2007**

The Committee sat from 1130 hrs. to 1350 hrs. in Room No. 62,
Parliament House.

Present

Dr. Laxminarayan Pandey – Chairman

Members***Lok Sabha***

2. Shri A.V. Bellarmin
3. Shri Narayan Chandra Borkataky
4. Shri Sukhdev Singh Dhindsa
5. Shri L. Rajagopal
6. Shri Somabhai G. Patel
7. Shri Suresh Prabhakar Prabhu
8. Dr. (Col.) Dhani Ram Shandil
9. Shri Damodar Barku Shingada
10. Shri M. Shivanna
11. Shri Vanlalawma
12. Shri Madhu Goud Yashki

Rajya Sabha

13. Smt. Prema Cariappa
14. Smt. S.G. Indira
15. Shri Jana Krishnamurthy K
16. Dr. Mahendra Prasad
17. Shri Arjun Kumar Sengupta
18. Dr. Karan Singh

Secretariat

- | | |
|-------------------------|------------------------|
| 1. Shri S.K. Sharma | - Additional Secretary |
| 2. Shri A. Louis Martin | - Joint Secretary |
| 3. Shri P.V.L.N. Murthy | - Deputy Secretary |

Representatives of Ministry of External Affairs

- | | | |
|----|--------------------------|---------------------------------|
| 1. | Shri Shivshankar Menon | - Foreign Secretary |
| 2. | Shri N. Ravi | - Secretary (East) |
| 3. | Shri Nalin Surie | - Secretary (West) |
| 4. | Dr. Sheela Bhide | - Special Secretary/FA |
| 5. | Shri Tamiz Ahmad | - Director General (ICWA) |
| 6. | Shri Sharat Sabharwal | - Additional Secretary(AD& CPV) |
| 7. | Shri Pavan K. Varma | - Director General (ICCR) |
| 8. | Shri Sanjay Bhattacharya | - Director (Finance) |

2. At the outset, the Chairman welcomed the Members of the Committee and the representatives of the Ministry of External Affairs to the sitting of the Committee. The Chairman then drew attention of the witnesses to Direction 55(I) of the Directions by the Speaker, Lok Sabha.

3. The Committee then took evidence of the representatives of the Ministry of External Affairs in connection with examination of the Demands for Grants of the Ministry of External Affairs for the year 2007-2008.

4. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

ANNEXURE-II

**MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE
ON EXTERNAL AFFAIRS HELD ON 25TH APRIL, 2007**

The Committee sat from 1100 hrs. to 1200 hrs. in Committee Room 'C', Parliament House Annexe.

PRESENT

Dr. Laxminarayan Pandey – Chairman

MEMBERS***Lok Sabha***

2. Prof. S.P. Singh Baghel
3. Shri Sukhdev Singh Dhindsa
4. Shri Somabhai G. Patel
5. Dr.(Col.) Dhani Ram Shandil
6. Shri Vanlalzawma

Rajya Sabha

7. Smt. S.G. Indira
8. Shri Jana Krishnamurthy K
9. Dr. Mahendra Prasad
10. Shri Arjun Kumar Sengupta
11. Dr. Karan Singh

Secretariat

- | | | | |
|----|----------------------|---|----------------------|
| 1. | Shri S.K. Sharma | - | Additional Secretary |
| 2. | Shri A. Louis Martin | - | Joint Secretary |
| 3. | Shri C.V. Gadgil | - | Director |
| 4. | Shri P.V.L.N. Murthy | - | Deputy Secretary |

2. At the outset, the Chairman welcomed Members to the sitting of the Committee.

3. The Committee then took up for consideration the draft Report on Demands for Grants of the Ministry of External Affairs for the year 2007-2008. The Committee adopted the same, subject to the following additions/modifications:

- (i) In the last sentence of the Recommendation No.5, the following words to be added: "...in line with the assurances given by the Prime Minister in both Houses and"
- (ii) In Recommendation No.8, the following sentence to be added at the end: ".....The Committee would like to be kept informed of progress in this regard."
- (iii) In the last sentence of the Recommendation No.10, is to be amplified as under: "The Committee would await an assessment of viable hydro power potential in the region including Nepal and a perspective plan to exploit the same with the cooperation of the Bhutanese and Nepalese Governments."
- (iv) The following paras to be added in the recommendations: "The Committee express their deep concern at the deteriorating law and order situation in Sri Lanka, the effects of which are increasingly spilling over India. The Committee feel that the Indian

Government should safeguard the welfare of Indian Fishermen who are often taken captive by the Sri Lankan authorities.”

“The Committee desire that the NRIs coming to India and committing crimes/unlawful acts should not be allowed to escape from long hands of law.”

4. XXXX XXXX XXXX XXXX

5. The Committee then authorized the Chairman to finalize the Report and present the same to Parliament.

The Committee then adjourned.

ANNEXURE-III**TECHNICAL & ECONOMIC COOPERATION PROJECTS IN BHUTAN**
(Vide Para 5.2 of the Report)

Aid to Bhutan	Outlay 2007-08 in Rs Crores
Plan (Grant and loan)	186.31Crore (Grant)+ 104.60 Crore (Loan)= Total 290.91 Crore
Non Plan (Grant)	480.09
Total	771.00

Detailed break-up of projects/programmes is as under:

S.No.	Name of Scheme /Programme	Objective / Outcome	Amount of aid/loan proposed in the 2007-08 in Rs crore
1.	1020 MWs Tala Hydroelectric Project (THEP) (Plan project)	India will receive hydro power to address demand/supply gap.	84.90 (Grant) 56.60 (Loan)
2.	Dungsam Cement Plant (Plan project)	Strengthening bilateral economic linkages and supporting Bhutan's development efforts. Indian NE states will also receive cement.	55.00 (Grant)
3.	Punatsangchhu-I Hydroelectric Project (PHEP) (Plan Project)	India will receive hydro power to address demand/supply gap.	44.75(Grant) 48.00 (Loan)
4.	Detailed Project Report for Punatsangchhu-I Hydro Electric Project (Plan project)	Additional work/ investigation for Punatsangchhu-I HEP.	1.66 (Grant)
Total (Plan)			186.31Crore (Grant)+ 104.60 Crore (Loan)= Rs 290.91 Crore
1.	Development Subsidy (Non-Plan)	Development Partnership with Bhutan.	105.00 (Non-Plan)
2.	Chukha Subsidy (Non-Plan)	To subsidise power to states of West Bengal, Sikkim, Bihar, Jharkhand, Orissa and DVC	85.00 (Non-Plan)
3.	Supply of Super Kerosene Oil and Liquefied Petroleum Gas (LPG) to Bhutan at a subsidised price (Non-Plan).	To prevent cross border smuggling of SKO/LPG across an open border with a free trade regime.	30.00 (Non-Plan)
4.	Excise Refund (Non-Plan)	To promote Indian exports to Bhutan and compensate Bhutan for loss of revenue under the free trade regime.	65.00 (Non-Plan)

5.	Project Tied Assistance (Non-Plan)	This is for socio-economic development of Bhutan as part of our development partnership with Bhutan.	255.11 (Non-Plan)
6.	Misc. including treaty payment etc.		2.00 (Non-Plan)

B.E. is Rs 542 crores for Non-Plan. For Plan (loan and grant), the approved allocation for BE 2007-2008 is Rs 290.91 Crore. However, the present allocation for BE 2007-2008 for non-Plan is Rs 480.09 Crore. Additional allocation will be sought at the RE stage. Further in the list of projects given below, the actual requirement of Rs 285.92 to be reduced pro-rata to arrive at projected outlay of Rs 255.11 cr, subject to final IFD concurrence. The actual disbursement under various projects would depend on actual progress.

List of projects under GOI assistance (Project tied assistance)		
Sl. No.	Projects	Outlay for 2007-08 In Rs Crore
	CULTURE	
1	Administration Building for National Library	.54
2	Administration Building for RAPA	.10
3	Office/Exhibition Hall for National Museum, Paro	.56
4	Renovation of Semtokha Dzong	4.88
	Sub-total	6.09
	EDUCATION	
5	Expansion of Sherubtse College	.85
6	Construction of Ten New Schools at New Sites	8.41
7	Infrastructure for ILCS	-
8	Construction of Youth Centre	1.07
	Sub-total	10.34
	POWER	
9	Power Trans. Eastern Grid	-
10	Mini Hydels-Chhenary	-
11	Kilikhar - Lhuentse Trans. Line	-
12	Power STD Phase II (T/Phu & Paro)	-
13	Improvement of Trans. Grid	-
14	DPR for Punatsangchhu II and Mangdechhu HPP	5.95
15	Integrated Energy Mgmt. Master Plan	2.97
16	Deothang - Rangia Trans. Line	11.45
17	Tintibi - Tongsa - Bumthang Trans. Line	32.84
	Sub-total	53.22
	HEALTH	
18	Mongar Hospital	6.70
19	Public Health Laboratory	-
20	JDWNMH Expansion	14.99
21	Malaria Control Programme	-
22	CT Scan / MRI machine	-
	Sub-total	21.70
23	Low Income Housing	4.51
24	R & D Construction Technology	.07
25	Development of Ha Town	1.50
	Sub-total	6.09
	ROADS & BRIDGES	-

26	Gyelpozhing - Nganglam Rd. (25 km + 3 Bridges)	5.20
27	Construction of Three Bridges	-
28	Pasakha - Manitar Road	9.67
29	Babesa - Phuntsholing Highway (Double laning)	79.00
30	Gomphu Panbang Road Construction	-
31	Double Laning of Chhudzom Paro Road	16.31
32	Construction of Semtokhachhu Bridge	-
33	Construction of Damchhu Chhukha Bypass	-
	Sub-total	110.18
	SURVEY	
34	Aerial Photography	3.00
35	Geophysical Survey	-
	Sub-total	3.00
	JUDICIARY	-
36	Construction of Supreme Court	21.95
	Sub-total	21.95
	TRADE & INDUSTRY	-
37	Essential Oils - Quality Control Lab	.50
38	IT Development Programme	-
39	Construction of POL Lab (formerly Improvement of Fuel Quality)	.31
40	Industrial Investment Studies	-
41	Establishment of Dry Port, P/ling	-
	Sub-total	.81
	CIVIL AVIATION	-
42	River Protection Works Paro	-
43	Airport Fencing	-
44	Resurfacing / Extension of Paro Airfield	4.13
45	Rapid Intervention Vehicle	-
	Sub-total	4.13
	TRANSPORT	-
46	Preparation of Transport Master Plan	-
47	Procurement of Traffic safety Equipment	-
	Sub-total	-
	HRD	-
48	Scholarship	2.60
49	HRD for Private Sector	.36
	Sub-total	2.97
	MEDIA	-
50	Construction of TV Centre	2.13
51	Equipment for BBS TV Centre	3.72
52	Hiring of INSAT for 3 years	.49
53	Purchase of SW Transmitter	1.51
	Sub-total	7.87
54	Dzongkhag LAN & Internet Connections	-
55	Multipurpose Telecentres in 10 Dzongkhags	-
56	Government Intranet	-
57	E-Governance Project	-
58	East-West Fibre Optic B/Band	-
59	IT Education at 100 Primary Schools	-
60	E-Post/ E-Billing	-
61	E-Post (VSAT)	-

62	Est. of 3 Call/contact Centre	-
	Sub-total	-
	TELECOM	-
63	Telecom Cellular Phone Project	2.36
	Sub-total	2.36
	AGRICULTURE	-
64	Development of Agriculture Marketing	.63
65	Strengthening of L/Stock Dev. Initiative	-
	Sub-total	.63
	YOUTH DEVELOPMENT	-
66	Establishment of YDC	1.99
	Sub-total	1.99
	RENEW	-
67	Establishment of Renew Centre	2.63
	Sub-total	2.63
	Sub-Total (Agreed)	255.96
	New Projects	-
1	National Council Building	7.00
2	Medical Equipment for JDWNR & Mongar hospital	15.39
3	Construction of Farm Roads	7.50
	Sub-Total (New)	29.89
	Project-tied Assistance	285.92

ANNEXURE-IV**DETAILS OF PROJECTS COSTING OVER RS. 50 CRORES**

(Vide Para 5.3 of the Report)

(figures in Rupees crores)

Sl. No.	Name of Project	Original estimated cost	Revised cost in	Original Date of completion/ Reasons Completion/ Anticipated date of for Cost/Time overruns
Afghanistan				
1.	Construction of Transmission Line from Pul-e- Khumri to Kabul and a Sub-station at Kabul	478.72	-----	The commencement date of the project is August 2005. Original project completion date was February 2009. However, the project is likely to be completed by October 2008. Foundation work of the transmission line and 445 towers (total towers-over 600) complete. 214 towers erected and Demining work for all 202 km complete. Civil construction work started, and 86% of tower parts have reached Kabul.
2.	Food assistance of 1 million tons of wheat in the form of high protein biscuits for School Feeding Programme in Afghanistan, supplied through World Food Programme (WFP)	\$100 million (Rs 450 crore @ 1 US\$ = 45 Rs)	-----	The project commenced in November 2002. Original completion of the 4 th tranche of the project was November 2006. Almost 42,000 tons have been distributed. Supply of 4 th tranche of 22000t biscuits is presently carried out (6811t have been supplied by Aug 06). Remaining 15000t are now being procured by WFP from local market. The delay is mainly due to difficulty in procuring remaining amount owing to shortage of wheat production in India in 2006.
3.	Construction of 218 km road from Zaranj to Delaram	377	730	Cost and time overrun has been mainly due to security and related logistical problems. There have been repeated incidents of attacks on project site and its personnel.

				Committee of Secretaries in its meeting on December 13, 2005 increased the number of ITBP personnel from 38 to 254 for this project. BRO, the project execution agency, has requested for additional deployment of 134 ITBP personnel, which if approved, will further increase the cost of the project to Rs 746.50 crores.
4.	Reconstruction and completion of Salma Dam Power Project in Herat province.	351.58	498.68	<p>The project commencement date was January 2005 and expected date of completion is January 2009. However, main civil works commenced in Mar 06. Design of Electro-mechanical works presently under progress at Hq. Pre-construction survey /design/fabrication and testing of transmission line towers completed; Infrastructure work almost completed except 28 km realigned road. Hydro mechanical diversion tunnel design cleared and fabrication of gate presently in advanced stage; fabrication of 2nd stage embedment completed and dispatched.</p> <p>Cost overrun is due to cost escalation for civil and electro-mechanical work.</p>
5.	Construction of Afghanistan's Parliament building	296.45	337.58	The tentative date for submission of tenders to Works Board is fixed as June 07. The project completion date is July 2010. CPWD is expected to invite combined tenders for the project of construction of Afghan Parliament Building and Indian Chancery Complex at Kabul in June 07. These, after evaluation by a Works Board

				<p>comprising officials from CPWD and MEA, will be forwarded to MEA for obtaining CNE and Cabinet approval.</p> <p>After finalisation of the project, the Afghan government requested for additional requirements in the building, which would lead to time and cost overrun.</p>
6.	Small Development Project: to be implemented in collaboration with Afghan Ministry of Economy	\$ 20 million (Rs 90 crore @ 1 US\$ = 45 Rs)	-----	To begin in 2007, the project is to be completed in 2010. MOU on small development projects was signed during PM's visit to Afghanistan in August 05. E/I Kabul, in consultation with Afghan authorities, has sent 45 projects in fields of health and sanitation, agriculture, education rural development & vocational training to MEA. Sanctions for 15 projects already issued, while remaining 30 are being processed.
Bhutan				
1.	Tintibi-Tongsa bumthang Transmission Line	34.38	61.70	The contract for 37 kms 132 kV Tintibi-Yurmoo and 37 kms 66 kV Yurmoo-Bumthang transmission line was awarded to M/s Utkal Galvanisers, Orissa in joint venture with M/s Bhutan Engineering Company on 8 May 2006 at contract amount of Rs. 38 cr. The contract is for 24 months and expected to be completed by May 2008. The contract for construction of 33 kV substations at Yurmoo, Trongsa and Bumthang along with staff quarters and 33 kV tower line from Yurmoo to Trongsa had been awarded to POWERGRID on 28.7.2006 at Rs. 26 cr, which includes the consultancy cost.

				Considering the variation between initial tentative estimates and actual bids received during tendering process, the agreed costs for the two transmission lines were enhanced and approvals sought.
2.	Jigme Dorji Wangchuck National Referral Hospital Expansion	65.69	71.60	Construction works to be completed by June 2007. The cost has increased on the basis on approved work plan and change in project scope as agreed at the 3 rd Project Monitoring Committee held in April, 2006.
3.	Pasakha – Manitar Road	54.01	55.60	The road is expected to be completed by April, 2007 and the three bridges would be completed by April, 2008. The cost is on the basis of approved Detailed Project Report.
4.	Babesa – Phuntsholing Highway (Double laning)	232.42	188.70	From the total of 162 km from Phuentsholing to Babesa, 114 kms are to be double laned (excluding 48 km section from Damchu to Chhukha). There was cost escalation for this project as the standards were revised as per the Asian Highway standards, environmental reasons which necessitated dumping of excavated earth at long distances, environment friendly blasting technology etc. The cost is on the basis of approved DPR and estimates. Work on Damchu-Babesa stretch would be completed by December; 2007. This project would be completed in Bhutan's 10 th Five Year Plan.

Nepal				
	Nepal Bharat Maitri Emergency cum Trauma Centre, Kathmandu	41.39	61.39	Construction began in October 2006, with an estimated time frame of 18 months. Project expected to be completed in about 24 months. Enhanced cost on account of increase in cost of construction material, inputs and location of projects in a congested area. Unrest in Tarai Region has somewhat slowed down the project.

ICWA REGULATIONS
(Vide Para 6.14 of the Report)

In exercise of the powers conferred by Section 26(3) of the Indian Council of World Affairs Act 2001 (29 of 2001), as amended from time to time, the Governing Body of the Indian Council of World Affairs hereby makes the following regulations, namely :-

1. **Short title and commencement** - (i) These regulations may be called the Indian Council of World Affairs Regulations, 2007 (ICWA Regulations, 2007).
 - (ii) They shall come into force from 16th February, 2007, i.e. the date of their approval by the Governing Body of the ICWA.

2. **Definitions** - In these regulations, unless the context otherwise requires,
 - (i) "Act" means the Indian Council of World Affairs Act 2001 (29 of 2001) as amended from time to time.
 - (ii) "Section" means a section of the Act;
 - (iii) "Chairperson" means Chairperson of the Governing Body;
 - (iv) "Council" means the Indian Council of World Affairs incorporated under Section 4 of the Act;
 - (v) "Director General" means the Director General and Chief Executive Officer of the Council;
 - (vi) "Governing Body" means the Governing Body of the Council;
 - (vii) "Member" means a member of the Governing Body and includes its Chairperson;
 - (viii) "President" means President of the Council;
 - (ix) "Vice- Presidents" mean the Vice Presidents of the Council.

- (x) “Rules” and “sub-rules” mean the rules and sub-rules made by the Central Government under Section 25 of the Act;
- (xi) “Standing Committee” and “Ad-hoc Committee” means the standing and ad-hoc committees constituted under sub-section (5) of Section 14 of the Act.

3. Meetings of the Council:

- (a) The Council shall meet at least once every year at a place and on a date to be fixed by the President. The President may call special meetings as and when necessary. The President shall call a special meeting of the Council if so requested by not less than 15 members of the Council. Each member shall be given at least fourteen clear days’ notice in writing of every meeting of the Council.
- (b) One-third of the total members of the Council present and voting in a meeting shall form the quorum.
- (c) The Council shall observe such rules of procedure in regard to the transaction of business at its meeting as may be directed by the President of the Council.

4. (i) Powers and Functions of the Governing Body

Subject to the provisions of the Act, the Governing Body of the Council shall have the following powers and functions :

- (a) to exercise the executive authority of the Council subject to policy directives of the Council;
- (b) to formulate programmes and specific projects for submission to the Council;
- (c) to approve the annual budget of the Council subject to financial limitations prescribed by the Government of India to be submitted for adoption by the Council;
- (d) to approve the annual report and accounts of accounts of the Council for adoption by the Council;
- (e) to nominate eminent persons and the representatives of various organizations to be members of the Council, in accordance with sub-section (g) and (h) of sub-section(2) of Section 7 of the Act;
- (f) to approve the appointments of the members of the staff;

(ii) Powers and functions of Chairperson of the Governing Body.

Subject to the provisions of the Act, the Chairperson of the Governing Body of the Council shall have the following powers and functions :

- (a) to preside over meetings of the Governing Body;
- (b) to advise and provide guidance to the Governing Body on policy matters impinging on the work of the Council;
- (c) to delegate such powers as may be deemed necessary to the Director General;
- (d) to allow all activities of the ICWA to be conducted in the name of the President of the Council and to ensure that the objects of the Council as specified in Section 13 are pursued and realized by the Council.

5 (i) Procedure to be followed by the Governing Body in exercise of its powers and discharge of its functions

- (a) The Governing Body shall meet at least twice every year at a place and on a date to be fixed by the Chairperson. Extra meetings may be called by the Chairperson on his/her own initiative or at the request received in writing from at least two-third of the members of the Governing Body.
- (b) Six members of the Governing Body present shall form the quorum.

(ii) Term of office

All members, except where otherwise provided, shall hold office for a period of three years, co-terminus with their membership of the Council and shall be eligible for re-appointment. In the case of any casual vacancy, however, the term of the new incumbent shall be the remainder of the original incumbent whose place has fallen vacant.

(iii) The manner of filling vacancies among the members of Governing Body

(I) The nominations to fill the vacancy in the Governing Body, caused by the expiration of the term of office of a member of the Council shall be made before the expiration of the term of office of such member in the manner given below :

- (a) Three Vice Presidents of the Council shall also be the members of the Governing Body.
- (b) Three members from the Ministry of External Affairs, *ex officio* [Foreign

Secretary, Dean (FSI) and Financial Advisor]

- (c) Three members, *ex officio*, as given below from other Ministries:
 - (i) Defence Secretary
 - (ii) Secretary, Science & Technology
 - (iii) Secretary, Culture
- (d) The Director General shall act as *ex officio* Member-Secretary to the Governing Body and other bodies/committees thereof.
- (e) Two members to be nominated by the Council from the field of diplomacy/international affairs;
- (f) Two members to be nominated by the Council from the academic field.
- (II) The Director General shall, before four months of the expiration of the term of office of the member take appropriate action for filling up of the vacancy.
- (III) The nomination to fill a casual vacancy shall be made as soon as possible after the date of occurrence of such vacancy.

6. Allowances of Chairperson and members of the Governing Body.

The allowances of Chairperson and members of the Governing Body and its Committees/*ad hoc* committees shall be the same as admissible to them as members of the Council in terms of Section 11 of the Act read with Rule 6 of the ICWA Rules, 2006, as amended from time to time.

7. Powers and functions to be exercised and discharged by the Director General.

1. The Director General shall be the Chief Executive Officer of the Council and shall be appointed by the Council in accordance with the provisions of Section 15 of the Act.
2. The Director General shall be the *ex officio* Member-Secretary to the Council, its Governing Body and other bodies and Committees thereof.
3. It shall be the duty of the Director General :-
 - (a) to ensure that the accounts and assets of the Council are in proper order;

- (b) to execute contracts on behalf of the Council;
- (c) to formulate and present the programme of the activities and budget estimates to the Governing Body of the Council in consultation with the Financial Advisor of the Council;
- (d) to conduct official correspondence on behalf of the Council and its agencies as necessary;
- (e) to issue notices convening meetings of the authorities of the Council and to record minutes of these meetings;
- (f) to exercise such other powers as may be delegated or assigned to him by the Council, the Governing Body and the President of the Council.

8. Conditions of service of ICWA Employees

- (1) The conditions of service in respect of the Director General and other officers and employees of the Council shall be regulated in accordance with the regulations to be made by the Council in this behalf with prior approval of the Central Government.
- (2) All officials, either deputed to or deployed in the ICWA from other offices of the Central Government/State Governments shall enjoy the same conditions of service as are admissible to them in their parent offices.

9. Creation of Posts :

Creation of posts, their classification into various grades and designations and revision of scales of pay and allowances attached thereto, shall be done by the Council only with the prior approval of the Central Government.

- 10. **Residuary provisions** : If any difficulty arises in implementing these regulations, the matter may be referred to the Central Government.
