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Unit-I

Economic growth:

Economic growth is the increase in the market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP. Of more importance is the growth of the ratio of GDP to population (GDP per capita), which is also called per capita income. An increase in per capita income is referred to as intensive growth. GDP growth caused only by increases in population or territory is called extensive growth.

Growth is usually calculated in real terms ï i.e., inflation-adjusted terms ï to eliminate the distorting effect of inflation on the price of goods produced. In economics, "economic growth" or "economic growth theory" typically refers to growth of potential output, i.e., production at "full employment".

As an area of study, economic growth is generally distinguished from development economics. The former is primarily the study of how countries can advance their economies. The latter is the study of the economic aspects of the development process in low-income countries. See also economic development.

Since economic growth is measured as the annual percent change of gross domestic product (GDP), it has all the advantages and drawbacks of that measure. For example, GDP only measures the market economy, which tends to overstate growth during the change over from a farming economy with household production. An adjustment was made for food grown on and consumed on farms, but no correction was made for other household production. Also, there is no allowance in GDP calculations for depletion of natural resources.

Factors affecting economic growth

The primary driving force of economic growth is the growth of productivity, which is the ratio of economic output to inputs (capital, labor, energy, materials and services (KLEMS)). Increases in productivity lower the cost of goods, which is called a shift in supply. By John W. Kendrickôs estimate, three-quarters of increase in U.S. per capita GDP from 1889 to 1957 was due to increased productivity. Over the 20th century the real price of many goods fell by over 90%. Lower prices create an increase in aggregated demand, but demand for individual goods and services are subject to diminishing marginal utility. (See: Salter) Additional demand is created by new or improved products.

Demographic factors influence growth by changing the employment to population ratio and the labor force participation rate. Other factors include the quantity and quality of available natural resources including land

Economic development:

Economic development generally refers to the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a specific area. Economic development can also be referred to as the quantitative and qualitative changes in the economy. Such actions can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other initiatives. Economic development differs from economic growth. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out: ñeconomic growth is one aspect of the process of economic development.ò

History

Economic development originated in the post war period of reconstruction initiated by the US. In 1949, during his inaugural speech, President Harry Truman identified the development of undeveloped areas as a priority for the west:

> ñMore than half the people of the world are living in conditions approaching misery. Their food is inadequate, they are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history humanity possesses the knowledge and the skill to relieve the suffering of these people ... I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better lifeé What we envisage is a program of development based on the concepts of democratic fair dealing ... Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modem scientific and technical knowledge."

There have been several major phases of development theory since 1945. From the 1940s to the 1960s the state played a large role in promoting industrialization in developing countries, following the idea of modernization theory. This period was followed by a brief period of basic needs development focusing on human capital development and redistribution in the 1970s. Neo-liberalism emerged in the 1980s pushing an agenda of free trade and Import Substitution Industrialization.

In economics, the study of economic development was borne out of an extension to traditional economics that focused entirely on national product, or the aggregate output of goods and services. Economic development was concerned in the expansion of peopleôs entitlements and their corresponding capabilities, morbidity, nourishment, literacy, education, and other socio-economic indicators. Borne out of the backdrop of Keynesian, advocating government intervention, and neoclassical economics, stressing reduced intervention, with rise of high-growth countries (Singapore, South Korea, Hong Kong) and planned governments (Argentina, Chile, Sudan, Uganda), economic development, more generally development economics, emerged amidst these mid-20th century theoretical interpretations of how economies prosper. Also, economist Albert O. Hirschman, a major contributor to development economics, asserted that economic development grew to concentrate on the poor regions of the world, primarily in Africa, Asia and Latin America yet on the outpouring of fundamental ideas and models.

It has also been argued, notably by Asian and European proponents of Infrastructure-based development, that systematic, long term government investments in transportation, housing, education and healthcare are necessary to ensure sustainable economic growth in emerging countries.

Growth and development:

Dependency theorists argue that poor countries have sometimes experienced economic growth with little or no economic development initiatives; for instance, in cases where they have functioned mainly as resource-providers to wealthy industrialized countries. There is an opposing argument, however, that growth causes development because some of the increase in income gets spent on human development such as education and health.

According to Ranis et al., economic growth and is a two-way relationship. Moreover, the first chain consists of economic growth benefiting human development with the rise in economic growth, families and individuals will likely increase expenditures with heightened incomes, which in turn leads to growth in human development. Further, with the increased consumption, health and education grow, also contributing to economic growth. In addition to increasing private incomes, economic growth also generate additional resources that can be used to improve social services (such as healthcare, safe drinking water, etc.). By generating additional resources for social services, unequal income distribution will be mitigated as such social services are distributed equally across each community, thereby benefiting each individual. Concisely, the relationship between human development and economic development can be explained in three ways. First, increase in average income leads to improvement in health and nutrition (known as Capability Expansion through Economic Growth). Second, it is believed that social outcomes can only be improved by reducing income poverty (known as Capability Expansion through Poverty Reduction). Lastly, social outcomes can also be improved with essential services such as education, healthcare, and clean drinking water (known as Capability Expansion through Social Services). John Joseph Puthenkalam's research aims at the process of economic growth theories that lead to economic development. After analyzing the existing capitalistic growth-development theoretical apparatus, he introduces the new model which integrates the variables of freedom, democracy and human rights into the existing models and argue that any future economic growth-development of any nation depends on this emerging model as we witness the third wave of unfolding demand for democracy in the Middle East. He develops the knowledge sector in growth theories with two new concepts of 'micro knowledge' and 'macro knowledge'. Micro knowledge is what an individual learns from school or from various existing knowledge and macro knowledge is the core philosophical thinking of a nation that all individuals inherently receive. How to combine both these knowledge would determine further growth that leads to economic development of developing nations.

Yet others believe that a number of basic building blocks need to be in place for growth and development to take place. For instance, some economists believe that a fundamental first step toward development and growth is to address property rights issues, otherwise only a small part of the economic sector will be able to participate in growth. That is, without inclusive property rights in the equation, the informal sector will remain outside the mainstream economy, excluded and without the same opportunities. Study of life.mom

Meaning of Economic Development

Economic development is a process whereby an economy's real national income as well as per capita income increases over a long period of time. Here, the process implies the impact of certain forces which operate over a long period and embody changes in dynamic elements. It contains changes in resource supplies, in the rate of capital formation, in demographic composition, in technology, skills and efficiency, in institutional and organizational set-up. It also implies respective changes in the structure of demand for goods, in the level and pattern of income distribution, in size and composition of population, in consumption habits and living standards, and in the pattern of social relationships and religious dogmas, ideas and institutions. In short, economic development is a process consisting of a long chain of inter-related changes in fundamental factors of supply and in the structure of demand, leading to a rise in the net national product of a country in the long run.

Economic Growth and Development – Conceptual Approach

Though no unanimously accepted definition has been forgotten by now, most of the theoreticians think of the economic development as a process that generates economic and social, quantitative and, particularly, qualitative changes, which causes the national economy to cumulatively and durably increase its real national product.

In contrast and compared to development, economic growth is, in a limited sense, an increase of the national income per capita, and it involves the analysis, especially in quantitative terms, of this process, with a focus on the functional relations between the endogenous variables; in a wider sense, it involves the increase of the GDP, GNP and NI, therefore of the national wealth, including the production capacity, expressed in both absolute and relative size, per capita, encompassing also the structural modifications of economy.

We could therefore estimate that economic growth is the process of increasing the sizes of national economies, the macro-economic indications, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector, while development shows us how growth impacts on the society by increasing the standard of life. Typologically, in one sense and in the other, economic growth can be: positive, zero, negative. Positive economic growth is recorded when the annual average rhythms of the macro-indicators are 66 higher than the average rhythms of growth of the population. When the annual average rhythms of growth of the macro-economic indicators, particularly GDP, are equal to those of the population growth, we can speak of zero economic growth. Negative economic growth appears when the rhythms of population growth are higher than those of the macro-economic indicators.

Economic growth is a complex, long-run phenomenon, subjected to constraints like: excessive rise of population, limited resources, inadequate infrastructure, inefficient utilization of resources, excessive governmental intervention, institutional and cultural models that make the increase difficult, etc.

Economic growth is obtained by an efficient use of the available resources and by increasing the capacity of production of a country. It facilitates the redistribution of incomes between population and society. The cumulative effects, the small differences of the increase rates, become big for periods of one decade or more. It is easier to redistribute the income in a dynamic, growing society, than in a static one.

There are situations when economic growth is confounded with economic fluctuations. The application of expansionist monetary and tax policies could lead to the elimination of recessionary gaps and to increasing the GDP beyond its potential level.
Economic growth supposes the modification of the potential output, due to the modification of the offer of factors (labor and capital) or of the increase of the productivity of factors (output per input unit).

When the rate of economic growth is big, the production of goods and services rises and, consequently, unemployment rate decreases, the number of job opportunities rises, as well as the populationôs standard of life.
Some economists state that a rate of the GDP growth of 3% a year allows a rise of the potential GDP with 10% in three years and a doubling in 23 years. According to the ñrule of 70ò, a rate of growth of 1% doubles the potential GDP over a period of seventy years.
Other economists think that if the rate of growth of the real GDP per capita were maintained at 2% a year, then the GDP per capita would double every 35 years and, therefore, each generation could hope for a better standard of life than in the present.
Fr this reasons, we should take into consideration the fact that the small differences in the rate of economic growth over long periods lead to big differences between the standard of life of the different successive generations. The economic growth is also the process that allows the receding of phenomena with a negative economic and social impact, like unemployment or inflation. But, obviously, a durable economic growth sustains human development

Obstacle:

An obstacle (also called a barrier or a stumbling block) is an object, thing, action or situation that causes an obstruction. There are, therefore, different types of obstacles, which can be physical, economic, biopsychosocial, cultural, political, technological or even military.

Physical barriers:

Universal access is provided in Curitiba's public transport system, Brazil.

As physical obstacles, we can enumerate all those physical barriers that block the action and prevent the progress or the achievement of a concrete goal. Examples:

- architectural barriers that hinder access to people with reduced mobility;
- doors, gates, and access control systems, designed to keep intruders or attackers out;
- large objects, fallen trees or collapses through passageways, paths, roads, railroads, waterways or airfields, preventing mobility;
- sandbanks, rocks or coral reefs, preventing free navigation;
- hills, mountains and weather phenomena preventing the free traffic of aircraft;
- meteors, meteorites, micrometeorites, cosmic dust, comets, space debris, strong electromagnetic radiation or gravitational field, preventing a spacecraft from navigating freely in space.

Barriers in sports:

A youth competitor show jumping over obstacles in Denmark.

In sports, a variety of physical barriers or obstacles were introduced in the competition rules to make them even more difficult and competitive:

- in the athletics, there are barriers in obstacle running contests of 110 meters and 3000 meters, as well as in high jump and in pole vault;
- in equestrian competitions, there are also jumps over obstacles;
- in tennis and volleyball, a net stands as an obstacle that divides the court;
- in the cycling, motorcycle and motor racing, circuit designs are interposed with difficult paths to obstruct and render more difficult the competition;
- in team sports, like soccer, football, basketball and volleyball, attack players are hampered by defensive players, that make it difficult to move or throw the ball towards the goal;
- in other sports, such as Parkour, the competitor aims to move from one point to another in the most fluid and fast as possible, jumping obstacles of urban architecture that get in the way.

Economic barriers:

A common scene of emigration during drought in the Northeast of Brazil. Here, residents of the city of Caraúbas of Piauí are transported in a van-style "pau-de-arara".

Can be defined as those elements of material deprivation that people may have to achieve certain goals, such as:

- the lack of money as an obstacle to the development of certain projects;
- the lack of water as an obstacle to human capacity to produce certain crops on the field and to their own survival;
- the lack of light as an obstacle to mobility at night;
- the lack of electricity as an obstacle to the benefits provided by electronic devices and electrical machines;
- the lack of schools and teachers as obstacles to education and the fullness of citizenship;
- the lack of hospitals and physicians as obstacles to a system for the improvement of public health;
- The lack of transportation infrastructure as an obstacle to trade, industrial and tourism activities, among others, and to economic development.

Scientist Stephen Hawking on 5 May 2006, during the press conference at the Bibliothèque Nationale de France to inaugurate the Laboratory of Astronomy and Particles in Paris and the French release of his work God Created the Integers.

Biopsychosocial and cultural barriers

People are prevented to achieve certain goals by biological, psychological, social or cultural barriers, such as:

- diseases, as obstacles to human life in its fullness;
- physical disabilities as obstacles to the mobility of handicapped, which can be facilitated by accessibility resources;
- shyness as an obstacle to social relations;
- fear as an obstacle that prevents facing potential enemies or socio-political opponents, or facing possible economic barriers;
- social exclusion or the arrest of individuals as obstacles to socio-cultural integration into a community;
- the lack of psychomotor coordination as an obstacle to the development of qualified abilities;
- the level of mastery of the spoken idiom, or the differences between the spoken languages, as barriers to national or international social relations;
- the different religions as obstacles to the mutual moral understanding or interreligious dialogue, nationally or internationally;

Political barriers:

Obstacles or difficulties which groups of citizens, their political representatives, political parties or countries interpose to each other in order to hinder the actions of certain of their opponents, such as:

- the prevention of a political minority group to achieving their aspirations in the parliament by the politically dominant voting majority, in the legislative procedure;
- the ideological repression, persecution and imprisonment for political reasons;
- The blocking of the international political and economic influence of a country by a multilateral treaty or alliance between countries opposed to such influence.

Technological barrier:

Royal Air Force Short 312 Tucano in special colours as the RAF's 2008 display aircraft.

The improvement of living conditions of any human community is constantly challenged by the need of technologies still inaccessible or unavailable, which can be internally developed or acquired from other communities that have already developed them, and in both cases must overcome such barriers as:

- in the technology transfer between different countries, the trade and diplomatic negotiating skills with the countries which are providers of the desired new technologies;
- in the internal development approach, the educational level of the community or country, the accessible collection of specialized information, their technological and industrial base, their institutional level of scientific and technological research, development and innovation, and the level of practiced international collaboration.

Military barriers:

Berlin Wall at the Brandenburg Gate, 10 November 1989

When different communities or countries, which border or not, cannot, develop good relations, for economic, cultural or political reasons, they may exceed the limits of diplomatic negotiations, creating military defensive or offensive obstacles to their opponents or enemies, such as:

- blocking or destroying physical resources or logistic interconnections, such as bridges, highways, ports or airports, creating barriers to migration, trade, tourism, etc.;
- The invasion of the opponent's territory, seeking to block, destroy or use physical, logistical or strategic resources, in order to hinder existing threats.

Income inequality:

The concept of inequality is distinct from that of poverty and fairness. Income inequality metrics or income distribution metrics are used by social scientists to measure the distribution of income, and economic inequality among the participants in a particular economy, such as that of a specific country or of the world in general. While different theories may try to explain how income inequality comes about, income inequality metrics simply provide a system of measurement used to determine the dispersion of incomes.

Income distribution has always been a central concern of economic theory and economic policy. Classical economists such as Adam Smith, Thomas Malthus and David Ricardo were mainly concerned with factor income distribution, that is, the distribution of income between the main factors of production, land, labor and capital. It is often related to wealth distribution although separate factors influence wealth inequality.

Modern economists have also addressed this issue, but have been more concerned with the distribution of income across individuals and households. Important theoretical and policy concerns include the relationship between income inequality and economic growth. The article Economic inequality discusses the social and policy aspects of income distribution questions.

Unit-II

Issues in economic development

Debate on state versus market:

I. ñEconomic historians tell us that swing in dominance between state and market goes back many centuries. Over the last 200 years these swings seem to have gathered in speed. The industrialization process of the West in the 19th century was characterized by a dominant market and a small government sector. After World War I the state took over, not only in the Soviet Union. Western governments also assume growing roles after the Great Depression and then during and after World War II, with the rise of socialist ideology, the economic theory of "market failure" and the belief in planning by government as a way to promote a stronger economy and a better life for its citizens.

By the late-1970s the socialist, central planning and statist models ran out of steam around the globe, as a backlash of neo-liberalism, based on the ideas of Milton Friedman and translated into the policies of Ronald Reagan and Margaret Thatcher, took hold in many parts of the world, including in Russia after 1990. "Government failure," excessive size of government and too much state intervention were blamed for many of the world's ills. Smaller government and a dominant market were seen as the solution.

Perhaps we should not have been surprised to see yet another backlash by the end of the 20th century as opposition to the neo-liberal "Washington Consensus" and to a market-driven globalization process became a slogan for Nobel-prize winning economists and street protestors alike. And so a reversal in Russia also was probably to be expected as President Putin took over from President Yeltsin. "

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But something else has happened in the last few decades besides the quickening swings in the state-market pendulum: On closer inspection it turns out that the apparently world-wide swings of opposing views and policies are actually dissolving into a multitude of swings in different directions in different countries. What is more, the neat dividing line between public state and private market seems to disappear as we look more closely. Let's consider both these phenomena.

Public vs. Private Sectors:

The Private Sector

The private sector is usually composed of organizations that are privately owned and not part of the government. These usually includes corporations (both profit and non-profit), partnerships, and charities.

An easier way to think of the private sector is by thinking of organizations that are not owned or operated by the government. For example, retail stores, credit unions, and local businesses will operate in the private sector.

The Public Sector

The public sector is usually composed of organizations that are owned and operated by the government. This includes federal, provincial, state, or municipal governments, depending on where you live. Privacy legislation usually calls organizations in the public sector a public body or a public authority.

Some examples of public bodies in Canada and the United Kingdom are educational bodies, health care bodies, police and prison services, and local and central government bodies and their departments.

The primary difference between public and private sector workers is in who they work for. Public sector workers are those that work for some sort of government agency. When people refer to jobs in the public sector, they are oftentimes referring to jobs with the federal government. However, these jobs can also be found in both state and local government as well. Private sector jobs are those found with employers who are nongovernment agencies. These can include both individual business owners and other forms of company organization such as corporations or limited partnerships.

The **public sector** refers to the part of the economy concerned with providing basic government services. The composition of the public sector varies by country, but in most countries the public sector includes such services as the police, military, public roads, public transit, primary education and healthcare for the poor. The public sector might provide services that non-payer cannot be excluded from (such as street lighting), services which benefit all of society rather than just the individual who uses the service (such as public education), and services that encourage equal opportunity.

Businesses and organizations that are not part of the public sector are part of the private sector. The private sector is composed of the business sector, which is intended to earn a profit for the owners of the enterprise, and the voluntary sector, which includes charitable organizations.

Organization

The organization of the public sector (public ownership) can take several forms, including:

- Direct administration funded through taxation; the delivering organization generally has no specific requirement to meet commercial success criteria, and production decisions are determined by government.
- Publicly owned corporations (in some contexts, especially manufacturing, "state-owned enterprises"); which differ from direct administration in that they have greater commercial freedoms and are expected to operate according to commercial criteria, and production decisions are not generally taken by government (although goals may be set for them by government).
- Partial outsourcing (of the scale many businesses do, e.g. for IT services), is considered a public sector model.

A borderline form is as follows:

- Complete outsourcing or contracting out, with a privately owned corporation delivering the entire service on behalf of government. This may be considered a mixture of private sector operations with public ownership of assets, although in some forms the private sector's control and/or risk is so great that the service may no longer be considered part of the public sector (Barlow et al., 2010). (See the United Kingdom's Private Finance Initiative.)

  In economics, the **private sector** is that part of the economy, sometimes referred to as the **citizen sector**, which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state. This includes every business run by anyone other than the government, from small businesses to multinational corporations. For-profit private enterprises form a subset of the private sector called the business sector. Private, non-profit organizations are part of the voluntary sector, which is also a subset of the private sector.

  By contrast, a state-run enterprise is part of the state, such as a financial institution or broadcasting company that is owned and controlled by the government, is part of the public sector. The public sector also includes military, police, government-run schools, and other services provided by the state.

Employment:

The private sector employs most of the workforce in some countries. However, in some countries such as People's Republic of China and Saudi Arabia, the public sector employs most of the workers.

Regulation

The private sector is legally regulated by the state. Businesses within one country are required to comply with the laws in that country.

In some cases, usually involving multinational businesses that can pick and choose their suppliers and locations based on their perception of the regulatory environment, these regulations have resulted in uneven practices within one company. For example, workers in one country may benefit from strong labor unions, while workers in another country, even though they work for the same employer, have very weak laws supporting labor unions. In some cases, industries and individual businesses have chosen to self-regulate by applying higher standards for dealing with their workers, customers, or the environment than the minimum that is legally required of them.

Infrastructure and development:

Infrastructure is basic physical and organizational structures needed for the operation of a society or enterprise or the services and facilities necessary for an economy to function. It can be generally defined as the set of interconnected structural elements that provide framework supporting an entire structure of development. It is an important term for judging a country or region's development.

The term typically refers to the technical structures that support a society, such as roads, bridges, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions."

Viewed functionally, infrastructure facilitates the production of goods and services, and also the distribution of finished products to markets, as well as basic social services such as schools and hospitals; for example, roads enable the transport of raw materials to a factory. In military parlance, the term refers to the buildings and permanent installations necessary for the support, redeployment, and operation of military forces.

History of the term

The word infrastructure has been used in English since at least 1927, originally meaning "The installations that form the basis for any operation or system".

Other sources, such as the Oxford English Dictionary, trace the word's origins to earlier usage, originally applied in a military sense. The word was imported from French, where it means sub grade, the native material underneath a constructed pavement or railway. The word is a combination of the Latin prefix "infra", meaning "below", and "structure". The military use of the term achieved currency in the United States after the formation of NATO in the 1940s, and was then adopted by urban planners in its modern civilian sense by 1970.

The term came to prominence in the United States in the 1980s following the publication of America in Ruins, which initiated a public-policy discussion of the nationׂs "infrastructure crisis", purported to be caused by decades of inadequate investment and poor maintenance of public works. This crisis discussion has contributed to the increase in infrastructure asset management and maintenance planning in the US.

That public-policy discussion was hampered by lack of a precise definition for infrastructure. A US National Research Council panel sought to clarify the situation by adopting the term "public works infrastructure", referring to:

"... both specific functional modes ï highways, streets, roads, and bridges; mass transit; airports and airways; water supply and water resources; wastewater management; solid-waste treatment and disposal; electric power generation and transmission; telecommunications; and hazardous waste management ï and the combined system these modal elements comprise. A comprehension of infrastructure spans not only these public works facilities, but also the operating procedures, management practices, and development policies that interact together with societal demand and the physical world to facilitate the transport of people and goods, provision of water for drinking and a variety of other uses, safe disposal of society's waste products, provision of energy where it is needed, and transmission of information within and between communities."

In Keynesian economics, the word infrastructure was exclusively used to describe public assets that facilitate production, but not private assets of the same purpose. In post-Keynesian times, however, the word has grown in popularity. It has been applied with increasing generality to suggest the internal framework discernible in any technology system or business organization.

"Hard" versus "soft" infrastructure

In this article, "hard" infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation, whereas "soft" infrastructure refers to all the institutions which are required to maintain the economic, health, and cultural and social standards of a country, such as the financial system, the education system, the health care system, the system of government, and law enforcement, as well as emergency services.

Types of hard infrastructure

Infrastructure systems include both the fixed assets, and the control systems and software required to operate, manage and monitor the systems, as well as any accessory buildings, plants, or vehicles that are an essential part of the system. Also included are fleets of vehicles operating according to schedules such as public transit buses and garbage collection, as well as basic energy or communications facilities that are not usually part of a physical network, such as oil refineries, radio, and television broadcasting facilities.

Transport infrastructure

- Road and highway networks, including structures (bridges, tunnels, culverts, retaining walls), signage and markings, electrical systems (street lighting and traffic lights), edge

treatments (curbs, sidewalks, landscaping), and specialized facilities such as road maintenance depots and rest areas
- Mass transit systems (Commuter rail systems, subways, tramways, trolleys, City Bicycle Sharing system, City Car Sharing system and bus transportation)
- Railways, including structures, terminal facilities (rail yards, railway stations), level crossings, signaling and communications systems
- Canals and navigable waterways requiring continuous maintenance (dredging, etc.)
- Seaports and lighthouses
- Airports, including air navigational systems
- Bicycle paths and pedestrian walkways, including pedestrian bridges, pedestrian underpasses and other specialized structures for cyclists and pedestrians
- Ferries

For canals, railroads, highways, airways and pipelines see Grübler (1990)[which provides a detailed discussion of the history and importance of these major infrastructures.

Energy infrastructure

- Electrical power network, including generation plants, electrical grid, substations, and local distribution.
- Natural gas pipelines, storage and distribution terminals, as well as the local distribution network. Some definitions may include the gas wells, as well as the fleets of ships and trucks transporting liquefied gas.
- Petroleum pipelines, including associated storage and distribution terminals. Some definitions may include the oil wells, refineries, as well as the fleets of tanker ships and trucks.
- Specialized coal handling facilities for washing, storing, and transporting coal. Some definitions may include Coal mines.
- Steam or hot water production and distribution networks for district heating systems.
- Electric vehicle networks for charging electric vehicles.

Coal mines, oil wells and natural gas wells may be classified as being part of the mining and industrial sector of the economy, not part of infrastructure.

Water management infrastructure

- Drinking water supply, including the system of pipes, storage reservoirs, pumps, valves, filtration and treatment equipment and meters, including buildings and structures to house the equipment, used for the collection, treatment and distribution of drinking water
- Sewage collection, and disposal of waste water
- Drainage systems (storm sewers, ditches, etc.)
- Major irrigation systems (reservoirs, irrigation canals)
- Major flood control systems (dikes, levees, major pumping stations and floodgates)

- Large-scale snow removal, including fleets of salt spreaders, snow plows, snow blowers, dedicated dump trucks, sidewalk plows, the dispatching and routing systems for these fleets, as well as fixed assets such as snow dumps, snow chutes, snow melters
- Coastal management, including structures such as seawalls, breakwaters, groynes, floodgates, as well as the use of soft engineering techniques such as beach nourishment, sand dune stabilization and the protection of mangrove forests and coastal wetlands.

Communications infrastructure

- Postal service, including sorting facilities
- Telephone networks (land lines) including telephone exchange systems
- Mobile phone networks
- Television and radio transmission stations, including the regulations and standards governing broadcasting
- Cable television physical networks including receiving stations and cable distribution networks (does not include content providers or "networks" when used in the sense of a specialized channel such as CNN or MTV)
- The Internet, including the internet backbone, core routers and server farms, local internet service providers as well as the protocols and other basic software required for the system to function (does not include specific websites, although may include some widely used web-based services, such as social network services and web search engines)
- Communications satellites
- Undersea cables
- Major private, government or dedicated telecommunications networks, such as those used for internal communication and monitoring by major infrastructure companies, by governments, by the military or by emergency services, as well as national research and education networks
- Pneumatic tube mail distribution networks

Types of soft infrastructure

Soft infrastructure includes both physical assets such as highly specialized buildings and equipment, as well as non-physical assets such as the body of rules and regulations governing the various systems, the financing of these systems, as well as the systems and organizations by which highly skilled and specialized professionals are trained, advance in their careers by acquiring experience, and are disciplined if required by professional associations (professional training, accreditation and discipline).

Unlike hard infrastructure, the essence of soft infrastructure is the delivery of specialized services to people. Unlike much of the service sector of the economy, the delivery of those services depend on highly developed systems and large specialized facilities, fleets of specialized vehicles or institutions that share many of the characteristics of hard infrastructure.

Governance infrastructure

- The system of government and law enforcement, including the political, legislative, law enforcement, justice and penal systems, as well as specialized facilities (government offices, courthouses, prisons, etc.), and specialized systems for collecting, storing and disseminating data, laws and regulation
- Emergency services, such as police, fire protection, and ambulances, including specialized vehicles, buildings, communications and dispatching systems
- Military infrastructure, including military bases, arms depots, training facilities, command centers, communication facilities, major weapons systems, fortifications, specialized arms manufacturing, strategic reserves

Economic infrastructure

- The financial system, including the banking system, financial institutions, the payment system, exchanges, the money supply, financial regulations, as well as accounting standards and regulations
- Major business logistics facilities and systems, including warehouses as well as warehousing and shipping management systems
- Manufacturing infrastructure, including industrial parks and special economic zones, mines and processing plants for basic materials used as inputs in industry, specialized energy, transportation and water infrastructure used by industry, plus the public safety, zoning and environmental laws and regulations that govern and limit industrial activity, and standards organizations
- Agricultural, forestry and fisheries infrastructure, including specialized food and livestock transportation and storage facilities, major feedlots, agricultural price support systems (including agricultural insurance), agricultural health standards, food inspection, experimental farms and agricultural research centers and schools, the system of licensing and quota management, enforcement systems against poaching, forest wardens, and fire fighting

Social infrastructure

- The health care system, including hospitals, the financing of health care, including health insurance, the systems for regulation and testing of medications and medical procedures, the system for training, inspection and professional discipline of doctors and other medical professionals, public health monitoring and regulations, as well as coordination of measures taken during public health emergencies such as epidemics
- The educational and research system, including elementary and secondary schools, universities, specialized colleges, research institutions, the systems for financing and accrediting educational institutions
- Social welfare systems, including both government support and private charity for the poor, for people in distress or victims of abuse

Cultural, sports and recreational infrastructure

- Sports and recreational infrastructure, such as parks, sports facilities, the system of sports leagues and associations
- Cultural infrastructure, such as concert halls, museums, libraries, theatres, studios (film studios and recording studios), and specialized training facilities
- Business travel and tourism infrastructure, including both man-made and natural attractions, convention centers, hotels, restaurants, amusement parks, and other services that cater mainly to tourists and business travelers, as well as the systems for informing and attracting tourists, and travel insurance

Uses of the term

Engineers generally limit the use of the term "infrastructure" to describe fixed assets that are in the form of a large network, in other words, "hard" infrastructure. Recent efforts to devise more generic definitions of infrastructure have typically referred to the network aspects of most of the structures, and to the accumulated value of investments in the networks as assets. One such effort defines infrastructure as the network of assets "where the system as a whole is intended to be maintained indefinitely at a specified standard of service by the continuing replacement and refurbishment of its components".

Civil defense and economic development

Civil defense planners and developmental economists generally refer to both hard and soft infrastructure, including public services such as schools and hospitals, emergency services such as police and fire fighting, and basic financial services. The notion of Infrastructure-based development combining long-term infrastructure investments by government agencies at central and regional levels with public private partnerships has proven popular among Asian- notably Singaporean and Chinese, Mainland European and Latin American economists.

Military

Military strategists use the term infrastructure to refer to all building and permanent installations necessary for the support of military forces, whether they are stationed in bases, being deployed or engaged in operations, such as barracks, headquarters, airfields, communications facilities, stores of military equipment, port installations, and maintenance stations.

Critical infrastructure

The term critical infrastructure has been widely adopted to distinguish those infrastructure elements that, if significantly damaged or destroyed, would cause serious disruption of the dependent system or organization. Storm, flood, or earthquake damage leading to loss of certain transportation routes in a city, for example bridges crossing a river, could make it impossible for people to evacuate, and for emergency services to operate; these routes would be deemed critical infrastructure. Similarly, an on-line booking system might be critical infrastructure for an airline.

Urban infrastructure

Urban or municipal infrastructure refers to hard infrastructure systems generally owned and operated by municipalities, such as streets, water distribution, and sewers. It may also include some of the facilities associated with soft infrastructure, such as parks, public pools and libraries.

Green infrastructure

Green infrastructure is a concept that highlights the importance of the natural environment in decisions about land use planning. In particular there is an emphasis on the "life support" functions provided by a network of natural ecosystems, with an emphasis on interconnectivity to support long-term sustainability. Examples include clean water and healthy soils, as well as the more anthropocentric functions such as recreation and providing shade and shelter in and around towns and cities. The concept can be extended to apply to the management of storm water runoff at the local level through the use of natural systems, or engineered systems that mimic natural systems, to treat polluted runoff.

Marxism

In Marxism, the term infrastructure is sometimes used as a synonym for "base" in the dialectic synthetic pair base and superstructure. However the Marxist notion of base is broader than the non-Marxist use of the term infrastructure, and some soft infrastructure, such as laws, governance, regulations and standards, would be considered by Marxists to be part of the superstructure, not the base.

Other uses

In other applications, the term infrastructure may refer to information technology, informal and formal channels of communication, software development tools, political and social networks, or beliefs held by members of particular groups. Still underlying these more conceptual uses is the idea that infrastructure provides organizing structure and support for the system or organization it serves, whether it is a city, a nation, a corporation, or a collection of people with common interests. Examples include IT infrastructure, research infrastructure, terrorist infrastructure, and tourism infrastructure.

Economic Planning in India-meaning and significance of planning,

Meaning: There is no agreement among economists with regard to the meaning of the term œeconomic planningû. According to Prof. L. Robbins economic planning is ñcollective control or suppression of private activities of production and exchange.ò To Hayek, planning means, ñthe direction of productive activity by a central authority.ò According to Dalton, ñEconomic planning in the widest sense is the deliberate direction by persons in charge of large resources of economic activity towards chosen end.ò

Even though there is no unanimity of opinion on the subject, yet economic planning as understood by the majority of economists implies deliberate control and direction of the economy by a central authority for the purpose of achieving definite targets and objectives within a specified period of time.

Types of Planning: There are various types of planning which are discussed below.

Planning by Direction and Planning by Inducement:

Planning by direction is an integral part of a socialist society. It entails complete absence of laissez-faire. There is one central authority which plans, directs, and orders the execution of the plan in accordance with pre-determined targets and priorities. Such planning is comprehensive and encompasses the entire economy.

Planning by inducement is democratic planning. It means planning by manipulating the market. There is no compulsion but persuasion. There is freedom of enterprise, freedom of consumption and freedom of production. But these freedoms are subject to state control and regulation. People are induced to act in a certain way through various monetary and fiscal measures. Thus, planning by inducement is able to achieve the same results as are likely to be achieved in planning by direction but with less sacrifice of individual liberty.

Financial Planning and Physical Planning:

Financial planning refers to the technique of planning in which resources are allocated in terms of money. Financial planning is essential in order to remove maladjustments between supplies and demand and for calculating costs and benefits of the various projects. Thus, Financial planning is thought to secure a balance between demands and supplies, avoid inflation and bring about economic stability.

Physical planning refers to the allocation of resources in terms of men, materials and machinery. In physical planning, an overall assessment is made of the available real resources such as raw materials, manpower, etc., and how they have to be obtained so that bottlenecks may be eliminated during the plan. Physical planning requires the fixation of physical targets with regard to agricultural and industrial production, socio-cultural and transportation services, consumption levels and in respect of employment, income and investment levels of the economy. Physical planning has to be viewed as an overall long-term planning rather than a short-term piecemeal planning.

Perspective Planning and Annual Planning:

Perspective planning refers to long-term planning in which long range targets are set in advance for a period of 15, 20, or 25 years. A perspective plan, however, does not imply one plan for the entire period of 15 or 20 years. In reality, the broader objectives and targets are to be achieved within the specified period of time by dividing the perspective plan into several short-period plans of 4, 5 or 6 years.

Not only this, a five year plan is further broken up into annual plans so that each annual plan fits into the broad framework of the five-year plan. Plans of either kind are further divided into regional and sectoral plans. Regional plans pertain to regions, districts and localities and sectoral plans pertain to plans for agriculture, industry, foreign trade etc.

Indicative Planning and Imperative Planning:

This is the French system of planning which is based on the principle of decentralization in the operation and execution of the national plans. This type of planning is not imperative but flexible. In indicative planning the private sector is neither rigidly controlled nor directed to fulfill the targets and priorities of the plan. Even then, the private sector is expected to fulfill the targets for the success of the plan. The state provides all types of facilities to the private sector but does not direct it, rather indicates the areas in which it can help in implementing the plan.

On the other hand, under imperative planning all economic activities and resources of the economy operate under the direction of the state. There is complete control over the factors of production by the state. The entire resources of the country are used to the maximum in order to fulfil the targets of the plan. There is no consumersô sovereignty in such planning. What and how much to produce ï such decisions are taken by the managers of firms and factories on the direction of the planning commission or a central planning authority? Since the government policies and decisions are rigid, they cannot be changed easily.

Significance of planning:

In developing countries we can identify two main features of economic planning:

(i) The governments mobilize domestic resources and also raise foreign finance to carry out such projects which are expected to induce productive activities in the private sector. This involves the development of infrastructure and heavy industries.

(ii) The governments adopt certain monetary and fiscal policies to stimulate private economic activity and to ensure harmony between the social objectives of the government and the behaviour of the private producers and businessmen.

From the above characteristics of planning in mixed developing economy, it is clear that the market and economic planning are complementary to one another.

Size/drafting of the plans:

Under Stalin's tutelage, a complex system of planning arrangements had developed since the introduction of the first five-year plan in 1928. Until the late-1980s and early-1990s, when economic reforms backed by Soviet leader Mikhail Gorbachev introduced significant changes in the traditional system (see Perestroika), the allocation of resources was directed by a planning apparatus rather than through the interplay of market forces.

From the Joseph Stalin era through the late 1980s, the five-year plan integrated short-range planning into a longer time frame. It delineated the chief thrust of the country's economic development and specified the way the economy could meet the desired goals of the Communist Party. Although the five-year plan was enacted into law, it contained a series of guidelines rather than a set of direct orders.

Periods covered by the five-year plans coincided with those covered by the gatherings of the CPSU Party Congress. At each CPSU Congress, the party leadership presented the targets for the next five-year plan. Thus, each plan had the approval of the most authoritative body of the country's leading political institution.

The Central Committee of the CPSU and, more specifically, its Politburo, set basic guidelines for planning. The Politburo determined the general direction of the economy via control figures (preliminary plan targets), major investment projects (capacity creation), and general economic policies. These guidelines were submitted as a report of the Central Committee to the Congress of the CPSU to be approved there.

After the approval at the congress, the list of priorities for the five-year plan was processed by the Council of Ministers, which constituted the government of the USSR. The Council of Ministers was composed of industrial ministers, chairmen of various state committees, and chairmen of agencies with ministerial status. This committee stood at the apex of the vast economic administration, including the state planning apparatus, the industrial ministries, the trusts (the intermediate level between the ministries and the enterprises), and finally, the state enterprises. The Council of Ministers elaborated on Politburo plan targets and sent them to Gosplan, which gathered data on plan fulfillment.

Gosplan

Combining the broad goals laid out by the Council of Ministers with data supplied by lower administrative levels regarding the current state of the economy, Gosplan worked out, through trial and error, a set of preliminary plan targets. Among more than twenty state committees, Gosplan headed the government's planning apparatus and was by far the most important agency in the economic administration. The task of planners was to balance resources and requirements to ensure that the necessary inputs were provided for the planned output. The planning apparatus alone was a vast organizational arrangement consisting of councils, commissions, governmental officials, specialists, etc. charged with executing and monitoring economic policy.

The state planning agency was subdivided into its own industrial departments, such as coal, iron, and machine building. It also had summary departments such as finance, dealing with issues that crossed functional boundaries. With the exception of a brief experiment with regional planning during the Khrushchev era in the 1950s, Soviet planning was done on a sectoral basis rather than on a regional basis. The departments of the state planning agency aided the agency's development of a full set of plan targets along with input requirements, a process involving bargaining between the ministries and their superiors.

Strategy of the plans:

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy.

In order to determine the future direction of the organization, it is necessary to understand its current position and the possible avenues through which it can pursue particular courses of action. Generally, strategic planning deals with at least one of three key questions:

1. "What do we do?"
2. "For whom do we do it?"
3. "How do we excel?"

Many organizations view strategic planning as a process for determining where an organization is going over the next year orð more typicallyð 3 to 5 years (long term), although some extend their vision to 20 years.

Key components

The key components of 'strategic planning' include an understanding of an entity's vision, mission, values and strategies. (In the commercial world a "Vision Statement" and/or a "Mission Statement" may encapsulate the vision and mission).

- **Vision:** outlines what the organization wants to be, or how it wants the world in which it operates to be (an "idealised" view of the world). It is a long-term view and concentrates on the future. It can be emotive and is a source of inspiration. For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."

- **Mission:** Defines the fundamental purpose of an organization or an enterprise, succinctly describing why it exists and what it does to achieve its vision. For example, the charity above might have a mission statement as "providing jobs for the homeless and unemployed".

- **Values:** Beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture and priorities and provide a framework in which decisions are made. For example, "Knowledge and skills are the keys to success" or "give a man bread and feed him for a day, but teach him to farm and feed him for life". These example maxims may set the priorities of self-sufficiency over shelter.

- **Strategy:** Strategy, narrowly defined, means "the art of the general". - a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. A strategy is sometimes called a roadmap - which is the path chosen to plow towards the end vision. The most important part of implementing the strategy is ensuring the company is going in the right direction - defined as towards the end vision.

Organizations sometimes summarize goals and objectives into a **mission statement** and/or a **vision statement**. Others begin with a vision and mission and use them to formulate goals and objectives. A newly emerging approach is to use a **visual strategic plan** such as is used within planning approaches based on outcomes theory. When using this approach, the first step is to build a visual outcomes model of the high-level outcomes being sought and all of the steps which it is believed are needed to get to them. The vision and mission are then just the top layers of the visual model.

Many people mistake the vision statement for the mission statement, and sometimes one is simply used as a longer term version of the other. However they are distinct; with the vision being a descriptive picture of a desired future state; and the mission being a statement of a rationale, applicable now as well as in the future. The mission is therefore the means of successfully achieving the vision. This may be in the business world or the military.

For an organization's vision and mission to be effective, they must become assimilated into the organization's culture. They should also be assessed internally and externally. The internal assessment should focus on how members inside the organization interpret their mission statement. The external assessment ð which includes all of the businesses stakeholders ð is valuable since it offers a different perspective. These discrepancies between these two assessments can provide insight into their effectiveness.

Tools and approaches

Among the most widely used tools for strategic planning is SWOT analysis which means (Strengths, Weaknesses, Opportunities, and Threats). The main objective of this tool is to analyze internal strategic factors, strengths and weaknesses attributed to the organization, and external factors beyond control of the organization such as opportunities and threats.

Other tools include:

- Balanced Scorecards, which creates a systematic framework for strategic planning;
- Scenario planning, which was originally used in the military and recently used by large corporations to analyze future scenarios.
- PEST analysis (**P**olitical, **E**conomic, **S**ocial, and **T**echnological)
- EPISTEL (**E**nvironment, **P**olitical, **I**nformatic, **S**ocial, **T**echnological, **E**conomic and **L**egal).
- ATM Approach (**A**ntecedent Conditions, **T**arget Strategies, **M**easure Progress and Impact
- Once an understanding of the desired endstate is defined, the ATM approach uses Root Cause Analysis (RCA) to understand the threats, barriers, and challenges to achieving the endstate. Not all antecedent conditions identified through RCA are within the direct and immediate control of the organization to change. Therefore, a review of organizational resources, both human and financial, are used to prioritize which antecedent conditions will be targeted. Strategies are then developed to target the prioritized antecedent conditions. Linking strategies to antecedent conditions ensures the organization does not engage in activity traps: feel good activities that will not lead to desired changes in the endstate. Once a strategy is defined then performance measures and indicators are sought to track progress toward and impact on the desired endstate.

Situational analysis

It is important to analyze the organization and its environment as it is at the moment and how it may develop in the future when developing strategies. The analysis has to be executed at an internal level as well as an external level to identify all opportunities and threats of the external environment as well as the strengths and weaknesses of the organizations.

There are several factors to assess in the external situation analysis:

1. Markets (customers)
2. Competition
3. Technology
4. Supplier markets
5. Labor markets
6. The economy
7. The regulatory environment

It is rare to find all seven of these factors having critical importance. It is also uncommon to find that the first two - markets and competition - are not of critical importance. (Bradford "External Situation - What to Consider")

Analysis of the external environment normally focuses on the customer. Management should be visionary in formulating customer strategy, and should do so by thinking about market environment shifts, how these could impact customer sets, and whether those customer sets are the ones the company wishes to serve.

Analysis of the competitive environment is also performed, many times based on the framework suggested by Michael Porter.

With regard to market planning specifically, researchers have recommended a series of action steps or guidelines in accordance to which market planners should plan.

Goals, objectives and targets

Strategic planning is a very important business activity. It is also important in the public sector areas such as education. It is practiced widely informally and formally. Strategic planning and decision processes should end with objectives and a roadmap of ways to achieve them. The goal of strategic planning mechanisms like formal planning is to increase specificity in business operation, especially when long-term and high-stake activities are involved.

One of the core goals when drafting a strategic plan is to develop it in a way that is easily translatable into action plans. Most strategic plans address high level initiatives and overarching goals, but don't get articulated (translated) into day-to-day projects and tasks that will be required to achieve the plan. Terminology or word choice, as well as the level at which a plan is written, are both examples of easy ways to fail at translating your strategic plan in a way that makes sense and is executable to others. Often, plans are filled with conceptual terms which don't tie into day-to-day realities for the staff expected to carry out the plan.

The following terms have been used in strategic planning: desired end states, plans, policies, goals, objectives, strategies, tactics and actions. Definitions vary, overlap and fail to achieve clarity. The most common of these concepts are specific, time bound statements of intended future results and general and continuing statements of intended future results, which most models refer to as either goals or objectives (sometimes interchangeably).

One model of organizing objectives uses hierarchies. The items listed above may be organized in a hierarchy of means and ends and **numbered** as follows: Top Rank Objective (TRO), Second Rank Objective, Third Rank Objective, etc. From any rank, the objective in a lower rank answers to the question "How?" and the objective in a higher rank answers to the question "Why?" The exception is the Top Rank Objective (TRO): there is no answer to the "Why?" question. That is how the TRO is defined.

People typically have several goals at the same time. "Goal congruency" refers to how well the goals combine with each other. Does goal A appear compatible with goal B? Do they fit together to form a unified strategy? "Goal hierarchy" consists of the nesting of one or more goals within other goal(s).

One approach recommends having short-term goals, medium-term goals, and long-term goals. In this model, one can expect to attain short-term goals fairly easily: they stand just slightly above one's reach. At the other extreme, long-term goals appear very difficult, almost impossible to attain. Strategic management jargon sometimes refers to "Big Hairy Audacious Goals" (BHAGs) in this context. Using one goal as a stepping-stone to the next involves **goal sequencing**. A person or group starts by attaining the easy short-term goals, then steps up to the medium-term, then to the long-term goals. Goal sequencing can create a "goal stairway". In an organizational setting, the organization may co-ordinate goals so that they do not conflict with each other. The goals of one part of the organization should mesh compatibly with those of other parts of the organization.

The objectives of strategic planning including understanding the benefits of strategic planning; understanding the products of strategic planning; and learning the keys to successful planning and implementation.

Many organizations spend most of their time reacting to unexpected changes instead of anticipating and preparing for them. This is called crisis management. Organizations caught off guard may spend a great deal of time and energy "playing catch up". They use up their energy coping with immediate problems with little energy left to anticipate and prepare for the next challenges. This vicious cycle locks many organizations into a reactive posture.

It does not have to be that way. A sensible alternative is a well tested process called strategic planning which provides a viable alternative to crisis management.

Strategic planning is a step by step process with definite objectives and end products that can be implemented and evaluated. Very simply, it is a process by which we look into the future, paint a picture of that future based on current trends, and influence the forces that will affect us.

Strategic planning looks three to five years ahead. It charts a definite course based on strong indicators of what the business environment will be like in those years.

Indicators include census demographic statistics, economic indicators, government policies, and technological advances. They reveal strong trends regarding changes in lifestyles and the economic and political climates, which are important factors influencing the facilities planning and management industry. Some of these trends are potential opportunities, some potential threats, and some are both. Examining the possibilities and formulating strategies to meet the challenges can help the organization take full advantage of opportunities and minimize threats. In short, we can take control of the future. We can use our energies and resources more effectively and conduct our business more successfully, despite changes in the environment.

Why Strategic Planning?

Besides the personal satisfaction of taking charge of the organizations future, strategic planning offers at least five compelling reasons for its use:

1. Forces a look into the future and therefore provides an opportunity to influence the future, or assume a proactive posture.
2. Provides better awareness of needs and of the facilities related issues and environment.
3. Helps define the overall mission of the organization and focuses on the objectives.
4. Provides a sense of direction, continuity, and effective staffing and leadership.
5. Plugs everyone into the system and provides standards of accountability for people, programs, and allocated resources.

In summary, strategic planning is the key to helping us collectively and cooperatively gain control of the future and the destiny of our organization.

Five Products of Strategic Planning

The overall goal of strategic planning is to produce a workable plan. Along the way, we will develop, evaluate, and refine these five products:

1. **Environmental issues and trends:** Factors that may impact the organization and the way it conducts business. Internal issues include staff, services, skills, resources, and needs. External factors include such things as threats of outsourcing. A strategic planning committee compiles an environmental scan, a body of information about the environment. Broad issues, singled out as potentially having significant effect on the facilities planning and management industry, are referred to as mega issues.
2. **Needs Survey:** Provides information from clients and peer institutions. The prioritized needs and expectations resulting from the survey are crucial as a basis for setting objectives.
3. **Mission Statement:** Defines the organization's fundamental reason for existence and establishes the scope of its business.
4. **General Objectives:** Broadly describe the results of what the organization wants to achieve in light of needs and relevant issues.
5. **Strategies:** Specific, measurable actions and directions designed to reach the objectives established. Strategies are fulfilled through creation, continuation, change, or elimination of programs.

Assessment of performance during plans:

FIVE-YEAR COMPREHENSIVE REVIEWAND ASSESSMENT PROCESS:
Each major service or activity at the College (outside of academic departments, which are assessed through the Academic Program Review process described in the next section) is typically reviewed every five years by an internal review team and may involve an external consultant. This review may also be done at the major operational area level, depending on the

process established by senior administrators. These reviews are customarily done according to accreditation cycles or as determined by the unit director and the respective vice president. The five-year review is typically more extensive than the annual planning and assessment done by these administrative and academic support units and includes a self-study addressing quality, effectiveness, and efficiency of the service or activity.

Administrative and academic support units should use existing Council for the Advancement of Standards in Higher Education (CAS) standards for their self-assessment, when available. Though many units are not covered by existing CAS standards, separate standards to guide the self-assessment may be available through the appropriate professional organization. When possible, the unit should use that organizationôs review procedures, standards, and benchmarks. Absent other guidelines, the unit should perform a self-assessment every five years in which it reviews the following components:

ÅMission
ÅProgram
ÅLeadership
ÅOrganization and management
ÅHuman resources
ÅFinancial resources
ÅFacilities, technology, and equipment
ÅLegal responsibilities
ÅEquity and access
ÅCampus and external relations
ÅDiversity
ÅEthics
ÅAssessment and evaluation
ÅMajor risk exposures
ÅStaff development needs

Assessment Plan The assessment plan template is part of the TaskStream system. It requires that you have developed a mission statement and student learning outcomes for your program prior to developing the plan. For each student learning outcome, your program will be asked enter the following information into TaskStream: Measure(s): Program Level: Details/Description of the measures used: Acceptable target (optional) Ideal target (optional) Implementation plan (timeline) Key Responsible Personnel: Supporting Documents (optional) **Curriculum Map** Another key piece of the Assessment plan is a curriculum map. The curriculum map provides a graphical representation of where (and, briefly, how) each outcome is addressed in the curriculum.

Assessment Requirements

a. All assessment plans must include ñdirectò assessment (see below for an explanation of ñdirectò, ñindirectò and ñnon-measure" methods of assessment).

b. Direct assessment should be included for Liberal Education courses and graduate courses and/or programs.

c. Direct assessment should be included for Center for Extended Learning programs.

d. Indirect assessments may also be used.

e. Contact your Assessment Coordinator for assistance.

Pattern of resource allocation:

Sources of Funding Projection Realization % realization
1 Balance from Current Revenues ï 15295 ï 25514 ï 166.8
(ï 2.6) (ï 4.5)
2 Resources of PSEs 82684 95714 115.8
(14.0) (16.8)
i) Internal resources ï 7760 9653 224.4
(ï 1.3) (1.7)
ii) Extra-Budgetary resources 90444 86061 95.2
3 Borrowings 264802 299022 112.9
(44.8) (52.5)
4 Stateôs Own Resources (1+2+3) 332191 369222 111.1
(56.2) (64.9)
5 Central assistance 258757 200011 77.3
(43.8) (35.1)
6 Aggregate Plan Resources (4+5) 590948 569233 96.3
7 GBS to Plan (6ï 2) 508264 473519 93.2
8 GBS as percentage of GDP 3.6 3.4

Review of Plan Expenditure and Resource Mobilisation

- The plan expenditure incurred during the Eighth Plan is estimated to be 90 per cent of the total public sector outlay of Rs.4,34,100 crore projected for the five years ï 1992-97 at 1991-92 prices.
- Contrary to projections, the Balance from Current Revenues (BCR) of both the Centre and the States turned out to be negative during each of the five years of the Eighth Plan.
- Reduction in import duty rates as well as in excise duty rates for items of mass consumption, white goods, automobiles and fibres coupled with loopholes in the exemptions provided to small scale sector resulted in lower revenue realisation.
- Excise revenue dropped from 4.4. per cent of GDP in 1992-93 to 3.7 per cent in 1996-97.
- Improvement in direct tax revenue from 2.6 per cent to 3.1 per cent of GDP during the Plan period consequent on direct tax reform, howev er, only partly compensated the decline in indirect tax revenue.
- Non-plan revenue expenditure including subsidies showed declining trend.
- Market related interest rates on Government borrowings, increased interest liability.
- There was substantial shortfall in Statesô Own Tax Revenue also.
- The interest burden of the States increased at an annual compound rate of growth of 19.16 per cent.

- The resource mobilisation by the Central Public Sector Enterprises (CPSEs) was about 90 per cent of the Plan projections in real terms.
- Failure to undertake price revisions commensurate with the increase in input costs resulted in poor financial performance of the Undertakings.
- Adverse money/capital market conditions affected borrowings of the Enterprises.
- The financial performance of the State Level Public Sector Enterprises (SLPSEs), especially, the State Electricity Boards (SEBs) has been more discouraging. Only three of the SEBs could earn positive rate of return on investment against the statutory obligation for a three per cent rate of return.
- The Centreâs dependence on borrowings for financing the Plan increased by 40 per cent over the projections. However, in the case of States, borrowings fell short by 12 per cent.
- The flow of external grant registered only a modest increase whereas there was steep errosion in the net external borrowings mainly on account of increase in the proportion of repayments out of gross borrowings.
- The deficit financing increased by about 65 per cent vis- -vis the projection of Rs.20,000 crore for the Plan period.

Resources of Public Sector Enterprises

3.9 Internal and Extra Budgetary Resources (IEBR) of CPSEs were projected at Rs. 1,44,140 crore at 1991-92 prices . The Actuals for 1992-96 and the Revised Estimates for 1996-97 in respect of generation/mobilisation of IEBR by CPSEs work out to Rs.1,30,324 crore, which is less by Rs.13,816 crore or about 9.6 per cent vis- -vis the projected estimates. The actual mobilisation of resources by the CPSEs during the first four years of the Eighth Plan has been less compared to the corresponding revised estimates. On this analogy, the actual mobilisation in the fifth year viz., 1996-97 may also be taken to be less than the revised estimates. Keeping this in view, the shortfall in IEBR during the five year period may be placed around 10 per cent of the projected amount.

3.10 The CPSEs could not mobilise funds from the market through bonds to the expected level. The adverse money/ capital market conditions and some inherent weaknesses of PSUs were responsible for this shortfall. The failure to undertake necessary price revision to meet the rising input costs resulted in poor financial performance of most of the undertakings. Hence, they could not compete successfully with the private corporate sector for funds in the market. Even the CPSEs which were allowed access to tax-free bonds found it difficult to raise funds from this measure as per target in some of the years because of high market rates of interest. Besides, the allocation of tax-free bonds was restricted even for the CPSEs which were otherwise capable of raising funds through bonds. This was in line with the Government decision to phase out the instrument of tax free bonds. During 1992-93 the amount raised through bonds constituted only around 18 per cent of the target. Though this proportion rose to about 81 per cent in 1993-94, it declined to 41 per cent and 27 per cent in 1994-95 and 1995-96 respectively. The corresponding proportion is estimated to have risen only marginally over the previous year to reach 33 per cent in 1996-97.

3.11 In the case of States, the projected internal resources of State Level Public Sector Enterprises (SLPEs) amounted to Rs. 4000 crore. However, actual generation of resources by SLPEs turned out to be negative, i.e (-)Rs. 2723 crore which implied a deterioration of Rs. 6723 crore compared to the projection. This was the result of their poor financial performance, especially of State Electricity Boards (SEBs). The rate of return on investment in State Power Sector continued to be negative throughout the Eighth Plan as against the statutory obligation to achieve a rate of return of 3 per cent. Though there is scope for efficiency gain, the root cause of poor financial performance lies in low tariff which needs to be revised upwards to enable the SEBs to reduce commercial losses.

Borrowings

3.12 The deterioration in BCR necessitated greater dependence on borrowings for plan financing. As per the Eighth Plan projections, Centreȇs borrowings, including Miscellaneous Capital Receipts (MCR), was expected to be Rs. 23551 crore per year whereas the amount borrowed during the Eighth Plan averaged Rs. 33030 crore per annum, which meant an increase of about 40 per cent in the dependence on borrowings vis-a-vis projections. In the case of States, the borrowings including MCR, fell short of projections by around 12 per cent. Taking both Centre and States together, borrowings for financing the Eighth Plan exceeded the projection by about 19 per cent.

Net Inflow of Resources from Abroad

3.13 Net inflow of budgetary resources from abroad in the form of external loans and grants amounted to Rs. 19,234 crore as against a projected amount of Rs. 28,700 crore. The proportion of repayments which constituted about 45 per cent of the gross external borrowings in the initial year, increased to about 73 per cent by the terminal year of the Eighth Plan. In nominal terms, the repayments increased from Rs. 4306 crore to Rs. 6969 crore whereas the net external borrowings declined from Rs. 5319 crore to Rs. 2589 crore during the Plan period. Rupee depreciation during this period also contributed to the steep decline. The flow of grants registered only a modest increase from Rs. 919 crore to Rs. 1199 crore during this period. Hence the erosion experienced in net external borrowings could not be made good by the small increase in the external grants.

Deficit Financing

3.14 As in the case of borrowings, reliance on deficit financing also exceeded the projections due to the resource gap arising mainly from negative BCR. Besides, minimum budgetary support had to be provided through non plan loans to certain public enterprises to meet cash losses and working expenses. As a result, the recourse to deficit financing in the Eighth Plan was to the extent of Rs. 33,037 crore as against a projection of Rs. 20,000 crore. This meant an increase of about 65 per cent vis-a- vis the projection.

Resource Assessment for the Ninth Plan - The Profile

3.15 The overall resources for Plan consist of (i) Budgetary Resources of the Centre, including Central Assistance for States and U.Ts., (ii) Internal and Extra Budgetary Resources (IEBR) of the Central Public Sector Enterprises (CPSEs), and (iii) Own Resources of States and U.Ts with Legislature. The size of projected budgetary resources for the Plan depends on the excess of the aggregate projected sum of receipts comprising (a) Balance from Current Revenues, (b) borrowings & other liabilities, (c) other capital receipts (including recovery of loans & advances and disinvestment), and (d) external grants, over nonplan capital expenditure. The IEBR of CPSEs consists of internal and extra budgetary resources. The retained profits and depreciation provision constitute internal resources (IR). The extra budgetary resources include borrowing both at home and abroad, and other resource items like intercorporate transfers, public deposits, external aid received directly from the donors, equity capital raised from the market etc. A part of the aggregate resources of the Centre flows as Central Assistance to the States and the U.Ts. As regards Statesô own resources, the magnitude depends on BCR, contribution of State Level Public Enterprises, especially SEBs and SRTCs, and borrowings. The Central Assistance mentioned above supplements the Statesô own resources.

Resources of the Centre

3.16 Resources of the Centre consist of both budgetary resources including external assistance routed through the budget and the Internal & Extra Budgetary Resources (IEBR) of Central Public Sector Enterprises (CPSEs). The quantum of budgetary resources of the Centre which is available for providing overall budgetary support to the plan is divided into two parts viz. budgetary support for Central Plan (including U.Ts without Legislature) and Central Assistance for Statesô Plans (including U.Ts with Legislature). A part of the budgetary resources allocated as budgetary support for the Central Plan is used for providing necessary support to CPSEs. Such budget support to the enterprises has declined significantly from around 50 per cent in mid eighties to below 15 per cent during the Eighth Plan. This necessitated greater dependence of CPSEs on IEBR for financing their plan outlay. As per revised estimates, the proportion of IEBR in the plan outlay of CPSEs ranged from 85 to 90 per cent during the Eighth Plan period. CPSEs in sectors like Petroleum and Telecom depend entirely on IEBR for financing their plan outlay. The provision of budgetary support is limited to (a) CPSEs in the infrastructure sector and (b) loss making CPSEs most of which belong to industry groups like pharmaceuticals, fertilisers, textiles and heavy engineering.

3.17 In the month of April, 1998 the Prime Minister indicated Special Action Plans (SAPs) with the objective of (a) doubling the food production in ten years; (b) expansion and improvement of social infrastructure; (c) expansion and improvement of physical infrastructure and financial services; (d) unveiling a National Water Policy and (e) making India a global information technology power. The Planning Commission was requested to evolve appropriate action plans for achieving the said goals in consultation with the Administrative Ministries concerned and the Finance Ministry. Accordingly, the Commission formulated Special Action Plans in these areas. These were dovetailed with the normal sectoral plans. The additional financial resources specifically required in respect of the SAPs during the Ninth Plan period were estimated to be of the order of Rs.21,950 crore. The aggregate budgetary support of the Centre to the Plan including the provisions to SAPs is placed at Rs. 374,000 crore.

Unit – III

International Trade

Free Trade and Protection:

Definition: Trade protectionism is used by countries when they think their industries are being damaged by unfair competition by other countries. It is a defensive measure, and it is usually politically motivated. It can often work, in the short run. However, in the long run it usually does the opposite of its intentions. It can make the country, and the industries it is trying to protect, less competitive on the global marketplace.

Free trade agreements reduce or eliminate tariffs and quotas between trading partners. The largest free trade agreement is NAFTA, or the North American Free Trade Agreement, which is between the U.S., Canada and Mexico. Other free trade agreements are CAFTA, which is between the U.S. and Central America, and agreements with Chile, Colombia, Panama, Peru and Uruguay, most countries in Southeast Asia, and the Middle Eastern countries of Israel, Jordan, Morocco, Bahrain, and Oman.

A. Advantages of free trade

Free trade occurs when there are no artificial barriers put in place by governments to restrict the flow of goods and services between trading nations.

When trade barriers, such as tariffs and subsidies are put in place, they protect domestic producers from international competition and redirect, rather than create trade flows.

i. Increased production

Free trade enables countries to specialise in the production of those commodities in which they have a **comparative advantage** .

With specialisation countries are able to take advantage of efficiencies generated from economies of scale and increased output.

International trade increases the size of a firmôs market, resulting in lower average costs and increased productivity, ultimately leading to increased production.

ii. Production efficiencies

Free trade improves the efficiency of resource allocation. The more efficient use of resources leads to higher productivity and increasing total domestic output of goods and services.

Increased competition promotes innovative production methods, the use of new technology, marketing and distribution methods.

iii. **Benefits to consumers**

Consumers benefit in the domestic economy as they can now obtain a greater variety of goods and services.

The increased competition ensures goods and services, as well as inputs, are supplied at the lowest prices. For example in Australia imported motor vehicles would cost 35% more if the 1998 tariff levels still applied. Clothing and footwear would also cost around 24% more.

iv. **Foreign exchange gains**

When Australia sells exports overseas it receives hard currency from the countries that buy the goods. This money is then used to pay for imports such as electrical equipment and cars that are produced more cheaply overseas.

v. **Employment**

Trade liberalization creates losers and winners as resources move to more productive areas of the economy. Employment will increase in exporting industries and workers will be displaced as import competing industries fold (close down) in the competitive environment. With free trade many jobs have been created in Australia, especially in manufacturing and service industries, which can absorb the unemployment created through restructuring as firms close down or downsize their workforce. When tariffs were **increased** substantially in the period 1974ï 1984 for textiles and footwear - employment in the sector actually fell by 50 000, adding to overall unemployment.

vi. **Economic growth**

The countries involved in free trade experience rising living standards, increased real incomes and higher rates of economic growth. This is created by more competitive industries, increased productivity, efficiency and production levels.

B. Disadvantages of free trade

Although free trade has benefits, there are a number of arguments put forward by lobby groups and protestors who oppose free trade and trade liberalisation. These include:

- **With the removal of trade barriers, structural unemployment may occur in the short term.** This can impact upon large numbers of workers, their families and local economies. Often it can be difficult for these workers to find employment in growth industries and government assistance is necessary.

- **Increased domestic economic instability from international trade cycles, as economies become dependent on global markets.** This means that businesses, employees and consumers are more vulnerable to downturns in the economies of our trading partners, eg. Recession in the USA leads to decreased demand for Australian exports, leading to falling export incomes, lower GDP, lower incomes, lower domestic demand and rising unemployment.

- **International markets are not a *level playing field*** as countries with surplus products may dump them on world markets at below cost. Some efficient industries may find it difficult to compete for long periods under such conditions. Further, countries whose economies are largely agricultural face unfavourable terms of trade (ratio of export prices to import prices) whereby their export income is much smaller than the import payments they make for high value added imports, leading to large CADs and subsequently large foreign debt levels.

- **Developing or new industries may find it difficult to become established in a competitive environment** with no short-term protection policies by governments, according to the infant industries argument. It is difficult to develop economies of scale in the face of competition from large foreign TNCs. This can be applied to infant industries or infant economies (developing economies).

- **Free trade can lead to pollution and other environmental problems** as companies fail to include these costs in the price of goods in trying to compete with companies operating under weaker environmental legislation in some countries.

- **Pressure to increase protection during the GFC**
  During the global financial crisis and recession of 2008-2009, the impact of falling employment meant that protection pressures started to rise in many countries. In New South Wales, for example, the state government was criticized for purchasing imported uniforms for police and firefighters at cheaper prices rather than purchasing Australian made uniforms from Australian companies. Similar pressures were faced by governments in the United States, Britain and other European countries.

What Exactly Is Trade Protectionism

Countries use a variety of ways to protect their trade. One way is to enact tariffs, which tax imports. This immediately raises the price of the imported goods, and therefore less competitive when compared to locally produced goods. This works especially well for a country like the U.S., which imports a lot of its goods.

Advantages of Trade Protectionism

If a country is trying to grow strong in a new industry, tariffs will protect it from foreign competitors. This allows companies in the new industry time to learn how to produce the good efficiently, and develop their own competitive advantages.

Protectionism also temporarily creates jobs for domestic workers. As domestic companies are protected by tariffs, quotas or subsidies, they will hire locally. This will occur until other countries retaliate by erecting their own protectionism within that industry.

Disadvantages of Trade Protectionism

In the long term, trade protectionism weakens the industry. Without competition, companies within the industry won't innovate and improve their products or services. There's no need to. Eventually, consumers will pay more for a lower quality product than they would get from foreign competitors. Job outsourcing is a result of declining U.S. competitiveness, itself is a result of decades of the U.S. not investing in education. This is particularly true for high tech, engineering, and science. Increased trade opens new markets for businesses to sell their products. The Peterson Institute for International Economics estimates that ending all trade barriers would increase U.S. income by $500 billion.

Increasing U.S. protectionism will further slow economic growth and cause more layoffs, not less. If the U.S. closes its borders, other countries will do the same. This could cause layoffs among the 12 million U.S. workers who owe their jobs to exports.

Fixed and Flexible Exchange Rates:

A fixed exchange rate denotes a nominal exchange rate that is set firmly by the monetary authority with respect to a foreign currency or a basket of foreign currencies. A fixed exchange rate regime reduces the transaction costs implied by exchange rate uncertainty, which might discourage international trade and investment, and provides a credible anchor for low-inflationary monetary policy.

Flexible Exchange Rates:

An exchange rate which fluctuates depending on the supply and demand of a currency in relation to other currencies. If there is a high demand for a particular currency, its exchange rate relative to other currencies increases, on the other hand, if there is less demand, its value decreases. **Opposite of** fixed exchange rate.

Advantage of Flexible Exchange Rates

Flexible exchange rate system is claimed to have the following advantages:

1. Independent Monetary Policy:

Under flexible exchange rate system, a country is free to adopt an independent policy to conduct properly the domestic economic affairs. The monetary policy of a country is not limited or affected by the economic conditions of other countries.

2. Shock Absorber:

A fluctuating exchange rate system protects the domestic economy from the shocks produced by the disturbances generated in other countries. Thus, it acts as a shock absorber and saves the internal economy from the disturbing effects from abroad.

3. Promotes Economic Development:

The flexible exchange rate system promotes economic development and helps to achieve full employment in the country. The exchange rates can be changed in accordance with the requirements of the monetary policy of the country to achieve the planned national objectives.

4. Solutions to Balance of Payment Problems:

The system of flexible exchange rates automatically removes the disequilibrium in the balance of payments. When, there is deficit in the balance of payments, the external value of a country's currency falls. As a result, exports are encouraged, and imports are discouraged thereby, establishing equilibrium in the balance of payment.

5. Promotes International Trade:

The system of flexible exchange rates does not permit exchange control and promotes free trade. Restrictions on international trade are removed and there is free movement of capital and money between countries.

6. Increase in International Liquidity:

The system of flexible exchange rates eliminates the need for official foreign exchange reserves, if the individual governments do not employ stabilization funds to influence the rate. Thus, the problem of international liquidity is automatically solved. In fact, the present shortage of international liquidity is due to pegging the exchange rates and the intervention of the IMF authorities to prevent fluctuations in the rates beyond a narrow limit.

7. Market Forces at Work:

Under the flexible exchange rate system, the foreign exchange rates are determined by the market forces of demand and supply. Market is cleared off automatically through changes in exchange rates and the possibility of scarcity or surplus of any currency does not exist.

8. International Trade not Promoted by Fixed Rates:

The argument that fixed exchange rates promotes international trade is not supported by historical facts of inter-war or post-war period. On the other hand under the flexible exchange rate system, the trend of the rate of exchange is generally assessed through the forward market, and the traders are protected from financial losses arising from fluctuating exchange rates. This helps in promoting international trade.

9. International Investment not Promoted by Fixed Rates:

The argument that long-term international investments are encouraged under fixed exchange rate system is not valid. Both the lenders and borrowers cannot expect the exchange rate to remain stable over a very long-period.

10. Fixed Rates not Necessary for currency Area:

This stable exchange rates are not necessary for any system of currency areas. The sterling block functioned smoothly during the thirties in spite of the fluctuating rates of the member countries.

11. Speculation not Prevented by Fixed Rates:

The main weakness of the stable exchange rate system is that in spite of the strict exchange control, currency speculation is encouraged. This destroys the stability in the exchange value of the home currency and makes devaluation of the currency inevitable. For instance, the pound had to be devalued in 1949 mainly because of such speculation.

Disadvantage of Flexible Exchange Rates

The following are the main drawbacks of the system of flexible exchange rates :

1. Low Elasticities:

The elasticities in the international markets are too low for exchange rate, variations to operate successfully in bringing about automatic equilibrating adjustments. When import and export elasticities are very low, the exchange market becomes unstable. Hence, the depreciation of the weak currency would simply tend to worsen the balance of payments deficit further.

2. Unstable conditions:

Flexible exchange rates create conditions of instability and uncertainty which, in turn, tend to reduce the volume of international trade and foreign investment. Long-term foreign investments arc greatly reduced because of higher risks involved.

3. Adverse Effect on Economic Structure:

The system of flexible exchange rates has serious repercussion on the economic structure of the economy. Fluctuating exchange rates cause changes in the price of imported and exported goods which, in turn, destabilise the economy of the country.

4. Unnecessary Capital Movements:

The system of fluctuating exchange rates leads to unnecessary international capital movements. By encouraging speculative activities, such a system causes large-scale capital outflows and inflows, thus, seriously disturbing the economy of the country.

5. Depression Effects of Capital Movements:

Speculative capital movements caused by fluctuating exchange rates may lead to the problem of extremely high liquidity preference. In a situation of high liquidity preference, people tend to hoard currency, interest rates rise, investment falls and there is large-scale unemployment in the economy.

6. Inflationary Effect:

Flexible exchange rate system involves greater possibility of inflationary effect of exchange depreciation on domestic price level of a country. Inflationary rise in prices leads to further depreciation of the external value of the currency.

7. Factor Immobility:

The immobility of various factors of production deprives the flexible exchange rate system of its advantages arising from the adoption of monetary and other policies for maintaining internal stability. Such policies produce desirable effects on production and employment only when supply of factors of production is elastic.

8. Failure of Flexible Rate System:

Experience of the flexible exchange rate system adopted between the two world wars has shown that it was a flop.

International Monetary Fund (IMF):

The International Monetary Fund (IMF) and The World Bank (WB) were designed to ensure economic and corporate sustainability in countries affected by the war - mainly in Europe. The World Trade Organization was established more recently, in 1995, to replace the General Agreement on Tariffs and Trade (GATT).

The IMF was created to maintain global monetary cooperation and stability by making loans to countries with balance of payment problems, stabilizing exchange rates and stimulating growth and employment. There have been many changes in the global economy since then, such as the divorce of exchange rates from the stable ǿanchorô of gold, massive growth in the global economy and a dramatic increase in destabilizing, speculative movements of capital between nations. As a result the IMF has shifted its focus and now mainly intervenes in economically vulnerable nations, particularly in the south.

WTO:

The WTO aims to lower tariffs and non-tariff barriers in order to increase international trade. The WTO fosters ófree-tradeô between nations. It does this by liberalizing markets, which means óopening them upô to global competition. This creates a free market where the unrestricted flow of goods and services can sharpen competition, motivate innovation, create profit and breed success. Most of the worldôs trading nations are members, and as members they have to ratify WTO trade agreements within their governments. The WTO clearly states that these rules, although binding on governments, are primarily for the benefit of the business community that produce, import and export goods and services. In effect, the WTO overrides a governmentôs sovereign right to regulate its economy, and places corporate interests first.

WORLD BANK:

The World Bank (WB) were designed to ensure economic and corporate sustainability in countries affected by the war - mainly in Europe. Given their financial insecurity, developing nations are left with little option but to participate and compete in the global economy in the hope that they can increase their economic output (GDP). However, the competitive free-market is inherently biased, and countries that enter the playing field with less wealth and undeveloped industries are handicapped.

How The IMF, World Bank & WTO Work Together:

The underlying theory that these International Financial Institutions (IFIs) propagate is that of óeconomic growthô and ófree-marketsô as the only means of generating wealth for development and poverty reduction. This neoliberal ideology now dominates the global economy and has proven to be extremely profitable for corporations and financiers. Meanwhile, these policies have increased levels of poverty and inequality in developing countries.

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Developing countries find themselves in a position where they do not have enough foreign currency reserves to invest in growth-promoting policies as they may have spent their reserves on imports and debt repayments. They might then lent money by the World Bank to finance large development projects in the hope that such projects (such as extracting oil) will facilitate economic growth and have a knock-on effect on development. The World Bank has significant connections with corporations (mainly in the US) who they contract for these lucrative projects. Whilst these corporations earn huge benefits from these contracts, the country in question often finds itself with an additional debt burden, a loss of control over key natural resources or services and a loss of revenue from these resources as profits are repatriated abroad.

Faced with possible bankruptcy, which would ostracise them from other potential investorsthis, the country has little choice but to turn to the IMF for a loan. The IMF clearly states that it is not a development bank and is not concerned with poverty reduction. It is, however, closely allied with Wall Street bankers and the US Treasury, and ensures that economic policies are implemented that benefit private investors and financial speculators in the free-market. It lends to governments on the strict condition that they prioritise the repayment of the loan (over and above domestic welfare needs). Countries must also agree to adjust domestic economic policies to ensure that their balance of payment problems do not occur again. Once these conditions have been implemented and the loan approved, the international investment community is informed. This reassures private investors of the countryû s potential profitability, and additional funds come flooding in.

With restrictions on the movement of capital relaxed, a period of destabilising financial speculation and capital flight often results, further benefiting wealthy foreign investors and speculators whilst often bankrupting domestic companies. This same IMF/World Bank enforced agenda has devastated many developing economies in East Asia and Latin America over the past 20 years.

The WTOû s trade agreements work alongside the IMF and World Bank measures, ensuring all barriers to trade and domestic restrictions on how to manage foreign investment are lifted This enables foreign corporations to purchase and control everything from water, heath-care and education facilities to agricultural technology and indigenous plants and knowledge. All in all, there is a huge migration of control and financial resources away from local enterprises and industries that would otherwise benefit society and strengthen local economies. Instead, these resources migrate to the large corporations whose major shareholders profit handsomely. Foreign ownership of domestic resources, services and production compromises local initiative and industry, and undermines the sovereign and democratic rights of local people and governments.

Unit – IV

Liberalization, globalization and related issues

New Economic Policy- Structural Adjustment Programme (SAP):

Structural Adjustment Policies(SAP) are economic policies which countries must follow in order to qualify for new World Bank and International Monetary Fund (IMF) loans and help them make debt repayments on the older debts owed to commercial banks, governments and the World Bank. Although SAPs are designed for individual countries but have common guiding principles and features which include export-led growth;

privatisation and liberalisation; and the efficiency of the free market.

SAPs generally require countries to devalue their currencies against the dollar; lift import and export restrictions; balance their budgets and not overspend; and remove price controls and state subsidies.

Devaluation makes their goods cheaper for foreigners to buy and theoretically makes foreign imports more expensive. In principle it should make the country wary of buying expensive foreign equipment. In practice, however, the IMF actually disrupts this by rewarding the country with a large foreign currency loan that encourages it to purchase imports.

Balancing national budgets can be done by raising taxes, which the IMF frowns upon, or by cutting government spending, which it definitely recommends. As a result, SAPs often result in deep cuts in programmes like education, health and social care, and the removal of subsidies designed to control the price of basics such as food and milk. So SAPs hurt the poor most, because they depend heavily on these services and subsidies.

SAPs encourage countries to focus on the production and export of primary commodities such as cocoa and coffee to earn foreign exchange. But these commodities have notoriously erratic prices subject to the whims of global markets which can depress prices just when countries have invested in these so-called 'cash crops'.

By devaluing the currency and simultaneously removing price controls, the immediate effect of a SAP is generally to hike prices up three or four times, increasing poverty to such an extent that riots are a frequent result.

The term "Structural Adjustment Program" has gained such a negative connotation that the World Bank and IMF launched a new initiative, the Poverty Reduction Strategy Initiative, and makes countries develop Poverty Reduction Strategy Papers (PRSP). While the name has changed, with PRSPs, the World Bank is still forcing countries to adopt the same types of policies as SAPs.

For more information on SAPs, read SAPRIN's report, "The Policy Roots of Economic Crisis and Poverty", a four-year, multi- country participatory investigation into the effects of specific structural adjustment policies on a broad range of economic and social sectors and population groups.

History:

In the dozens of countries where the International Monetary Fund (IMF) and World Bank have imposed structural adjustment programs (SAPs), the people who have seen deterioration in their standards of living, reduced access to public services, devastated environments, and plummeting employment prospects have not been passive. The pages of newspapers, magazines, and academic journals (those that can survive in depressed economies) been filled with damning analysis of structural adjustment. More important, people have been organizing to combat the pillaging of their lands and livelihoods. This organizing has resulted in mass movements and protests on every continent, but they are not often reported on in the mainstream press.

Structural Adjustmentð **Structural adjustments** are the policies implemented by the International Monetary Fund (IMF) and the World Bank (the Bretton Woods Institutions) in developing countries. These policy changes are conditions for receiving new loans from the IMF or World Bank or for obtaining lower interest rates on existing loans. Conditions are implemented to ensure that the money lent will be spent in accordance with the overall goals of the loan. Structural Adjustment Programs (SAPs) are created with the goal of reducing the borrowing country's fiscal imbalances. The bank from which a borrowing country receives its loan depends upon the type of necessity. SAPs are supposed to allow the economies of the developing countries to become more market oriented. This then forces them to concentrate more on trade and production so it can boost their economy.

Through conditions, SAPs generally implement "free market" programs and policy. These programs include internal changes (notably privatization and deregulation) as well as external ones, especially the reduction of trade barriers. Countries that fail to enact these programs may be subject to severe fiscal discipline. Critics argue that the financial threats to poor countries amount to blackmail, and that poor nations have no choice but to comply.

Since the late 1990s, some proponents of structural adjustment, such as the World Bank, have spoken of "poverty reduction" as a goal. SAPs were often criticized for implementing generic free-market policy and for their lack of involvement from the borrowing country. To increase the borrowing country's involvement, developing countries are now encouraged to draw up Poverty Reduction Strategy Papers (PRSPs), which essentially take the place of SAPs. Some believe that the increase of the local government's participation in creating the policy will lead to greater ownership of the loan programs and thus better fiscal policy. The content of PRSPs has turned out to be similar to the original content of bank-authored SAPs. Critics

Effects of structural adjustment on women and the poor

ECONOMIC policy and development issues, particularly Structural Adjustment Programmes (SAPs) have dominated African women's concerns because they have been implicated in the rise of poverty, especially of women, in Africa. SAPs, designed by the International Monetary Fund (IMF) and the World Bank (WB), have been the framework for economic and social policy in most of the South since the early 1980s. No less than 34 African countries have implemented SAPs. They have been cited as one of the factors responsible for the non-realisation of most of the provisions of the Nairobi Forward Looking Strategies. Without a fundamental rethinking of SAPs, African economies have no chance of reversing their present circumstances.

The opposition to SAPs gained some ground during the Copenhagen Social Summit, which accepted that SAPs have to be reformed based on the recognition of the centrality of people in development. Though limited, this recognition is nonetheless an important advance which must be built upon.

Essentially, SAPs in Africa have combined an IMF stabilisation loan with conditionalities for a longer term Structural Adjustment Programme overseen by both the WB and the IMF. The Stabilisation package which addresses monetary and fiscal issues typically attempts to address inflation, reduce the government's budget deficit and balance-of-payments problems. This is done with measures to reduce domestic demand, both government and private.

The longer term Structural Adjustment Programme is aimed at the promotion of production and resource mobilisation through the promotion of commodity exports, public sector reform, market liberalisation and institutional reform. The programme seeks to limit the role of government in the economy, promote private sector operations and remove restrictions in the economy and ensure market determined prices. The freeing of prices does not however, extend to labour with wages tightly controlled, leading to dramatic drop in real wages in some cases. For example in Tanzania real wages have fallen by 70% since 1986.

Troubles and reactions

By the mid-1980s, there were many signs of trouble as the populations in various countries rebelled against the strictures of SAPs. Some flash-points in Africa for example, Zambia, were related to the removal of subsidies on food staples, the widespread retrenchment of workers, the high cost of social services and goods and the low wages of workers.

The critics of SAPs include trade unions and urban-waged workers of various kinds, women's organisations, peasant farmers, non-governmental organisations (NGOs) and African governments themselves. The raging debate about the rights and wrongs of SAPs between the International Financial Institutions (IFIs) and their critics range over a broad spectrum of positions represented by the IFIs at one end and those who reject SAPs outright at the other extreme.

In the beginning, the dominant view was that SAPs were inevitable and essentially correct, but created hardships which had to be addressed to increase their acceptability. Thus the discussion did not extend to a questioning of the macro-economic policies underpinning SAPs. The anti-SAP lobby gained ground as the 1980s - 'SAP decade' - came to a close and it became clear that even the macro-economic policies were in dispute.

Since the late-1980s, the view that SAPs are based on wrong assumptions about Africa and are inimical to the continent's long-term development have gained ground as has the position that SAPs have either created or worsened poverty levels or at the very least, have ignored the adverse effects of the programme on the poor. The IFIs and their supporters continue to insist that SAPs are the only way forward and without them, Africa would have been worse off. In between these two positions for and against SAPs, are a range of positions which question the validity of specific policies which make up SAPs and insist on the consideration of macro-economic policies together with policy at other levels including their distributional effects.

SECOND GENERATION REFORM:

INDIA'S Economic Reforms: the Second Phase

The Indian economy has entered the second phase of reforms which began in 1991. The process was necessary to pre-empt fears of a financial collapse due to the borrowing drive in 1980s. A process of economic reform is essentially crisis-driven and adoption of the reform package is shaped largely by the nature of the crisis itself. A quick survey of the various reform packages implemented so far shows that their components rarely vary. Only the timing of the adjustments and reform experiences appear to be different. Broadly, the package consists of reducing fiscal indebtedness, trade liberalisation and trade policy reform. The second phase of economic reforms in India is characterized by introduction of faster trade reforms such as removal of quantity restrictions and canalized imports, rationalisation of taxation, public sector disinvestment and restructuring of public expenditure.

A decade has passed since the reforms were introduced and now it is time to take stock of the directions in which the economy is headed. In terms of the GDP growth rate, we find that after an initial slowdown during 1992-94 (5 per cent per annum), growth picked up to over and above 7 per cent per annum during 1994-97. Subsequently, the growth declined to 6.3 per cent during 1997-2000.

Looking at some other aggregates we find that at the end of January, 2000 the countryȇs total foreign exchange reserves amounted to US$ 34.90 billion, enough for 8 months of imports in 1999-2000. The rupee has been convertible on the current account and reforms for capital account are being undertaken almost every year. The exchange rate has remained reasonably stable and is in the neighborhood of Rs.45 (± 0.5) per US dollar. This is in spite of the South-East Asian crisis of August, 1997. Thus, fears of default on balance of payments are no longer valid.

Other macro-variables also indicate that the short-run growth is appropriate. The debt-GDP ratio declined from 41 per cent (1991-92) to 23.5 per cent (1998-99), indicating that we are no longer on a path of debt accumulation. The debt-service to current receipts ratio declined from 30 per cent (1991-92) to 18 per cent (1998-99), indicating that a larger share of current receipts is free for allocation in a more productive manner than on interest payments. the short-run debt declined from 10.5 per cent of total debt (March 1991) to 4.7 per cent (September 1999). Internal liabilities of the government that had burgeoned to 52 per cent of GDP (1990-91) has stabilized at about 46 per cent of GDP. It is reasonable to suggest that the current stock of liabilities is no longer mounting and with improved economic performance the stock of the debt would begin to decline.

Inflation rates in India are sensitive to agrarian production and since this has been reasonably stable, inflation too has tended to remain under check current estimates suggest that the long-term value around which the inflation rate is likely to float is 6 per cent. Industrial production has tended to vascillate and is currently in the process of recovery from a two-yearrecession. On the whole, however, the Index of Industrial production (IIP) registered a 6.1 per cent per annum growth rate over 1993-2000. The recession in industry was also reflected in a slump in exportswhich recorded a negative growth rate of 3.9 per cent in 1998-99. This year its performance is expected to be better as it has been growing at 12.9 per cent over April to December, 1999, in the same period last year the export growth had been 2.9 per cent. Finally, the most politically-charged macroeconomic variable, the fiscal deficit, is down from 7 per cent of GDP (1990-91) to 4.1 per cent of GDP (1998-99). We find, however, the revenue deficit unabated at 3.7 per cent of GDP (1998-99), up from 3.5 per cent of GDP (1990-91), a worrying factor.

The mainstay of the countryȏs economic performance has been agricultural production. With the support of 14 consecutive normal monsoons it has checked inflationary pressures on the wage-goods sector. During 1993-99 investments in agriculture have been growing at 3.33per cent per annum.Close to 70per cent of this is from private sources. In keeping with the changes in world trade, India has opened up for agrarian exports and has developed into a major exporter of *basmati* and non-*basmati* rice. The other sub-sector performing outstandingly has been software development and its exports. During 1992-97, software exports registered a 43 per cent growth and this rate of growth has continued.

Comparing the Indian experience with the other reform processes we find that the primary adjustment has been successful by all standards. Now we need to check if the current economic structure is suitable for medium to long-run growth. Whether the structure is suited to garner benefits in the secondary phase of reforms? Even here we find India beginning on a positive note with the 74th Amendment of the Constitution (1995). This allows for increased decentralization of political power and devolution of fiscal authority to the local bodies such as the *Panchayats*. The earlier top-down approach suffers from the problem of not being sensitive enough to the specific needs of the local bodies. This Amendment would correct such asymmetries between needs and supply.

The main benefits of the second phase of economic reforms would be in terms of high rates of growth combined with reduction of inequity in income distribution and an improved quality of life. Meeting this demand for a balanced growth will be contingent on how the government chooses to allocate its meagre resources. As envisaged, the reforms will help settle the structural changes that began in 1991. The commoners will not be left unaffected by these changes as with greater integration with world economy, goods and services that were not available earlier will now be within easy reach. More importantly, in the light of the strong performance of the software industry, changes in the skilled labour market are also evident. Not only is the skilled labour in this sector able to meet the high quality standards of the advanced nations, it is also able to command salaries which are commensurate with their abilities. With such changes gradually spreading in to other sectors, it is expected that domestic wages would tend to rise sharply as quality of work begins to determine salaries. In terms of the day-to-day existence the other changes that reforms have brought about are greater awareness of quality control and the need for transparency. Hence, regulations in polluted cities have begun to demand not only pollution control but also pollution control at the Euro II levels of emission. Thus, standardization is the order of the day assuring people of the quality of daily existence that is available elsewhere.

The emphasis in this phase of economic reforms in India must be on resource creation and management rather than demand management. The suggested economic reforms are all geared towards making more resources available to the government for investment in social sectors and in infrastructure. Public sector disinvestment would raise current revenues besides reducing government liabilities. Broadening its base for tax reforms would add to revenue receipts. At the other end restructuring of expenditure would curb the unnecessary consumption liabilities and make them more sensitive to public investment needs. A rationalization of the revenue account and restructuring of the governmentøs capital account is a pre-requisite for success in this second phase of reforms.

Regional Trading Blocks and Bilateral Trade Treatise:

Regional Trade Agreements: Basic Issues

Regional Trade Agreements (RTAs) are defined as groupings of countries which are formed with the objective of reducing barriers to trade between member countries. Contrary to what the name suggests, these groupings or unions may be concluded between countries not necessarily belonging to the same geographical region.

Depending upon their level of integration, RTAs can be broadly divided into five categories: Preferential Trade Agreements (PTAs), Free Trade Agreements (FTAs), Customs Unions (CUs), Common Markets and Economic Unions. A PTA is a union in which member countries impose lower trade barriers on goods produced within the union, with some flexibility for each member country on the extent of the reduction. A Free Trade Area (FTA) is a special case of PTA where member countries completely abolish trade barriers (both tariff barriers and non-tariff barriers) for goods origination within the member countries. It should be clarified here that in most cases, countries do not abolish trade barriers completely even within Free Trade Areas. Most agreements tend to exclude sensitive sectors. A Customs Union (CU) provides deeper integration that an FTA because, unlike FTAs where member countries are free to maintain their individual level of tariff barriers for goods imported from non-member countries, in a CU, member countries also apply a common external tariff (CET) on a good imported from outside countries. The CET can vary across goods but not across union partners. PTA, FTA and CU are called óshallow integrationô arrangements in trade literature.

Apart from these shallow arrangements there are two types of regional agreements which provide ñdeep integrationò. The first ódeep integrationô stage is called Common Markets, where member countries attempt to harmonize some institutional arrangements and commercial and financial laws and regulations among themselves. A common market also entails free movements of factors of production, i.e. removal of controls on free movement of labour and capital. The final ódeep integrationô level is the óEconomic Unionô where countries implement common economic policies and regulations and adopt a single currency.

Bilateral Trade Treatise:

Definition of 'Bilateral Trade'

The exchange of goods between two countries. Bilateral trade agreements give preference to certain countries in commercial relationships, facilitating trade and investment between the home country and the foreign country by reducing or eliminating tariffs, import quotas, export restraints and other trade barriers. Bilateral trade agreements can also help minimize trade deficits.

In the United States, the Office of Bilateral Trade Affairs manages the country's bilateral trade agreements. Its roles include negotiating free trade agreements with new countries, supporting and improving existing trade agreements, promoting economic development abroad and more. The United States has bilateral free trade agreements with Australia, Bahrain, Canada, Chile, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru and Singapore (as of 2010). Trade with these countries accounts for a large share of total U.S. exports. Bilateral Trade Affairs manages the country's bilateral trade agreements. Its roles include negotiating free trade agreements with new countries, supporting and improving existing trade agreements, promoting economic development abroad and more. The United States has bilateral free trade agreements with Australia, Bahrain, Canada, Chile, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru and Singapore (as of 2010). Trade with these countries accounts for a large share of total U.S. exports.

FDI:

Foreign direct investment (**FDI**) is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.

Broadly, foreign direct investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra company loans" In a narrow sense, foreign direct investment refers just to building new facilities. The numerical FDI figures based on varied definitions are not easily comparable.

As a part of the national accounts of a country, and in regard to the GDP equation Y=C+I+G+(X-M)[Consumption + gross Investment + Government spending +(eXports - iMports], where I is domestic investment plus foreign investment, FDI is defined as the net inflows of investment (inflow minus outflow) to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investorFDI is the sum of equity capital, other long-term capital, and short-term capital as shown the balance of payments. FDI usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward and outward, resulting in a *net* FDI *inflow* (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period. Direct investment excludes investment through purchase of shares FDI is one example of international factor movements

An investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies.

Inclusive Growth:

NEED FOR INCLUSIVE GROWTH IN INDIA

Inclusive growth is necessary for sustainable development and equitable distribution of wealth and prosperity . Achieving inclusive growth is the biggest challenge in a country like India. In a democratic country like India, bringing 600 million people living in rural India into the mainstream is the biggest concern. The challenge is to take the levels of growth to all section of the society and to all parts of the country. The best way to achieve inclusive growth is through developing peopleꞌs skills.

Mr. Jeffrey, Chairman & CEO of Manpower Planning, USA, said that , a multi faceted approach towards education and skills development is necessary to achieve grow. He said the challenge of skills shortage can be addressed through public private partnership.

Since independence, significant improvement in Indiaꞌs economic and social development made the nation to grow strongly in the 21st century. The following factors encouraged the India to concentrate more on inclusive growth.

1. India is the 7th largest country by area and 2nd by population. It is the 12th largest economy at market exchange rate and 4th largest by PPP. Yet, India is far away from the development of the neighborhood nation, i.e., China.

2. The exclusion in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and social inequalities, and regional disparities etc. are the problems for the nation.

3. Reducing of poverty and other disparities and raising of economic growth are the key objectives of the nation through inclusive growth.

4. Political leadership in the country plays a vital role in the over all development of the country. But, the study has found that politicians in India have a very low level of scientific literacy.

5. Studies estimated that the cost of corruption in India amounts to over 10% of GDP. Corruption is one of the ills that prevent inclusive growth.

6. Although child labor has been banned by the law in India and there are stringent provisions to deter this -inhuman practice. Still, many children in India are unaware of education as they lives are spoiled to labor work.

7. Literacy levels have to rise to provide the skilled workforce required for higher growth.

8. Economic reforms in the country are overwhelmed by out dated philosophies and allegations by the politicians and opposition parties in India.

9. Achievement of 9% of GDP growth for country as a whole is one of the boosting factor which gives the importance to the Inclusive Growth in India.

10. Inclusiveness benchmarked against achievement of monitorable targets related to (i). Income & Poverty, (ii) education, (iii) health, (iv) women & children, (v) infrastructure, (vi) environment.

11.Even at international level also, there is a concern about inequalities and exclusion and now they are also taking about inclusive approach for development

ELEMENTS OF INCLUSIVE GROWTH

According to Prime Minister, Sri. Manmohan Singh, the key components of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt in credit for farmers, increase in rural employment through a unique social safety net and a sharp increase in public spending on education and health care.

The five interrelated elements of inclusive growth are:

1.Poverty Reduction and increase in quantity and quality of employment.

2. Agriculture Development

3. Social Sector Development

4. Poor quality delivery systems

5. Achievement of 119th rank among 170 countries on Human Development index.

6. Social indicators are much lower for scheduled castes and scheduled tribes.

7. Malnutrition among children is one major problem.

8. Since BPO brought the multi culture environment in India, this sector is facing under seviour pressure due to global recession.

9. Social advancements in India is still at lower growth due to the strong influence of culture and regional disparities.

Disparities and Divides

Even as we address the specific challenges listed above, we must deal with the perception that development has failed to bridge the divides that afflict our country and may even have sharpened some of them. Some of these perceptions may be exaggerated, but they exist nonetheless. The 11th Plan must, seek to bridge these divides as an overarching priority.

There are many divides. Foremost among these is the divide between the rich and the poor. As explained , poverty is declining, but only at a pace which is no longer acceptable given the minimalist level at which the poverty line is fixed. There is also a divide between those who have access to essential services such as health, education, drinking water, sanitation etc., and those who do not. Groups which have hitherto been excluded from our society such as SCs, STs and some minorities and OBCs, continue to lag behind the rest.

PROBLEMS BEFORE INCLUSIVE GROWTH STRATEGIES IN INDIA

For a developing country like India, the need of inclusive growth is vital to achieve the over all progress of the country. Though it is positive for macro-economic stability, 2008-09 resulted a relative growth slow down, mostly from the spillover effects of the weakening of the global economic momentum and volatile financial markets. The following problems are the major concerns for developing countries like India to achieve the inclusive growth. They are:

(1)Poverty

(2)Employment

(3)Agriculture

(4)Problems in Social Development

(5)Regional Disparities

POVERTY

Percent of population living under the poverty line, which is 356.35 rupees or around $7 a month in rural areas. The World Bank estimates that 456 million Indians (42% of the total Indian population) now live under the global poverty line of $1.25 per day (PPP). This means that a third of the global poor now reside in India. However, this also represents a significant decline in poverty from 60 percent in 1981 to 42 percent in 2005, although the rupee has decreased in value since then, while the official standard of 538/356 rupees per month has remained the same. Income inequality in India (Gini coefficient: 32.5 in year 1999- 2000) is increasing. On the other hand, the Planning Commission of India uses its own criteria and has estimated that 27.5% of the population was living below the poverty line in 2004ï 2005, down from 51.3% in 1977ï 1978, and 36% in 1993-1994.[7]

The source for this was the 61st round of the National Sample Survey (NSS) and the criterion used was monthly per capita consumption expenditure below Rs. 356.35 for rural areas and Rs. 538.60 for urban areas. 75% of the poor are in rural areas, most of them are daily wagers, self-employed householders and landless labourers.

A proportionally large share of poor is lower castes. Many see the caste system as a system of exploitation of poor low-ranking groups by more prosperous high-ranking groups. In many parts of India, land is largely held by high-ranking property owners of the dominant castes that economically exploit low-ranking landless labourers and poor artisans, all the while degrading them with ritual emphases on their so-called god-given inferior status.

According to William A. Haviland, casteism is widespread in rural areas, and continues to segregate Dalits. Others, however, have noted the steady rise and empowerment of the Dalits through social reforms and the implementation observations in employment and benefits.

Employment

Employment considered as one of the big problems for inclusive growth in India. Raising population at a great speed after independence showed its impact on employment. The unemployment became the big worry to the development of the country. Since poverty is much higher than unemployment, employment is the only source to eradicate poverty. The quality and quantity of employment in India is very low due to illiteracy and due to over dependency on agricultural employment. The quality of employment is also a problem.

Unorganized employed people in India are around 85%. Workers in this sector do not have social security. The generation of productive employment for labour force in the economy, as employment is a key to inclusive growth is the toughest task for the country. The country is also facing in employment generation in all sectors, regions and for all socio economic groups particularly for poorer sections of population, backward regions, lagging sectors and SC/ST/OBC/women etc.

Agriculture

Traditionally, India is considered as the agricultural based country. As the majority of Indians are engaged in agriculture for employment, the recent developments in the other sectors decreased this major sectorǿs growth. Some of the problems in Indian agriculture are:

1. Long term factors like steeper decline in per capita land availability, shrinking of farm size

2. Slow reduction in share of employment(still tt%)

3. Low labour productivity in agriculture and the gap between agri and non-agri is widening.

4. Decline in yield growth due to land and water problems, vulnerability to world commodity prices, farmerǿs suicides.

5. Disparities in growth across regions and crops, i.e., growth rate declined more in rain fed areas.

6. Thus these problems became the hurdles in the key area for the economic development of the nation, i.e., agriculture.

Problems in Social Development

Social development is also one of the key concern in inclusive growth. The social development became the hot criteria in the recent past in India. Social development also facing some problems which is making the path critical to inclusive growth in the country. Some of the problems in social sector are:

1. Significant regional, social and gender disparities

2. Low level and slow growth in public expenditures particularly on health

3. Poor quality delivery systems

4. Achievement of 119th rank among 170 countries on Human Development index.

5. Social indicators are much lower for scheduled castes and scheduled tribes.

6. Malnutrition among children is one major problem.

7. Since BPO brought the multi culture environment in India, this sector is facing under seviour pressure due to global recession.

8. Social advancements in India is still at lower growth due to the strong influence of culture and regional disparities

The vision of inclusiveness must go beyond the traditional objective of poverty alleviation to encompass equality of opportunity, as well as economic and social mobility for all sections of society, with affirmative action for SCs, STs, OBCs, minorities and women. There must be equality of opportunity to all with freedom and dignity, and without social or political obstacles. This must be accompanied by an improvement in the opportunities for economic and social advancement. In particular, individuals belonging to disadvantaged groups should be provided special opportunities to develop their skills and participate in the growth process.

This outcome can only be ensured if there is a degree of empowerment that creates a true feeling of participation so necessary in a democratic polity. Empowerment of disadvantaged and hitherto marginalized groups is therefore an essential part of any vision of inclusive growth. Indiaôs democratic polity, with the establishment of the third layer of democracy at the Panchayati Raj Institution (PRI) level, provides opportunities for empowerment and participation of all groups with reservations for SCs, STs, and women. These institutions should be made more effective through greater delegation of power and responsibility to the local level.

Regional Disparities

Regional disparities are also a major concern for India due to different culture and traditions. Traditional cultures, caste system and the rich & poor feelings favoured some specific groups as a result, the regional disparities raised in India before and after independence. And also, due to the development in agriculture and industrial sector some regions in India developed fast and some other places still are facing the scarcity. Some of the regional disparities problems are:

1. Per capita income is highest at Rs.16,679 in Punjab and lowest per capita income is at Bihar with Rs.3557.

2. Female infant mortality varies from 12 in Kerala to 88 in Madhya Pradesh.

3. Female literacy varies from 33.6% in Bihar to 88% in Kerala.

4. Richer states grew faster than the poorer states

CHALLENGES BEFORE INCLUSIVE GROWTH STRATEGIES IN INDIA

The key components of the inclusive growth strategy included a sharp increase in investment in rural areas, rural infrastructure and agriculture spurt in credit for farmers; increase in rural employment through a unique social safety net and sharp increase in public spending on education and health care. The government also should go for a variety of legislative interventions to empower the disadvantaged. Some of the challenges and opportunities before inclusive growth strategies in India are:

1.Poverty alleviation is one of the big challenges for India. Eradication of poverty in India is generally only considered to be a long-term goal. Poverty alleviation is expected to make better progress in the next 50 years than in the past, as a trickle-down effect of the growing middle class. Increasing stress on education, reservation of seats in government jobs and the increasing empowerment of women and the economically weaker sections of society, are also expected to contribute to the alleviation of poverty.

2.For agricultural growth, the private players can participate in to bridge the gap including providing micro finance. Contract farming, setting up storage facilities for agro-produce, and producing them from farmers. The private sector could also develop heritage sites and tourist spots and encourage the promotion of traditional arts and carafats in joint ventures with rural enterprises. The government of india should also increaase itȏs present moratorium on interest payments, lowering of farm credit rates for increase in agricultural growth.

3.Government schemes should target eradication of both poverty and unemployment (which in recent decades has sent millions of poor and unskilled people into urban areas in search of livelihoods) attempt to solve the problem, by providing financial assistance for setting up businesses, skill honing, setting up public sector enterprises, reservations in governments, etc. The decreased role of the public sector after liberalization has further underlined the need for focusing on better education and has also put political pressure on further reforms.

SEZ:

Special economic zone

A Special Economic zone (SEZ) is a geographical region that is designed to export goods and provide employment. SEZs are exempt from federal laws regarding taxes, quotas, FDI-bans, labour laws and other restrictive laws in order to make the goods manufactured in the SEZ at a globally competitive price.

The category SEZ includes free trade zones (FTZ), export processing Zones (EPZ), free Zones (FZ), industrial parks or industrial estates (IE), free ports, free economic zones, and urban enterprise zones.

India

A view of one of the IT blocks of Infosys Ltd in the Mahindra World City situated in Chennai. States such as Tamil Nadu and Haryana are housing a number of under construction SEZ projects.

India was one of the first countries in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. In order to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.

The SEZ Act, 2005, was an important bill to be passed by the Government of India in order to instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through their establishment, a comprehensive draft SEZ Bill prepared after extensive discussions with the stakeholders. A number of meetings were held in various parts of the country both by the Minister for Commerce and Industry as well as senior officials for this purpose. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. The draft SEZ Rules were widely discussed and put on the website of the Department of Commerce offering suggestions/comments. Around 800 suggestions were received on the draft rules. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10 February 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. The remaining part of India, not covered by the SEZ Rules, is known as the Domestic tariff area. Exports from Indian SEZ totalled INR 2.2 Trillion in 2009-10 fiscal. It grew by a stupendous 43% to reach INR 3.16 Trillion in 2010-11 fiscal. Indian SEZs have created over 840,000 jobs as of 2010-11. Despite all odds, exports through Indian SEZs grew further by 15.4% to reach INR 3.64 Trillion (roughly US$ 66 billion). As of 2011-12 fiscal, investments worth over US$ 36.5 billion (INR 2.02 Trillion) have been made in these tax-free enclaves. Exports of Indian SEZs have experienced a phenomenal growth of 50.5% for the past eight fiscals from a meager US$ 2.5 billion in 2003-04 to about US$ 65 billion in 2011-12 (accounting for 23% of India's total exports).

The objectives of SEZs can be clearly explained as the following:- **(a)** Generation of additional economic activity; **(b)** Promotion of exports of goods and services; **(c)** Promotion of investment from domestic and foreign sources; **(d)** Creation of employment opportunities; **(e)** Development of infrastructure facilities.

The major incentives and facilities available to SEZ developers include:-

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.

- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.
- Exemption from dividend distribution tax under Section 115O of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

Introduction

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.

This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

To instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the establishment of SEZs, a comprehensive draft SEZ Bill prepared after extensive discussions with the stakeholders. A number of meetings were held in various parts of the country both by the Minister for Commerce and Industry as well as senior officials for this purpose. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. The draft SEZ Rules were widely discussed and put on the website of the Department of Commerce offering suggestions/comments. Around 800 suggestions were received on the draft rules. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments. The main objectives of the SEZ Act are:

(a) generation of additional economic activity
(b) promotion of exports of goods and services;
(c) promotion of investment from domestic and foreign sources;
(d) creation of employment opportunities;
(e) development of infrastructure facilities;

It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically. All decisions of the Board of approvals are with consensus.

The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

The SEZ Rules provide for:

- " Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self certification

Approval mechanism and Administrative set up of SEZs

Approval mechanism

The developer submits the proposal for establishment of SEZ to the concerned State Government. The State Government has to forward the proposal with its recommendation within 45 days from the date of receipt of such proposal to the Board of Approval. The applicant also has the option to submit the proposal directly to the Board of Approval.

The Board of Approval has been constituted by the Central Government in exercise of the powers conferred under the SEZ Act. All the decisions are taken in the Board of Approval by consensus. The Board of Approval has 19 Members. Its constitution is as follows:

(1) Secretary, Department of Commerce	Chairman
(2) Member, CBEC	Member
(3) Member, IT, CBDT	Member
(4) Joint Secretary (Banking Division), Department of Economic Affairs, Ministry of Finance	
(5) Joint Secretary (SEZ), Department of Commerce	Member
(6) Joint Secretary, DIPP	Member
(7) Joint Secretary, Ministry of Science and Technology	Member
(8) Joint Secretary, Ministry of Small Scale Industries and Agro and Rural Industries	Member
(9) Joint Secretary, Ministry of Home Affairs	Member
(10) Joint Secretary, Ministry of Defence	Member
(11) Joint Secretary, Ministry of Environment and Forests	Member

(12)Joint Secretary, Ministry of Law and Justice	Member
(13)Joint Secretary, Ministry of Overseas Indian Affairs	Member
(14)Joint Secretary, Ministry of Urban Development	Member
(15)A nominee of the State Government concerned	Member
(16)Director General of Foreign Trade or his nominee	Member
(17)Development Commissioner concerned	Member
(18)A professor in the Indian Institute of Management or the Indian Institute of Foreign Trade	Member
(19)Director or Deputy Sectary, Ministry of Commerce and Industry, Department of Commerce	Member Secretary

Administrative set up

The functioning of the SEZs is governed by a three tier administrative set up. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Approval Committee at the Zone level deals with approval of units in the SEZs and other related issues. Each Zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee.

Once an SEZ has been approved by the Board of Approval and Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ. All the proposals for setting up of units in the SEZ are approved at the Zone level by the Approval Committee consisting of Development Commissioner, Customs Authorities and representatives of State Government. All post approval clearances including grant of importer-exporter code number, change in the name of the company or implementing agency, broad banding diversification, etc. are given at the Zone level by the Development Commissioner. The performance of the SEZ units are periodically monitored by the Approval Committee and units are liable for penal action under the provision of Foreign Trade (Development and Regulation) Act, in case of violation of the conditions of the approval.

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