O.P. KHAITAN & CO.

VOLUME I ISSUE 4

NEWSLETTER

May, 2012

INSIDE THIS ISSUE:

Access criteria for payment systems 2

ECB for Civil Aviation Sector 2

Indian Steel– 2nd largest by 2020 3

CII– Remove TDS for Corporate Bonds 3

Wipro to acquire Promax Applications 4

India—Russia : Combating International Terrorism 4

Environmental Clearance for coal linked Projects 5

Dear Reader,

We thank you for your consistent patronage and believe in our firm and capabilities. We appreciate your wonderful response with your valuable feedbacks. With this encouragement we bring you the April Issue (2012) of our Newsletter.

The monthly newsletter is essentially dedicated to make our readers updated on the significant changes/ occurrences in the different sectors of Indian legal and regulatory system. This newsletter includes various updates on RBI, FEMA, FDI, Insurance, Anti– Corruption Laws etc.. We hope to serve you through this newsletter and trust our endeavor to fortify our bonds together…

Thanks & Regards

OPK Team

CORPORATE & TRANSACTIONAL

Use of International Debit Cards/Store Value Cards/Charge Cards/Smart Cards

As per the practice followed by issuers, resident Indians who purchase their travel cards are permitted refund of the unutilized foreign exchange balance only after 10 days from the date of last transaction. Since these cards are expected to act as substitutes for cash/Travellers Cheques, the facilities available to the user will have to be similar. Accordingly, all such Authorized Persons shall redeem the unutilized balance outstanding in the cards immediately upon request by the resident Indians to whom the cards are issued subject to retention of :

- The amounts that are authorized and remain unclaimed/ not settled by the acquirers as of the date of redemption till the completion of the respective settlement cycle;
- A small balance not exceeding USD 100, for meeting any pipeline transactions till the completion of the respective settlement cycle;
- Transaction fees/service tax is payable in India in Rupees.

Overseas Direct Investments – Liberalization / Rationalization

As per the extant provisions of FEMA, an Indian party is required to obtain prior permission of the RBI, to open, hold and maintain Foreign Currency Account in a foreign country for the purpose of overseas direct investments in that country, in case the regulation of the host country requires that the investment in the country is to be made through a particular account to be opened with the commercial bank of the country. An Indian party will now be allowed to open, hold and maintain Foreign Currency Account (FCA) abroad for the purpose of overseas direct investments subject to the following terms and conditions:

- The Indian party is eligible for overseas direct investments in terms of regulations made under FEMA.
- The host country Regulations stipulate that the investments into the country is required to be routed through a designated account.
- FCA shall be opened, held and maintained as per the regulation of the host country.
- The remittances sent to the FCA by the Indian party should be utilized only for making overseas direct investment into the JV / WOS abroad.
- Any amount received in the account by way of dividend and / or other entitlements from the subsidiary shall be repatriated to India within 30 days from the date of credit.
- The Indian party should submit the details of debits and credits in the FCA on yearly basis to the designated AD bank with a certificate from the Statutory Auditors of the Indian party certifying that the FCA was maintained as per the host country laws and the extant FEMA regulations / provisions as applicable.
- The FCA so opened shall be closed immediately or within 30 days from the date of disinvestment from JV / WOS or cessation thereof.

ODI– Liberalization / Rationalization

- Indian Party allowed to open, hold & maintain FCA abroad.
- FCA shall be opened, held and maintained as per the regulation of the host country.
- FCA by the Indian party should be utilized only for making overseas direct investment into the JV / WOS abroad.
- FCA so opened shall be closed immediately or within 30 days from the date of disinvestment from JV / WOS or cessation thereof.

Exim Bank's Line of Credit

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated 21st July, 2011 with the Ecowas Bank for Investment and Development (EBID), making available to the latter, a Line of Credit (LOC) of USD 150 million for financing eligible goods, services and equipments including project exports and consultancy services, to be exported from India to the 15 member countries of EBID in West African region viz. Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. The equipment, goods and services including consultancy services from India for exports under this Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this Agreement. Out of the total credit by Exim Bank under this Agreement, the equipment, goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange.

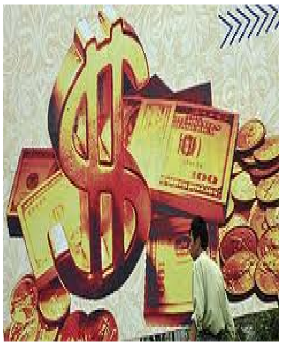
Access criteria for payment systems

Liberalized revised access criteria for centralized and decentralized payment systems were announced. On a review, it has been decided to expand the sub-membership route to enable all licensed banks to participate in NEFT and RTGS systems. This would be an alternate mechanism to all licensed banks which have the technological capabilities but are not participating in centralized payment systems on account of either not meeting the access criteria or because of cost considerations. This arrangement would be subject to certain conditions, some of which are:

- The sub-member/s would participate in the centralized payment systems through their sponsor bank which is a direct member of the centralized payment system.
- In order to ensure compliance with the timely credit and return discipline, which are of utmost importance in centralized payment systems, branches of sub-member/s that are not under core banking system shall be kept out of the centralized payment systems till such time they are brought under core banking.
- The sponsor banks would be responsible for sending/receiving the transactions/messages on behalf of their sub-member/s.
- There are no restrictions on the number of sub-members a sponsor bank could sponsor. Aspects relating to operational feasibility, risk mitigation, fund settlement, collaterals etc., have to be taken care of by the sponsor banks before sponsoring sub-member/s.
- The settlement of transactions by/on the sub-members would take place in the settlement accounts of the sponsor banks maintained with Reserve Bank of India. The sponsor bank under this arrangement will assume complete responsibility for the settlement of all transactions by/on the sub-members.

The sponsor bank should:

- Put in place a risk management framework for sub-member/s .
- Inform the Reserve Bank of India in case of cessation of sponsorship arrangement with the sub-member/s.
- Bring to the immediate notice of the RBI any fraud, suspicious activities, unfair practices, non– adherence to rules, regulations.
- Handle any dispute with sub-member/s bi-laterally amongst themselves.
- Ensure redressal of all customer complaints.



ECB- Liberalization and Rationalization

Pursuant to the announcements made in the Union Budget for the Year 2012-13, it has been decided to further rationalize and liberalize the extant guidelines as under:-

- Enhancement of Refinancing limit for Power Sector- Indian companies in the power sector will be allowed to utilize 40 per cent of the fresh ECB raised towards refinancing of the Rupee loan/s availed by them from the domestic banking system, under the approval route, subject to the condition that at least 60 per cent of the fresh ECB proposed to be raised should be utilized for fresh capital expenditure for infrastructure project (s).
- ECB for Maintenance and Operation of Toll systems for Roads and Highways- It has been decided that ECBs would also be allowed for capital expenditure under the automatic route for the purpose of maintenance and operations of toll systems for roads and highways provided they form part of the original project.

ECB for Civil Aviation Sector

It has been decided to allow ECB for working capital as a permissible end-use for the civil aviation sector, under the approval route, subject to the following conditions:

- Airline companies registered under the Companies Act, 1956 and possessing scheduled operator permit license from DGCA for passenger transportation are eligible to avail of ECB for working capital;
- ECB will be allowed to the airline companies based on the cash flow, foreign exchange earnings and its capability to service the debt;
- The ECB for working capital should be raised within 12 months from the date of issue of the circular;
- The ECB can be raised with a minimum average maturity period of three years; and
- The overall ECB ceiling for the entire civil aviation sector would be USD 1 billion and the maximum permissible ECB that can be availed by an individual airline company will be USD 300 million.. This limit can be utilized for working capital and refinancing of the outstanding working capital Rupee loan(s) availed of from the domestic banking system.

SEBI Board Meeting

The decisions taken in the SEBI Board meeting held on 2nd April, 2012 in Mumbai are as follows:

1. Policy on Market Infrastructure Institutions (MIIs) and Exit Process for non-operational or derecognized Stock Exchanges

- Decisions regarding "Review of Ownership and Governance of Market Infrastructure Institutions"- The Board considered the Report of the Dr. Bimal Jalan Committee on "Review of Ownership and Governance of Market Infrastructure Institutions (MIIs) and broadly accepted most of the recommendations of the Committee.

- Process for exit of non-operational stock exchanges- The Board decided the process of de-recognition and exit of stock exchanges. A stock exchange without any trading at its own platform or where the annual trading is less than INR 1000 crores may apply for voluntary de-recognition and exit. If the stock exchange eligible for voluntary de-recognition is not able to achieve a turnover of INR 1000 crores on continuous basis or does not apply for voluntary de-recognition and exit within a period of two years from the date of notification, SEBI shall proceed with the compulsory de-recognition and exit of such stock exchange.

2. Regulation of Alternative Investment Funds– To extend the perimeter of regulation to unregulated funds and ensuring systemic stability, increasing market efficiency, encouraging formation of new capital and providing investor the Board approved proposal to frame SEBI (Alternative Investment Funds) Regulations, 2012. Salient features of the AIF Regulations, as approved by the Board, include the following:

- AIFs whether operating as Private Equity Funds, Real Estate Funds, Hedge Funds, etc. must register with SEBI under the AIF Regulations.

- SEBI (Venture Capital Funds) Regulations, 1996 ("VCF Regulations") shall be repealed.

- Existing funds not registered under the VCF Regulations will not be allowed to float any new scheme without registration under AIF Regulations.

Guidelines for Business Continuity Plan and Disaster Recovery

In the event of disaster, the disruption in trading system of stock exchanges / depository system may not only affect the market integrity but also the confidence of investors. Based on the recommendations of Technical Advisory Committee of SEBI (TAC), the broad guidelines for BCP - DR are given below:

- The stock exchanges and depositories should have in place Business Continuity Plan (BCP) and Disaster Recovery Site (DRS) so as to maintain data and transaction integrity.

- Apart from DRS, stock exchanges should also have a Near Site (NS) to ensure zero data loss.

- The DRS should be set up sufficiently away, i.e. in a different seismic zone, from Primary Data Centre (PDC) to ensure that both DRS and PDC are not affected by the same disasters.

- The manpower deployed at DRS / NS should have similar expertise as available at PDC in terms of knowledge / awareness of various technological and procedural systems and processes relating to all operations such that DRS / NS can function at short notice, independently.

- Configuration of DRS / NS with PDC

Indian Steel Sector poised to be 2nd largest by 2020

The Indian steel sector is well placed to reach its production target of 200 million tonnes by the year 2020. This was made clear at the CII Steel Summit 2012 as private and public sector steel makers discussed their expansion plans. While the per capita consumption has grown from 31 kg in 2003 to 56 kg in 2011, it is still less than 30% of global average, presenting significant potential for growth. Further the Twelfth Plan envisages an investment of USD 1 trillion in infrastructure, which will boost the demand for steel. But for India to attain this growth, several infrastructural and operational challenges needed to be overcome. Discussing global megatrends and imperatives for Indian steel companies, Mr Abhishek Poddar of AT Kearney Ltd., said Indian steel makers needed to focus on the following areas:

- Define and focus on the right competitive positioning.

- Adjust the innovation agenda.

- Excel in capital investments and project execution.

- Pursue M&A for gains in raw materials, markets and technology.

- Not forget the 'old' virtues of cost management, procurement management and supply chain management.

CII Steel Summit

- Mr Dilip Oomen, Managing Director and CEO, Essar Steel India Ltd, said "*It was imperative that government policies be an enabler for growth. He called for transparency in pricing, policy commitment and raw material security.*"

- Mr Arun Kumar Sinha, Joint Secretary, Department of Public Enterprises, expected steel demand to grow in double digits in the next year.

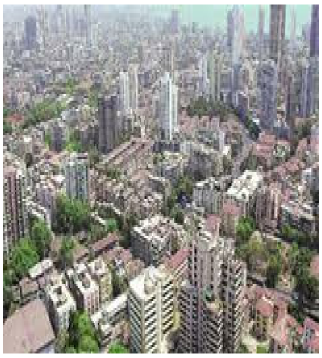
CII - Remove Tax Deduction at Source for Corporate Bonds

The Confederation of Indian Industry (CII) has recommended removal of tax deduction at source (TDS) for corporate bonds as part of a report to strengthen the corporate bond market. The report on 'Development of Corporate Bond Market in India' prepared in consultation with industry was presented to Mr U K Sinha, Chairman, SEBI, at the CII's Annual General Meeting, in New Delhi. The debt market plays a pivotal role in emerging economies which require huge amounts of capital and resources to finance industry, infrastructure, and the financial sector. Strong, deep and liquid corporate bond markets are critical to support India's high growth aspirations. The CII report offers comprehensive recommendations to provide a level playing field for all types of investors and to develop a vibrant and robust corporate bond market in India. In terms of the ratio of issued corporate debt to GDP in 2010, even the most developed and largest markets in Asia, like China (10%) and Japan (42%), are still far smaller than the U.S. (129%). With India at less than 5%, the potential for growth of the corporate bond market is abundantly evident. The CII paper makes recommendations, inter alia, on taxes and stamp duties, issuance procedures, investment rules for enhancing investor base and certain other issues.

Norm of ECB and FDI

FDI is not permitted in Real Estate Business. However, as per paragraph 6.2.11 of 'Circular 1 of 2012 – Consolidated FDI Policy' of the Department of Industrial Policy & Promotion (DIPP), FDI upto 100 per cent is permitted under the automatic route for Townships, housing, built-up infrastructure and construction development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to certain conditions. As per extant External Commercial Borrowings (ECB) policy, ECB is not permitted for real estate sector. A representation from Confederation of Real Estate Developers' Association of India (CREDAI) was received in the Ministry of Finance through the DIPP in December 2011. The said representation inter-alia requested for the following:

- ECB borrowings to be permitted in housing construction particularly for completion of all ongoing projects where there is already equity in the form of FDI.
- FDI rules and ECB rules be modified to encourage investment in affordable housing. The limit of 50,000 sq.m. or 25 acres could be relaxed for this sector. The slum re-development projects and other affordable housing projects irrespective of size may also be considered for the same.



Government is not considering any further relaxation in FDI policy norms for the construction – development sector at this point of time. However, so far as ECB is concerned, Budget 2012-13 announced the provision of ECB for low cost affordable housing project.

Wipro to acquire Promax Applications

Country's third largest software exporter Wipro declared that it will acquire Australian firm Promax Applications Group (PAG) for AUD 35 million, a move which will allow the Indian company to strengthen its analytics solutions portfolio. PAG, which offers trade promotion planning, management, and optimisation solutions, is headquartered in New South Wales and has offices in US, UK and Japan. "*Analytics is a key growth driver of Wipro's growth strategy. The acquisition will strengthen our position and capability in management, analytics and optimisation of trade promotions*," Wipro Senior Vice President and Global Head (Analytics and Information Management) K R Sanjiv told reporters on a conference call. "*Combining expertise of both companies will enable our clients to maximize the return on investment (RoI) on trade promotion spends*", he added. The newly formed entity will be called Wipro Promax Analytics Solutions Pty Ltd. "*The acquisition helps us in not only strengthening our analytics business, but also cross-selling (other products) to some of PAG's marquee customers*," Wipro Chief Strategy Officer Rishad Premji said. The all-cash deal is expected to close in the ongoing quarter. PAG, which follows a July-June fiscal, is expected to close the year with AUD 15-16 million in revenues.

EXTERNAL AFFAIRS

Joint Statement on the Fifth India-Japan Energy Dialogue

Dr. Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of India and Mr. Yukio Edano, Minister of Economy, Trade and Industry of Japan held the 5th meeting of the India-Japan Energy Dialogue on 30th April, 2012 in New Delhi. The two sides reached a common recognition that it is important for the two countries to cooperate with each other in the energy efficiency and conservation sector, and welcomed that the meeting of "Energy Efficiency and Conservation Working Group" under the India-Japan Energy Dialogue was held in India in January, 2012. The two sides decided at this meeting to intensify cooperation in energy efficiency and conservation sector as well as environmental issues. They welcomed the ongoing cooperation for energy conservation by the Energy Conservation Center, Japan (ECCJ) with the Petroleum Conservation Research Association (PCRA) and Bureau of Energy Efficiency (BEE). The two sides decided to consider the possibility of further cooperation in the establishment of statistics database in the sector concerned, including high energy-consuming industries where energy consumption have been growing in India in recent years. Additionally, taking into consideration that the energy demand in the transport sector is increasing in proportion to the economic growth in India, they decided that they will discuss the possibility of cooperation in the said sector. They also decided to cooperate for promotion of energy conservation in local and small-to-medium businesses.

India-Russia Joint Working Group on Combating International Terrorism

The seventh meeting of the India-Russia Joint Working Group (JWG) on Combating International Terrorism was held on 11th April, 2012 in New Delhi. It was co-chaired by Mr. Asoke Kumar Mukerji, Additional Secretary of the Ministry of External Affairs of India. The parties emphasized that their cooperation in countering new challenges and threats is an integral part of the Indian-Russian special and privileged strategic partnership and expressed mutual concern about the continuous threat of cross-border terrorism. They noted the importance of the early conclusion of the negotiation process aimed at agreeing within the framework of the UN General Assembly on the draft Comprehensive Convention on International Terrorism (CCIT) that was put forward by India. The parties expressed their concern about the issue of drug trafficking which undermines peace and stability in the region. They also noted the need to step up their interaction on the basis of the Intergovernmental Agreement on Cooperation in Combating Illicit Traffic in Narcotic Drugs, Psychotropic Substances and their Precursors signed on 8th November, 2007. The Joint Working Group on Combating International Terrorism will hold its eighth meeting in Moscow in 2013.

INSURANCE LAWS

Expenses of Management

The IRDA in Circular IRDA/F&I/CIR/EMT/085/04/2012, dated 12th April, 2012, clarified that:

- For the purposes of explanation (b) of Section 40B, Charges includes all charges levied directly or indirectly in respect of the insurance business but excludes taxes which are a charge against profits e.g., income tax, wealth tax (taxes like Service Tax borne by the insurer and Fringe Benefit Tax, which are not charged against profits, shall be included); and Expenses Capitalized shall be such expenses like administration and other general overhead expenses, which are otherwise considered as revenue expenses, are added to the cost of fixed assets where they are attributable to the construction/acquisition of fixed assets or bringing it to its working condition.

- For the purposes of computation of expenses of management, Income/expenditure accounted on accrual basis; Pension business shall be treated as immediate/deferred annuity business, as applicable; and Regular Premium plans with limited premium payment term and/or pre-determined policy term shall be treated as regular business with due classification into first year premium and renewal premium.

- Insurers are advised to strictly apply the percentages of allowable expenses as specified under Rule 17D on premium net of reinsurance' in case of first year premium and renewal premium under life insurance business; and premium received in case of annuity business and single premium business; and ensure that computations are in accordance with IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, especially in terms of classification of business lines and segments.

ANTI CORRUPTION LAWS

All stakeholders important for fighting corruption

"*We have a fundamental duty to do our job in a way in which the nation as a whole progresses*", said Sri R. Sri Kumar, Vigilance Commissioner, Central Vigilance Commission, at a function arranged in April, 2012 as a part of a year-long celebration of Corporation Bank Officers' Organization entering its 40th year. Sri R. Sri Kumar, held that people take Unions as anti-establishment. However, Unions were necessary, since they pointed out what was going wrong in the organization, people on the street were asking for more probity in public life. People talk about the three C's viz. CVC, CAG and CBI acting as an impediment to commercial decisions and blocking progress in business. However, Vigilance also involves working together for the common goal. CVC with about 300 staff alone can not fight corruption. Participation of every stakeholder is needed. In our fight against corruption, participation from every stake holder namely, employees, officers, customers, citizens etc. is important.

ENVIRONMENTAL LAWS

Workshop on Equity and Climate Change

The workshop was divided into three sessions namely: 'Equity: Context, Interpretation and Approaches', Equitable Access to Sustainable Development – a Dimension of Equity' and 'Equity and Durban Platform'.

A workshop on Equity and Climate Change was hosted by India in New Delhi on 12th April, 2012. The workshop was inaugurated by Mrs. Jayanthi Natarajan, Minister for Environment and Forests of India and was attended by senior negotiators/representatives of Argentina, Brazil, China, Egypt, Gambia, Mauritius, Qatar, Saudi Arabia, South Africa, Swaziland and Thailand. Mr. Martin Khor, Director, South Centre and Ms. Meena Raman from Third World Network also attended. The workshop was aimed as a brainstorming opportunity to discuss the continued importance of equity and its appropriate articulation in the context of the global response to climate change and how to address this important issue as part of the forthcoming negotiations under the Durban Platform. The workshop was divided into three sessions namely: 'Equity: Context, Interpretation and Approaches', Equitable Access to Sustainable Development – a Dimension of Equity' and 'Equity and Durban Platform'. It was emphasized that consensus around Equity as a principle is critical for Durban Platform negotiations and a discussion on the various elements of Durban Platform must be preceded by an agreement on the principles on which it would be based upon.

Environmental Clearance for Coal linked Projects

It is essential to have detailed information regarding quality of coal to assess the environmental impacts of a thermal power project. The various important parameters of coal quality, inter alia, include (i) calorific value; (ii) sulphur content and (iii) ash content. The calorific value of coal would determine the quantity of coal requirement per unit of power generation, ash content would determine the land requirement for the ash pond as also the water consumption for its disposal in slurry mode and sulphur content would impact on the SO_2 emissions which, in turn, would affect the air quality. It is, therefore, essential to provide firm coal linkage for consideration of proposals for environment clearance of thermal power projects and other projects which are largely dependent on coal as a raw material. It is clarified that the coal linkage could either be in the form of a linkage through a specific mine or a basket of mines or through dedicated coal block, in the form of linkage accorded by Standing Linkage Committee of the Ministry of Coal or a fuel supply agreement. In the eventuality of change in coal parameters, it would be necessary that the project is referred back to MoEF to revisit the environment clearance granted earlier so as to assess the adequacy of the conditions already stipulated and to incorporate any additional condition as may be necessary in the interest of environment protection control of SO_2 emissions.

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AN OVERVIEW:

- Founded by Mr. O.P. Khaitan in 1990. Currently being managed by Mr. Gautam Khaitan as its Managing Partner;
- Well established, reputed, skilled and professionally managed full service Law Firm.
- Long associations with many International law firms in different jurisdictions.
- Quality of Legal Services - immaculate, consistent and impeccable.
- Our Members and Associates - Qualified from National and International Universities.
- Firm's Paramount Concept - "Clients' Satisfaction".
- Retained By - Several National and International Clients with Cross-Border Investment Objectives around the Globe.
- Key Focus – Cross-Border Mergers, Joint-ventures & Acquisition.
- 40 Lawyers + Paralegal and Support Staff of more than 40 people.
- The Office of the Firm-based in the prime location of South Delhi and is established in 4 floors totaling to 12,000 sq. fts. office space.
- The Firm is one of the exclusive members of several international networks of law-firms through which we ensure ready access to formal legal advice to our clients in other jurisdictions around the world.

"What if we can help those things that really matter..."

FROM OUR LAWYER'S DESK

The Public Procurement Bill, 2012

With the revelation of so many big scams in the recent years, the nation felt the need for a strong and transparent legislation to curb corruption. In pursuance of the recommendations of the Committee on Public Procurement headed by Shri Vinod Dhall and the decisions of the Group of Ministers thereon as well as the announcement in the Prime Minister's Independence Day address regarding the introduction of a Public Procurement Bill, the Department of Expenditure had, on 29th November, 2011, uploaded a draft Bill called 'The Public Procurement Bill, 2011' for comments. A Drafting Committee had also been constituted to carry out wide consultation on the draft Bill and to revise it on the basis of suggestions received. Taking into account the issues raised during several rounds of consultation by the Drafting Committee and the comments received from various Ministries / Departments /CPSEs /Autonomous bodies /Private Individuals / Industry and various other organizations in response to the draft Public Procurement Bill 2011, a modified draft 'The Public Procurement Bill, 2012' had been prepared.

The objective of the Bill is to ensure "transparency, accountability and probity in the procurement process, fair and equitable treatment of bidders, promoting competition, enhancing efficiency and economy, safeguarding integrity in the procurement process and enhancing public confidence in public procurement". The Bill would cover procurement by the autonomous and statutory bodies controlled by the Central Government and other procuring entities. The Bill envisages a set of detailed rules, guidelines and model documents and builds on national and international experience and best practices. It codifies the fundamental principles governing procurement, essential for achieving economy, efficiency and quality as well as combating corruption and legally obligates procuring entities and their officials to comply with the principles. The Bill also provides mandatory provisions regarding key aspects of the procurement process and requires establishment of time frames for decision making. The proposed legislation provides for adequate flexibility to take into account diversity of needs and types of procuring entities, types of procurement needs and methods of procurement.

The Human Resource Development and Telecom Minister Kapil Sibal said "*The Bill is exceptionally important as it is a part of our commitment to deal with the issue of corruption. Part of our commitment is to ensure that in government functioning, there is both accountability and transparency*". He also said "*the Bill would create a statutory framework for public procurement, which would provide greater accountability, transparency and enforceability of the regulatory framework. It would cover procurements by ministries or departments of the Union Government, its attached or subordinate offices and Central public sector enterprises*". This, the United Progressive Alliance feels, would salvage its scam-tainted image ahead of the 2014 Lok Sabha polls. The Union Cabinet in a meeting chaired by Prime Minister Manmohan Singh approved the Bill, which seeks to regulate procurement worth INR 50 lakh and above by the Union government.

The Bill, according to the statement of objects and reasons, will codify the basic norms to regulate public procurement and provide for debarring bidders found engaged in corrupt practices. The Bill also provides for a jail term ranging from six months to five years for public servants found guilty of demanding and accepting bribes from bidders of government contracts. There is no over-reaching legislation governing public procurement by the Central Government and Central Public Sector Enterprises. Currently, the General Financial Rules, 2005 govern procurements made by the Centre.

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