

ber relationship with the ECM. If Nigeria and these countries do succeed in their efforts, India's trade with them will suffer. This possibility adds further urgency to India's own negotiations with the ECM. Since the collapse of Britain's EEC entry negotiations, India has submitted five notes requesting the EEC to consider her specific problems. Now at last there is some hope that such attention may be forthcoming. However, though the EEC Commission seems to have been impressed by India's problems and the proposals India has made to tackle them, there are indications that it would like to delay action till some global solution for the developing countries as a group can be devised.

Dastur Restored?

A Correspondent writes:

THE Union Cabinet, on the recommendation of the Cabinet Secretary who was asked to look into the matter, has decided that Dastur and Co will be "associated" with the construction of the Bokaro steel plant as far as possible and that it would remain a private firm without Government participation. The precise extent and terms of association have not been spelt out but Dastur might be offered such of the engineering and designing work as would not require Soviet expertise. This, if interpreted in the right spirit, is what should have been made explicit at the time of signing the agreement with USSR. There was no question ever of Dastur designing the equipment to be supplied from abroad because it is always the supplier who undertakes the design and supply of equipment and the responsibility for its performance. The buyer chooses his own consultants to advise him and co-ordinate the project, which in the case of Bokaro involves a fairly large amount of work since 35 per cent of the equipment, apart from civil construction and procurement, would be domestic. Surely, it was not the Steel Minister's intention that the domestic part of the construction should also be handled by Soviet experts? What is required now is not: just a vague association of Dastur with Bokaro but a clear spelling out of its responsibilities as Government consultants.

Part of the damage has already been done since Dastur has retrenched about 400 of its 900 engineers—and many of the rest have accepted cuts of up to 75 per cent in their emoluments which is a tribute to the team spirit that has been built up in this firm. But it has

the Durgapur alloy and steel plant to its credit and also a contract for a steel mill in Pakistan. The dangers to which Dastur has been exposed bring out the difficulties of a single major consultancy firm which has to maintain a large staff on its payroll. In other countries, consultancy firms enjoy the advantage of division of labour through farming out sub-contracts and casual employment of specialised personnel. This activity has hardly developed here, largely because foreign collaborators are given or take turn-key jobs, not all of which have turned out to be satisfactory, to put it in mild terms. Dastur and the Designs Organisation of Hindustan Steel are the swallows which definitely do not make the summer. Now that Dastur has been restored to its rightful place (so one hopes), Government and private entrepreneurs must look about to encourage promising consultancy and design teams in or her industries.

New Thinking on Corruption

SOME recent developments, if pursued, hold out hope that something may yet be done to fight corruption both at the political and administrative levels. The current *impasse*, especially with regard to political corruption, cannot be allowed to continue. A variety of ad hoc expedients have been devised in the past to look into cases of corruption at the ministerial level. This was unavoidable in the absence of an independent high-powered machinery to look into them. It was, therefore, gratifying to hear the Home Minister tell the last session of Parliament that: the Government's experience of handling the corruption charges against the Orissa leaders, Biju Patnaik and Biren Mitra, "called for rethinking" about the procedure for enquiring into allegations of corruption against political leaders. While Nanda maintained that in the Orissa affair no independent body could have come to a conclusion different from that of the Cabinet Sub-Committee, he conceded that the Sub-Committee could not be considered an independent agency. Hence, according to him, the Prime Minister was thinking in terms of a new approach.

The Home Minister's statement gave a fillip to the demand for an ombudsman which has found support among leading jurists and men in public life. The Chief Justice of the Supreme Court has generally welcom-

ed the idea as has the former Attorney General, M C Setalvad. The Committee on Administrative Reforms appointed by the Rajasthan Government has recommended an ombudsman for the State. The subject has also come up in Parliament more than once. During the last session, the Minister of State for Home Affairs, Jaisukhlal Hathi, announced that a consultative group of Members of Parliament drawn from all parties would consider the setting up of a suitable machinery for redressal of public grievances. This was in the course of the debate on a non official resolution calling for the setting up of an ombudsman. Hathi reverted to this subject on Wednesday this week to disclose that the report of the Parliamentary study group on ombudsman would be ready in about two months.

With regard to corruption at the administrative level, the Central Vigilance Commission and its counterparts in many States have completed a year of quiet existence. Nittoor Srinivas Rau, the Central Vigilance Commissioner, revealed at the end of a three-day Conference of Vigilance Commissioners at Bangalore last week that neither at the Centre nor in the States had there been a single case where the advice of the Vigilance Commission had been rejected by the Governments. All the same, he pressed for an independent and statutory basis for the Commissions. As he put it: "To assist the Government in the maintenance of discipline of services, it is essential to establish proper conventions and traditions which, while enabling the commissions to function with independence and detachment, will ensure harmony and understanding between the Commissions and the administrative machinery and also help strengthen public confidence in the vigilance organisation all over the country". This advice, based on a year's experience of handling corruption cases, cannot be lightly brushed aside. If it is conceded, a very important step will have been taken in the fight against corruption.

Local Finances

IN a developing economy with decentralisation of power, local bodies must necessarily shoulder more and more responsibility. On how adequately such bodies in India are equipped to perform their functions, we have had hitherto, very little in-

formation. The Reserve Bank's study of local finances (summarised in the Bank's Bulletin of May 1965) covering selected ports, city corporations and municipalities over a period of ten years is, therefore, a useful contribution to the study of this significant segment of our public sector,

A general expansion of the activities of local bodies is only to be expected; what is of interest is their approach mobilisation of resources and the extent to which their expenditure is development-oriented. Among the three categories of local bodies studied in the Reserve Bank survey, city corporations predominate and their finances are, therefore, of special interest. While the total income of all the three categories increased from Rs 67.9 crores in 1951-52 to Rs 230.1 crores, that of city corporations jumped from Rs 35.7 crores to Rs 148.4 crores. Likewise, city corporations' expenditure rose to Rs 180.0 crores in 1962-63 from Rs 34.8 crores in 1951-52. From the comparison of revenue from various sources given in the Table one can see that city corporations have certainly stepped up their tax efforts and that profits from remunerative enterprises have also gone up and contribute significantly to revenues.

Taking all local bodies together there has been a more than fifteen-fold increase in expenditure on public

health, public works and public instruction between 1951-52 and 1962-63. The shift in expenditure towards welfare and developmental activity is even more pronounced in the case of city corporations. For the 17 corporations considered, while general administration accounted for only 3 1/3 per cent of total expenditure, public health and convenience, public works and public instruction together accounted for 45 per cent. Expenditure on new construction of roads, buildings, machinery, equipment, vehicles and general repairs, which may be taken as an approximate index of capital formation, came to 18.5 per cent in 1962-63 for all local bodies.

Concurrently with the expansion of their activities, the corporations have come to depend more on governments for their finances. In 1960 borrowings from governments was just about half of market loans; in 1962, on the other hand, it was twice as much.

Share of Different Sources as Per Cent of Total Revenue of City Corporations

	61-62	'62-63
Taxes	20	40
Rates	10	7
Profits from remunerative enterprises	7	14
Receipts from property	2	2
Grants from Government	6	7
Loan Receipts	10	18

port earning is less than the value of the import content of the exported articles. Even in regard to the other items, say item D, practically the whole of the value of the bonus entitlement would be taken up in the value of the import content of the article with the result that there would be no incentive to the producer to export this product if the internal price is higher. We need not discuss at this stage why the internal price is higher. Would not Gulati's scheme, therefore, have a retrograde effect on the total volume of exports under the entitlement scheme?

There is another point which has not been touched upon in the article under consideration. This is the question of the importance to be attached to imports which are allowed to the exporters under the existing bonus entitlement scheme which can be sold by the exporters in the internal market. It should be appreciated that these articles are not imported for fun. There is a genuine shortage of a large number of goods in India which have to be imported as a necessity and not as a luxury. If they are not allowed to be imported under the Export Promotion Scheme, they would have to be imported in any case. It is, therefore, not quite correct to say that the total outlay and not the increase in outlay on bonus entitlement should be taken into account in making the appraisal of the outgoings against bonus entitlement. If this factor is taken into account, the value of the entitlement schemes will be found to be much higher than made out in the article.

Finally, I do not see why a bonus voucher scheme on the lines of Pakistan should not be tried. Pakistan gets away with it although she is a member of the International Monetary Fund. If such bonus vouchers are allowed on all exports except those which move on their own merits without assistance, and are freely saleable in the market, a good deal of administrative drudgery could be avoided and exporters would know exactly where they stand. The use of these bonus vouchers could also be restricted to the import of raw materials, components and other goods considered essential for the life of the nation. Perhaps Gulati would like to study the Pakistani Bonus Voucher Scheme and express his views on it,

R G SARATYA

Bombay,
June 7.

LETTER TO EDITOR

Export Promotion through Import Entitlement

I HAVE read with great interest I S Gulati's article, "Export Promotion through Import Entitlement", in your issue of May 22, 1965. He has certainly brought a certain amount of clear thinking on the problem which is of vital interest to the country. Broadly speaking, the modified oasis suggested by him for import entitlement substitutes bonus entitlement at 36.5 per cent of the export earning against the present scheme which gives import entitlement by way of twice the import content of an export product, subject to a ceiling of 75 per cent of the FOB value of export, with certain specific modifications on either side. It may be mentioned that the present scheme of import entitlement is based on the actual requirements of the export trade as analysed and examined by the Ministry of Commerce. With varying degrees of competition of various products exported, and with varying values of the

import content of the same, some kind of *ad hoc* arrangement has been arrived at. A product by product examination to know the value of net foreign exchange earned in each case would, therefore, be of great value so as to focus attention on those items where a variation in the import entitlement is likely to achieve greater results. Also, unnecessary detailed work may be avoided in the case of minor items where gains in foreign exchange may be negligible. This may be an empirical approach, but it is likely to yield results.

Regarding Gulati's suggestion of fixing bonus entitlement at 36.5 per cent (with a view to ensuring that it is within the limit set by our present restraint), I would like to make a reference to Table 3A of his article. Under the modified scheme, exports of items falling under E, F and G are likely to be severely handicapped, as the bonus entitlement at 36.5 per cent of the ex-