

BROOKINGS  
INSTITUTION INDIA  
CENTER

*ANNUAL REPORT  
2014-15*

## **BIIC Vision & Mission**

The Brookings Institution India Center is a not-for-profit research organization established in 2013 registered in the state of NCT of Delhi under the Section 25 Companies Act of 1956.

The main object of 'Brookings India' is to conduct high quality, independent scholarly research relating to policy issues in India, including with respect to India's ties with other countries.

Brookings India provides innovative, practical policy recommendations to the Indian government, civil society and the public in India and overseas. The institution serves as a platform for research on Energy and Environment, Development Challenges, and Foreign Policy. Brookings India's research and policy recommendations helps civil society, the private sector, media and the wider public in India and the United States to better understand existing policy issues and solutions.

## Chairperson's Message:


It gives me great pleasure to place before you the Annual Report of the Brookings Institution India Center (BIIC) for the year 2014-15. Brookings India has made considerable progress in research areas on our verticals of development challenges, foreign and security policy, and energy and environment in 2014-15.

At Brookings India, our scholars are deeply invested in impacting policy-making at the highest level. Their efforts towards this have included various panel discussions, briefings and closed-door meeting with various stakeholders. Scholars are also individually engaged with policymakers on a range of issues.

While BIIC continued to work towards strengthening its existing domain work, a series of new initiatives were undertaken. Details of our activities in the different core research areas have been included in the report.

We are grateful to our Founder Circle Members for their generous support to BIIC for fostering research work. I am also grateful to Dr. Subir Gokarn, Director Research, and the team of BIIC for the excellent work put in by them. I would also like to express my gratitude to our interns and other innumerable people and institutions that make our journey complete and meaningful.

The report will enable readers to appreciate the scope and diversity of our research work initiatives in various fields.



Vikram Singh Mehta

# Director's Message

This year was very fruitful and productive year for Brookings Institution India Center (BIIC). Although it is a second year BIIC has made remarkable progress in its research areas on the verticals of economics, International affairs, energy and the environment. BIIC continued to devote its efforts towards enhancing research programmes.

Brookings India's research and policy recommendations helps civil society, the private sector, media and the wider public in India and the United States to better understand existing policy issues and solutions.

In this year we have conducted more than 15 dialogue discussions on Education, Energy and Environment, Economics, and Foreign Policy. We have published more than 4 books and reports this year. Details of our activities in the different core research areas have been included in the report.

I would like to take this opportunity to sincerely thank to our Founder Circle members for their generous support and confidence in the Research work of BIIC. I would also like to share my deep sense of gratitude to our Chairperson, Board of Directors and the BIIC team for their support through the year. We would be delighted to hear your ideas and suggestions for making our work more effective.



**Subir Gokarn**

# Energy

## Context

Brookings scholars focused efforts on energy in India across several domains and specific research topics, including energy independence, energy security, and holistic treatment of energy, clean energy, and smart grids.

## Research Undertaken

Brookings India has undertaken significant research in the Energy and Environment domain during financially or 2014 through 15. Work undertaken includes the below, some of which is ongoing:

**1) *Electrification and access to energy.*** In the space, (working jointly with a researcher at Carnegie Mellon) we produced a study showing, for the first time, a range of disparities between rural and urban supply of electricity on existing feeders. This was a data-driven analysis using data from the state of Karnataka, which is the only state in India to have a SCADA system providing visibility down to all the 11 KV distribution feeders. This showed what was previously known only anecdotally that not only are rural areas subject to greater load shedding (outages), the quantum is grossly disproportionate to any tariffs subsidy they may receive. Using the framework of avoided peak power procurement costs, we translated these outages into a social welfare transfer from rural homes to urban homes and metropolitan homes totaling perhaps thousands of crores of rupees per annum.

Analysis by Brookings India has definitively shown that the shortfall of electricity is far greater than officially proclaimed by CEA statistics, which are not only not based on instrumented measures of shortfall (relying instead on the state's proclaimed shortfall at a notional peak time period), these also do not measure supply and demand in a continuous (simultaneous) measure.

**2) *Renewable Energy.*** Brookings India launched major edited volume on Making Renewable Power Sustainable in India, which is a nuanced look at the opportunities and challenges of scaling up renewable energy (RE) in India, spanning grid integration, economics, institutional issues, innovation, employment, storage, etc. This work has been followed up by state centric analysis on issues of scaling up renewable energy, with multiple workshops drawing in the participation of the central government (MNRE) as well as state distribution companies including the Load Dispatch Centers.

Dr. Tongia was invited to join and be the lead co-chair of Working Group 4 (Policy) of the Clean Energy Finance Forum (CEFF), a consortium initiated at the request of the Minister for Power, New Renewables, and Coal. CEFF was an outcome of the government's RE-Invest global summit in February 2015.

**3) *Smart Grids.*** Dr. Tongia is a leader in the Smart Grid space in India, continuing as Technical Advisor to the government of India's Smart Grid Task Force, as well as the India Smart Grid

Forum. In addition to multiple contributions and analyses under those bodies, he has been active in helping the formulation of new smart meter standards as well as capacity building through workshops, training programs, and conferences. Dr. Tongia was a member of the technical committee for India Smart Grid Week 2015, delivering a number of lectures, training modules, and also the valedictory plenary address.

**4) India's Future Grid.** Dr. Tongia has been active in analyses on the future of the Indian electricity grid especially in a transformed state with higher renewables. Working with his student at Carnegie Mellon, they have examined through simulation new designs for ancillary services markets for India. These have been shared with the regulatory commission and have provided inputs for India's Draft ancillary services systems.

**5) Climate Change.** Dr. Tongia has several publications on climate change and India, especially from an energy perspective.

**6) Pricing and Reform of Power.** Ongoing studies at Brookings India have examined in detail issues of political economy and reforms in electricity in India.

#### **Citations and mentions**

The extensive list of publications and presentations (below) shows the visibility and reach of Brookings India efforts in the energy and environment space. This excludes mentions and interviews by media including national newspapers and even the international press (such as the leading US news program on National Public Radio).

#### **Publications:**

##### **Dr. Rahul Tongia:**

##### ***Books/Book Chapters***

- R. Tongia, Editor, "[Blowing Hard or Shining Bright? Making Renewable Power Sustainable in India](#)" Volume, Brookings India (2015).
- R. Tongia, "Introduction and Summary" Chapter in *Blowing Hard or Shining Bright? Making Renewable Power Sustainable in India*, Brookings India (2015).
- R. Tongia, "If renewables are the answer, what was the question? Technology-policy issues in the context of the Indian power grid" Chapter in *Blowing Hard or Shining Bright? Making Renewable Power Sustainable in India*, Brookings India (2015).
- R. Tongia, "The Economics of Renewable Power: 'It Depends'" Chapter in *Blowing Hard or Shining Bright? Making Renewable Power Sustainable in India*, Brookings India (2015).
- R. Tongia, "Smart Grids, Storage, and Renewables – Pillars of the Future Grid" Chapter in *Blowing Hard or Shining Bright? Making Renewable Power Sustainable in India*, Brookings India (2015).

### **Peer Reviewed Journals**

- H. Safiullah, G. Hug, and R. Tongia, "Design of Load Balancing Mechanism for Indian Electricity Markets" *submitted for publication*.
- H. Safiullah, G. Hug, and R. Tongia, "Analysis of Real-Time Balancing Mechanism Options in Indian Electricity Markets" *submitted for publication*.

### **Journals (not Peer Reviewed)**

- Tongia, R. (2015) 'India's Electricity Future: Change is inevitable – how much, how fast?', *Oxford Energy Forum*, No. 99, Oxford University, February 2015.
- R. Kumar Pillai and A. Chandramouli with R. Tongia and B. Hartland-Johnson, "Smart Grids as Backbone for Smart Cities", *Energy and Fuel Users' Journal*, Apr. – Jun. 2014.

### **Major Conferences and Symposia**

- Technical Committee, *India Smart Grid Week 2015 (ISGW 2015)*, organized by the India Smart Grid Forum with the Ministry of Power, Bangalore, March 2-5, 2015.
- R. Tongia, Chair, Plenary Session: *Emerging Technologies that New India should embrace for the Big Leap!*, ISGW 2015, Bangalore, March 5, 2015.
- R. Tongia, "India's Smart Metering Market", at Track A: Future Electricity Grid Supporting Low Carbon Energy Supply and Energy Security, Session A4: Smart Metering, ISGW 2015, Bangalore, March 5, 2015.
- R. Tongia and P. K. Yemula, Tutorial and Master Class: Introduction to Smart Grids, at ISGW 2015, Bangalore, March 2, 2015.
- Moderator, Session on Smart Grids, *RE-Invest 2015* (Renewable Energy Investment Summit), Organized by the Ministry of New and Renewable Energy, Govt. of India/CII/FICCI, New Delhi, February 17, 2015.
- Chair, Panel on Innovation for Inclusion in Energy Access, *International Conference on Innovation for Inclusive Growth*, organized by OECD/World Bank, New Delhi, February 11, 2015.
- R. Tongia, Invited presentation on "Smart(er) Metering: An Enabler of Transformation" presented at the Ministry of Power's States 2<sup>nd</sup> RPM (Review and Performance Monitoring), New Delhi, February 10, 2015.
- R. Tongia, Panelist, "Learning by Doing - The International Perspective", SGIP 2.0 Conference 2014, Nashville, September 16, 2014. *Also signed the SGIP-ISGF MoU on behalf of India*.
- R. Tongia, "Anticipating and Enabling Change: BAU or Better?" presented at the SAP Forum 2014, New Delhi, August 13, 2014.

## **Policy Briefs / Op-Eds / Editorials / Commentary / Blogs /Magazines / Briefing Books:**

- R. Tongia, "[Brightening the Future with the Sun and Wind](#)" Opinion in *The Hindu*, February 18, 2015.
- R. Tongia, "[India and Climate Change: Reversing the Development-Climate Nexus](#)" in Brookings Institution Briefing Book *The Second Modi-Obama Summit: Building the India-U.S. Partnership*, January 2015.
- R. Tongia, "[Collectively Building Infrastructure in the SAARC Region](#)," in Brookings India Briefing Book *Reinvigorating SAARC: India's Opportunities and Challenges*, November 20, 2014.
- R. Tongia, "[Electrified, but Without Electricity](#)" Opinion in *The Hindu*, October 7, 2014.
- R. Tongia, "[India-U.S. Energy Cooperation: Moving to Green, Clean and Smart](#)" in *India-US Policy Brief*, Brookings Institution, Washington, DC, August 27, 2014.
- R. Tongia, "[Why plumbing in India starts leaking in a few months while it lasts decades in the West](#)" in Quartz.com, August 10, 2014.
- R. Tongia "[No Imminent Renewables "Death Spiral" for India's Utility Companies, but Other Challenges Are Looming](#)," Brookings' *PlanetPolicy* Blog, June 10, 2014.
- R. Tongia "[Smart Grids in India: Separating Hype from Hope](#)," Brookings' *PlanetPolicy* Blog, May 29, 2014.
- R. Tongia "[Why Renewable Energy Is Harder in India than in Other Countries](#)," Brookings' *PlanetPolicy* Blog, May 21, 2014.
- R. Tongia, "[Time of day electricity pricing: From utilities to consumers](#)," Brookings India, May 7, 2014.
- Interview with R. Tongia, *Smart Utilities Magazine*, New Delhi, April-June 2014.

## **Technical and Other Reports/Publications (incl. White Papers)**

- (Contributor and co-editor), "Smart Metering Scenario in India" – Report for the Ministry of Power prepared by India Smart Grid Forum, March 31, 2014.

## **Working Papers**

- S. Harish and R. Tongia, "[Do rural residential electricity consumers cross-subsidize their urban counterparts?](#)" Brookings India Working Paper 04-2014, August 2014.

## **Discussion Notes / Discussion Papers**

- R. Tongia, "[Re-thinking Access and Electrification in India: From Wire to Service](#)" Brookings India Discussion Paper 01-2014, September 2014.



**Workshops / Seminars / Special Lectures / Briefings # / Tutorials (# excl. private briefings to government/industry leaders)**

**Energy/Power**

- R. Tongia, “Policy Perspectives: Roof-Top Solar, Net Metering and More”, 2<sup>nd</sup> Annual Conference on Rooftop Solar, Organized by India Infrastructure, New Delhi, March 18, 2015.
- R. Tongia, organizer, Brookings-MNRE-KPTCL Workshop on Making Renewables Sustainable: A Karnataka RE Discussion, hosted by KPTCL, Bangalore, March 6, 2015.
- Discussant, Roundtable on 24x7 Power For All/IPDS, Ministry of Power, New Delhi, February 19, 2015.
- Panelist, “Collaboration of Industries and Universities on Energy Research”, Faculty Alumni Network Symposium, Organized by IIT-B, Goa, January 17, 2015.
- R. Tongia, Chair, Roundtable on Making Renewables Sustainable, Organized by Brookings India at the launch of the book *Blowing Hard or Shining Bright? Making Renewable Power Sustainable in India*, New Delhi, January 8, 2015.
- R. Tongia, Book Overview Presentation at Book launch of *Blowing Hard or Shining Bright? Making Renewable Power Sustainable in India*, Brookings India (2015) by Indian Minister for Power, Renewables, and Coal, New Delhi, January 8, 2015.
- Moderator, Panel on “Smart Grids / Smart Cities”, *Energy Storage India 2014*, New Delhi, December 5, 2014.
- Discussant, Workshop on RE and Storage, Organized by International Renewable Energy Agency (IRENA), New Delhi, December 3, 2014.
- R. Tongia, “Smart Grid, Smart Future, and More: Why it won’t be Business As Usual” Training at *Advanced Training Program on Smart Grid*, Organized by Pandit Deendayal Petroleum University, supported by Asian Development Bank (ADB), Bangalore, December 1, 2014.
- Discussant, *Future of Grid* Workshop, Organized by World Resources Institute (WRI), Bangalore, November 19, 2014.
- R. Tongia, “Smart Grid Overview” presented at *ISGF Smart Grid Boot Camp (Bangalore)*, held at BMS College of Engineering, Bangalore, November 15, 2014.
- R. Tongia, “Smart Grid Communications and Security” presented at *Cyber Security Training Program (Bangalore)*, organized by ISGF in cooperation with National Critical Information Infrastructure Protection Center (NCIIPC), Bangalore, November 13, 2014.
- R. Tongia, “Smart Grid Policy and Regulation” presented at *ISGF Smart Grid Boot Camp (Bangalore)*, held at BMS College of Engineering, Bangalore, November 15, 2014.
- R. Tongia, “Smart Grids: Indian Industry Collaborations and Expectations from Sweden,” at *Nobel Week 2014 Seminar* on RE and Smart Grids, Organized by the Embassy of Sweden, New Delhi, October 31, 2014.
- **Chief Guest** and Keynote “Electric Vehicles and the Grid: Smart or Bust”, at the Electric Vehicle/Hybrid/Solar Vehicle Industry Conference, organized by EVI Magazine and Sponsored by MNRE, Bangalore, August 12, 2014.

- Discussant, *Roundtable on Innovation*, organized by Quartz.com, Bangalore, August 6, 2014.
- Organized a Discussion Workshop “[New Strategies for Improving and Sustainable Electricity Access in Karnataka](#)” with the State Electricity Regulatory Commission Chairman, MD KPTCL, MD BESCOM, and other leaders (public and private), Bangalore, July 30, 2014.
- Discussant, Deep-Dive Workshop on Connectivity, X-Prize Foundation, Bangalore, June 12, 2014.
- Discussant, Deep-Dive Workshop on Solar Storage, X-Prize Foundation, Bangalore, June 11, 2014.
- Discussant, *Strategic dialogue on India Energy Security Scenarios 2047 Tool (Planning Commission)* Organized by Prayas, Swiss Agency for Development and Cooperation, and the Planning Commission, New Delhi, May 20, 2014.
- Moderator, Panel on “India’s Energy Needs: Now and into the Future”, Brookings India, April 7, 2014.

#### **IT and Telecommunications (\* incl. IT for Smart/Sustainable Energy)**

- \* R. Tongia, Panelist, “Changing India” – The Smart City Revolution,” Panel Discussion organized by Schneider-Electric, Bangalore, October 9, 2014.

#### **Mr. Vikram Singh Mehta:**

- [Column] “Believing in India Again”, *The Indian Express*, on May 5, 2014. <http://indianexpress.com/article/opinion/columns/believing-in-india-again>
- [Column] “Getting Down to the Energy Business”, *The Indian Express*, on June 1, 2014. <http://indianexpress.com/article/opinion/columns/getting-down-to-the-energy-business/>
- [Column] “Why the FM Must Digress”, *The Indian Express*, on July 7, 2014. <http://indianexpress.com/article/opinion/columns/why-the-fm-must-digress/>
- [Column] “A Story of the Clean Energy Fund”, *The Indian Express*, on August 5, 2014. <http://indianexpress.com/article/india/india-others/a-story-of-the-clean-energy-fund/>
- [Column] “Good Governance 101”, *The Indian Express*, on September 1, 2014. <http://indianexpress.com/article/opinion/columns/good-governance-101/>
- [Column] “Rhetoric Signifying Something”, *The Indian Express*, on October 6, 2014. <http://indianexpress.com/article/opinion/columns/rhetoric-signifying-something/>
- [Column] “Over the Barrel on Oil Lets Play the ‘what if’ Game”, *The Indian Express*, on November 3 2014. <http://indianexpress.com/article/opinion/columns/over-the-barrel-on-oil-lets-play-the-what-if-game/>

- [Column] “An Indian Information Technology Service”, *The Indian Express*, on December 1, 2014. <http://indianexpress.com/article/opinion/columns/an-indian-information-technology-service/>
- [Column] “Over the Barrel Oilpolitik”, *The Indian Express*, on January 5, 2015. <http://indianexpress.com/article/opinion/columns/over-the-barrel-oilpolitik/>
- [Column] “Over the Barrel the Green Budget”, *The Indian Express*, on February 2, 2015. <http://indianexpress.com/article/opinion/columns/over-the-barrel-the-green-budget/>
- [Column] “Over the Barrel Green Fig Leaf”, *The Indian Express*, on March 2, 2015. <http://indianexpress.com/article/opinion/columns/over-the-barrel-green-fig-leaf/>

## Highlights – Events

7<sup>th</sup> April 2014

### India’s Energy Needs: Now and Into the Future

Following up on a panel discussion on energy security, wherein the Secretaries of various energy ministries of the Government of India discussed the future of energy supplies, Brookings India and McKinsey & Company hosted a discussion to examine the demand-side ramifications. Panelists included representatives from government, civil society, academia, and industry: **Mr. P.K. Sinha**, Secretary, Ministry of Power; **Mr. Vijay Chhibber**, Secretary, Ministry of Transportation and Highways; **Mr. Ashok Sreenivas**, Head of Policy, Prayas; **Mr. Satish Kumar**, Energy Efficiency Ambassador, Schneider Electric; and **Mr. Vipul Tuli**, Director, McKinsey & Company.

#### Background and Context

A key factor that underlies questions on how energy demand is anticipated to change in the future is that India’s current demand is low because of economic reasons, and that as the country gets richer, consumption will also increase accordingly. In estimating what “Business as Usual” (BAU) will look like in coming years, two studies provide a starting point. First, the McKinsey Energy Security 2030 analysis defines BAU as a doubling of demand, which would take India to about 1500+ MTOE primary energy, implying a 1 percent annual improvement in energy intensity (energy per GDP). Through aggressive interventions, this demand could potentially be brought down by 10 percent.

Additionally, the Planning Commission has created a 2047 Energy Security Toolkit, which serves as a scenario builder based on aggregation and balancing. The BAU primary energy supply is 1864 MTOE, for a demand of 1229, or about 2/3 of supply. Factoring in “heroic efforts” all around, i.e., for everything in both supply and demand, this scenario builder brings demand down to 897 MTOE (a 27 percent reduction). Supply is similarly reduced, but the level of supply reduction depends on assumptions about carbon capture and sequestration, which consumes enormous primary energy but reduces carbon emissions.

In the context of such studies and surveys, panellists shed light on what they expect BAU to look like in the coming five, ten, and twenty-five years, and recommended policies to improve and shift this number.

### **Key Insights**

Broadly, the panel recognized that a deviation from BAU will be challenging, pointing to several constraints that need to be ameliorated. Overall, the **management of demand, it was concluded requires energy efficiency, conservation, and independence from energy usage**. Some of the most pertinent points that emerged cantered on:

#### ***Pricing and Subsidy Structures:***

Panellists raised several concerns with the existing pricing and subsidy mechanisms. One of the most significant recommendations was that we **need to take a more integrated view of energy pricing**. This is embedded in the much larger need for a more cohesive and comprehensive energy framework. Currently, the pricing of energy is isolated, leading to several distortions and coordination problems. For instance, heavy subsidies on some energy sectors reduce the incentives for using alternative sources of energy. Flat-rate pricing, they noted, leads to greater dependency on petrol, thereby causing the import bill to rise.

**Agency and signalling problems** in pricing must also be addressed – for example, the person who installs the equipment is often not the person who pays the energy bill.

On the point of subsidies, the panel unanimously concluded that the **existing subsidy regime must be reformed in order to promote energy efficiency** in the energy demand sector. **Existing subsidies have several externalities that need to be ameliorated**; for instance, the subsidy on kerosene has tremendous opportunity costs.

In the long run, panellists recommended that the pricing of energy must be market-driven, and cover the costs. In addition, **cross-subsidization must be phased-out**, and if the government chooses to subsidize some consumer categories, it should pay for this out of its own budget.

#### ***Policy versus Ground Reality:***

While the broad government tools and policies surrounding energy efficiency are visible, there is an absence of understanding at the ground-level on how these tools should be put to use, and how they should be customized for each sector to achieve efficiency. Currently, there are pools of efficiency that are visible in each sector, but these need to be scaled up.

Representatives of industry noted that while they hear claims about the vast market for energy efficiency, the on-ground market is only a tiny fraction. Businesses find it hard to visualize how they can monetize energy efficiency, and developing a business case for energy efficiency appears more challenging than developing overall policies for achieving efficiency. In light of this, panellists recommended that energy efficiency measures be taken individually for each energy consumption sector.

#### ***Unmet and Latent Demand:***

There are several gaps in the availability of demand-related statistics, and consequently we lack a complete understanding of what the present demand of energy is. But in addition, there is also a severe shortfall of energy supply. With 30% of the country lacking access to energy, India is steeped in energy poverty, and deliberate policy and government action is required to meet this unmet demand. While speaking about increasing access, panellists also discussed how “electrification” – the process of wiring a village and 10 percent of homes – isn’t sufficient, and explained the need for data on not just a wire but actual supply to the villages.

**January 7, 2015**

## **Formal launch of Renewable Energy book**

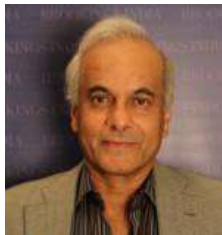
### **Panelist Bios**



Mr. Piyush Goyal  
Minister of State (IC) Power,  
Coal and New & Renewable  
Energy  
Government of India



**Mr. Upendra Tripathi**  
Secretary, Ministry of New  
and Renewable Energy,  
Government of India



Mr. Vikram Mehta  
Senior Fellow, Brookings  
Institution  
Chairman, Brookings India



**Dr. Rahul Tongia**  
Fellow, Brookings India

### ***KEY ISSUES FROM DISCUSSION***

- Renewable power has become a significant component of the energy portfolio and has generated considerable interest. However, there are still concerns for Renewable Energy such as location-specificness, cost, and variability.
- India has a capacity problem, and not just an energy problem. We are unable to provide for consistent power throughout the day especially during peak times where regular load-shedding takes place.
- Pricing is a sensitive issue for India – we cannot transfer on high prices to the people. What can be done is to look at options which can provide cheaper power today and let prices gradually escalate to remain within grid parity.
- Storage is critical to the renewable energy process, particularly because power from renewables does not come during India’s peak demand hour (7pm). There are currently 6 pilot programs underway by MNRE to study storage processes.

- The Make in India program has facilitated the creation of jobs through internalizing manufacturing in the energy space, however, more still needs to be done for human resource development.
- Renewable Energy cannot be viewed in isolation from the rest of the grid, and changes in T&D, despatch, pricing (with Time of Day pricing), etc. are part and parcel of making RE sustainable in India.

## **Impact**

In all of the areas of research, there has been significant impact not only on awareness but even policy. In a number of cases, we have been invited by decision-makers to give private briefings at the highest levels, as well as participate in helping formulate or give comments on draft policies.

The work on electrification has led to a special note for the government suggesting a new definition of electrification that goes beyond the existing definition which is oriented towards a physical connection, moving towards service delivery for households. At a special workshop organized by Brookings India at the Karnataka state level, we drew together the chairman of the regulatory commission as well as MDs of the electricity utilities for a half day multi-stakeholder discussion on such issues.

In the case of renewables, Brookings India is recognized as a pioneer in multi-domain and multi-stakeholder analysis, and is regularly invited by the government (central and state) as well as other stakeholders for knowledge sharing as well as ideas on improving policy to enhance the growth of renewable energy in India. Several of the outcomes of the state deliberations organized by Brookings have been fed into grid policy updates.

In smart grids, the government of India has approved and is close to operationalizing a National Smart Grid Mission. Working bottom-up, with state utilities, the India Smart Grid Forum initiated a Smart Utilities Group (SUG), for which Dr. Tongia was unanimously chosen as Advisor. He has also advised a number of state utilities in their IT and smart grid planning (notably in Karnataka, Delhi, and UP). At the request of the Ministry of Power, Dr. Tongia presented a briefing on smart meters as relevant to India at the February monthly RPM (review and performance monitoring) meeting, attended by the energy secretaries or utility MDs of all the states.

# **Foreign Policy**

## **Context**

The foreign policy vertical of Brookings India formally began on 1 January 2014 with the

appointment of a Senior Fellow for Foreign Policy. Prior to that Brookings India carried out only select activities related to foreign policy in the period under review.

Foreign Policy at Brookings India is developing two distinct work strands. The first looks at India's interaction with key countries and regions in its immediate neighborhood and beyond. This would include India's engagement with the U.S., China, Afghanistan and Pakistan and the broader Middle East as well as Asia Pacific. **In particular a project on the US-India Strategic Partnership and the Iranian Nuclear Challenge is underway.** Additionally, India's engagement in plurilateral setting, such as the G20, IBSA and BRICS was also studied. The second focus was on India's ability to shape evolving international norms and rules in **six areas:** climate, cyber, energy, food, maritime and a new nuclear order. Specific project proposal, some preliminary research and events were undertaken on these.

## Research Undertaken

The specific research completed and undertaken and project proposals developed include:

### Dr. W.P.S. Sidhu

- [Column] "Narendra Modi's Foreign Policy", *Mint*, on May 30, 2014.  
<http://www.livemint.com/Opinion/zqLP6PJOhGTSC67CGnydpK/Narendra-Modis-foreign-policy.html>
- [Column] "US & India: Hope of deliverance", *Mint*, on June 13, 2014.  
<http://www.livemint.com/Opinion/NB8XLNIVOGcBPH6pADY4RO/US--India-Hope-of-deliverance.html>
- [Column] "Iraq: Modi's black swan moment", *Mint*, on June 30, 2014.  
<http://www.livemint.com/Opinion/ziXjAXTPUbaHgfekhsuhZI/Iraq-Modis-black-swan-moment.html>
- [Column] "Why multilateralism matters for India", *Mint*, on July 7, 2014.  
<http://www.livemint.com/Opinion/F9CiHRSFSN2RLKID1LwwKJ/Why-multilateralism-matters-for-India.html>
- [Column] "Just another set of Brics in the wall?" *Mint*, on July 21, 2014.  
<http://www.livemint.com/Opinion/nUT5dOwDIkA0SK4dxCFmRL/Just-another-set-of-Brics-in-the-wall.html>
- [Column] "A transformative India-US dialogue?", *Mint*, on August 5, 2014  
<http://www.livemint.com/Opinion/fyEdJ95dxvMOdZBio9Tg9L/A-transformative-IndiaUS-dialogue.html>

- [Column] “A brave new nuclear deterrence world?”, *Mint*, on August 19, 2014. <http://www.livemint.com/Opinion/RhrhmGP2Q0n4uIat5bYGUM/A-brave-new-nuclear-deterrence-world.html>
- [Column] “Lessons not to emulate from Japan”, *Mint*, on September 1, 2014 <http://www.livemint.com/Opinion/r6FjGylf9aqN2RWJ9QKPxK/Lessons-not-to-emulate-from-Japan.html>
- [Column] “Modi’s prayer at the multilateral altar”, *Mint*, on September 29, 2014. <http://www.livemint.com/Opinion/bAEdlOdOI3r4IMpf775cvN/Modis-prayer-at-the-multilateral-altar.html>
- [Column] “Modi’s delivery challenges”, *Mint*, on October 13, 2014 <http://www.livemint.com/Opinion/FdwVPAiNjnCHIKvOOHOM1N/Modis-delivery-challenges.html>
- [Column] “India’s multiple multilateral opportunities”, *Mint*, on October 28, 2014. <http://www.livemint.com/Opinion/IXLwNRGD0PjNaEJEZPuAIM/India-s-multiple-multilateral-opportunities.html>
- [Column] “Saarc: building a constellation of stars?” *Mint*, on November 24, 2014. <http://www.livemint.com/Opinion/LQi8i9QuOEWNrTdRUJvfqM/Saarc-building-a-constellation-of-stars.html>
- [Column] “Learning the art of deal-making”, *Mint*, on December 8, 2014. [http://www.livemint.com/Opinion/TuBf7hT1GUHckqnHSM7MXN/Learning-the-art-of-dealmaking.html?utm\\_source=copy](http://www.livemint.com/Opinion/TuBf7hT1GUHckqnHSM7MXN/Learning-the-art-of-dealmaking.html?utm_source=copy)
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## Highlights – Events

9<sup>th</sup> May 2014



## **Setting the agenda: Foreign policy priorities for the new government**

While the foreign policy agenda has mostly been missing from the Indian national elections, the new government will be confronted with a series of international challenges that will have a direct bearing on its domestic policies and development agenda. These challenges range from ensuring energy supplies, climate change, sustainable development, international trade, maritime, space and cyber-security, non-proliferation, and cross-border terrorism. The way India addresses these challenges will also determine its global role. In addition, apart from India's immediate neighbourhood, relations with several regions, particularly the Middle East, Central Asia, Asia-Pacific and increasingly even Africa will have an impact on India's well-being. Finally a number of key bilateral relations, which had drifted or derailed, particularly with the US, China, and Pakistan, will have to be put back on track. What should the foreign policy priorities of the new government be? How will these priorities, particularly towards enhancing trade and access to technology, be implemented?

To address these questions, Brookings India held a discussion featuring Ambassador Hardeep Puri, Former Permanent Representative of India to the UN in New York and Geneva (see his remarks [here](#)), Professor Anatol Lieven, Department of War Studies, King's College London and author of *Pakistan: A Hard Country* and Dr. Rudra Chaudhuri, Senior Lecturer, Department of War Studies, King's College London and author of *Forged in Crisis: India and the United States since 1947*, along with a group of eminent academics, diplomats and foreign policy practitioners. The deliberations focused on four priorities for the new government:

### **1) Repairing relations in the immediate neighbourhood**

The first priority of the next government would be to urgently repair relationships in the immediate neighbourhood. The panel noted that bilateral relationships, particularly with Afghanistan, Bangladesh, Sri Lanka and Maldives are in a state of disorganized mismanagement and need to be addressed with "cooperation, maturity, and wisdom".

On Pakistan while there was consensus that very little progress was likely on Kashmir, there were better prospects for improved economic relations, given the Nawaz Sharif government's desire to enhance trade and also import electricity from India. Even the Pakistan army was supportive of this agenda though they worried about being reduced to a conduit. Indian subsidies were also likely to be an issue in improving trade relations.

It was argued that while the Pakistan army might not move against terrorist outfits like Jaish-e-Mohammad and Lashkar-e-Taiba they were likely to work prevent terrorist attacks for four reasons: first, cross-border terrorism has not worked; second, any new cross-border terrorist attack was likely to evoke a strong US retaliation; third, there was also likely to be pressure from China; finally, Pakistan cannot afford to take on a serious military threat from India given that nearly 60,000 of its troops are deployed in Waziristan.

### **2) Managing expectations within bilateral relationships (particularly with the US)**

India's relationship with the US was pegged as 'strategic' in 2010 but 'looks more transactional' today. Moreover, there is very little convergence between the two on critical issues affecting India's core security interests, particularly over Afghanistan, Bangladesh, Sri Lanka and Maldives. The Khobragade affair and the intellectual property protection issue have created

further obstacles to developing the relationship positively. However, it was argued that blame for this state of affairs should be 'equally apportioned on both sides' and, consequently, 'corrective action must equally be a joint effort'.

It was noted that historically the US and India have had a great deal of consistency without deep disagreements from either end. However, managing expectations is one of the deep problems with this relationship. In response to the UPA leaving behind a failed foreign policy platform, one panellist stated that actions of the UPA 1 transformed the relationship. There has been a "brick-by-brick, block-by-block" approach to developing the relationship between the two countries. The NSA, however, is a fairly new creation. A period of transition with a handover process is needed, during which it is necessary for crisis management to take place.

### **3) Developing a 'game-changer' relationship with China**

If handled properly India's relations with China could prove to be a game-changer. The 'conspiracy of silence' over the Henderson Brookes report, the stapled visas and the 17 round of border talks between the Special Representatives is counter-productive to developing an effective approach to current relations with China.

As two developing countries facing similar development challenges the cooperation between China and India in the multilateral arena has been 'significant and productive', even though their individual domestic approaches are not similar.

However, China's more aggressive stance along the Line of Actual Control as well as in Tibet, where a joint exercise between Pakistan and China was reported, coupled with the growing trade deficit will have to be carefully managed. Presently India's exports are at \$17.3 billion, while China is exporting nearly \$50 billion to India. While both countries have set a target of 100 billion bilateral trade in 2015, it was noted that this should not be at the expense of an even larger trade deficit for India.

### **4) Articulating India's normative position more effectively**

The panel noted that India's positions on international norms like 'responsibility to protect' (R2P), needs to be more nuanced. For instance when it comes to the choice between absolute sovereignty or responsible sovereignty, India believes it to be the responsibility of the international community to play a role and intervene. The confusion, however, stems from pillar three of R2P – how exactly the concept should be enforced through military intervention by the international community. It is in this pillar that the nuance of India's position must be taken into account. Indeed, the ability to communicate India's unique position has been a consistent failure for the last 60 years.

The panel also noted that the various issues connected to India's nuclear doctrine, strategy and posture need to be examined. The nuclear doctrine needs to be viewed in the context of the previous government's failure at updating India's nuclear doctrine and balance the country's conventional 'war-fighting potential with its nuclear weapons capability'. If nuclear weapons are to play their principal role as deterrents, there must be 'reassurance that the deterrent is real'.

### **Conclusion:**

The discussion also highlighted India's growing interests in Africa, Central Asia and Asia-Pacific and participants argued that the new government could ill afford to ignore engagement with these areas. While the import of these regions was acknowledged it was felt that there was an imperative to prioritize in the short-term, particularly with the US, China and Pakistan where in some cases more was at stake and the 'red lines are not always visible'.

**27<sup>th</sup> May 2014**

## **Challenges for the new government: Can it deliver?**

### **Key takeaways:**

- Main hurdles to economic growth – Food inflation, infrastructure deficit and lack of jobs
- Main foreign policy challenge – Ramping up engagement with SAARC countries
- Making India a unified market – Implementing the Goods and Services Tax

After a long and eventful general election, which was marked by a record turnout, the new cabinet led by Prime Minister Narendra Modi gets to work at a time when the country faces a number of pressing challenges. Food inflation remains persistently high hovering close to 10 percent, investment is faltering while the previous decade stands out as a decade of "jobless" growth. On the foreign policy front, Modi's government takes charge at a time when India's relations with its neighbours are considered to be marred by a trust deficit on all sides.

The election discourse of 2014, unlike any other time, was dominated by development and governance issues. Expectations from the newly elected 'Modi Sarkaar' are extremely high and the question on everyone's minds is, ***will this government be able to make good on its election promises?***

In discussion with journalists hosted by the Brookings India Center, Dr. Subir Gokarn, Director of Research and Dr. WPS Sidhu, Senior Fellow for Foreign Policy, shared their views on the challenges faced by the new government and what should be on top of its agenda.

### **Getting back on the growth track:**

Among the biggest challenges is kick-starting economic growth. Dr. Gokarn argued that a mere change in leadership from what was perceived to be a weak and ineffective government to an ostensibly strong and assertive one is not enough to address the essential problem that India faces on the growth front. Getting back on the high growth track will require addressing the structural issues that get in the way of growth, such as food inflation, the infrastructure deficit and the lack of jobs.

Food inflation, currently at 9.66 per cent, has remained uncomfortably high since 2008. It is led primarily by proteins, fruits and vegetables. Dr. Gokarn observed that this persistent food inflation is a legacy of the green revolution. With the government supplanting the consumer as the primary buyer, too much emphasis has been placed on the production of staples like wheat and rice. But the last decade has seen consumers diversifying their diets. Demand for proteins, fruits,

vegetables and poultry is rapidly outstripping their supply. Expressing disappointment over the choice of ministers for food and agriculture, Dr. Gokarn pointed out that procurement reforms are the need of the hour in order to tackle inflation.

The second bottleneck to growth is the widening infrastructure deficit. Public-private partnerships have not worked well as a method of financing infrastructure spending. Dr. Gokarn believes the new government should consider a complete change in the way infrastructure projects are financed. The slow rate of employment creation is another source of concern. In a country with a large proportion of working age individuals and soaring aspirations, this decade of jobless growth has been a major disappointment. Creating jobs is thus one of the main challenges for the new government. A key reason for labour not finding employment, according to Dr. Gokarn, is restrictive labour regulations which prevent manufacturing firms from increasing the scale of production. Accelerating the rate of job creation will require greater labour market flexibility and a revival of manufacturing.

### **The need to engage with neighbours and reform the foreign policy establishment:**

On the foreign policy front, Dr. Sidhu observed that India's relations with its neighbours will have a direct bearing on domestic development making it imperative for the new government to ramp up engagement with the SAARC nations and China. The initiative taken by Prime Minister Modi of inviting SAARC leaders to his swearing-in ceremony is a first step in this direction. But resolving long standing conflicts and making peace will take continued effort and is likely to be hindered by the lack of capacity of the foreign policy establishment; India has the fewest diplomats among the G-20 nations. In order to sustain amicable relations with neighbouring countries and to deal with evolving international issues such as climate change and energy the new government should consider making the reform of the foreign policy establishment a priority. Other ministries could also be used to further foreign policy objectives, for example, the key to the Indo-US relationship lies in defence purchases.

### **Center-State relations and the GST:**

An issue raised by journalists was how the new government would handle center-state relations. During the election campaign, Modi promised an end to the Center's high handedness in its dealings with state governments. Dr. Gokarn pointed out that although giving states more autonomy is a good idea there is a need for greater market integration between states. He noted that "India is 28 to 29 different markets; we are not even close to a free goods mobility scenario". The Goods and Services Tax (GST) would go a long way in facilitating integration of markets but has long been opposed by many state governments. One thing that might facilitate consensus among states over this, observed Dr. Sidhu, is that many ministers in the new cabinet have previously been part of state governments.

Domestic security emerged as another issue of interest. According to Dr. Sidhu, the previous government's strategy of dealing with the Naxal threat was "all sticks and no carrots". Dr. Sidhu said there is an urgent need for better engagement with the Center and the use of paramilitary forces to maintain peace.

**19<sup>th</sup> September 2014**

## Formal launch of the Modi-Obama Summit Policy Briefing Book

### **KEY ISSUES FROM DISCUSSION**

- Key catalysts driving the bilateral relationship forward are the desire to jump-start the Indian economy with enhanced support from the corporate world; the bipartisan support for the Indo-US relationship within the US Congress; and the role of the influential and rich Indian diaspora in the US. In this context, the Prime Minister Modi's engagement with President Obama is only one of the drivers of the relationship.
- In the US, there is bipartisan consensus on strengthening the relationship with India. The range of issues on which there is engagement reflects the sheer size of countries' population, economies and common interests.
- The conversation itself is broad-based, and there are a spectrum of views of both countries, rather than a monolithic one-view-per-country. The relationship is transparent in its ability to completely discuss issues of both collaboration and discord.
- Non-deliverables from this visit might include immigration, climate change, and the WTO disagreement. However, many specific as well as global issues are points of bilateral collaboration – if one isn't making progress, others often are.

4<sup>th</sup> December 2014

## India's Relationship with its North-Eastern Neighbours

### **KEY ISSUES FROM DISCUSSION**



- The foreign policy priorities of the Indian Government under Prime Minister Narendra Modi are driven by the goal to make India the third largest economy by 2025.
- India's relations with North-East Asia must be viewed primarily through an emphasis on developing trade and economic relations while decoupling these interests (like other countries have done in the region) from political and strategic interests.

- A priority of Indian foreign policy has to do with fostering the creation of international institutions and norms which can govern the behavior of countries in the new fields of space, maritime relations, climate change and cyber.
- A key question about US foreign policy for the Indian Government is whether the US is interested in maintaining the status quo global order, or in building a new world order with its allies
- The biggest constraint with respect to India and China is that is while huge internal markets exist, they are not complementary. Also, while all three do trade with each other, Sino-US trade dominates over the others.
- In the case of India-Japan relations, economic and strategic relations have continued to grow in part due to Japan's increasingly assertive security policy. This policy has been influenced both by the rise of China and doubts regarding the US's continued commitment and engagement with the region
- However a major stumbling block in India-Japan relations remains Japan's inability to recognize India as a nuclear weapons state which has implications for the prospects of civilian nuclear co-operation between the two countries.
- There is a healthy trade and economic relationship between India and South Korea, especially since the conclusion of a free trade agreement. While there are no major issues on the economic front, cultural interactions and people to people interactions continue to be in the doldrums.
- There needs to be greater initiative to support the creation of more India and Korea cultural studies centers in their respective universities

## **Impact**

# **Development Challenges**

## **Context**

Research in the area of development and governance at Brookings India draws on the core strengths of the Center – high quality, independent, nonpartisan, and evidence-based research, coupled with extensive practical expertise and convening power. Scholars in the area analyze India's most pressing economic and social development challenges, focusing on institutions and service delivery, and relying on quantitative and qualitative analyses coupled with stakeholder engagement. Over the past year, the Center has undertaken research in areas such as education (primary and higher), healthcare, infrastructure, financial inclusion, poverty, job creation, and democracy and elections. In addition, issues such as gender and technology are key focus points across all research projects. The research has sought to diagnose and frame challenges and offer concrete policy recommendations.

## **Research Undertaken:**

### **Dr. Subir Gokarn:**

- [Column] “Thirsty, hungry and sick” - The impact assessment by the IPCC highlights risks to water, food and health in Asia – *Business Standard on 06-04-2014*
- [Column] “The NIF option” – *Business Standard on 20-04-2014*
- [Column] “Walking the line between demographic dividend and disaster” - Majority of our potential 1 billion workforce is going to be obsolete even before they start working – *Business Standard on 05-05-2014*
- [Column] “Three national missions on priority for the Modi government” - Deep structural constraints can be more effectively dealt with in mission mode – *Business Standard on 19-05-2014*
- [Column] “Five fiscal fixes” - A National Investment Fund may provide the solution to the infrastructure mess – *Business Standard on 01-06-2014*
- [Column] “A potential jobs breakthrough” - What the government should do to realize the full benefits of Rajasthan's labour reform – *Business Standard on 15-06-2014*
- [Column] “Modi's twin challenge- Oil and water” - Two looming shocks call for broad-based mitigative measures – *Business Standard on 29-06-2014*
- [Column]” Nudges and pushes” - An overarching theme was missing from Mr Jaitley's Budget, but little details hint towards a larger strategy – *Business Standard on 10-07-2014*
- [Column]” Demanding to be included”- A recent survey points to ways in which financial inclusion and its impact can be enhanced – *Business Standard on 13-07-2014*
- [Column]” Explaining expectations” - Figuring out why inflationary expectations have

been so stubborn is critical for policy – *Business Standard on 27-07-2014*

- [Column]” The SLR barrier” - Both market development and prudential regulation objectives justify a major reform of the statutory liquidity ratio – *Business Standard on 10-08-2014*
- [Column]” Strategy and structure” - In replacing the Planning Commission, organizational design must be driven by strategic objectives – *Business Standard on 24-08-2014*
- [Column]” The inclusion triangle” - The right combination of product, delivery and awareness is critical to the Jan Dhan Yojana's success – *Business Standard on 07-09-2014*
- [Column]” Global silver linings” - The macroeconomic environment is looking better and likely to stay that way – *Business Standard on 21-09-2014*
- [Column]” E-educating India - Technology is just one piece of the puzzle” - The data-generation ability of technology can not only provide real-time feedback on its return on investment but also evaluate education programmes – *Business Standard on 28-09-2014*
- [Column]” A capital ladder for infrastructure” - The public-private-partnership model for infrastructure may benefit from reversing the financing sequence – *Business Standard on 05-10-2014*
- [Column]” A five-year baseline scenario” - The International Monetary Fund's projections suggest macroeconomic stability but little upside to growth – *Business Standard on 19-10-2014*
- [Column]” You can't kill two birds ...” - A fundamental policy rule is that there must be as many instruments as there are objectives – *Business Standard on 02-11-2014*
- [Column]” Can our banks finance the economic recovery?” - The banking system's capacity to finance the ongoing recovery may become a constraint – *Business Standard on 16-11-2014*
- [Column]” Half-full, half-empty” - India's mixed record on the Millennium Development Goals is a pointer to policy priorities – *Business Standard on 30-11-2014*
- [Column]” Enjoying the capital flows ride” - Make capital flow management more flexible so that volatility can be managed better – *Business Standard on 13-12-2014*
- [Column]” The Main Thing” - The capital threshold for payment banks may keep out entities most appropriate for setting them up – *Business Standard on 14-12-2014*



- [Column] “ Tipping points and Goldilocks conditions” - A growth spurt requires many positive factors to converge, implying time and uncertainties – *Business Standard* on 28-12-2014
- [Column] “Greek tragedy - Act II?” - Both remaining in and exiting from the euro zone carry significant risks for Greece – *Business Standard* on 11-01-2015
- [Column] “The bilateral imperative” - Realizing the potential of the Indo-US relationship requires a tiered approach – *Business Standard* on 25-01-2015
- [Column]” Trysts with e-governance” - Life has become simpler for dogs and drivers, but could be even more so – *Business Standard* on 08-02-2015
- [Column]” Having your cake ...” - How to increase public investment without giving up on fiscal consolidation – *Business Standard* on 22-02-2015
- [Column] “A big leap forward” - We now see an emerging link between objectives and financial commitments – *Business Standard* on 28-02-2015
- [Column] ” The other side of devolution” - The benefits of greater devolution depend on major changes in the structure of government - *Business Standard*, on 08-03-2015
- [Column] “Global divergences” - Challenges will emerge from the unevenness of the global recovery - *Business Standard*, on 22-03-2015

### Dr. Shamika Ravi:

- [Column] “Beginning a new conversation on women”, *The Hindu*, on June 23, 2014. <http://www.thehindu.com/todays-paper/tp-opinion/beginning-a-new-conversation-on-women/article6135352.ece>
- [Column] “Missing women leaders”, *The Indian Express*, on July 15, 2014. <http://indianexpress.com/article/opinion/columns/missing-women-leaders/99/>
- [Column] “For new ideas, a clean break with the past”, *The Hindu*, on August 28, 2014 <http://www.thehindu.com/opinion/op-ed/for-new-ideas-a-clean-break-with-the-past/article6354213.ece?homepage=true>
- [Column] “Making it work”, *Indian Express*, on September 22nd, 2014. <http://indianexpress.com/article/opinion/columns/making-it-work/99/#sthash.UOXv567C.dpuf>
- [Column] “Band-aid solutions for health problems ”, *The Hindu*, on February 20, 2015. <http://www.thehindu.com/opinion/op-ed/comment-bandaid-solutions-for-health-problems/article6913533.ece>

## Highlights – Events

4<sup>th</sup> April 2014

### South Asia's Role in Geo-politics and the Global Economy Post-2014

On the 4<sup>th</sup> of April, 2014, Brookings India hosted a panel discussion on “South Asia's Role in Geo-politics and the Global Economy Post-2014.” The panellists were James Stavridis, Dean, The Fletcher School of Law and Diplomacy, Bhaskar Chakravorti, Senior Associate Dean for International Business and Finance, The Fletcher School of Law and Diplomacy, Tufts University. WPS Sidhu, Senior Fellow and Subir Gokarn, Senior Fellow and Director of Research, Brookings India moderated the discussion.

Dean Stavridis, who retired from the U.S. Navy last year, was Supreme Allied Commander, NATO and Commander of the U.S. European Command from 2009-13. He provided his perspectives on global security dynamics against the backdrop of the change in U.S. levels of engagement in Iraq and Afghanistan and how this might impact South Asia. Senior Associate Dean Chakravorti, who has traversed the academic and consulting worlds, is particularly known for his 2003 book “The Slow Pace of Fast Change.” He provided his perspectives on key forces shaping the global economic and business environment over the next few years and what these mean for companies in the South Asian region.

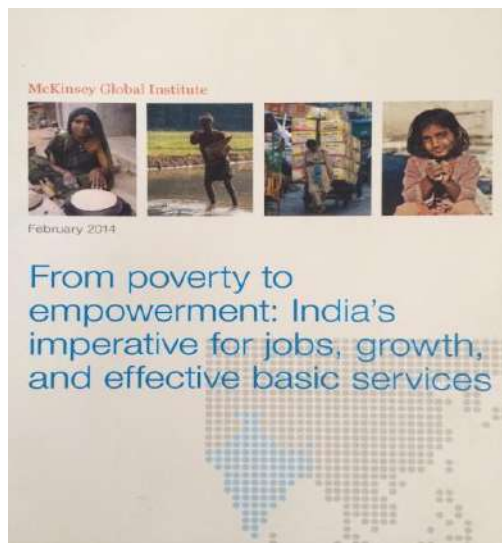
- 1) **India, Europe and China face different demographic challenges – just as capital flows, human capital flows.** The panel noted that no other developing countries are dealing with shifting global order with success- the crisis has broken down old models. Meanwhile, the richer economies have been experiencing more growth – a panellist commented that “the shoe is on the emerging market's foot”.
- 2) **While celebrating the new global economy, we also need to think of sustainability of growth of the global economy.** In India, the economy is running further ahead than governance, human rights, and sometimes access to services/justice. There is a need to balance fast, top line growth with inclusive growth, which requires better institutions and public-private partnerships. China is creating a parallel internet economy – globally, we are nearing fragmentation of the internet, which will hamper innovation. While it is a game changer, a panellist commented that the internet does not immediately solve problems of human development – it could help resolve them, but the money is going to the “next shiny app”. A panellist asserted that cyber runs an enormous spectrum, is vulnerable and “we haven't done a good enough job of protecting it”.
- 3) **A panellist noted that Afghanistan is a place where hard power (military training) and soft power – such as providing literacy training – is necessary.** Another panellist countered that the dominant emotion in the transition within Afghanistan is “more fear than hope”. The solution to this is to deal with violent extremism by bringing in jobs, security and hope. A panellist asserted that he is not concerned about

weapons of mass destruction as they are protected well by nation states – instead, there is more concern over trafficking of WMD. A panellist noted that the US is committed to remaining in Afghanistan, and any new president would sign the security agreement with Washington. However, he cautioned that this would continue as long as the US had the economic power to remain, citing the Russian experience of compulsion to withdraw from Afghanistan decades ago. While discussing Crimea, the panel commented that the new tussle between the US and Russia was worrying but Moscow was unlikely to escalate or takeover Ukraine.

**17<sup>th</sup> April 2014**

### **From Poverty to Empowerment: The critical role of jobs and skills**

Creation of jobs and the development of skills are the key pillars to decrease poverty levels in a country. Brookings India, in collaboration with McKinsey & Co., recently organized a panel discussion centered on the creation of employment opportunities in India along with the need to develop the skills of the population, in order to reduce poverty levels and empower people. The panellists included; **Amitabh Kant, Secretary, Department of Industrial Policy and Promotion; Parvez Dewan, Secretary, Ministry of Tourism; Gauri Kumar, Secretary, Ministry of Labour; Rajat Gupta, McKinsey & Co; and Shirish Sankhe, McKinsey & Co.** The discussion was attended by key technical experts, government officials and industrialists.



The key issues that emerged from the discussion were the need for a better management of already existing poverty reduction programmes and the need for job creation, involving the creation of better quality and more productive jobs, with a move towards rural non-farm jobs. In order to manage these issues better, two broad solution themes were suggested – cross-cutting reforms, and focused investment in job creation segments. There is a need to develop smaller and more vibrant urban centers to facilitate new jobs and develop the skills of the population.

Another key issue raised was the need to move away from job protectionism to more job enhancing measures, wherein, a move towards manufacturing was a must. There needs to be a push for manufacturing in areas such as food processing which are more labour-intensive

thereby adding more jobs in the economy. However, how do you push for labour-intensive manufacturing in India? One way would be to ease the process of doing business in India; this would facilitate the move towards more labour-intensive production in various industries. A resulting benefit of this push for manufacturing will be increased urbanization, leading to the creation of “urban clusters” and “sustainable urbanization”.

The issue of geography also plays an important role in developing the employment strategy in the country. In India 1.05 billion people account for domestic tourism within the country, leading to the creation of employment opportunities for local traders. Foreign tourist arrivals to India contribute approximately \$18 billion a year, making tourism, both domestic and foreign, a significant contributor to the Indian economy.

Poverty reduction is always of concern for governments; strong measures need to be put in place to encourage the creation of new job opportunities. There is a need to move away from agricultural jobs to non-farm jobs, along with the creation of programmes to facilitate the development of skills in the population. India has made considerable progress in the reduction of its poverty rate from 45% of the total population in 1994 to 22% in 2012. Though this is an achievement to be celebrated, India’s human development indicators still suggest a widespread deprivation in the country. Policy makers need to develop reforms which can encourage businesses to invest and create new job opportunities in order to facilitate improved living standards.

**27<sup>th</sup> April 2014**

## **Health Security and Universal Pensions**

Brookings India, the American Center, and the United States-India Educational Foundation co-hosted a discussion on the challenges associated with universal pension schemes and health security. The event featured the work of two researchers – Brookings India Fellow Prof. Shamika Ravi, and Prof. Ken Apfel, Fulbright-Nehru Senior Scholar. Apfel’s presentation provided a macro perspective on the health sector in the United States and India, and included lessons for India from the American experience. Ravi discussed the micro aspects of health insurance, sharing her findings on the impact of various state-funded insurance schemes and drawing lessons from microfinance.

The discussion was embedded in an overarching understanding that health coverage in India must be restructured and expanded. According to WHO reports, among countries with national health insurance programs, India has one of the highest out-of-pocket healthcare spending, indicating that there are gaps in the current programs that must be ameliorated. Based on this, a number of issues emerged with policy implications:

### **Need for better governance of insurance:**

One of the most significant lessons from the United States’ experience is the importance of a strong public governance system to ensure health quality at a reasonable cost. Such governance is particularly important in the public-private model used in the United States, and increasingly in India. Hitherto, the governance of insurance has not received much attention in India – the central and state governance apparatus is fragmented, and insurance is overseen by

very small 'nodal' agencies. Additionally, existing insurance schemes have been criticized for producing perverse incentives that cause health providers to expand services, implying that in the absence of oversight and accountability, costs are expected to see a huge increase in the future.

The governance of insurance, however, is just one aspect in the much larger healthcare service delivery framework. Overall, the healthcare sector requires greater oversight and monitoring to ensure equitable access to high quality services, and ethical behavior by all stakeholders in the process. Mechanisms must also be put in place to ensure that the overutilization of services is prevented and costs are contained.

### Insurance coverage is not in line with health burden:

A significant lacuna in the current insurance framework is that almost all state sponsored insurance schemes cover only secondary and tertiary care, whereas people spend much more on primary care. As the table below demonstrates, people spend much more on OPD than they do on institutional care. Additionally, majority of their spending is on drugs and medicines, which is not covered by insurance. The Yeshasvini Cooperative Farmers Scheme, the Rajiv Arogyasri Health Insurance Scheme, the Chief Minister Kalaingar's Insurance Scheme, and the Vajpayee Arogyashri Scheme, all cover mainly tertiary care, while the Rashtriya Swasthya Bima Yojana covers mainly secondary care.

Item	Non-institutional				Institutional			
	Per capita expenditure in 30 days		% of households incurring expenditure in 30 days		Per capita expenditure in 30 days		% of households incurring expenditure in 30 days	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Medicine	32.27	48.36	66.8	63.4	8.32	13.69	12.4	13.7
X-ray, pathological tests	1.95	3.78	4.0	4.9	1.90	4.12	7.9	9.0
Doctor's fee	4.26	8.94	26.1	31.6	2.27	5.80	8.7	10.4
Hospital charges	-	-	-	-	3.62	9.97	7.4	9.4
Other medical expenses	1.00	1.62	-	-	1.31	2.79	5.7	5.8
Medical Total	39.49	62.69	68.0	64.6	17.42	36.37	12.9	14.4

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(Author's calculations based on NSSO data)

### Underutilization of Insurance and Need for Financial Literacy:

India has witnessed a significant increase in insurance coverage in a relatively short time, from 6% of the population (in 2007) to 25% (in 2010). But even though the insurance cover has increased, enrolment and utilization rates remain low. While this stems in large part from the aforementioned point about insurance policies covering only secondary and tertiary care, it may also be attributed to the lack of awareness or knowledge about insurance policies. Insurance is a much more sophisticated financial instrument than credit and savings, and outcomes are known to improve over a period of time.

Research on microfinance reiterates this – not only are microfinance borrowers more likely to file health insurance claims than their spouses, but first time clients are significantly less likely to file claims than older clients. All of this points to the critical role of financial literacy and awareness in improving health insurance utilization.

### **Need for pension reforms**

While health insurance as a concept is rapidly gaining ground in India, there is still limited discussion on the need for reforms in the area of universal pension. Apfel made the case for pension reforms in India, explaining that while India has a relatively young population, this population is also rapidly aging, with the elderly growing at a greater rate than the young. In addition, the country is also moving away from the long tradition of family-based support for the elderly. Current pension systems are inadequate – in both the formal and informal workforce. For the former, while systems are in place, they show signs of stress. The informal workforce, on the other hand – which accounts for 90% of the total workforce – has immensely limited instituted social assistance programs, and those that exist are targeted at the very poor. Additionally, only a very small part of the informal workforce is participating in retirement savings schemes.

So, on the one hand, India needs to find a way to expand retirement savings for the informal workforce, but on the other, these savings also need to be supplemented with public support, in the form of social pensions.

### **Universalizing pensions and health coverage is costly:**

Finally, insurance and pension schemes are very costly propositions. The increase in the insurance and pension cover in the United States has come at a significant cost; for instance, social security expenditure has increased from 2% of the GDP (in 1960) to 4% (in 2000), and expected to touch 5% (in 2020). Similarly, USG Health Insurance, which was at zero in 1960, accounted for 3% of the GDP in 2000, and could go up to 7% by 2020.

For India, the total expenditure on pension and health security is expected to increase to 5-6% of the GDP, on account of universal health coverage, and social pensions and retirement savings. But eventually, such costs yield significant benefits. In the American experience, for instance, the elderly poverty rate has declined sharply from 35% in 1960 to 10% in 2000, and is expected to fall further by 2020.

**25<sup>th</sup> June 2014**

## **India's Skilling Challenge: Moving Ahead**

### ***KEY ISSUES FROM DISCUSSION***

- Rigidity of labour laws in India poses a significant constraint to job creation

- India faces a massive casualization of labour, leading to a more flexible workforce who may not receive the benefits that labour laws could provide
- Creation and growth of enterprises is of paramount importance given the sheer scale of employment growth required in India
- On-the-job training programs with a simultaneous move towards improving the quality of education would result in better equipping the labour force with the necessary skills required to undertake jobs
- India faces a divergence in the returns to education by different demographic groups in the country; these need to be addressed by both firms as well as the broader education apparatus
- Attrition is a significant concern among employers, with BPO and retail facing almost 100% attrition levels; apprenticeship programs and combined training programs by firms could address this problem

## Panelist Bios



**Mr. S. Ramadorai**

Mr. S. Ramadorai is the Chairman of National Skill Development Agency (NSDA). Prior to this, he served as the Adviser to the Prime Minister in the National Council on Skill Development, in the rank of a Cabinet Minister.



**Mr. Arun Maira**

Mr. Arun Maira was appointed a Member of the Planning Commission in the Government of India in 2009. He is a thought leader and writer on the subjects of transformational change and leadership. He is a frequent speaker at international forums on the future of India. He is the author of several books including "Transforming Capitalism: Business Leadership to Improve the World for Everyone", and "Shaping the Future: Aspirational Leadership in India and Beyond".



**Dr. Ajit Ranade**

Dr. Ajit Ranade serves as the President and Chief Economist of the Aditya Birla Group. Dr. Ranade served as an Executive Officer of Financial Technologies India Ltd. Dr. Ranade served as the Chief Economist at ABN AMRO Bank. His professional career has spanned academic and corporate assignments, including teaching in universities in India and U.S.



***Dr. Shamika Ravi***

Dr. Shamika Ravi is Fellow, Development Economics at the Brookings Institution India Center. She is Assistant Professor of Economics at the Indian School of Business, where she teaches courses on Game Theory and Microfinance. Her research focuses on development economics with a focus on gender inequality, democracy, financial inclusion and health.

**15<sup>th</sup> September 2014**

## **India-Australia G20 Roundtable**

Brookings India, in collaboration with the National Institute of Public Finance and Policy (NIPFP) and the East Asia Bureau of Economic Research, Australian National University, hosted an India-Australia G20 Roundtable on September 10<sup>th</sup>.

The dialogue was an opportunity for Australian and Indian thinkers and policy advisers to exchange views with experts from G20 and Asian partner countries on core global and regional economic issues, the ability of international institutions to address them, how G20 and regional initiatives can facilitate their smooth resolution, including through alignment with G20 priorities for 2014.

The dialogue was followed by a special lecture by Prof. Peter Drysdale of the Australian National University on “*The G-20 Summit at Five*”, the title of a recent book co-authored by himself and Kemal Derviş of the Brookings Institution. The book was assembled with the expectation that the G-20 leaders would see 2014 as an opportunity to address longer term challenges and to transform the G-20 from a “crisis committee” into a “steering committee” for the world economy, making it part of a lasting and useful feature of global economic governance.

### **The key messages from the roundtable were:**

- Structural reforms have been the major theme in lifting the impediments of growth – so far countries have only led macro-economic policies, which can fix cyclical downturns but not the structural impediments to growth.
- There is a need for a new approach which combines microeconomic reforms with a macroeconomic strategy, and to do this within the 2% global growth target of the G20.



- The G20 must address the issue of spillover effects – the unintended and unplanned consequences of actions by advanced economies on emerging market economies.
- There needs to be a focus on the provision of safety nets, while accentuating the need for international cooperation, particularly in terms of data sharing and the transparency in protecting against financial instability.
- The G20 must shift its focus to the development of resilience in emerging market economies through policies such as exchange rate flexibility, judicious capital management, and developing constraints on leverage ratios.
- EMEs view the G20 as a forum to focus on coordination to develop collective resilience to externalities and volatility.
- Accelerating investment in economic infrastructure is high on the G20 agenda – with opportunities to boost short-term demand and long-term productivity.
- Extensive domestic reforms are needed to encourage investment in infrastructure – lessons can be learnt from country experiences, requiring cooperation in developing a global framework.
- Financing can become a constraint; however, multilateral development banks can help in steering more of the world's savings towards infrastructure.
- The G20 has emerged significant on the issue of labour mobility, with the need to replicate the Australia model in India and other South-East Asian nations.
- The concept of 'jobless growth' remains a pressing issue – India must move from a reliance on domestic consumption and focus on expanding the garment manufacturing sector to boost labour force participation and growth.
- The G20 must evolve beyond its existing role as a crisis management unit to act instead as a "steering committee" for the world economy.
- The diversity of membership in the G20 is its greatest strength, leading to a greater possibility of a more collaborative effort in bringing about structural reforms.
- The discussion consisted of four sessions on the world economy and the G20's strategic priority for growth, financial rebalancing and emerging economies, investment and infrastructure, and employment and labour mobility.

**15<sup>th</sup> September 2014**

**Minimum Government Maximum Governance**

## ***KEY ISSUES FROM DISCUSSION***

- The concept of minimum government and maximum governance is alluring because it implies that a smaller leaner government with more skilled people will be better than a large bureaucracy. But for this to be true, several other aspects need to be considered.
- Placement of right people with domain knowledge and experience in the right positions.
- Knowledge and research should be made available to policy-makers, and the cultures of intellectual negotiation must be reformed.
- Need to create a culture of performance, and performance-metrics specific to the public sector.
- Quickness in decision-making is important because it serves as the first step in taking responsibility. But time-bound decision-making is only one aspect of a larger shift in the governance framework.
- A more profound problem - not restricted to bureaucrats and politicians - is a social failure stemming from the misalignment of incentives, which must be addressed.
- Since government cannot be everywhere, it is crucial to determine what it absolutely must do and subsequently, leverage it in those areas.
- The government cannot abdicate its responsibility to frame the policy discourse, determine the agenda, and frame the aspirations of the people.

**December 16, 2014**

**'Emerging Africa' – Talk by Dr. Kingsley Moghalu**

## ***KEY ISSUES FROM DISCUSSION***



- The faltering of dictatorial regimes, the lessening of civil wars, and the need for more profitable places for global capital, has seen Africa emerge as the new frontier for global investment.
- As the global economy shifts eastwards, Africa must capitalize on this movement by inviting investment, rapid industrialization and contribute significantly to value chains.
- There are three fundamentals to Africa's development: Globalization and integration into the world economy, Building technological capacity, and the need for a world view and a unique philosophy.
- The relationship between India and Africa can be strengthened the common objective of tackling poverty and eliminating inequality.
- Indian investment in health, education, IT, and the power sector could help both India and Africa in strengthening trade relations as well as build human capital in Africa.
- The Indian government needs to support businesses investing in Africa in order to encourage more investment.

**March 10, 2015**

## **Improving Internet Access for Growth and Development in India**

### ***KEY ISSUES FROM DISCUSSION***

- India lacks the proper infrastructure to deliver high quality internet access to majority of the population. Poor infrastructure acts as an impediment to knowledge transfer.

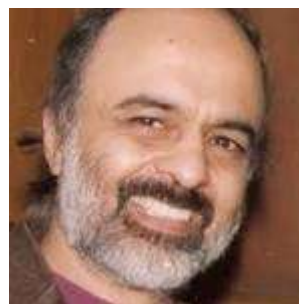
- Prohibitive taxation regimes, censorship, lack of local digital content, and flawed regulations resulting in no ease of doing business all act as barriers to access.
- Skills-biased technological change can be a barrier to development. Introducing new technologies without enabling people to use them can result in a digital divide.
- There is a need to operationalize the National Optical Fiber Network (NOFN) in order to achieve higher speeds in both urban and rural areas.
- There is a need to create policies which ensure that workers are equipped with the right skills to meet the demand of the tech-oriented labour market. Technology can also be used for labour market matching.



## Panelist Bios



*Dr. Shamika Ravi*  
Fellow, Brookings



*Mr. Arun Mehta*  
India President, BAPSI



*Ms. Sabina Dewan*  
President and Executive Director, JustJobsNetwork



*Dr. Subho Ray*  
President, Internet and Mobile Association of India

## **Impact**

# **Communications & Development**

## **Context**

The role of communications at Brookings India is directly aligned with the research agenda and stakeholder engagement. Brookings India communicates its research findings to various communities via different methods.

For senior policy makers the Center organizes closed door discussions, which involves them, academics, corporates as well as visiting officials. Content from the discussion is private, circulated to those who take part and is meant to contribute to the policy change discussion.

Brookings India holds regular discussions on topics related to the center's research agenda. These are largely public in nature with the content, comments available to everyone. The discussions include scholars, stakeholders in the topic(s) being discussed, government and private sector officials.

Brookings India engages the media via invitations to its discussions and interviews with its scholars on specific topics. Brookings India scholars appear on television news channels and quoted in newspapers and magazines on a regular basis. Scholars also write columns for newspapers, which adds to the center's public policy profile.

Brookings India has developed policies regarding human resources and finance. The center has put in place an effective administrative tier with a director of operations and communications and heads of administration and finance.

## **Impact**

Brookings India publishes all research, articles and opinion pieces written by its scholars on its website. The center also distributes regular newsletters to over 3,000 people. These include students, professors, government officials and representatives of companies.

## **Founder Circle Members**

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<b>Board of Directors</b>		
<b>S. No.</b>	<b>Name</b>	<b>Designation</b>
1	Mr. Vikram Singh Mehta	Director
2	Dr. Subir Vithal Gokarn	Director

<b>B I I C Team:</b>		
<b>Programme / Research:</b>		
<b>S. No.</b>	<b>Name</b>	<b>Designation</b>
1	Dr. Subir Gokarn	Director of Research
2	Dr. Shamika Ravi	Fellow
3	Dr. WPS Sidhu	Sr. Fellow
4	Dr. Rahul Tongia	Fellow
5	Ms. Anuradha Sajjanhar	Research Assistant
6	Mr. Rohan Singh Sandhu	Research Assistant
7	Ms. Shruti Gakhar	Research Assistant

<b>Administration:</b>		
<b>S. No.</b>	<b>Name</b>	<b>Designation</b>
1	Mr. Siddhartha Kumar Dubey	Director of Operations
2	Mr. K J Basskaran	Head of Administration

<b>Consultant:</b>		
<b>S. No.</b>	<b>Name</b>	<b>Designation</b>
1	Mr. Rajan Sachdeva	Finance Consultant



## Finance:

BROOKINGS INSTITUTION INDIA CENTRE		
BALANCE SHEET AS AT 31 MARCH 2015		
Particulars	As at	As at
	31 March 2015	31 March 2014
	(Rs.)	(Rs.)
<b>I. EQUITY AND LIABILITIES</b>		
<b>1 Shareholders' Funds</b>		
(a) Share capital	100,000	100,000
(b) Corpus fund	269,000,000	218,000,000
(c) Reserves and surplus	(8,773,722)	20,974,227
	<b>260,326,278</b>	<b>239,074,227</b>
<b>2 Non-Current Liabilities</b>		
(b) Long-term provisions	1,111,683	-
<b>3 Current Liabilities</b>		
(a) Trade payables	400,090	245,233
(b) Short term provision	70,959	-
(c) Other current liabilities	8,354,951	31,853
	<b>8,826,000</b>	<b>277,086</b>
<b>Total</b>	<b>270,263,961</b>	<b>239,351,313</b>
<b>II. ASSETS</b>		
<b>1 Non Current Assets</b>		
(a) Fixed assets		
(i) Tangible assets	2,807,090	1,949,051
(ii) Intangible assets	260,168	382,527
	<b>3,067,258</b>	<b>2,331,578</b>
(b) Long term loans and advances	5,128,840	3,109,318
	<b>8,196,098</b>	<b>5,440,896</b>
<b>2 Current Assets</b>		
(a) Cash and bank balances	258,386,077	233,440,083
(b) Short-term loans and advances	2,027,956	470,334
(c) Other current assets	1,653,830	-
	<b>262,067,863</b>	<b>233,910,417</b>
<b>Total</b>	<b>270,263,961</b>	<b>239,351,313</b>

**Summary of significant accounting policies**

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For SURESH SURANA & ASSOCIATES LLP  
Chartered Accountants

On behalf of the Board of Directors

(Ravinder Pal Singh)  
Partner  
Membership No. 90988  
Place: Noida  
Dated:

(Subir Vithal Gokarn)  
Director  
DIN - 00017759  
Place: New Delhi  
Dated: 29 September 2015

(Vikram Singh Mehta)  
Director  
DIN - 00041197

BROOKINGS INSTITUTION INDIA CENTRE					
STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2015					
	Particulars	Current year		Previous Period	
		2014-2015		2013-2014	
		(Rs.)		(Rs.)	
I.	Revenue from operations	13,000,000		48,000,000	
II.	Other income	20,259,999		9,423,951	
III.	<b>Total income (I + II)</b>	<b>33,259,999</b>		<b>57,423,951</b>	
IV.	<b>Expenses</b>				
	Employee benefits expense	26,800,264		14,228,501	
	Finance costs	2,013		1,441	
	Depreciation and amortization expense	1,873,730		285,093	
	Other expenses	34,331,941		21,934,689	
	<b>Total expenses</b>	<b>63,007,948</b>		<b>36,449,724</b>	
V.	<b>Deficit before tax (III- IV)</b>	<b>(29,747,949)</b>		<b>20,974,227</b>	
VI.	Tax expense				
	Current tax	-		-	
	Deferred tax	-		-	
		-		-	
VII.	<b>Deficit for the year (V -VI)</b>	<b>(29,747,949)</b>		<b>20,974,227</b>	
VIII.	Earnings per equity share:				
	Basic and diluted	(29,748)		20,974	
	Nominal value of equity shares	100		100	

#### Summary of significant accounting policies

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For Suresh Surana & Associates LLP  
Chartered Accountants

On behalf of the Board of Directors

(Ravinder Pal Singh)  
Partner  
Membership No. 90988  
Place: Noida  
Dated:

(Subir Vithal Gokarn)  
Director  
DIN - 00017759  
Place: New Delhi  
Dated: 29 September 2015

(Vikram Singh Mehta)  
Director  
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