

### *Two years after Lehmann – the story of how India survived*

What was it that saved India from the grave consequences of the financial meltdown and recession that brought the economy of even a behemoth like the US down on its knees and spread panic all over the world from the middle of the year 2008?

How come the theory of “decoupling” that was so popular at the beginning of that year – according to which India was unlikely to suffer the consequences of economic calamities befalling other parts of the world – simply vanished into thin air when it was required the most?

Did fortune favour India or was it that those at the helm of affairs in the economic ministries analysed the situation properly and initiated measures that helped set things right even as chaos reigned all over the world?

According to Dr. Subir Gokarn, Deputy Governor of the Reserve Bank of India, it was perhaps a judicious admixture of aggressive economic measures coupled with a massive release of liquidity into the market and the “fiscal stimulus” that made the difference between bankruptcy and ruination on the one hand and liquidity and preservation on the other.

With people’s purchasing power boosted through the infusion of more

money into their bank accounts, thanks to the recommendations of the Sixth Pay Commission for government employees, consumption demands were shored up even as exports started fading.

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*India’s rate of growth fell from a vigorous 9.3% to a paltry 5.8% after the crisis. The loss of 4% was huge, a significant opportunity cost, says Dr. Subir Gokarn, one of the four Deputy Governors of the Reserve Bank of India*

### **‘Be ashamed to die until you have won a victory for humanity’**

When he went to his mother’s undergraduate college as a child, the inscription at the base of the statue of “an honest, educated man” made the following statement: “Be ashamed to die until you have won a victory for humanity.”



*I have a dream, said his father. And he changed the world. Mr. Martin Luther King III, son of the legendary American civil rights activist Martin Luther King Jr., was a guest at the last Club meeting when he delivered a forceful speech*

Those words remained stuck in the mind of the young boy who is now better known as Martin Luther King III.

Son of the legendary American civil rights activist Martin Luther King Jr., Mr. King was a guest at the last Club meeting when he delivered a brief but forceful speech focusing on love, non-violence and benevolence.

Expressing his understanding of the inscription, Mr. King said although it seemed to be a grandiose statement, it was not impossible to win a victory for humanity.

“You can earn a victory in a school, you can earn a victory in a village, you can earn a victory in your city, in your state, in your nation, in the world. But be ashamed to die until you have done a little something to make this planet a little better than it was when you arrived.”

Mr. King started by paying tribute to Mahatma Gandhi and said that people would talk forever about the path that he had shown. His father had embraced his ideas for the betterment of the United States. But sadly, the world community had veered towards controlling people through violence.

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## DISTRICT GOVERNOR’S OFFICIAL VISIT ON OCTOBER 11 AND 12

District Governor Dr. Jayant Kulkarni will make his Official Visit to the Rotary Club of Bombay on October 11 and 12, 2010.



Hon. Secretary Bipin Kapadia, who made a repeat announcement to this effect at the last meeting, said that on the first day of his Visit on Monday, October 11, the Governor

would attend the Club Assembly to be held at 6.15 pm in the Babubhai Chinai Committee Room of the Indian Merchants’ Chamber, Churchgate.

He requested all Officer-Bearers, Directors and Committee Chairpersons to make it a point to attend this particular Club Assembly in the company of the District Governor.

On the second day of his Official Visit, Tuesday, October 12, Dr. Jayant Kulkarni would meet the Presidents, Secretaries and Office-

Bearers of the Inner Wheel Club, the Rotary Community Corps, the Interact Clubs and the Rotaract Clubs.

He would complete his Official Visit to the Rotary Club of Bombay by addressing its regular meeting at the Taj Mahal Hotel at 1.15 pm on Tuesday, October 12.

Bipin requested all members to note the above programme and to attend all the meetings with the District Governor, especially the Club Assembly and the regular weekly meeting of Tuesday, October 12.

### **Forthcoming meetings**

**September 28, 2010**

“District at your Doorstep”, a programme in which a faculty consisting of select District Officers will visit the Club to interact with members and share the latest Rotary Information with them.

**October 5, 2010**

Ms Fiona Gilmore, Chairperson and founder of Acanchi Ltd., an independent consultancy in London specialising in country brand capital development, to address the Club. (The talk has been arranged through the kind courtesy of Narinder Nayyar of Bombay First.)

# RBI Deputy Governor warns that the economic crisis isn't over yet as far as the West is concerned

(Continued from Page 1)

Speaking at the last meeting on “Headwinds and tailwinds: A macro-economic review”, he said the Indian economy suffered a massive loss as the rate of growth fell from a vigorous 9.3% to a paltry 5.8% after the crisis. The loss of 4% was huge, a significant opportunity cost.

Dr. Gokarn was introduced by Vineet Bhatnagar who said that he was appointed to the RBI just ten months ago and was one of the youngest to hold charge as Deputy Governor. He was one of the few to be chosen from outside the inner circle of government bureaucrats and economists to fill the post. Among other key functions, he looked after the monetary department and the department of statistics, information and management.

Vineet pointed out that India faced an economic paradox. With a strong domestic consumption which, perhaps, was the basis for it being a preferred investment destination, it also had the challenge of taming inflation which was a clear and present danger confronting the central bank. The RBI faced the challenge of facilitating growth without ignoring inflation, he added.

Dr. Gokarn started by saying that the global economy in general and the Indian, in particular, had been through an enormously turbulent period since the collapse of Lehmann Brothers in the US in September, 2008, an incident seen by many as one that precipitated the crisis.

But the problems were still not over. Two years had passed and the possibility of a repetition of the Great Depression (which many people had worried about when the problems started) had been more or less ruled out. However, massive actions by governments and central banks had not yet brought the world economy back to the point where it could be said that it was over and done with and that it was time to return to dealing with other problems.

The crisis and its resolution constituted the most significant part of the policy agenda in most countries and many still felt that things would get worse before they improved. Fortunately, this risk had abated over the last month or so, with better data coming in from many countries.

**“But I don't think we should delude ourselves into believing that the (economic) crisis is fully resolved. What makes it even more troublesome is that most govern-**

**ments have run out of space to respond to another shock because they have used up all their ammunition dealing with the first one. This is not a happy situation.”**

Turning to India, Dr. Gokarn said the economy had found its way through the crisis and things had reached the stage where it was time to stop focusing on crisis management and to resume tackling those problems that had had to be kept aside when the central bank started dealing with the crisis as it precipitated and took its attention away.

This was a relatively fortunate situation to be in and he would attempt to recount events as they unfolded over the last two years.

In 2008, just before the collapse of Lehmann Brothers, the term “decoupling” had become popular in the public discourse and there was a feeling that even if things were melting in the US and Europe, India would not be too badly affected.

The reason for this belief was that India was basically a domestically-driven economy. India had great strength in its domestic impulses; there were a lot of first-time consumers of products which provided a huge boost in demand for all kinds of commodities. This, more than anything else, was enough to keep India insulated from what was happening elsewhere.

Unlike neighbouring countries, India's dependence on exports, particularly of products, was relatively small; as for other exports such as software and IT services, India had no competition and so was quite comfortable as far as the world market was concerned.



*Just before the collapse of Lehmann Brothers, ‘decoupling’ became a popular expression in the public discourse; there was a feeling that even if things were melting in the US and Europe, India would not be too badly affected. But it didn't pan out that way, says Dr. Gokarn*

That sense of complacency, or misplaced security, was rudely shattered in the months following the Lehmann collapse. Looking back at that period now, it was quite clear that the Indian economy, despite being predominantly driven by domestic forces for ten to 15 years, had also become significantly globalised and integrated with the global economy.

Although the shock that precipitated the crisis had not emanated from India or the region, the degree of interlinking and of convergence had reached the point where India was not immune to a shock that emanated from elsewhere.

Dr. Gokarn said that what happened in the months following the Lehmann collapse was a manifestation of different channels of linkage. For example, export sectors collapsed dramatically and for the first time in history, at least in most people's memory, there was the spectre of factories being shut down and people losing jobs and having to leave.

The large sums of money that had been coming in and driving the stock market up had started leaving in a big hurry. This had happened in all countries, but in India it happened in a spectacular fashion. Although the market had been going down even before, there was a huge rush of money going out after the Lehmann collapse.

Not only had this caused a great deal of distress, it also created an unprecedented situation as far as a simple thing such as access to funds was concerned. Businesses started shutting down not because they had a bad model or a product that people didn't want to buy, but because they couldn't

find the cash to keep their operations going. It was a very significant wake-up call.

Both the government and the central bank reacted to this situation with great decisiveness (and a little bit of serendipity); while China was credited with having initiated the first massive fiscal stimulus in November, 2008, India had done it a little earlier but had not called it that because it was not intended to be one.

Dr. Gokarn recalled that Parliament had passed a supplementary demand for grants to cover the hike in government salaries recommended by the Sixth Pay Commission; these came into play on October 20, 2008. A large amount of money was immediately pumped into the bank accounts of a lot of people; this was not just an immediate infusion of cash, it came with a guarantee of a higher pay cheque from there on.

In hindsight, that proved to be a huge boost which helped to shore up consumption demands even as exports were fading. Apart from that, the RBI also pumped in a lot of money in order to tackle the sharp reduction in liquidity that had resulted from money leaving the country.

And so, over the period between November, 2008, and March or April of 2009, these factors started to have an impact and things started bottoming out (in terms of growth rates). In fact, they bottomed out in the January-March and the April-June quarters of 2009.

**“The bottom was a growth rate of 5.8%. It dropped from 9.3% before the crisis to 5.8% after the crisis. In hindsight, again, that's not a terribly sharp decline; during that period, any country growing at all, and growing at a positive rate, was seen as having successfully negotiated the crisis; and 5.8% was quite an achievement.**

“But in terms of our long-term objectives it was a huge loss – 4% a year is a huge loss, a very significant opportunity cost.”

Dr. Gokarn said the Indian economy started getting its strength back thanks to a very strong and coordinated, even if serendipitous, policy response. From that point, the pendulum had swung.

Even as the rest of the world remained relatively sluggish, China, India and a few other countries in the neighbourhood started going back to their pre-crisis growth rates.

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*In august company. (From left in the second photograph) PP Gul Kripalani with Mr. Martin Luther King III, Dolly Thakore and President Pradeep Saxena. (Left) Pradeep again, this time with First Lady Sunita, PP Arjun Bulchandani and PP Ashish Vaid*



## ***India faces many challenges, but it is out of great challenges that come great opportunities, says Martin Luther King III***

*(Continued from Page 1)*

“The US – and I’m not proud to say this – is one of the largest military-industrial complexes on the planet. I don’t want to be critical, but I want to say that it would be wonderful if the US were to be known as one of the greatest nations that perpetuate love, forgiveness and hospitality and not be known and respected just because it has large weapons systems.

“It should be known because it knows how to treat its fellow human beings. It seems to me that that is the standard that we need to work towards as a world community.”

Mr. King revealed that when he was asked by a journalist a day earlier whether he saw India as just a developing country or as a power like the US, he had replied that as the second largest nation in the world India was obviously a powerful nation.

However, he hoped that India was not striving to be powerful from a militaristic perspective but from the viewpoint of what Mahatma Gandhi had foreseen, envisaged and shared

with the world – because no one else seemed to be personifying those values.

“India has so much to be proud of and I am honoured and humbled to visit this nation. Every time I come here I learn something different. And while there may be many challenges, it is often out of great challenges that come great opportunities. There are always opportunities when there are challenges.

“Some people say the cup is half empty, others may say the cup is half full. It’s your perspective, how you choose to see life. And one of the things that I always saw my father and his team do was to try to extract that which was good, just and right from people and not to focus on negativity.

“We live in a world that is quite negative and it is reinforced, for example, in the US (and this may also apply to India), by the slogan in the media, ‘If it bleeds, it leads’ (in other words, if there is a report on bloodshed, then it becomes the leading news story). That’s a negative slogan. But on the news every evening we see nega-

tive stories – and we are inundated with negativity.”

Mr. King pointed out that there were homicides and even suicides in communities. But nobody seemed to be going to the root of the problem.

In the US, children watched cartoons all day – and six out of ten cartoons were violent. Children watched movies on television at home – but seven out of ten movies on television were violent. And children also played video games – although six out of ten video games were about beating up or shooting somebody. Unfortunately, six out of ten movies that people watched in movie houses were also a horrible mix of violence.

The only answer to the question, “Why are we violent?” was this – “because we consume violence.” The American public had to assert that it didn’t want to consume violence but something else.

“We need to create positive, uplifting films, films about values. If we do that, we will create a better nation. And since the US has a tendency to influence other nations, maybe we can help other nations to become better, because people will see something different.”

Finally, Mr. King recalled that his father used to preach a sermon about love in which he described different levels of love.

The lowest level of love was one that was not worth embracing. This was “utilitarian” love when one person loved another so long as one could use the second person; and when the second person could not be used any longer, that love ran out.

The second level of love was “friendship” in which one loved a friend and that friend gave love in return. But this love had a selfish dynamic to it. The third was “romantic”

love which was a beautiful kind of love but selfish, too.

A fourth level of love was “mother’s love”. Few people could understand this kind of love. It was beautiful, but not the highest. Nor was the fifth kind of love, “humanitarian” love – in which a person loved everything in general and nothing in particular.

“He (my father) defined the highest level of love as ‘agape’ love. It is a love that is totally unselfish and seeks nothing in return. You love someone whether they are old or young, you love them whether they are rich or poor, you love them whether they are black or white, African or Indian, no matter what... you love them because you know that God told you to do that... that’s the kind of love that we need in the world if we are going to change the world.

“I thank the Rotary Club for allowing me the opportunity to be here today. Thank you and God bless you,” Mr. King concluded.



*The two speakers at the last meeting, who made outstanding presentations.*

*Mr. King and Dr. Gokarn*

*September 28 to October 4, 2010*

### **Birthday donations**

President Pradeep Saxena said at the last meeting that birthday donations had been received from several members during the week gone by.

First of all, Ram Murti Mehra had sent a cheque for Rs. 10,000. Second, Mr. Ratnakar Desai (spouse of Roda Billimoria) had donated Rs. 5,000. Third, Khurshed Poonawala contributed Rs. 3,001; and fourth, Anil Laud Rs. 2,000.

Pradeep thanked all these members for their birthday donations.

### **At the last meeting**

*(Held on September 21, 2010)*

PRESIDENT Pradeep Saxena called the meeting to order and welcomed the guest speaker, the special guest, Mr. Martin Luther King III, the Visiting Rotarians, Rotaryans, guests and others.

#### **BIRTHDAYS**

Members and spouses celebrating their birthday during the week were felicited.

#### **ATTENDANCE**

Members	123
Visiting Rotarians	3
Spouses/Rotaryans	6
Guests	4
Total	136
Svc. box collection	Rs. 5,000

# India's growth rate dropped from 9.3% before the crisis today, India is back in business, growing at 8.8%

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During April-June, 2010, the last quarter for which data was available, the growth rate was 8.8%. It was expected to remain in that range over the next few quarters. Thus, India had had a genuine, broad-based recovery.

All that was fine... India was doing well and its domestic drivers were back, but what about inflation? That was a problem area.

Dr. Gokarn explained that when an economy had gone through recession and slowed down dramatically, after it started to recover, inflation also picked up – though not at lightning speed.

This was where India faced its first problem in dealing with the recovery. By late 2009 it became evident that India would not have the leeway, or the breathing room, that most economies had, viz., as they emerged out of recession, inflation remained subdued for some time.

And the first pressure point was on the food front. The bad monsoon of 2009 resulted in food inflation picking up very sharply. That, unfortunately, had persisted through this year, too, even though India had had a very good monsoon this year. And this remained a big problem.

Clearly, there were other things at play on the food front and it was not just a consequence of whether there had been a good monsoon or a bad one.

A second area of concern was the quick rise (a shooting up) of the prices of manufactured goods around December, 2009. This had happened even though the slowdown in India was not a very marked one.

But from the point of view of the central bank this was an area of concern because the prices of manufactured goods reflected the pressures that demand was imposing on the economy and was something that the RBI could control directly through its actions.

Once again (as in the case of inflation), the central bank got no breathing space; there was a sudden spurt in the prices of manufactured goods; from being negative, they turned slightly positive and then, very quickly, they were up 6 or 7% (peaking out in June-July at a little over 7%).

This sharp rise also gave the RBI a lot of problems because at that time the recovery was still tentative. There was no knowing that it would persist, how quickly it would spread out and the risks of cutting it (the recovery) short prematurely by acting too aggressively on the monetary front were quite high. Thus at that point it had to perform a very delicate balancing act between ensuring that the recovery would sustain itself and trying not to allow inflation to get out of hand.

Dr. Gokarn said that the dilemma was very acute between the months of February and July this year. Had the RBI not done anything, it would have been praised by groups which believed that the recovery was still weak and required more nurturing; however, it would have been criticised by others who would say that the recovery was in place and that it would be better if the RBI concentrated on inflation.

On the other hand, had the RBI acted too aggressively, it would have been accused by people of destroying the recovery without it having had too

much of an impact on inflation, because food was a big contributor to it.

That was the dilemma, the balance that the central bank tried to achieve during that period. Looking back today, it seemed that the RBI had made the right choices and that it acted in a manner that both kept the recovery relatively intact and, over a period of time, had some impact on inflation.

What about the next six months, the typical horizon for monetary policy? The RBI could see the growth-inflation balance settling down and growth continuing (the momentum was already there); the risk to growth from excessive emphasis on inflation control had started to abate and inflationary pressures had started to ease.

Dr. Gokarn then returned to the issue of food prices not falling in spite of a good monsoon. The most important reason for this, he said, was the exponential growth in consumption.

Explaining the phenomenon, he said that over the last ten to 15 years, as increasing affluence had resulted in people being able to buy more of everything, (two-wheelers, cars, refrigerators, ACs, TV sets or cell phones), there had been a huge increase in the volume of these products (whether produced domestically or imported).

As demand had grown, so had the capacity of the system to meet that demand gone up. Further, prices had declined because of capacity expansion, economies of scale and more efficient production. He noted that every single appliance he had bought over the last couple of years had cost him less in absolute terms; over and above this, the product was of far better quality and technology. Thus there was a huge cost-productivity benefit which came from scale.

But this had not happened in the case of food. Even though people had started moving away from cereals, rice and wheat and started consuming more of other things such as pulses, fruits, vegetables and milk, the supply of these products had not kept pace. As a result, the prices of these products had been rising quite steadily.

Dr. Gokarn said that over the last two years prices had risen dramatically because the basic demand driver, which was a result of increasing affluence and the impact that it had on people's pattern of consumption, was aggravated by rainfall. This was clearly a long-term crisis which was sometimes accentuated by short-term factors like rain.

"It's a very tricky situation; that when we are looking at growing affluence, at development as a broad-based improvement in people's quality of life, that it should be hampered on such a basic parameter... As people are getting richer, they are unable to reduce the percentage of their income that they spend on food, which is the universal pattern of development; somehow, this is not happening because of weaknesses in food supplies.

"This is one of the headwinds that I want to flag; this is a very important challenge that we have to deal with independent of the crisis or anything else in the short term.

"Another factor I would like to highlight is that in the process of identifying what caused the crisis, how specific countries became particularly vulnerable and actually suffered because of its impact, the role of the financial sector was central."

It was observed, stated Dr. Gokarn, that countries that suffered the least had relatively cautious, conservative and prudent approaches to financial regulation. And the countries that bore the maximum impact typically had less conservative, less cautious and less prudent financial frameworks.

Another observation was even more profound – that it was not just a question of approach but also how effectively it had been implemented and how effectively the regulators forced financial institutions to comply with regulations.

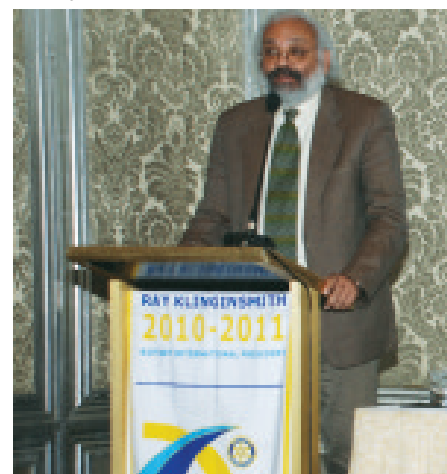
As far as India was concerned, there was no doubt that the financial sector was a fundamental contributor to growth, development and quality of life objectives. However, there was a



When an economy has gone through recession and slows down dramatically, after it starts to recover, inflation also picks up – though not at lightning speed. This was what happened in India, recalls Dr. Gokarn

September 28 to October 4, 2010

THE GATEWAY, The Bulletin of the Rotary Club of Bombay



It's debatable whether things are all right in India now growing at a healthy rate of 8.8%. O

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# Crisis to 5.8% after the crisis; %, says Subir Gokarn

massive mismatch that was often overlooked, viz., that less than 40% of the population had even a basic bank account. This anomaly had to be corrected quickly if India wanted to grow at 9 or 10%.

The RBI was also tasked with regulating or reining in the financial sector. It was thus faced with the challenge of growth – balancing the need to expand quickly in order to expand both the scale and the scope of financial activity, along with the need to keep it safe and stable. This was a challenge that the central bank took very seriously. “So in a sense, the headwind is the need to balance out and the need to be conservative at one level, whereas the priority and the compulsion to grow very rapidly is another.”

Summing up his talk, Dr. Gokarn said it was a fact that India was not invulnerable and that it had not escaped unscathed.

“It is a misperception to argue that India is insulated or decoupled from the world economy. We were not and we will not be in the future; in fact, we will become more vulnerable as our integration increases.

“At the same time, we had the luxury of being a large economy, having a large domestic market and a young population. Our ability to withstand the shock, to buffer ourselves against it and to come out of the trough very quickly has been demonstrated.

“We have to continue to work to strengthen our domestic drivers; we cannot afford to be complacent on reforms, on the actions that we need to take domestically, because ultimately that is the source of our strength, of our resilience,” Dr. Gokarn concluded.

Answering questions, he told Shailesh Haribhakti that liquidity would always find its level and returns were bound to be chased. Such things were already happening in Indian markets. It was important to balance out the functional or constructive role of derivatives with the risks that they posed to the system.

The immediate priority, however, seemed to be to first get out of the crisis; regulation was important but could be taken up after it was reasonably certain that everybody was on the same platform.

When Dr. Nayna Dastur talked of galloping inflation that was hurting even the affluent, Dr. Gokarn said the RBI maintained a permanent and intense scrutiny on prices; even the government was fully aware of it but it had no magic wand or silver bullet.

“The RBI is doing what it can do, and it is doing it in a way which at least for now seems to be working. But there are major issues with respect to agricultural productivity... such as inadequate infrastructure and logistics which have to be addressed.

“You can look back and say we should have done this or that 20 or 50 years ago. In fact, we did it at the time of the green revolution in the late 1960s... there was very quick growth in agricultural productivity because of the crisis; everybody realised that if they didn't do it, the country would face mass starvation. It took a few years, but in a very short time there was a quick transformation in every sector. A similar approach is called for now,” Dr. Gokarn added.

The vote of thanks was proposed by Sidharth Punshi.



the West. But as far as India is concerned, it has already come out of the crisis and others on the dais as Dr. Subir Gokarn speaks are PP Gul Kripalani, Dolly Thakore and Mr. Martin Luther King III

September 28 to October 4, 2010

## General Secretary reports on Rotary International's finances

Although the financial markets have dropped somewhat since my last update on May 20 and our financial workshops at the R.I. Convention in June, both Rotary International and The Rotary Foundation made significant financial gains over the previous year and finished the 2009-2010 fiscal year in line with our projections.

Our unaudited figures show that R.I. finished the fiscal year ending June 30 with total revenues of more than US \$95 million and total expenses of about \$82 million. R.I. investments finished the fiscal year with \$10.7 million in returns, recovering about 75% of the 2009 losses.

Revenues from dues and other activities remained on budget during the 2009-2010 fiscal year and we were able to bring expenses down from the previous year, after adjusting for the \$3.7 million cost of the 2010 Council on Legislation.

The R.I. General Surplus Fund ended the year with a balance of \$106.6 million, well above the 2009-2010 minimum R.I. By-Laws requirement of \$67 million. The Convention held in Montréal resulted in a \$528,000 surplus of revenue versus expenses, which can be attributed to careful monitoring of expenses and greater than expected onsite registration revenue.

On The Rotary Foundation side, I'm happy to report that contributions totalled \$158.4 million, nearly \$15 million more than the previous year, excluding funds received from the Bill & Melinda Gates Foundation Grant.

Annual Programmes Fund contributions came to \$100.4 million, \$1.1 million higher than 2008-2009, and PolioPlus contributions, excluding Gates Grant funds, were \$41.5 million, \$12.1 million over the previous year.

As I write this letter, contributions to Rotary's \$200 Million Challenge exceed \$145 million. Such generosity reflects Rotarians' confidence in their Foundation and its power to do good in the world.

**With investment returns of \$54.3 million in 2009-2010, The**

**Foundation recouped about a third of its losses in the previous year.**

Based on this improved investment performance, the Trustees approved an initial funding of \$20 million in cash and short-term fixed securities for the operating reserve. The Trustees were also able to significantly increase funding this year for Matching Grants while effectively supporting the Future Vision pilot programme.

At their June meetings, the R.I. Board and Foundation Trustees approved new investment policies for the R.I. General Surplus Fund and The Foundation's Annual Programmes Fund, respectively. The new policies are designed to reduce equity risks in the funds' portfolios and increase protection against the risk of inflation.

The Permanent Fund investment policy was modified to add inflation-protection assets such as Treasury inflation-protected securities, commodities and real estate. The Trustees also modified the spending policy for the Permanent Fund to allow for more flexibility in spending from individual endowment accounts whose market values exceed their accumulated gift values.

The continued volatility of the financial markets requires consistent vigilance on the part of Rotary's senior leadership and management.

Careful monitoring of expenses and more strategic investment policies have played a key role in maintaining financial stability over the past year and we will continue to apply these successful tactics throughout the current fiscal year.

Audited financial statements for both R.I. and The Rotary Foundation will be available on the R.I. website in November after the R.I. Board and the Foundation Trustees have approved them. In the meantime, if you want more information on Rotary's finances, I refer you to the finance section of the website at [www.rotary.org/financials](http://www.rotary.org/financials).

**Ed Futa**  
General Secretary

# Non-stop action at the Rotaract Club of Bombay

The Rotaract Club of Bombay, the only community-based Rotaract Club sponsored by the Rotary Club of Bombay, has been busy with a plethora of activities over the last two months.

On August 1, the members visited Vatsalya Foundation at Mahalaxmi to celebrate "Friendship Day" with its residents. The Club wanted to motivate members to adopt a more responsible way of rejoicing and to spend some time with the underprivileged sections of society.

An envelope-making competition was arranged for the children; they were provided with sheets, glue, paints, brushes and other requirements and asked to let their creative urges flow. And the children had an enjoyable time as they created envelopes in different sizes, colours and designs.

Books and sweets were distributed, party games were played and friendship bands tied around wrists. New friends were made and old acquaintances motivated to keep striving for success.

A day later, the Club held its first general body meeting for the year at the home of one of the members. Among other things, it discussed the impending installation meeting and drew up a roadmap of the activities to be undertaken during the year.

With some new members being inducted on the occasion, there was a lot of fellowship and fun. A "Friendship" cake was cut, friendship bands were tied and vows taken to remain friends forever and a day.

The installation programme, christened "Lakshya", was held on August 8 in the presence of Rotary Club of Bombay President Pradeep Saxena, Rotaract Chairman Mehul Sampat and District Rotaract Representative Harikrishnan Pillai.

Outgoing President Harshvardhan Sekhsaria passed on the baton to the new team led by Venkatesh Narayan and Secretary Ishita Vora. "Lakshya" was the Club's tribute to the Indian Armed Forces and its accomplishments.

On August 15, the Rotaractors celebrated Independence Day with the children of the three schools where the Rotary initiative, *Bhavishya-Yaan*, is being implemented, viz., the Dr. Ambedkar Municipal School at Worli, the Colaba Municipal School and the Banganga Municipal School where the programme is being implemented by Bombay Queen's City.

A drawing competition on the theme "Independence" was organised for all the children. They were provided with colour palettes, sketch pens, water bottles, glitters, ribbons and

stars to create colourful paintings depicting their vision of the country.

For the Rotaractors this was not just another drawing competition; they had decided that the cards prepared by the children would be sent to the Commanding Officer of the 53RR Battalion-Punjab as a token of appreciation for their hard work and dedication under tough conditions.

This project was in line with the Club's attempt to promote its "Lakshya" (goal) of creating awareness about the Indian Armed Forces and bringing it closer to society. It was organised by Vice-President Ankeeta Punjabi and Past President Devika Bundela.

A lavish 'iftaar' party for Rotaractors was hosted on August 22 during the holy month of Ramadan by Club Service Director Fakhruddin Kagzi. Sixteen Club members and dozens of Rotaractors from other Clubs were present at the traditional get-together. Among them was a member of the District Council.

A seminar styled "Jaago India" was organised at the Khalsa College in Matunga on September 6. It highlighted the career prospects in Defence and allied fields, as also in the civil services. The attempt was to increase awareness about these vital areas of national life and to encourage the youth

to consider taking up careers in these central services.

The collegians were given detailed information about salaries, allowances and other service perquisites. They also learnt about the different public examinations for selection, the selection criteria, the syllabus, preparation strategies and so on.

An interactive session at the end helped clarify individual queries and cleared various lingering doubts.

Brig. Dharam Prakash Singh (Retd.) of the Indian Army and other officers spoke at the seminar. As did Ajinkya Chawariya, Vice-President of a body known as the Indian Army Fans.

More than 150 students of Khalsa College attended the seminar and showed keen interest in the Indian Armed Forces.

And then, on September 15, Secretary Ishita Vora celebrated her birthday at the Sharda Sadan girls' school at Girgaum. It was a great experience for her and her fellow Rotaractors to share their happiness with scores of underprivileged members of society.

Ishita cut a cake and then looked on agape as a young student gave an outstanding dance performance. What followed was a lot of singing and dancing – and some chatting, too.

Well begun is half done. Keep it up, Rotaract Club of Bombay!



Don't disturb! They're making envelopes. Members of the Rotaract Club of Bombay went to the Vatsalya Foundation, Mahalaxmi, to celebrate 'Friendship Day'. They gave the children an opportunity to design envelopes of their choice. The children did an outstanding job. (Centre and right) Rotaractors enjoy Fellowship in their own style



At the 'Iftaar' party, Club Service Director Rotaractor Fakhruddin Kagzi hosted a traditional party during the holy month of Ramadan. (Centre) Secretary Ishita Vora celebrated her birthday at Sharda Sadan girls' school at Girgaum, when a young student gave an outstanding dance performance. (Right) At the 'Jaago India' seminar to highlight career prospects in Defence and allied fields, Brig. Dharam Prakash Singh (Retd.) and other officers spoke

## Workshop at Banganga 'Bhavishya-Yaan'

A four-day workshop for students of the Banganga Municipal School who are part of the *Bhavishya-Yaan* project being conducted there by the Rotary Club of Bombay Queen's City, was held during the mid-session break from September 13 to 16. It was attended by 50 children.

The children had unlimited access to the computers and the freedom to utilise all the skills that they had learnt. This unstructured environment helped to draw out the best in them.

Oral games and word puzzles were arranged by Jhanvi Vissanji. The children were also encouraged to play team games such as *kho-kho* and *kabaddi*.

A dance workshop was conducted by Mrs. Rashmi Misra, the Chairperson of Vidya, an accomplished Odissi dancer, who introduced the children to various classical dance forms and their *mudras* and movements.

Two volunteers, Manika and Dr. Radhika, conducted a science and maths workshop. The human body and the functions of various parts were explained. The Banganga *Bhavishya-Yaan* proposes to hold a longer, more intensive programme during the Diwali break.

## Polio-corrective surgery and distribution of walking sticks planned for October 2

Several Committees are drawing up plans to mark Gandhi Jayanti on October 2. They propose to execute key projects on that day which is considered to be an auspicious one by many.

PP Kalpana Munshi, Chairperson of the Committee for the Differently Abled, is organising two programmes for Gandhi Jayanti.

At 9 am on that day (Saturday), doctors at the St. Elizabeth Nursing Home will begin polio-corrective surgery to benefit 20 polio-affected persons.

These medical camps for polio-corrective surgery are now an annual feature of the Rotary year and are sponsored by a number of members, most of who do not bother to reveal their names.

### THE ROTARACT CLUB OF BOMBAY (Continued)

Later that day, the Committee for the Differently Abled will distribute 100 walking sticks (of the foldable variety) and 50 saris to visually challenged persons at a camp in distant Malad.

As part of this programme, which will begin at 11.30 am, snacks will be served to 200 visually challenged

families at the Blind Organisation of India which is located near the municipal hospital at Malwani Colony Gate No. 6, Malad (West).

**PP Kalpana has requested all Club members to attend the two projects to be implemented on Gandhi Jayanti Day, Saturday, October 2.**

## Green energy set to light up your homes

Contributed by the Green Vision Committee

Chairman: Jagdish Malkani

Co-Chair: Kiran Nanda

First, green fuel was blended into petrol. Now, the government wants green power blended into electricity to light up our homes, offices and factories. Energy distribution companies have to replace 6% of their total supplies with power generated from solar, wind or hydel energy.

A new financial instrument, called Reduction in Emission Certificate (or REC), has been created that will be sold by Indian companies producing renewable energy to distribution companies such as Maharashtra State Electricity Distribution Company, Tata Power, Reliance Infrastructure and BEST. One REC will represent one megawatt-hour (MWh).

The REC aims at helping consumers to meet their Renewable Purchase Obligations (RPO). The concept is directed specifically at States that have no renewable energy potential but can meet it through the purchase of RECs.

As the Certified Emission Reduction (CER) concept is targeted at carbon emissions, it is measured in tonnes. But an REC (Reduction in Emission Certificate) is measured in units of kilowatt-hour.

The paper will begin trading from December on the two national electricity exchanges, the Indian Energy Exchange and the Power Exchange of India.

An official of the Power Exchange of India said potential buyers would be distribution companies of State electricity boards, captive power plants and open access consumers. Wind, biomass, cogen and hydel generators would be eligible to sell RECs.

Solar power would be a separate category, with a separate certificate, as it generates a very small output. The focus would be non-solar renewable sources of power.

Given India's 1.60-lakh mw installed capacity, 9,600 mw would have to be bought from renewable energy companies physically or as RECs. And given the government-fixed price band of Rs. 1.50 to Rs. 3.67 per MWh, the market would be worth a minimum Rs. 14,400 crore.

No wonder sellers have begun licking their lips as they wait for this new source of profit. Each seller will get RECs from the State electricity regulatory commission equivalent to the actual quantity of renewable energy supplied to the State grid. The paper would then be traded.

To really take off, the fledgling REC market needs equally enthusiastic buyers. In theory at least, they should come rushing. The government has fixed stiff penalties for companies that do not meet their 6% obligation. Besides, it is difficult to buy renewable energy only through short-term contracts or in the spot market.

Even so, buyers are reluctant. Some are meeting their 6% commitment through captive capacities. Others have inked short-term contracts for this fiscal and so don't need to buy RECs yet.

The two power exchanges are preparing to help create the REC market. The price band prescribes a minimum and maximum range between which an REC will trade and the price discovery will happen then.



Passing on the baton. IPP Harshvardhan Sekhsaria affixes the President's pin on the lapel of new President Venkatesh Narayan of the Rotaract Club of Bombay



Among those seated on the dais in this photograph are Rotary Club of Bombay President Pradeep Saxena, Rotaract Chairman Mehul Sampat and District Rotaract Representative Harikrishnan Pillai

## ROTARY CLUB OF BOMBAY

FOUNDED 19 MARCH, 1929  
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Imm. Past President	Nandan Damani
President-Elect	Paul George
Vice-President	Nowroze Vazifdar
Honorary Secretary	Bipin Kapadia
Joint Hon. Secretary	Sitaram Shah
Hon. Treasurer	Ishraq Contractor
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Suresh Goklaney	Shailesh Haribhakti
Shivkumar Israni	Arin Master
S.K. Mitra	Ramesh Narayan
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Classifications	PP Ashish Vaid
Membership	PP Dr. Adi Dastur
Member. Dev. & DisCon	Nowroze Vazifdar
Information	PP Dr. Kekoo Kavarana
Mentoring & Assimilation	PP Dr. Sandip Agarwal
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Fellowship	Shernaz Vakil
Sports	Moy Biswas
Programme	Dolly Thakore
Sergeant-at-Arms	Pradeep Gujarathi
Attendance	Arvind Agarwal
Bulletin & Website	PP Arun Sanghi
Public Relations	Priyasri Patodia
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HTEC, Talwada	PP Dr. Rumi Jehangir
ADMC, Talwada	Dr. Mitul Patel
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Control of TB	Prof. Rohini Chowgule
Hepatitis & Polio Immu.	Dr. Vandana Bulchandani
Cancer Aid	Zinia Lawyer
<b>COMMUNITY SERVICE - Non-Medical</b>	
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RCC	Shyamnivas Somani
Global Warming/ Green Vision	Jagdish Malkani
Old Age Homes/ Senior Citizens	Naresh Kumar Jain
Women Empowerment	Poonam Lalvani
Rural Development	Dilnavaz Variava
Water Management	Ramesh Dhir
<b>VOCATIONAL SERVICE</b>	
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Rotary & Public Awards	Nelum Gidwani
Promotion of Arts, Music & Dance	Sabira Merchant
Four-Way Test	Manoj Kumar Patodia
<b>INTERNATIONAL SERVICE</b>	
Director	Shailesh Haribhakti
R.I. Programmes	PP Rajnikant Reshamwala
Rotary Foundation/ Matching Grants	PP Arvind Jolly
Fund-Raising	Ashok Minawala
<b>NEW GENERATIONS - Education</b>	
Director	Vineet Bhatnagar
Education for All	Alok Sekhsaria
Rotary Suraksha Loans	Ashok Jatia
Merit-cum-Means	
Scholarships	Madhusudan Daga
Management Studies	Poonam Kumar
Legal Case Practice	Apurva Diwanji
<b>NEW GENERATIONS - Youth</b>	
Director	Roda Billimoria
Interact	Arjun Jolly
Rotaract	Mehul Sampat
Night Study Centres	Sunny Pariyaram
Vocational Train. Centres	Jacob Abraham
Road Safety	Deepak Kapadia
<b>DISTRICT THRUST PROJECTS</b>	
Director	Shivkumar Israni
Differently-Abled	PP Kalpana Munshi
Disha	Subash Gogia
Rural Lighting	Kiran Nanda
Adoption of Police Station	Nirav Shah

# The Nominating Committee for DGN 2014-2015

The District Governor has invited nominations from eligible candidates for election to the Nominating Committee that will name the District Governor Nominee for the Rotary year 2014-2015.

Elections, if necessary, will be held in the course of the forthcoming District Conference, scheduled to be held at Hotel Renaissance, Powai, on January 29 and 30, 2011.

The eligibility criteria for election to the Nominating Committee are as follows:

The candidate should be a Rotarian of good standing with at least five years' membership;

He or she should have served the Club as President for one complete term;

The candidate should have held a District assignment for two complete terms; and

He or she should have attended at least six District meetings and participated in at least three of them.

**The last date for submission of nominations (to the Rotary Club**

**of Bombay) for election to the Nominating Committee to name the DGN for Rotary year 2014-2015 is October 1, 2010.**

## District Conference in January, 2011

The District Conference for the Rotary year 2010-2011 is scheduled to be held at Hotel Renaissance, Powai, on January 29 and 30, 2011.

The Host Club, the Rotary Club of Mulund, has already started accepting registrations for the forthcoming District Conference.

Those registering their names on or before September 25, 2010, will have to pay only Rs. 5,000 as registration charges (these will go up later).

All Office-Bearers, Directors and Chairpersons of the Rotary Club of Bombay have been requested to make it a point to attend the District Conference.

Among other things, it will give them firsthand information about the projects being implemented by all the other Clubs in District 3140.

Second, they will have the opportunity to hear an array of eminent speakers who have confirmed their participation in the Conference.

Third, the Club has to cast its 14 votes (through the assigned representatives) to elect the District Governor-Nominee for the Rotary year 2013-2014 and for the Nominating Committee for District Governor Nominee for 2014-2015.

Finally, attending the District Conference will entitle members to attendance credit for two days.

Members, especially Office-Bearers, Directors and Chairpersons, are requested to send their cheques for Rs. 5,000 in favour of "The Rotary Club of Bombay" on or before September 25.

## Happy Birthday



Shantikumar Dalal  
September 28



Rohit Dhoot  
September 29



Preeti Mehta  
October 1



Suresh Kotak  
October 2



Ramesh Mehta  
October 2



Purnima Sheth  
October 2



Alok Saxena  
October 3

## Spouses/Rotaryanns

Daksha Chitre  
September 28  
Mitsu Kothary  
September 30  
Madhu Ruia  
September 30  
Rani Tarneja  
September 30  
Vijaya Venkatram  
October 2  
Vatsala Jatia  
October 3  
Arnava Poonawala  
October 3  
Rekha Ruia  
October 3

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Regd. No. MH/MR/South-109/  
2009-11, R.N.I. No. 14015/60

One Profits  
Most Who  
Serves Best

Service  
Above  
Self



## THE FOUR-WAY TEST

Of what we think, say or do

1. Is it the **TRUTH**?
2. Is it **FAIR** to all concerned?
3. Will it build **GOOD-WILL** and Better Friendships?
4. Will it be **BENEFICIAL** to all concerned?