BOX 1.1
Economic reforms in 2001-02

Structural reform initiatives

* Interest rates on small savings reduced.
* Government equity disinvested in select public sector undertakings like VSNL, IBP, CMC, HTL, PPL, BALCO and certain ITDC hotels.
* VRS introduced for Government employees in the surplus pool.
* Full decontrol of sugar announced during 2002-03 (conditional on commencement of futures trading).
* Items covered under the Essential Commodities Act reduced from 29 to 17.
* Licensing requirements and restrictions on storage and movement of wheat, rice, sugar, edible oilseeds and edible oils removed.
* New Pharmaceuticals Policy announced reducing the span of price control rigours on several bulk drugs and formulations.
* Fourteen items dereserved from the list of items reserved for exclusive manufacture by the small-scale sector.
* Bill for abolition of the Sick Industrial Companies (Special Provision) Act introduced in Parliament.
* Bill for setting up of a National Companies Law Tribunal by amending Companies Act introduced in Parliament.
* The Union Budget (2001-02) proposed amendments in the Industrial Disputes Act and Contract Labour Act for removing the existing structural rigidities in the labour market.

Fiscal Reforms

* Various economy measures introduced including downsizing some of the departments.
* Excise duty structure was rationalised to a single rate of 16 per cent CENVAT (Central Value Added Tax) in 2000-01. The Budget for 2001-02 replaced earlier three special rates of 8 per cent, 16 per cent and 24 per cent by a single rate of 16 per cent.
* Peak level of customs duty reduced from 38.5 per cent to 35 per cent with abolition of surcharge on customs duty. Customs duty reduced on specified textile machines, information technology, telecommunications and entertainment industry.

* Goods imported by 100 per cent EOUs and units in FTZs and SEZs exempted from anti-dumping and safeguard duties.
* All surcharges abolished on personal and corporate income tax rates except the Gujarat earthquake surcharge of 2 per cent leviable on all non-corporate and corporate assessees except foreign companies.
* Weighted deduction of 150 per cent of expenditure on in-house R&D extended to biotechnology.
* Five-year Tax holiday and 30 per cent deduction of profits for the next five years extended to enterprises engaged in integrated handling, transportation and storage of foodgrains.
* Incentive Fund created for incentivising fiscal reforms in states.

Infrastructure

* Initial period for availing of ten-year tax-holidays for infrastructure projects rationalised and extended to 15 to 20 years.
* The five-year tax holiday and 30 per cent deduction of profits for the next five years for telecommunications extended to internet service providers and broadband networks.
* Electricity Bill 2001 and Communication Convergence Bill 2001 introduced in Parliament.
* Accelerated Power Development Programme started for incentivising power sector reforms in states.
* Budgetary allocation enhanced for the Pradhan Mantri Gram Sadak Yojana (PMGSY) for speeding up connectivity of rural roads. PMGY scheme extended to cover rural electrification.
* Special Railway Safety Fund created, which is to be funded by surcharge on passenger fares and budgetary support.
* National Highway Development Project launched.

Capital and Money Markets

* Clearing Corporation of India Ltd (CCIL) set up. The Negotiated Dealing System (NDS) is being introduced.
* Floating rate Government bonds reintroduced.
* Badla banned and rolling settlement introduced
* Corporatisation of stock exchanges proposed involving segregation of ownership, management and trading membership from each other.
* Trading in index options, options on individual securities and stock futures introduced.
* Aggregate limit for FII portfolio investment enhanced to 49 per cent and subsequently upto sectoral ceiling.

External sector

Trade

* Quantitative Restrictions (QRs) on BOP grounds removed by dismantling restrictions on the remaining 715 items.

* Partial back loading of withdrawal of tax benefits offered to exporters under Section 80-HHC of the Income Tax Act.

* Agri-Economic Zones set up for promoting agricultural exports on the basis of specific products and geographical areas.

* *Market Access Initiative* (MAI) scheme introduced to boost exports.

* Interest rates on export credit rationalised by indicating interest rates on export credits as PLR linked ceiling rates.

* Special financial package introduced for large value exports (annual exports of over Rs 100 crore) of selected products.

* Duty drawback rates for more than 300 export products and value caps abolished under DEPB on about 400 export items from October 2001.

* Medium term export strategy formulated to achieve a quantum jump in exports in the next five years.

Capital account

* FDI up to 49 per cent from all sources permitted in the private banking sector.
* 100 per cent FDI permitted for B to B e-commerce, courier services, oil refining, hotel and tourism sector, drugs and pharmaceuticals, Mass Rapid Transport Systems including associated commercial development of real estate.
* Non-Banking Financial Companies (NBFCs) permitted to hold foreign equity up to 100 per cent in holding companies.
* Foreign investors permitted to set up 100 per cent operating subsidiaries without the condition of disinvesting a minimum of 25 per cent equity to Indian entities.
* Joint venture NBFCs having 75 per cent or less than 75 per cent foreign investment permitted to set up subsidiaries for undertaking other NBFC activities.
* Dividend balancing conditions withdrawn from 22 consumer items.
* Offshore Venture Capital Funds/Companies allowed to invest in domestic venture capital undertakings.
* FDI up to 100 per cent permitted with prior approval of the Government for development of integrated township.

* The defence industry opened up to 100 per cent private sector participation by Indian companies with FDI permitted up to 26 per cent, both subject to licensing.
* International Financial Institutions like ADB, IFC, CDC, DEG, etc. allowed to invest in domestic companies through the automatic route, subject to SEBI/RBI guidelines and sector specific caps on FDI.