## Policy developments and programmes

8.68 The developments in terms of policy responses during 2008-09 were to an extent shaped by the situation that emerged from the effects of the global financial crisis on the Indian industry. The measures that were taken specifically for the industrial sector included, fiscal measures, measures to ensure availability of credit. Broadly, the effort in this regard was to mitigate its sharp impact on the industry, especially on the export oriented sectors that were the most directly affected. A list of measures taken by the Government and the Reserve Bank of India to mitigate the impact on exports is provided in Box 6.11 (Chapter 6).

8.69 Apart from the aforesaid measures sector-specific measures and other programmes taken on an ongoing basis are outlined below:

### Textiles and garments

8.70 The Government announced several incentives during 2008-09 to support the textiles and garments industry, which include the following:

- Payment of only excise duty on DTA sale for textile and granite sector EOUs, in case the use of duty paid imported inputs is up to 3 per cent of the FOB value of exports.
- 10 more countries were included within the ambit of Focus Market Scheme.
- With reduction of 4 per cent in CENVAT, the textile machinery will have CENVAT of 10 per cent and non-cotton textile will have 4 per cent CENVAT.
- Rate of duty on cotton textile and the textile articles were reduced from 4 per cent to Nil;
- Pre- and post-shipment export credit for sectors including textiles was provided an interest subvention of 2 per cent up to 31.03.2009 subject to minimum rate of interest 7 per cent per annum;
- All items of handicrafts will be included under "Vishesh Krishi & Gram Udyog Yojana".

8.71 The two flagship schemes of the textile sector include Technology Upgradation Fund Scheme (TUFS) and Scheme for Integrated Textile Parks (SITP). TUFS, aimed at facilitating modernization and upgradation of the textile industry by providing credit at reduced rate to both organized and unorganized sectors, has been fine-tuned to induce rapid investments. Under the scheme, an amount of Rs. 69,828 crore was sanctioned against the project cost of Rs. 1,55,704 crore and loans worth Rs. 57,878 crore were disbursed to 23,448 applicants up to 31.12.2008. An additional allocation of Rs. 1,400 crore has been made to clear the entire backlog in TUFS during 2008-09. Under SITP, 40 integrated textiles parks of international standards, covering weaving, knitting, processing and garmenting sectors with project proposals worth Rs. 4,199.35 crore (of which assistance from the Government is Rs. 1,438.03 crore) have been sanctioned. Four textile parks were inaugurated during 2008-09.

### Steel

8.72 Responding to the changed scenario, Government of India removed the export duty on pig iron, iron & steel ingots, bars & rods, angles and sections, reintroduced import duty of 5 per cent on steel, restored DEPB benefits partially, reduced excise duty to 8 per cent, placed HR imports on the restricted list making it available to direct users only and not to traders and withdrew the exemption from countervailing duty on import of TMT bars and structurals. An Inter-Ministerial Group (IMG) was set up to facilitate interaction between investors and the various agencies in the matters of acquisition of land, mining rights, power and transportation including rail, road and port sectors.

### Pharmaceuticals

8.73 The Department of Pharmaceuticals (DoP) was set up in July 2008. Pharmaceutical industry has various environmental issues; hence an Environmental Cell has been created in the department to collect, disseminate information on environmental matters, identify issues and solutions, create awareness and to synergize efforts for an environment-friendly pharma industry. Under the Jan Aushadhi Campaign launched by the Government along with Central Public Sector Undertakings to provide quality medicines at affordable prices to the masses, "Jan Aushadhi" stores would be set up in every district, where generic drugs, unbranded but equivalent in quality to branded drugs, are being sold. The first such "Jan Aushadhi" store was opened in Amristar in November 2008 and the campaign is on its way to opening more than 45 stores in different places by end-March 2009. A national toll-free helpline has been set up to provide information on this.

8.74 To promote excellence in pharmaceutical education & research, six new National Institutes of Pharmaceutical Education & Research (NIPERs) have been set up, in addition to the existing one at Mohali. NIPERs would award masters & doctoral degrees in pharmaceutical sciences and would give emphasis on R&D activities. The NIPERs are being set up in collaboration with mentor institutes.

8.75 Under various rehabilitation programmes, the CPSUs have made remarkable progress in the year 2008-09.

## Petrochemicals

8.76 The National Policy on Petrochemicals, approved by the Government, aims at increasing investments, catering to the demand in polymers and downstream processing, increasing domestic consumption of plastics, synthetic fibres and petrochemicals, increasing polymer absorption and value addition in downstream plastic processing, achieving environmentally sustainable growth and promoting R&D in petrochemicals. A sector-specific investment region, "Petroleum, Chemicals and Petrochemicals Investment Region" (PCPIR) has been set up to ensure adoption of a holistic approach to promote petroleum, chemical and petrochemical sectors. Industrial estates would be set up to achieve synergies. This would be supplemented with green belt and social infrastructure. PCPIR region would be a combination of production projects, public utilities, logistics, environmental protection, residential areas and administrative services.

8.77 PCPIR would have an area of around 250 sq. km with a minimum processing area of about 40 per cent of the total designated area. Each PCPIR would have a refinery/petrochemical feedstock company as an anchor tenant. The internal infrastructure of PCPIR would be managed by developers. Availability of external physical infrastructure linkages would be ensured. The proposals of Andhra Pradesh, Gujarat and West Bengal were approved in February 2009.

## Fertilizers

8.78 New Pricing Scheme-III (NPS-III) for indigenous urea seeks to rationalize distribution and movement and lay down a definite plan for conversion of all non-gas based urea units to gas. The Government has announced a new investment policy for urea sector to attract investment, based on import parity price bench-marking. Government decided to fix the farm-gate prices of nutrient at the level of existing price in straight fertilizers viz. urea, DAP, MOP and SSP. Selling price of subsidized fertilizers will be determined on the basis of the nutrient contained therein.

8.79 A policy for encouraging production and availability of fortified and coated fertilizers was notified. A uniform freight subsidy policy was announced under which the rail freight will be paid on actuals and road freights will be paid on a normative average district lead. Revised Concession Scheme for decontrolled phosphatic and potassic fertilizers was announced, according to which final rates for concession to be worked out on monthly basis for indigenous DAP would be the same as that of imported DAP. Mono ammonium phosphate (MAP), triple super phosphate (TSP) and ammonium sulphate (AS) have been included in the concession scheme. Also a uniform all-India maximum retail price of Rs. 3,400 per tonne for single super phosphate (SSP) was announced.

8.80 Possibilities for setting up of joint venture ammonia/urea projects in countries like Iran, Turkmenistan, Ukraine, Egypt, Kuwait, Saudi Arabia, Australia, Nigeria, Mozambique and Azarbaijan are being explored. Indian entities are in dialogue for joint venture in phosphatic and potassic fertilizers in countries such as Jordan, Moracco, Tunisia, Australia, Syria and Canada. A special purpose vehicle namely Urvarak Videsh Ltd. has been incorporated to take consultancy study for projects abroad.

## Electronics

8.81 Under the ongoing National e-Governance Plan (NeGP), the Government had approved a scheme for facilitating establishment of more than 100,000 broadband Internet-enabled common service centres (CSCs) in rural areas of the country at a total cost of Rs. 5,742 crore. It is being implemented under the public-private partnership mode. As of March 31, 2009, the number of CSCs commissioned in 20 states is 36,485. Likewise, implementation of State Wide Area Networks (SWANs), envisaged to provide secured network from state headquarters up to the block level, has been completed in seven states/UTs (Delhi, Haryana, Himachal Pradesh, Tamil Nadu, Chandigarh ,Tripura and Punjab), while it is at advance stage in 12 states /UTs, as of March 31, 2009. Under the Scheme of e-District, a State Mission Mode Project under NeGP, pilot projects have been extended to 14 states covering 36 districts. During 2008-09, a significant ground was covered in Uttar Pradesh, Bihar, Assam and Maharashtra.

8.82 The scheme of State Data Centre (SDC), an important element of infrastructure for e-Governance under NeGP, was approved in January 2008 at an estimated outlay of Rs. 1,623.20 crore to cover 28 states and 6 UTs. SDC Proposals of 27 states/UTs have already been approved with a total outlay of Rs. 1,237 crore.

8.83 A Capacity Building Scheme for end-user, which envisions an institutional framework for state level strategic decision-making including setting up of State e-Governance Mission Team (SeMTs), at an outlay of Rs. 313 crore, was approved in January 2008. A Capacity Building Management Cell (CBMC) has been set up in DIT for its overall coordination and implementation. Unique Identity (UID) scheme was initiated to create a central database and generate UID for residents primarily for effective reach of social sector benefits. A UID Authority has been set up under aegis of the Planning Commission. Under the Special Incentive Package Scheme (SIPS), which encourages investments in semiconductor fabrication and other micro and nano technology manufacture industries, 17 proposals involving an investment of the order of Rs. 1,57,000 crore, over a period of next 10 years have been received.

8.84 A policy resolution for setting up of Information Technology Investment Regions (ITIRs) was approved in May 2008. This will promote investment in Information Technology (IT), Information Technology Enabled Services (ITeS) and Electronic Hardware Manufacturing (EHM). The Information Technology (Amendment) Act, 2008 was enacted considering the need to strengthen legislation pertaining to information security. The Act, inter alia, adds provisions to the existing Information Technology Act, 2000 to deal with new forms of cyber crimes. Software tools & fonts for Gujarati, Sanskrit, Bodo, Dogri, Maithili and Nepali were released in public domain, in addition to software tools and fonts for 10 constitutionally recognized Indian languages which are already available in public domain. Around 7 lakh free software tools and fonts CDs have been freely distributed to the masses, besides about 26 lakh downloads from the website.

8.85 It has been decided to establish a National Knowledge Network with scalable multi-gigabit capabilities which will connect 1,000 nodes covering all universities, research institutions, libraries, laboratories, hospitals and agricultural institutions across the country. The initial phase of the network was inaugurated in April 2009. The Indian Computer Emergency Response Team (CERT-In) has been set up for providing early security warning and effective incident response. Further, nationwide efforts are being made to increase cyber security education, awareness and skills with special training programmes.

## Public sector

8.86 To provide level playing field with the private corporate sector, the Government has delegated enhanced financial and operational powers to the Navratna, Miniratna and other profit making CPSEs. National Aluminium Company Limited (NALCO), National Mineral Development Corporation Limited (NMDC), Power Grid Corporation of India Limited (PGCIL), Rural Electrification Corporation (REC), Coal India Limited (CIL) and the Shipping Corporation of India Limited (SCI) have been granted Navratna status in 2007-08 raising the total number of Navratna companies to 18. Eight more CPSEs, namely, the Airports Authority of India, Broadcast Engineering Consultants of India Limited, Cochin Shipyard Limited, Hindustan Copper Limited, Indian Railway Catering and Tourism Corporation Limited, Mishra Dhatu Nigam Limited, National Hydroelectric Power Corporation Limited and Satluj Jal Vidyut Nigam Limited have been granted Miniratna status, raising the total number of Miniratna CPSEs to 56.

8.87 Besides emphasizing on professionalization of the Board of Directors in these enterprises, the Government has issued Guidelines on Corporate Governance further CPSEs. The Government, furthermore, established the Board for Reconstruction of Public Sector Enterprises (BRPSE) in December 2004 to advise the Government, inter alia, on revival / restructuring of sick and loss-making CPSEs. The BRPSE has made recommendations in respect of 56 cases of CPSEs until 31.03.2009. The Government, in turn, has approved the proposals for revival of 35 CPSEs and closure of two. The total assistance approved by the Government in this regard up to 31.03.2009 has been Rs.15,129 crore, which comprises Rs. 2,932 crore as cash assistance and Rs.12,197 crore as non-cash assistance.

8.88 Nearly one-fourth of employees in CPSEs are in the managerial and supervisory cadres. The total number of employees in all CPSEs came down to 15.70 lakh (excluding casual labour and contract labour) as on 31.3.2008 compared to 16.14 lakh employees as on 31.3.2007. As per the unrevised scales, the average per capita emoluments in CPSEs stood at about Rs. 4,09,608 per annum.

8.89 The Government had set up a Pay Revision Committee headed by Justice M. Jagannadha Rao, (Retired Judge of the Supreme Court of India) for considering pay revision of executives and non-unionized supervisors under IDA pattern in CPSEs. Based on the recommendations of this Committee which submitted its report on 30.5.2008, the Government issued guidelines dated 26.11.2008 for the pay revision of executives and non-unionized supervisors drawing pay under IDA scales of pay. The effective date of pay revision will be 1.1.2007. This decision of the Government would greatly benefit the executives and non-unionized supervisors of CPSEs and help the CPSEs to attract and retain talent.

## MSMEs

8.90 The Prime Minister's Employment Generation Programme (PMEGP) has been launched by merging the erstwhile Rural Employment Generation Programme and Prime Minister's Rozgar Yojana. Its objectives are to generate employment opportunities in rural and urban areas by setting up new self-employment ventures/projects/micro enterprises, bring together dispersed traditional artisans and unemployed youth and give them self-employment opportunities, provide continuous and sustainable employment to traditional and prospective artisans and unemployed youth to arrest rural-urban migration and increase the wage earning capacity of artisans. Khadi and Village Industries Commission (KVIC) is the national nodal agency. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and Banks. The upper limit of the project cost that can be set up in the manufacturing sector and the business/services sector is Rs. 25 lakh and Rs.10 lakh respectively. The subsidy for setting up micro enterprises is 15 per cent and 25 per cent respectively in urban areas and 25 per cent and 35 per cent respectively in rural areas for general category and special category. Under the scheme, Rs. 4,735 crore, in addition to Rs. 250 crore towards forward and backward linkages, has been earmarked to generate around 37.38 lakh employment opportunities during four years.

8.91 Under the National Manufacturing Competitiveness Programme (NMCP), five components have been made operational. These include quality management systems and quality technology tools, building awareness on intellectual property rights, support for entrepreneurial and managerial development through incubators, setting up of new mini tool rooms and marketing assistance/ support to MSEs. The Credit Guarantee Scheme has been modified with reduction in one-time guarantee fee and annual service fee to 1 per cent and 0.5 per cent respectively for loans up to Rs. 5 lakh, increase in loan limit from Rs.50 lakh to Rs.1 crore with a guarantee cover of 50 per cent, increase in guarantee cover from 80 per cent to 85 per cent for loans up to Rs. 5 lakh and reduction in lock in period for preferring claims from 24 to 18 months.

8.92 To provide handholding assistance to potential first generation entrepreneurs through lead agencies or Udyami Mitra, the Rajiv Gandhi Udyami Mitra Yojana has been launched, offering guidance and help to them in completing the formalities for establishment of enterprises.

8.93 To support the khadi sector, two new schemes have been launched. Under Workshed Scheme for Khadi artisans, it has been targeted to provide 38,000 worksheds to khadi spinners/artisans. The 'Scheme for Enhancing Productivity and Competitiveness of Khadi Industries and Artisans' aims at increasing productivity of khadi artisans through 200 selected khadi institutions by assisting them with quality raw material, capacity building, value addition and marketing linkages. A scheme to rejuvenate, modernize and technologically upgrade spinners and tiny household sector in coir production has been launched. Under the scheme, outdated ratts/looms would be replaced and worksheds would be provided. Financial aid has been tied up from the Asian Development Bank amounting to US$ 150 million over a period of three years for implementing a comprehensive Khadi Reform Programme. Under this, the khadi sector would be revitalized with increased incomes, employment, sustainability and artisans' welfare and KVIC would be enabled to reduce dependence on government grants. Initially, programme will be initiated in 300 khadi institutions.

8.94 The phased deletion of products from the list of items reserved for the exclusive manufacture by micro and small enterprises is being continued. In October 2008, the government deleted 14 items from this list. There are now only 21 items that are reserved for this sector. These include bread, pickles, wooden furniture, wax candles, exercise books and registers, safety matches, incense sticks, fireworks, and stainless steel and aluminium utensils.

## Foreign direct investment

8.95 The consolidated press note released in June 2008 by the Department of Industrial Policy and Promotion (DIPP) specified the sectors in which FDI is prohibited as: retail trading (except single brand product retailing), atomic energy, lottery business, gambling and betting, business of chit fund, Nidhi

### Box 8.1 : FDI - Major policy decisions during 2008-09

- 49 per cent FDI in credit information companies has been allowed.
- FDI up to 26 per cent and FII up to 23 per cent in commodity exchanges, subject to no single investor holding more than 5 per cent, has been allowed.
- FDI up to 100 per cent under the automatic route has been allowed both in setting up and in established industrial parks.
- FDI cap in the civil aviation sector, which includes 74 per cent FDI in non-scheduled airlines, chartered airlines and cargo airlines, has been relaxed. 100 per cent FDI in maintenance and repair organizations, flying training institutes, technical training institutions, and helicopter services/seaplane services has been allowed.
- FDI policy in the petroleum and natural gas sector has been rationalized.
- FDI up to 100 per cent (with prior government approval) in mining and mineral separation of titanium-bearing minerals and ores, its value addition, and integrated activities has been allowed

companies, trading in transferable development rights (TDRs) and activities/sectors not opened to private sector investment (Box 8.1). Except these sectors, FDI is allowed in all the other sectors of the economy, at varying specified degrees, either through the Government approval route or the automatic route of the Reserve Bank of India.

8.96 A comprehensive review of the FDI policy was undertaken in 2008-09, relating to guidelines on (i) calculation of total foreign investment in Indian companies, (ii) transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities, and (iii) policy for downstream investment by investing Indian companies (Box 8.2).

### Box 8.2 : Calculation of total foreign investment

The salient features of guidelines for calculation of total foreign investment —direct and indirect — in Indian companies**:**

- All investment directly by a non-resident entity into the Indian company would be counted towards foreign investment.
- The foreign investment through the investing Indian company would not be considered for calculation of the indirect foreign investment in case of Indian companies which are "owned and controlled" by resident Indian citizens and Indian companies which are "owned and controlled" ultimately by resident Indian citizens.
- For cases where this condition is not satisfied or if the investing company is owned or controlled by "non-resident entities," the entire investment by the investing company into the subject of Indian company would be considered as indirect foreign investment.
- As an exception, the indirect foreign investment in only the 100 per cent owned subsidiaries of operating-cum-investing/investing companies, will be limited to the foreign investment in the operating-cum-investing/investing company. It is clarified that this exception has been made since the downstream investment of a 100 per cent owned subsidiary of the holding company is akin to investment made by the holding company and the downstream investment should be a mirror image of the holding company.