

CHAPTER III

REFORM MEASURES AND POLICY INITIATIVES

Policy making is a dynamic concept necessitating interventions and changes from time to time as required to achieve the desired goals. Sustained accelerated growth of exports and trade is the primary goal being followed by the Department of Commerce. Taking into account domestic as well as international and emerging scenarios, including the continuing World Trade Organisation (WTO) negotiations, the necessary policy initiatives are undertaken by the Department to achieve the desired objectives. The policy initiatives include procedural changes/modifications carried out on regular basis. Some of the major policy initiatives undertaken by the Department are given below:

SEZ Policy: A Major Initiative in Public Private Partnership

The Special Economic Zones Policy was announced with the intention of making the Special Economic Zones an engine for economic growth supported by quality infrastructure and an attractive fiscal package both at the Central and State level, with a single window clearance. The SEZ concept recognizes the issues related to economic development and provides for developing self-sustaining Industrial Townships so that the increased economic activity does not create pressure on the existing infrastructure. The Special Economic Zone Act, 2005 along with SEZ Rules, 2006 came into effect on 10th February, 2006.

The main objectives of the Act are generation of additional economic activity; promotion of exports of goods and services; promotion of investment from domestic and foreign sources; creation of employment opportunities and development of infrastructure facilities.

SEZs are created through public-private partnership as the developers are required to provide for an adequate relief and rehabilitation package for the affected. Since these SEZs would require trained manpower, appropriate training programs in such areas for the affected families assured employment for members of the displaced families and land at concessional rates for them in the develop area.

Consequent upon SEZ Rules coming into effect from February 10, 2006, formal approval has been granted to 439 SEZ proposals out of which 201 SEZ proposals have been notified. The total land area involved in the 439 formally approved SEZs is about 60168 hectares out of which approximately about 20,000 hectares are for the 97 approvals given for State Industrial Development Corporations/State Government ventures. In all these cases either the land was already available with the State Industrial Development Corporations (SIDCs) or was in possession of the private companies setting up the SEZs.

At present, 1277 units are functioning in the SEZs set up prior to enactment of the SEZ Act, 2005. These units are providing direct employment to over 2 lakh persons, out of which 40% are women. Private investment in these SEZs is of the order of over Rs.7104.46 crore.

While there was only a couple of newly notified SEZs which had commenced exports in the year 2006-07, in the current financial year (2007-08), 23 newly notified SEZs have commenced exports. It is estimated that exports in the current year (2007-08) from the SEZs as a whole would be Rs. 67,088 crore. Exports worth Rs. 40,000 crore have already been effected in the current financial year, up to December 2007.

National Export Insurance Account (NEIA)

A separate Fund with an approved corpus of Rs.2,000 crore called the National Export Insurance Account (NEIA) was set up in 2006. The objective of NEIA is to promote project exports from India, which may not take place but for the support of a credit risk insurance cover which the ECGC is not in a position to provide because of its own underwriting capacity. The present corpus in the fund is Rs.396 crore. During 2006-07, the NEIA Trust considered and approved covers for projects involving a total sum of US \$ 525 million.

Market Access Initiative (MAI) Scheme

The Market Access Initiative (MAI) Scheme is a plan scheme to act as a catalyst to promote India's exports on a sustained basis. The Scheme is based upon 'focus product' and 'focus market' concept.

Under the scheme, assistance is extended to the Departments of Central Government and organizations of Central/ State Governments, Export Promotion Councils, Registered Trade Promotion organizations, Commodity Boards, Recognised Apex Trade Bodies, Recognized Industrial Clusters and individual Exporters for product registration and testing charges for engineering products abroad, Indian Missions, National Level institutions like Indian Institutes of Technology (IITs), Indian Institutes of Management (IIMs), National Institute for Discovery Science (NIDS), National Institute of Fashion Technology (NIFT) etc., Research Institutions, Universities and recognized laboratories.

The activities eligible for financial assistance under the Scheme includes Marketing Projects Abroad, Capacity Building, Support for Statutory Compliances, Studies, Project Development etc.

Initiatives in Plantation Sector

Plantation Crops has been the traditional exports of India providing employment to millions of workers. Ageing bushes/ plants which results in low productivity, high cost of production, low value addition, lack of strong build up of 'brand India' and volatility of

international demand and prices are the major constraints facing this sector. Some of the major initiatives undertaken in this sector during the year to address these issues include:

- With a view to ensure healthy growth and improved productivity of the tea gardens, the Government has set up a Special Purpose Tea Fund for extending financial support to the needy tea estates for undertaking replanting, replacement planting and rejuvenation of old aged tea bushes. The objective is to cover 2.12 lakh ha. over a fifteen-year period. Government approval has been obtained for phase-I of the programme, that is, for activities to be completed till the end of the XI Plan period (2007-12).
- The Government has approved a Rehabilitation Package for 33 closed tea gardens lying closed as on 1.4.2007. These gardens involve employment of more than 30,000 workers.
- An externally funded project for development of organic tea is to be implemented during the 11th Plan period with a contribution of US \$ 1.60 million from Common Fund for Commodities (CFC).
- An online Darjeeling Tea Trade Supply Chain Integrity System (a trade chain management system) for surveillance and monitoring the supply chain and to address the traceability issue in the Darjeeling tea trade chain has been introduced.
- The Coffee Board in collaboration with the Agriculture Insurance Company of India Ltd. has implemented the “Rainfall Insurance Scheme” during 2007-08 for the benefit of small coffee growers (less than 10 ha.). The scheme covered around 12,000 growers benefiting around 25,000 hectares under the monsoon risks.
- For Rubber, a Clean Development Mechanism (CDM) Project has been finalized with the help of the Energy and Resources Institute, New Delhi to earn carbon credits under the Kyoto Protocol for the biomass gasifiers installed in the Technically Specified Rubber (TSR) factories.
- A new Crop Insurance Scheme for tea, rubber, tobacco and spices is proposed to be implemented at three levels during the Eleventh Plan beginning 2008-09.
- Personal Accident Insurance scheme has been modified to increase insurance cover to Rs.1,00,000 per grower having holding upto 4 hectares and their permanent plantation workers in the sectors of Tea, Coffee, Rubber, Tobacco and Spices.
- Govt. has approved a Global Environmental Facility (GEF) Project for energy conservation in small sector Tea processing units in South India which involves GEF funding of US \$ 9,50,000.

Trade Facilitating Reforms and Export Promotion Measures

It is the constant endeavour of the Government to plan and carry out trade facilitating reforms on a sustained basis to ensure the right type of environment for accelerated growth of international trade. The Government has taken a number of initiatives to simplify procedures relating to international trade and put in place an exporter friendly regime for obtaining import authorizations and disbursement of export linked

incentives. These efforts have been recognized internationally. According to the World Bank publication “*Doing Business 2008*”, India has been rated as the top reformer in the Trading Across Borders in 2006-07.

The major areas that require continued attention include simplification of procedures, streamlining of documentary requirements, accelerated implementation of EDI initiatives, improving infrastructure facilities to international standards and initiating necessary institutional and structural changes to achieve these. During the year, the ongoing reforms were further deepened and new initiatives undertaken to achieve this objective. The major initiatives in this regard include:

eTrade Project

The project eTrade aims to facilitate export and import led clearances on 24x7x365 basis integrating international standards and best practices. The objectives of this project are to facilitate electronic delivery of services; to simplify procedures; to provide 24 hour access to users with their partners; to make procedure transparent; to reduce the transaction cost and time and to introduce international standards and best practices. This is a community project and the community partners are trade regulatory and facilitating agencies like Customs, DGFT, Sea Ports, Airports, Container Corporation of India (CONCOR), Export Promotion Organisations, Exporters, Importers, Agents and Banks. In order to streamline the Customs electronic interface with its community partners, Customs is implementing a central window facility which would be operationalised during 2008.

e-Procurement

e-Procurement has been integrated as computerized online comprehensive process covering the identification of buyer requirements and requisition processing, soliciting and receiving bids of all sorts, negotiating and establishing contracts and processing overall purchases and also undertaking vendor registration and inspection of stores to ensure quality. The web-based systems for Purchase, Registration and Inspection have been implemented and made operational in the DGS&D Headquarters and regional/zonal/field offices of DGS&D. Electronic Payment system for office of Chief Controller of Accounts (CCA) is operational. The system of on-line bidding through E-tendering is also operational in DGS&D. The requisite hardware in terms of servers, Local Area Network (LAN) and Wide Area Network (WAN) have already been installed and made operational in DGS&D and CCA Headquarters, New Delhi.

Online Services by Director General of Foreign Trade (DGFT)

The Director General of Foreign Trade (DGFT) maintains a comprehensive website www.dgft.gov.in. The details of Foreign Trade Policy, Hand Book of Procedures, all important Notifications, Public Notices, Circulars, minutes, etc. are available on the website. Single online application form for all the schemes/ activities is also available on

the website. To facilitate issuance of Import Export Code (IEC) number an online system of issuing IEC by DGFT has also been made operational.

Use of Information and Communication Technology

The use of Information & Communication Technology has to play a major role in any reforms programme to improve efficiency, transparency and decentralization of the decision making process. Various ICT based systems, applications and packages have been developed and implemented to facilitate the necessary support in decision making, monitoring, analysis and e-governance. The electronic interface with community partners for trade facilitation, Electronic Payment through Net Banking and Digital Signature have been integrated with the systems. The Department's web site (<http://commerce.gov.in>) maintained by the NIC is the major source of information dissemination and Government-to-Citizen (G2C) and Government-to-Business (G2B) interfaces for electronic delivery of services, trade facilitation and monitoring various applications.

Footwear Design & Development Institute (FDDI), Rae Bareli

In view of the huge shortage of trained manpower for the footwear industry at all levels and in line with the efforts to expand the training infrastructure in the country, the Govt. of India has approved to establish a branch of Footwear Design & Development Institute at Fursatganj, Rae Bareli (U.P) in 2006-07. For this purpose an amount of Rs.96.16 crore has been sanctioned during 2007-08. Out of this amount, Rs.38.17 crore have already been released. FDDI, Fursatganj will be a state of the art institute with a training capacity of 600-700 students. The Institute will start its operation from the Academic session 2008-09.

Non-Tariff Barriers facing Indian Exports

With the lowering of tariffs across the globe, NTMs have come into prominence with Members using these measures to erect entry barriers for goods and services. It is therefore, not surprising that the developed countries with relatively lower tariffs are the more prolific users of NTMs / NTBs especially to keep out developing country exports. With a view to strengthening its information base on NTMs/ NTBs, the Department of Commerce has attempted to put in place a database of NTMs/ NTBs imposed by trading partners on its exports. These are available at <http://commerce.nic.in>. Inputs from the trade and industry, apex chambers of commerce, export promotion councils, trade analysts, researchers etc on specific NTMs/ NTBs imposed against Indian exports are welcome with a view to expanding this database.

Social and Gender Empowerment Processes

In accordance with the policy of the Government of India, an SC/ST cell is functioning in the Department of Commerce. A Liaison Officer is nominated in the Department and in

each of the organizations under the Department. So far as services and posts in the Department and organizations under its administrative control are concerned, none of the posts has got exempted from the purview of the reservation orders. The Liaison Officer examines and rectifies, wherever necessary, the reservation rosters maintained by the various organizations for ensuring representation to SC/ST/OBC in service. The Liaison Officer also provides relevant guidelines to the officers in the Department of Commerce, its attached and subordinate offices and Public Sector Undertakings, in accordance with the instructions issued by the Department of Personnel and Training (DOP&T) from time to time. The Cell is also looking after the work regarding implementation of the Government Orders in respect of reservation for Other Backward Classes (OBCs) to the extent of 27 % in direct recruitment.

The Commodity Boards under the administrative control of the Department of Commerce have certain specific schemes under special tribal plans, which are operated with a view to supplementing the efforts of the Government in improving the socio-economic conditions of the SC/ST in the non-traditional areas. The attached and subordinate offices, PSUs, autonomous bodies etc. under the administrative control of the Department have also undertaken number of welfare activities.

Women Cell

An independent Women Cell has been set up in Department of Commerce to prevention and redressal of sexual harassment at workplace and to ensure that various aspects of women welfare, development and empowerment are promoted through the programmes and schemes in the Department and its attached and subordinate offices, PSUs, autonomous bodies etc. The Cell also actively participated in the various workshops/seminars on gender issues organized by National Commission for Women etc.

Gender Budget Cell

Gender Budget Cell has been set up in the Department to ensure that the budget allocations made in the various schemes implemented by the Department benefitted the women folk. Most of the schemes under the Commodity Boards such as Tea, Rubber, Coffee, Spices etc. as well as agencies like Indian Instituting of Packaging, Marine have programmes targeting women beneficiaries. Though funds are not specifically earmarked for this group, yet all the aforementioned schemes subsume the targeted category.