

EXECUTIVE SUMMARY

The basic goal of the Department is to create the right environment and infrastructure for accelerated growth of exports and international trade. The Foreign Trade Policy (FTP) (2004-09) spelt out a bold vision of doubling India's percentage share of global merchandise trade in the next five years and making trade an effective instrument of economic growth by giving a major thrust to employment generation. The export target of US \$ 75 billion for 2004-05 was sought to be doubled to US \$ 150 billion by the terminal year of the Policy, i.e. 2008-09.

Indian merchandise exports have witnessed a sustained high growth rate of more than 20% per annum during the Tenth Plan. Exports reached a level of US \$ 126.3 billion in 2006-07 registering a growth rate of 22.5% over the previous year. Against the target of US \$ 160 billion for the year 2007-08, exports reached a level of US \$ 111.1 billion during April–December 2007. With the present trend growth, exports during the current year are expected to reach a level of US \$ 152-155 billion. The high growth of Indian exports during the recent years has been possible due to a conscious and concerted efforts made by the Government to reduce trade barriers, bring down transaction costs and facilitate trade accompanied by a favourable international environment.

There has, however, been a deceleration in the growth of exports during the current year. The impact has been much more pronounced in rupee terms wherein the exports recorded a growth rate of 7.7% during April-December 2007 as against a growth rate of 21.8% in dollar terms. The recent rupee appreciation has been a major cause of slow down in the growth of exports particularly in products with low import intensity and high employment content like textiles, leather, handicrafts, marine products, etc.

After the coming into force of the SEZ Act, 2005 on 10th February 2006, 439 formal approvals have been granted for setting up of Special Economic Zones, out of which 201 SEZs have been notified and are in various stages of operation. 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. 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.

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. 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).

For Coffee sector, 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 sector, 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.

Trade facilitating reforms has been carried out on a sustained basis to ensure the right type of environment for accelerated growth of international trade. The major areas of reforms 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.

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.

The project e-Trade 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 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.

The Outcome Budget is a technique of presenting the budget of the Ministry in terms of functions, programmes, and activities. The Outcome Budget 2008-09 of the Department of Commerce highlights the various programmes and activities undertaken by the Department in furtherance of the core objective of strengthening India's foreign trade performance and the related targets and achievements for 2005-06, 2006-07 and 2007-08 and targets set for 2008-09. The present document is divided into six chapters.

Chapter I brings out a brief introductory note on the goals, objectives and functions; the organizational set up; its mandate and the list of major programmes/ schemes implemented by the Department.

Chapter II presents the vertical compression and horizontal expansion of Statement of Budget Estimates. The main objective is to establish a one to one correspondence between (financial) Budget 2008-09 and Outcome Budget 2008-09. The details comprise of the financial outlays, projected physical outputs and projected/ budgeted outcomes.

Chapter III highlights the details reforms measures and policy initiatives undertaken by the Department and how these relate to the intermediate outputs and final outcomes in areas such as public private partnership, alternate delivery mechanisms, social and gender empowerment processes, greater decentralization etc.

Chapter IV reviews the scheme-wise past performance of the various programmes and activities undertaken by the Department in terms of targets already set. It also explains the reasons for variations in the physical targets and achievements.

Chapter V deals with financial review covering overall trends in expenditure vis-à-vis Budget Estimates/ Revised Estimates in recent years, including current data (scheme-wise, object head wise, and institution wise in the case autonomous institutions), and the

position of outstanding utilization certificates and unspent balances with States and implementation agencies.

Chapter VI reviews the performance of the Statutory and Autonomous Bodies under the administrative control of the Department.

Mechanism and the Public Information System to monitor the physical and financial progress

Each Administrative Division is provided the guidelines for the release of budget to the implementing agencies. The implementing agencies are also directed to put in place their own mechanism for providing assistance to the ultimate beneficiaries to ensure the compliance of the guidelines and to monitor the implementation and outcomes. The Department also monitors the execution of the scheme and its impact towards achieving the desired objectives. Each Administrative Head monitors and reviews the physical and financial progress of the various schemes under their respective charge on a quarterly basis, which is further supervised and overseen by the Financial Advisor and Secretary as and when required. The quarterly review on the Outcome Budget carried out by the Administrative Heads every quarter are made available on the Website of the Department of Commerce for the information of the public.