

FINANCIAL SECTOR REFORMS 2007-08

- 2.66 Banks in India permitted to extend funded and/or non-funded credit facilities to wholly owned step-down subsidiaries of subsidiaries of Indian companies (where the holding by the Indian company is more than 51 per cent) abroad within the existing prudential limits and some additional safeguards.

In partial modification of the earlier guidelines on purchase/sale of NPAs dated July 13, 2005, SCBs (excluding RRBs), AIFIs, NBFCs (including RNBCs) advised that at least 10 per cent of the estimated cash flows should be realised in the first year and at least 5 per cent in each half year thereafter, subject to full recovery within three years.

- 2.67 Concessions/credit relaxations to borrowers/customers in Jammu and Kashmir would continue to be operative for a further period of one year *i.e.*, up to 31 March 2008.
- 2.68 Guidelines issued to all registered Securitisation Companies/Reconstruction Companies on declaration of net asset value of Security Receipts issued by them.
- 2.69 SCBs (excluding RRBs) were advised that Government of India had allocated a target of 375,690 to States/UTs under Prime Minister's *Rozgar Yojana* (PMRY) for the year 2007-08.
- 2.70 The limit of loans under the Differential Rate of Interest (DRI) scheme raised from Rs.6,500 to Rs.15,000 and that of the housing loan under the scheme, from Rs.5,000 to Rs.20,000 per beneficiary.
- 2.71 With a view to encouraging RRBs to open branches in hitherto uncovered districts, the concerned Empowered Committees for RRBs were given discretion in respect of certain conditions stipulated for opening of branches by RRBs.
- 2.72 With a view to providing more business avenues and opportunities to RRBs for lending, RRBs were permitted to participate in consortium lending, within the extant exposure limits, with their sponsor banks as also with other public sector banks and developmental financial institutions (DFIs), subject to the condition that the project to be financed is in the area of operation of the RRB concerned and guidance and appraisal of the project is provided by their sponsor bank.
- 2.73 Banks permitted to undertake Pension Fund Management (PFM) through their subsidiaries set up for the purpose, subject to their satisfying the eligibility criteria prescribed by PFRDA for Pension Fund Managers and as per guidelines set out by the Reserve Bank. Banks desiring to undertake PFM were advised to obtain prior approval of the Reserve Bank before entering into such business.
- 2.74 Updated guidelines and directions together with Guidance Notes as on June 30, 2007 were issued to Securitisation Companies and Reconstruction Companies.
- 2.75 Keeping in view the continuous complaints from credit card subscribers and the observations of the Hon'ble High Court of Delhi in the context of a Public Interest Litigation in this regard, the Telecom Regulatory Authority of India (TRAI) is in the process of taking certain national level initiatives to address the various issues relating to Unsolicited Commercial Communications (UCC). As part of these measures, TRAI has framed The Telecom Unsolicited Commercial Communications (UCC) Regulations 2007 for curbing UCC. Banks were advised to implement the instructions issued in this regard. Similar guidelines were issued to NBFCs on November 26, 2007.

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- 2.76 UCBs were advised that they were prohibited from extending any fund based or non-fund based credit facilities whether secured or unsecured to stockbrokers and commodity brokers.
- 2.77 SEBI has permitted FIMMDA to set up its reporting platform for corporate bonds. It has also been mandated to aggregate the trades reported on its platform as well as those reported on BSE and NSE with appropriate value addition. FIMMDA has proposed to go live with its platform from September 1, 2007. All SCBs (except RRBs & LABs)/AIFIs/NBFCs are required to report their secondary market transactions in corporate bonds in OTC market on FIMMDA's reporting platform with effect from September 1, 2007.
- 2.78 All SCBs (excluding RRBs) were advised that (i) in cases where negotiation of bills drawn under LC is restricted to a particular bank, and the beneficiary of the LC is not a constituent of that bank, the bank concerned may negotiate such an LC, subject to the condition that the proceeds will be remitted to the regular banker of the beneficiary. However, the prohibition regarding negotiation of unrestricted LCs of non-constituents will continue to be in force; and (ii) the banks may negotiate bills drawn under LCs, on 'with recourse' or 'without recourse' basis, as per their discretion and based on their perception about the credit worthiness of the LC issuing bank. However, the restriction on purchase/discount of other bills (the bills drawn otherwise than under LC) on 'without recourse' basis will continue to be in force.
- 2.79 In view of the fact that the priority sector guidelines have been revised with effect from April 30, 2007, SCBs (excluding RRBs) were advised to furnish the data in the existing formats of special returns I, II and III as on the last reporting Friday of June 2007. However, loans granted from April 30, 2007 to June 22, 2007 were to be classified on the basis of revised guidelines on priority sector advances.
- 2.80 All RRBs were advised that they may extend, with the approval of their Boards, direct finance to the housing sector up to Rs. 20 lakh, irrespective of the area. Further, the limit of 5 per cent of incremental deposits over previous year, prescribed earlier also stood withdrawn.
- 2.81 All Scheduled UCBs were guided about the notification issued by the Ministry of Consumer Affairs, Food and Public Distribution in regard to creation of buffer stock. As per the Govt notification, the Government has decided to create a buffer stock of 20 lakh tons of sugar for a period of one year with effect from May 1, 2007. Under the arrangement, the Government will release subsidy of Rs.378 crore out of Sugar Development Fund and the banks have to sanction additional credit limit amounting to Rs.420 crore to release the margin consequent upon creation of the buffer stock from the existing stock of sugar. For operation of the Scheme, it would be necessary for sugar mills to segregate the stocks meant for buffer stock operations from the stock of sugar already held by them. The banks should allocate out of the regular limits, separate sub-limits representing 100 per cent value of buffer stocks held by sugar mills. The amount released as a result of providing 100 per cent drawings against buffer stocks, *i.e.*, the amount in lieu of the margin money should be credited to a special account. It would be necessary for the banks to ensure that the amount available in this account is utilised for making cane payments.
- 2.82 All SCBs were advised to discontinue furnishing of statement on housing finance disbursement that were required to be submitted on a quarterly basis indicating details of disbursement made by them towards housing finance. All SCBs were advised to invariably furnish a copy of the loan agreement to all the borrowers at the time of sanction/disbursement of loans.

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Revised guidelines on lending to priority sector issued to RRBs.

- 2.83 All Scheduled Commercial Banks (excluding RRBs and LABs) and PDs were advised that the CCIL has developed a reporting platform for OTC Interest Rate Derivatives, which would capture the transactions in OTC interest rate derivatives (Interest Rate Swaps and Forward Rate Agreement (IRS/FRA)). The platform would be operationalised by August 30, 2007. All banks and PDs are required to report all their IRS/FRA trades on the reporting platform within 30 minutes from the deal time. Client trades are not to be reported. Banks and PDs may also ensure that details of all the outstanding IRS/FRA contracts (excluding the client trades) are migrated to the reporting platform by September 15, 2007. Detailed operational guidelines in this regard would be made available by CCIL.
- 2.84 All UCBs were advised to issue necessary instructions to their controlling offices, branch offices advising them to specially monitor the credit flow to minorities in the specified 121 minority concentrated districts thereby ensuring that the minority communities receive an equitable portion of the credit within the overall target of the priority sector. The above requirement should be kept in view for the purpose of earmarking of targets and location of development projects under the 'Prime Ministers New 15 Point Programme for the Welfare of the Minorities'.
- 2.85 All UCBs were advised the revised guidelines on lending to priority Sector, which take into account the revised definition of small and micro enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.
- 2.86 All PSBs were advised that it has been decided in consultation with the Government of India to withdraw 5 more circulars, viz., Delegation of powers to CMD/ED of nationalised banks, Delegation of powers to CMD/ED for compromise/write off, Vigilance arrangements in banks, reporting of cases of bank robberies/dacoities/burglaries and meeting of Standing Committee on Customer Services Settlement procedures in respect of payment of fraudulent instruments.
- 2.87 All Primary UCBs were advised to ensure that loan facilities are utilised by borrowers for the purpose sanctioned. Banks should therefore have a mechanism for proper monitoring of the end use of funds. Wherever diversion is observed, they should take appropriate action against the borrowers concerned and the steps needed to protect the bank's interest. The bank may put in place more stringent safeguards, especially where accounts show sign of turning into NPAs. In such cases banks may strengthen their monitoring system by resorting to more frequent inspections of borrowers' godowns, ensuring that sale proceeds are routed through the borrower's accounts maintained with the bank and insisting on pledge of the stock in place of hypothecation. Whenever stocks under hypothecation to cash credit and other loan accounts are found to have been sold but the proceeds thereof not credited to the loan account, such action should normally be treated as a fraud. In such cases, banks may take immediate steps to secure the remaining stock so as to prevent further erosion in the value of the available security; as also other action as warranted.
- 2.88 All Salary Earners Primary UCBs were advised that it has been decided not to insist upon induction of two professional directors on the Boards of Salary Earners Banks.

Guidelines were issued to all Primary UCBs with a view to allowing them greater flexibility in making non-SLR investments.

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- 2.89 All Primary (Urban) Co-operative Banks were advised that when a UCB has availed a loan from a DCCB/StCB with which it is maintaining deposits, the amount of loan availed from the DCCB/StCB would be deducted from the deposits irrespective of whether lien has been marked on such deposits or not, for the purpose of computation of SLR. UCBs are given a period of six months to comply with the SLR requirements in case of shortfall, if any, arising from the above instructions.
- 2.90 All RRBs were advised that since the restrictive provisions of Service Area Approach have been dispensed with, some of the provisions relating to shifting of branches at rural areas and at semi-urban, merger of loss making branches *etc.* have been modified.
- 2.91 The Empowered Committee may, taking into account the local conditions and the financials of a bank, permit a RRB to open a controlling office, even if it does not have 75 branches.
- 2.92 Guidelines were issued to NBFCs (including RNBCs) on September 28, 2006 for framing the Fair Practices Code in which it was prescribed under 'Loan appraisal and terms/conditions', that the NBFCs should convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. In this connection, NBFCs were advised to invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loans.
- 2.93 The Guidelines on Asset-Liability Management (ALM) System was amended and all commercial banks advised that: (a) the banks may adopt a more granular approach to measurement of liquidity risk by splitting the first time bucket (1-14 days) in the Statement of Structural Liquidity into three time buckets, *viz.*, next day, 2-7 days and 8-14 days, (b) the statement of structural liquidity may be compiled on best available data coverage, in due consideration of non-availability of a fully net worked environment. Banks may, however, make concerted and requisite efforts to ensure coverage of 100 per cent data in a timely manner, (c) the net cumulative negative mismatches during the next day, 2-7 days, 8-14 days and 15-28 days buckets should not exceed 5 per cent, 10 per cent, 15 per cent and 20 per cent of the cumulative cash outflows in the respective time buckets in order to recognise the cumulative impact on liquidity, (d) banks may undertake dynamic liquidity management and should prepare the statement of structural liquidity on daily basis. The statement of structural liquidity, may, however, be reported to the Reserve Bank, once a month, as on the third Wednesday every month.

On a review of the current liquidity situation, it has been decided to increase cash reserve ratio (CRR) of Scheduled Commercial Banks by 50 basis points to 7.50 per cent of their demand and time liabilities with effect from the fortnight beginning November 10, 2007. Similar circular was also issued for RRB's on October 31, 2007 and for Scheduled Primary (Urban) Co-op. on November 1, 2007.

- 2.94 The Reserve Bank laid down specific 'fit and proper' criteria to be fulfilled by the persons being elected as directors on the Boards of the nationalised banks under the provisions of Section 9(3)(i) of Banking Companies (Acquisition and Transfer of undertakings) Act 1970/80.
- 2.95 At the time of financing projects banks generally adopt one of the following methodologies as far as determining the level of promoters' equity is concerned. 1) Promoters bring their entire contribution upfront before the bank starts disbursing its commitment. 2) Promoters bring certain percentage of their equity (40% – 50%) upfront and balance is brought in stages. 3) Promoters agree, *ab initio*,

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that they will bring in equity funds proportionately as the banks finance the debt portion. The Reserve Bank observed that the last method has greater equity funding risk. To contain this risk, banks were advised to have a clear policy regarding the Debt Equity Ratio (DER) and to ensure that the infusion of equity/fund by promoters should be such that the stipulated level of DER is maintained at all times. Further they were advised to adopt funding sequences so that possibility of equity funding by banks is obviated.

- 2.96 The Ministry of Corporate Affairs regulates Mutual Benefit Financial Companies (Notified *Nidhis*) and Mutual Benefit Companies (Potential *Nidhis*) comprehensively since 2001. Accordingly reflecting this status, the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 as applicable to Mutual Benefit Financial Companies have been updated and such companies were exempted from the provisions of the said directions. However, if the application of any MBC (Potential *Nidhis*) for grant of *Nidhi* status is rejected by the Government of India under the provisions of the Companies Act, 1956 the provisions of the said Directions as applicable to NBFCs would apply to such companies.
- 2.97 It was decided to bring down the priority sector lending target for UCBs to 40 per cent of the adjusted bank credit (ABC) (total loan and advances plus investments made by UCBs in non-SLR bonds) or credit equivalent amount of off balance sheet exposure (OBE), whichever is higher, as on March 31 of the previous year.
- 2.98 The commercial banks/sponsor banks and RRBs were advised that all loans granted by commercial banks/sponsor banks to RRBs for on-lending to agriculture and allied activities sector may be classified as indirect finance to agriculture in the books of commercial banks/sponsor banks. Consequently, the amount lent by RRBs out of funds borrowed from commercial banks/sponsor banks, may not be classified by RRBs as part of their priority sector advances. The RRBs need not also include such lending as part of their Bank Credit for the purpose of computing achievement level under priority sector lending.
- 2.99 All SCBs were advised to take note of issues relating to corporate social responsibility, sustainable development and nonfinancial reporting and consider using the same to put in place a suitable and appropriate plan of action towards helping the cause of sustainable development with the approval of their boards.
- 2.100 In terms of Section 17 (2) read with Section 51 of the Banking Regulation Act, 1949, where a banking company appropriates any sum or sums from the reserve fund, it shall, within twenty one days from the dates of such appropriation report the fact to the Reserve Bank explaining the circumstances relating to such appropriation. In order to ensure that such recourse to drawing down the reserve fund is done prudently and is not in violation of any of the regulatory prescriptions, RRBs were advised to take prior approval from the Reserve Bank before any appropriation is made from the statutory reserve or any other reserve. Guidelines were also issued relating to disclosures in balance sheet regarding the drawdown of such reserves.
- 2.101 With prior approval of Central Government, the Reserve Bank notified mortgage guarantee companies as non-banking financial companies. Further, mortgage guarantee companies have been exempted from the provisions of Section 45-IA (requirement of registration), Section 45-IB (maintenance of liquid assets) and Section 45-IC (creation and transfer to Reserve Fund a certain percentage of the net profit) of the RBI Act.

- 2.102 The securitisation companies/reconstruction companies registered with the Reserve Bank were advised to furnish a copy of audited balance sheets along with the directors report/auditors report every year within one month from the date of annual general body meeting, in which the audited results are adopted, starting with the balance sheet as on March 31, 2008.
- 2.103 All the commercial banks and co-operative banks were advised that with effect from April 10, 2008, all the payment transactions of Rs. 1 crore and above between RBI regulated entities such as banks/primary dealers and NBFCs are required to be routed through electronic payment mechanism. Furthermore, all payments of Rs. 1 crore and above in RBI regulated markets such as money market, Government securities market and foreign exchange market may also be routed through electronic payment mechanism with effect from April 1, 2008.

Source : Reserve Bank of India.

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Validity of the interest rate ceiling stipulated at BPLR minus 2.5 per cent on pre-shipment Rupee export credit up to 180 days and post-shipment export Rupee credit up to 90 days extended to October 31, 2007.

Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.

- Ceiling Interest rate on FCNR (B) deposits reduced by 50 basis points to LIBOR/SWAP rates minus 75 basis points for respective currency/maturities.
- Ceiling Interest rate on NR(E)RA deposits reduced by 50 basis points to LIBOR/SWAP rates for US dollar of corresponding maturity.

Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.

- Withdrawal of the ceiling of Rs. 3,000 crore on daily reverse repo under the LAF with effect from August 6, 2007.
- The second LAF which was introduced from November 28, 2005 was withdrawn with effect from August 6, 2007.
- CRR increased by 50 basis points to 7.0 per cent with effect from the fortnight beginning August 4, 2007.

Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.

- CRR increased by 50 basis points to 7.5 per cent effective fortnight beginning November 10, 2007.

Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.

- CRR was kept unchanged at 7.5 per cent.

INTERNAL DEBT MANAGEMENT POLICIES 2007

Odd lot trading commenced on NDS-OM with a view to encourage retail trading.

The limit for ways and means advance (WMA) for the Government of India fixed at Rs.20,000 crore for the first half of the year 2007-08 (April to September) and Rs. 6,000 crore for the second half of the year (October to March).

Qualified CSGL constituents permitted to trade on NDS-OM through their custodians.

The Reserve Bank transferred its entire share holding in the State Bank of India to the Government of India.

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All primary dealers (PDs) were required to report their secondary market transactions in corporate bonds done in the over-the-counter (OTC) market, on FIMMDA's reporting platform with effect from September 1, 2007.

All banks and PDs were required to report all their interest rate swaps (IRS)/forward rate agreements (FRA) trades on the reporting platform developed by Clearing Corporation of India Limited (CCIL) which would capture the transactions in OTC interest rate derivatives.

The underwriting scheme for Government of India auctions was reviewed and it was decided that the minimum bidding requirement for each PD in the additional competitive underwriting (ACU) auction would henceforth be equal to the amount of minimum underwriting commitment (MUC) announced by the Reserve Bank.

Systemically Important Non-Deposit taking NBFCs (NBFC-ND-SI) were included as a 'qualified entity' for accessing the negotiated dealing system-order matching (NDS-OM) using the constituents' subsidiary general ledger (CSGL) route. With the above addition, qualified entities for accessing NDS-OM through the CSGL route included deposit taking NBFCs, NBFC-ND-SIs, provident funds, pension funds, mutual funds, insurance companies, cooperative banks, regional rural banks and trusts.

The Reserve Bank entered into an agreement with the Government of Union Territory of Puducherry, effective from December 17, 2007, to carry on its general banking business, manage rupee public debt and to act as the sole agent for investment of the Government's funds.

The cover leg of short-sale/when-issued (WI) transactions were permitted to be undertaken even outside the NDS-OM platform. In other words, the transactions to cover short positions in government securities were allowed to be undertaken either on or outside the NDS-OM platform, *i.e.*, the telephone market or through purchases in primary issuance.

The aggregate Normal WMA limits of State Governments including the Union Territory of Puducherry were retained at Rs.9,925 crore for 2008-09.

The arrangement regarding WMA to the Central Government was reviewed in consultation with the Government of India and the WMA limits were fixed on a half-yearly basis. Accordingly, the WMA limits for 2008-09 were placed at Rs.20,000 crore and Rs.6,000 crore for the first and second half of the year, respectively. The Reserve Bank retained the flexibility to revise the limits in consultation with the Government of India. The interest rate on WMA is to be at the repo rate and that on overdraft to be at repo rate *plus* two percentage points.

Government of India

The Union Budget 2008-09 proposed the following measures: i) Take measures to develop the bond, currency and derivatives markets that will include launching exchange-traded currency and interest rate futures and developing a transparent credit derivatives market with appropriate safeguards, (ii) Enhance the tradability of domestic convertible bonds by putting in place a mechanism that will enable investors to separate the embedded equity option from the convertible bond and trade it separately, (iii) Encourage the development of a market-based system for classifying financial instruments based on their complexity and implicit risks, (iv) Requirement of PAN extended to all transactions in the financial market subject to suitable threshold exemption limits, (v) Empowered Committee of State Finance Ministers to be requested to work with the Central Government to create pan Indian market for securities that will expand the market base

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and enhance the revenues of the State Governments, (vi) Service tax to be imposed on asset management service provided under ULIP, to bring it on par with asset management service provided under mutual funds, (vii) Service tax to be imposed on services provided by stock/commodity exchanges and clearing houses, (viii) Corporate debt instruments issued in demat form and listed on recognised stock exchanges exempted from TDS, (ix) Parent company allowed to set off the dividend received from its subsidiary company against dividend distributed by the parent company, provided that the dividend received has suffered dividend distribution tax (DDT) and the parent company is not a subsidiary of another company, (x) To increase the rate of tax on short term capital gains under Section 111A and Section 115AD from 10 per cent to 15 per cent which will also encourage investors to stay invested for a longer term, (xi) STT paid to be treated like any other deductible expenditure against business income. Levy of STT, in the case of options to be only on premium, where the option is not exercised, liability to be on the seller. Where the option is exercised, levy to be on the settlement price and the liability on the buyer. No change in the present rates.

Source : Reserve Bank of India.

REFORMS IN THE INFRASTRUCTURE SECTOR

PETROLEUM:

- The Coal Bed Methane (CBM) Policy was approved in July 1997. Since then, 26 CBM blocks have been awarded for exploration and production of CBM gas. Six TCF reserves have already been established in 4 CBM blocks.
- First commercial production of CBM commenced from July 2007. The work relating to the launch of CBM IV has started.
- Seventh round of NELP has been launched on December 13, 2007, under which bids have been invited for 57 (29 onland, 9 shallow water and 19 deep water blocks) exploration blocks.
- Reserve replacement ratio is decided to be maintained at more than one during the Eleventh Five Year Plan period.
- The Assam Gas Cracker Project has been formally launched in April 2007.
- Initiatives have been taken to meet the demand for gas through intensification in domestic exploration and production activities, LNG import, CBM, underground coal gasification, gas hydrates and transnational gas pipelines, etc.

COAL:

During April-December 2007, 45 coal blocks with geological reserves of 11,384.49 MT were allocated to the Government and private companies.

- Guidelines have been framed for undertaking detailed exploration by allottees of unexplored coal blocks in public and private sectors.
- To encourage private investment in development of new technologies, a notification specifying coal gasification and liquefaction as end uses has been published in the Gazette of India on July 12, 2007.
- New Coal Distribution Policy has been notified on October 18, 2007
- The royalty rates on coal and lignite have been revised in July 2007 on the basis of a formula consisting of ad-valorem plus a fixed component.
- The Administrative Staff College of India, Hyderabad, appointed as a consultant for preparing the report on the appointment of a Coal Regulator, has submitted a draft report.
- A proposal to confer Nav Ratna status on Coal India Limited (CIL) has been submitted to the Department of Public Enterprises. An order has been issued to confer Mini Ratna Category-I status on six coal companies including CIL.
- To ensure the free play of market forces, a system of e-auction for sale of about 20 per cent of the total production has been introduced.
- For securing metallurgical coal supplies overseas by the PSUs, a proposal for formation of a Special Purpose Vehicle (SPV) has been approved. The CIL has committed to contribute Rs. 1,000 crore in the SPV as equity out of the total authorized capital of Rs. 3,500 crore.
- The Expert Committee on the Road Map for Coal Sector Reforms has submitted its report, which is being examined by the Government.

REFORMS IN THE INFRASTRUCTURE SECTOR**INFORMATION TECHNOLOGY:**

- The Special Incentive Package Scheme (SIPS) to encourage investments for setting up semiconductor fabrication and other micro- and nano-technology manufacturing industries was announced in March 2007. The incentives admissible would be 20 per cent of the capital expenditure during the first 10 years for units located in Special Economic Zones (SEZs) and 25 per cent for units located outside SEZs.
- A Task Force has been constituted to promote the growth of electronics IT hardware manufacturing industry.
- The Department of Information Technology has unveiled various components of the National e-Governance Plan (NeGP) covering 27 Mission Mode Projects (MMP) and eight support components to be implemented at Central, State and Local Government levels, at an estimated cost of Rs. 23,000 crore over the next five years. The Government has approved the approach, strategy, key components and implementation framework for NeGP with the vision: "Make all Government services accessible to the common man in his locality through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs to realize the basic needs of the common man."
- The Government has approved a scheme for facilitating establishment of 1 lakh broadband Internet-enabled Common Service Centres in the rural areas in the public-private partnership mode.
- The Government has approved a scheme for establishing the State Wide Area Networks (SWANs) across the country in 29 States/6 UTs with a total outlay of Rs. 3,334 crore with Central assistance component of Rs. 2,005 crore over a period of five years. The scheme envisages to provide Central assistance to States/UTs for establishing SWANs for States/UTs headquarters up to the block level with a minimum bandwidth capacity of 2 Mbps.
- The Department of Information Technology is setting up Nano Electronic Centres at the Indian Institute of Technology, Mumbai and the Indian Institute of Science, Bangalore. With an outlay of about Rs. 100 crore to carry out R&D activities in nano-electronics devices and materials.
- The software tools and fonts for 10 Indian languages, namely Hindi, Tamil, Telugu, Assamese, Kannada, Malayalam, Marathi, Oriya, Punjabi and Urdu, have been released in the public domain.
- The Information Technology Amendment Bill, introduced in the Parliament in December 2006, was referred to the Parliament Standing Committee, which has presented its report to both Houses of Parliament.

RAJIV GANDHI GRAMEEN VIDHYUTI-KARAN YOJANA (RGGVY) : PROGRESS

- 27 States and their utilities have signed the memorandum of agreement (MoA) agreeing to the conditionalities for implementation of the programme as envisaged under RGGVY.
- Four CPSUs—Power Grid Corporation (India) Ltd. (PGCIL), National Thermal Power Corporation (NTPC), National Hydro-electric Power Corporation (NHPC), and Damodar Valley Corporation (DVC)—have been allocated 139 districts for implementation of RGGVY.
- At present 235 projects are under implementation covering 67,012 unelectrified villages and 83.1 lakh BPL households at the awarded cost of Rs. 12386.03 crore.
- 45,430 villages have been electrified and 18,25,508 connections to BPL households have been released.
- Franchisees are in place in 73,422 villages in 14 States.

REFORMS IN THE INFRASTRUCTURE SECTOR

Railways: Strategy of Indian Railways during Eleventh Five Year Plan:

Objective	Strategy	Expected measurable outcome
1 Capacity enhancement in the short term	<ul style="list-style-type: none"> Maximum utilization of existing capacity by addressing directional and seasonal variations in demand. Investment in automated signaling 	<p>Increase in capacity utilization Provide premium service to freight from passenger traffic</p>
2 Significant enhancement of capacity	<ul style="list-style-type: none"> Construction of Dedicated Freight Corridors (DFCs) and separating freight and passenger traffic Increase in capacity utilization Route-wise planning and capacity augmentation on the high density network 	<p>Enhance line and terminal capacity</p> <p>Increase throughput of existing assets</p> <p>Increased reliability in freight services</p>
3 Achieving higher maintenance standards	<ul style="list-style-type: none"> Augmenting production capacity for locomotives, coaches and wagons Renewal, rehabilitation and replacement 	<p>Improvement in the safety record and passenger satisfaction</p>
4 Technology upgradation	<ul style="list-style-type: none"> Extending the Freight Operation Information System to all loading points Interface with customer information system 	
5 Safety and passenger amenities	<ul style="list-style-type: none"> Switch over to 22.9-tonne axle load wagons and special wagons for movement of automobiles and bulk commodities, etc. Upgrading technology by use of Anti Collision Devices, adoption of fire proof coaches, crash worthy coaches, reducing level crossings, Enhanced training and efforts to empower Railway Protection force; 22 stations identified to be developed as world class; All mail and express trains to be provided with specially designed coaches suited for the physically challenged. 	

REFORMS IN THE INFRASTRUCTURE SECTOR

Airport: Functions of the proposed Airport Economic Regulatory Authority

- (i) To fix, review and approve tariff structure for the aeronautical services taking into consideration the capital expenditure incurred, the service provided, its quality and other relevant factors.
- (ii) to fix, review and approve users development fees which may be levied by the service provider for development of an airport.
- (iii) to monitor the performance standards relating to quality, continuity and reliability of service as prescribed by the Central Government or its authorized agencies through concession agreement or such other agreement.

Source: Economic Survey 2007-08.

