MR. DEPUTY-SPEAKER: Now we go to the next item—Statement by the Finance Minister.

(*Interruptions*)

MR. DEPUTY-SPEAKER: Hon. Members, we have gone to a different subject.

(*Interruptions*)

MR. DEPUTY-SPEAKER: This is not fair.

(*Interruptions*)

MR. DEPUTY-SPEAKER: How can we bring it back?

(*Interruptions*)

MR. DEPUTY-SPEAKER: I think, it is not fair.

(*Interruptions*)

STATEMENTS BY MINISTERS

13.08 hrs.

(i) Management of the Economic crisis

[*English*]

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Hon'ble Deputy Speaker, Sir, I rise to make a brief Statement on the State of the Economy.

Hon'ble Members are aware that when this Government assumed office in the last half of June this year, India faced an economic crisis of unprecedented dimension. International confidence had collapsed and even our Non- Resident Indians were withdrawing deposits from our banks in large volumes. Access to international commercial banks was closed. Our foreign exchange reserves were at all time low. We were close default, on our obligations to international creditors.

The Government acted promptly by taking corrective steps to restore confidence, re-establish macro-economic stability, and set the country back on the path of sustained growth. I would like to take this opportunity to inform the House of the early results of our efforts and also of the unfinished task that lies ahead.

We have achieved our immediate objective of restoring confidence and dispelling fears of default. We are also beginning to restore macro-economic stability though a great deal more remain to be done in this area.

We must continue with efforts at consolidation of these gains ensure containment of the fiscal deficit to reduce inflation, and restore viability to our balance of payment. We must also continue the reform process in various segments of the economy initiated by the Government as part of our medium term strategy.

Sir, I have elaborated on all these points in the Statement which I now placed this House. The Statement also provides the details of the arrangement we have concluded with the International Monetary Fund, which I had promised to lay before the House.

STATEMENT

Six months ago our Government, under the leadership of Shri P.V. Narasimha Rao, assumed office in the midst of an unprecedented economic crisis. Foreign reserves had dwindled to Rs. 2600 crores barely sufficient for two weeks imports. International commercial banks were refusing to extend new credits. Large outflows were taking place from NRI deposits. Industrial growth had turned negative because of a severe imports squeeze and inflation was accelerating. It looked as if we might, for the first time in our history, default on our external payments obigations. Had this happened, the country's economic and financial system would have faced an unprecedented disruption, leading to widespread unemployment, loss of output and emergence of a higher inflationary spiral.

2. The new Government moved swiftly to the task of pulling the economy back from the brink of disaster and setting it once more on the path of rapid and sustainable growth. This called for immediate action aimed at restoring international confidence, bringing inflation under control and ensuring viability in the balance of payments. It also called for structural reforms aimed at strengthening the growth capability of the economy in the medium term. In the short space of two months we took a number of steps to achieve these objectives.

3. The exchange rate was adjusted in July to a new level which would be credible and would also ensure competitiveness of exports without the need for large export subsidies. This was accompanied by major changes in trade policy strengthening incentives to exporters and moving away from the system of import control through licensing to a system where imports would be more automatically linked to export performance through the mechanism Exim scrips.

4. We moved decisively to reverse the trend of rising fiscal deficits which has plagued our economy for several years. These deficits are the root cause of inflation, and are also responsible for our persistent balance payments deficits. The Budget for 1991-92 reduces the fiscal deficit from 8.4% of GDP in the Revised Estimates for 1990-91 to no more than 6.5% in 1991-92. This was made possible by a substantial efforts at mobilising resources combined with a major effort at expenditure restraint. Export subsidies were abolished, fertiliser subsidy was reduced and defence expenditure was restrained.

5. Monetary policy was also tightened reflecting the urgent need to counter inflationary pressure in the economy.

6. These measures of short term economic management were accompanied by far reaching structural reforms in the area of industrial policy aimed at enhancing productivity and strengthening competitiveness in our industrial sector and promoting an employment oriented pattern of industrialisation. The policy towards foreign investment was restructured to attract foreign investment especially in priority areas including critical infrastructure sectors such as power.

7. These measures are expected to restore viability to the balance of payments position in due course but their full effect will not be felt immediately. In the medium term, the new trade and industrial policy will increase the competitiveness of our industry, leading to a much more vigorous export performance, which alone can provide a lasting solution to our balance of payments problem. In the short run however we had no option but to find additional financing to fill the substantial financing gap in our balance of payments. Imports had already been severely squeezed and this had hurt industrial production, exports as well as employment. Without additional financing it would have been necessary to squeeze imports still further. This would undoubtedly have deepened the industrial recession and increased unemployment. It would also have created serious shortages which would have made it impossible to control inflation.

8. In this background Government decided to mobilise additional external financing to provide temporary support to the balance of payments while giving time for macromanagement and structural reforms to yield result. The only sources from which substantial additional financial resources could be mobilised were the International Monetary Fund, the World Bank, the Asian Development Bank, and also bilateral donors especially Japan.

9. The Government negotiated a standby arrangement with the IMF for $2.2 billion (over a 20 month period). There has been some concern about the conditionalities associated with the standby arrangement

with the IMF. I had assured Honourable Members that I would lay the Letter of Intent sent to the IMF with our request. This letter is annexed to this statement. I hope Honourable Members will be ressured that the contents of the letter are no more than an articulation of our own programme of crisis management and medium term reform, which was presented to Parliament earlier.

10. Our immediate objective was to restore international confidence. I hope all Honorable Members will agree that this has been achieved.

— Foreign exchange reserves have increased from Rs. 2600 crores ($ 1.3 billion) when we assumed office to over Rs. 8000 crores ($ 3.1 billion).

— We have also redeemed the RBI gold ($400 million) which was earlier pledged abroad and the SBI gold ($ 200 million) which was sold with a repurchase option.

— The net outflow from NRI foreign currency deposits, which was running at the rate of $335 million per month in April-June has now ceased.

— The arrangements with the IMF and other multilateral institution have sent a message of confidence of the international community. Our access to commercial borrowing is being restored.

— The rise foreign exchange reserves has made it possible to relax the restrictions on imports which had to be imposed by the Reserve Bank of India. This will help exports and industrial production and will also alleviate shortages.

Thus the earlier perception of financial collapse and imminent default has been overcome. Confidence has been restored.

11. With restoration of confidence, attention must now turn to the control of inflation as the primary objective of short term economic management. Inflation was accelerating alarmingly when the Government took office and reached a peak level of 16.7% in August 1991. The rate of inflation has declined somewhat since then to 13.7% by end November. This is still far too high.

12. The key to controlling inflation lies in controlling the Budget deficit. There has been a problem in the first half of the year because the severe import squeeze led to a drop in customs revenues below targets. However customs revenues are expected to pick up in the remaining months of the year as import restrictions are relaxed. Higher collections on excise and income-tax will offset part of the losses. We have also enforced cuts in expenditure to keep it below the Budget figure. We shall not allow additional expenditure through supplementary demands for any but the most urgent and unavoidable cases. We shall take whatever additional measures which may be considered necessary to contain the fiscal deficit this year to 6.5% of GDP. Thus determined efforts will be made to ensure that the fiscal correction envisaged in the Budget will take full effect in the remaining months. This will help in moderating inflation.

13. Government also proposes to use supply management in critical commodities to bring down prices. The Food Corporation of India have been instructed to off load wheat on the open market with a view to dampen prices. The improvement in reserves also enables us to import edible oils to control prices of this key commodity. STC has already been instructed to purchase additional quantities of edible oils. State Government are also being allowed direct import of edible oils for supply to the PDS. The Government will crack down on any unscrupulous elements in the trade who create artificial shortages.

14. As domestic inflation is brought under control, I expect a strong pick up in exports, which is essential for effective management of the balance of payments. Reduction in

inflation will also enable an early relaxation in monetary policy and reduction in interest rates which in turn will help industrial production.

15. Turning to the medium term objective of putting the economy back on a path of rapid growth, the strategy for this will be fully spelt out in the Eighth Plan which is currently being prepared. However, some critical issue are easily identified.

16. The first issue relates to the fiscal deficit. The process of fiscal correction has to be continued further in 1992-93 and beyond if inflation is to be brought under control and the balance of payments stabilised. We should therefore aim to reduce the fiscal deficit to 5% of GDP next year.

17. The burden of achieving this reduction in fiscal deficit will fall heavily on the expenditure side. I had indicated in my Budget Speech that there was an urgent need to restructure and rationalise our tax system. This will definitely yield higher overall buoyancy in tax revenues, but it will not achieve the objective of lower fiscal deficit unless it is accompanied by drastic pruning of Government expenditure.

18. Maintenance of fiscal discipline also means that Plan expenditure cannot depend, as heavily as in the past, on ever-increasing budget support for the Plan. In future the ability to finance Plan expenditure will depend critically upon the internal resources generated by the public sector. This in turn draws attention to the importance of efficiency in the public sector and also of economic pricing. Failure on either front will only mean an erosion of resources and an inability to invest. Nor can the budget afford a continual drain on account of perennially loss making public sector units. Such losses are only preventing us from investing our resources where they are most needed such as in power, in agriculture, rural development, poverty alleviation, education and health, control of environmental degradation and where acute scarcities are already evident.

19. The process of structural reform, initiated this year, represented only a beginning. We have to carry the process further if we want to reap the full benefits. The trade policy reform for example needs to be supplemented by further steps to reduce our custom tariff levels, which are far too high for industrial competitiveness and for promoting a more labour intensive pattern of industrial development. Extensive reforms are also needed in the financial sector so that it continues to be an effective instrument of achieving our social and economic objectives. The Committee on the Financial System, has recently submitted its report on financial sector reform and its recommendations are being considered by the Government. A copy of the report is being laid on the table of the House tomorrow. The present regulations under FERA also need a comprehensive review. We need to have a fresh look at certain restrictive provisions, which may have been appropriate 20 years ago, but which are out of place in todays fast changing conditions governing international business. There is also an urgent need for the reform of capital markets so as to enhance their efficiency and effectiveness for mobilising and allocating national savings. The Government intends to pursue these issues in the months ahead.

20. The decade of the nineties will be a decade of scarce resources both domestically and externally. But we are determined to pursue with renewed vigour the goals of a rapidly expanding economy, a socially just and technologically advanced self-reliant society. However, we can achieve our ambitious developmental goals only if we can adjust effectively to evolving circumstances. Scarcity of resources must be reflected in a premium on efficiency, whether in the public sector or in the private sector. That must be the watchword of economic policy in the years ahead. There must be an all round recognition that a higher standard of living can be ensured only on the basis of rising productivity and there are no short cuts to it. This is the only secure means to generate expanding levels of productive employment which are needed to meet the

requirements of our increasing labour force.

21.Greater efficiency and competitiveness will also help us to deal with scarcity of external resources. It will provide the bases for a successful export effort, which alone can provide a credible guarantee for being able to finance the imports we need without becoming excessively dependent on external assistance. India's economy has tremendous strengths and our agriculture as well as our industry can compete effectively in world markets provided they have the right policy environment and infrastructure support.

22. I am aware that apprehensions have been expressed that the new economic policies may have adverse consequences for labour especially in the public sector, I would like to assure Honourable Members that fears of large scale unemployment and closures resulting from these policies are wholly unfounded. On the contrary, we envisage that these policies will lead to greater dynamism in both the public and the private sectors and a larger growth in total employment. As far as the public sector is concerned, I have no doubt that the total impact of these reforms wil be to strengthen the public sector and increase its efficiency. The recent provision enabling the Government to refer sick public sector companies to the BIFR provides an objective method of dealing with sickness including through examination of the scope for rehabilition. For dealing with problems of patently unviable enterprises, Government propose to establish a National Renewal Fund to provide adequately for compensation and other form of rehabilitation and retraining for workers. Our Government is fully committed to protecting all the legitimate interests of labour and to further strengthining of poverty alleviation programmes. We shall seek to evolve a broad national consensus to deal with the difficult problems of transition to a more dynamic economy.

23. The path of adjustment and reform is not easy. There are many uncertainties in the international economic environment and there are bound to be difficulties and even temporary set backs on the way. However, these difficulties can be overcome through perseverance and dedication. India's economy has the potential to regain the high rate of growth achieved in the decade of the eighties and even to surpass it provided we take determined steps now to tackle the challenges before us. I seek the support of all Honourable Members in our efforts towards this common goal.

ANNEXURE

New Delhi, India
August 27,1991

Dear Mr. Camdessus,

The attached Memorandum on Economic Policies sets out the economic program of the Government of India for the period 1991/92-1992/93. In support of this program, the Government requests an 18-months stand-by arrangement in an amount equivalent to SDR 1,656 million. The Government also intends shortly to request an additional purchase under Section V of the decision on the compensatory and contingency financing facility (CCFF) with respect to any remaining excess in oil import costs or shortfall in merchandise and remittance earnings for the shortfall year that ended July 31, 1991. At a later stage, the Government intends to enter into discussions on a comprehensive medium-term structural adjustment program, supported by an arrangement under the extended Fund facility.

The following quarterly performance criteria for 1991/92 are proposed to monitor progress under the program (Table 1):(a) ceilings on the overall borrowing requirement of the Union Government; (b) ceilings on the net domestic assets (NDA) of the Reserve Bank of India (RBI); (c) a subceiling on RBI credit to the Union Government; and (d) floors on net official international reserves. Indicative magnitudes of these variables for 1992/93 are also proposed and, at the time of the first review, quarterly performance criteria for 1992/93 will be established. During the course of the program, the Government will refrain from imposing new or intensifying existing restriction on payments and transfers for current international transactions, or introducing or modifying multiple currency practices, or concluding bilateral payments arrangements with Fund members inconsistent with Article VIII, or imposing now or intensifying existing import restrictions for balance of payments reasons.

Three reviews of the program will be conducted. The conclusion of the first review. which is to be completed by March 31, 1992, will depend, interalia on the reaching of understandings on the 1992/93 budget, on the establishment of quarterly performance criteria for the remainder of the program period, as well as understandings on: (i) the formulation of a program for tax reform, including concrete measures proposed for the 1992/93 budget and a timetable of action for the medium term; and (ii) the introduction of a detailed tracking system for all categories of expenditures and a system of quarterly expenditure reviews. The second and third reviews of the program will be completed by September 30,1992 and March 31, 1993, respectively.

The Government of India believes that the policies set forth in the Memorandum are adequate to achieve the objectives of the program, but will take any additional measures appropriate for this purpose. In addition, the Government will consult with the Fund on the adoption of any measures that may be appropriate in accordance with the policies of the Fund on such consultations.

Sincerely yours

Manmohan Singh
Minister of Finance

Attachment

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C.20431
U.S.A.

Memorandum on Economic Policies for 1991/92-1992/93

1. The new Government that took office on June 21,1991 inherited an economy in deep crisis. The balance of payments situation was precarious, with reserves at a low level and the weakening of international confidence having resulted in a sharp decline in capital inflows through commercial borrowing and nonresident deposits. Inflation had reached double digits, hurting most the poorer sections of our society; and there were sings that economic growth had begun to slow somewhat as the shortages of imports and political uncertainty began to affect production and investment. The origins of these problems are directly traceable to large and persistent macroeconomic imbalances, most notably the unsustainably large fiscal deficits, and to the low productivity of past investments. The crisis in the Middle East had exacerbated the situation by contributing to a higher oil import bill in 1990/91 and the temporary loss of export markets and remittance earnings.

2. The new Government, recognizing that there was no time to lose, immediately adopted a number of stabilization measures that were designed to restore internal and external confidence. Thus, monetary policy was tightened further through increases in interest rates, the exchange rate of the rupees was adjusted by 18,7 percent, and a major simplification and liberalization of the trade system was announced. It is the Government's intention, as announced in the Budget speech to Parliament on July 24, 1991, to complement these initial measures by a comprehensive program of economic adjustment. The centerpiece of the economic stategy will be a substantial measures by comprehensive program of economic adjustment. The enterprise of the economic strategy will be a substantial fiscal correction in the remainder of the current fiscal year and in 1992/93, to be followed by continued fiscal consolidation thereafter. The reduction in fiscal imbalances will be supported by reforms in economic policy that are essential to impart a new element of dynamism to

growth processes in the economy. The thrust will be to increase the efficiency and international competitiveness of industrial production, to utilize foreign investment and technology to a much greater degree than in the past, to improve the performance and rationalize the scope of the public sector, and to reform and modernize the financial sector so that it can more efficiently serve the needs of the economy. During the inevitable period of transition, it is the Government's firm intention that the poorest sections of society are protected to the maximum extent possible from the cost of adjustment.

3. Key macroeconomic objective (Table 2) will be (i) economic growth in the range of 3-31/2 percent in 1991/92 followed by a gradual recovery in 1992/93; (ii) an inflation rate of no more than 9 percent by end-1991/92 and no more than 6 per cent by end-1992/93; indeed, the Government will strive for an even more rapid reduction in inflation during the course of 1991/92; and (iii) an easing of the present critical payments situation and a rebuilding of gross international reserves from the extremely low level of about three weeks of imports at end-July to over 1 1/2 months by the end of 1992/93. 1 In particular, there is an urgent need to rebuild foreign exchange reserves from their current critically low level ($1.3 billion) to about $2.2 billion by end-1991/92.

4. Taking account of the sizable new investments and related imports that will be needed to support the restructuring of the economy, the external current account is targeted to decline from about 3-1/2 per cent of GDP in 1990/91 to about 2-1/2 percent of GDP in 1991/92 and 1992/93. 2 In order to provide room for an expansion in private investment to take advantage of the new opportunities created by the structural reforms, and to allow for a likely temporary decline in the private savings ratio, the reduction in the public sector deficit, which will initially be brought about by a reduction in the fiscal deficit of the Central Government, will be larger than the adjustment in the external current account.

Fiscal Policy

5. Our medium-term objectives is to progressively reduce the overall public sector deficit 3 from an estimated 12-1/2 percent of GDP in 1990/91 to about 7 percent of GDP in the mid-1990s, a level that we judge to be consistent with external viability and the goal of ensuring adequate private sector resources to respond dynamically to the opportunities created by the structural reforms. In line with this objective, we aim to reduce the Union Government deficit 4 to 6.5 percent of GDP in 1991/92 and 5 percent in 1992/93, which will include a substantial decline in Union Government transfers to the rest of the public sector, most notably to central public enterprises.

6. The interim budget presented to Parliament in March 1991 aimed for a deficit of about 6.5 percent of GDP but a number of the measures needed to attain this target were not formulated. Consequently, the

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1 According to the IMF definition, i.e. including SDR holdings and with gold valued at SDR 35 per ounce.

2 These targets refer to the IMF definition of the external current account. According to the official Indian definition, the external current account would decline from 2.5 percent of GDP in 1990/91 to about 2.1 percent in 1991/92 and 2.0 percent in 1992/93

3 Defined to include the Union Government, the Oil Coordination Committee (O.C.C). State Union Territories and internal and extrabudgetary resources of central and state enterprises for financing their capital expenditure.

4 Including the balance in the accounts of the Oil Coordination Committee.

postponement of the regular budge has made fiscal adjustment in 1991/92 even more difficult because almost four months of the financial year have elapsed without a comprehensive fiscal correction effort. The required adjustment is about 2-1/2 percentage points of GDP. We expect a swing from deficit to surplus in the accounts of the Oil Coordination Committee as a result of higher domestic petroleum prices to contribute about 0.4 percentage points of GDP. About half of the remaining adjustment was be achieved by lowering expenditures and about half from higher tax and nontax revenues.

7. Total expenditures and net lending are targeted at a little over 19 percent of GDP in 1991/92—a decline of about one percentage point. The bulk of the savings are to be achieved from lower expenditures on subsidies, moderation in defense spending, cuts in transfer to public enterprises, and restraint on the current and capital spending. Cash export subsidies on new shipments were eliminated with effect from July 3, 1991; fertilizer prices were raised by 30 percent in August (with special arrangements to cushion the impact on small and marginal farmers); the subsidy on sugar was eliminated by raising the issue prices under the public distribution system by about 16 percent; and subsidies on foodgrains will be held broadly unchanged as a share of GDP. In all, these measures will reduce the major subsidy payments form 1.9 percent of GDP in 1990/91 to 1.5 percent of GDP in 1991/92; on a full-year basis, the savings will be considerably greater (about 1 per cent of GDP). Budgetary support to central public enterprises is budgeted to decline from 1.5 percent of GDP in 1990/91 to 1.2 percent of GDP in 1991/92. Two considerations will guide our approach to expenditure policy. First, no area of government spending should be exempt from scrutiny in the effort to achieve fiscal correction. Second, the benefits of the recent exchange rate adjustment should not be eroded by inflection. At the level of the departments, no additional budgetary provision has been made for cost-of-living increase ("dearness allowance"); any increase will have to be financed from savings on departments' other expenditures.

8. During the remainder of the financial year, there will be no net additions to expenditures through supplementary appropriations, other than those supported by matching savings or additional receipts. Beyond this, we plan to have strengthened expenditure monitoring and control procedures in place by the time the 1992/93 budget is presented to Parliament.

9. Total revenue as a share of GDP is targeted to rise by over one percentage point (to about 12-1/2 percent) in 1991/92. Additional tax measures with an estimated gross revenue yield equivalent to 0.5 percent of GDP have been adopted in the1991/92 budget. Important new measures include a 5 percentage point increase in the corporate tax rate; a reduction in generous depreciation allowances that have tended to encourage capital intensive methods of production; a tax on the gross interest receipts of banks; and increases in excise duties, especially for consumer durables and other products that are purchased primarily by the affluent sections of society. At the same time, we have taken some initial steps to rationalize the structure of import tariffs and to broaden the base and strengthen the collection of direct taxes. The ad valorem rate of basic plus auxiliary customs duties has been reduced to a maximum of 150 percent; many of the increases in auxiliary customs duties introduced in December 1990 have been partially or fully rolled back; and rates of import duty on general capital goods and their components have been reduced by 5 percentage points (to a range of 65-80 percent). To strengthen tax collection, the System of deduction at source is being extended to cover interest income, commissions, and withdrawals from the National Savings Scheme; and a major loophole in the wealth tax has been plugged. With regard to nontax receipts, Rs. 25 billion (o.4 percent of GDP) will be generated from the planned sale to mutual funds of shares in a number of public enterprises (paragraph 30).

10. In order to ensure that the objective of reducing the fiscal deficit of the Central Government to 6.5 percent of GDP in 1991/92 is achieved, notwithstanding any unanticipated adverse developments during the course of the year, the Government intends to take additional measures, on both the revenue and expenditure sides, resulting in an estimated adjustment of Rs. 20 billion (0.3 percent of GDP). These additional measures will be implemented in stages, in the light of budgetary developments, and will be in place by December 31, 1991. The nature of the additional measures will be in keeping with the Government's policy of achieving a sustainable fiscal deficit reduction.

11. Our target for reducing the fiscal deficit of the Union Government to 5 percent GDP in 1992/93 is an ambitious one, but we are determined to take all possible measures to achieve this objective. Reduction of the fiscal deficit would yield desired results only when the method of bringing about such reduction is in harmony with reforms in economic policy and economic management. We intend, therefore, to formulate policy proposals in a number of areas. We intend to initiate a process of comprehensive tax reform with the object of broadening the base of taxation, reducing levels of and dispersion in import duties, improving compliance and modernizing the entire system of tax administration. We will take a fresh look at the whole area of expenditure, and no major category should be exempt from scrutiny. particular emphasis would be given to transfers and loans to public enterprises. The aim is to tighten their budget constraint and improve their efficiency and viability. We hope that norms of fiscal discipline being set by the Central Government would find acceptance by the State Government as well. There is need for further rationalization and reduction of subsidies. Our aim should be to move to a more objective system of administered prices, as indicated in paragraph 16, that takes into account world market developments and domestic supply conditions. We would have a major thrust for a more efficient expenditure control system. With this end in view, a thorough review of the existing system will be undertaken to remove existing deficiencies and to significantly strengthen its effectiveness. Thus, fiscal adjustment in 1992/93 will not only be of substantial magnitude, but will also be anchored to measures and policies that would have a sustainable impact on future fiscal consolidation.

12. In consonance with the fiscal consolidation of the Union Government, it is our hope that the State Governments will move in a similar direction to correct their fiscal imbalances. We will encourage them to take steps to improve their fiscal performance and streamline the working of their enterprises. In particular, renewed efforts will be made to address the financial difficulties of the State Electricity Board through improved efficiency and a rationalized tariff structure. This would also enable them to ensure prompt payment of dues to central public sector undertakings, especially the power generation companies. Our overall strategy for the central public enterprises is outlined in paragraph 29. As a result of these efforts to improve efficiency and profitability, we expect the internal resource generation of the central public sector enterprises to improve significantly in 1991/92. This will permit a reduction in budget support even while their capital spending is expected to increase. The aggregate deficit of all central public enterprises is projected to fall from 3 1/2 percent of GDP in 1990/91 to 3 percent in 1991/92. As part of our endeavor to introduce a hard budget constraint for the enterprises, no increase in budget support[1] during 1991-92 beyond the budget figures will be considered, barring exceptional circumstances where matching savings would be found.

Monetary policy

13. A restrictive monetary policy will be pursued in order to reduce inflationary pres-

[1] Net of the impact of exchange adjustments on the rupee value of aid receipts.

sures and support the targeted balance of payments improvement. Such a policy, in conjunction with the lowering of the public sector's claims on resources, is both an essential corollary of exchange rate stability and the only way to achieve a lasting reduction interest rates. Monetary policy has already been tightened considerably during 1991. Thus, in Aprial a number of interest rates were increased, the incremental non-food credit-deposit ratio was lowered, and an additional 10 percent cash reserve requirement was imposed on increases in deposits. A further across-the-board increase of one percentage point in deposit interest rates was implemented in July, and the minimum loan rate for nonpreferred credits was also raised from 17 percent to 18 1/2 percent. For 1991/92, broad money (M3) growth of 13 percent has been targeted, consistent with the output and inflation targets. Taking account of the impact of the new incremental cash reserve requirement, reserve money has been targeted to rise by 51/2 percent. A further slowdown in the growth of broad and reserve money (to 11-12 percent) will be sought in 1992/93. The monetary program for 1991/92 specifies quarterly ceilings on the net domestic assets (NDA) of the Reserve Bank of India (RBI) as well as on net RBI credit to the Union Government (Table 1). The projected NDA levels are consistent with a targeted improvement of about $ 1 billion in gross official foreign exchange reserves between end-June 1991 and end-March 1992. Quarterly floors for net official international reserves in 1991/92 have also been established.

14. In implementing monetary and credit policies, the RBI uses both indirect, market-oriented mechanisms that operate through their effect on reserve money growth and commercial bank liquidity as well as the existing instruments that influence more directly the overall magnitude and composition of credit growth. In line with the overall thrust of financial sector liberalization, described in paragraph 32, the RBI intends to rely increasingly on indirect policy instruments. Therefore, interest rate policy will be used flexibly to manage the balance of payments and to achieve the desired deceleration in inflation. In particular, the RBI will act decisively to tighten monetary policy should net official international reserves fall below the targeted floors.

Pricing polices

15. With a view to reducing budgetary subsidies and promoting a more flexible price structure, the Government recently announced increases in a number of administered prices including for important inputs (petroleum products and fertilizer); for services (such as railway fares); and for agricultural commodities (such as sugar). Beyond this, our pricing policies will aim at imparting greater flexibility in all areas, and public enterprises will be given greater freedom in setting prices according to market forces-a step that will need to be coordinated with the phasing of trade liberalization and the promotion of increased domestic competition. Detailed plans will be announced at the time of the first review.

16. Average domestic petroleum prices were increased by a cumulative 38 percent in 1990 and were not lowered again as world market prices fell in early 1991. Further price changes were announced at the time of the presentation of the 1991/92 Budget to parliament: a 20 percent increase for motor spirit (gasoline), aviation fuel, and LPG for nonindustrial use; no change for diesel; a 10 percent reduction for kerosene for nonindustrial uses; and a 10 percent increase for all other petroleum products. The reduction in kerosene prices reflects the importance of this item in the consumption basket of the poor and the Government's determination to cushion the impact of the adjustment process on this segment of Indian society. On a weighted average basis, the price change amount to a 7 percent price increase and are sufficient to ensure that, at prevailing world market prices, total oil-related fiscal receipts, [1] will not be reduced as a result of the recent

1 Accruing to the Union budget and the Oil Coordination Committee.

exchange rate action. The accounts of the Oil Coordination Committee are now projected to record a small surplus. In line with the general policy described in paragraph 15, the Government intends to evolve a system for the pricing of petroleum products that provids for periodic adjustments in the light of developments in the world market and domestic supply conditions.

External policies

17. An exchange rate policy that safeguards competitiveness is a crucial element of our economic program. Shortly after the new Government assumed office, the RBI adjusted downward in two steps the value of the rupee by 18.7 percent against the U.S. dollar in order to improve the international competitiveness of exports and to bring about a more orderly compression of imports. This adjustment will help check the flight of capital, encourage the repatriation of outstanding export receipts and remittances, and thereby help to stabilize the balance of payments. Following this realignment of the rate, the Government intends to hold the nominal effective exchange rate stable by relying primarily on monetary and fiscal policy to maintain competitiveness and ensure the balance of payments objectives.

18. The Government's stabilization and import compression measures are expected to reduce the external current account deficit to 2.7 percent of GDP in 1991/92. 2 Import volumes would decline by about 5 percent, while export earnings are expected to gradually resume the growth that was interrupted in 1990/91, in reflection of the improvement in competitiveness, the resumption of exports to the Middle East, and better demand conditions in industrial countries. The capital account, however, is expected to deteriorate substantially in 1991/92 because of the curtailment in access to commercial capital markets and the outflow of nonresident deposits and short-term capital that took place during the first quarter of the fiscal year. As result, despite the improvement in the current account, an exceptional financing need of about $ 4 billion is expected for 1991/92. 3 Part of this amount ($ 870 million) has already been covered from various sources, including the recent CCFF drawing from the Fund, and exceptional assistance already disbursed by multilateral and bilateral creditors. The remainder of about $3 billion is expected to be covered by a further CCFF drawing, purchases under the stand-by arrangement, and by additional financing from multilateral and bilateral sources, including a Structural Adjustment Loan and two sector loans from the World Bank as well as additional quick-disbursing support-from the Asian Development Bank and bilateral donors. A meeting of the aid donor's consortium is scheduled for mid-September.

19. The current account deficit is expected to remain broadly unchanged in 1992/93, at 2.6 percent of GDP. Export growth is projected to continue its recovery (with an 11 percent volume increase) as a result of improved competitiveness and a further pickup ofdemand inworld markets. However, imports are also expected to rise significantly(by about 7 percent in volume terms) from the low level of 1991/92 as the special import compression measures are removed. The capital account is expected to register a significant improvement (from a surplus of$2.8 billion in 1991/92 to about $4.4 billion in 1992/93) as a result of a

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2 To 2 .1 percent of GDP according to the official Indian definition.

3 The size of the remaining compensable amount under th CCFF, and hence the size of the requested purchase, are larger then anticipated at the time of the discussion on the program (SDR 468.9 million compared with an earlier estimate of SDR 314.4 million). Under the program, the difference, amounting to $220 million, has been added to the targeted gross reserve accumulation, with a corresponding increase in total exceptional financing.

moderate reversal of the previous year's net outflow of nonresident deposits, some increase in normal net aid disbursements, and a reversal in net short-term flows. Given the need for a furt er restoration in official reserves, there would still be a need for exceptional financing from the Fund and other multilateral and bilateral creditors, but we estimate that the need (about $2.8 billion) would be considerably smaller than in the current year. A further sizable adjustment in the external current account will be needed over the medium term. The pace at which India's external viability can be restored would depend, however, on how quickly access to normal commercial borrowing can be resumed. In this respect, the Government envisages that, in 1993/94-1994-95, covering the external financing gaps would countinue to require some additional assistance form multilateral sources, including the Fund, as well as access to financing from official bilateral and commercial sources. We also expect a significant expansion in foreign direct investment inflows as a result of the new policy measures discussed in paragraph 25. Our aim is to eliminate the need for exceptional financing by the mid-1990s.

20. The targeted buildup in gross official reserves to about 1 1/4 months of imports at end 1991/92 and a litter over 1 1/2 months of imports at end-1992/93 would still leave reserves at a low level in comparison with earlier years. Hence, India's external position will remain vulnerable to adverse shocks or to any unexpected slippages. Therefore, the government will act quickly and decisively to correct any shortfall from the targeted path for reserve increase through a further tightening of monetary policy. The Government intends to pursue prudent debt management polices, and higher-than-anticipated commercial borrowings will be used for an additional rebuilding of reserves. Specifically, any unanticipated borrowing from commercial markets by the public sector will be matched by a corresponding increases in the floors for net official international reserves.

Social policies

21. The Government is aware that the process of macroeconomic adjustment is bound to be painful. All sections of the community have to make sacrifices to preserve our economic independence and to restore the health of the economy. Our endeavour would be to minimize the burden of adjustment on the poor. We are committed to adjustment with a human face; therefor, a steadfast adherence to the objective of poverty alleviation is an integral part of our conception of the adjustment process. We expect the structural reforms that have been initiated to generate long-lasting benefits in the reduction of poverty by promoting greatly increased employment opportunities. In the interim, any adjustment process that widened social and economic disparities would, in our view, be self-defeating. With this principle in mind, the Government has provided in the 1991/92 budget for higher outlays on elementary education, rural drinking water supply, assistance to small and marginal farmers, programs for women and children, programs for the welfare of scheduled castes and scheduled tribes and other weaker sections of the society, as well as for increased spending on infrastructure and employment-creation projects in the rural areas.

22. India continues to have a deep commitment to environmental conservation, drawn both from her ethos and traditions as well as her experience in the last two decades. We share the global concern for adverse environmental changes induced by economic and technological activities. Our commitments and concerns are reflected in our present and projected policies and legislation relating to air and water pollution control, forestry, and to conservation of natural resources, including wasteland and water resource development. We shall endeavour to obtain a greater quantum of peoples' involvement and association of non-government organizations in their implementation. the objective will be to attain ecologically sound and sustainable development.

Structural policies

23. Our adjustment strategy is predicated upon a comprehensive program of structural reforms that are designed to promote faster economic growth. The broad thrust of these reforms as well as the initial concrete policy measures are described below. In the areas of industrial deregulation, trade policy, public enterprises, and aspects of financial sector reforms, we expect that policy changes already introduced, combined with further action to implement and strengthen policy reform, would also form the basis for World bank support in the context of a structural adjustment loan.

24. While over the years a well-diversified industrial structure was established, barriers to entry and limits on growth in the size of firms led to a proliferation of licensing arrangements and an increase in the degree of monopoly. There was inadequate emphasis on reduction of costs, upgradation of technology, and improvement of quality standards. With a view to fostering increased competition between the firms in the domestic market so that there are adequate incentives for raising productivity and reducing costs, a major deregulation of the domestic industrial sector was introduced in the Industrial Policy announced on July 24, 1991. The thrust of the new policy is to enable entrepreneurs to take investment decisions based on their own commercial judgement with a greatly reduced regulatory role of Government. These measures are complementary to those taken in the areas of trade policy, exchange rate management, fiscal policy, and financial sector reforms.

The first stage of the reform was announced in July and includes the following key measures:

(i) industrial licensing has been abolished for all projects except for a list of 18 industries related to security, strategic, or environmental concerns and certain items of luxury consumption that have a high proportion of imported inputs. The exemption form licensing also applies to the expansion of existing units. Notifications spelling out the new procedures were issued on August 2.

(ii) The Monopolies and Restrictive Trade Practices (MRTP) Act will now be applied in a manner which eliminates the need to seek prior governmental approval for expansion of present undertakings and establishment of new undertakings by large companies. the change also apply to merger, amalgamation, and takeover. these changes will be introduced with immediate effect through appropriate administrative notifications under the Act.

(iii) The system of phased manufacturing programs, which required the progressive reduction in the import content of certain projects over time, has been discontinued for all new projects.

(iv) Industrial location policies have been streamlined so that only the 23 cities with a population of over 1 million (within a radius of 25 kilometers) will be subject to industrial location rules. furthermore, these rules will not apply for specified non-polluting industries or in already designated industrial zones.

(v) The set of activities hence forth reserved for the public sector is now much narrower than before, and there will be no bar to the remaining reserved areas being opened up to the private sector selectively.

Beyond this, it is the Government's intention to review the prior approval requirements that still exist for capital goods imports, with the aim of rapidly reducing their scope. As a first step, all capital goods imports where foreign exchange availability for the imported equipment is assured through foreign equity have now been given automatic clearance. Effective April 1, 1992, imported capital goods that represent less than 25 percent of a project's total plant and equipment costs will also be given automatic approval, up to a value of Rs. 20 million (about $800.000). The government expects further liberalization during the course of 1992/93.

25. In conjunction with industrial deregulation, the Government intends to provide greatly increased opportunities for foreign investment. Such investment would bring the attendant advantages of technology transfer, marketing expertise, and the introduction of modern managerial technique as well as promoting a much-needed shift in the composition of external private capital inflows towards equity and away from debt-creating flows. In addition, restrictions on technology agreements will be relaxed. With these broad objectives in mind, the following steps have already been announced.

(i) Automatic approval will be given for direct foreign investment up to 51 percent foreign equity ownership in a wide range of approved industries. Previously, all foreign investment was subject to approval, and foreign equity participation was generally limited to 40 percent.

(ii) Other foreign equity proposals will continue to need prior clearance, but procedures will be streamlined and made more transparent. A special empowered Board will be established to negotiate with large international firms that would provide access to high technology and world markets.

(iii) Automatic permission will be given for foreign technology agreements in the list of industries referred to in item (i) for royalty payments of up to 5 precent of domestic sales or 8 percent of export sales or for lump-sum payments of up to Rs. 10 million (about $400,000). Automatic approval for all other royalty payments will also be given if the projects can generate internally the foreign exchange required. All other payments will continue to require approval under existing procedures.

The necessary changes in the application of the Foreign Exchange Regulation Act (FERA) will be introduced by end-October through administrative notifications. It is our intention to explore further options for attracting foreign direct investment and technology.

26. As part of our strategy to promote the international integration of our economy, it is necessary to phase out the excessive and often indiscriminate protection provided to industry which has weekend the incentive to develop a vibrant export sector. An important element of this strategy will be a transition from a regime of quantitative restriction to a price-based system. Our medium-term objective is to progressively eliminate licenses and quantitative restrictions, especially for capital goods and raw materials, so that these items could be increasingly placed on open general license The shift is proposed to be achieved over a period fo three to five years. A high-level committee will work out the modality of achieving this transition, keeping in mind the balance of payments opposition, in order to provide Indian industry with an appropriate environment to develop international competitiveness. Based on the Committee's recommendations, we will formulate policy proposals by

the time of the 1992/93 budge. (See also paragraph 34).

27. The first step in rationalizing the trade regime was implemented in July. Cash export subsidies were eliminated at the time of the exchange rate adjustment, and an expanded system of import entitlements, linked to export earnings, has replaced a large part of the administered licensing of imports. The new entitlements, called EXIM scrip, are generally provided at a rate of 30 precent of gross export earnings (with special arrangements for gems, jewelry, and a few other industries), and are freely tradeable; the premium on the scrip, set in the market, represent a further incentive for exporters and a means of allocating imports according to market forces. the arrangement is intended as a transitional one that will serve as a vehicle for further trade liberalization through expansion of import entitlements in the next several years, and it is our intention to administer the system in a manner that prepares Indian industry for a more uniform set of incentives.

28. In addition to the trade reform measures already taken, the Government plans additional action along the following lies:-

(i) Greater transparency will be introduced into the trade regime through the adoption, from September, 1,1991, of a harmonized system of customs classification.

(ii) A high priority will be earliest possible elimination of the temporary exchange restrictions imposed earlier in the year in response to the foreign exchange crisis—including the limitations on the availability of foreign exchange for capital goods imports, the prior approval by the RBI for certain foreign exchange transaction exceeding specified amounts, and the high cash margin requirements (ranging up to 200 percent) on letters of credit. The first priority will be to eliminate the restrictions that affect exporters. Recently, the RBI has reduced the cash margins on imports by certain exporters and has also relaxed prior approval requirements for exporters. A timetable for eliminating any remaining restrictions will be discussed at the time of the first review.

(iii) Over the years, number of import and export items had to be exclusively channelled ("canalized") through specified public sector agencies. It has now been decided to reduce sharply the scope of this public sector monopoly, including most export items and a significant number of import items. The Government recognized that there is a strong case for freeing trade in more items, especially imports of raw materials. Therefore, additional items will be progressively decanalized; for this purpose, a further reivew of the remaining items will be made in March 1992 and a suitable decision taken with effect from April 1, 1992.

(iv) Actual user requirements, which require that imports be undertaken by the final users, have already been relaxed as a result of the EXIM scrip scheme. proposals for the removal of the remaining requirements will be formulated.

(v) The 1991-92 Budget began the process of tariff reform, with a reduction in peak tariff rates to a maximum of 150 percent (from as much as 300 percent or more) and a moderate across-the-board reduction in tariffs on capital goods imports. A more broad-based effort to streamline and reduce tariff rates will be proposed in the 1992-93 budget.

29. The public enterprise sector has not generated internal surpluses on a large enough scale and, because of its inadequate exposure to competition, has contributed to a high-cost structure. To address these problems, the Government has decided to adopt a new approach, key elements of which will be: (1) the existing portfolio of public investments will be reviewed with a greater sense of realism to avoid areas where social considerations are not paramount or where the private sector would be more efficient; (2) enterprises in areas where continued public sector involvement is judged appropriate will be provided a much greater degree of managerial autonomy; (3) budgetary transfers to public enterprises will be progressively reduced; (4) to provide further market discipline for public enterprise, competition from the private sector will be encouraged and part of the equity in selected enterprises will be disinvested; and (5) chronically sick public enterprise will not be allowed continue incurring heavy losses

30. Several important measures initiating the new strategy have already ben taken. (1) The number of industries reserved for the public sector has been reduced from 17 to 18. Even in these areas, private sector participation will be allowed selectively. Thus, joint ventures with foreign companies in oil exploration and production are now possible. (2) public enterprises that are chronically sick and unlikely to be turned around will be referred to the board for Industrial and financial Reconstruction (BIFR) for rationalization. We expect to have the new procedures in place by end-December 1991. A safety net will be created to protect in interests of workers. (3) The existing system of monitoring enterprises through Memoranda of Understanding (MOU) will be strengthened, with primary emphasis on profitability and the rate of return on capital. (4) Up to 20 percent of government equity in selected public sector enterprises will be disinvested through mutual funds. The objective is that the mutual funds would seek a listing for the shares on the stock market and would have the freedom to dispose of them after a specified time period. Additional sales are expected in 1992-93, by which time proposals for encouraging broader disinvestment options could also be developed.

31. Appropriate exit policies are needed to capture the efficiency gains from policy reform and, at the same time, it is imperative that workers should be protected from the adverse impact of the adjustment process to the maximum extent feasible. Keeping in view the need for a rapid improvement in the efficiency of the economic system and of preserving social cohesion, so vital for ensuring political and social acceptability of the adjustment process effort is under way to formulate a policy that would facilitate the process of industrial re-structuring, including a suitable framework for reducing barriers to exit. This process will take some time since it will be essential to build the political consensus necessary for ensuring durability of policy reform. We expect that specific policies in this area will be formulated by the time of the submission of the 1992-93 budget to Parliament. An important component of these policies is the establishment of a National Renewal Fund (NRF) introduced in the 1991-92 budget. The NRF will provide a social safety net to protect workers from the adverse consequences of adjustment and technical transformation, most importantly through the provision of retraining so that they are in a position to remain productive participants in economic activity. We visualize the NRF also being supported by contributions from the States and the private sector. It is also intended to strengthen the Board for Industrial and Financial Reconstruction (BIFR), which was established in 1987 to recommend action—rehabilitation, merger, or exit—for private sector firms with negative net worth and meeting certain eligibility requirements; in addition, its scope will be windened to include public sector units.

32. Far as the financial system has come in terms of market widening and deepening, there remain a number of structural rigidities—notably related to interest rates and the allocation of credit—that have contributed to inefficient financial intermediation. Important measures have been taken recently to addres these problems, particularly on the side of liberalizing interest rates. Thus, bank lending rates on larger loans have been set free, the short-term money market has been allowed to function without hindrance, interest ceilings on loans by term-leading institutions have been abolished, and all restrictions on private debentures interest rates have been eliminated. These steps, implying an elimination of controls at the short and long end of the maturity spectrum, have made for a considerably more flexible structure of interest rates. While the process of interest rate liberalization will be continued over the next 18 months, the Government will focus attention on three other key priorities; promoting a more market-oriented allocation of credit, implementing policies to further the development of capital markets, and enhancing the soundness of the banking system. The recently constituted Committee on the Financial System (Narasimhan Committee) will formulate detailed recommendations in these areas. In addition, the Committee has been requested to make recommendations relating to banks and term-leading financial institution specifically on (a) their organizational structure, (b) composition and adequacy of the capital structure, and (c) supervisory arrangements. the Committee has been asked to submit its proposals by November 15, and it is the intention of the Government to spell out a timetable for implementation by the time of the first review. Beyond this, as the process of fiscal consolidation takes hold, bank profitability can be expected to improve, thus setting the stage for the extension of interest rate liberalization to bank deposits as well as for a phased reduction, beginning in 1992-93, in the statutory liquidity requirement, under which banks must presently hold selected government and other public sector securities against 38 1/2 recent of their deposits.

33. To continue the process or developing more competitive capital markets, the Government has decided to promote the development of private sector and joint-venture mutual funds; and comprehensive set of policies and guidelines that will apply equally to both public an private sector mutual funds is being development. the government also intends to introduce legislation in the forthcoming winter session of Parliament that would allow the Securities and Exchange Board of India to function as an autonomous body with full statutory powers to regulate equity markets. Two expert committees have also been established to examine the question of trading reforms and institutional improvement of the stock exchanges.

34. In order to make the tax system elastic, broaden the base of taxation, reduce its dependence on customs revenue, and simplify the existing procedures, the Government intends to implement a major tax reform over the next few years. The major emphasis will be on increasing the share of revenue from direct taxes, so that resources are raised from those most able to pay; rationalizing domestic indirect taxes including further expansion in the existing MODVAT system; and reducing the level and dispersion of import tariffs. The time available for the new Government before presenting the 1991-92 budget was simply not enough to formulate basic structural changes, but several measures were adopted consistent with out medium-term strategy. Thus, peak import tariffs were reduced and major efforts were made to strengthen tax compliance, including a much increased role for deduction of tax at source. Beyond this, the Government will appoint a committee of experts to prepare a study advising how best our agenda of tax reform will can be pursued. The first steps of the tax reform will be introduced in the 1992-93 budget.

Table 1. India: Performance Criteria for Domestic and Financial Policies in 1991-92 and Indicative Targets for 1992-93

	Prel. Actual End-July	*Performance Criteria, 1991-92 End-Oct. 1991*	*End-Dec. 1991*	*End-Mar. 1992*	*Indicative Targets- 1992-93 End March 1993*
		(In billions of rupees)			
Domestic sector (ceilings)					
Overall borrowing requirement of the Union Government 1	160 2	275	305	390 3	325 4
Net domestic assets (NDA) of the RBI 5	818.7	865.6	899.1	943.5	1,048
Of which: Net credit to Union Government	973.4	987.6	987.6	955.6	1,018
		(In millions of U.S. dollars)			
External sector (floor) Net Official international reserves 6	-1,131	-943	-1,156	-1,195	-703
		(In billions of rupees)			
Memorandum item: Indicative target (ceiling) for bank credit to general Government 7	1,535	1,564	1,564	1,551	1,675

1. Cumulative from March 31 of the previous financial year.
2. End-June Figure.
3. The ceiling for end-March 1992 will be raised (lowered) by the excess (shortfall of the OCC surplus from Rs. 8 billion.
4. Including projected OCC surplus.
5. The ceilings will be adjusted for (i) unexpected valution effects arising from changes in exchanges rates and the price of gold; (ii) changes in reserve requirements; and (iii) changes in the net international reserve floor arising from factors described in footnote 6 below.
6. The floors will be adjusted upward (downward) to the extent that gross commercial borrowing by or guaranteed by the public sector (medium and long-term borrowing from commercial banks plus bond issues to foreigners plus any change in the short-term external debt of the State Bank of India) plus exceptional financing exceeds (falls short of) $590 million for the period August 1—October 31, 1991,$840 million for the period August 1—December 31, 1991. and $1,484 Million for the period August 1,1991—March 31, 1992. However, the downward adjustments in the floors will be limited to no more than $300 million by October 31, 1991, $2000 million by December 31,1991, and $400 million by March 31, 1992. The floors will also be adjusted upward (downward) by any increase (decrease) in foreign exchange deposits held by the RBI with the State Bank of India from the level of $600 million.
7. General Government comprises the Union Government, the States, and Union

Table 2. India: Key Macroeconomic Objectives, 1991-92—1992-93

(In percent unless otherwise indicated)

	1990-91	1991-92	1992-93
	Est.	Program	
Real GDP growth	5	3-3 1/2	4
Inflation (end-period)	12.1	9	6
Overall public sector deficit/GDP	12.5	10.0	8.5
Union Government deficit/GDP	9.0	6.5	5.0
Broad money growth	15.3	13.0	11-12
Reserve money growth	13.1	15.5[1]	11-12
External current account/GDP	3.4	2.7	2.6
Gross official reserves (In months of imports)[2]	1.3	1.3	1.7
Official foreign exchange reserves (in billions of U.S. dollars)	2.2	2.2	3.2

1. Excluding the impact of the incremental cash reserve ratio, reserve money growth would be 13 percent.

2. According to the IMF definition, i.e., including SDR holdings and gold valued at SDR 35 per ounce.

(II) Correcting reply to Starred Question No. 694 dated 5.9.1991 re: Implementation Assam Accord

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI M.M. JACOB): During the supplementaries asked in the Lok Sabha in answer to Starred Question NO. 694 on 5.9.1991, regarding the implementation of Assam Accord, Shri Sharad Dighe, Member of this House had asked in a supplementary about the delay in actual commencement of work on the approved projects for setting up an IIT and an oil refinery in Assam. With regard to the IIT, I had in answer inadvertently said:-

"Sir, the Hon. Member has mentioned two points which are very important. The IIT was approved by the Central Government. But the location has be determined in consultation with the State Government and the State Government has to find out where it has to be located. That is the reason why the delay is caused in the actual implementation of the IIT. Land has t[illegible] located. Then only we will be ab[illegible] proceed further. It has to be acqu[illegible] So, location has to be determine[illegible] them, then acquisition of land and [illegible] on and so forth."

The above reply given by me may kin[illegible] be substituted by the following:-

"There has been delay in actual imple[illegible]mentation of the works connected with

IIT because the land at the site initially selected for it with the approval of the State Government could not be made available and the State Government could not be made available and the State Government requested for changing the location of the IIT. An alternative site has since been selected and finalised. The State Government has to transfer the land for the IIT after which further progress will be possible."

In the above context, I would like to mantion that before the matter regarding inadvertent error in the reply could be sorted out, the Lok Sabha had been adjourned *sine-die* and hence this correcting Statement is being laid on the Table of the House in the Winter Session of 1991.

CUSTOMS (AMENDMENT) BILL*

13.11 hrs.

[*English*]

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): On behalf of Shri Manmohan Singh, I beg to move for leave to introduce a Bill further to amend the Customs Act, 1962.

MR. DEPUTY SPEAKER: The question is:

"That leave be granted to introduce a Bill further to amend the Customs Act, 1962."

The motion was adopted

SHIR RAMESHWAR THAKUR: I introduce the Bill.

13.12 hrs.

MONOPOLIES AND RESTRICTIVE TRADE PRACTICES (AMENDMENT) BILL*

[*English*]

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI K. VIJAYA BHASKARA REDDY): I beg to move for leave to introduce a Bill further to amend to Monopolies and Restrictive Trade Practices Act, 1969 and the Companies Act, 1956.

MR. DEPUTY SPEAKER: The question is:

"That leave be granted to introduce a Bill further to amend the Monopolies and Restrictive Trade Practices Act, 1969 and the Companies Act, 1956."

The motion was adopted.

**

SHRI K. VIJAYA BHASKARA REDDY: I introduce the Bill.

13.13 hrs.

MONOPOLIES AND RESTRICTIVE TRADE PRACTICES (AMENDMENT) ORDINANCE, 1991

Explanatory Statement Giving Reasons for Immediate Legislation by Ordnance

[*English*]

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI RANGARAJAN KUMARAMANGALAM): I beg to lay on the Table an explanatory statement (Hindi and English versions) giving reasons for immedi-

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* Published in the Ghezettee of India, Extraordinary, part II, section2, Dated 16.12.1991.

** Introduced with the Recommendation of the President