

# Economic Reforms: Major Areas

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# Fiscal Structure and Balance

- Some improvement (particularly primary deficit)
- Slow shift from indirect to direct taxes; moderate rates of direct taxation
- Some structural reforms (VAT); still too many exemptions
- Dilution of exclusive reliance on public sector
- Continuing problem of guarantee exposure, other off-balance-sheet items

# Trade Reform

- Slow but (relatively) steady
- Future movement assured
- Blending multilateral and regional/bilateral liberalisation an emerging challenge

# Financial Sector Reforms

- Banking, insurance, capital markets involved
- Significant progress on financial stability/regulation
- Most progress on capital markets, less on banks, government debt
- Questions remain on structural changes supporting efficiency/innovation
- Gradual moves to liberalise capital account for corporate sector

# Industrial Deregulation

- Lots of progress, but manufacturing growth still below potential
- Main priority: removing 'reservation' (protection) for small-scale industry (SSI)
- Foreign Direct Investment (FDI) policy very open except for financial sector (insurance, banking) and retail trade.
- Here too, outcomes below expectations

# Agriculture

- Systemic slow-down
- Need a second green revolution
- Key issue areas:
  - water management
  - research and extension
  - diversification out of cereals
  - infrastructure (roads, power, cold chain)
  - modern marketing; contract farming
  - inter-state trade

# Social Sectors

- Health, Education need more resources
- Larger public funding needs to be combined with private participation, delivery
- Problems of ensuring effectiveness of public spending

# Infrastructure and Energy

- Spectrum of sectors: power, national roads, ports, civil aviation, railways, telecommunications
- Prolonged attempt to induct private sector into areas previously reserved for government. Has worked better hydrocarbons than power, coal
- Designing regulatory framework to ensure private sector equal treatment with public sector
- Issues of internal cross-subsidy, universal service/rural access

# Other issues

- Labour Reform
- States vs. Centre
- Institutions

Thank You