The Essence of this Agenda

India is unarguably an attractive investment destination given its rich demographics that feed into the intrinsic demand and supply elements of businesses. The potential however has remained mostly untapped for want of a truly enabling environment required for businesses to flourish.

'Make in India' campaign can be the trigger point in transformation of Indian manufacturing. This has been long due as manufacturing sector has largely remained a laggard in terms of growth and its share in GDP stagnated at 15-16% for many years. Given the need to create a million non-farm jobs every month, manufacturing would have to grow at 12-14% annually.

Focus is thus required on:

1. Improving Business Environment – through ease of doing business and an encouraging fiscal framework
2. Enabling Manufacturing Set-up – by providing a conducive eco-system that supports factor advantage, nurtures innovation and strengthens inter-linkages with other industries and institutions
3. Attracting Greater Capital – through further liberalisation of foreign direct investment in key sectors

An enabling policy environment supplemented with effective administration and implementation can bring India in the realm of global leadership in manufacturing.

Federation of Indian Chambers of Commerce & Industry
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First 100 days: a prompt beginning

Business Environment

Initiatives towards simplification of procedures - setting up online clearance and fast tracking e-biz system

Committees for review of environmental laws and Obsolete laws set up

Retrospective changes in tax laws creating fresh liability to be avoided

Fiscal Environment

Initiative towards introduction of Goods and Services Tax (GST)

Committee on subsidy rationalization set up

Process to address inverted duty structure initiated (Few anomalies addressed in the last Budget)

Factors of Production: Labor


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Land acquisition identified as a big challenge; relook on land law on the anvil
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Infrastructure

- Institution called 3p to be set up to provide support to mainstreaming PPPs.
- Strengthening rail network
- REITs type structure for infrastructure projects
- Allowed 100% FDI in railways infrastructure

Urban and Industrial Infrastructure Development

- A national industrial corridor authority being set up-to coordinate the development of the industrial corridors, with smart cities having transport connectivity
- Focus on port connectivity
- 100 smart cities to be built—Urbanisation an opportunity

Skill Development

- Rs 500 crore (Rs 5 billion) to set up five new IIMs (Indian Institute of Management Studies) and five new IITs (Indian Institute of Technology) in the Union Budget 2014-15.
- Multi-skill programme called Skill India to be launched

Micro Small and Medium Enterprises

- Definition of MSME to be reviewed

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Business Environment

Sufficiently empowered single window mechanism in each State with built-in provisions for time bound clearances and backed by legislation should be introduced.

Recommendations of Damodaran Committee should be examined and acted upon in right earnest.

Greater transparency in selecting heads of regulatory bodies.

Regulatory Review Authority be set up in each organisation that has the power to make rules.

Introduce ‘Sunset clause’ for periodic review of any new legislation/rule.

Economic Impact Assessment be carried out for each policy change proposed.

Introduce credible third party certification system for compliances against various laws instead of relying on inspection system.

Make the government tendering process for procurement transparent and expedient—Shorten the time between bid and award of the contract.

Expedite amendment of ‘Prevention of Corruption Act’ to mitigate undue harassment of officials & businesses.

Principle/Policy based decisions are required including on allocation of natural resources with no discretion.

Arrive at a quick resolution on the coal and iron ore impasse.

Federation of Indian Chambers of Commerce & Industry
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Fiscal Environment

- Promote technology intensive strategic sectors in manufacturing by providing 15% investment allowance for 10 years
- Extend the scope and coverage of the entrepreneurship development fund set-up for SC and ST for all categories
- Provide drawback of all state level duties for manufactured goods to make our exports more competitive
- Resolve the grey areas of taxation and improve the tax environment by issuing proactively clarifications on issues already placed with the government earlier
- Set up a clear and efficient arbitration eco-system and introduce practices and procedures that would limit inception and prolongation of tax disputes.

The dispute resolution mechanism should be accessible, responsive and decentralized

Process re-engineering of existing systems should be accordingly taken up
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Federation of Indian Chambers of Commerce & Industry
Factors of Production

LABOUR

- Consider grandfathering existing laws for existing workforce; amended contemporary laws for new entrants to the workforce
- Have a single Labour Authority dealing with all aspects of labour at the state as well as the central level; Consolidate multiple labour laws in two or three categories
- Operationalise EXIT Policy under National Manufacturing Policy; Similar EXIT mechanism required for companies outside NIMZs
- Align labour rules with international practices for export oriented industries to enable them to meet demands of global buyers, within our international commitments
- Workers' Housing to be an integral part of all the industrial corridors, parks, investment zones and Smart Cities; bring suitable schemes for the same and allocate land

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A comprehensive legislation to overhaul the coal sector is required encompassing the following:

- Amend CMNA and MMDRA with the objective of enabling a structured and transparent allocation and greater commercial participation in Coal exploration & mining.
- Introduce independent mining companies, selected by competitive revenue-sharing bidding and enable a seamless transition from exploration to mining in un-mineralised blocks.
- Set up a Coal Transaction Platform, administered by CIL, which would enable sale and purchase of Coal by Independent miners and existing entities.
- Enable last mile connectivity facilitating transportation from coal-bearing areas with consumption centers via suitable PPP framework.

Define National Coal Policy on the lines of National Mineral Policy to articulate:

- Encouragement of private investments in reconnaissance, exploration and large-scale mining
- Centre-State consultations to formulate appropriate legal measures for transparent allocation and administration of coal-bearing acreages
- Supportive regulatory environment for private investments with provisions for transferability of concessions, security of tenure and seamless migration from prospecting to mining licenses
- PPP framework for mining companies to participate in construction of railway links for coal evacuation
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Factors of Production

ENERGY

Resolve gas pricing issue as per the timeline of September 30, 2014, so that a positive signal is sent to the E&P industry and investor confidence is strengthened.

Introduce natural gas pricing regime that is remunerative for the producers. For future contracts and incremental development of E&P blocks, the government may consider offering differential natural gas pricing for on-land, shallow and deep water/ultra-deep water E&P blocks, which could be then pooled to arrive at the end-consumers’ price.

Layout a roadmap for leveraging unconventional energy resources supported by fiscal and financial incentives. Industry-friendly environment and renewed policy focus for unconventional hydrocarbons that is applicable to all entities including private as well as foreign companies.

Enable effective state role in distribution reform, grid discipline, rural electrification.

Federation of Indian Chambers of Commerce & Industry
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Factors of Production

- Undertake comprehensive review and resolution of implementation issues in the "Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act" to make it practical and equitable, providing fairness and certainty to stakeholders.
- Promote the practise of 'zoning' for industrial areas.
- Ensure timely notification of Change in Land Use (CLU) to facilitate transparent negotiation of deals between buyers and sellers.
- Bring in transparency in the allotment procedure for land in industrial estates.
- Unutilized plots in existing industrial estates should be reallocated after certain amount of time lapse for optimal utilization of land.
- Create Land Bank Corporations at Centre & State levels as repositories of large unused tracts of land, which can be allocated to relevant users.
- Rural & Urban land must be satellite mapped, demarcated and classified in a time bound manner.

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Deepen and broaden capital markets to bring down dependence on FIIs. An attractive regime must be created for Private Equity over 12 months, to attract long term capital funds.

- Raise fresh equity for Public Sector Banks via capital markets by diluting government stake down to a minimum of 26% while keeping a golden share for control.

- Capital requirement of banks is estimated to be around Rs. 5 lac crores over 4-5 years.

- Examine consolidation of select Public Sector Banks to create globally-sized banks.

- Examine having at least one long-term lending Financial Institution for industry (e.g. like IDBI in past).

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Logistics Infrastructure

For large PPP infrastructure projects all clearances/permissions must be granted prior to bidding.

Examine corporatization of Indian Railways; improve governance and unlock capital for development.

Initiate privatization of public sector ports; identify one port for privatization in the current year.

Encourage states to sign ‘State Support Agreements’ for large projects as this will commit states to ensure timely implementation of projects.

Set up a single quasi-judicial regulatory authority for time-bound dispute resolution in case of infrastructure projects.

Promote the ‘Annuity Model’ for transport infrastructure projects.

An ‘Annuity Model’ allows private investors to recover their costs in a series of semi-annual payments from the Government over the concession period, thereby reducing the burden on the fisc.
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Urban and Industrial Infrastructure

Promote the policy of cluster development

Create a Central Cluster Cell to facilitate greater coordination across and within clusters

Facilitate open access supply of power through generating companies under the Electricity Act to provide cheaper and reliable power for large manufacturing clusters, manufacturing zones/parks

Workplaces need to be available off the shelf in order to accelerate the emergence of new start-ups. The concept of Plug & Play (flatted factories) should be implemented in partnership with State Governments.

To enhance the attractiveness of SEZ policy it is recommended that:

- Units in SEZs should be permitted to dispose-off seconds and rejects by paying nominal duty
- Units in SEZs should be permitted to utilize their surplus capacities to do job work for DTA unit
- Use of underutilized common facilities created in SEZs based parks should be allowed by the units located in DTA. This will augment fiscal benefits accruing from utilization of created assets

Federation of Indian Chambers of Commerce & Industry
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Expedite work on various industrial corridors that are being built. Capitalize on the interest shown by countries across the world to help India develop and establish such corridors.

While new freight corridors are in the pipeline, we also need to look at connectivity to the ports and airports from major existing industrial centres in a comprehensive manner.

Shift towards a common framework governing urban sector.

Need for a Nodal Agency at the Centre as well as in States for dealing with PPP projects. Ministry of Urban Development at the Center can play a critical role in devising appropriate templates for private sector participation in urban infrastructure sectors.

Learn from the experience gained during the extensive planning done for setting up of NIMZ and related urban agglomerates while planning for more cities.
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Set up a Commission on Urbanization comprising center, state and city authorities and experts to develop a comprehensive roadmap for new cities with modern transport and urban infrastructure:

- Each city must have its own implementing authority for clear accountability of all city projects.
- Government should set up the basic infrastructure for smart cities like water supply, electricity, sewerage linkages, traffic control and civic discipline and allow the industry to do the micro-planning and development of such cities. Stipulate strict and well-defined guidelines for each and every activity which the industry should follow and strict penalties for non-adherence.

Funding is a huge challenge for Smart Cities - Need to evolve a workable model, provision of long term loan for 30 years with fixed interest rate of 7% with interest subsidy would help in generating a sustainable business model for Smart Cities.

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Skill development to be an integral part of industrial corridor/zones/clusters

Promote PPP mode of setting up the manufacturing skill development centres, where the skilling centres are designed as integral part of the industrial corridors and industrial clusters with the following responsibilities:

**Government:**
- Land and Building and minimum cost of capital investment on hardware/equipment aligned to the job roles available in the cluster/industrial corridors
- Financial incentive schemes for trainees to offset high cost of training

**Private Sector:**
- Training Providers: Operating cost and any additional equipment and enablers for skill training
- Sector Skills Councils: Develop & adopt Occupational Standards from the respective Sector Skills Councils, assessments and certification

**Industry:** Preferential employment for workforce trained from these centres and upskilling/re-skilling of existing employees

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The Real Estate Regulation Bill should provide:

- A uniform regulatory environment for real estate projects across the country and consider inter-linkages of various agencies in project development and not isolate the developer community and penalize them.

- Planning/building norms should be rationalized allowing for higher FAR/FSI commensurate with advances in technology and growth in urban transport. Additionally, there is a need for relaxed population density norms.

- The minimum area development conditions for real estate (of 10 hectares or 50,000 sq mts) should be reduced to enable greater flow of foreign capital into India.

- Central and state governments should work together to help ULBs tap financial resources using the channel of ‘municipal bonds’.

- Funds raised through such sources should be tied up for specific projects and the beneficiaries of such projects should be charged user fee for availing such services.

Federation of Indian Chambers of Commerce & Industry
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Revamp MGNREGS and link to the asset creation (eg. rural pucca roads, sanitation) and skill development -

Initiate new scheme of "Job Oriented Skill Development Program" by leveraging strengths from MGNREGS for the industry.

Identify 100 universities across public & private sectors for development with a target to bring some in the global top 100 over the next 5-10 years.

Set up a Council for Industry and Higher Education Collaboration (CIHEC) to promote industry-academia collaboration in various areas including development of curriculum of contemporary relevance, promoting industry relevant R&D etc.

Create a National Mission for Faculty Development for superior training to school teachers.

Set up a National Learning Corporation to act as advisory body for digital e-learning.

Establish a National Skills Qualification Framework to accredit training and align qualifications nationally.

Involve industry in curriculum design, assessment and certification of courses.

Permit private sector to use the unutilised/under-utilised capacity created within the government system for imparting training.

All activities of skill development may be exempted from Service Tax.

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Innovation

Need for strategy on “Zero Defect-Zero Effect” production

Need for credible mechanisms for assessing levels of quality and productivity in the supply chain; at the moment only few sectors have such mechanisms

The issue of innovation and R&D in Indian industry should be looked into at the highest level within PMO

The proposal to include institutional incubation centres as part of expenditure on CSR is encouraging and should be promoted

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Domestic Value Addition

- Encourage, through preference, procurement of goods manufactured in India in the Government procurement for all categories.
- Extremely High Priority (EHP) Plans are needed to encourage domestic production and reduce reliance on imports of Coal, Capital Goods, Electronics, Fertilizers and Defence products.
- Defence
  - Implementation of “Long Term Product Development” strategy under Make Category – System Integrator
  - Expeditious Implementation of major programmes in the ‘Make’ category, allowing participation of Indian public and private industry on a level playing field
  - Shortening cycle time for bid to award: For instance, the cycle time for deciding the winning bid in Defence Shipbuilding is 18 months. Measures should be taken to reduce this duration to about 6 to 8 months maximum.
  - Deemed export status benefit to be extended to Indian offset partner and its sub-contractor for all defence projects awarded through international competitive bidding, which will encourage local manufacturing.

- Review and take stock of existing FTAs.

There must be a clear shift in balance towards providing greater market access to our companies abroad.

Federation of Indian Chambers of Commerce & Industry
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Foreign Direct Investment

- Inspire FDI with export orientation and integration into global value-chain.
  - We must aim for 2-3 showcase projects such as the Thailand model of (say) being a global source for Hard Disks

- Provide Green Channel Priority to investors bringing cutting edge technology, export oriented FDI

- Engage Indian Missions to position India as a key Investment destination.

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MSMEs

- A concrete roadmap needed for the MSME sector from the new MSME policy on the anvil
  - Introduce new definition for MSMEs based on global norms
  - Revise procurement norms for government departments, to procure a minimum of 20% of their supplies from MSMEs exclusively in manufacturing sector while continuing to source services from MSMEs in services
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