



---

# The CII Agenda 2014-15

**1 April 2014**



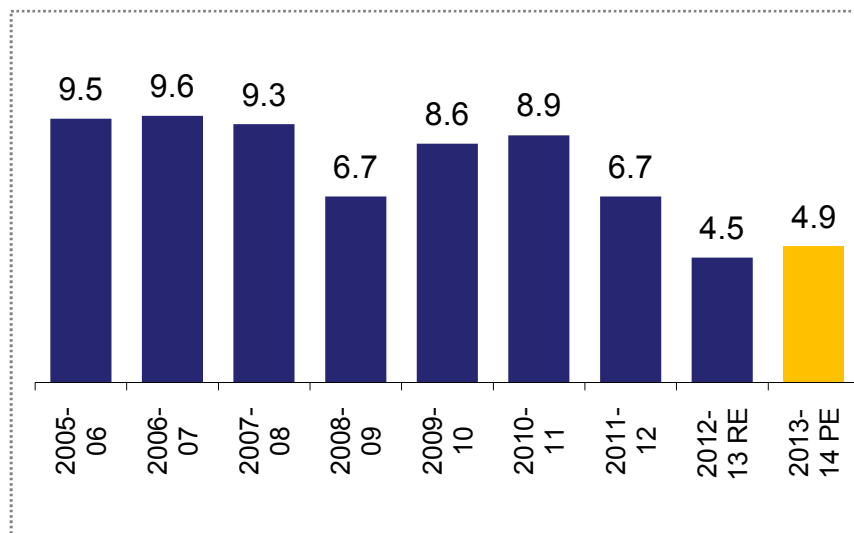
Confederation of Indian Industry

# The Indian economy

## Major challenges

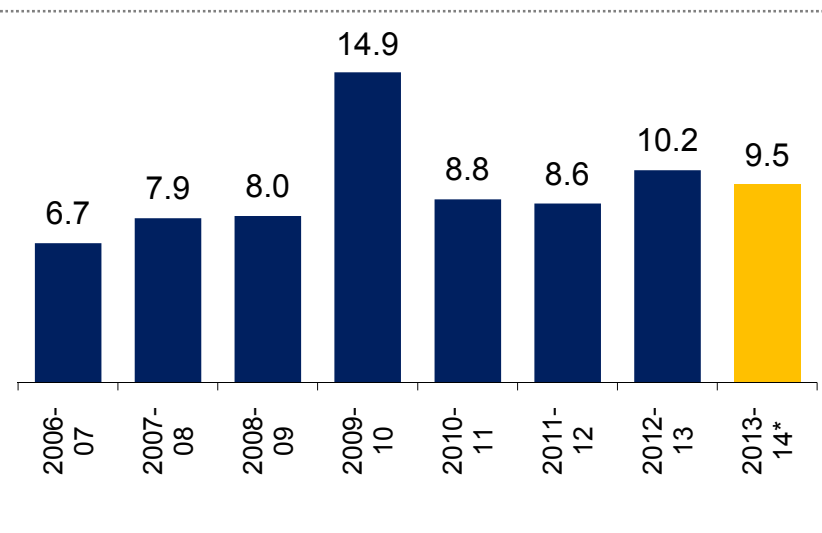
**GDP growth has decelerated in the last few years even as CPI inflation continues to remain high**

**GDP growth - stalling**



RE: Revised estimate; PE: Provisional estimate, Source: CSO

**CPI inflation – remains high**



\*expected; Data till 2011-12 is for CPI-industrial workers, Source: CSO

- Slowing growth is adversely impacting employment creation
- This is despite the fact that average GDP growth in the latter period was higher at 8.5% compared to 6.1% in the earlier period

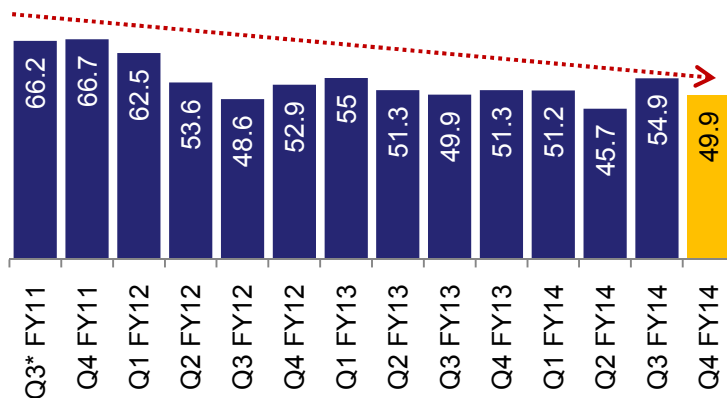


# The Indian economy

## Major challenges

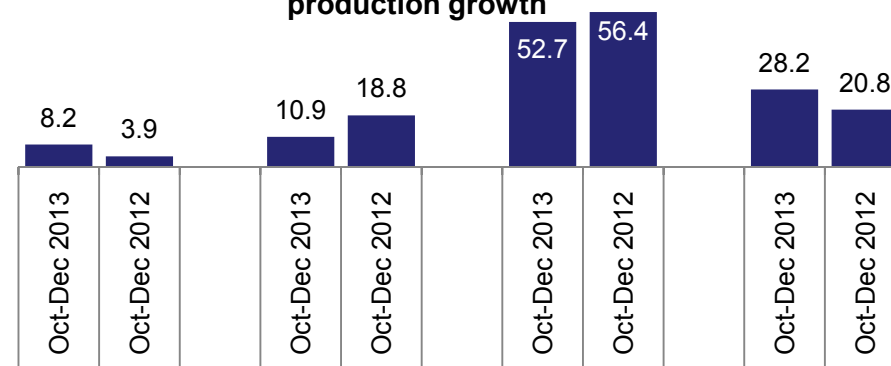
### ➤ Business confidence declining

CII Business Confidence Index – remains subdued



CII ASCON survey- reinforces cautious optimism

Percentage distribution of sectors in terms of production growth



### ➤ External environment improving but risks remain

- As US economic growth recovers, US Federal Reserve is slowly normalizing monetary policy and withdrawing stimulus. Pre-crisis environment of high liquidity and low interest rates not likely.
- China will be implementing policy tightening and reforms to reduce structural imbalances, which will result in slowing economic growth.
- Political risks arising from events in the Middle East, though not expected, could have an impact on oil prices which would be negative for India in terms of growth, current account deficit, inflation and subsidies.



# Performance of Indian economy

## Possible scenarios



I Business as Usual	II Time to Panic	III Aspirational
<ul style="list-style-type: none"> <li>▪ The economy may improve moderately in 2014-15 as delayed projects begin to get implemented, inflation moderates and the RBI reduces interest rates, albeit gradually</li> <li>▪ WPI inflation will tend to moderate though CPI inflation could remain sticky due to bottlenecks in the food supply chain</li> <li>▪ Further deceleration in GDP growth not likely; in fact, growth could recover to 5.5-6.0 per cent with a moderate recovery in industrial growth; no change in rate of job creation</li> <li>▪ Fiscal deficit and current account deficit to remain under control, as government restrains spending and imports remain subdued</li> </ul>	<ul style="list-style-type: none"> <li>▪ Any external trigger could affect the economy adversely. Examples include:</li> <li>▪ In the event of a fractured mandate, there would be loss of investor confidence; jobs are destroyed in the organised sector with no sign of economic reforms</li> <li>▪ An oil price shock, which could again lead to an increase in the fiscal and current account deficits to unsustainable levels</li> <li>▪ A shortfall in agricultural production, possibly due to impact of the El Nino; this would again trigger an increase in food inflation; this combined with inflation targeting by the RBI could further hurt the economy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ GDP growth accelerates sharply to reach 8%+ by 2016-17 as a result of economic reforms implemented soon after the new government is in place.</li> <li>▪ Focus on mass manufacturing sectors and labour-intensive service sectors such as education, tourism results in reversal of decline in job creation of the last few years.</li> <li>▪ Restructured labour laws are effective in encouraging employment creation</li> <li>▪ Investment in agriculture removes supply bottlenecks</li> <li>▪ Infrastructure expansion takes place to create new capacity in roads, ports, airports and railways</li> </ul>
<b>GDP Growth: 5.5-6.0%</b>	<b>GDP Growth: &lt;5.0%</b>	<b>GDP Growth: 6.0-6.5 %</b>



# **Accelerating Growth, Creating Employment**



---

## CII Theme 2014-15

### *The Enablers*

---

1. The Education System
2. Skill development
3. Economic growth
4. Manufacturing sector growth
5. Investments
6. Ease of doing business
7. Export competitiveness
8. Legal & regulatory architecture
9. Labour law reforms
10. Entrepreneurship



# 1. The Education System

- There has been substantial spatial and numerical expansion of educational institutes; access and enrollment at every stage of education and narrowing of the gender gap in enrollment.
- However, India's Gross Enrollment Ratio (GER) of 20% was below the world average of 27%, as well as that of other emerging countries such as China (26%) and Brazil (36%) in 2010.

## CII Interventions

### School Education

- To focus on teacher education - Will run pilot projects and work on developing standards for teacher education institutions
- To examine the school infrastructure and work with government (Central and State) to ensure that the school infrastructure is completed within 2 years as per stipulation of the RTE Act

### Higher Education

- To launch 100-100 program where 100 CII member companies will create 100 Faculty Sabbaticals
- To significantly expand its Initiative "CII-AICTE Framework measuring institutions' linkages with Industry" to improve collaborations and recognising the top ones
- CII will expand its PPP initiative "PM Fellowship for Doctoral Research" - 100 CII member companies will co-sponsor 100 PhD scholars for doing industry sponsored research



# 1. The Education System

## Way forward

- Augment investment in education to 6 per cent of GDP
- Dedicate at least one-third of all incremental tax revenue each year to education

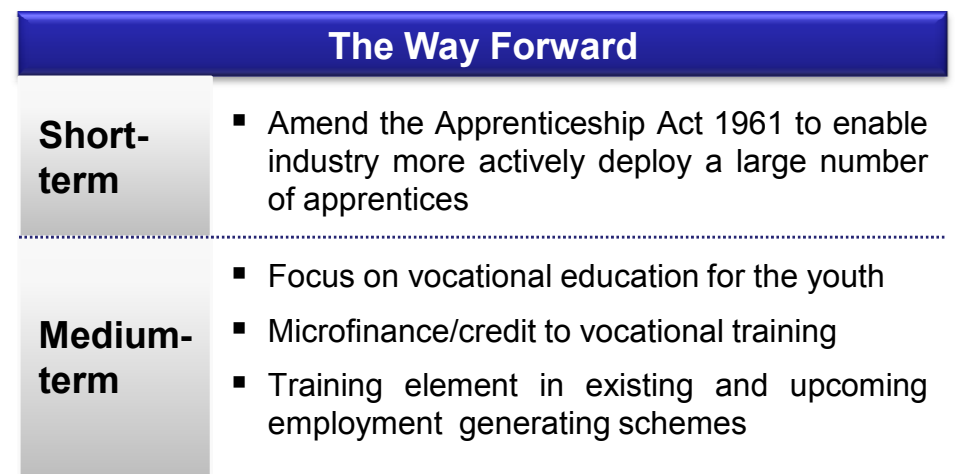
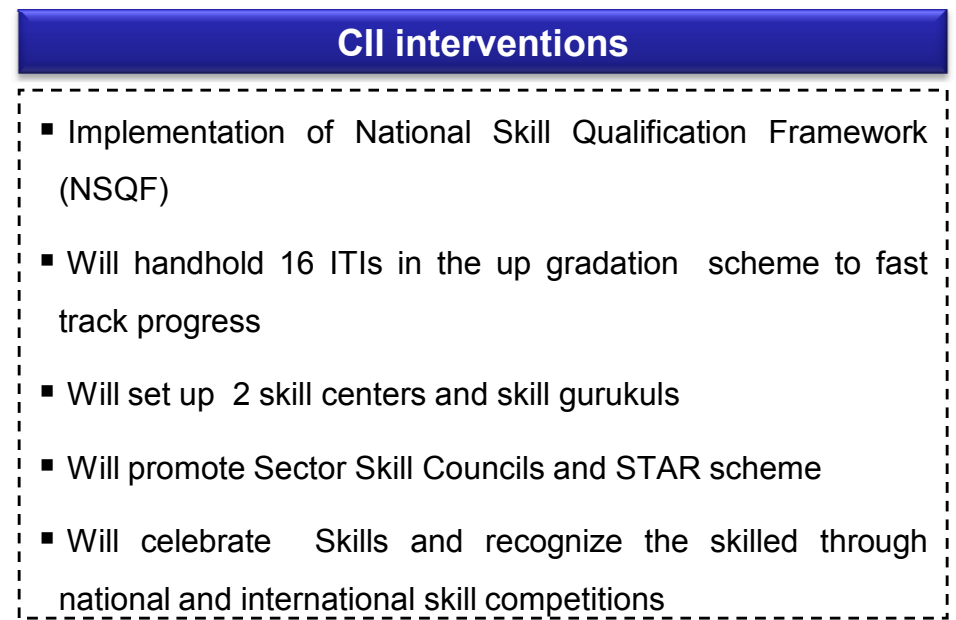
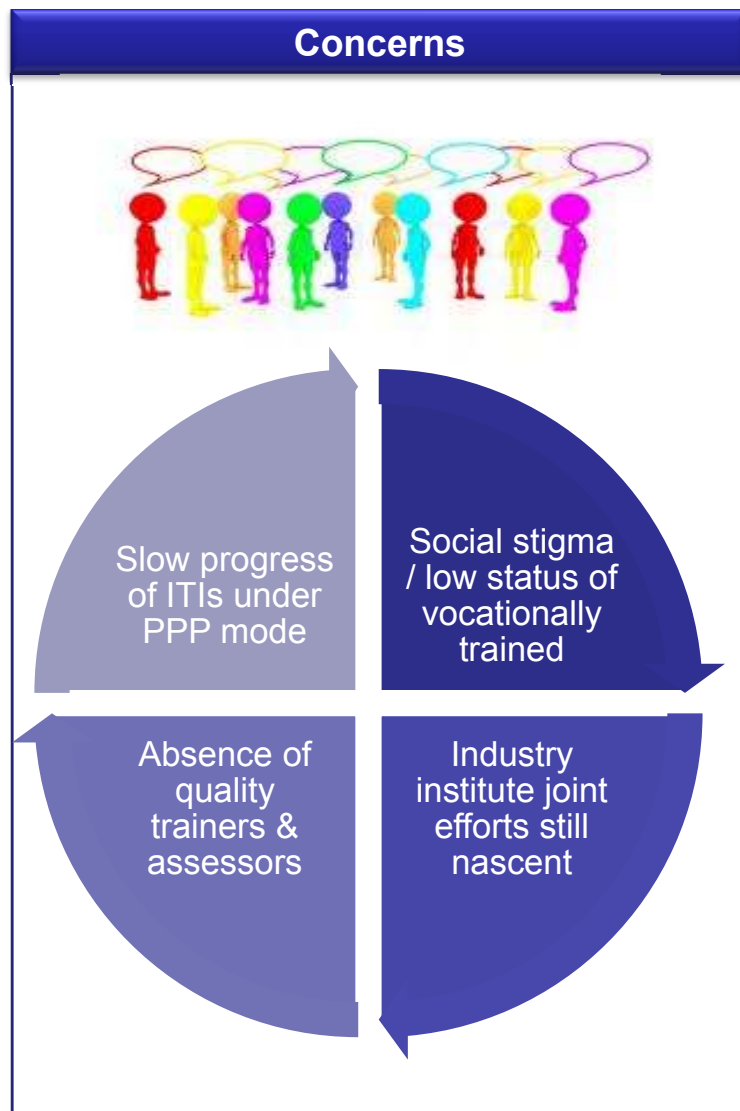


	School Education	Higher Education
Short-term	<ul style="list-style-type: none"> <li>▪ Model Concession Agreement framework to be finalised for PPP in education</li> <li>▪ Dissemination of vocational education in secondary schools through National Skill Qualification Framework (NSQF)</li> <li>▪ Report the utilisation of education cess</li> </ul>	<ul style="list-style-type: none"> <li>▪ Facilitate investments in the education sector by deregulating the sector and providing equal opportunity to private and foreign players (Sector needs to open up for Foreign Universities to set up campuses in India)</li> <li>▪ Provide tax incentives to industry who are providing fellowships to PhD scholars under the PM Fellowship scheme</li> <li>▪ Need to ensure quality in higher education through mandatory accreditation by professional agencies</li> <li>▪ Government should mandate higher education institutions to have one - third of governing board members drawn from industry</li> </ul>
Medium term		<ul style="list-style-type: none"> <li>▪ Government should provide autonomy to universities to recruit faculty at competitive remunerations based on their own resources</li> <li>▪ Increase government investments in universities &amp; higher education institutions</li> </ul>
Long-term		<ul style="list-style-type: none"> <li>▪ Increase expenditure on higher education to 3% of the GDP</li> </ul>





## 2. Skill development



### 3. Economic growth

#### *Fiscal & Monetary policy*

- Although the Interim Budget showed some success in fiscal consolidation, there is need to control spending on subsidies and create a larger base for taxation
- Monetary policy has been excessively hawkish with little emphasis on growth concerns

#### **CII interventions**

- CII would continue to partner with key stakeholders in the government and provide inputs in the areas of direct and indirect taxes to improve the business climate and help India emerge as an attractive destination for business.
- Some of the areas where industry inputs would be provided would be in the simplification of tax administration for which the government has constituted the TARC, pre-budget memorandum on direct and indirect taxes, implementation of GST and industry friendly DTC, among others.

#### **The Way Forward**

##### **Short-term**

- Introduce GST with urgency
- Continue with fiscal consolidation: Effect reduction in subsidy on LPG; rationalise fertilizer subsidies
- Resume monetary easing - reduce Repo rate by 100 bps
- Maintain a competitive exchange rate (Rs 60 – 62/ USD)

##### **Medium and long term**

- Provide realistic estimates of subsidies in Budget
- Clear funds held up in disputes
- Fast track public sector disinvestment.
- Create a policy framework for monetising unutilized assets and land resources of the Government and PSUs
- Incentivise financial savings by more effective communication on inflation indexed bonds
- Strengthen banks' infrastructure financing capabilities



### 3. Economic growth

*Revitalising agriculture*

#### Concerns

Fragmented supply chain with high level of intermediation

Low level of farm mechanization

Improper use of fertilizers

Low seed replacement rate in major crops

High cost of food grain management

Fragmented land holdings

#### CII interventions

- Policy Advocacy APMC
  - CII's FACE is working on a study to assess the impact of APMC (to be released in September 2014)
- Catalyzing investment in Agriculture
  - CII will work on region and commodity specific feasibility reports to catalyze investment.
- Enabling Access to Markets for farmers
- Capacity Building and Training

#### The Way Forward

##### Short term

- Implement the amended APMC Act in its true spirit across states
- Delist perishables from the ambit of APMC Act
- Give farmers the freedom to sell directly to food processing companies

##### Medium and Long term

- Accelerate farm mechanization
- Pass & implement the long pending Seeds Bill 2004
- Involve private sector participation in states that have decentralized procurement
- Restrict procurement to buffer levels and allow private players to operate in the larger market for grains
- Use PPP in storage & encourage private participation in warehousing
- Reduce the number of licenses required for movement of grain across states
- Facilitate consolidation/aggregation of farm lands (say 50 – 100 acres or more) through leasing



### 3. Economic growth

#### *Energising Services*

India has export potential in many of the skill-based and labour-based services. Besides software, tourism, travel, and transport services, other services which are particularly important for India are: professional services, R & D services, consultancy services, printing and publishing services, telecommunication services, construction services, educational services, some financial services and entertainment services

#### CII interventions

- CII to constitute National Services Competitive Council on the lines of National Manufacturing Competitive Council.
- CII to develop a sectoral strategy for doubling of services export by 2025 and achieve 5% share in global services exports by 2025
- CII to present to the government industry's views on regulatory overlaps in the context of the Financial Sector Legislative Reforms Commission (FSLRC) report

#### The Way Forward

- Exploit India's export potential in many of the skill-based and labour-based services
- Ensure continuous supply of skilled manpower on sustainable basis by imparting more vocational training
- Achieving universal financial inclusion
- Passage of the Insurance Laws (Amendment), Bill
- Capital Markets: Reviving a dormant primary market and strengthening the secondary market



## 4. Manufacturing sector growth

### Concerns

#### Declining contribution to growth

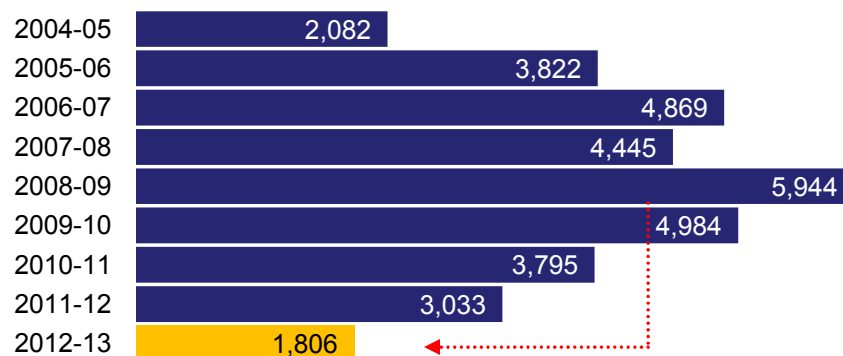
Sectoral Contribution to Growth in GDP at Factor Cost (%)

Time-period	Agriculture	Industry	Manufacturing	Services*
1991-92 - 1995-96	3.9	20.8	12.3	75.3
1996-97 – 2000-01	7.8	17.5	12.7	74.7
2001-02 - 2005-06	3.1	19.6	15.3	77.3
2006-07 - 2010-11	5.8	20.8	17.7	73.5
2011-12 – 2012-13	6.4	8.4	6.5	85.1

\*Including Construction, Source: CSO as reported in RBI database and CII Research

#### Plunging investments will make revival challenging

New Manufacturing Project Announcements Value – (Rs Billion Crore)



Source: CMIE's CAPEX database & CII Research

### CII interventions

- To work with the Central (Sectoral Ministries) and State Governments on delayed projects - for speedy clearances of public sector, private sector projects and sectoral parks
- To work with line Ministries on specific policies like MMDR (Mining and Minerals Development and Regulation Act); National Steel Policy; National Chemicals Policy, etc
- “Golden Top 100” project to focus on improving top line of manufacturing companies
- To present to the Government a blue print for creating a “Mass Manufacturing Policy” for India
- To prepare detailed analysis of key FTAs, CEPAs and CECAs of India, in the context of impact on India's manufacturing



## 4. Manufacturing sector growth

### *The way forward*

#### Short Term

Create demand by fast tracking stalled projects & boost public capital investments.

Timely implementation of big projects such as DMIC & NIMZs

Set up state level mechanisms similar to the Project Monitoring Group which will review and monitor the projects at the state level.

A strong inter- Ministry co-ordination group to resolve sticky issues like the mining conundrum, raw material securitisation for sectors like Steel

National Manufacturing Policy needs immediate implementation

Promoting Investment/ Attracting FDI in Manufacturing

Promote Manufacturing Exports

#### Medium Term

Employment generation through setting up 'Mass Manufacturing Units'

Intensive dialogues between state and centre governments for the following areas: Improve ease of doing business, Labour reforms, Promoting investments

Revise labour laws for flexibility

Promote sectors of strategic importance and labour intensive sectors

Take steps to increase autonomy and raise competitiveness of PSEs

Revisit Foreign Trade Agreements



## 5. Investments: Infrastructure - Deficit Concerns

	Ports	Roads	Air Transport	Internet	Telephone
	Quality (1=extremely underdev. to 7=well developed)	Km Per 100 sq. km. of area	Freight (million ton-km)	Per 100 people	Subscribers (per 100 People)
India	3.9	125.0	1720	7.5	61.4
USA	5.5	66.6	50743	74.2	89.9
UK	5.5	172.3	8555	77.8	130.8
Brazil	2.9	18.6	976	40.7	104.1
China	4.3	41.8	17441	34.4	64.0
Russia	3.7	6.0	4614	43.3	166.3
South Africa	4.7	-	1107	18.1	100.5

Source: Worldbank, Sept 2013

### CII interventions

#### Infrastructure Sector

- Will make specific recommendations to new Union Government for rejuvenating investments in Infrastructure Sector through Public Private Partnership, including renegotiation of PPP contracts.
- Will work closely with line Ministries and relevant stakeholders like Planning Commission & PMO to help lay down a sustainable framework for transparent regulatory structure, speedy clearance of projects and long term affordable finance
- Will work closely with Union and State Governments for finalizing the rules of the new land acquisition Act

#### Urban and Real Estate

- Will work closely relevant stakeholders at Union, State and Municipal level for providing impetus to Improved water and sanitation facilities, better housing, streamlined transportation systems and waste management in Tier – II & III cities under the aegis of JNNURM – II
- Will work closely with Union Line Ministries and State Governments to stimulate low cost housing through Public Private Partnership, especially by providing incentives to developers.



## 5. Investments

### *Infrastructure- the way forward*

#### Goal:

- Ensure Sustainable & Inclusive Infrastructure Growth
- Help Achieve the targeted USD 1 trillion investment in Infrastructure by 2017

#### Short-term

- Set up an institutional mechanism to renegotiate the terms of concession to salvage stranded investments through options like re-bid, restructuring, renegotiation of contracts, expropriation, et al.
- Ensure that the projects are awarded to the private sector by first securing the key sovereign clearances.
- Allow sponsors to exit fully from commercially operational projects.
- Provide incentives like interest subsidy, waiving of stamp duty and reintroduction of Section 80 I-B to promote Low-cost Housing.
- Stimulate private investments in urban sewerage & water and urban mass transport in a sustainable manner in view of massive urbanization expected in the country over next decade.

#### Medium-term

- Create a new Regulatory Architecture to enable "true" independence for functioning of Sectoral regulators, free from political and bureaucratic controls.
- Enable access to long term low-cost finance as funding constraints are severely impeding growth in the sector.
- Create Business Trusts (BT) that will allow assets to be handled by professional O&M operators while the underlying ownership gets accumulated in the BT whose units get subscribed by the investors.

#### Long-term

- To ensure that land does not become a roadblock for development, Land Bank corporations should be set up in various States to facilitate acquisition and disbursement of land for industrial use.
- Digitization of land records and land zoning is also required as these will be key for systematic development of industrial land and adequate resettlement & rehabilitation processes.





## 5. Investments

### *Energy*

- Energy supply in India is a key challenge. The country is heavily import dependent to meet its energy requirements (coal, oil and natural gas) and in fact had amongst the highest energy import bills globally in 2012-13 (at \$120 billion).
- Power demand outstrips supply and 400 million people are yet to get energy access. The sector has witnessed a slowdown of investments as it grapples with issues like fuel shortages and weak financial health of distribution utilities
- Need to take measures to put the sector on a strong growth trajectory and enhance energy security of the nation

#### CII interventions

##### Oil & gas

- Recommend unified licensing policy for all hydrocarbons
- Commission impact analysis study on increase in gas pricing on users and economy
- Work towards effective implementation of market driven pricing in petroleum sector (gas and fuels)

##### Power (Conventional & renewables)

- Recommend policy interventions to make power distribution companies commercially viable
- Develop a model for separation of wires and electricity supply
- Recommend market mechanisms for renewable power
- Developing a roadmap for accelerated deployment of renewable energy in India



## 5. Investments

*Energy- the way forward*

	Power	Renewables	Hydrocarbons
<b>Short-term</b>	<p>Address fuel (coal) and gas shortages</p> <p>Implement regular tariff revisions and make them cost effective</p>	<p>Ensure Renewable Purchase Obligation compliance which will help revive the Renewable Energy Certificate market</p> <p>Reinstate accelerated depreciation benefits for wind power</p>	<p>Implement market based gas pricing at arms length principle</p> <p>Maintain contract sanctity and ensure policy certainty</p> <p>Address subsidies directly through the Aadhar Platform</p>
<b>Medium-term</b>	<p>Amend Electricity Act 2003 to make implementation effective</p> <p>Introduce competition in the retail supply of electricity</p>	<p>Incentivize domestic equipment manufacturing</p> <p>Transition to mandatory competitive bidding for long term procurement of renewable energy particularly wind power in a phased manner</p>	<p>Development of a National Data Repository for access to geological data</p> <p>Implement a unified New Exploration and Licensing Policy for all hydrocarbons</p> <p>Market prices for LPG and Kerosene in a phased manner</p>
<b>Long-term</b>	<p>Implement reforms in the distribution sector (reduction of aggregate technical and commercial losses, transparent system of funding subsidies etc.)</p> <p>Encourage privatization in coal mining and exploration</p>	<p>Develop transmission infrastructure to evacuate renewable energy power</p> <p>Address grid stability and balancing issues</p>	<p>Make Energy Security a cornerstone for Indian Diplomacy</p> <p>Expand overseas asset acquisition</p> <p>Market prices for all Hydrocarbons</p>

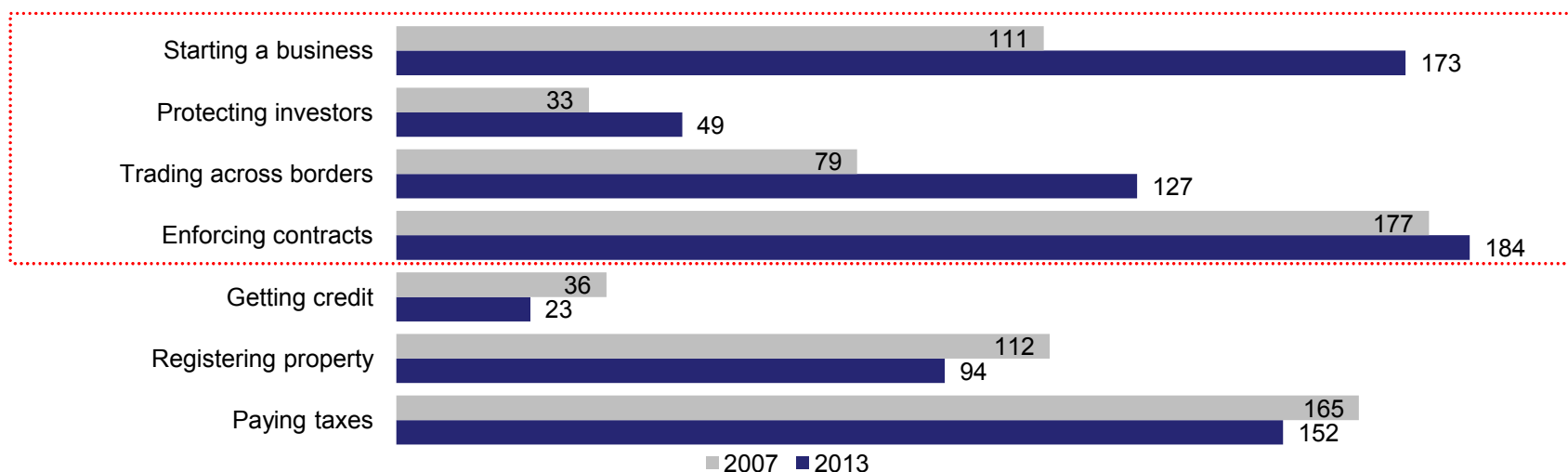


## 6. Ease of doing business

### Concerns

India ranks low on the ease of doing business ranking

India's rank on Doing Business 2007 & 2013



Source: World Bank

India's ranking has slipped over last five years on many key parameters of the World Bank's 'Doing Business' report

#### CII Interventions

To Present to the Government (Central and State) – best practices in the states, which can be emulated in the areas of (i) starting a business; (ii) Land Acquisition; (iii) contract enforcement and (iv) taxation

CII would work with State Governments to improve the Ease of Doing Business Parameters



## 6. Ease of doing business

### *The way forward*

Short-term	Medium-term	Long-term
<ul style="list-style-type: none"><li>▪ Rationalize compliances and introduce self-certification</li><li>▪ Introduce e-governance and technology based initiatives to simplify processes and online monitoring of application forms</li><li>▪ Enforce time-bound approvals by introducing 'deemed approvals' in case of delays beyond prescribed limit</li><li>▪ Strengthen coordination between Central and State Pollution Control Boards</li><li>▪ Clarification on non-applicability of Transfer Pricing regulations to transactions not resulting in taxable income or tax deductible expense in India e.g. equity infusions, transactions with regard to foreign companies</li></ul>	<ul style="list-style-type: none"><li>▪ Pass Single Window Act and standardize documentation for procedures and approvals related to starting a business, environment clearances, etc</li><li>▪ Establish Environment Compliance Assistance Center (ECAC) in states to facilitate information exchange between regulators and industry and provide technical assistance to industries for meeting compliance requirements</li><li>▪ Encourage and promote establishment of industry clusters through a well defined, targeted, cluster development policy, owned and driven by state and local governments</li></ul>	<ul style="list-style-type: none"><li>▪ Periodic revision of environmental norms to keep pace with technology and environment</li><li>▪ Taxation - Consistency in approach needed – uniform interpretation and application of the law and judicial pronouncements with emphasis on restricting practice of retrospective amendments</li><li>▪ Move away from the revenue generation aspects of customs – focus on anti-dumping and border security</li></ul>



## 7. Export competitiveness

Exports have to increase much faster to take care of the current account deficit and to enable this to happen we have to become more competitive in the world market by reducing transaction cost as well as the cost of credit.

CII Interventions	The way forward		
	Short-term	Medium-term	Long-term
<p>To emphasize on doing trade shows and exchange of delegations with new and emerging markets of Africa and Latin America in addition to traditional partners.</p> <p>Work with policy makers to rationalize export credit and transaction cost.</p> <p>To work with State Government on barriers to free movement of goods and services within the country which is an important determinant of transaction cost as identified by a CII Study on Internal Trade.</p>	<ul style="list-style-type: none"> <li>Our immediate priority is to arrest the export slowdown by exploiting the opportunities available through various FTAs.</li> <li>Lower the credit cost and extend credit lines to untapped markets for purchase of Indian goods(eg automobiles)</li> <li>Take steps to reposition India in its traditional areas of strength like Textiles, leather</li> <li>Create and export development fund to support MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>Implement CII recommendations for reducing Transaction Costs.</li> <li>Africa has to be the focus region both for promoting exports and investment</li> <li>India has granted duty-free tariff preference to LDCs. This is an opportunity for Indian companies to invest in African LDCs and make use of this scheme to export to India by availing zero-duty in Indian market.</li> <li>Fora like G-20, BRICS, IBSA are assuming important role in guiding the world economic policy. Private sector needs to increase its engagement with them.</li> </ul>	<ul style="list-style-type: none"> <li>Take steps to double the exports within next three years</li> <li>Create an overarching India Trade Promotion body on the lines of UK trade and investment (UKTI) to identify opportunities for exports.</li> <li>Since the relationship between India and ASEAN &amp; East Asia is increasingly institutionalized, business needs to make use of this and deepen its engagement with this region.</li> <li>Government needs to work with private sector to create synergy on government foreign policy priorities through economic diplomacy.</li> </ul>



## 8. Legal & regulatory architecture

### Context

- The country needs reforms in the regulatory framework for improving the business environment – to reduce time and cost of compliance
- The environment should be geared to facilitate raising of funds by industry, increase productivity, create jobs and expand opportunities for innovation and entrepreneurship



### CII Interventions

- To work with the Ministry of Corporate Affairs in ensuring that the new Companies Act is truly enabling for industry
- CII would expand its work in the area of “Director’s Training” to help the availability of qualified Independent Directors
- To set up a CII Dispute Resolution Centre, which would help in the areas of Arbitration, Conciliation and Mediation for commercial disputes
- CII would run modules for industry, which are aimed at capacity building in the area of compliance with competition law



## 8. Legal & regulatory architecture

### *The way forward*

Short-term	Medium-term	Long-term
<ul style="list-style-type: none"><li>▪ Assist growth of private enterprise by boosting entrepreneurship, nurturing start-ups etc. Don't subject them to same rigour as companies having public funds</li><li>▪ Review inclusion of stringent, minimum and mandatory penal provisions as prescribed in the new Companies Act, 2013.</li><li>▪ Include provisions in Companies Act, 2013 to encourage competent and capable individuals to take up role of 'Independent Directors'.</li><li>▪ Implement e-courts by effectively implement electronic case filing system, service of proceedings, etc.</li><li>▪ Bring parity in taxation of financial investors - equity investors vis-à-vis debt</li></ul>	<ul style="list-style-type: none"><li>▪ Desist from imposing sectoral thresholds for assessment of M&amp;A.</li><li>▪ Provide incentives to companies for instituting competition compliance programs within the Indian competition law framework</li><li>▪ Establish uniform nationwide, reasonably priced stamp-duty regime.</li><li>▪ Ensure speedy disposal of court cases.</li><li>▪ Streamline completion time and transaction cost for starting and operating a company</li></ul>	<ul style="list-style-type: none"><li>▪ Make necessary amendments in new Companies Act for bringing in a facilitative business regime</li><li>▪ Reciprocal Treaties with more countries so that foreign judgments can be enforced by Indian courts</li><li>▪ Update antiquated laws viz. Indian Contract Act, 1872, Transfer of Property Act, 1882 etc.</li></ul>



## 9. Labour Law Reforms

### Concerns

- Labour laws have not kept pace with rapid globalisation, competitiveness and market dynamics. Rigid, complex, multiplicity of labour laws (such as 44 Central Acts, over 150 State Laws and innumerable Standing Orders) adversely impact competitiveness.
- Liberalisation has unleashed entrepreneurship in the SME and Services segment – labour laws not kept pace with changing times
- Trust deficit amongst stakeholders deterring long term solutions
- Labour laws focussed on protecting “positions” rather than overall “jobs”

### CII Interventions

Work with own membership, Trade Unions, Central and State Governments for creating convergence and consensus on :

- Possible immediate redressals through Executive Orders without changing laws
- Possible contours for special Labour laws for the MSME and Services sectors
- Consolidation and Rationalisation of multiple Labour laws

Create platforms for sharing best practices from industry which has helped companies stay competitive within current framework and also helped in better industrial relations.





## 9. Labour law reforms

### *The Way Forward*

#### Short-term

- Introducing option of Fixed Term Employment for industry to hire manpower on short term assignments
- Only one annual return instead of different returns
- Rationalization of labour inspections to just one
- Time bound grant of Income Tax exemptions to private PF Trusts of the companies
- Formation of Task Forces to look at the time bound output for:
  - Standardize the definitions of same terms used under various labour laws such as “workman,” “wages,” ...etc
  - Move towards voluntary Third Party Inspections with adequate safeguards
  - Setting up of a group for separate labour laws for Services Sector
  - The maintenance of registers, records and notices in various registers to be streamlined and commonalized to one or two registers.

#### Medium-Term

- Separate set of labour laws for MSMEs and Services Sector
- Amending current laws such as; Contract Labour Act, 1970 and Trade Union Act etc. to reduce the multiplicity of Trade Unions.

#### Long-Term

- Rationalise and combine the existing 44 Central Acts and State level labour laws into several major buckets covering:
  - Laws Governing Industrial Relations
  - Laws Governing Wages
  - Laws Governing Social Security
  - Laws Governing Welfare



## 10. Entrepreneurship

### Concerns

Lack of entrepreneurial activities and Start-ups in manufacturing sector

Lack of Angel and Venture Funding in India

Lack of number and quality of Technology Business Incubators

Failure is a taboo

Education system does not support Entrepreneurship

Lack of incentives in Intellectual Property creation & protection.

### CII initiatives

- CII will bring its member companies to invest under CSR in existing Technology Business Incubators located in academic institutions to boost successful start-ups coming out of such TBIs
- CII will significantly expand its PPP initiative "India Innovation Initiative" to select most potential innovative entrepreneurs through pan India competition on innovative products and services aligned to CII member company's requirements.
- CII will explore setting up a "CII Start-up Society" to support and mentor future business driven by innovative technologies.



# 10. Entrepreneurship

## *The way forward*

### Short Term

- Government support to private VCs through “Fund of fund” including incentivizing private VC investors with Tax benefits and recognition could also encourage more funding for entrepreneurship

### Medium Term

- Government support to universities and tech schools for incentivizing students as part of curriculum to take up entrepreneurial ventures which address innovation in manufacturing sector
- Government incentives to universities for creating entrepreneurship development program through maturing ventures driven by students coming from different disciplines like science, technology, design, management, social science etc.

### Long Term

- Policy and incentives to encourage entrepreneurs in manufacturing and allied services
- Comprehensive reforms in establishment and operations of TBIs with private sectors investment and management to produce large number start-ups
- Policy in the line of US Bankruptcy law and its effective implementation for entrepreneurs or new business entrants should be created in India to increase the risk taking ability. This will provide a much needed boost for start-up culture.
- Curriculum in all level of education should be revised to include some elements of entrepreneurial training.



## 10. Entrepreneurship

### *Transforming MSMEs*

**Aim: Help MSMEs contribute 15% to the Country's GDP and 100 million jobs by 2025**

#### CII Initiatives

Launch of Finance Facilitation Centre for SMEs

Capacity Building Programmes with a focus on manufacturing, marketing & exports

Policy Dialogue Sessions with a focus on implementation of recommendations of the Inter Ministerial Committees

Initiatives for International Linkages for integrating Indian SMEs with Global Value Chain

#### The Way Forward

##### Short-Term

- Definition of MSMEs which was enacted in 2006 to be revised keeping in view the inflation since October 2006
- Implementation of Public Procurement Policy by various State Governments
- Addressing the issue of Delayed Payments
- Improve and ease Institutional Credit Flow to MSMEs

##### Medium and Long Term

- Simplification and Rationalization of Labour Laws pertaining to MSMEs. Special Labor Law for MSMEs
- To implement recommendations of the Inter Ministerial Committee report on “Boosting Exports from MSME Sector”
- To implement the recommendations of the Inter Ministerial Committee report on “Accelerating Growth of MSMEs in Manufacturing”
- Infrastructure Development of MSMEs



---

# 100 days agenda for the new government

---

## Economic Growth

- Introduce GST with urgency
- Continue with fiscal consolidation: Effect reduction in subsidy on LPG; Rationalise fertilizer subsidies
- Resume monetary easing - reduce Repo rate by 100 bps
- Maintain a competitive exchange rate (Rs 60 – 62/ USD)
- Implement the amended APMC Act in its true spirit across states; Delist perishables from the ambit of APMC Act

## Education

- Review RTE and take steps to ensure implementation
- Dissemination of vocational education in secondary schools through National Skill Qualification Framework (NSQF)
- Need to ensure quality in higher education through mandatory accreditation by professional agencies

## Manufacturing

- Create demand by fast tracking stalled projects & boost public capital investments; Timely implementation of big projects such as DMIC & NIMZs; Need to implement National Manufacturing Policy on priority
- Set up state level mechanisms similar to Project Monitoring Group which will review and monitor projects at state level
- A strong inter- Ministerial co-ordination group to resolve sticky issues like the mining conundrum, raw material securitisation for sectors like Steel, etc



# 100 days agenda for the new government

## Investments

- Set up an institutional mechanism to renegotiate the terms of concession in Public Private Partnership Contracts to salvage stranded investments through options like re-bid, restructuring, renegotiation of contracts, expropriation, et al.
- Under JNNURM – Phase II, create a framework for facilitating investments through Public Private Partnership across urban infrastructure verticals, especially in Tier – II & III cities.
- Address fuel (coal) and gas shortages, ensure Renewable Purchase Obligation (RPO) compliance which will help revive the Renewable Energy Certificate market and implement market based gas pricing at arms length principle

## Ease of Doing Business

- Introduce e-governance & technology based initiatives to simplify processes and online monitoring of application forms
- Enforce time-bound approvals by introducing 'deemed approvals' in case of delays beyond prescribed limit
- Clarification on non-applicability of Transfer Pricing regulations to transactions not resulting in taxable income or tax deductible expense in India e.g. equity infusions, transactions with regard to foreign companies

## Exports

- Lower the credit cost and extend credit lines to untapped markets for purchase of Indian goods (e.g. automobiles)
- To implement the recommendations of the 2nd report on transaction cost being prepared by the Government Task Force



# 100 days agenda for the new government

## Legal and Regulatory Architecture

- Need to encourage private enterprise by boosting entrepreneurship. Don't subject them to same rigour as companies having public funds, as is being done under Companies Act
- Review inclusion of stringent, minimum and mandatory penal provisions as prescribed in the new Companies Act, 2013.
- Bring parity in taxation of financial investors - equity investors vis-à-vis debt

## Labour Law Reforms

- Formation of Task Forces to look at the time bound output for:
  - Standardize the definitions of same terms used under various labour laws such as “workman,” “wages,” etc
  - Move towards voluntary Third Party Inspections with adequate safeguards
  - Setting up of a group for separate labour laws for Services Sector
  - Maintenance of registers, records and notices in various registers to be streamlined and commonalized to one or two registers.

## Entrepreneurship

- Government support to private VCs through “Fund of fund” including incentivizing private VC investors with Tax benefits and recognition could also encourage more funding for entrepreneurship
- Definition of MSMEs which was enacted in 2006 to be revised keeping in view the inflation since October 2006
- Implementation of Public Procurement Policy by various State Governments
- Improve and ease Institutional Credit Flow to MSMEs

**An average of 15 million jobs per year could be created over the next 10 years**

