The CII Agenda 2019-20

June 2019
Global expansion has weakened

GDP growth : World and Major Economies (% y-o-y)

Source: IMF World Economic Outlook, (April’19)
*Data for India is on fiscal year basis
Domestic Economy could remain soft in 2019-20

Reasons for caution
• Slowdown in consumption, especially in rural areas
• Moderation in industrial growth

Growth could rebound due to
• Stable macro-economic policies and progress on structural reforms.
• Strengthening domestic investment with GST harmonization and bank recapitalization, etc.

Source: CSO
Risks to India’s Economic Outlook can be overcome

Risk Factors
• Policies which may widen the fiscal deficit and lower its quality
• Rising international protectionism and trade tensions
• Tighter global and domestic financial conditions
• Rising oil prices

Enhanced competitiveness essential to mitigate risks and achieve higher growth

Hence, the CII Theme is...
Many Initiatives Implemented to Transform India

The last term of the Government saw many path breaking reforms that has helped transform India and maintain its position globally as a fast growing large economy.

Key reform initiatives to boost investments

1. GST: One nation one tax was an epochal indirect tax reform and also was a major business reform. It not only brought down the indirect tax burden but also improved indirect tax buoyancies.

2. Insolvency and Bankruptcy Code: Another major business reform that helped unlock capital and also helped banks recover from NPA overhang.

3. Ease of Doing Business and FDI reforms: A major reform that helped India leap to 77th position in the world and help India to be attractive investment destination and helped garner higher FDI inflows.
Many Initiatives Implemented to Transform India (Contd..)

Key reform initiatives to boost consumption

4. Substantial Public Expenditure on Infrastructure lead to creation of demand and also created capacities especially in Roads and highways besides rural infrastructure and low cost housing

5. Jandhan Aadhar and Mobile trinity was the apt framework for direct benefit transfer that helps bring in efficiency in welfare provisions as well as formalisation of the informal economy

6. Government initiatives like Make in India, Smart Cities Mission, Udaan, Ujjwala and many others helped strengthen domestic drivers for growth when global uncertainties reigned.

Critical to carry forward structural reforms to fuel growth
CII Agenda For Higher and Sustainable Growth

- GDP growth in 2018-19 moderated to 6.8% from 7.2% in 2017-18
- Consumption and investments have also moderated
- CII is of the view that GDP growth should be at least 10%

Key Actions

✦ Government to stimulate consumption, investments and net exports. Key actions suggested are;
  ➢ Boost consumption by reducing personal income tax burden
  ➢ Boost investment – cut interest rates, rationalize taxes on equity capital, address delayed payments emanating from public sector
  ➢ Government Stimulus: maintain public capex, recycle unused public sector assets and earmark for infrastructure spending
  ➢ Big push for exports: marketing support, trade facilitation and credit
✦ CII will step-up building industry competitiveness and promote Trade & Investments
1. Fiscal discipline has direct bearing on interest rates and investment inflows. CII suggests use of a composite index which captures fiscal deficit and the quality of the deficit to track fiscal performance.

2. Strong policy framework for employment: Announce comprehensive National Employment Policy and encourage States to notify Fixed Term Employment.

3. Announce New Industrial Policy integrating R&D, innovation, technology, MSMEs, skills & standards and aims at deregulation, modernisation and preparing for the future.

4. Carry forward Taxation reforms – announce direct taxes code and further reform GST to subsume all products and narrow down rates.
Foreign Trade and Investment

- Sustaining exports growth to achieve target of US$400bn by 2019-20
- Current deadlock with USA over GSP withdrawal and other bilateral trade issues to be resolved through structured and timebound dialogue
- Services Export Diversification – focus on health, education & tourism

Key Actions

- Bring policies to help sustain export growth momentum. Improve trade logistics, make availability of trade financing. Address current Indo-US deadlock. Devise a WTO-compliant mechanism to compensate the GSP loss
- Strategy needed to diversify services export. Address sector-wise domestic impediments and devise strategy for export promotion
- Streamline transfer pricing policies, processes and documentation for better operability of MNEs in India

CII Actions

- CII will work with GoI on further improving the trade logistics and also on 12 Champion services sectors
Foreign Trade and Investment

- FTAs have to better deliver on both exports and investment
- Bring Synergy between trade & FDI Policy to attract more FDI into manufacturing

Key Actions

- FTAs haven’t helped in greater export realisation, need strategy to better leverage FTAs. More focus should be given to use FTAs to attract investment.
- Resume and fast-track FTA negotiations with the EU
- Trade policy to support FDI regime so that India gets better integrated into GVCs
- Identify sectors where India has potential to lead or get integrated into the GVCs.

CII Actions

- CII has been working with Indian industry on FTAs outreach and helping them to better leverage FTAs
- CII has also launched a comprehensive study on FTAs to help industry better articulate its both offensive and defensive interests in FTAs.
Investment Requirements (US$ Trillion)

- To target GDP growing up to 10% by 2023-24, the total investments requirement is estimated at US$ 5.74 trillion for the next 5 years.
- Of this, total investment requirement for Infrastructure sector is estimated at US $1.18 trillion for the next 5 years.
- The non-Infrastructure sectors including agriculture, industry and services sectors together would need US $ 4.56 trillion for the next 5 years.

Source: CII Study on Investment Requirements in India: Roadmap for 2019-24
Competitiveness: Adopt a Holistic Value Chain Approach

**TRADITIONAL APPROACH**
Focus on individual firm

- Mapping in-house activities and the immediate supply chain
- Developing strategies for maximum benefit at firm level

**Result:** specific sub-segment benefits

**HOLISTIC APPROACH**
Focus on industry value-chain

- Mapping the value-chain for the entire industry
- Developing optimisation strategies for maximum benefit to the industry

**Result:** entire industry benefits; India becomes a globally stronger player in that industry

Implementation will require actions by both industry and government. CII to play a role in coordinating between industry and government, and between various sub-segments of an industry.
Competitiveness: Key Advocacy Agenda

- Need to bring down the Cost of Doing Business
- Advocate factor market reforms: Land, Labour and Capital
- Develop a robust Standards Ecosystem to Boost Exports
- Digitization to enable Ease of Doing Business Reforms
Governance

Governance an overarching theme. Corporate Governance will remain an all-important role with focus on developing innovative governance practices, setting standards and evolving best practices.

Areas of Focus

- Promoting better risk management practices
- Ensuring transparency
- Greater stakeholder engagement
Governance: Key Advocacy Agenda

- Revised CII guidelines on Integrity and Transparency in Governance
- Promoting mainstreaming differently abled, women and other disadvantaged: Inclusion at workplace
- Create an enabling ecosystem through CSR legislation
- Systems thinking in policymaking to promote Circular Economy (sustainability)
- Regular sectoral reviews of archaic policies/ regulations
Competitiveness of India Inc.
India@75: Forging Ahead

EMPLOYMENT GENERATION
Employment Generation

Job creation needed in Agriculture, Manufacturing, Services, and Infrastructure

Areas of Focus

- **Manufacturing** – Ease of doing business, labour regulations, access to finance and sectoral policies; next-gen manufacturing; labour intensive sectors; exports
- **Agriculture** – Agri-marketing, Farmer Producer Organisations, better inputs
- **Services** – Identify job-elastic sectors; develop right ecosystem
- **Infrastructure** – Digital infrastructure, transport and communication; Public private partnerships; planned urbanization, housing
Enhancing Jobs & Livelihoods

- Current status: About 10-12 million annually entering working age.
- Of these, half of them look for Jobs & Livelihood opportunities.
- Need to create jobs for 5 – 6 million people entering the job market

Key Actions

- CII Suggests the following key actions for the Government
  - Focus on key sectors of job drivers – Construction, Hospitality, Logistics, Healthcare, Financial sector, etc
  - Facilitate Enterprise creation
  - Labour law reforms & Establish dynamic Labour Market Information Systems
  - Industry led skilling – skill vouchers
  - Incentivise new hiring of skilled & certified workforce
  - G2G agreement with countries with ageing population to meet their talent requirement (Indo-Japan agreement on Technical Interns)
  - Vocational education at school level
Enhancing Jobs & Livelihoods

Key Actions

✿ CII will undertake the following Interventions:

- Scale up CII’s Model Career Centre initiative
- Establish a number of CII Multi-Skill Institutes
- Focused approach on international placements like Indo-Japan TITP
- Map industry member’s hiring and trends
- Scale up Apprenticeship – 360 degree support to MSME
- Facilitate entrepreneurship creation through BYST

The CII initiatives on skills and facilitating jobs creation will target 1.25 million youth in 2019 and impact 10 million youth by 2020
India has taken lead in combating climate change and meeting sustainable development goals. But challenges range from water conservation to waste management.

**Areas of Focus**

- Ensuring an environmentally sustainable future is key priority.
- CII, through its various centers of excellence, will promote
  - Clean air and electric vehicles
  - Environment conservation and forest protection
  - Reducing CO2 emissions by promoting green practices and businesses
Environmental Sustainability: Key Advocacy Agenda

- Crop residual management project: Scaling to ~100 villages in Punjab & Haryana & Action plans/roadmaps for air quality improvement (2-districts & 2-cities)
- Promote sustainable mobility solutions
- Advocate for greener business practices
- CII Campaign on Water Conservation, Planning and Management
- Policy guidelines, Awareness at State, zone and regional level with focus on reduce, reuse and recycle of waste.
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ENERGY SECURITY
Energy Security

Energy security and efficient consumption of energy resources critical for sustainable development. India’s rising import bill is an area of concern.

Priority Areas

- Effectively manage energy use with growth and reducing India’s oil intensity.
- Develop high grade energy infrastructure - energy ports, pipelines, refineries, etc., to face climate extremes.
- Focus on innovation and new technologies for creating necessary storage facilities.
- Access to finance and investments in cost effective technologies an essential requirement.
Energy Security: Key Advocacy Agenda

- Access to electricity for every citizen
- Promoting renewable energy for residential and commercial segments through solar roof tops
- Promote advanced manufacturing technologies for renewables including battery storage technologies, Grid balancing architecture, etc.
- Skills Council for Green professionals and facilitating green jobs
- India’s Biofuels Roadmap 2025
Promoting Sustainable Transportation Solutions

- Move towards sustainable mobility solution being technologically agnostic
- Reduce oil imports and making India energy secure
- Reduce carbon emissions/pollution in the cities arising due to transportation

Key Actions

- CII recommends the following policy actions:
  - Develop a roadmap (phased) for moving from Inter Combustion engines to sustainable transport options
  - Build a supporting policy (technology agnostic towards all green technologies) and regulatory ecosystem across the value chain
  - Develop infrastructure, both charging and batteries (ancillary service) for the EV market to grow while focusing on job creation

- CII initiatives to promote EV market share:
  - Partner the government on building conducive ecosystem and promote integration of e-mobility with renewable energy
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RURAL – URBAN CONNECT
Rural – Urban Connect

Interplay of agriculture, manufacturing and services and connect with Rural and Urban economies essential to achieve and sustain higher rates of growth. Agriculture sector faces a conundrum of rising productivity and falling incomes.

Areas of Focus

- Horticulture, fisheries, poultry and livestock
- Food processing and linkages with urban economy
- Agri exports
- Quality and standards
Rural – Urban Connect: Key Advocacy Agenda

- Advocacy on Ease of Doing AgriBusiness Index and Advocacy with State Governments for adoption of agri marketing reforms
- Policy Framework for setting up of Farmer Producer Organisations (FPOs)
- Evaluating infrastructure gaps in Diary and Fisheries Cold Chain Infrastructure
- Creating an ecosystem for agri start-ups
- Hand hold setting up of a FPO showcasing integrated agri supply chain in one cluster that can be replicated pan India
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THANK YOU