



FICCI's Agenda for Economic Growth

'Enablers for Enterprise and Employment'

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Preface

FICCI is a public affairs and business-centric platform, inspired by Mahatma Gandhi. FICCI supports a prudent but aggressive economic agenda, which necessarily must be based on sustained growth. FICCI deliberates continuously on the domestic and global economic environment, their dynamic interplay and challenges ahead. In this document we attempt to summarize priority areas and key goals and drivers. We believe a responsible agenda on **Enterprise and Employment** must include but not be limited to:

- ❖ Policy enablers required to improve Business, Investment and Consumer sentiment
 - *Easing conduct of business & enabling systemic trust*
 - *Addressing competitiveness in all key sectors : Agriculture, Manufacturing, Services*
 - *Public finance issues which have direct bearing on above sentiments*
 - *Core agendas for various business sectors*
- ❖ Monitoring effective implementation of policies & laws
 - *Constant review of the relevance and efficacy of leading social programs*
 - *Social issues having bearing on business*
 - *Governance and empowerment issues to sustain positive sentiment*
- ❖ Job-creation centrality in policies and implementation
- ❖ The role of and opportunities for States

Executive Summary

For an economy that registered an average annual growth of close to 9% during the period 2003-04 to 2007-08 and emerged out of the global economic crisis of 2008 largely unscathed, a sudden and sharp dip in growth momentum to about 5% should be a matter of concern. With such growth, we may still mean something for the outside world, however, for ourselves this should be time for reflection. And the fundamental reason for this is the direct bearing growth has on employment generation in the country. India is a young nation. We add about 10-12 million people to the work force every year. All of them have to be provided gainful employment opportunities and if we as a nation fail to do that, then we risk damaging an already fragile social cohesion. Hence, growth for us is a brutal necessity and not just sheer desirability.

So what is it that is holding us back? Which are the factors that have brought us to this point? We have spent the last two years debating about the prolonged pause in policy making. We have seen issues of credibility, trust and accountability come to fore and which directly or indirectly have impacted the spirit of enterprise. As a result investments have suffered, pulling growth down. Our government has tried to improve the business climate with a flurry of decisions in the recent past. These have had some impact, but what we need is basic consensus across polity on the larger economic agenda for the nation if growth has to head back to the 8-9% mark. Some of the areas that merit attention in this context are -

First, reforms are tending to be reactive when ideally these should be proactive. Moreover, reforms are being touted as being anti-poor when actually our experience has been just the opposite. Therefore it is very important that the positive impact of reforms is understood

widely across the length and breadth of the nation. We need to create a much larger and inclusive constituency for economic reforms, if we have to retrace the growth path.

Second, to address social gaps the system has been encouraging entitlements and a tendency to incur liabilities beyond rational means. This puts the fisc under pressure and leads to inflation build up in the economy. Both are anaemic to growth. One of the ways to address this problem is to have a sunset clause in every new scheme introduced by the government and a sunset point for existing welfare schemes under which each scheme will be evaluated in due course of time in terms of its effectiveness and need for extension.

Third, we have had greater success in liberalising the product markets, however, we have seen limited progress in liberalising the markets for various factors of production. Be it land, labour or the capital market, we have a long way to go to ensure optimal utilisation of these resources. Additionally, procedural reforms have moved ahead at a snail's pace and this must change.

According to World Bank's latest report on Doing Business, India has been ranked at 134th position out of 189 countries in terms of ease of doing business. This clearly shows that investors have to spend more time and energy in India which is not proportional to their overall exposure. This hurts both foreign and domestic investors. For a country that is basically capital starved, such a scenario is untenable. We need to be seen as inviting capital and this calls for deep administrative simplification through a constructive centre and state teamwork. Clarity in policy formulation, greater certainty in legislation and quick and transparent implementation of rules is what businesses relentlessly seek. If we move forward along this path, we will see more investments flowing into India. Also, as our own companies gather strength in the domestic market, we will see many of these spreading wings abroad and this too will be a source of growth for us.



Fourth, we need to create sufficiently large capacities keeping in mind the future requirements. Be it infrastructure, agriculture production, supply of skilled manpower, availability of natural resources including land or production of core industries - we have to plan on much larger scale than we are doing presently. There are good examples to follow - NIMZs and DMIC are just two of them. We need such mega plans across areas mentioned above.

For the time being India may have dropped from the higher rungs of the growth ladder, but whether this will be a temporary development or a permanent one depends on how we respond to the situation. At FICCI we feel that we can emerge stronger from this phase and get back to the 8-9% growth mark if we take the right measures and government, business and civil society work collaboratively.

Real Economy

Agriculture and Agro Processing

Status

- ❖ In line with the course of developing economies, the share of agriculture in GDP has come down to 13.7% in 2012-13 (from 18.9% in 2004-05). But there has not been a commensurate decline in the share of population dependent on this sector.
- ❖ The sector has been in the midst of a slow growth phase due to low crop yields, low rate of seed replacement, variations in levels of farm mechanisation across regions and crops, limited reach of government's extension services, high dependence on monsoons and weak post-harvest infrastructure.
- ❖ The country also faces low levels of processing of agro-raw material despite being one of the largest food producers in the world.

Key goals and drivers

❖ Productivity enhancement

- Enhance crop yields through greater dissemination of information to farmers to leverage breakthroughs in agri-biotechnology. At present crop yields in India are just about half or a third of the global average.
- Introduce soil health cards for periodic soil testing to address soil erosion in time. Excessive use of fertilisers and pesticides over the years has led to soil erosion and loss of soil fertility.

- Set a target for increasing seed replacement to 50% by 2020. At present, seed replacement in case of paddy stands at 33% and for wheat at 25%.
- Make custom hiring and leasing of farm equipment more organised.
- Promote greater engagement of private players in the extension process with specific targets for reach and outcomes for implementation of government extension services schemes. Government's extension services schemes presently reach only about 9% of farmers.
- Encourage on-farm water conservation using technological improvements like sprinklers, laser levellers etc.
- Make decision support systems built on real time weather forecast for irrigation scheduling more robust.

❖ **Better procurement / distribution and risk mitigation**

- Remove ad-hocism in stock limits for storage of food products.
- Go for decentralised procurement of food grains to meet PDS requirement. Multiple agencies including private sector could be licensed to procure food grains on behalf of the states. Procurement activities of FCI are concentrated in a few states and farmers in other states do not benefit from MSP announced by the government.
- Put a cap on strategic buffer stock norms. Anything over and above this should be available for active trading and off-loading in the domestic and international markets. In the home market, explore the option of off-loading grains in smaller lots over multiple locations.



- Encourage all states to amend the APMC Act and implement the same. States that delist horticulture produce from the APMC Act should be rewarded through allocation of higher funds under Central Government plan schemes for agri-development.
- Further incentivise setting up of cold chains and warehouses across rural heartland to bring down post-harvest losses. Land must be made available at reasonable cost and locations with stable power supply assured for such facilities.
- Encourage farmers to form producer associations and promote this concept alongside contract farming, corporate farming and co-operative farming.
- Extend weather based insurance system to all states and all crops.

Manufacturing

Status

- ❖ The share of manufacturing in GDP has idled around 15% for nearly three decades. This lost opportunity has been a vital link missing in India's growth. A clear outcome of this stagnation is lack of employment prospects. Such employment would have allowed movement to higher incomes for large number of people.
- ❖ Our economy needs to generate 10-12 million jobs annually to cater to additions to the workforce. A growing manufacturing sector with increased share of GDP is thus essential.
- ❖ The National Manufacturing Policy aims to address lack of vibrancy in the manufacturing sector and sets long term goals for growth, employment and share of manufacturing in GDP.
- ❖ National Investment and Manufacturing Zones and new Industrial Corridors are some pivots for this strategy to be successfully implemented. FICCI supports these initiatives.
- ❖ Certain factors of long standing however impede growth of this sector and need to be collectively addressed by Centre and States.

Key goals and drivers

- ❖ Promote the policy of cluster development and to facilitate greater coordination across and within clusters a Central Cluster Cell should be created.
- ❖ Introduce structural changes in Coal India Limited and promote private sector participation in the area of coal mining for commercial purposes. Erratic supply of power in many states hits manufacturing sector adversely. Small units have hardly any solution for this problem. Large units have attempted to set up coal based captive power plants.

However, in many instances coal linkages tied up for these plants with CIL fail to materialise either completely or partially. The monopoly of Coal India Limited over coal mining has huge national costs.

- ❖ Introduce GST at the earliest. This will be a game changer for Indian industry and could add close to 2% to overall GDP growth. Opening our internal trade will have a direct bearing on investments as well. Further, we need to take comprehensive look at all residual taxes over the 18 month period post introduction of GST.
- ❖ Expedite work on various industrial corridors that are being built. Capitalise 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.
- ❖ Put in place a stable land policy that balances interests of all stakeholders. Industry needs confirmed availability of land at affordable rate over the long term and this must be assured. The practise of 'zoning' for industrial areas with prior Social Impact Assessment should be promoted. Further, Change in Land Use (CLU) should be notified in time so that buyer and seller can negotiate deals in a transparent manner.
- ❖ The draft Land Policy requires a critical debate before finalisation and government must engage industry on the same.
- ❖ Encourage setting up of affordable housing complexes near industrial areas by compulsorily allocating 20% land of industrial belt for low cost housing; fast tracking change of land use for housing purposes; and reducing land registration charges for affordable housing to 20% of the rates applicable in other cases.
- ❖ Set up a technology acquisition fund to support manufacturing units by way of offering

concessional finance for buying latest technologies. The proposal to include institutional incubation centres as part of expenditure on CSR is encouraging and should be promoted. The issue of innovation and R&D in Indian industry should be looked into at the highest level within PMO.

- ❖ Leverage the availability of labour through NREGA for industrial jobs. This will to some extent help address the problem of decline in availability of workers for industrial activities in certain parts of the country.
- ❖ Address all anomalies related to inverted duty structures in excise and customs duty rates to encourage domestic value addition.
- ❖ Provide drawback of all state level duties for manufactured goods as many such duties and taxes are not refunded to exporters. This will make our exports more competitive.
- ❖ Liberalise norms for availing investment allowance as indicated in the last budget. Reduce minimum threshold level for investments from Rs. 100 crore to Rs. 10 crore and extend the period for which allowance is available from 2 years to 5 years.
- ❖ Review and take stock of existing FTAs. There must be a clear shift in balance towards providing greater market access to our companies abroad. Disseminate information amongst the domestic industry on the market access opportunities that follow any FTA India signs.
- ❖ Make the present government procurement policy of MSME Ministry more focussed by changing the stipulated requirement for government departments to procure a minimum of 20% of their supplies from such units in both manufacturing and services sector to sourcing a minimum of 20% of their supplies from MSMEs in manufacturing sector while continuing to source services from MSMEs in services sector.
- ❖ Evolve new guidelines for definition of MSMEs, particularly in light of the global experience.

External Trade

Status

- ❖ During the post reforms period, India's external sector has seen a lot of changes. This has been the result of far reaching policy changes introduced over time. Our import tariffs have been reduced considerably and exports have been encouraged through a mix of focus markets and focus products schemes.
- ❖ As a result, our exports have grown at a fast clip (US\$300 billion in FY 2013). Imports too have gone up over time (US\$ 490 billion in FY 2013).
- ❖ While these are encouraging trends, we have also witnessed periods of stress on the external front. Our exports, though sizable, have failed to match the growth in imports. As a result we have a large trade and current account deficit. CAD touched 4.8% of GDP in FY 13 and was much above the sustainable levels of 2.5% to 3.0%.
- ❖ A high current account deficit can turn into a critical macro-economic problem, especially in an environment ruled by volatility in capital flows.
- ❖ Studies on the performance of India's exports show that -
 - The transactions cost is huge for merchandise exports. Reports show that 50% of such cost is structural and cannot be fully eliminated. The remaining, however, can be addressed.
- ❖ Studies on the performance of India's imports show that -
 - A large part of our imports is accounted for by items such as oil, gold, coal, capital goods, electronics and fertilisers. There is scope to economise these flows.

Key goals and drivers

- ❖ Focus on enhancing the competitiveness of our manufacturing sector as this would help give a push to our exports as well. (Details given in the manufacturing section)
- ❖ Encourage FDI with an export orientation from major countries across the world.
- ❖ Develop a long-term program to reduce our import dependence for commodities and resources.
- ❖ Economise imports of
 - Investment grade gold through introduction of inflation indexed small savings instruments especially in rural areas.
 - Coal by clearing the roadblocks to domestic mining of coal. The solution to the problem of energy security lies 'at home' with our vast coal reserves.
 - Capital goods (power equipment in particular) by encouraging supplier companies to come and set up manufacturing bases in India.
 - Electronics by using Preferential Market Access policy to encourage domestic electronic manufacturers.
 - Fertilisers by freeing up fertiliser pricing and give direct cash subsidy to farmers.
- ❖ Ensure efficacy in oil imports by making fuel pricing completely market driven, encouraging use of public transport and promoting renewable energy sources.

Public Finance

Status

- ❖ During the period 2003 to 2008, Central Government finances had shown progress. However, in 2008-09, there was a change in direction and fiscal deficit shot up. Since then Central Government finances have been under strain. Beginning last year, the government has shown resolve to bring fiscal deficit in control and after successfully reining in FD to under 5% in FY13, government is looking at a similar performance in current year with BE for FY14 for fiscal deficit pegged at 4.8%.
- ❖ Going ahead, the plan is to reduce fiscal deficit to 3.6% of GDP, revenue deficit to 2.0% of GDP and effective revenue deficit to nil by 2015-16. Achieving this would require pruning expenditure judiciously while simultaneously increasing the revenue base.
- ❖ Following the Kelkar Committee Report (September 2012) government has taken measures to curtail subsidies (by way of de-regulating diesel prices even if partially, putting a cap on subsidised LPG cylinders etc.). However, the Food Security Bill when operative will exert pressure on this account.

Key goals and drivers

- ❖ The sums already allocated for welfare schemes should be distributed in an efficient manner as envisaged under the 'direct transfer of subsidies' program linked to the Aadhar platform. The efficacy of our welfare programs must keep improving with time and this can be achieved through scaling up of the Direct Cash Transfer (DCT) program.

- ❖ Review the coverage and implementation mechanism of leading social sector schemes including centrally sponsored schemes using an outcome and relevance based approach.
- ❖ Introduce a sunset clause for new social sector schemes and a sunset point for existing social schemes - at this point such schemes must be critically reviewed.
- ❖ Take steps to improve the tax to GDP ratio that continues to hover close to the 10% mark. Widening of the tax base and formalisation of the informal economy should be given priority.
- ❖ Tax all sectors which are presently outside the scope of the tax net albeit at much higher levels of income/wealth. There is no economic justification to not tax persons who have income above the threshold of maximum marginal rates payable by other tax payers.
- ❖ India needs a non-adversarial tax regime. The newly set up Tax Administration Reform Commission (TARC) should make suggestions to the government towards this end.
- ❖ There is a need for judicious application and judicious procedures for application of transfer pricing to capital. Taxing capital flows has a negative connotation to overall fund flows.
- ❖ Expedite the process of dispute resolution in a time bound manner as this could unlock substantial revenues for the government and reduce uncertainty for taxpayers.

Capital Availability for Investments

Status

- ❖ India is a nation in need of capital. While our own savings rate is relatively high, yet to meet the financial requirements for supporting our investment needs we need to attract capital from all acceptable sources. Our financial sector has to gear up to meet these requirements and ensure smooth flow of funds to the real sector.
- ❖ The financial sector is relatively underdeveloped. Overall bank credit (to the commercial sector including agriculture) to gross domestic product (GDP) ratio is barely above 50%. The ratio of total domestic credit (including credit to government) to GDP is about 81%.
- ❖ Large parts of the economy are not integrated into the formal financial system. There is scope for financial development and for it to positively influence economic growth.
- ❖ Limited participation of domestic retail investors in the capital markets make us susceptible to FIIs that can result in large swings if there are sizable withdrawals or inflows.
- ❖ There is a potential to attract large FDI flows. Other emerging economies are doing much better - In 2012, India received FDI to the tune of US\$ 27 billion; China got US\$ 253 billion; Brazil got US\$ 76 billion and Russia got US\$ 51 billion.

Key goals and drivers

- ❖ Promote consolidation amongst banks both through the organic and inorganic channels. We need larger banks to support growth of our industry and economy.

- ❖ Allow banks to tap the capital market to shore up capital base for meeting the BASEL III requirements. Since in case of some PSU banks, government shareholding is close to 51%, government should consider allowing banks to go below this level. Government can look at having 26% share as a floor and bring in the concept of a golden share to exercise control over critical decisions.
- ❖ Strengthen asset reconstruction companies and securitisation law to help banks free up locked up capital in NPAs.
- ❖ Encourage domestic investors to participate in the equity market and provide risk capital for businesses to grow. Industry and Government should jointly work to promote awareness about capital market products amongst retail investors, particularly in the smaller towns and cities.
- ❖ Encourage provident and pension funds to participate actively (within the stipulated guidelines of the Finance Ministry) in the equity markets as this would reduce dependence on speculative FIIs.
- ❖ Strengthen the corporate debt market to reduce over-dependence on banks for long term funding as this leads to asset-liability mismatch.
- ❖ Encourage 'financial innovation' to meet the needs of a growing real economy.
- ❖ Enhance the 'Ease of Doing Business' in India as this would help attract larger FDI flows into the country.

Development of Natural Resources

Status

- ❖ Natural resources are held by the State on behalf of its people. It is imperative that transparency and constitutionality be appropriately reflected, as the guiding principles, at every stage of distribution, regardless of the precise methods to such distribution, of any natural resource to the public.

Key goals and drivers

- ❖ Access to natural resources including land must be at equitable prices; allocation must be rapid, enforceable and through transparent process.

Education, Skill Development and Jobs

Higher Education

Status

- ❖ India has the largest higher education system in the world in terms of number of institutions and the second-largest in terms of overall enrolment. Yet, we do not have a system that will ensure that our youth will receive an education that will help them achieve their aspirations.
- ❖ We need to firm up three pillars - viability, quality and capacity - to ensure a globally competitive higher education eco-system. At present, the capacity is out of sync with the number of young people who seek quality higher education.
- ❖ While we have a few centres of excellence (IITs/IIMs/NITs/IISc), we need to work and ensure that the other majority of institutions overcome impediments such as acute shortage of faculty, poor infrastructure, out-dated curricula, limited research and use of technology aids for imparting knowledge. We need to have institutions that are competitive on a regional basis.
- ❖ Public expenditure on higher education in India as a proportion of GDP is on lower side and requires stepping up. Public expenditure on higher education in India is only 1.25% of GDP as compared to 3.1% in case of USA and 2.6% in Canada.

Key goals and drivers

- ❖ 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.
- ❖ Set up a National Mission for Faculty Development. India needs a special program for skill development of University teachers for administrative, academic and research activities.
- ❖ Government should support acclaimed private sector higher education institutions for faculty development and provide fellowships and research grants.
- ❖ Review the guidelines accompanying the recent decision to allow entry to quality foreign education service providers into India so that these do not preclude good institutions that have a long standing presence through partners in India.
- ❖ The UGC Regulations for Deemed-to-be-Universities, 2010 prohibiting distance education by Deemed-to-be-Universities should be relooked at. Institutions that have the necessary resources to impart quality education through distance education should be encouraged and not curbed.
- ❖ Allow all types of educational institutions to be established as Section 25 companies and grant permission to convert existing trusts and societies to Section 25 companies. This will provide an alternative structure with better governance norms while preserving the not for-profit status of higher education institutions.

Jobs, Labour and Skill Development

Status

- ❖ India's labour market consists of 460 million workers, which is about 40% of total population. By 2026, India is projected to have about 830 million people in the age-group of 18-59 years. This clearly reflects the large number of jobs that need to be created for our young and growing population.
- ❖ At 5% GDP growth, about 7.5 million new jobs are added but at 9% growth, we add about 12 million new jobs a year. Thus, to meet the challenge of providing employment to the growing population, it is necessary to scale up growth back to 8-9%.
- ❖ Skills shortage is one of the key issues faced by industry today. Further, NSDC estimates that there would be a skill gap of around 90 million people in the next ten years. There is a need to increase manifold the existing annual training capacity (4.5 million) in the country.

Key drivers and goals

- ❖ Provide an enabling framework with suitable amendments in the labour laws if 50 million new non-farm employment opportunities as proposed in the 12th Plan Period are to be created.
- ❖ Consolidate and rationalize various labour laws keeping in view industry's requirements while balancing the interests of workers.
- ❖ Have a single Labour Authority dealing with all aspects of labour at the State as well as the Central level.
- ❖ 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.

Healthcare

Healthcare

Status

- ❖ The healthcare system in the country has improved over time. However, given the size of our population and the geographic spread of our country, we are still far away from the point of providing easily accessible and affordable quality healthcare to all.
- ❖ Particularly in tier 2 and 3 cities, we need to focus on issues related to healthcare infrastructure, coverage, affordability and quality.
- ❖ Given our requirements, there is a need to step up investments in the sector to provide for more hospital beds, train more physicians and nurses (numbers in India are less than half the global average) and build extensive and appropriate allied healthcare capabilities.
- ❖ With 61% of healthcare expenditure in India financed out of pocket, the need for greater penetration of mitigating mechanisms for healthcare costs is evident.
- ❖ A large proportion of healthcare service providers in India operate in an unregulated environment.

Key goals and drivers

- ❖ Legislations related to healthcare services across states should converge in sync with the Clinical Establishment Act, 2010.
- ❖ Facilitate private sector to set up medical and para-medical training institutions with

improved quality of training in partnership with District Hospitals and Community Health Centres (CHCs) to address human resource crunch.

- ❖ The accreditation movement in health needs to be given a big fillip by augmenting the scope and powers of accreditation bodies like the NABH, NABL under the ambit of Quality Council of India. The ultimate aim must be to upgrade all sub-district hospitals and above to mandatory accreditation standards in the long run. Simultaneously, a market driven approach is required to promote accreditation for the private sector players by creating consumer awareness.
- ❖ Implement standardisation measures such as Standard Treatment Guidelines (STG) and Electronic Health Records (EHR) comprehensively across the country. Also give impetus to ongoing initiatives such as National Costing Guidelines.
- ❖ Bring all categories of hospitals under the ambit of quality framework through a transparent staging process along with incentive measures via health insurance.

Infrastructure

Logistics Infrastructure

Status

- ❖ Competitiveness of the economy hinges on the quality of its infrastructure facilities. In our country the pace of infrastructure development has to be quickened and for planned development schedules to be adhered to, it is important that all clearances are granted without delay.
- ❖ Financial closure is critical issue for large projects.
- ❖ Infrastructure Debt Funds have not really taken off in the manner envisaged and the same need to be promoted further.
- ❖ Another area that merits attention is the absence of an integrated multi modal transport plan for smoothening the overall logistics infrastructure.

Key goals and drivers

- ❖ Cabinet Committee on Investments has done a commendable job so far. It should also review various rules and procedures followed by Ministries/Departments to grant or refuse clearances so that the faster procedures used for specific projects are universalized and not limited to a few projects.
- ❖ Institutionalise a body for inter-ministerial and centre-state coordination in the PMO for reviewing and clearing large projects.
- ❖ Encourage states to sign 'State Support Agreements' for large projects as this will commit states to ensure timely implementation of projects.

- ❖ Undertake a time bound review of Model Concession Agreements (MCA) incorporating best practices from international PPP experiences.
- ❖ 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. Not all infrastructure projects are conducive to BOT (Toll) model where private investor recovers its cost through levy of user charges. An 'Annuity Model', wherein private investors recover their cost in a series of semi-annual payments from the Government over the concession period will reduce the burden on the fisc also.
- ❖ Work with Multilateral Agencies to enhance the credit ratings of SPVs set up for facilitating long term funding for infrastructure projects. Other ways to increase funding for infrastructure projects include developing the corporate bond market, encouraging participation by pension and provident funds and stimulating Private Equity (PE) investments in infrastructure sector.

Civic Infrastructure

Status

- ❖ India will witness a massive wave of urbanisation over the next few decades. Our population is expected to grow to 1.7 billion by 2050 and rapid urbanisation will add close to 900 million people to Indian cities. This would call for rapid up-scaling of the present level of civic amenities (water supply, sewerage and drainage, solid waste management etc.)
- ❖ To deliver on these requirements in an effective manner, Urban Local Bodies (ULB) / Municipal Governments will have to undergo systemic changes in their functioning and approach.

Key goals and drivers

- ❖ ULBs should change the focus of their contracts for new facilities from construction work contracts to performance based maintenance contracts.
- ❖ ULBs should be encouraged to appoint transaction advisors for projects for undertaking all project development work and providing requisite oversight for project implementation. Such projects could yield returns that can make them self-sustainable.
- ❖ Central and State governments should work together to help ULBs tap financial resources using the channel of 'municipal bonds'. This is still to take off in India. 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.

- ❖ Shift towards a common framework governing urban sector. There is 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.

Housing

Status

- ❖ Our inability to create adequate provisions for housing facilities and basic services to meet the requirements of urbanisation has resulted in the development of slums and squatter settlements.
- ❖ It has been estimated that by 2025, half a billion Indians will need new, urban homes. India needs to build more than 700 million square feet of residential and commercial real estate each year if it aims to match the rapid speed of urbanization.
- ❖ Additionally, real estate and housing projects require over 50 approvals from various authorities at the Centre, State and Municipal levels, which act as deterrent to the sector's growth.

Key goals and drivers

- ❖ Real Estate Regulation Bill should be brought about to bring in transparency in the sector. The 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.
- ❖ Focus on creating affordable housing stock for masses. Affordable housing projects require large land parcels at a low price, which are not available in urban centers. Designate zones for affordable housing to enable availability of land at affordable prices. Release government land for development of affordable housing.

- ❖ Planning/building norms should be rationalised 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 of 10 hectares or 50,000 sq mts should be reduced to enable greater flow of foreign capital into India.
- ❖ Local Development Authority should be entrusted the task of environment clearance. Environment Ministry should play the role of a supervisor, rather than going into the nitty-gritty of clearing each and every project. The responsibility of compliance and adherence should be left to developers and of strict enforcement and monitoring to local planning bodies/approving authorities.

Energy Security

Energy Security

Status

- ❖ As a nation, we have been making efforts to power our industrial and economic growth by leveraging both domestic sources of energy and our energy assets abroad. Even as we make progress in ramping up energy supplies, the quantum of demand and the rate at which it is growing call for a renewed thrust in our efforts so that supplies do not fall behind demand and limit our growth performance.
- ❖ Besides production of energy, we need to focus as much on its distribution so that all parts of the country benefit from generation of power.
- ❖ A quick review of the overall energy scenario for India shows -
 - There is a lot of scope for further exploitation of our domestic energy resources. Proper fiscal and policy reforms can help us move in this direction fast.
 - Of the five principal sources of energy - oil, gas, hydel power, coal and nuclear - oil, gas and hydel power will be in short supply domestically due to geological and economic limitations. Ramping up supply of nuclear energy will also take time. However, India has the 4th largest reserves of coal and this will be the mainstay of our energy security in the foreseeable future.
 - Presently, we import nearly 19% of our coal requirements. This figure is likely to touch 23% and 26% by the end of 12th and 13th Five Year Plans. Already, rising global prices of coal and depreciation of the Rupee have increased the country's import bill. We spent US\$ 43 billion on coal imports in the last three years. As domestic production of

coal goes up, we will be able to curtail imports to that extent and relieve some of the pressures on our current account.

- Close to 70% of our sedimentary basins, including onshore and offshore, remain unexplored or poorly explored.
- To ramp up domestic production, deep-water and ultra-deep-water exploration and production needs to be undertaken expeditiously.
- There is a need for further revision and rationalisation of energy charges. Over the years, government has taken several initiatives which include the Integrated Energy Policy 2005, dismantling administered price mechanism in 2002, New Exploration Licensing Policy (NELP) and shifting coal pricing methodology from Useful Heat Value (UHV) to Gross Calorific Value (GCV). More such measures are needed.
- High incidence of transmission and distribution (T&D) losses continues to plague the sector. The T&D losses are presently around 24%, which is among the highest in world. Most distribution companies have been performing poorly on financial parameters due to existence of high system losses and irrational tariff.

Key goals and drivers

- ❖ Restructure Coal India Limited (CIL). CIL should compete with private sector firms in non-captive mining and subsidiaries of CIL should be hived off as independent entities.
- ❖ Encourage competitive bidding for allocation of coal blocks. Private operators should also be provided with mine developer cum operator licenses.
- ❖ Define a robust policy framework for 'surplus coal' to provide incentives to private

miners to increase domestic coal exploration and production to help bridge demand and supply gap.

- ❖ Rationalise energy pricing mechanism to balance the interests of both consumers and producers. Further, the market price of energy sources should reflect their true scarcity value. Any subsidy government plans to give should be supported through the budget and through direct cash transfers.
- ❖ Incentivise introduction of advanced technology and attract foreign capital in upstream oil and gas segment through a favourable fiscal structure.
- ❖ Gas pricing should be remunerative to ensure greater participation of private risk capital in development of domestic gas assets.
- ❖ The country needs to beef up its infrastructure for carrying energy resources.
- ❖ Grant greater autonomy to PSUs to enable them to compete with global majors.
- ❖ Develop a proper roadmap for optimum exploration of unconventional energy resources.
- ❖ Evolve detailed policy directives for capitalising on nuclear energy.
- ❖ Revive the Energy Coordination Committee for coordinated decision making and to monitor, review and successfully execute policies that address energy security concerns.

Water Security

Water Security

Status

- ❖ Trends indicate that India could move into the category of a 'water stressed' state by 2050. In fact, a study by Water Resources Group indicates that by 2030, the gap between demand for and availability of water in India will be as much as 50%. According to this study, demand for water in India by 2030 will be 1498 km³, while supply would be of the order of 744 km³. All the three sectors namely agriculture, industry and domestic households, will contribute to this rise in demand.
- ❖ Given the considerable exploitation of ground water, the water table has depleted in several parts of the country. This adversely affects supply of water in rural areas in particular as 85% of rural water supply is dependent on ground water.
- ❖ In urban areas, water supply systems suffer from distribution losses due to old and defunct infrastructure and illegal tapping of water supply pipelines and theft. It is estimated that the physical losses are typically high, ranging from 25% to over 50%.
- ❖ Inter-regional, inter-state, intra-state and inter-sectoral disputes in sharing of water have hampered optimal utilization of water through scientific planning on basin/ sub-basin basis.
- ❖ Growing pollution of water resources is another major concern and affects availability of safe drinking water besides causing environmental and health hazards.

Key goals and drivers

- ❖ Speed up the development of village water security plans in coordination with the Panchayati Raj Institutions and line departments. Effective planning and convergence of schemes of the Ministry of Rural Development and Ministry of Drinking Water and Sanitation will ensure water security in rural India.
- ❖ Revise the Model Ground Water Act to address the fundamental problem of limiting groundwater extraction. Groundwater management has to be implemented through a mix of regulatory interventions (such as water rights or permits) and economic tools (such as abstraction tariffs and tradable water rights). The implementation of interventions has to be done by a high level of user participation.
- ❖ Evolve proper pricing mechanism for water to reduce over withdrawal. There is merit in developing suitable pricing mechanisms for irrigation water (including power), industrial and domestic water use. Rates for water cess need to be prescribed in accordance with water use.
- ❖ Encourage inter-basin transfers of water from surplus basins to deficit basins. Nodal ministries should initiate feasibility and impact assessment studies for the planned projects and develop a time bound schedule for execution.
- ❖ Evolve a dual policy of allocation of water by the states, wherein industries demonstrating water prudence in terms of maintaining water balance as well as treating waste-water to pollution control norms should get priority.

- ❖ Set up a Bureau of Water Use Efficiency (BWUE) for promoting water use efficiency. The bureau should notify water intensive industry sectors (and units) and evolve a mechanism for reporting their water consumption patterns and yearly reduction in water use. It should identify sustainable water management practices undertaken by industries and promote its adoption.
- ❖ Incentivise water conservation and recharge and penalize wastages in use of water.
- ❖ The problems with regard to water management, usage, distribution cannot be tackled until we do away with the current practise of management of water resources across various ministries and departments. A comprehensive water management policy will have to bridge the water divide and take a unitary view of water management. There are successful initiatives relating to setting up an effective institutional framework; developing a regulatory framework; water pricing and decentralization across various states which need to be documented and replicated.

Governance

Governance

Status

- ❖ India's attractiveness as a destination for global investments remains high in principle; however, this is a necessary but not a sufficient condition to get investments. The key challenge before us is to convert such goodwill and desire into real investment flows and the creation of enterprises and jobs.
- ❖ We firmly believe FDI flows into India are a fraction of what the country merits. One important reason is the low ranking India holds in terms of the ease of doing business.
- ❖ As per the World Bank's latest report, India is ranked 134th amongst 189 countries in terms of ease of doing business. The ranking is particularly worrisome with regard to the perception on enforcing contracts (186), dealing with construction permits (182), starting a business (179), paying taxes (158) and trading across borders (132). This shows investors in India have to spend disproportionate time on basic matters.
- ❖ Environmental and Green clearances are effectively the toughest hurdle for all mega-investment projects including mining, thermal and hydroelectric power.
- ❖ We need much better harmony across various labour-related statutes including at State level. This not only affects business environment but in some ways ends up as the largest impediment to labour intensity (over capital intensity) or even to basic investment decisions.
- ❖ Retrospective amendments in tax laws deteriorated India's image as an investment destination and it is necessary to reiterate that revenue hunger will not distort a level playing field.

Key goals and drivers

- ❖ We need a single minded approach to create investor friendliness for both foreign and domestic investors. We recognize that FDI at any given point will meet only a part of the nation's investment needs. FDI sentiment is an important indicator for global investors, just as domestic investor confidence is an important indicator for FDI sentiment.
- ❖ FICCI believes that by addressing basic implementation of established law as well as reduction of discretionary permissions or approvals India should build a vision of rapidly ascending to a position within the Top 50 in the Doing Business rankings. We should prioritise areas that would have maximum impact in terms of improving ease of doing business and give quick attention to these in a stipulated time frame of say 12 months. 'Enforcing contracts', 'dealing with construction permits', 'starting a business' are clear areas that should be the focus of carrying out reforms.
- ❖ Our judicial system must become more efficient so that implementation of contracts and dispute resolution become less onerous.
- ❖ Regulatory framework in India needs to be further improved. The Damodaran Committee has done considerable ground work on this and its recommendations should be examined and acted upon in right earnest. There should be greater transparency in selecting heads of regulatory bodies; consultations should be held with stakeholders on any new regulations brought out; a Regulatory Review Authority be set up in each organisation that has the power to make rules and Economic Impact Assessment should be carried out for each policy change proposed.

- ❖ Establish multi-sector regulators and remove overlaps in regulatory and operational functions. Sectors which can have common regulator for sub-sectors include Energy (by bringing together Power, Oil and Gas), Transport (by bringing together sub sectors of Roads, Rail, Airports and Ports), and Communication (by bringing together Posts, Broadcasting, Cable TV, Telecom and Internet).
- ❖ Ensure harmonisation of laws for consistency and easier compliance. There are areas of overlap and conflict between the capital market regulator (SEBI) and Corporate Laws as well as between banking sector regulator, RBI and FEMA.
- ❖ There should be strictly defined and enforced timelines for environment related clearances and statutory provision to enforce all timelines including those already defined.
- ❖ Institute universal practices across states for good governance with respect to Forest and Environment Clearances in the country. We must see a level of convergence across states over time with regard to such rules and regulations.
- ❖ Consolidate, simplify and rationalise labour laws with a view to remove inflexibilities while preserving social security benefits and skill development measures for contract workers.
- ❖ Government functioning must become time bound. It should be made mandatory for every ministry to deliver on any important decisions/response in a set time frame.
- ❖ Efficiency and certainty in dispute resolution - both for contracts and for tax matters including litigation and before appellate authorities - is imperative.

- ❖ Set up a clear and efficient arbitration eco-system and introduce practices and procedures that would limit inception and prolongation of tax disputes. Further, the dispute resolution mechanism should be accessible, responsive and decentralised and if this calls for process re-engineering then government must take it up expeditiously.
- ❖ The wheels of e-governance should start moving faster. Hence, promote use of information technology in public service delivery as this will ensure greater accountability and transparency in the service delivery mechanism. There is a need for minimising discretionary interface/interpretation in the government. As a first step, for contracts already entered into with PSUs, submission of execution reports and request for payments due should be brought into e-governance mode.

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