

## **Initiatives by Department of Industrial Policy and Promotion**

### **Improving Business Environment; Fast Tracking Manufacturing and Liberalisation of FDI Policy**

Development of a robust manufacturing sector is the priority of the Government. It has the potential to not only take the economic growth to a higher trajectory, but also to provide employment. The Government is committed to remove all bottlenecks and develop India as a manufacturing hub. A number of measures have been taken by the Government in that direction.

During the last three months, the economic activity has picked up as reflected in the quarterly growth figures of GDP which grew at 5.7 % in the first quarter (Q1) of April-June 2014 over the corresponding period of the previous year (*based on CSO estimates*). Industrial growth in general and growth in the manufacturing sector in particular has shown significant improvement with growth rates becoming positive as compared to negative growth rates in these sectors in the corresponding period of 2013-14. Gross Fixed Capital Formation (GFCF), the indicator of investment grew as much as by 7% in Q1 of 2014-15, while last year in Q1 the growth rate of GFCF was negative, which reflects upbeat mood of investors and augurs well for the future growth prospects. This perceptible improvement is a reflection of the improved business environment and market sentiment. The HSBC PMI report of July and August 2014 and the Business Confidence Index recently brought out by NCAER validate the positive business sentiment.

This perceptible improvement in the economic performance in last three months is a reflection of the improved business environment and market sentiment, an outcome of the series of initiatives taken by the Government to bring about positive changes to revitalise the industrial sector in general and manufacturing sector in particular. A number of positive announcements have already been made in the Union Budget 2014-15 in that direction.

Providing an enabling and conducive environment for doing business in India is an important factor contributing to industrial growth. The emphasis of the Government has been on simplification of the procedures, rationalization of the existing rules and increased use of information technology to make governance more efficient, effective, simple and user-friendly. The initiatives taken for ease of doing business in India are given in the **Annexure**.

Foreign Direct Investment (FDI) being an important resource, the Government has taken a number of steps to attract more FDI inflows into the country. The FDI policy in Defence sector has been liberalised and FDI cap has been raised from 26% to 49% [*vide press note 7(2014 series)*]; 100% FDI under automatic route has been permitted in construction, operation and maintenance in specified Rail Infrastructure projects [*vide press note 8 (2014 series)*]; the norms for FDI in the Construction Development sector are being eased. FDI inflows have increased by 75 % during June and July, 2014 over the corresponding period in previous year.

The development of industrial corridors and industrial clusters has been fast paced with a series of initiatives:

- A new 'National Industrial Corridor Development Authority' is being created to carry out project development activities, apprise and sanction projects, implement and coordinate all central efforts for industrial corridor development of all Industrial Corridors.
- Work on 5 smart cities namely, Dholera in Gujarat; Shendra-Bidkin in Maharashtra; Integrated Industrial Township in Greater Noida (UP); Integrated Industrial Township near Ujjain (MP); Global City in Gurgaon, Haryana is moving at a fast pace in Delhi-Mumbai Industrial Corridor (DMIC).
- The Perspective Plan for Chennai-Bengaluru Industrial Corridor has been completed. ADB is working on Perspective Plan for the Vizag-Chennai phase of the proposed East Coast Economic Corridor.
- Steps are being taken to expedite the work relating to the Amritsar-Kolkata Industrial Corridor. The Feasibility Study is likely to be completed in record time.
- A Memorandum of Understanding (MoU) between China and India has been signed for promoting cooperation between Chinese and Indian enterprises including the development of industrial parks in India, so as to provide a platform for cluster type development of the enterprises of both countries. A Working Group has been set up to take the work forward.
- In continuing the initiative of developing Investment and manufacturing clusters, one additional National Investment and Manufacturing Zone (NIMZ) at Kalinganagar, Jajpur district in Odisha has been given in-principle approval, bringing the number of NIMZ's which have been given in-principle approval to 17.
- Besides, under the Modified Industrial Infrastructure Up-gradation Scheme, in-principle approval has been accorded to 21 Industrial projects.

An Act recognizing National Institute of Design (NID) Ahmedabad as an institute of National Importance received assent of the President on 17 July 2014. This will enable NID Ahmedabad to confer degrees, promote research and function as an Apex body in Design Education. Four new National Institutes of Design are being established.

The Government is focusing on building labour intensive manufacturing. The Indian Leather Development Programme during the last 100 days has provided training to 51216 unemployed youths and 83% of these trained youths have been employed in the leather industry. To provide further impetus to skill development two new Centres of Footwear Design & Development Institutes are being set up.

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## Annexure

### Major Initiatives by DIPP on Improving 'Ease of Doing Business' in India

The Department of Industrial Policy and Promotion (DIPP) has taken a series of measures to improve Ease of Doing Business. The measures taken are:

1. A comparative study of practices followed by the States for grant of clearance and ensuring compliances was conducted through M/s Accenture Services (P) Ltd. As a result of this study, six best practices were identified. These best practices were circulated among all the States for peer evaluation.
2. A letter has been written by Minister of State (Independent Charge), Commerce and Industries to Chief Ministers of all the States and Administrators of all the UTs to partner with DIPP in taking these initiatives forward to ease the business regulatory environment in the country.
3. Process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made online and this service is now available to entrepreneurs on 24x7 basis at the eBiz website, without human interface. This will lead to ease of filing applications and online payment of service charges and ensure that no entrepreneur has to come to the Ministry to file his/her application or make payment.
4. Vide Press Note 3 (2014), Defence products' list for industrial licensing has been issued, wherein large number of parts/components, castings/forgings etc. have been excluded from the purview of industrial licensing. Similarly dual use items, having military as well as civilian applications (unless classified as defence item) will also not require Industrial License from defence angle. This will enable domestic and international companies to undertake manufacturing without going through a lengthy process. The applicant now only needs to file an Industrial Entrepreneur Memorandum (IEM) for these items.
5. Vide Press Note 5 (2014), initial validity period of Industrial License has been increased to three years from two years. This will enable the licensees more time for implementation of the Industrial License by way of obtaining the necessary clearances/approvals from local authorities, putting in place the security aspects, machinery manpower, implementation of technology, etc.

6. Guidelines have been issued, vide Press Note 5 (2014), to streamline the processing of applications for grant of extension of validity of Industrial License. This has made the grant of extension extremely simple.
7. A maximum timeline of 12 weeks has been finalised by MHA for grant of security clearance on Industrial Licence Applications.
8. Partial commencement of production will be treated as commencement of production of all the items included in the license. This will facilitate the entrepreneurs from hardship of repeatedly coming to the administrative Ministries for extension of validity of Industrial License.
9. To facilitate investors and to provide answer to their queries, Frequently Asked Questions (FAQs) by applicants for grant of industrial license have been developed and uploaded on DIPP website.
10. Vide Press Note 4 2014, the advanced version of NIC Code (NIC 2008) has been adopted, which is a highly contemporary industrial classification. NIC 2008 is an improved version of NIC 1987 and will allow Indian businesses to undertake globally recognized and accepted classification that facilitate smooth approvals/registration and categorization.
11. Vide Press Note 6 (2014), the 'Security Manual for Licensed Defence Industry' has been issued. With the issue of the Security Manual, the requirement of affidavit from the applicants, has been done away with. Earlier, an affidavit from a Judicial Magistrate was required from the applicant to confirm that they will abide and comply with the safety & Security guidelines/procedures recommendation for the firm & its supply chain and as and when laid down by the Department of Defence Production, M/o Defence, Ministry of Home Affairs in Government of India. The applicants were facing difficulties in obtaining such affidavit and this was severely delaying the issue of License even after approval of Licensing Committee.
12. A checklist with specific time-lines has been developed for processing all applications filed by foreign investors in cases relating to Retail/NRI/EoU foreign investments. This has been placed on the DIPP website.
13. The issue of time taken in registration with Employees Provident Fund Organization (EPFO) and Employees State Insurance Corporation (ESIC) was taken up with the Ministry of Labour and

Employment, Director General, ESIC and Central Provident Fund Commissioner. This has led to both processes being automated through on-line registration and ESIC registration number being provided on a real-time basis.

14. An Advisory has been sent to all Secretaries of Government of India and Chief Secretaries of the States/UT to simplify and rationalize the regulatory environment. In order to improve the regulatory business environment all departments/State Governments have been requested to take the following measures on priority:

- a. All returns should be filed on-line through a unified form;
- b. A check-list of required compliances should be placed on Ministry's/Department's web portal;
- c. All registers required to be maintained by the business should be replaced with a single electronic register;
- d. No inspection should be undertaken without the approval of the Head of the Department; and
- e. For all non-risk, non-hazardous businesses a system of self-certification should be introduced.

15. The Department of Industrial Policy and Promotion is implementing the eBiz project which will create an investor centric hub-and-spoke based online single window model for providing clearances and filing compliances. This project will provide a single platform to avail business and investment related services. It will provide a bouquet of services through a single composite form and a single payment mechanism which can be apportioned, split and routed to the respective heads of account of Central / State / Parastatal agencies along with generation of challans and MIS reports. This project will result in radical improvements in ease of doing business by reducing time, efforts and costs taken in obtaining clearances and ensuring compliances. Integration with Central Government services is being done on highest priority.

16. Meetings are being organised with State Governments for undertaking review of the factors affecting Ease of Doing Business and identifying action points for its improvement.