



Confederation of Indian Industry

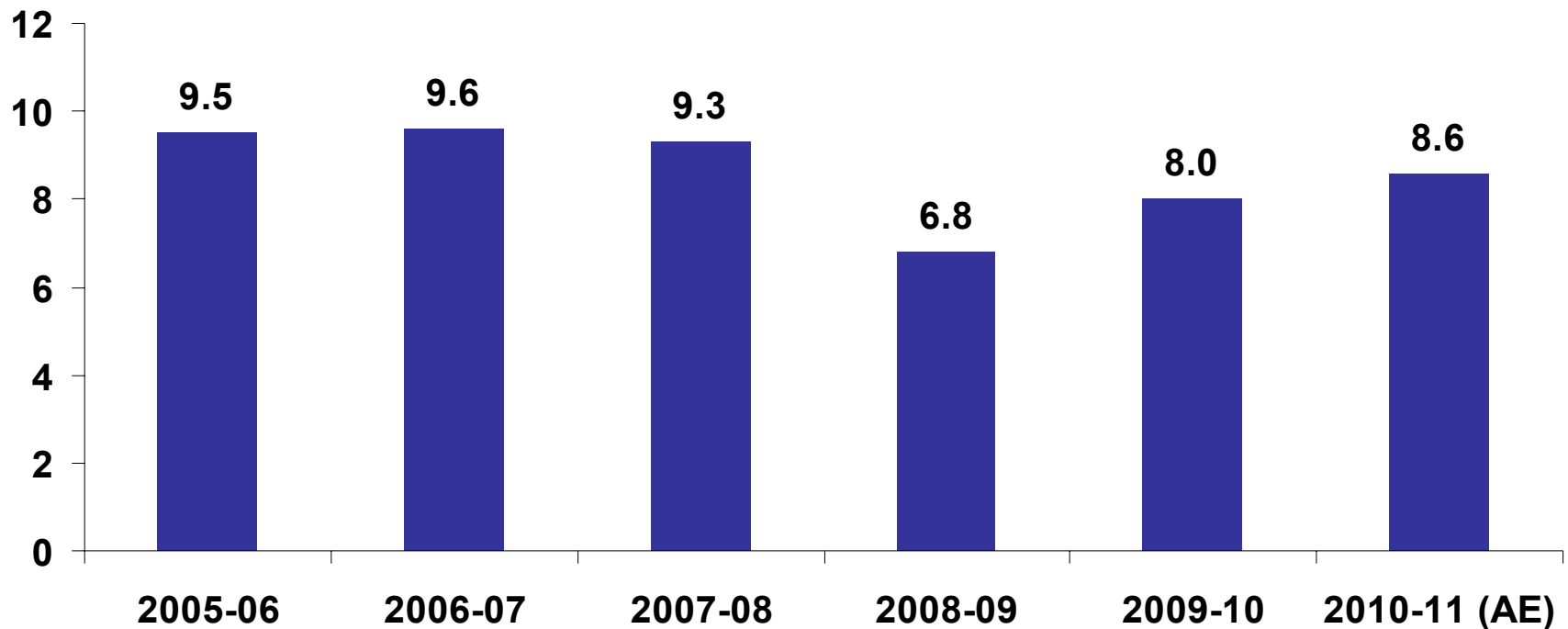
# **Theme & Agenda 2011-12 ...**

**25 April 2011, New Delhi**

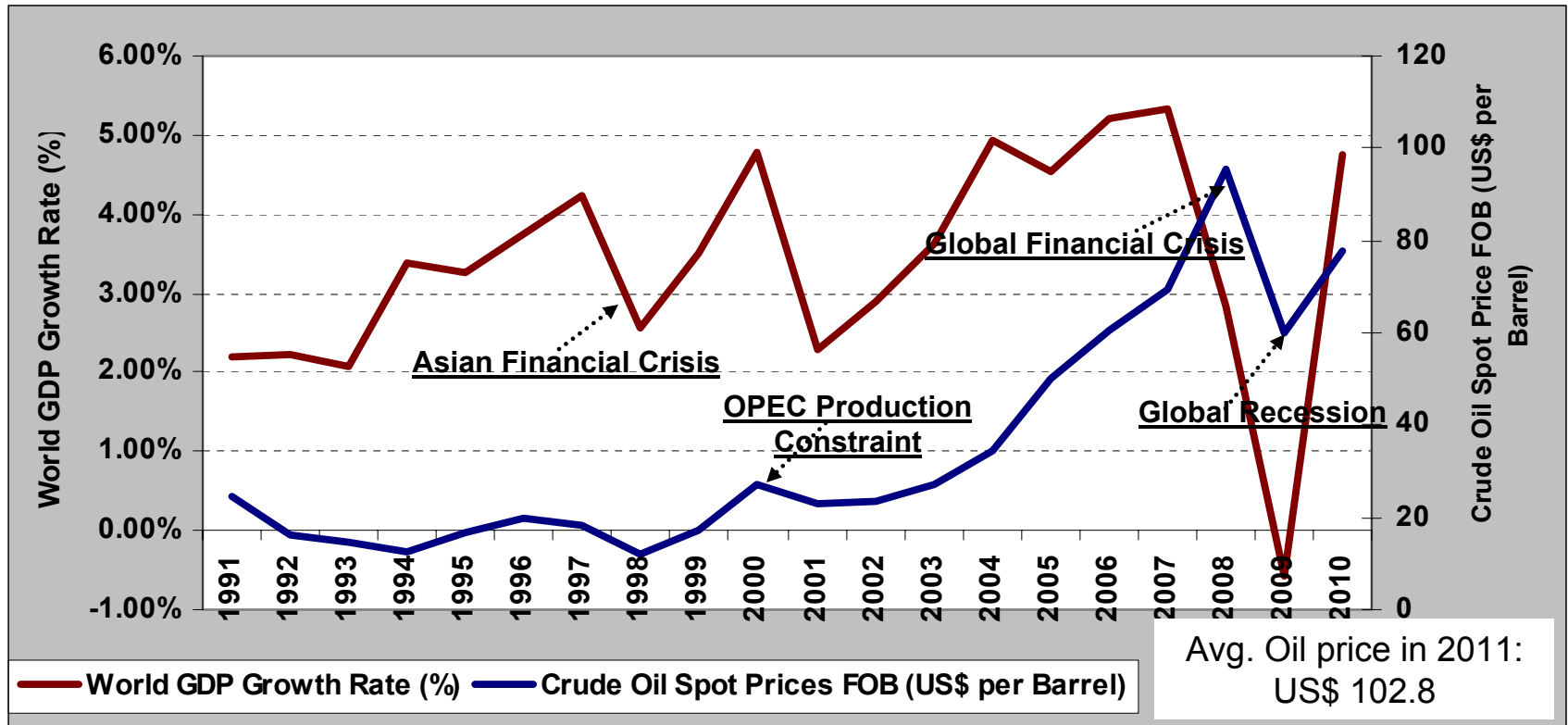
# Economic growth has recovered well post-crisis

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## GDP Growth (%)



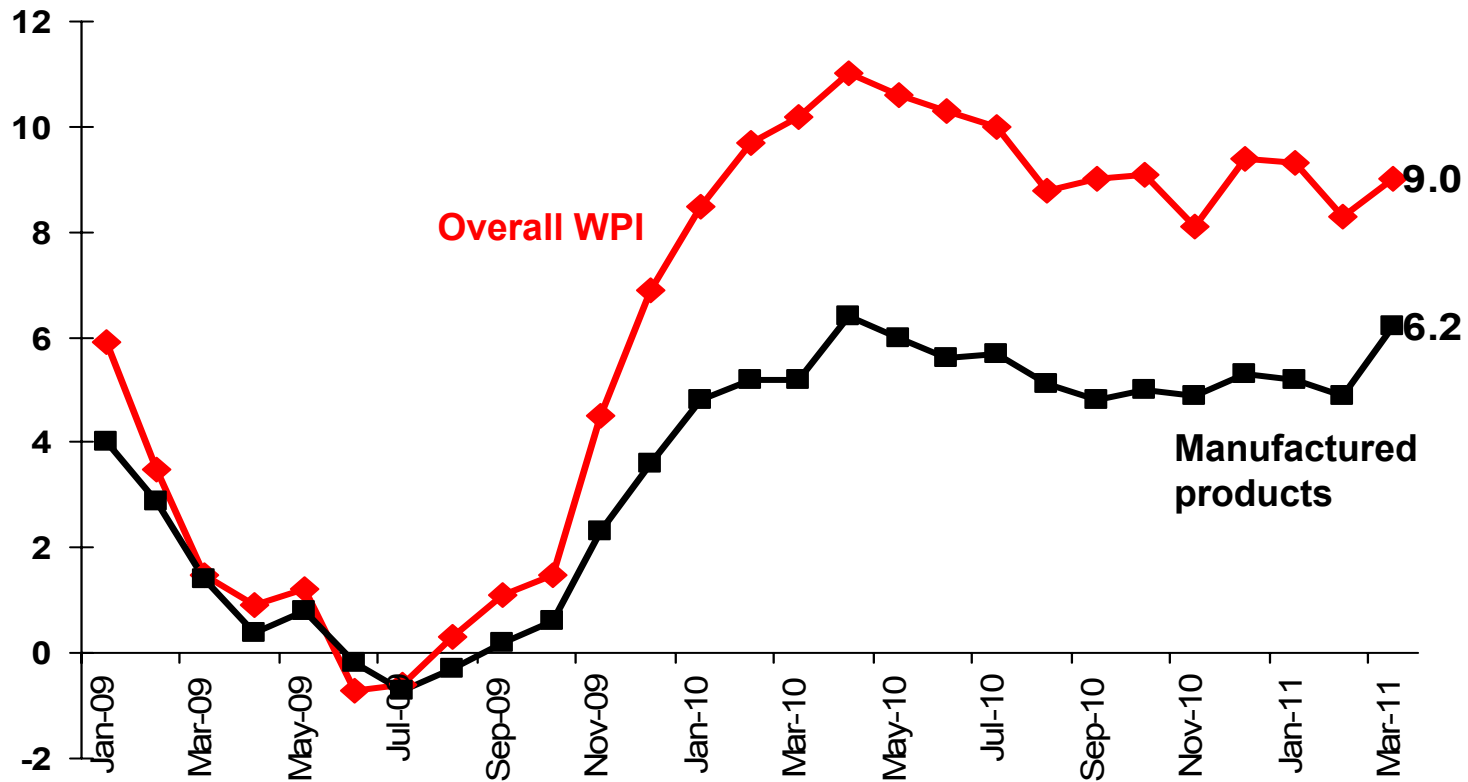
# But challenges have emerged



- High oil Prices are a risk to the global economic recovery, especially to oil importing developing countries
- Sovereign debt problem continues in some European countries and even in the US



# Inflation remains a concern and downside to Growth



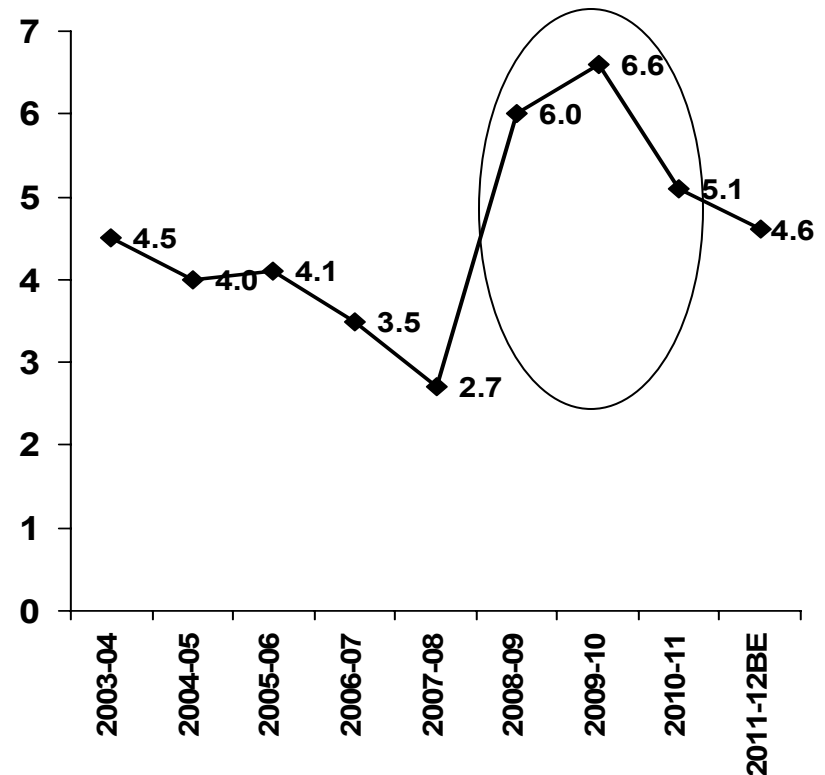
- The rise in global commodity and oil prices has fed into higher inflation in manufactured products
- This could prompt a more aggressive stance from the RBI



# Fiscal and monetary policy are being tightened

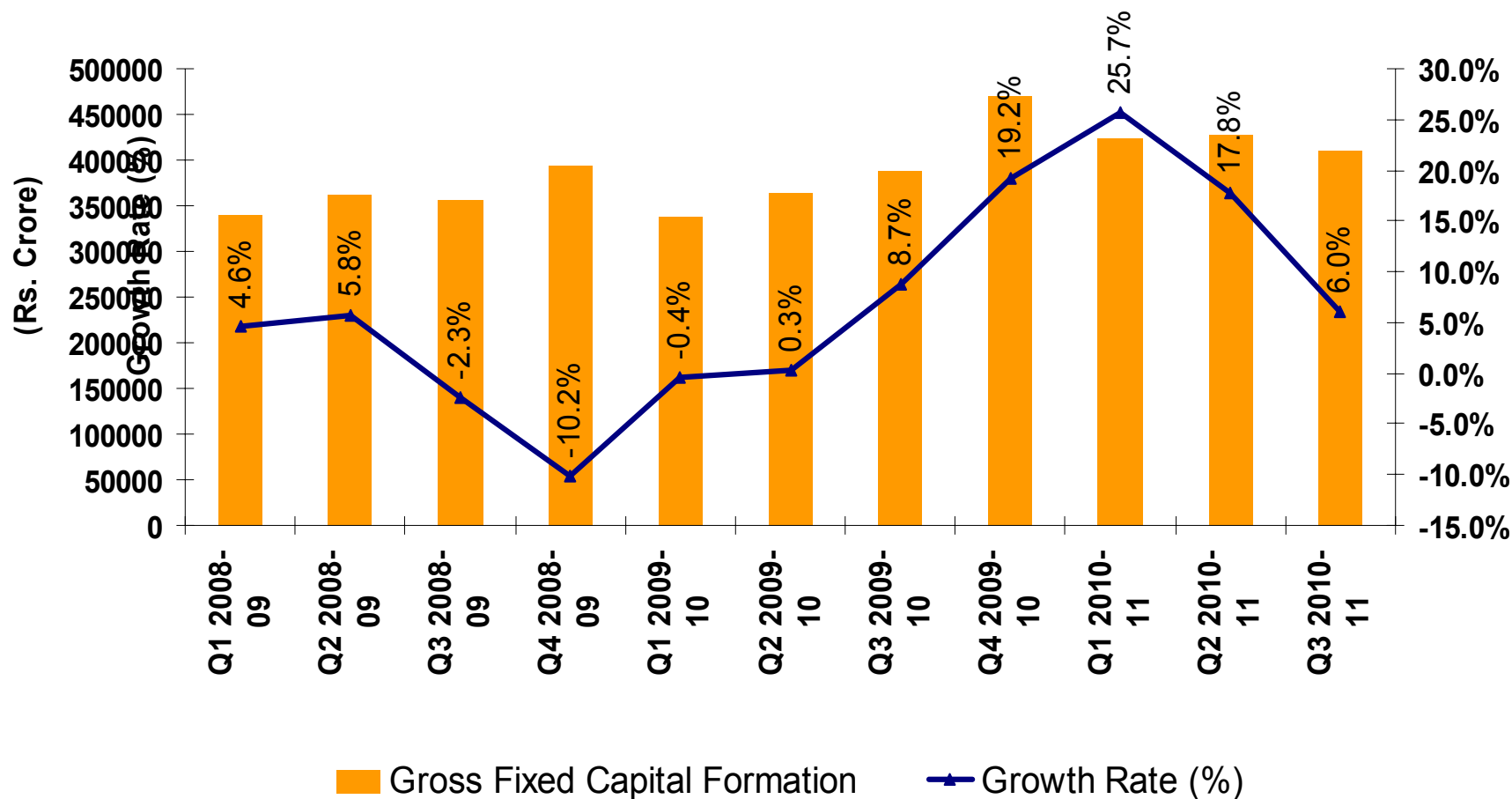
Effective Dates	Repo rate	Reverse Repo rate	CRR
19-Mar-10	5.00	3.50	5.75
20-Apr-10	5.25	3.75	6.00
24-Apr-10	5.50	4.00	6.00
27-Jul-10	5.75	4.50	6.00
16-Sep-10	6.00	5.00	6.00
2-Nov-10	6.25	5.25	6.00
25-Jan-11	6.50	5.50	6.00
17-Mar-11	6.75	5.75	6.00

**Fiscal deficit (as % of GDP)**



# Growth in Investments is moderating

## Gross Fixed Capital Formation



# CII Estimates GDP Growth at 8.0 – 8.5% in 2011-12

- Rising inflation has made it difficult to sustain current pace of growth
- Expect a soft landing in 2011-12

	2009-10	2010-11	2011-12 E
<b>Agriculture</b>	0.4	5.4	3.0 – 4.0
<b>Industry</b>	8.0	8.1	7.5 – 8.0
<b>Services</b>	10.1	9.6	9.5 – 9.8
<b>GDP</b>	8.0	8.6	8.0 – 8.5

- Even with this moderation in growth India will remain one of the fastest growing countries in the world
- The softening in growth will enable the economy to avoid overheating and its associated implication for inflation

# 8.5% growth is achievable in 2011-12

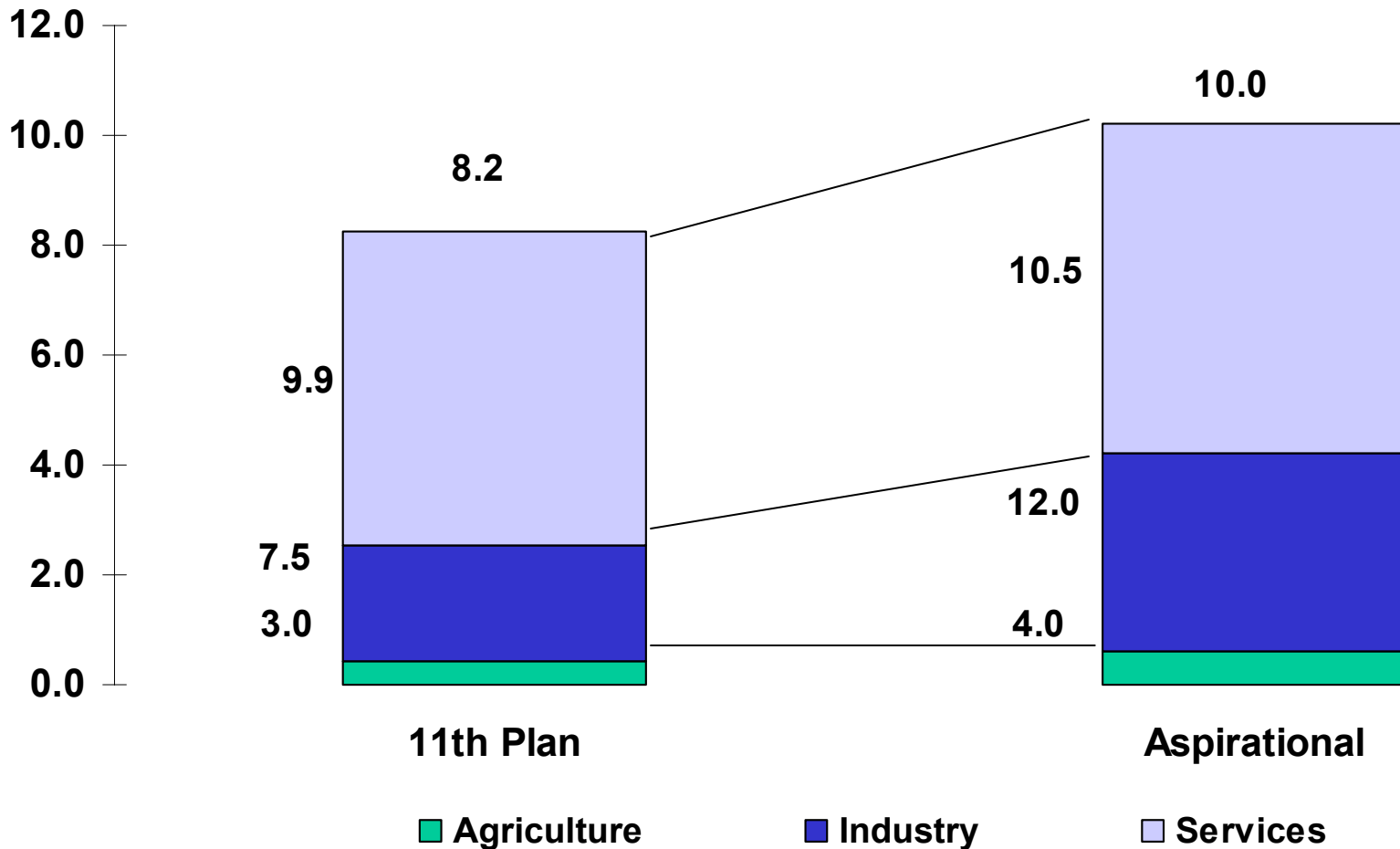
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## 8.5% growth can be achieved if ...

- Agriculture performs well – IMD predicts normal monsoon in 2011
- The extent of increase in raw material cost moderates
- RBI moderates the extent of monetary tightening
- Significant capacity additions take place in industry and services
- Movement on Reforms to boost investors' confidence
- Global demand continues to remain strong



# But ... Need to target 10% growth in the medium term



# Continue to focus on 10 Point Agenda for 10% Growth

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1. Agriculture needs to grow at a sustained rate of 4%
2. Manufacturing needs to register 11-12% long term average growth
3. Service sector needs to remain robust and a growth driver
4. Physical Infrastructure needs to be of global standards
5. Education would have to be the centre of reforms
6. Skill development would need a massive step up
7. Labour environment and rules need to be conducive to employment creation
8. Delivery mechanisms of Government need to be streamlined
9. Need New Urban Centres to come up as growth poles
10. The financial sector reforms need to be fast tracked and focus on Financial Inclusion

**CII will continue to work on last year's 10 Point Agenda for 10% growth. This year CII will Sharpen focus on 5 pronged strategy to achieve and sustain 10% growth in the medium term**



# 5 Pronged Strategy for 10% Growth

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**1. Fast Track Implementation of 100 Mega Projects**

**2. Target Manufacturing Growth at 12% & share at 25%**

**3. Creating a Common Market**

**4. Improve Investment Climate**

**5. Allocation & Pricing of Natural Resources**

## **5 Pronged Strategy for 10% Growth :**

### **1. Fast Track Implementation of 100 Mega Projects**

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- **CII recommends 100 Mega Projects of national importance to be put on Fast Track Implementation**
- **Set up an Control Room – A Project Facilitation and Monitoring Agency to address issues, including clearances, and monitoring progress. The Body could be based on PPP.**
- **CII proposes to partner with the government to identify Projects.**
- **Set a time-line of implementation of the identified projects.**



# 5 Pronged Strategy for 10% Growth :

## 2. Target Manufacturing Growth at 12% & share at 25%

CII Recommends Globally competitive 'House of Manufacturing'

### Aspiration and Visionary Leadership

#### Enabling Infrastructure

- 1 World class physical infrastructure
- 2 Stronger human capital
- 3 Simplified government procedures and policies

#### New avenues for Growth

- 4 Global growth
- 5 Next Billion products and services
- 6 Leadership in Green manufacturing

#### Driving Competitiveness




- 7 Clusters
- 8 Innovation
- 9 The new lean and engagement with labour

### CII Recommends Policy Priorities

- Driving rapid export led growth
- Enhancing labour productivity and flexibility while protecting worker rights
- Building depth within industries
- Driving the right 'industrial structure' for the Indian economy

# 5 Pronged Strategy for 10% Growth :

## Target Manufacturing Growth at 12% & share at 25%

CII Recommends Key areas of Intervention	Comments
<b>1</b> Driving rapid export led growth 	<ul style="list-style-type: none"><li>• Improved competitiveness of India as a global manufacturing location</li><li>• Faster project execution – procedures, clearances, land acquisition, etc.</li><li>• Measures to attract greater FDI</li><li>• National Export Strategy to look at Emerging Opportunities in Latin America, Africa, China, Japan, etc.</li><li>• Need to correct trade balances where skewed against India</li></ul>
<b>2</b> Enhancing labour productivity and flexibility while protecting worker rights 	<ul style="list-style-type: none"><li>• Driving employment through labour intensive industries</li><li>• Managing drivers of industrial unrest</li><li>• Need for flexibility in certain industries e.g. seasonal employment</li></ul>
<b>3</b> Building depth within industries 	<ul style="list-style-type: none"><li>• Capture higher share of value add within industries</li><li>• Greater control over technology and IPRs; strong multiplier effects</li><li>• Identify select industries to build depth – security reasons, capturing greater share of value, more robust industrial structure – view FTAs from a strategic angle</li></ul>
<b>4</b> Driving the right 'industrial structure' for the Indian economy 	<ul style="list-style-type: none"><li>• The 'right' model for operation of SMEs and small enterprises – greater competitiveness</li><li>• Creation of clusters to drive scale and productivity advantages</li><li>• Spread stake ownership across diverse stakeholders</li></ul>

**Important to drive a 'systemic' view of policy making rather than individual issue based**



# 5 Pronged Strategy for 10% Growth :

## 3. Creating a Common Market

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- Eradication of barriers to free movement of Goods across States
- GST implementation key to remove the cascading effect of current tax regime.
- Uniform implementation of APMC Act across states for common agri-produce markets across States

### CII Action

- CII - Political Leadership interface and CII - State Governments interface for early implementation of GST
- CII - State Governments interface for uniform implementation of APMC Act
- CII – State Government interface for hurdle free movement of Agri Produce - Abolish Essential Commodities Act.



# 5 Pronged Strategy for 10% Growth :

## 4. Conducive Investment Climate

### Improving investment climate key to facilitate growth

- India has been ranked 134 out of 183 countries in terms of ease of doing business by World Bank
- Most of the Investment Climate issues at State level
- Several State Government laws and procedures create regulatory hassles and inhibit investments

### CII Action

- CII – State Government Taskforces will be set up to work on improving Investment Climate





# 5 Pronged Strategy for 10% Growth :

## 5. Resource Allocation :

Enhance Transparency, Efficiency & Sustainability in Allocation, Pricing & Utilization of National Resources

### Key Principles

### CII Recommends

1 Transparent & Competitive



- Open Competitive transparent mechanism subject to certain qualification like financial, technical, capabilities **However, need to fit-in the overall public policy goals, like access or increase in production. If not then alternative mechanisms to be explored.**

2 Sustainable



- Environmentally, Socially

3 Pricing



- Balance between revenue maximization for the Govt & public good

4 Institutional Mechanism



- Regulatory Authority for each Natural Resources to ensure proper and transparent allocation

5 Single Window Clearance

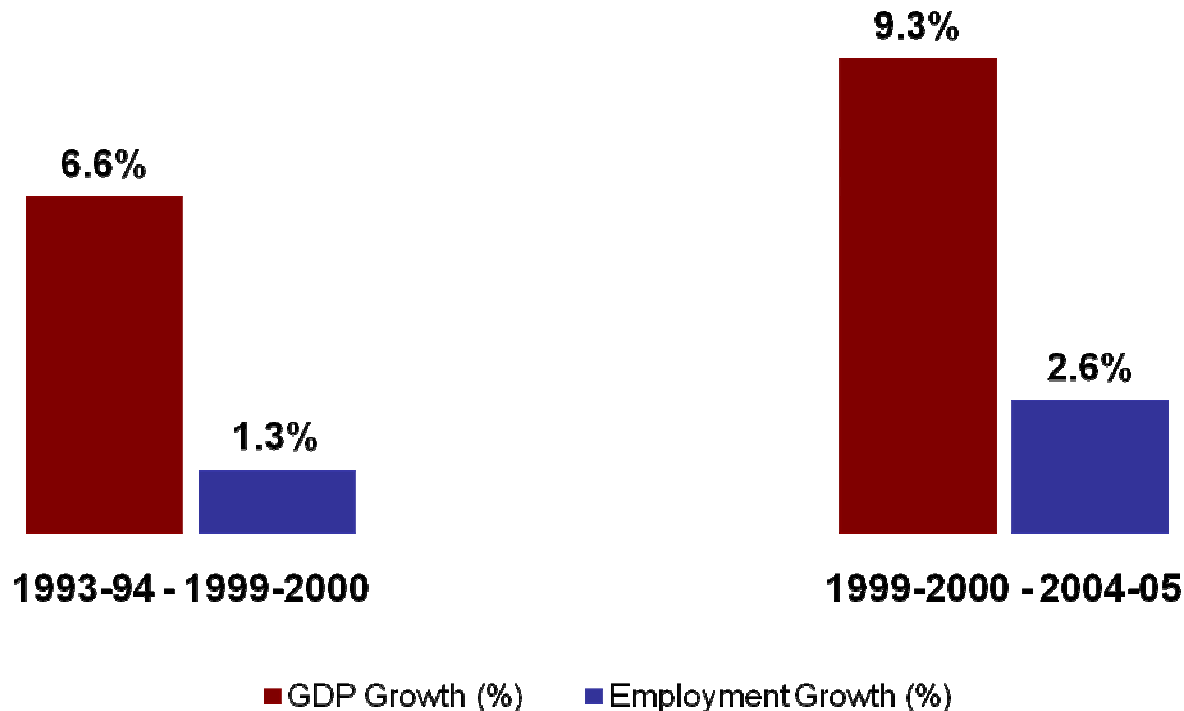


- Multiple approvals from multiple authorities is one of the major reasons for the underdevelopment of allocated resources. Simplify clearance process in a time-bound manner.



# Growth is Key for Employment Generation

## Growth in GDP and Employment



- Higher GDP growth is associated with higher employment creation – 47 million jobs created during the latter period compared to 24 million during the former

# CII Theme 2011-12

- 5 Pronged Strategy for 10% Growth**
1. Fast Track Implementation of 100 Mega Projects
  2. Target Manufacturing Growth at 12% & share at 25%
  3. Creating a Common Market
  4. Improve Investment Climate
  5. Allocation & Pricing of Natural Resources

## **Focus Areas**

1. Affirmative Action
2. Employability
3. Governance

**Business  
for  
Livelihood**



# Focus Area: Affirmative Action

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## Key Challenges

- Growth must be inclusive to be sustainable
- Inequalities in India seen across incomes, education, geographies, gender and social classes
- Education, Skills, Employment, Healthcare being recognised as shared responsibility

## Key Focus Areas for the Government

- Promote PPPs in Employability Creation
- Promote PPPs Entrepreneurship Development

## CII Action

- CII Awards for SC/ST Entrepreneurs and industry members
- Conduct Biennial CII Diversity Survey
- Signatories to CII Code on Affirmative Action targeted at 2000
- CII will persuade its members to disclose affirmative action efforts
- Promote Preferential treatment to SC/ST candidates for employment on meeting basic competence criteria
- President CII to lead a special Committee on Affirmative Action

# Focus Area: Affirmative Action

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## CII Action

**CII will persuade member companies to adhere to the following**

- 1. Affirm that its competitiveness is interlinked with the well being of all sections of society**
- 2. Provides equal opportunity in employment for all sections of society**
- 3. Affirm that diversity in the workplace has a positive impact on business**
- 4. Will not practice nor support conscious discrimination in any form**
- 5. Does not bias employment away from applicants belonging to disadvantaged sections of society if such applicants possess competitive skills and job credentials as made public**
- 6. In case of equal business offers, the Company will select a business partner belonging to a socially disadvantaged section of society**
- 7. Has/ will have a written policy statement on Affirmative Action in the workplace**
- 8. Has/ will have an employment policy that is in the public domain**
- 9. Makes / will make all efforts for upskilling and continual training of employees from socially disadvantaged sections of society**
- 10. Has / will have a partnership programme with educational institution/s to support and aid students from socially disadvantaged sections of society**
- 11. Has / will have a senior executive accountable to the CEO to oversee and promote its Affirmative Action policies and programmes**
- 12. Has a policy to maintain records on Affirmative Action**
- 13. Makes available its learning and experiences as a good corporate citizen in Affirmative Action to other companies**



# Focus Area: Employability

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## Key Challenges

- 10 Million join the workforce every year. Need to productively engage them.
- Lack of National Vocational Qualification Framework
- Demand Certified skilled labour
- Scaling constraints and insufficient trainers
- Upgradation of ITIs – of the 6900 ITIs / ITCs, only 1896 proposed for upgradation.

## Key Focus Areas for the Government

- leverage MNREGA for creating skills in addition to guaranteed employment
- Passage of Apprenticeship Bill
- Extend the PPPs from upgradation of ITIs to other areas such as creation of National Vocational Qualification Framework

## CII Action

- Create 4 new CII Skill Development Hubs and set up 30 District Level Skill Gurukuls
- Create Sector Skills Council in Logistics / Warehousing and Foundry
- Create National Vocational Qualification Framework in consultation with GoI, ILO & World Bank
- CII to create an “Indian Idol for Skills”
- Celebrate Skills

# Focus Area: Governance

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## Key Challenges

- Misuse of discretion and standards
- Lack of transparent rules and procedures
- Lack of transparency in public procurement

## Key Focus Areas for Government

- Promote IT and E-Governance for efficiency & transparency
- Simplification of rules and procedures for transparent operations
- Police, Judicial and Electoral Reforms
- Passage of National Identification Authority of India Bill.

## CII Action

- Announce Code of Conduct on Integrity & Transparency
- Advocacy for more transparency, independent regulators, removal of discretionary powers in allotment of natural resources
- CII Task Force on Integrity and Transparency in Governance chaired by President-Designate



# CI Theme 2011-12

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## Business for Livelihood



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