

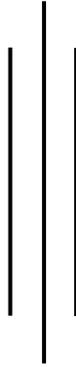


भारत नीति प्रतिष्ठान  
**India Policy Foundation**



**Outcome report**

**National Seminar on  
Governance Reforms for Make in India,  
Rural Infrastructure and Sustainable  
Agriculture Initiatives**



**Friday, 1<sup>st</sup> April 2016  
India International Centre, New Delhi**

## 1. Background

Good governance is a sine qua non for sustainable growth. This is why much focus is accorded to good governance around the globe.

In a nutshell, it can be said that some of the basic principles or attributes of good governance would include accountability – both horizontal and vertical, transparency, equity, performance (effectiveness and efficiency), participation / voice, rule of law, strategic vision, lack of arbitrariness, ethics and integrity, and predictability.

In India we need these attributes more than ever before to ensure speedy as well as inclusive growth. Prime Minister too has put his weight behind it. Speaking at a recent Economic Times Global Business Summit recently, he said that *poor governance hurts poor more than it hurts others*.

Over past 18 months NDA government has launched numerous initiatives such as Make in India, Skill India, Digital India, Start up India and a renewed focus on rural India and agriculture, amongst others. This demonstrates government's commitment to usher in holistic growth.

In a broad sense these initiatives converge upon two crucial areas - rejuvenating the manufacturing sector and mainstreaming rural India by focussing on rural infrastructure & sustainable agriculture initiatives.

In light of the above, the purpose of the National Seminar was to identify concrete and implementable recommendations on *Governance Reforms for Make in India, Rural Infrastructure and Sustainable Agriculture Initiatives*.

The key note address of the seminar was delivered by Shri Amitabh Kant, CEO, NITI Aayog. Shri Kant set the tone for the seminar and said that that key challenge for India was to grow at 9-10 percent in a sustained way. Amongst other important points, he emphasised upon the need for India to deregulate, become cost competitive and focus on health and education at the same time.

The seminar was divided into the following two sessions:

- Governance reforms for Make in India
- Governance reforms for Rural infrastructure and Sustainable Agriculture Initiatives

The first session was chaired by Shri Arun Maira, Former Member, Planning Commission and the second session was chaired by Shri Gopal Agrawal, Trustee, India Policy Foundation and Member, National Executive, BJP. The Opening remarks were presented by Shri Pradeep Mehta, Secretary General, CUTS International and Shri Gopal Agarwal, Trustee, India Policy Foundation.

The seminar was attended by over sixty (60) participants and panelists. A combined list of panelists and participants is mentioned under Section 3 of this report.

## 2. Key recommendations

**2.1 Jobs: In India despite high growth, employment has not been increasing. The total number of people in the work force which is around 478 million or 48 crores is just about 42-43 per cent of population. This is much less as compared to other countries with similar per capita income. Since 2004, the number of people who are employed (either self-employment or casual labour or on salary employment) has not risen. As per Quarterly Employment Survey (QES) of eight select industries, published by the Labour Bureau and conducted by the NSSO covering about 2,000 units, the number of jobs created in eight select industries in 2015 was 135,000. These industries include textiles, automobiles, IT/BPO, Gems & Jewellery, leather, metals, transport and handloom. This was much worse than the 421,000 jobs created in 2014 and the 419,000 in 2013. It was even worse than the 321,000 in 2012, the year when the slowdown in job creation kicked in.**

### ✓ **Need to correct skewedness in government jobs**

Nearly 55 percent of the formal organised sector jobs are in the government. Even though there has been a gradual decline in these jobs since 1991, aspirations to get a government job has not come down. On the other hand, the structure of government jobs is skewed as there are too many people in the support positions and there are too few people in the line position. In other words, there is a large number of clerks, orderlies, peons and drivers but there is huge shortage of teachers, doctors, nurses and policemen, amongst others. This needs to change and a structure of incentives and disincentives needs to be placed and implemented at each level of hierarchy.

This can be done by bringing in 'perform or perish' culture across all ministries and departments both at state level as well as central level. In this case, it may be noted that enabling provision for termination exist but seldom used. In addition, provision for lateral entry and exit must be used as well. Whereas lateral entry would entail introducing expertise from outside into the government, lateral exit would entail making it compulsory for bureaucrats to get exposure outside of the government. These steps must be linked to bettering performance.

### ✓ **Skill mapping programmes must take into account skills needed for agriculture**

National Skill Development Corporation (NSDC) has identified 536 different skills of which only thirteen are related to villages and agriculture, and only one is directly related to agriculture. Therefore, most of the skills are oriented towards urban growth. A farmer has basic skills of agriculture, what is indeed needed is skills uptake to enhance agriculture productivity. An exercise to map such skills must be undertaken by respective state skill missions.

### ✓ **Women participation in the workforce should increase**

In rural areas, the number of women in the age group of 15-59 who are in the workforce has declined very sharply over the last 30 years. From 35 per cent it has come down to 25 per cent. In urban areas, it has remained constant at about 18 per cent. One of the reasons for this decline is attributed to farm mechanization. Government must look at ground level data to offset this job loss by providing alternate livelihood.

**2.2 Land and Water: As per the 'National Manufacturing Plan', currently Indian industry utilizes only about 2-4% of land in India. India has sufficient availability of land and even at heightened industrial activity in the future shortage of land is not expected. However, there are some critical issues that pose challenges to obtaining land for industrial development. These include small land holdings, inaccurate, outdated land records and restrictions on usage of that land. With respect to water, India is moving towards perennial water shortage with rising demand and falling per-capita water availability. Despite the high amount of rainfall, the utilizable water resources are limited in the country. Developing appropriate strategies and institutional frameworks will be fundamental towards addressing this issue. Sustainable water use is hampered by a governance deficit and a fragmented institutional framework for water management.**

✓ **Make land acquisition law pro-farmer**

Presently, land acquisition law is pro-bureaucracy and pro civil-society as it entails constitution of bureaucratic layers in the form of committees. This delays the process of land acquisition and thus adversely affects the farmers. Further, it may be noted that there is empirical evidence that if there is a change in land use from agriculture to industry, the proportion of job created will be higher, as per some estimates as much as 5-6 times.

It needs to be evaluated if this increase in jobs will be directly beneficial for the farmers and their families.

✓ **Land transfer should be made easy at the state level**

Presently, many state governments have laws that restrict the transfer of land from agriculturist to non-agriculturist. This provision leads to unethical and illegal practices especially in those areas where substantial urbanisation has happened. Therefore, there is a need to review such legislations at the state level.

✓ **Need to implement National Land Records Modernization Programme (NLRMP) in letter and spirit**

The National Land Records Modernization Programme (NLRMP) was established in 2008-09 after merging two centrally sponsored schemes i.e. Computerization of Land Records (CLR) and Strengthening of Revenue Administration & Updating of Land Records (SRA & ULR) with the goal of ushering in the system of conclusive titles with title guarantee in the country. The progress of NLRMP varies from state to state. The utilization reported as on March 31, 2016 stands at Rs. 57920.35 Lakhs with an unspent balance of Rs. 59055.55 across all States/UTs.

Further, as per the thirty third report, Standing Committee on Rural Development (2011-12), there was substantial and persistent under-utilization of allocated funds which reflects failure of planning to absorb the allocated funds.

✓ **Water needs to be priced for optimal utilisation both for agriculture and industry**

Paucity of water for irrigation is emerging as one of the biggest challenges for the Indian agriculture sector. For producing one kilogram of rice, Punjab consumes 5,400 litres of water, whereas West

Bengal consumes only 2,400 litres. This water-intensive cultivation process is causing ground water levels to recede at a very fast pace not only in these two states but across the country.

Therefore, water as a resource needs to be properly priced in India. Adequate pricing of water will generate more optimal use of water which in turn will mitigate climatic shocks resulting into water shortage.

Further, there is a need for better water management for industries including those that are agriculture dependent. In this regard, it may be noted that water management can be improved also through equity and efficiency based water pricing for industries, making 'Water Returns' mandatory for major water using industries and promoting rain water harvesting in industry through incentives and regulations.

**2.3 Defence: As per the 2015 report on Facilitating Make in India in the Defence Sector, Defence systems acquisition, defence production and formulation of doctrines of offensive and defensive warfare are all intertwined. These are also conducted within an overarching strategic defence and foreign policy environment. In view of this statement, Make in India for Defence sector would need a significantly different approach compared to other sectors**

✓ **Need for National Security Doctrine**

It may be noted that for 'Make in India' in defence sector to be successful, India needs a National Security doctrine. Most countries known for their defence capabilities have a national security doctrine. The advantage of a national security doctrine is that it helps in having a clear defence policy which in lieu helps in having an operational document and based on the operational document an equipment policy can be developed. Eventually, this will help in identifying the short, medium and long term need as far as defence manufacturing is concerned.

✓ **Need to jettison civil template in defence procurement**

In particular, this entails that General Financial Rules (GFRs) which are a compendium of general provisions to be followed by all offices of Government of India while dealing with matters of a financial nature cannot be same for defence sector. In other words, the general financial rules for wheat will not work in the case of a multi-role aircraft. Therefore, there is a need to carry out a review of GFRs for Defence sector.

✓ **Need to identify system of systems integrators and have long term covenants with strategic partners**

There is a need to choose strategic partner for weapon platforms. There should also be long term covenants between Government, Strategic Partners and tierised partners (MSMEs) to guide not only the first contract but subsequent ones to follow, so that resources are utilised optimally over long periods of time.

✓ **Need to promote the practice of reaching out to suppliers**

MSMEs contributing to Defence manufacturing or having the potential of contribution to Defence manufacturing need to be mapped.

**2.4 Promotion of MSME: The Micro, Small and Medium Enterprises (MSME) sector has emerged as a vibrant and dynamic sector of the Indian economy over the last five decades. Besides playing a crucial role in providing large employment opportunities at a comparatively lower capital cost, MSMEs contribute nearly 45% of manufacturing output and 40% of exports. However, there are inherent challenges faced by MSMEs. These relate to availability of credit, technology, skill development, inadequate industrial infrastructure and issues around marketing and procurement.**

✓ **Need for a strategic roadmap for MSME growth**

There is a need to develop a detail sector wise roadmap for MSME growth. This road map should be based on areas where India is competitive or needs to be competitive. Such a road map will help in identifying the MSMEs, develop strategic clusters of MSME and focus on their growth in a planned and strategic manner.

✓ **Need to aggregate MSMEs into clusters and ensure better service provision for them**

Clusters are essential for the success of MSME as they represent specialized functions such as designing, procuring, manufacturing, selling, and exporting. The government must play a role in aggregation of these clusters and enable them to self-propel. This can be done by focusing on the following:

- ***Remove Heavy Handedness of District Industry Centers (DIC) and revisit their role***

There are two issues with DICs. First, DICs are institutions which are supposed to be the service providers but they have become heavy handed and the erring officials are not held accountable at DICs. Second, there is a need to examine their role and relevance in current context. This is because they were created when regulations existed for the small scale industry. Now, most of those regulations do not exist but there appears to be reluctance on transforming these institutions at the state level.

- ***Need to check rampant corruption and make MSME policies more implementation focused:***

There is also a need to check rampant corruption in the procurement of essential permits such as pollution compliance certificates. Often times, there is market settlement in the form of money to be paid to regulators and inspectors. Further, MSME policies are not focussed on implementation. There have been several polices for MSME or their cluster development but they are mere audit friendly policies.

- ***Need to improve access to finance and reduce tax incidence on MSMEs***

MSMEs have to register as a company to access finance from the bank. Bankers usually don't extend loans to a partnership firm. Further, there is generally triple taxation on a private limited company. This includes corporate tax and dividend taxes. This is prohibitive for a small scale industry which has very small profit margins.

- ***Need to review section 185 of Companies Act (2013) in light of difficulties faced by MSMEs with regards to access to finance.***

Post Satyam scam, the regulations prohibit borrowing money from a sister company. This further smothers MSME industry. This provision is vested under section 185 of the Companies Act 2013 which prohibits any company from giving loans, guarantees and securities in favor of its directors or to any other person in whom the director is interested in. It is recommended that this provision is reviewed keeping in mind the financial requirements of MSMEs.

- ***Need to revitalise and set up regional facilitation councils within states***

Many states have taken steps to set up regional facilitation councils within the state but many of them are not working/operating efficiently while in other places they are still to be reconstituted. There should be immediate action on this front to resolve disputes related to payments to MSMEs.

- ***Need to create a system of exchange of cluster best practices***

Industrial clusters are increasingly recognized as an effective means of industrial development and promotion of small and medium-sized enterprises. With various ministries such as MSME, Textiles, Chemicals, Commerce and Industry using the cluster approach to improve the growth of sectors under their purview, there is an opportunity to improve cluster management by discovering and applying best practices across sectors.

- ***Need to evaluate role of cluster associations***

Cluster aggregators, mainly Cluster Associations, play a significant role in connecting the cluster participants and the government but this link has often been found to be weak. There is a need to evaluate why this is happening and how can it be made to work.

**2.5 Agriculture: Agriculture, with its allied sectors, is unquestionably the largest livelihood provider in India, more so in the vast rural areas. Its share in Gross Domestic Product (GDP) has been declining and currently stands under 15%. Sustainable agriculture, in terms of food security, rural employment, and environmentally sustainable technologies are therefore essential for holistic rural development.**

- ✓ **Single window needed for farmers**

From time to time, farmer associations in many states have voiced the need to have single window system to address farmers' issues. Presently there are a number of departments such as Panchayat Raj Vibhag, Urja Vibhag, Sinchai Vibhag, Krishi Vibhag and Bijli Vibhag, amongst others which make farmers run from pillar to post and increase the difficulty in doing farming. **A region wise analysis must be done by state governments to understand the farmer issues at local level and their solution must be incorporated in the single window system for farmers.**

✓ **Need to revive Krishi Vikas Kendras (KVK) and Agriculture Universities**

There are more than 500 KVKs in the country which should be revived and integrated with technology platform so that their services can be relayed to farmers including that of providing expert advice to farmers on different issues that deal with local conditions of farming.

✓ **Need to identify niche commodity markets in India and promote them**

India has several niche commodity markets such as bananas of Tamil Nadu, Punjab's basmati rice, Bengal's Govind bhog and apples of Kashmir, amongst others. All these commodity markets are also globally competitive. Value of these markets must be realized and they should be promoted further.

✓ **Need for better correlation between decisions on Minimum Support Price (MSP) and price that prevails at the time of harvesting**

There is a need to better correlation MSP and the commodities they are meant for. For instance, rice is made available in December and the minimum support is decided in March-April. This increases the incidence of lending and farmers tend to sell all the produce to lenders. The lender buys at a price but only sells it when it is profitable for him. This leads to hoarding and realization of lesser price to the farmer.

**2.6 Information Communication Technology: In the 1990s, there was an increase in connection between Indian cities and foreign markets due to which our per capita income significantly increased. In terms of exports, there was a 30% increase in per year exports. One of the main factors for this increase in growth was the connectivity. So in today's date also connectivity can play a strong role but there is a need to ensure cost effective way to ensure connectivity.**

✓ **Need to review National Fiber Optics Plan**

There is a need to review the National Fibre Optics Plan. This is because if India develops the optical fibre network, it will cost India nearly 80,000 Crores. This is rather odd in light of the fact that currently India's mobile connections are serviced through spectrum and not broadband connection. Therefore, there is a need to review if the country should indeed incur a cost on fibre optics for a service that can be provided through spectrum.

## **2.7 Other Recommendations**

✓ **Need to bring about a culture of outcomes in government ministries/departments**

In 2005, Government launched an initiative called Outcome Budgeting. The Outcome Budget is a progress card on what various ministries and departments have done with the outlay announced in the annual budget. It is a performance measurement tool that helps in better service delivery, decision-making, evaluating programme performance and results, communicating programme goals, and improving programme effectiveness but unfortunately it has not worked as expected. There is a need to identify the reasons why it has not worked and what needs to be done to make it work.

✓ **Need to revisit the recommendations/suggestions in the National Manufacturing Plan**

The National Manufacturing Plan prepared by erstwhile Planning Commission deals with strategies for accelerating growth of manufacturing in India in the 12th Five Year Plan and beyond. This document is a useful document in that it focusses on implementation and identifies that poor planning and inadequate consensus are the main reasons why India lags behind in manufacturing. The plan also articulates recommendations which focus on implementation. These recommendations also include sector wise recommendations. It will be useful to revisit those recommendations and evaluate the progress upon them.

### 3. List of Panellists and Participants

#### 3.1 List of Panelists

##### Session 1: Governance Reforms for Make in India Initiative

| S No. | Name               | Particulars   |
|-------|--------------------|---|
| 1.    | Anand P Gupta      | Director, Economic Management Institute, New Delhi                        |
| 2.    | Arun Maira (Chair) | Former Member, Planning Commission  |
| 3.    | Dhirendra Singh    | Chairman, Committee on Facilitating 'Make in India' in the Defence Sector |
| 4.    | Madhav Lal         | Former Secretary Micro, Small & Medium Enterprises                        |
| 5.    | Mahesh Gupta       | MD and CEO, Kent RO & President PHD Chambers of Commerce                  |
| 6.    | Mukesh Gulati      | Executive Director, Foundation for MSME Clusters                          |
| 7.    | N. C. Saxena       | Former Member, Planning Commission  |
| 8.    | Ved Jain           | Vice President, ASSOCHAM, New Delhi                                       |

##### Session 2: Rural Infrastructure and Sustainable Agriculture Initiatives

| S No. | Name                    | Particulars  |
|-------|-------------------------|--|
| 1.    | Badri Narayan Choudhary | General Secretary, Bhartiya Kisan Sangh                      |
| 2.    | B Surendran             | All India Organisation Secretary, Bhartiya Mazdoor Sangh     |
| 3.    | Gopal Agarwal (Chair)   | India Policy Foundation                                      |
| 4.    | Harsh Singh             | Ex Assistant Resident Representative, UNDP, India            |
| 5.    | Pradip Baijal           | Former Chairman, Telecom Regulatory Authority of India       |
| 6.    | Sanjeev Chopra          | Additional Secretary, Department of Agriculture, West Bengal |

### 3.2 List of Participants

| S No. | Name                 | Particulars   |
|-------|----------------------|---|
| 1.    | Abhijeet Anand       | Special Representative<br>The Statesman   |
| 2.    | Abhishek Kumar       | Associate Director<br>CUTS International  |
| 3.    | Aditya Kumar         | Ramlal Anand College  |
| 4.    | Akshay Pratap Singh  | Chanakya IAS Academy  |
| 5.    | A K Vashishtha       | General Manager<br>Engineering Projects (India) Ltd.  |
| 6.    | <i>Amit Malhotra</i> | Vice President, IDFC  |
| 7.    | <i>Amitabh Kant</i>  | CEO, NITI Aayog   |
| 8.    | Arul Kumaran         | Scientist 'B'<br>National Informatics Centre, Department of Information<br>Technology, Ministry of Communications & Information<br>Technology |
| 9.    | <i>Ashish Ramola</i> | Correspondent<br>Knowledge & News Network, India  |
| 10.   | Dr. B. C. Barah      | Principle Scientist (Economics), National Centre for<br>Agricultural Economics and Policy Research  |
| 11.   | Bulbul Sen           | Independent consultant  |
| 12.   | CA Narayan           | Indian Bar Association  |
| 13.   | Chandan Kumar        | Department of Political Science<br>Delhi University   |
| 14.   | Deepak Bagga         | Associate Vice President, IDFC  |
| 15.   | Deepanshu Khurana    | Learning Consultant, Bizwiz Learning  |
| 16.   | <i>Divesh Kumar</i>  | Ramlal Anand College  |
| 17.   | Dronaj Singh         | Gargi College   |
| 18.   | Gaurav Jha           | Research Associate<br>CUTS International  |
| 19.   | <i>Gopal Prasad</i>  | (RTI Activist)<br>Rastriya Swabhiman Andolan  |
| 20.   | Indra Nath Mukherji  | Professor of South Asian Studies<br>School of International Studies<br>Jawaharlal Nehru University  |
| 21.   | Kishore Dudani       | IFS Retd.<br>Ministry of External Affairs   |
| 22.   | Manoj Kumar Sharma   | Director PR, Goldmine Advertising Ltd.  |
| 23.   | Mayank               | Ramlal Anand College, Delhi University  |
| 24.   | Mohit Ganeriwala     | Associate Director, Urban<br>CRISIL Infrastructure Advisory   |
| 25.   | Mukul Kumar          | Chief Executive Officer, Muvin Infotech   |
| 26.   | <i>Navneet Batra</i> | Associate Director, Retail Sales<br>IDFC  |
| 27.   | Neha Tomar           | Senior Research Associate<br>CUTS International   |

| S No. | Name                      | Particulars   |
|-------|---------------------------|---|
| 28.   | Nishant Agarwal           | Ramlal Anand College  |
| 29.   | Nitin Sharma              | General Manager, Kaba Holdings  |
| 30.   | P. K. Chaubey             | Professor of Economics<br>Indian Institute of Public Administration                             |
| 31.   | Pradeep S Mehta           | Secretary General<br>CUTS International   |
| 32.   | Prakash Chand             | Dayal Singh College   |
| 33.   | Rajat                     | Bharatiya Agro Economic Research Center   |
| 34.   | Rajiv Wadhwa              | General Manager – Government Operations<br>India Electronics & Semiconductor Association (IESA) |
| 35.   | <i>Rajvir Sharma</i>      | Professor, Maharaja Agrasen Institute of Management<br>Studies, MAIMS                           |
| 36.   | Ravi Poddar               | Director and Practice Leader, Urban<br>CRISIL Infrastructure Advisory                           |
| 37.   | R. B. Yadav               | Delhi University  |
| 38.   | Rhik Kundu                | Correspondent<br>News Rise  |
| 39.   | Rishi Kapoor              | NA  |
| 40.   | Roshan Lal Agarwal        | Author, Economic Justice  |
| 41.   | R P Singh                 | ICAI  |
| 42.   | Sabina Dewan              | Senior Fellow<br>Just Jobs Network  |
| 43.   | S A Khader                | Former DDG<br>NPC   |
| 44.   | Santosh Kappu             | Delhi University  |
| 45.   | S. Deb                    | Delhi University  |
| 46.   | Dr. Seema Gaur            | Economic Adviser, Department of Industrial Policy and<br>Promotion (DIPP)                       |
| 47.   | Shruti                    | Bloomberg   |
| 48.   | Sneh Lata Sharma          | Joint Director<br>Apparel Export Promotion Council  |
| 49.   | Sonam Wadhwa              | Sales Officer, Retail Sales<br>IDFC Mutual Fund   |
| 50.   | Major General S. P. Sinha | Member of Indian Foundation<br>Retired Army General   |
| 51.   | Srinivas Tyagi            | Gargi College   |
| 52.   | Sudhir Gahlot             | Principal Correspondent<br>Sun Star   |
| 53.   | Sumit Kothari             |   |
| 54.   | <i>Tanvir Malik</i>       | Just Jobs Network   |
| 55.   | Usha Sharma               | NA  |
| 56.   | V. K. Garg                | NA  |
| 57.   | V K S Gabbar              | BIMTECH   |