



# **FDI INFLOWS AND FDI REFORMS IN INDIA**

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## Scheme of Presentation

Literature review of FDI determinants

FDI inflows into India, South Asia and China

Some indicators of competitiveness and business environment in South Asia, East Asia and South east Asia

FDI policy in South Asia

Difficulties to attract FDI and further reforms required

Future Outlook and Policy Reforms



## DETERMINANTS OF FDI

**Theories:** Market Imperfection Hypothesis (Hymer, 1976, Kindleberger, 1969), Location specific Advantages (Franko, 1971 and Vernon, 1977), Internalisation Theory (Buckley and Casson, 1976; Rugman 1986), Eclectic Approach (Dunning, 1988)

**Economic Conditions:** (1) Market Size, potential market size, Rate of return, Urbanisation/industrialization, Labour cost, human capital, Physical Infrastructure, macroeconomic fundamentals like inflation, financial health, tax regime, macroeconomic stability.

**Host Country Policies:** Promotion of private ownership, efficient financial market, trade policies/regional trade agreements, FDI policies/investment incentives, legal framework, quality of bureaucracy and openness.



## LITERATURE ON DETERMINANTS OF FDI

**Real GDP Percapita/GDP:** Schnei and Frey (1985), Tsai (1994, Lipsey (1999), Edwards (1990), Asidu, (2001), Loree and Guisinger (1995), Wei (2000), Hausmann and Fernandez-Arias (2000), Sahoo, (2006)....

**Infrastructure:** Wheeler and Mody (1992), Kumar (1994), Loree and Guisinger (1995), Asidu (2001), Sahoo, (2006)....

**Labour Cost:** Wheeler and Mody (1992), scneider and Frey (1985), Tsai (1994), Loree and Guisinger (1995), Lipsey, (1999).....

**Openness:** Edards (1990), Gastanaga et al (1998), Housmann and Fernandez- arias (2000), Asidu (2001).....

**Taxes and Tariff:** loree and Guisinger (1995), gastaanga et al (1998), Wei (200), wheeler and Mody (1992), Lipsay (1999).....

**Political stability:** Scheneider and Frey (1985), Edwards (1990), Lee (1993), Loree and Guisinger (1995), Jasperson et al (2000), Housman and Fernandez-arias (2000),.....

**Investment incentives:** Grubert and Mutti (1991), Loree and Guisinger (1995), Taylor (2000), Kumar (2002),

**Government Policies:** Dunning, 2002, Blomsrom and Kokko, 2002, Scneider and Frey (1985)

**India Specific studies:** Bhaumik et al, 2003; Pant, 1995; Kumar, 2002; Kumar, (2003); Banga, 2003; Siddharthan and Nollon, 2004; Sahoo, 2006, Goldar, (2007)

## Growth Rate of Major Macro Variables in South Asian Countries

Macro Particulars	India		China		Sri Lanka		Bangladesh		Pakistan		Nepal	
	1990-2000	2000-2006	1990-2000	2000-2006	1990-2000	2000-2006	1990-2000	2000-2006	1990-2000	2000-2006	1990-2000	2000-2006
GDP growth	5.5	7.8	9.7	10.1	4.8	5.8	4.9	5.7	3.8	6.0	5.0	2.9
Per capita GDP	3.6	6.2	8.5	9.4	3.8	4.5	2.8	3.8	1.3	3.6	2.5	0.9
Agriculture	3.2	2.3	4.0	4.4	2.0	2.1	3.7	2.9	3.9	2.9	3.0	3.2
Industry	5.5	8.9	12.3	11.6	6.1	5.4	7.0	7.9	4.4	8.1	7.1	2.5
Services	7.1	9.3	9.5	10.1	5.2	7.2	4.5	5.8	4.4	6.8	6.3	3.2
Manufacturing	5.5	8.7	11.7	11.5	7.1	4.5	6.9	7.7	4.5	10.2	9.6	0.3
<b>As Percentage of GDP</b>												
	2000-2006	2007	2000-2006	2007	2000-2006	2007	2000-2006	2007	2000-2006	2007	2000-2006	2007
FDI	0.9	1.9	3.2	3.0	1.2	1.8	0.6	1.1	1.0	3.4	0.1	-0.1
Gross domestic Capital formation	27.8	33.9	39.6	44.6	24.1	28.7	23.5	24.7	17.2	21.7	23.2	26.0
Gross domestic savings	26.3	31.1	42.5	52.5	16.1	17.1	17.9	18.4	16.4	13.7	11.4	7.9
Total Trade (Exports + imports)	32.7	48.8	54.4	72.4	80.7	74.8	35.6	44.2	31.2	38.6	48.7	45.3
Current Account Balance	0.2	-1.0	3.2	9.4	-2.6	-4.9	-0.1	1.9	1.3	-5.4	0.8	1.7

Source: World Development Indicators various issues

## FDI Inflows into Selected Countries (1995–2007)

(Billions of US\$)

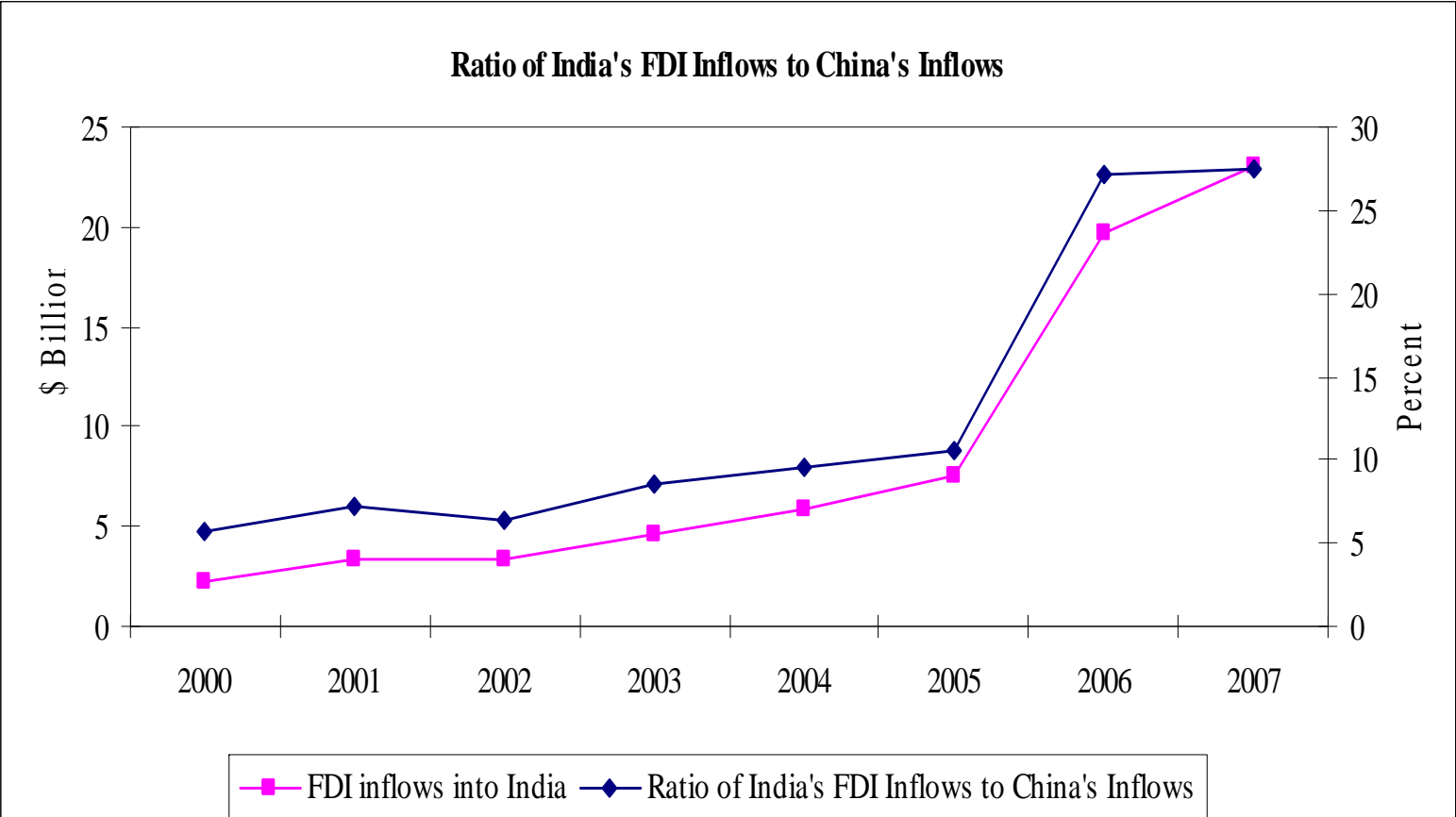
Host Region/ Economy	1990-95 (Annual Average)	2000	2003	2004	2005	2006	2007
World	225.32	1491.93	632.59	742.14	958.69	1411.02	1833.32
Developed economies	145.01	1227.47	442.16	418.86	611.29	940.86	1247.63
Developing economies	59.6	240.2	166.3	283.03	316.44	412.99	499.74
Asia	47.32	133.7	101.28	170	210.02	272.89	319.33
South East Asia	34.57	57.3	71.39	35.25	39.09	51.24	60.51
<b>South Asia</b>	<b>1.79</b>	<b>5.57</b>	<b>5.3</b>	<b>7.6</b>	<b>12.13</b>	<b>25.78</b>	<b>30.62</b>
<b>India</b>	<b>0.7</b>	<b>2.3</b>	<b>4.2</b>	<b>5.77</b>	<b>7.606</b>	<b>19.66</b>	<b>22.95</b>
<b>Bangladesh</b>	<b>0.6</b>	<b>2.8</b>	<b>0.26</b>	<b>0.46</b>	<b>0.84</b>	<b>0.79</b>	<b>0.66</b>
<b>Sri Lanka</b>	<b>0.11</b>	<b>0.17</b>	<b>0.22</b>	<b>0.23</b>	<b>0.27</b>	<b>0.48</b>	<b>529</b>
<b>Pakistan</b>	<b>0.38</b>	<b>0.3</b>	<b>0.53</b>	<b>1.12</b>	<b>2.2</b>	<b>4.27</b>	<b>5.33</b>
<b>Nepal</b>	<b>6</b>	<b>-</b>	<b>15</b>	<b>0</b>	<b>0.002</b>	<b>-0.01</b>	<b>0.006</b>
<b>PRC</b>	<b>19.3</b>	<b>40.7</b>	<b>53.5</b>	<b>60.63</b>	<b>72.41</b>	<b>72.72</b>	<b>83.52</b>
Republic of Korea	0.97	9.2	3.7	8.98	7.05	4.88	2.62
Malaysia	4.6	3.7	2.4	4.62	3.97	6.05	8.4
Singapore	5.7	5.4	9.3	19.83	13.93	24.74	24.14
Indonesia	2.1	-4.5	0.59	1.9	8.34	4.91	6.93
Thailand	1.9	2.8	1.9	5.86	8.05	9.01	9.575
Argentina	3.5	11.1	1.8	4.58	5.265	5.04	5.72
<b>Brazil</b>	<b>20</b>	<b>32.7</b>	<b>10.1</b>	<b>18.15</b>	<b>15.07</b>	<b>18.82</b>	<b>34.58</b>

Source: World Investment Reports, Various Issues

## Share of Developing Economies in Total FDI Inflows (1996–2007)

Country	1990-95 (Annual Average)	2001	2002	2003	2004	2005	2006	2007
PRC	32.38	20.8	33.89	32.17	21.42	22.88	17.61	16.71
India	1.17	1.51	2.19	2.53	2.04	2.4	4.76	4.59
Bangladesh	1.01	0.31	0.33	0.16	0.16	0.27	0.19	0.13
Sri Lanka	0.18	0.08	0.12	0.13	0.08	0.09	0.12	0.11
Pakistan	0.64	0.17	0.53	0.32	0.4	0.7	1.03	1.07

Source: Calculated from various issues of WIRs UNCTAD





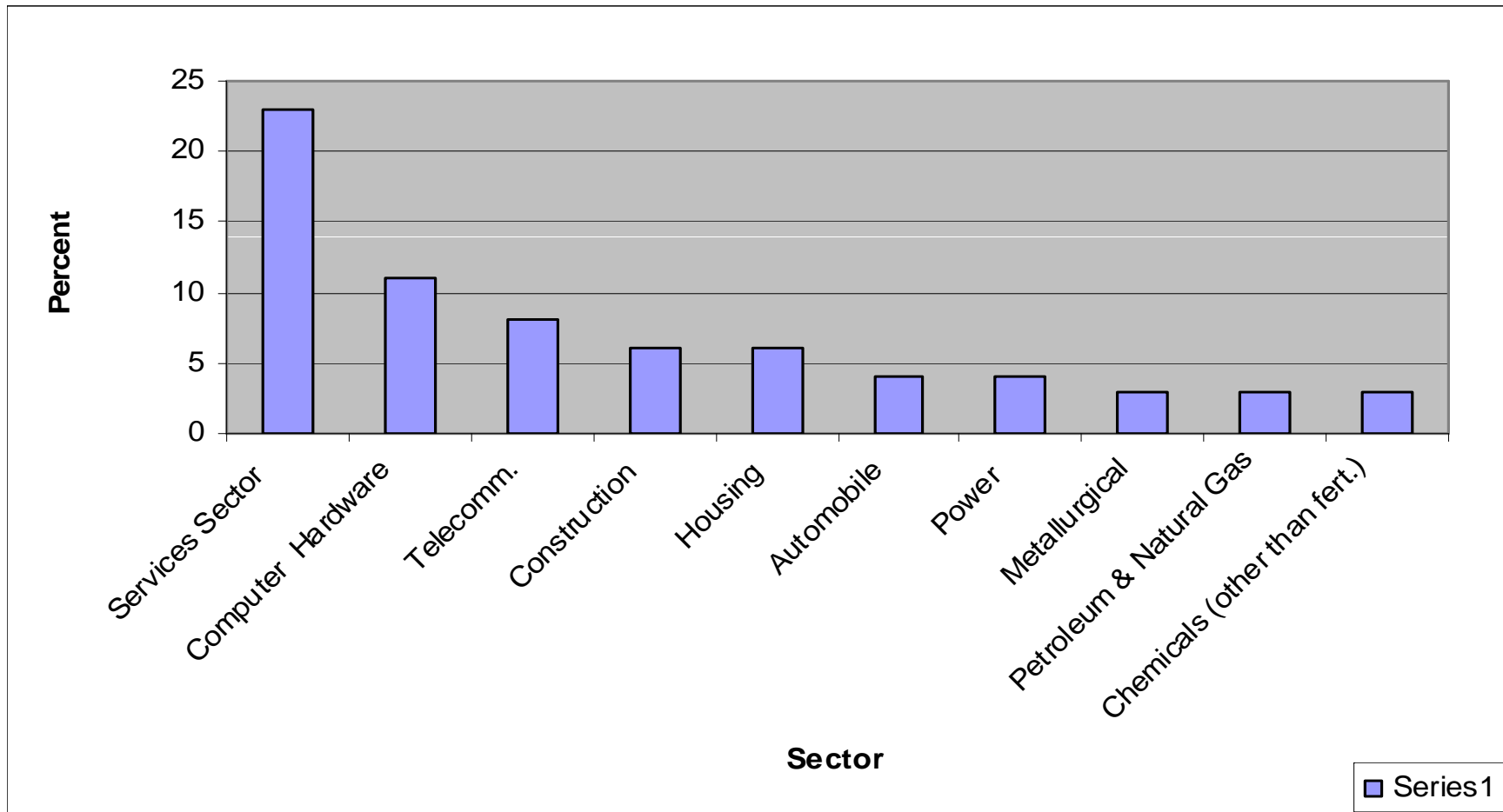
## Inward FDI Performance Index and FDI Potential Index for South Asia and Select Developing Countries

Economy	FDI Performance Index				FDI Potential Index			
	1995	2000	2006	2007	1995	2000	2006	2007
<b>India</b>	<b>110</b>	<b>120</b>	<b>110</b>	<b>106</b>	<b>61</b>	<b>44</b>	<b>86</b>	<b>84</b>
<b>Bangladesh</b>	<b>128</b>	<b>125</b>	<b>120</b>	<b>121</b>	<b>118</b>	<b>107</b>	<b>117</b>	<b>119</b>
<b>Sri Lanka</b>	<b>114</b>	<b>62</b>	<b>111</b>	<b>113</b>	<b>138</b>	<b>125</b>	<b>123</b>	<b>124</b>
<b>Pakistan</b>	<b>89</b>	<b>117</b>	<b>88</b>	<b>83</b>	<b>113</b>	<b>130</b>	<b>124</b>	<b>125</b>
<b>Nepal</b>	<b>123</b>	<b>131</b>	<b>138</b>	<b>136</b>	<b>109</b>	<b>133</b>	<b>135</b>	<b>136</b>
<b>PRC</b>	<b>14</b>	<b>52</b>	<b>75</b>	<b>88</b>	<b>61</b>	<b>44</b>	<b>32</b>	<b>-</b>
Singapore	2	6	6	7	3	2	2	2
Thailand	75	44	88	60	42	52	61	63

Source: World Investment Report, Various issues

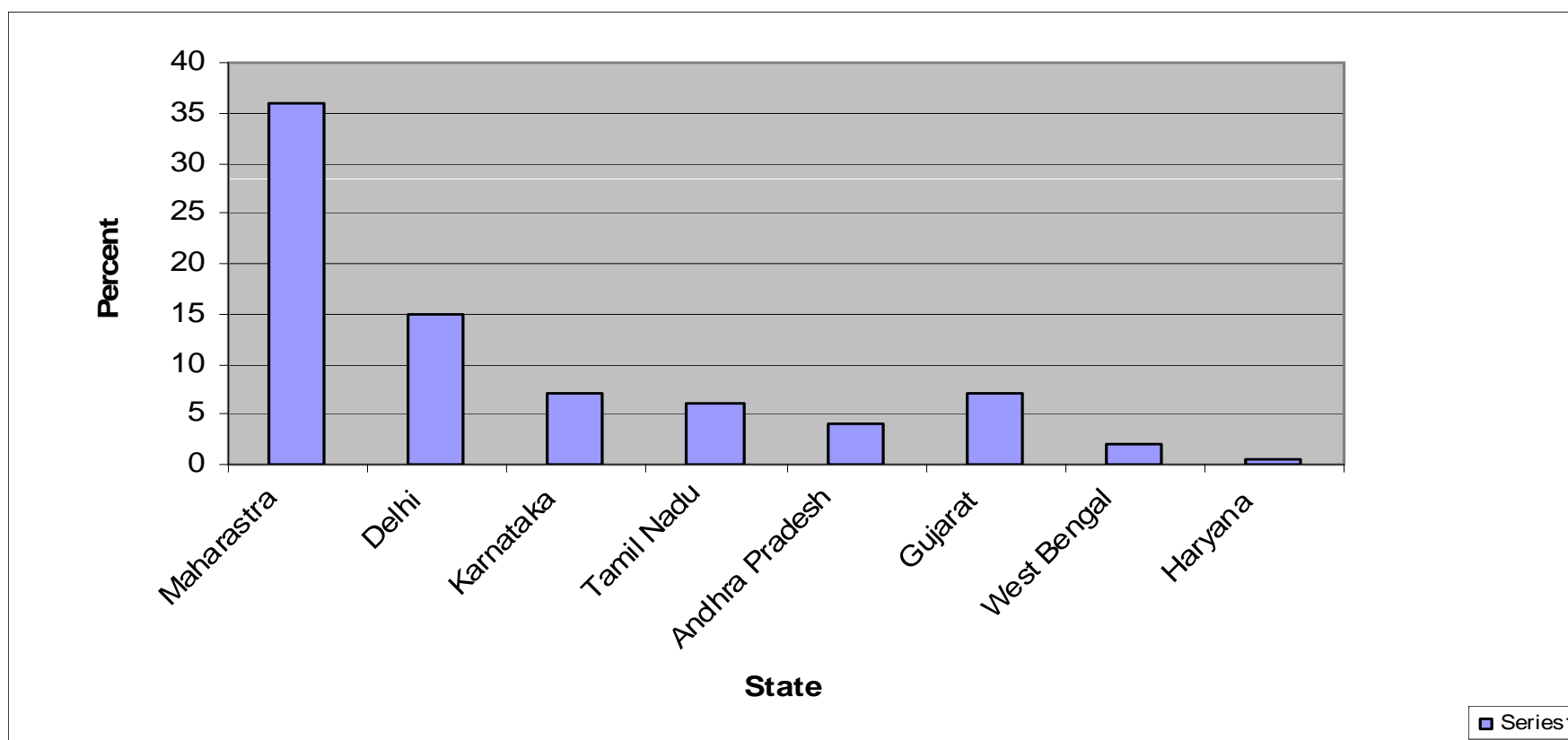
# Sector Attracting Highest FDI Equity Inflows in India

(% Share in Total )



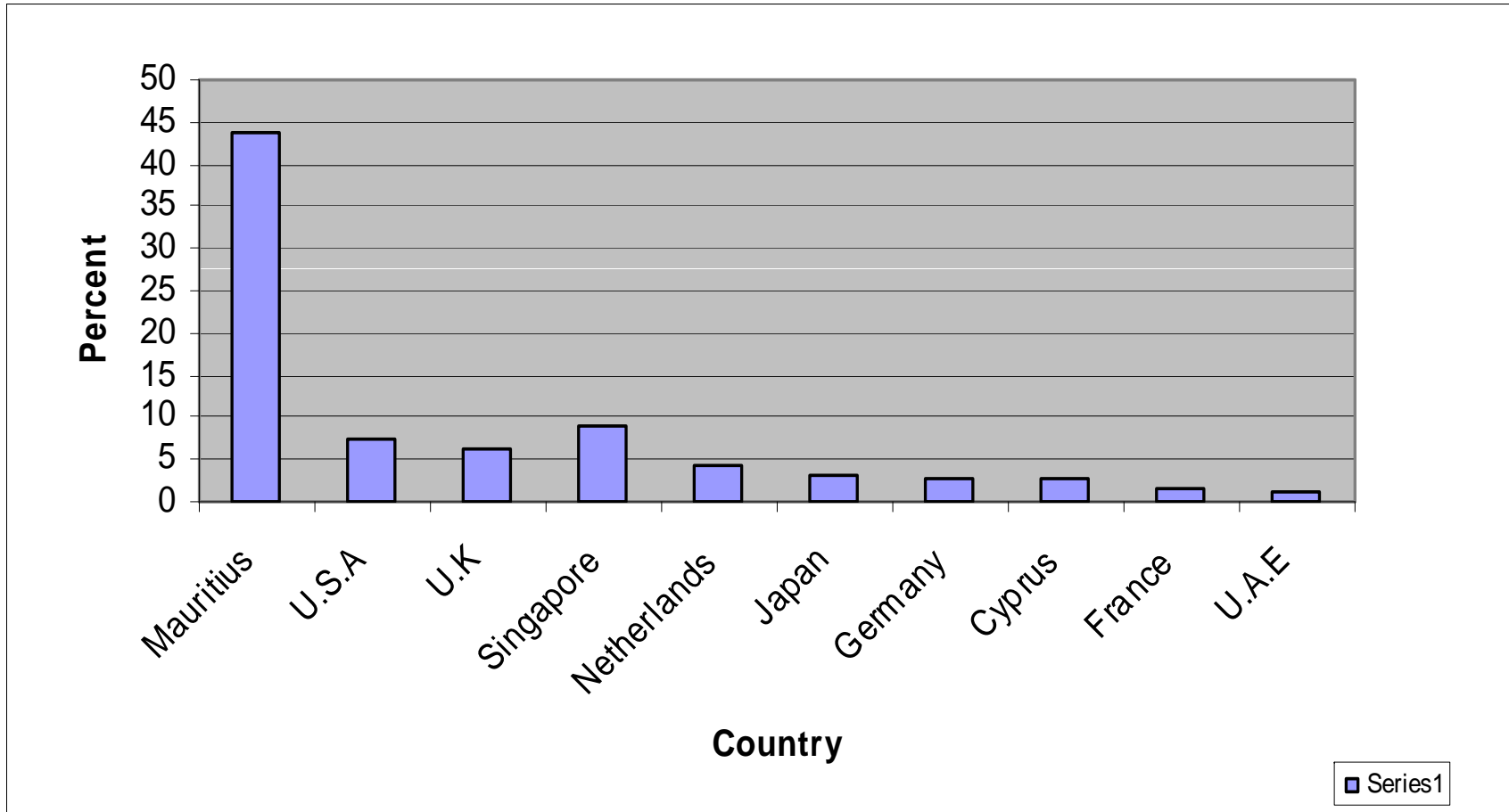
# Top Recipients of FDI: State wise

(April 2000-March 2009)  
(% share in total )



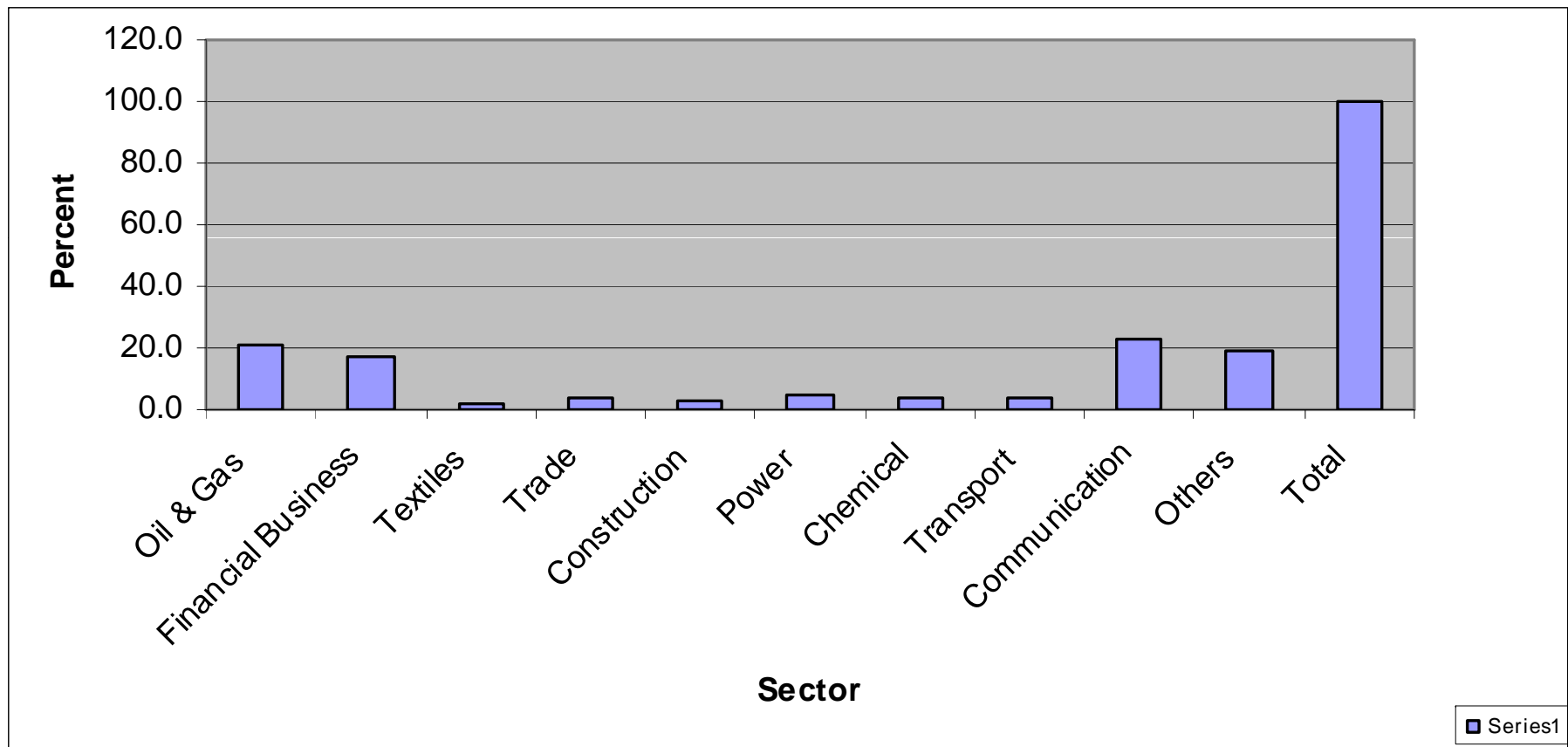
Source: Secretariat of Industrial Assistance  
Note: Maharashtra covers Dadra & Nagar Haveli, Daman & Diu  
Delhi covers parts of UP and Haryana  
Tamil Nadu Covers Pondicherry  
West Bengal covers Sikkim, Andaman and Nicobar  
Haryana covers Chandigarh, Punjab, Himachal Pradesh

## Share of Top Investing Countries (% Share in Total) (August 1991- March 2009)



Source: "FDI Fact Sheet August 1991 to March 2009," Secretariat of Industrial Assistance

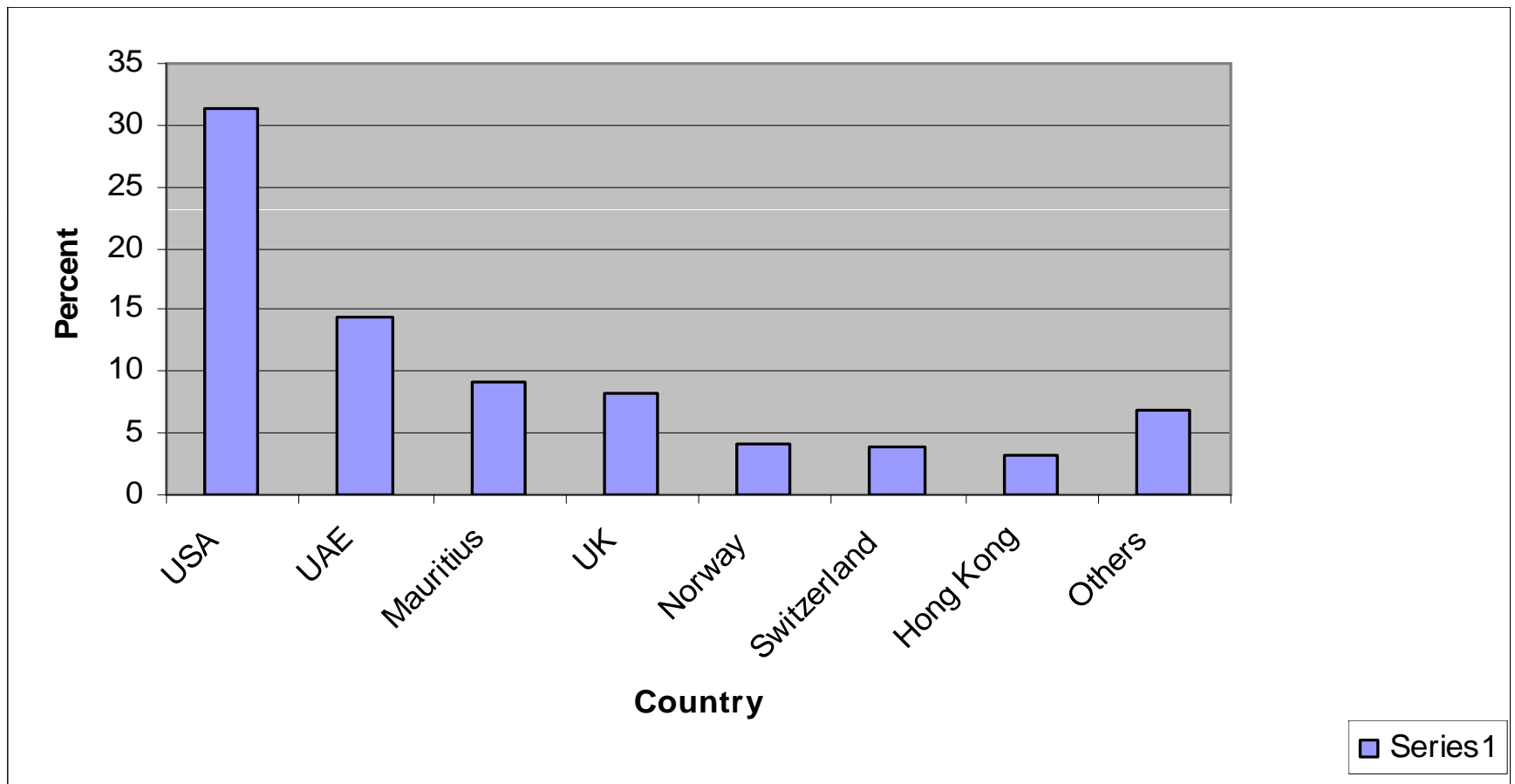
## Sector-Wise Breakdown of FDI Inflows from Pakistan (% share in Total, 2007)



Source: Board of Investment, Pakistan.

# Source of FDI Inflows to Pakistan

(% Share in Total)

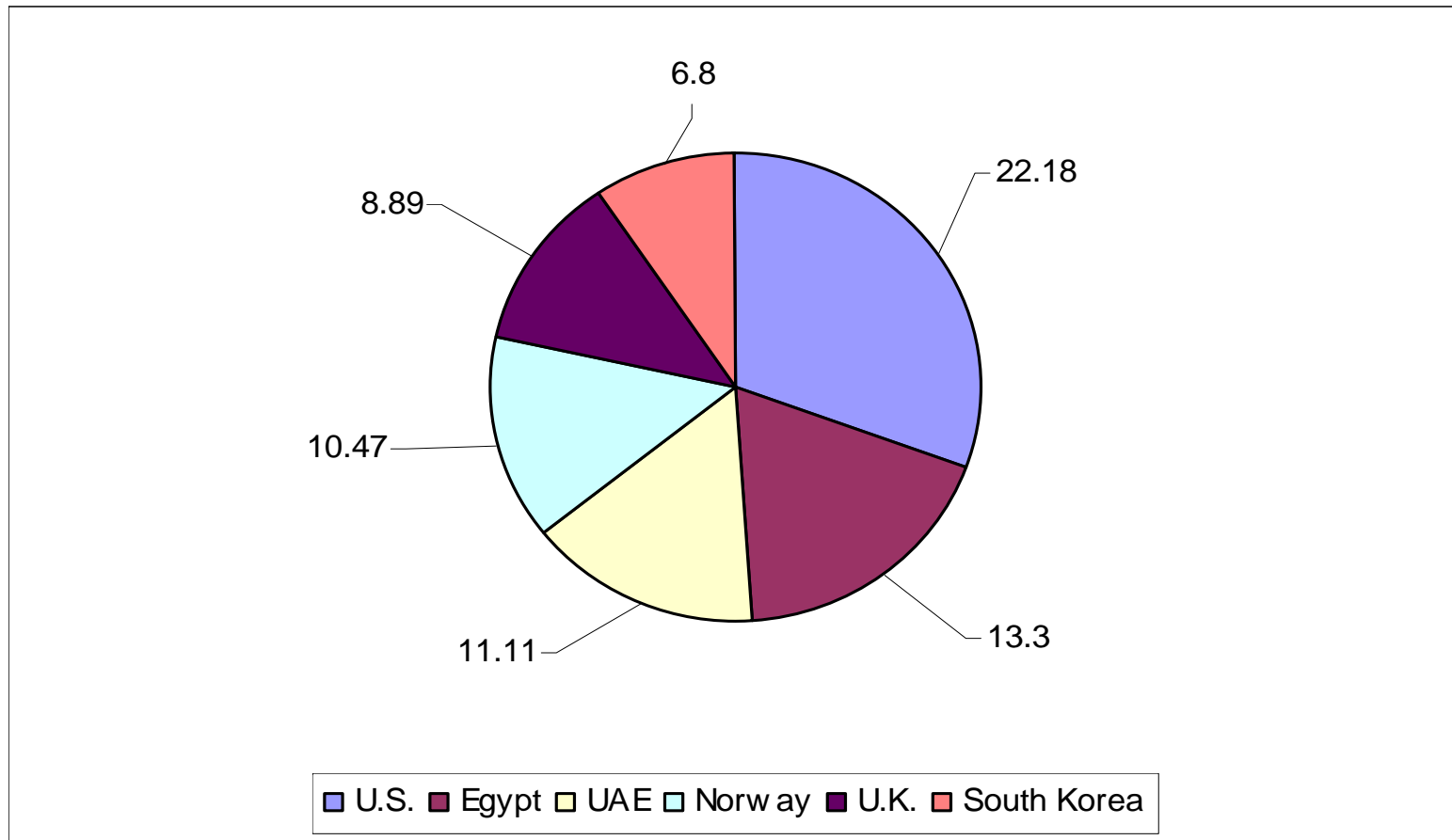


Source : State Bank of Pakistan

## Foreign Investment inflows by Sectors: Bangladesh, Sri Lanka and Nepal

Bangladesh		Sri Lanka		Nepal	
Sector	Share in total 1998-2007	Sector	Share in total 2004-2008	Sector	Share in total 2007
Infrastructure	42	Services	61	Manufacturing	43
- Gas and Oil	23	Textiles, wearing apparel and leather products	12	Tourism	15
- Power	11	Food, beverages and tobacco products	7	Service	28
- Telecommunications	18	Chemical, petroleum, coal, rubber and plastic products	8	Energy-based	11
Manufacturing	25	Fabricated metal products, machinery, and transport equipment	4	Construction	2
- Textiles	16	Manufactured products (n.e.s)	3		
- Fertilizer	3	Non-metallic mineral products	3		
- Cement	5	Wood and wood products	2		
Services	24				
- Trade & Commerce	16				
- Other Services	8				

## FDI inflow in Bangladesh: Distribution by Sources



Source: BOI ( Board Of Investment), Bangladesh, 1998-2007



## Indicators of Business and Macro Economy (2007-2008)

Country	Overall Index		Institution		Infrastructure		Macro Economy	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
<b>India</b>	<b>48</b>	<b>4.33</b>	<b>48</b>	<b>4.32</b>	<b>67</b>	<b>3.45</b>	<b>108</b>	<b>4.21</b>
<b>China</b>	<b>34</b>	<b>4.57</b>	<b>77</b>	<b>3.71</b>	<b>52</b>	<b>3.97</b>	<b>7</b>	<b>6.03</b>
<b>Bangladesh</b>	<b>107</b>	<b>3.55</b>	<b>126</b>	<b>2.87</b>	<b>120</b>	<b>2.19</b>	<b>87</b>	<b>4.62</b>
<b>Sri Lanka</b>	<b>70</b>	<b>3.99</b>	<b>68</b>	<b>3.85</b>	<b>73</b>	<b>3.21</b>	<b>125</b>	<b>3.71</b>
<b>Pakistan</b>	<b>92</b>	<b>3.77</b>	<b>81</b>	<b>3.66</b>	<b>72</b>	<b>3.22</b>	<b>101</b>	<b>4.37</b>
<b>Nepal</b>	<b>114</b>	<b>3.38</b>	<b>119</b>	<b>3.1</b>	<b>128</b>	<b>1.96</b>	<b>85</b>	<b>4.64</b>
Republic of Korea	11	5.4	26	5.05	16	5.55	8	6.08
Singapore	7	5.45	3	6.03	3	6.36	24	5.68
Indonesia	54	5.24	63	3.9	91	2.74	89	4.59
Malaysia	21	5.1	20	5.18	23	5.29	45	5.18
Thailand	28	4.7	47	4.33	27	4.85	30	5.47
Philippines	71	3.99	95	3.42	94	2.7	77	4.7

## Indicators of Business and Macro Economy (2007-2008)

Country	Basic Requirements		Efficiency Enhances		Innovation and Sophistication	
	Rank	Score	Rank	Score	Rank	Score
<b>India</b>	<b>74</b>	<b>4.22</b>	<b>31</b>	<b>4.52</b>	<b>26</b>	<b>4.36</b>
<b>China</b>	<b>44</b>	<b>4.8</b>	<b>45</b>	<b>4.26</b>	<b>50</b>	<b>3.89</b>
<b>Bangladesh</b>	<b>111</b>	<b>3.6</b>	<b>91</b>	<b>3.55</b>	<b>111</b>	<b>2.99</b>
<b>Sri Lanka</b>	<b>85</b>	<b>4.1</b>	<b>73</b>	<b>3.8</b>	<b>47</b>	<b>3.92</b>
<b>Pakistan</b>	<b>98</b>	<b>3.84</b>	<b>81</b>	<b>3.7</b>	<b>78</b>	<b>3.5</b>
<b>Nepal</b>	<b>115</b>	<b>3.54</b>	<b>115</b>	<b>3.18</b>	<b>120</b>	<b>2.89</b>
Republic of Korea	14	5.67	12	5.28	7	5.42
Singapore	3	6.08	6	5.38	13	5.14
Indonesia	82	4.14	37	4.43	34	4.1
Malaysia	21	5.43	24	4.88	19	4.83
Thailand	40	5.03	29	4.56	39	4.04
Philippines	93	3.99	60	4.03	65	3.61

*Source: The Global Competitiveness Report 2007-2008, World Economic Forum.*

## Indicators of Business and Macro Economy (2007-2008)

Country	Good Market Efficiency		Labour Market Efficiency		Financial Market Efficiency		Technological Readiness	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
<b>India</b>	<b>36</b>	<b>4.66</b>	<b>96</b>	<b>4.07</b>	<b>37</b>	<b>4.93</b>	<b>62</b>	<b>3.17</b>
<b>China</b>	<b>58</b>	<b>4.26</b>	<b>55</b>	<b>4.4</b>	<b>118</b>	<b>3.35</b>	<b>73</b>	<b>3</b>
<b>Bangladesh</b>	<b>93</b>	<b>3.84</b>	<b>76</b>	<b>4.21</b>	<b>75</b>	<b>4.09</b>	<b>125</b>	<b>2.25</b>
<b>Sri Lanka</b>	<b>53</b>	<b>4.35</b>	<b>118</b>	<b>3.71</b>	<b>63</b>	<b>4.39</b>	<b>88</b>	<b>2.84</b>
<b>Pakistan</b>	<b>82</b>	<b>3.95</b>	<b>113</b>	<b>3.86</b>	<b>65</b>	<b>4.32</b>	<b>89</b>	<b>2.77</b>
<b>Nepal</b>	<b>102</b>	<b>3.73</b>	<b>122</b>	<b>3.62</b>	<b>107</b>	<b>3.64</b>	<b>115</b>	<b>2.41</b>
Republic of Korea	16	5.23	24	4.79	27	5.15	7	5.46
Singapore	2	5.76	2	5.67	3	6.02	12	5.36
Indonesia	23	5.06	31	4.74	50	4.65	75	2.99
Malaysia	20	5.2	16	4.95	19	5.49	30	4.28
Thailand	34	4.66	11	5.09	52	4.63	45	3.61
Philippines	64	4.19	100	4.05	77	4.06	69	3.07

Source: The Global Competitiveness Report 2007-2008, World Economic Forum.

## Doing Business 2009 rank

	India	Bangladesh	Nepal	Pak	SLanka	China
<b>Measures of Tax Burden</b>						
Profit tax (%)	22.9	27.3	20.3	13.9	26.5	12
Labor tax and contributions (%)	18.2	0	11.3	12.6	16.9	58.9
Other taxes (%)	30.4	12.2	2.5	2.3	20.3	9
Total tax rate (% profit)	71.5	39.5	34.1	28.9	63.7	79.9
<b>The costs of imports and exports</b>						
Cost to export (US\$ per container)	945	970	1,764	611	865	460
Cost to import (US\$ per container)	960	1,375	1,900	680	895	545
<b>Difficulty of enforcing commercial contracts</b>						
Procedures (number)	46	41	39	47	40	34
Duration (days)	1,420	1,442	735	976	1,318	406
Cost (% of claim)	39.6	63.3	26.8	23.8	22.8	11.1
<b>Hiring and Firing</b>						
Difficulty of Hiring Index	0	44	56	78	0	11
Difficulty of Firing Index	70	40	70	30	60	50
Firing costs (weeks of salary)	56	104	90	90	169	91

Note: Doing Business 2009, WB.

# Foreign Investment Policies of South Asia 2006

	INDIA	PAKISTAN	NEPAL
Restricted Sectors	<ol style="list-style-type: none"> <li>1. i. Arms &amp; ammunitions</li> <li>2. ii. Defense aircrafts &amp; warships</li> <li>3. iii. Atomic energy</li> <li>4. iv. Railways</li> </ol>	<ol style="list-style-type: none"> <li>1. i. Arms &amp; ammunitions</li> <li>2. ii. High explosives</li> <li>3. iii. Radioactive substances</li> <li>4. iv. Security printing, currency &amp; mint</li> <li>v. New units of alcohol manufacturing except industrial alcohol is banned</li> </ol>	<ol style="list-style-type: none"> <li>1. i. Cottage industries</li> <li>2. ii. Personal business services</li> <li>3. iii. Arms &amp; ammunitions</li> <li>4. iv. Consultative services</li> </ol>
100% equity	For certain sectors, sectoral caps exist	Yes, for all sectors	Yes, except restricted sectors
Incentives	Yes, central government gives for R&D measures. State govts. give a wide variety of incentives	Incentives are industry specific but has local content requirement	Yes, with export requirement and local content requirement
Restrictions in royalty or technology transfer payments	No, but certain minimum conditions to be met such as lump sum payments not exceeding US \$2 million etc.	No	No

## Foreign Investment Policies of South Asia 2006

	SRILANKA	BANGLADESH
Restricted Sectors	<ol style="list-style-type: none"> <li>1. i. Non bank money lending</li> <li>2. ii. Pawn broking</li> <li>3. iii. Retail trade with a capital investment of less than \$1 million</li> </ol>	<ol style="list-style-type: none"> <li>1. i. Arms &amp; ammunitions</li> <li>2. ii. Production of nuclear energy</li> <li>3. iii. Security printing &amp; minting</li> <li>4. iv. Forestry in reserved forest areas</li> <li>v. Railways</li> </ol>
100% equity	Yes, except a few sectors such as telecom, education, mass transportation, mining, etc.	Yes
Incentives	Yes, with export requirement and minimum investment	Yes. It varies depending upon the location of industries.
Restrictions in royalty or technology transfer payments	No	No. The condition is that it should not exceed 6% of previous year's sales.



## **Some other FDI related Policies: South Asia**

**Automatic / Government approval route**

**Special economic Zones and Specialised parks**

**Repatriation of Invested` Capital**

**Labour laws and regulations**

**Policy regarding intellectual property rights**

**Taxation policy and tax incentives**



## FDI Institutions in South Asian Countries

India: (1) Foreign Investment Promotion Board (FIPB)  
(2) Secretariat for Industrial Assistance (SIA)  
(3) Foreign Investment Implementation Authority (FIIA)

Pakistan - The Board of Investment (BOI)

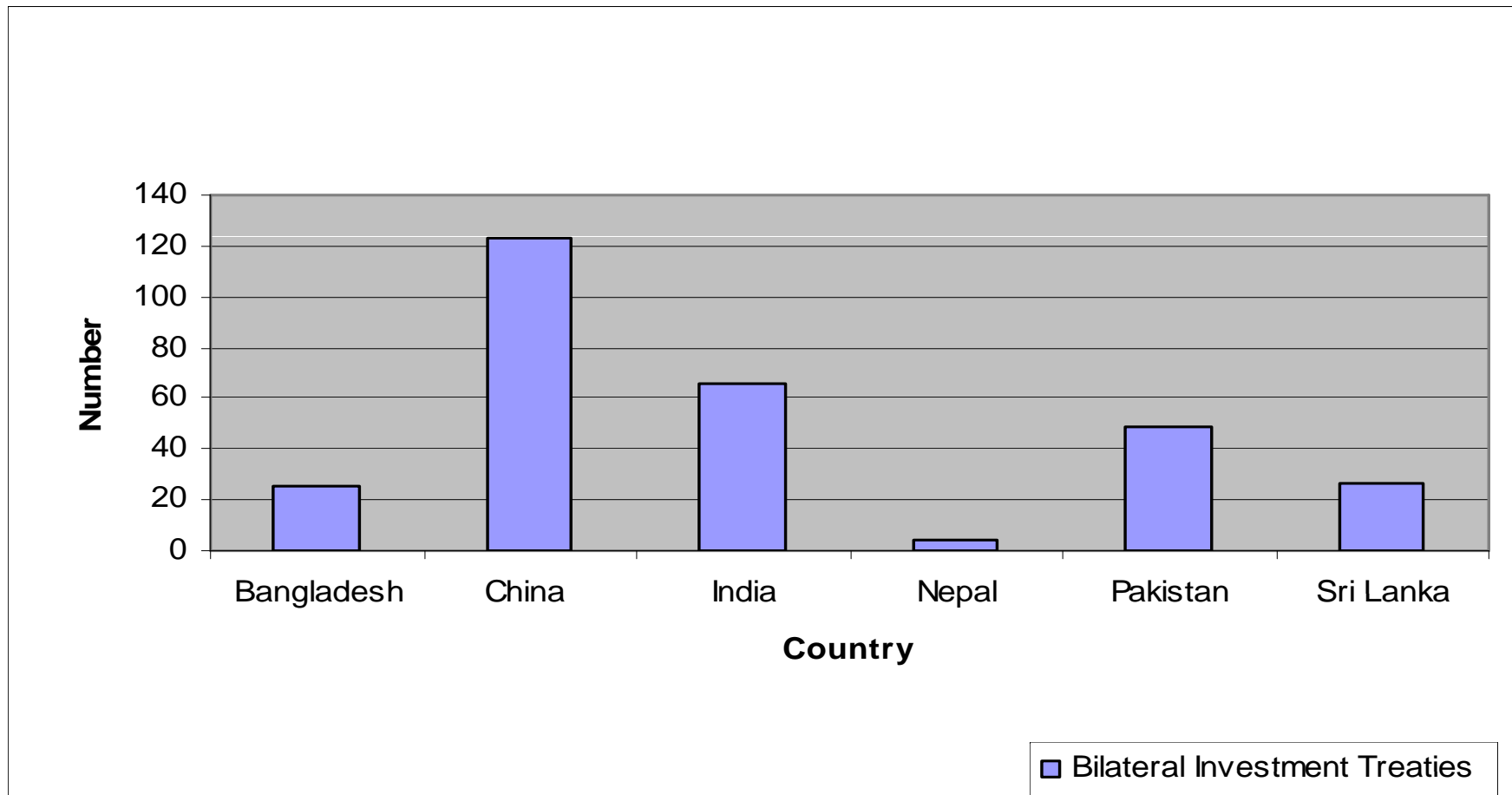
Bangladesh - Board of Investment (BOI)

Sri Lanka - Board of Investment (BOI)

Nepal - Board of Investment (BOI)

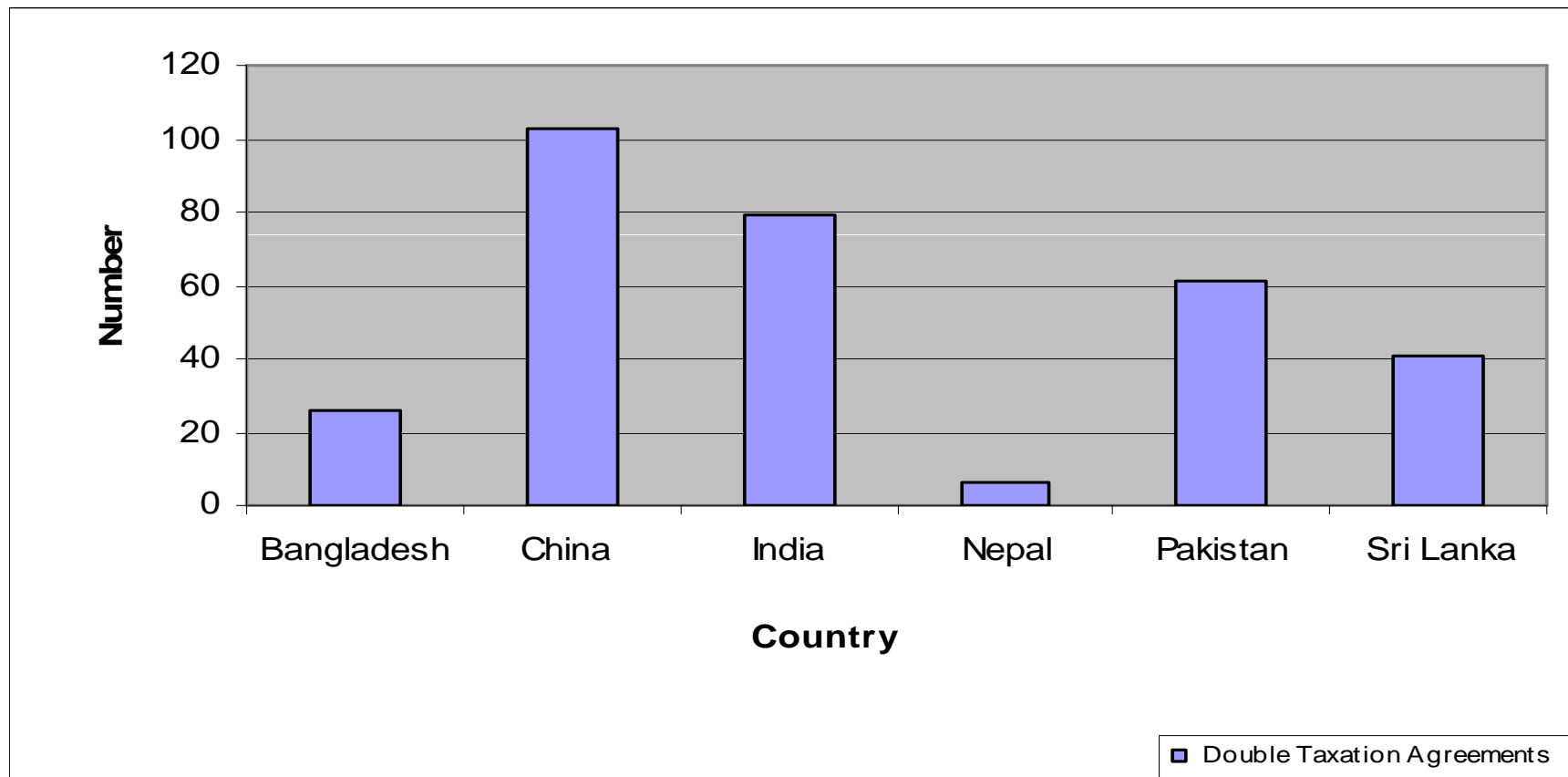


## Total number of Bilateral Investment Treaties concluded, 1 June 2008



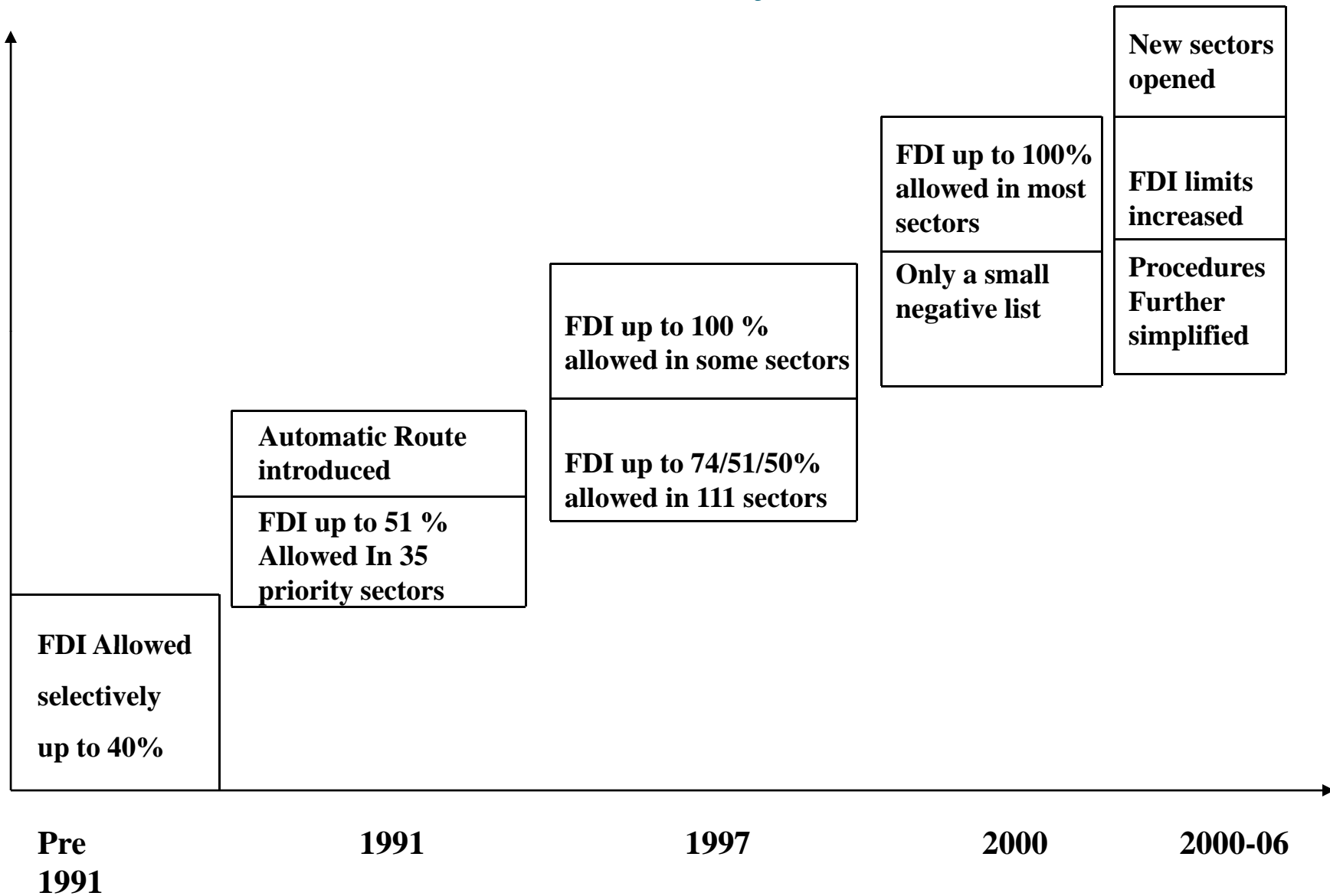
Source: <http://www.unctad.org>

## Total number of Double Taxation Agreements concluded, 1 June 2008



Source: <http://www.unctad.org>

# Liberalization of FDI Policy in India



## Pakistan Investment environment-2009

Policy Parameters	Manufacturing Sector	Non -Manufacturing Sectors		
		Agriculture	Infrastructure & Social	Services Including IT & Telecom Services
Govt. Permission	Not required except 4 specified industries *	Not required except specific licenses from concerned agencies.		
Remittance of capital, profits, dividends, etc.	Allowed	Allowed		
Upper Limit of foreign equity allowed	1	1	1	1
Minimum Investment Amount (M \$)	No	0.3	0.3	0.15
Customs duty on import of PME	5%	0%	5%	0-5%
Tax relief (IDA, % of PME cost)	50%	50%		
Royalty & Technical Fee	No restriction for payment of royalty & technical fee.	Allowed as per guidelines - Initial lump-sum upto \$100,000 - Max Rate 5% of net sales - Initial period 5 years		

\* specified industries: Arms & Ammunition, High explosives, Radioactive substances, Security Printing, Currency and Mint  
PME=Plant, Machinery & Equipment; IDA=Initial Depreciation Allowance

## Regulated and Controlled sectors Sri Lanka

Areas Reserved for domestic investment	Regulated Areas#
Money lending/Pawn broking	Air transportation
Retail trade with capital of less than \$1million	Coastal shipping
Personalized services other than for export/tourism	Manufacturing of military hardware
Coastal fishing	Manufacturing of toxic, hazardous or carcinogenic material
Education of Sri Lankan students not over 14 yrs of age	Production of currency, coins or security documents
Award of local educational degrees	Large scale mechanized mining of gems
	Lotteries

Source: BOI, Sri Lanka \* Approval upto 40% foreign ownership. Amount in excess will be approved by BOI on a case to case basis  
 # Approvals by the respective government agency or the BOI (upto the % of equity specified by the BOI



# Success of China's FDI Policy

Economic Structure: Market Size, Supply of Cheap Labour, Infrastructure, Scale effects

Liberalisation and Preferential policies: reduction in Barriers and Improvement in investment environment, fiscal incentives, special privileges to FI and establishment of OEDZs (SEZs, OCCs, ETDZs, HTDZs).

Cultural and Legal Background: Shared cultural background



## Salient Features of the FDI policy of Gujarat

- 1) The state is highly industrialized.
- 2) Enabling easy access to authentic sources of information.
- 3) Sensitising officials from the grass root to the apex levels so they can empathize with the legitimate concerns of entrepreneurs.
- 4) Empowering industrial estates and special economic zones
- 5) Easy approval of industrial projects and easy availability of land for industrial projects.
- 6) Development of infrastructure and strengthening of the manufacturing base through high quality research and development processes .
- 7) Gujarat has the highest number of airports in the country.
- 8) Professional services to the investors are provided in Gujarat.
- 9) Location wise, Gujarat has a strategic location providing easy access to the African, western, and Middle East markets.



## FDI policy of Andhra Pradesh

An autonomous body “AP Invest” has been created for needs assessment and road mapping of FDI’s and to give special care in providing timely clearances and assistance for such units and also to remove the administrative obstacles and managerial impediments.

The laissez-faire policies and the availability of good infrastructure have helped in attracting investments in agro-food processing, IT, infrastructure and engineering based industries from abroad.

Creation of Industrial estates and specialized parks  
Export promotion schemes





## FDI policy of Maharashtra

Total FDI inflows into Maharashtra during April 2000-May 2009 stood \$ 30,700 million making it the highest recipient of FDI in India accounting for nearly 36 per cent of total inflows into India.

In order to increase the FDI inflow, Maharashtra Secretariat has set up a separate FDI cell, which functions as a single point contact for all inquiries from foreign investors.

Also a high level committee is operational accord fast track clearances for proposals involving FDI.

Congenial business environment, excellence in infrastructure, highly-skilled and trained workforce, and effective policies in the industrial units is also a factor.

The Jawaharlal Nehru Port Trust (JNPT) provides effective communication network with markets of Southern, Northern & Western India.

Fiscal incentives



## FDI policy of Karnataka

The state government is investor friendly for it provides the facility of single window clearance to ensure fast track approvals for foreign investments.

The infrastructure facility that is available in the state is of world class standard especially IT infrastructure.

Good law and order situation prevails in Karnataka which is conducive to foreign direct investments.

The state provides excellent logistic support and connectivity to the investors

The state ranks among the top 5 industrially developed states of India.

The state provides to the investors one of the biggest and fastest expanding markets in the country

Creation of industrial estates and specialised parks

Export promotion schemes through fiscal incentives

Highly skilled manpower is abundantly available in Karnataka.



## FDI policy of Tamil Nadu

Availability of world-class facilities" including quality infrastructure, uninterrupted power supply and skilled labour".

Single window clearance.

Incentives to set up FDI enabled units in SEZs across the states.

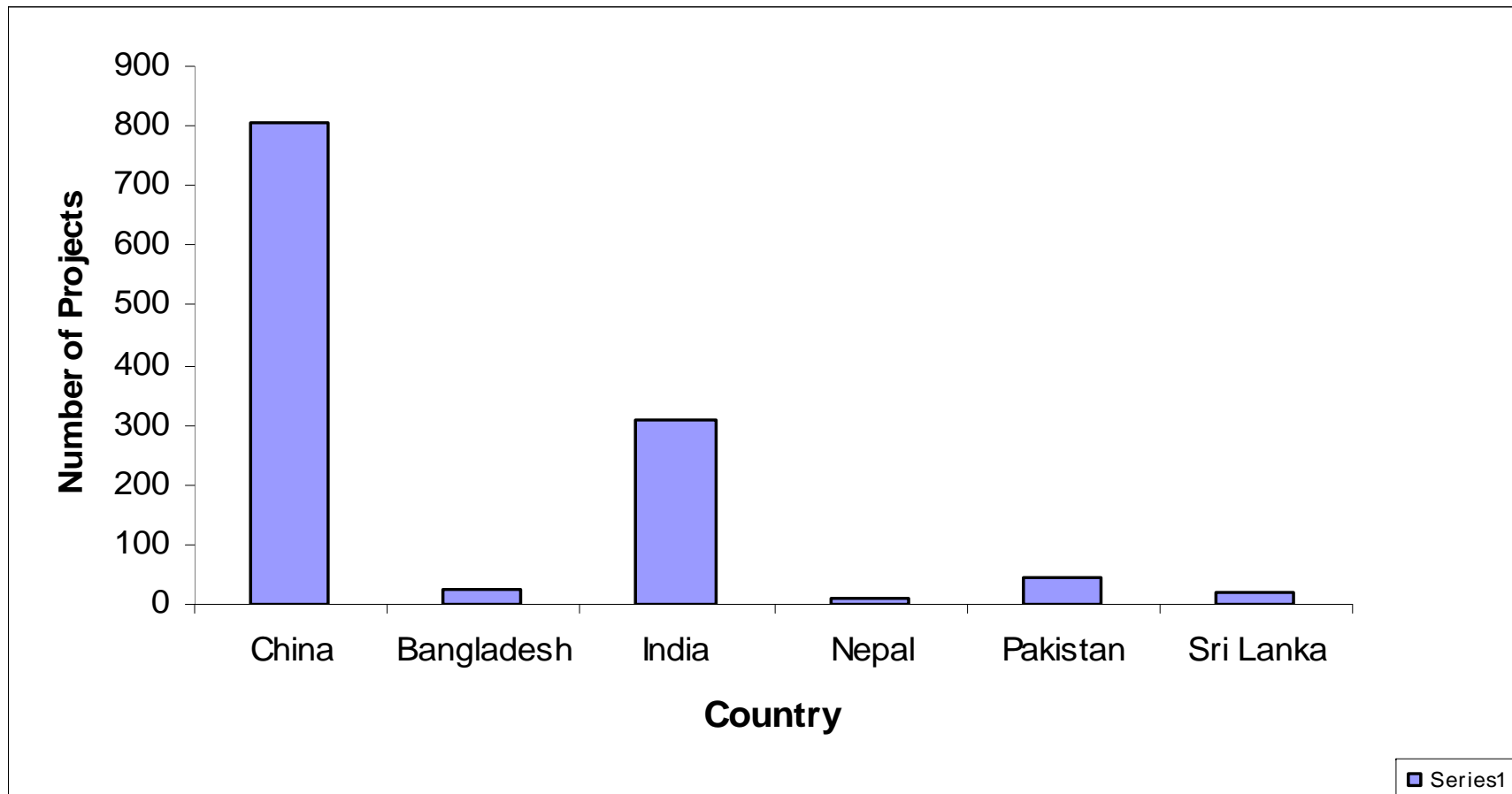
## Comparative Infrastructure Indicators in South Asian Countries - 2007

Indicators	China	Bangladesh	India	Nepal	Pakistan	Sri Lanka	South Asia Average
Access to electricity (% of population)	99	20	43	15	..	62	29
Electric power consumption (kwh per capita)	987	100	380	64	..	297	210
Improved water source (% of population with access)	77	74	86	90	91	79	76
Improved sanitation facilities (% of population with access)	44	39	33	35	59	91	53
Total telephone subscribers per 100 inhabitants	57	7	13	3	12	22	10

Source: PPI Infrastructure Data base, The World Bank

[http://ppi.worldbank.org/explore/ppi\\_exploreCountry.aspx?countryId=156](http://ppi.worldbank.org/explore/ppi_exploreCountry.aspx?countryId=156)

## Total Number of PPP Projects from 1990-2007



Source: PPI Infrastructure Data base, The World Bank

[http://ppi.worldbank.org/explore/ppi\\_exploreCountry.aspx?countryId=156](http://ppi.worldbank.org/explore/ppi_exploreCountry.aspx?countryId=156)



# Key Problems

- **Lack of infrastructure**
- **Flexibility in Labour laws**
- **Foreign Ownership**
- **Procedural hassles**
- **Tax and Tariff policies**
- **Good governance and transparency**
- **Rationalizing rules and regulations**



## Scope of the Work

- **Identify important difficulties in sector wise**
- **Revising foreign ownership in different sector**
- **Major labour laws affecting FDI firms**
- **Policies for SEZs and specialized parks**
- **Provisions and implementation of PPPs**
- **Fiscal incentives: revisiting tax and tariff structures**



**THANK YOU**