

## **ICRIER-KAS-FICCI Seminar:**

### **India's Regulatory Framework and the Twelfth Five Year Plan**

Date: 25th September 2013 (Wednesday)

Venue: Rosewood and Ebony Halls, The Park Hotel, Kolkata

- **Mr. Partha Chatterjee**, Hon'ble Minister, Commerce & Industry, PE, IR, IT and Parliamentary Affairs , Govt. of West Bengal
- **Mr. Arun Maira** , Member, Planning Commission, Govt. of India
- **Dr. Rajat Kathuria**, Director & CE, Indian Council for Research on International Economic Relations (ICRIER)
- **Dr. Lars Peter Schmidt**, Resident Representative to India, Konrad-Adenauer-Stiftung (KAS), India Office
- **Mr. Roland Lomme**, Governance Advisor, South Asia Governance and Public Sector Unit, The World Bank
- **Dr. Navroz K Dubash**, Senior Fellow, Centre for Policy Research, New Delhi
- **Dr. V K Unni**, Associate Professor, Public Policy & Management, IIM Calcutta

A very good morning Ladies & Gentlemen

We are very happy that ICRIER and KAS Foundation chose FICCI West Bengal State Council to partner their 3<sup>rd</sup> seminar in Kolkata on regulatory framework and 12<sup>th</sup> Five year plan. This assumes critical importance as our economy grapples with downturn and economic stress.

Friends, the Eleventh Five Year Plan (2007-08 to 2011-12) had aimed at achieving faster and more inclusive growth - targeted at 9.0 per cent per annum, to generate the income and employment opportunities and resources needed for financing social sector programmes, aimed at reducing poverty and enabling inclusiveness. The economy grew at an average annual rate of 7.9 percent and survived 2 global crises in the period.

However, we must recognise that the Twelfth Plan is during a time where global economic environment is much less favourable than it was at the start of the Eleventh Plan and the current challenges call for renewed efforts on multiple fronts.

The stated vision of the 12<sup>th</sup> Plan Document is “India moving forward in a way that would ensure a broad-based improvement in living standards of all sections of the people through a growth process which is faster than in the past, more inclusive and also more environmentally sustainable”. This mantra of “faster, sustainable and more inclusive growth” is indeed ideal and laudable, but the question is if that is possible?

While India’s economy had recorded impressive growth rates over the past decades, most of growth came from the service sector, and their overall performance is still being dragged down by an underperforming manufacturing sector.

In other fast growing low income economies rapid expansion of manufacturing has pulled unskilled workers from agriculture into gainful employment, this pattern has not emerged in India. Share of manufacturing

in GDP actually fell from 16.8 percent in 1981 -82 to 15.1 percent in 2012-13. Multiple layers of regulation in two major factor markets, labour and land continue to discourage growth of manufacturing.

At best, regulatory climate in India can still be described as being in transition. Past 2 years the economy was drifting, infrastructure projects languished and industries suffered from policy paralysis. Environmental clearances for investment projects in India take a huge amount of time. Therefore, this aspect requires consensus and careful regulations both by the central and state government. Besides infrastructure bottlenecks, labour market reforms have not been undertaken. This is holding back the manufacturing sector in general and its labour-intensive sub-sectors in particular.

The Manufacturing sector employed 58 million people (about 12% of the workforce) in 2008. Studies have estimated that every job created in manufacturing has a multiplier effect, creating 2–3 jobs in the services sector. In a country like India, where employment generation is one of the key policy issues, this makes this sector a critical sector to achieve inclusiveness in growth.

I am happy to mention here that the State Government has formed a core committee under the leadership of our Hon'ble CM where representatives of leading chambers interact with the policy makers creating a new culture of multiple stakeholder consultations in charting out their reform strategies.

With these words I hope the deliberation today will bring to forth different areas of reform by distinguished speakers.

Thank you.