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Shri Arun Jaitley
Hon'ble Minister for Finance & Corporate Affairs,
South Block,
New Delhi 110 021

Dear Shri Jaitley,

Regulatory reforms to make it easier for business to do business

Greetings!

It was heartening to hear about your emphasis on making it easier for business to work in India and cutting red tape was also in the BJP's Manifesto.

This task needs to be addressed at three levels: big and medium enterprises, small and micro enterprises and the informal sector as each has its own distinct dimensions. The basic principle to be followed is to promote economic democracy and market-friendly policies, and economic freedom for the poor.

Much background work has already been done at the level of the Planning Commission in the recent past on addressing the red tape issues for business. This is other than reports of various consultancy agencies and IFC on the topic particularly in relation to how our States are doing, which can be accessed easily.

We had anchored the Planning Commission's Working Group on Business Regulatory Reforms, co-chaired by Member (Industry) and Secretary, Corp Affairs, whose report can be accessed at: http://planningcommission.gov.in/aboutus/committee/wrkgrp12/wg_brf2103.pdf. A copy is enclosed. This report is a good starting document to launch regulatory reforms.

Furthermore please see my article on this in The Economic Times at: http://articles.economictimes.indiatimes.com/2012-08-23/news/33342429_1_red-tape-fiscal-deficit-business-growth. A copy is also enclosed.

We have been engaged in this work since long, even as part of our work on competition reforms and promotion of a national market. Currently, we are also engaged in few projects on Regulatory Impact Assessment in the energy and financial sector which will identify problems specifically and suggest tailor made solutions. Such an exercise will offer a template to tackle other sectors as well.

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One critical area involves judicial reforms, as contract enforcement is one of the worst indicators. There is a National Mission on Justice Delivery and Legal Reforms under the Department of Justice which needs to be escalated, along with some pending bills for judicial reforms.

Another critical area is of getting construction approvals, but that is under the jurisdiction of States and local government bodies. Some States, like Maharashtra have undertaken reforms in this area and the same can be replicated elsewhere.

We are aware that the action on all fronts is in our States, and the Union Government can act as a catalyst and facilitator of these reforms.

In so far as the big ticket reforms, their outcomes will apply to the big, medium and small sector. However there are variances between the big and small sector which need to be tackled differently. For example, power shortage is managed by big units through their own diesel generators, but small and micro enterprises may not be able to afford costly power. The MSME Act, 2006 requires the creation of a Facilitation Council to enable SMEs to obtain speedy payments from big enterprises, but it hardly functions well in most States, Tamil Nadu and Karnataka are exceptions.

For small and micro enterprises, which contribute 40 per cent of the industrial production, finance is a crucial bottleneck, among other issues. In so far as the informal sector, the knowledge is also wanting. There was a committee on looking at the informal sector headed by late Professor Arjun Sengupta under the last government, but their focus was on workers.

That committee also spoke about financial barriers faced by the unorganised sector. Anecdotally, one hears of how they are often hindered from carrying on their business due to lack of recognition, harassment by authorities etc. This requires an enabling legislation and for States to adopt and *implement* it.

We will be happy to work with the Finance & Corporate Affairs Ministry in this area.

Looking forward to your valued response, I remain,

With warm regards

Yours sincerely,



Pradeep S Mehta

Cc: Mrs Nirmala Sitharaman, Hon'b'le Minister of State I/C) for Commerce & Industry, and Hon'b'le Minister of State for Finance and Corporate Affairs