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Government of India

Report of the Inter-Ministerial Committee for Boosting Exports from MSME Sector

Ministry of Finance

July 2013

THE INTER-MINISTERIAL COMMITTEE FOR BOOSTING EXPORTS FROM THE MSME SECTOR

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Member
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PREFACE

We have great pleasure in submitting the Report of the Inter-Ministerial Committee appointed for boosting exports from MSME sector in India. The Report has been prepared over the past 4 months starting in April, 2013.

The approach adopted by the Committee was to examine the gaps/ inadequacies/lacunae which may be obstructing the growth of exports from the MSMEs in India. Apart from examining above said issues related to MSMEs, the Committee also took into consideration sector-specific and market specific issues related to MSMEs.

The Committee had discussed with different departments dealing with MSMEs and working in sectors with large export potential. Suggestions were asked from the different Export Promotion Councils and Industry Associations on the issues and the problems faced by them. Inter Ministerial meetings were held with 17 Industries Associations and Export Promotion Councils who had responded to the requests sent to them for their inputs. The Committee would like to express their gratitude to the representatives of the Associations and Councils Members of the MSME industry who generously gave their time and shared their knowledge on these issues.

The Committee would also like to place on record their gratitude to the Cabinet Secretary for entrusting this responsibility on the Committee Members.

R. S. Gujral
Chairman

Summary of Major Recommendations

Micro, Small and Medium Enterprises (MSME) play a crucial role in providing employment opportunities and help in industrialization of rural & backward areas also. MSMEs are complementary to large industries as ancillary units, and this sector contributes enormously to the socioeconomic development of the country.

Cabinet Secretary appointed an Inter-Ministerial Committee to suggest short and medium term measures to enhance exports from MSME sector in India. The Committee reviewed the MSME sector from the export perspective and held discussions with different industry associations dealing with MSME's export products.

The Committee notes that the major problems for the MSMEs relate to the availability and cost of credit, marketing support, improving productivity, technology/skill upgradation, infrastructure and the institutional framework for the MSMEs.The Committee also notes that there are issues related to specific products like Chemicals, Plastic, Leather, Handicrafts, Textiles and Agricultural Products and specific markets. On each of the issues the Committee has made suggestions for immediate implementation and for the medium term.

The major recommendations of the Committee are as follows:

Availability and Cost of Credit: - An additional interest subvention of 2% for those exporters who repay on a timely basis; reduction of the spread on foreign currency credit to LIBOR + 2%; automatic increase in foreign currency limits due to rupee depreciation; banks to aim for at least 40% export credit to MSMEs and targets for banks to increase MSME borrowers by 10% annually until 2017.

Marketing Support: - Enhancement of budget and scope under MDA/MAI schemes; greater focus on brand building and trade fairs; double income tax deduction for marketing expenses; support for E-Commerce and a focus on Asia.

Productivity/Technology/Skill Upgradation:- Modification in labour laws to enable more overtime hours and employment of women in night shifts with necessary safety; enhancement of technology upgradation schemes with both capital subsidy and interest subvention; setting up of research/resource/product development centres and linkages with the technical institutions and CSIR laboratories.

Infrastructure for MSMEs: 24*7 facilities for export consignments at major air cargo/sea port complexes; enhancement of ASIDE scheme and development of MSME clusters near Highways/Rail Corridors.

Incentives/Taxes related issues: A differential corporate/income tax regime for MSME exporters; separate ECGC policy for MSMEs to reduce costs; removal of service tax on conversion of export proceeds remittances and a host of issues which will reduce transaction costs in exports.

Institutional Framework: Constitution of a Standing Committee of Secretaries to resolve policy and implementation related issues; greater coordination at the ground level between Customs and DGFT offices.

Sector Specific Issues : Based on the suggestions received from sector export councils/associations, the Committee recommends a cess of 0.1% on the production of chemical and Plastics, for creating a fund for technology upgradation for the two sectors; additional budgetary support for handicrafts sector, enhancing the support under Integrated Leather Development Scheme; calibrate the exports of cotton yarn; avoid unintended exclusions of fabric items; amendment of APMC Acts for enabling direct purchase of horticulture/vegetable items from farmers by exporters; greater infrastructure support(testing labs, pack houses) for processed agriculture exports.

General Recommendations: These include increase in capital investment limits in the definition of MSMEs and leveraging of defence offsets to support MSME exports.

The Committee was conscious of the fact that a number of the recommendations would increase the budgetary expenditures/reduce tax revenue. However, keeping in view the Current Account Deficit, there is an imperative need to boost exports. It is in this context that the Committee has recommended that fiscal benefits/tax related incentives may be limited to 5 years.

Table of Contents

Annexures

LIST OF ABBREVIATIONS

AAIEP	Advisory Assistance to Industry for Export Promotion
AEPC	Apparels Export Promotion Council
APEDA	Agricultural and Processed Food Products Export
AQCS	Animal Quarantine & Certification Services
ASIDE	Assistance to States for Infrastructure Development for
ASSOCHAM	The Associated Chambers of Commerce and Industry of India
BRC	Bank Realization Certificate
CAD	Current Account Deficit
CAGR	Compound Annual Growth Rate
CBEC	Central Board Of Excise & Customs
CEPC	Carpet Export Promotion Council
CETP	Common Effluent Treatment Plant
CGTMSE	Credit Guarantee Fund Trust for MSMEs
CHEMEXCIL	Chemicals, Pharmaceuticals & Cosmetics Export Promotion
CII	Confederation of Indian Industry
CMA	Credit Monitoring Arrangements
CONCOR	Container Corporation of India Ltd
CPSE	Central Public Sector Enterprises
DAHD&F	Department Of Animal Husbandry, Dairy & Fishery
DCPC	Department of Chemicals and Petrochemicals
DDG	Deputy Director General
DEPB	Duty Entitlement Pass Book
DFS	Department of Financial Service
DGCIS	Directorate General of Commercial Intelligence and Statistics
DGFT	Directorate General of Foreign Trade
DEITY	Department of Information Technology
DOC	Department of Commerce
DST	Department of Science and Technology
ECB	External Commercial Borrowings
ECGC	Export Credit Guarantee Corporation
EDI	Electronic Data Interchange
EEPC	Engineering Export Promotion Council
EFC	Expenditure Finance Committee
EPCG	Export Promotion Capital Goods
EPCH	Export Promotion Council for Handicrafts
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
EXIM	Export Import
FDI	Foreign Direct Investment

FICCI	Federation of Indian Chambers of Commerce and Industry
FIEO	Federation of Indian Export Organization
FISME	Federation of Indian micro and Small & Medium Enterprises
GDP	Gross Domestic Product
GJEPC	Gems and Jewellery Export Promotion Council
GVC	Global Value Chain
HEPC	Handloom Export Promotion Council
ICAR	Indian Council of Agricultural Research
ICD	Inland Container Depot
ICICI	Industrial Credit and Investment Corporation of India
ICT	Information and Communications Technology
IEBR	Internal and Extra Budgetary Resources
IFC	International Finance Corporation
ISDS	Integrated Skill Development Scheme
ISO	Indian Standard Organization
ITES	Information Technology Enabled Services
MAI	Market Access Initiative
MDA	Market Development Assistance
MNCs	Multi National Companies
MLFPS	Market Linked Focused Product Scheme
MoFPI	Ministry of Food Processing Industries
MSME	Micro, Small and Medium Enterprise
NMCP	National Manufacturing Competitiveness Programme
NSIC	National Small Industries Corporation
OECD	Organization for Economic Cooperation and Development
PCFC	Preshipment Credit in Foreign Currency
PHARMEXCI	Pharmaceuticals Export Promotion Council
PSUs	Public Sector Undertakings
R&D	Research and Development
RBI/GOI	Reserve Bank of India/Government Of India
SEZs	Special Economic Zones
SIDBI	Small Industrial Development Bank of India
SLR	Statutory Liquidity Ratio
SSI	Small Scale Industries
TED	Terminal Excise Duty
TEXPROCIL	Textile Export Promotion Council
TUFS	Technology Up gradation Fund Scheme
UAE	United Arab Emirates
VAT	Value Added Tax
WTO	World Trade Organization

Chapter 1

BACKGROUND

The twin challenges of Fiscal Deficit (FD) and Current Account Deficit (CAD) are a matter of serious concern for the country. While the issue of FD was examined by the Kelkar Committee in 2012 which set out a roadmap over the next few years; issues relating to the CAD have now been receiving focused attention from different agencies, both in India and abroad.

1.1 Challenges for India

1.1.1. Current Account Deficit

A key challenge is to bring India's Current Account Deficit (CAD) to sustainable levels. The deficit has widened to a record 4.8% of GDP in 2012-13; far above what the Reserve Bank of India considers to be a sustainable level viz. CAD between 2.4 to 2.8 % of GDP[1]. The key reason for the large current account deficit lies in the trade deficit having ballooned; with the high dependence on oil and gold imports, which alone account for virtually half of the total imports. To understand the pressure that these two items have put on the BOP, it is instructive to note that net of oil and gold imports, CAD last year would have been in surplus of 3.8 % of GDP (in contrast to the actual deficit of 4.8% of GDP). This year and perhaps next year too, India has to find over US $ 75 billion to finance the CAD. Boosting merchandise exports through greater diversification across destinations and products is absolutely essential to bridge the trade deficit; but this cannot be achieved without boosting productivity and exportable surplus, ensuring export credit at competitive rates, providing marketing support, and enhancing transportation & ports infrastructure.

1.1.2 Fiscal Deficit

The second challenge is qualitative and quantitative fiscal consolidation: Together with the current account deficit, the high fiscal deficit makes the Indian economy more vulnerable to shocks than most emerging markets. A new fiscal consolidation path with fiscal deficit at 5.3 percent of GDP in 2012-13 and 4.8 percent of GDP in 2013-14 was announced by the Government. The achievement in 2012-13 has been creditable, of restricting fiscal deficit to 4.9% of GDP. India's twin deficits have adversely affected macro stability by pushing up inflation, leaving less room for monetary accommodation.

1.1.3. Inflation

The third challenge, very much related to the previous one, is the high and sticky inflation. Efforts in the past months have brought down headline WPI inflation to about 7 percent and core inflation to about 4.2%. It is food inflation that is worrying. India's persistently high inflation is a fallout of myriad factors that are both cyclical and structural in nature. Containing inflation near the comfort zone of 4 to 5 percent is necessary to facilitate sustainable growth.

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[1] WPS (DEPR) : 16/2012, Sustainable Level of India's Current Account Deficit, Reserve Bank of India

1.1.4. Manufacturing Sector Growth

The fourth challenge is to boost the manufacturing sector: Being a primarily services driven economy, the share of manufacturing has been stagnant at a mere 16 percent of total GDP. India's Asian peers, such as China, South Korea and Taiwan, have immensely benefited from a strong manufacturing sector, which enables greater employment creation, attracts higher and stable foreign direct investment and bolsters infrastructure development. The government has approved a National Manufacturing Policy aimed to increase the share of manufacturing in GDP from the current 16 percent to 22 percent in a decade, and in turn to create millions of jobs and add capacity to sustain the pace of economic growth. However the progress on implementation of the NMP has been somewhat slow.

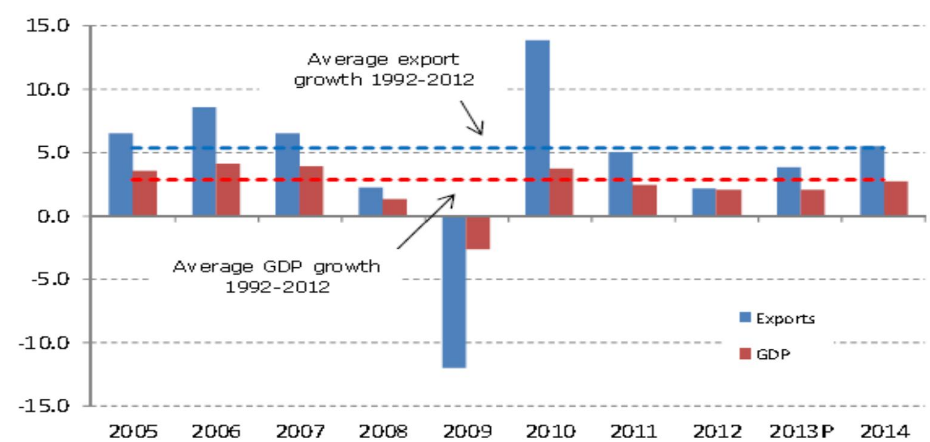
Chapter 2

TRADE SCENARIO

2.1 Global Trade Scenario

During the period 2008-09 from peak to trough, world merchandise trade volumes contracted by 19 per cent[2]. By January 2009, nine out of ten countries recorded a contraction in exports. World trade growth decelerated sharply in 2011, as the global economy struggled under the influence of financial uncertainty, natural disasters and civil conflict. All of these factors combined to produce below average growth in trade in 2011. The recovery from the 2008 crisis has so far clearly been driven by the emerging economies. Below-trend recovery of global trade is almost fully explained by the weaker import demand in developed economies, and recurring bouts of uncertainty regarding the Euro-zone. Import demand declined to 21 per cent[3] below trend by 2009, and did not catch up thereafter.

Chart 1: Growth in volume of world merchandise trade and GDP, 2005-14 [a]
Annual % change



a Figures for 2013 and 2014 are projections.
Source: WTO Secretariat.

World trade growth fell to 2.0% in 2012 (down from 5.2% in 2011).It is expected to remain sluggish in 2013 at around 3.3%, which is below the average rate of 5.3% for the last 20 years (1992–2012)[4] and well below the pre-crisis average rate of 6.0% (1990– 2008), as the economic slowdown in Europe, and stagnant growth in USA and Japan continues to suppress global import demand. Flagging output and high unemployment in developed countries reduced imports and fed through to a lower pace of export growth in both developed and developing economies. Slightly improved economic prospects for the United States in 2013 would only partly offset the continued weakness in the European Union, whose economy is expected to remain flat or even contract slightly this year, according to consensus estimates.

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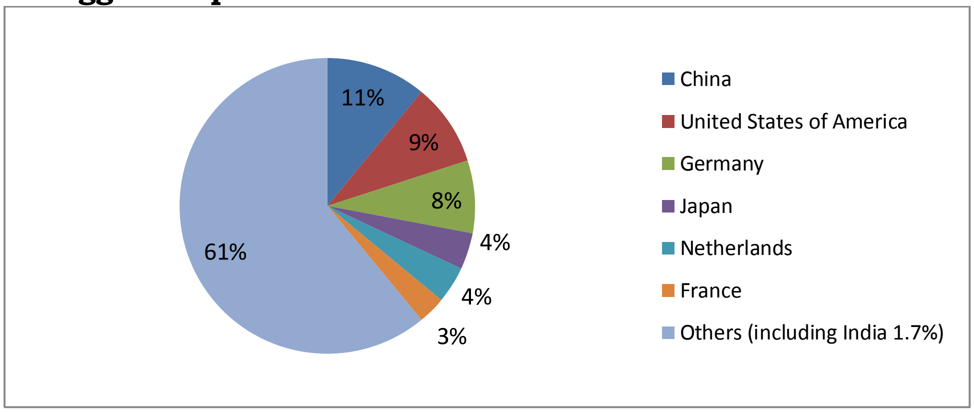
[2] International Financial Discussion Papers, Number 1017, March 2011
[3] Source: UN/Deptt. of Economic and Social Affairs, (http://www.un.org/en/development/desa/index.html)
[4] Source: WTO site (http://www.wto.org/english/news_e/pres13_e/pr688_e.htm)

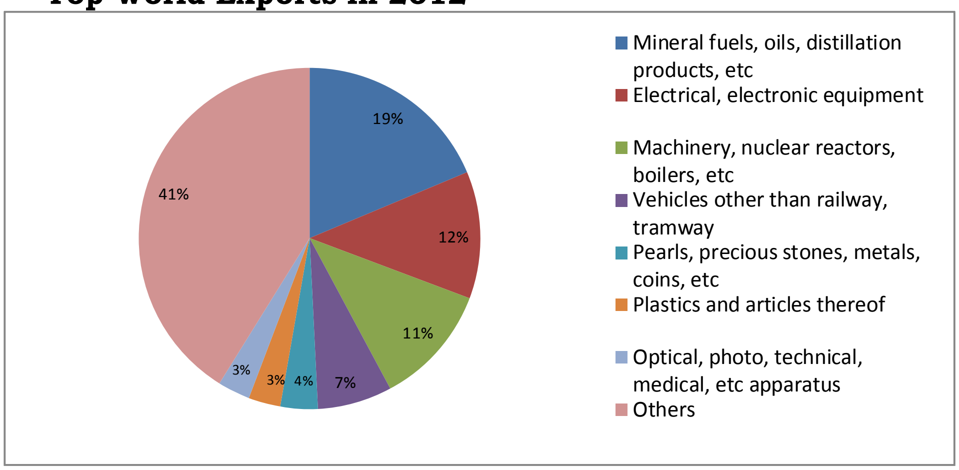
The following charts show the biggest exporters of the world and the composition of world trade in 2012.

Biggest Exporters in 2012



Source- International Trade Center (ITC) statistics (http://www.intracen.org/trade-support/trade-statistics)

Top World Exports in 2012



Source- International Trade Center (ITC) statistics (http://www.intracen.org/trade-support/trade-statistics)

2.2 Outlook for 2013-2014

Economic conditions improved modestly in the third quarter of 2012, with global growth increasing to about 3 percent. The main sources of acceleration were emerging market economies, where activity picked up broadly as expected, and the United States, where growth surprised on the upside. Growth in the United States is forecast to average 2 percent in 2013, rising above trend in the second half of the year. The near-term outlook for the euro area has been revised downward. Growth in emerging markets and developing economies is on track to build to 5.5 percent in 2013. Nevertheless, growth is not projected to rebound to the high rates recorded in 2010–11[5].

[5] http://www.imf.org/external/pubs/ft/weo/2013/update/01/

Trade in the early part of 2013 will remain sluggish because of weak import demand in Europe, even as conditions gradually improve elsewhere, because of the large weight of the EU in world imports (32% in 2012 including intra EU trade; 15% excluding it). But weakness in advanced economies will affect external demand, as well as the terms of trade of commodity exporters, given the assumption of lower commodity prices in 2013. China's exports may be hindered by the slowdown in Europe, but considering the fact that US is now its biggest trading partner owing to EU crisis, part of the slowdown in Europe can be compensated by the slight improvement in US economy. China's GDP growth is expected to remain strong compared to the rest of the world in 2013, which should provide support for imports from other countries. In the light of these developments, WTO forecasts a small pickup in world trade volume growth to 3.3% in 2013, from 2.0% in 2012. World trade volume growth for 2014 is expected to improve to 5.0%[6].

2.3 India's Exports Scenario

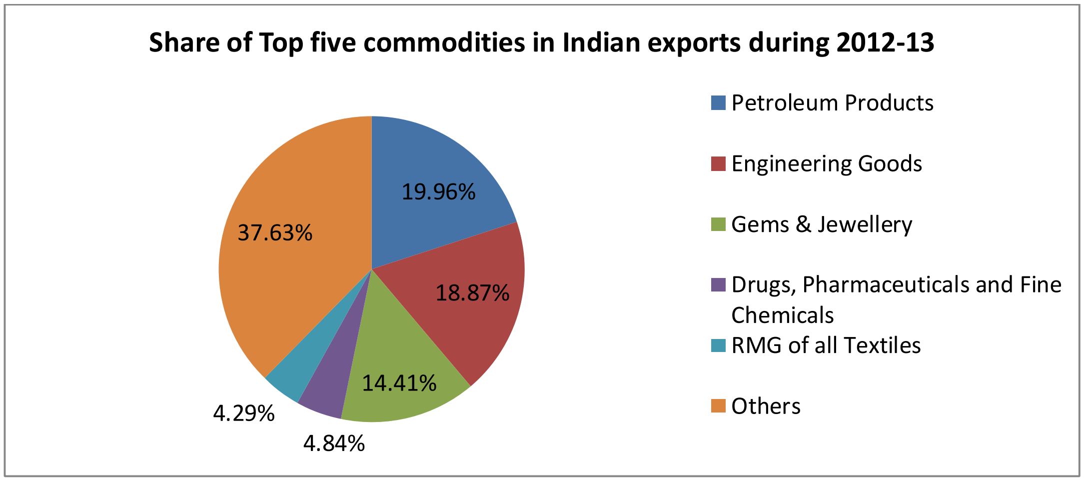
Even after the global financial crisis, and subsequent slowdown since 2008 of economies around the world, Indian exports continued to grow positively till 2011. As per WTO's International Trade Statistics 2012, India was ranked as the 19th largest merchandise exporter in the world, with a share of 1.7% of the global exports; and in commercial services trade, India was ranked as the 8th largest exporter with a share of 3.3% of world exports. Indian exports recorded one of the highest export growths among the major trading nations of the world in 2011. However, exports witnessed a considerable slowdown during 2012. During 2012-13, Indian merchandise exports showed a negative growth rate of around 2% as compared to a positive growth of 21.9% during the financial year 2011-12. Declining exports has resulted in increasing trade deficit. Current Account Deficit (CAD) reached 4.8% of GDP in 2012-13[7].

An analysis of the export indicates that the steepest decline has been in the export of Iron Ore with a 65% decline in 2012-13 as compared to 2011-12.The decline in Iron Ore has been from the level of $ 6.03 billion in 2009-10 to $ 1.61 billion in 2012-13.Other significant product groups showing a decline in export in 2012-13 vis-à-vis 2011-12 are gems & jewellery (-3.5%), engineering goods (-3.1%), electronic goods (-9.27%), readymade garments of all textiles (-5.76%).However, certain products still showed an increase during 2012-13, like rice (+25.5%), spices (+1.8%), oil meals (+19.84%), processed minerals (+3.2%), leather and leather manufacturers (+ 1.1%), drugs and pharmaceuticals (+10.31%), basic chemicals (+10.93%), cotton yarn/fabrics/madeups and handloom products (+8.56%) and petroleum products (+7.07%).

As per the information received from the Deptt. of Commerce, Indian total merchandise exports and imports amounted to approximately 43.2 percent of GDP in 2011-12, with merchandise exports accounting for 16.5% of GDP. Services sector, a major driving force of the Indian economy, contributes around 25% of total trade[8]. It accounts for around 40% of total exports and 20% of total

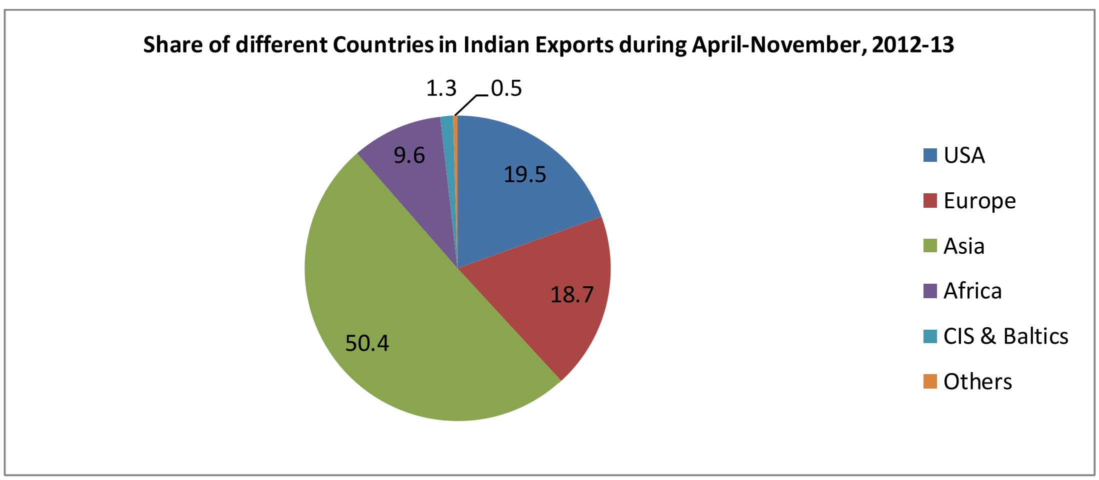
[6] http://www.wto.org/english/news_e/pres13_e/pr688_e.htm
[7] Annual Report 2012-13, Deaprtment of Commerc
[8] Department of Commerce, Internal Communication

imports. India's share of services' exports in world exports of services was 3.3% in 2011 and has been increasing faster than the share of Indian merchandise exports in world exports. The share of top five commodities in Indian merchandise exports during the period 2012-2013 is shown below:-



Source: DGCIS Data

India has in the last few years sought to significantly diversify its trade from advanced economies of Europe and America to Asia and Africa. Region-wise share of total Indian exports during April-November, 2012-13 is shown in the following pie-chart:



Source: Annual Report 2012-13 Department of Commerce

However, new export markets have their own challenges and costs. This is particularly so in the case of MSME exporters due to their smaller size, infrastructure & finances; highlighting the need for higher marketing support.

Chapter 3

ROLE OF MSMES

3.1 Global MSME scenario

MSMEs play a significant role in the global economy as well as in the domestic economy, with a high revenue and employment generation coming from them, particularly in emerging economies. [11]In OECD economies, MSMEs account for over 95% of the firms, 60-70% of employment, 55% of GDP and generate the largest share of new jobs. In developing countries, more than 90% of all firms, outside the agricultural sector, are MSMEs, generating a significant portion of GDP. For example, in Morocco, a lower middle Income country, 93% of industrial firms are MSMEs and account for 38% of production, 33% of investment, 30% of exports and 46% of employment. In Bangladesh, a low-income country, enterprises that have less than 100 employees account for 99% of firms and 58% of employment. Similarly, in Ecuador, an upper middle income country, 99% of all private companies have less than 50 employees and account for 55% of employment. Globally MSMEs had grown by 6% from the year 2000 to 2009, with Europe and Central Asia experiencing a growth of 15%. In half of the high income economies, formal MSMEs employed at least 45% of the workforce, compared to only 27% in lower income economies[12], which further highlights the importance of MSMEs in economic development and job creation. Globally, MSMEs employ one-third of the working population. East Asia and the Pacific have the highest ratio of MSME employment to total employment, with percentage in China being as high as 80%; therefore, highlighting the importance of MSMEs to the global economy and their importance in terms of the role they play in the Global Value Chain.

Countries across the globe use various definitions to define small and medium enterprises. The parameters on which SME sector is generally defined are:

a. Capital investment on plant and machinery;
b. Number of workers employed; and
c. Volume of production or turnover of business.

The policy framework for the MSMEs in some of the countries has been given in Annexure I. Definitions of MSMEs in various countries across the globe (including India) is given in Annexure II.

3.2 Role of MSMEs in India

MSMEs contribute significantly to employment generation and development of rural areas. MSME sector is one of the key drivers for India's transition from an agrarian economy to an industrialized economy. Around 50% of MSMEs in India are owned by underprivileged groups, which shows how MSMEs contribute to

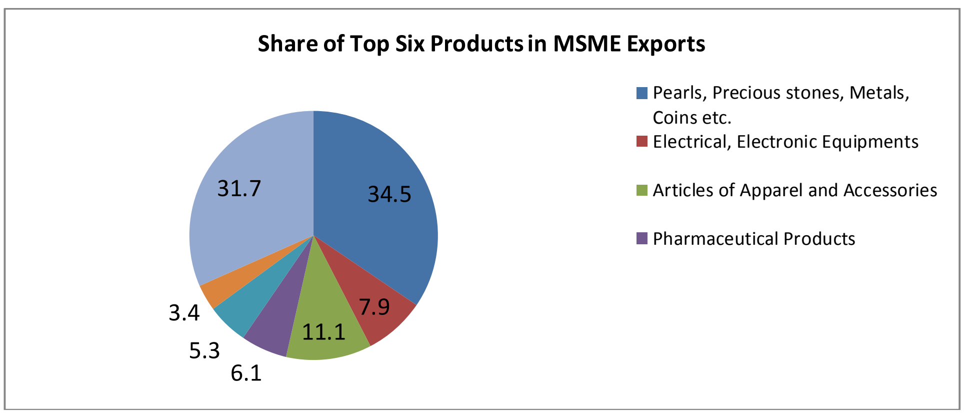
[10] http://iicpsd.org/wp-content/uploads/2013/01/IICPSD-Note-on-MSMEs-and-Inclusive-Market-Composite-Index-final.pdf
[11] http://www.ficci.com/spdocument/20249/Grant-Thornton-FICCI-report.pdf

improve the entrepreneurial skills and economic empowerment. MSMEs feed local consumer markets and international value chains.

As per information in the annual report of MSME 2012-13, MSMEs account for a large share of industrial units which can be seen from the fact that in the year 2011-12, the total number of enterprises in MSME Sector was 447.73 lakhs with total employment of 1012.59 lakhs. MSMEs are accordingly also effective vehicles of employment generation. The estimated numbers of enterprises and employment have increased at an annual compound growth rate of 28.02% and 26.42% respectively. MSMEs contribution to rural development can be observed from the fact that 200.19 lakhs of the working enterprises were located in rural areas, which accounted for 55.34% of the total working enterprises in MSME sector; whereas 161.57 lakhs (44.66%) of the working enterprises were located in urban areas[13]. The sector currently produces more than 6,000 quality products, ranging from handloom saris, carpets and soaps to pickles, auto and machine parts targeting both domestic and international markets. Provided necessary support, MSMEs are likely to experience a high growth path, and the share of MSMEs in the country's GDP is expected to touch double-digits by the end of this decade, from the current 8.72 per cent.

3.3 Role of MSMEs in Indian Exports

The share of MSMEs in India's total exports was estimated to be around 43 per cent in 2011-12. The share of the top six commodities which account for about 70% of total MSME exports is as shown below:



Source: Ministry of MSME, Annual report 2012-13

Out of the major products of MSME exports, gems and jewellery show a decline of 3.5% as compared to the previous year.Electronic items show a decline of 9.27% in 2012-13.Readymade garments of all textiles show a decline of 5.76% in 2012-13. Engineering goods as a total group show a decline of 3.1%.However, drugs and pharmaceuticals had shown an increase of 10.3% and basic chemicals had shown an increase of 10.93%.

[13] Annual Report, MSME 2012-13, Ministry of MSME

Even in the first three months of the current year 2013-14, engineering goods export shows a decline of 6.29% as compared to April-June, 2012.Electronic goods show a decline of 13.25%, gems and jewellery show a decline of 13.13%, basic chemicals show marginal decline.However, readymade garmets of all textiles are indicating a positive trend of 11.1%, cotton yarn/fabrics/madeups and handloom products show 13.29% increase, leather and leather manufactures show 8.4% increase and marine products exhibit a 27.8% increase in exports.

The main markets for the 20 most-exported MSME product groups, which accounted for more than 90 per cent of MSME exports from 2009 to 2012, include the USA, European Union (EU), UAE, Turkey, Singapore, Hong Kong, Israel and Saudi Arabia. The MSME sector accounts for around 45 per cent of total manufacturing output[15]. MSME sector has about 36 million working enterprises and 80 million employment throughout the country. It has been continuously growing at a rate of 12-13% per annum, far above the large sector. The MSME sector contributes about 45 per cent of the manufacturing output and 43 percent of the total exports of the country, and 8.72 per cent of the country's GDP. MSME exports have expanded at an annual average growth rate of 11.0% during 2007 to 2011[16]. For the period 2009-12, MSME exports are estimated at US $ 325 billion. MSME exports mainly consist of pearls, precious stones, metals, electrical, electronic equipment, pharmaceutical products, organic chemicals, articles of iron & steel etc.As per the information received from the ministry of MSME, for the year 2011-12, MSME exports are estimated at US $ 131 billion constituting 43% of total exports of the country. Participation in exports gives MSMEs exposure to global trends, and stimulates innovative ideas and designs.

3.4 Major issues concerning the MSME sector

Although Indian MSMEs are a diverse and heterogeneous group, they face some common problems, as follows:-

a. Lack of availability of adequate and timely credit. The major dependence for some sectors (eg. handicrafts) is for larger working capital requirement, which directly impacts their production cycle

b. High cost of credit, with interest rates of 14-16%.

c. Collateral requirements being insisted upon by banks

d. Limited access to equity capital for MSMEs

e. Marketing is one of the critical areas where MSMEs face problems including product differentiation, brand building, customized tailor-made services, clientele building, after sales servicing etc. Many entrepreneurs are not entering in the field of exports due to lack of market knowledge, availability of a growing domestic market, and the complexities of international trade.

[15] http://www.business-standard.com/article/sme/msme-share-in-exports-was-43-in-2011-12-113060300986_1.html

[16] Ministry of MSME, Annual report

f. Limited sclale of oprations leads to low production capacity (and consequent low exportable surplus), which is related to the maximum limits for capital investment for definition of MSME

g. Problems of designing, packaging and product display due to limited capacities-financial and human

h. Inadequate infrastructure facilities, including power, water, roads, etc. which are however not unique for MSMEs, but impact manufacturing more than services

i. Low technology levels and lack of access to modern technology.

j. Lack of skilled manpower

k. Absence of a suitable mechanism which enables the quick revival of viable sick enterprises and allows unviable entities to close down speedily.

l. Lack of coordination among the various organizations involved in the promotion of MSMEs, including organizations of the State Governments, and poor linkages with the institutional stakeholders in the private sector. There is also duplication of programmes run by various Ministries for the same target group

m. Lack of reliable and updated data base to help in monitoring the development initiatives and formulation of appropriate schemes to meet the differential needs of the heterogeneous beneficiaries.

n. Non availability of raw materials at a competitive cost, very often due to low volumes

o. High transaction costs and procedural delays leading to high fixed costs.

p. Policy and procedural issues.

Chapter 4

FORMATION OF THE COMMITTEE

In order to examine three issues related to MSME's, the Government of India constituted three committees.

a. An Inter-Ministerial Committee for boosting exports from MSME sector headed by Finance Secretary (Detail in Annexure III)
b. An Inter-Ministerial Committee for accelerating manufacturing in MSME sector headed by Secretary MSME (Detail in Annexure IV)
c. A Task Force on Transaction Cost in Exports headed by DGFT (Details in Annexure V)

4.1. Committee Constitution

The Cabinet Secretary constituted the Inter-Ministerial Committee for boosting exports to suggest short and medium term measures to enhance exports from the MSME sector. The Committee sought inputs from different Departments and Industry Associations. Seventeen industry associations responded. Individual meetings were held with the Associations and Departments. (List of persons who participated in the meetings held is given in Annexure VI).The Committee also examined the suggestions received in the meeting organized by Ministry of Commerce on 15.03.2013.

4.2. Mandate of Other Committees

Further, keeping in view the mandate of other two Committees, this Committee has only examined the specific issues related to exports mentioned by the Associations; and has not examined in full detail the issues of transaction costs, and boosting of production of MSMEs.

4.3. Suggestions Received in Review Meeting of March, 2013

In view of the importance of MSMEs in exports and some problems faced by MSMEs, a meeting was organized by the Ministry of Commerce and Industry on 15.03.2013 and chaired by the Cabinet Secretary regarding exports from MSME sector. Various issues were discussed in that meeting regarding exports from MSMEs.The issues highlighted covered the following areas: (Details in Annexure VII)

a. Enhancement in MDA/MDA allocation or creation of an export development fund
b. Availability of Dollar denominated credit
c. Support to E-commerce
d. Waiver of additional export obligation under EPCG for MSME exporters
e. Capacity building for exports
f. Providing design supports
g. Double Weightage for MSMEs along with other weightages
h. Reduction in premium and extension in coverage besides data on new buyers
i. MSMEs to focus on China.

These suggestions/issues, along with those received during the meetings with the different Associations were examined, and helped the Committee in preparing its recommendations.

Chapter 5

RECOMMENDATIONS OF THE COMMITTEE

The Committee met the different industry Associations and discussed with their representatives the various issues they face and suggestions to resolve them. Inputs were also taken from the different Government departments and agencies. The detailed suggestions are given in Annexure VIII. Based on the suggestions received, the Committee makes the following recommendations.

5.1 Availability and Cost of Credit

The cost of credit and credit availability is perhaps one of the most important factors for MSMEs. Availability of credit at internationally competitive rates is a major issue facing the MSMEs in India. The Committee while recognizing the limited room available for budgetary support, *after reviewing the various suggestions recommends the following*:

5.1.1. Cost of Credit

The cost of export credit for MSMEs varies from 11-14% even after taking into account the current 2% interest subvention available. This is on the higher side compared to international standards. There is a need to lower the interest rate for MSME exporters. Padmanabhan Committee (RBI) has also recommended inclusion of export credit under priority sector lending and framing of a suitable interest subvention policy for long term export credit. While credit to Micro and Small enterprises is considered as Priority Sector lending, further support is required for MSME exports. The Committee recommends that an additional 2% interest subvention may be provided to MSME exporters who repay on a timely basis. A separate sub-limit of say 8% for credit to MSME exporters, within the overall priority sector limit may also be stipulated.

5.1.2. Receipt of Interest Subvention

The credit of interest subvention on a timely basis is essential for exporters. Many banks reportedly pay the interest subvention only after delayed receipt of the amount through RBI/Govt. The Committee recommends that RBI & MoC should examine the reasons for delay; so as to ensure that interest subvention is provided to all the exporters on a timely basis. Padmanabhan Committee (RBI) has also recommended for a more prompt and efficient working of the scheme so that the purpose of the scheme is fully achieved.

5.1.3. Foreign Currency Credit

Interest Rate on Export Credit in Foreign Currency is an important factor in export competitiveness. Currently, the interest rate is as high as Libor + 4%. The Committee recommends to consider whether the spread can be reduced to Libor + 2%. (Earlier it was stated to be LIBOR + 2.5 %.) Padmanabhan Committee also recommends that banks may not charge a spread beyond a specific cap in respect of export finance, for which refinance is being provided by RBI.

5.1.4 Pre-shipment Credit in Foreign Currency – Conversion Losses

Pre-shipment Credit in Foreign Currency (PCFC) is a major component of export credit. The Committee recommends that there is a need to verify if under PCFC, the limits are converted into INR and on payment reconverted to USD leading to losses for the exporter.

5.1.5 Automatic Increase in Credit Limit

When rupee is depreciating, there is a need to immediately increase the Export Credit Limit. The Committee recommends that Export Credit Limit to MSME Units may be increased by 20% automatically. Alternatively credit limits could be set in US dollars wherever possible. The methodology for this needs to be institutionalized

5.1.6 Swap Facilities

Under the swap arrangement, a bank can buy US dollars up to its eligible swap limit from the RBI and further sell the same amount of dollars at the prevailing market rates for swaps of a similar tenor. As recommended by Padmanabhan Committee also, this Committee recommends that RBI may consider the following regarding the swap facility scheme:

a. Swap facility scheme which is available till June 28, 2013 be extended for at least 3 years with annual rollover,
b. RBI to provide 100% refinance under the scheme,
c. The fund for swap may be increased from USD 6.5 billion to USD 20 billion to ensure adequate availability
d. 50% of the total fund should be earmarked for MSME units.

5.1.7 Increasing Access to Finance

The Committee received many suggestions about the ways to increase access to finance for the MSME sector. The recommendations of the Committee are as follows:

a. The Committee recommends that banks should aim that 40% of Export Credit is earmarked by banks for MSMEs(in consonance with the share of MSMEs in India's total exports).
b. As also suggested by Padmanbhan Committee, this Committee suggests inclusion of 'export credit to MSMEs' as an eligible sector for deployment of 50% of the respective bank's shortfall in priority sector lending, automatically to be allocated to export credit for MSMEs in the subsequent year, with the balance shortfall continuing to be deployed in RIDF.
c. Targets may be given to Banks to achieve a 10% increase in new MSME enterprises borrowers on an annual basis between 2013-17. Banks should also look at adding, say, 12 new exporting MSMEs per branch in their Semi Urban and Urban branches every year.
d. The buyer's credit limit under automatic route is recommended to be increased from US $20 million to US $50 million.
e. A group should work out a uniform credit rating format and process, to bring transparency and speed to this important issue.

f. Relaxation of RBI's external commercial borrowings (ECB) norms, so as to allow all categories of MSME engineering exporters to raise ECBs for import of capital goods and equipment.
g. Guarantee coverage under Credit Guarantee Fund Trust for MSMEs (CGTMSE) may be increased to at least 10 times the present corpus.
h. Industry Associations can become an effective institutional mechanism for facilitating credit flow to MSME sector. The model initiated by SIDBI in this direction may be replicated by lead banks in their domain MSME clusters.
i. SIDBI and NSIC may be permitted to raise SLR bonds / Tax free bonds / Capital Gain Bonds from the market, as per the eligibility limit fixed by GOI.
j. It is suggested to introduce a scheme called "Need for Factoring Services" with a budgetary support of Rs.750 crore in the next 4 years under which assistance would be provided for equity or margin money support for factoring companies.

5.2 Marketing Support

The need for better marketing and brand development was recognized to be a major impediment in increasing exports. There is a need to focus more on the marketing needs of the MSMEs to enhance their exports, many of which may not involve cost to the exchequor. The broad recommendations of the Committee in this regard are as follows:

5.2.1. Budget For MDA/MAI

The cost of accessing export markets by the MSME's needs to be reduced drastically. Greater support for organizing trade visits, trade promotion and facilitation in major cities is 'required'. The budget for the MDA scheme of DoC is about Rs. 50 crores and the scheme allows support to a maximum of five visits by an exporter with a total annual support of Rs. 7.10 lakhs (4 to different focus areas and 1 to rest of the world). The Committee recommends that there is a need to significantly increase the funds available for marketing; and accordingly double the budgetary provisions for MDA/MAI schemes of DoC (from present level of Rs.50 crores /Rs.180 crores to Rs. 100 crore/Rs. 300 crore respectively).Further increases may be made in a gradual manner, based upon absorptive capacity of export councils and take off of 2% interest equalization scheme of Project exports, financed by EXIM Bank.

5.2.2. Scope of MDA/MAI

Exporters need to frequently incur soft expenditures like branding, advertisement, promotional events for which financial availability is limited. These expenses need to be encouraged through various means, including the concept of allowing eligible companies to deduct against their taxable income twice the amount of expenses incurred on certain export related qualifying activities. The scope of MDA/MAI could be amended, if necessary, to include such activities.

5.2.3 Convergence Of Schemes

Convergence of "Market Development Assistance" schemes run by Ministry of MSME, NSIC, KVIC and Ministry of Commerce needs to be ensured.

5.2.4 Focus On Asia

The Committee also noted that as 50% of India's exports are to Asia, MDA/MAI may focus more towards Asia. Greater pro-active support would be required from commercial sections of Indian embassies in such countries.

5.2.5 Building Brand India

IBEF's primary objective is to promote and create international awareness of the 'Made in India' label in markets overseas and to facilitate the dissemination of knowledge of Indian products and services. Against this backdrop, a fund to subsidize MSMEs' marketing operations would be a step in the right direction. An Export Development Fund may be created if necessary in association with trade councils staffed with professionals having knowledge of MSMEs in India, for selling to importers elsewhere.

5.2.6 Better Market Information

It was suggested that there is a need to create, for the benefit of MSMEs a virtual market information cell on latest development on consumer preferences, standards, regulations, etc. where MSMEs can be made aware. The Committee recommends that it may be examined for implementation by industry Councils, along with institutions like IIFT.Support for litigating barriers set up in different countries could also be considered.

5.2.7 Support for E-Commerce

It was suggested that Support for E–Commerce be provided as E-Commerce portals provide marketing support to MSME and the linked payment gateway ensures payment without any risk to exporters. The Committee recommends that all product EPCs may set up e-enabled sites for the respective product groups; and DGFT may set up a website (as a new scheme) with support from NIC. Padmanabhan Committee (RBI) also recommends support for E-commerce to reduce transaction cost and to earn better price margins.

5.2.8. Support from large corporate exporters

Large corporate exporters may be enlisted to promote some of their domestic MSME suppliers in foreign markets, perhaps as a part of their CSR activities.This could also be incentivized.

5.3 Productivity/Technology/Skill Upgradation of MSMEs

The recommendations of the Committee are as follows:

5.3.1. Labour Law Modifications

Policy intervention was suggested for overcoming major non-compliance in garment factories through two amendments in the Factories Act, 1948.

i). Overtime wages at the rate of one and one quarter times of the regular rate (Section 59)

ii). The cap of 50 hours a quarter should be removed (Section 64).

The Committee recommends that adjustments should be made and MoLE should expeditiously examine this issue, especially regarding the restriction of the overtime cap of 50 hours a quarter. The Central Act provides for 50 to 150 hours overtime. Karnataka has perhaps sent such an Amendment to MoLE. Higher working hours greater than 8 hours to be allowed (with 5 working days).Women may be allowed to work at night with safety mechanism in place. Karnataka has perhaps also recommended to tweak Minimum Wage – with lower wage prescribed for Backward Areas. The Committee recommends that this may be implemented expeditiously.

5.3.2 Enhancement Of CLCSS

Credit Linked Capital Subsidy Scheme (CLCSS) provides upfront capital subsidy on institutional finance for technology upgradation to SSI units, including tiny, khadi, village and coir industrial units. Considering the special need for enhancing productivity/technological upgradation of MSMEs, the Committee recommends that the Credit Linked Capital Subsidy limit, currently Rs.1 crore, may be allowed to be increased to Rs. 5 crore, and that Subsidy may also be treated as Margin money. The Committee noted that the CLCSS of MSME is presently only for machinery, and subsidy is 15%.The Committee recommends that the subsidy level may be enhanced to 25%, and also recommends inclusion of support for infrastructure and CETPs.Alternatively, while keeping the capital subsidy level at 15%, an additional component of interest subvention (on the lines of TUFS for textiles) could be implemented for the Engineering, Chemicals & plastic goods sectors. Procedural issues regarding the CLCSS also need streamlining. The Committee accordingly recommends increase in budgetary provision for the CLCSS.For sustained financing support of the scheme, Govt. may consider levy of a cess of 0.1% on the production by all engineering, chemicals and plastic units.

5.3.3 Design Support

Design support and exposure to MSMEs is essential for better product development. The Committee recommends that this may be considered, and associations of MSMEs may be made Implementing Agencies, and the Existing scheme of MSME be modified to provide both hard intervention (infrastructure/common facility centre) and soft support (training/DPR preparation).

5.3.4 Research/Resource Centres

It was suggested to allocate funds for setting up innovative research/resource centre. The Committee noting that the value addition in knitted export is high, recommends setting up of Centers at Tirupur, Kolkata and Ludhiana.In view of Training/Skill Development being a significant component of the Resource Centers, the Centers could be considered a part of Integrated Skill Development Scheme (ISDS).

5.3.5 Process/ Product Development Centres

For quality product development, Process cum Product Development Centre should be established in every cluster with technical staff for testing the products and to assist in development of the products. The Committee recommends that Associations may provide the list of Product Clusters where a Process cum Product Development Centre is required. Matter needs to be examined for approval thereafter by MSME/DOC.

5.3.6. Tool Rooms

Towards enhancing skill level of workers of MSME sectors, setting up of 100 Tool rooms/Technology Development Centre is recommended

5.3.7. Common Facilities Centres

It was suggested that 'clusters' may be provided with Common Facility Centres for quality testing, effluent treatment etc. The Committee recommends to incorporate this in the relevant schemes, like the cluster scheme for Electronics.

5.3.8 Compilation Of Skill Development Schemes

There is a need to dovetail the various HRD schemes of DIPP, Ministry of HRD, MoLE, Ministry of MSME and also State Governments, so that the maximum utilization of funds for the MSMEs could be ensured. The Committee recommends that Associations should compile details of all Skill Development Schemes/Programmes of GOI, and help the MSME exporters to get maximum benefit out of these schemes.

5.3.9. Linkages With Technical Institutions

To support technological innovation and design, technical institutions such as IIT or NIT may 'adopt' export oriented MSME clusters. Preferably, 'design clinics' may be set up for MSME clusters. The Committee recommends that linkages of each cluster with different technical institutions, including CSIR labs, must be ensured.

5.3.10 Technology Acquisition Scheme

It was suggested that the Ministry of MSME, through its arm NSIC, can consider looking at providing a platform for technological alliance for SSIs with Global Companies. A Technology acquisition scheme to provide assistance in both, development of indigenous R&D products as well as procurement of global technology, could be considered.

5.3.11 Enhance Innovation

Innovation helps in continuous improvement of product quality. To enhance innovation at low cost, a list of dead patents may be provided to SMEs. In this regard, the Committee recommends that:

a. Indian Patent Office may do so, for local patents,

b. The Associations may inform of problems in access from foreign patent office, if any

c. Possibility to use commercial offices in Indian Embassies be examined and implemented.

5.4. Duties/Indirect Taxes/Incentives Related Issues

There is a need to have a supportive duty and incentive structure for the MSME sector, so that the manufactured product is at a competitive price at the international level. Products of MSMEs need more incentives as MSMEs have a limited resource base. While the Committee recognizes the fact that incentives can be only short term stop gap arrangements, nevertheless, the Committee also recognizes that the MSME units need more hand-holding and better risk mitigation. In view of this, the Committee recommends the following:

5.4.1. Differential Tax Regime

Tax deductions for export turnover/ profit were a big incentive for boosting exports (instead of focusing on domestic market). But with the movement towards Direct Taxes Code, profit related deductions are being phased out. To provide more incentive for exports and keeping in view the acute situation of India's CAD, the Committee recommends for consideration that export turnover/ profit deduction for MSMEs may be introduced for a limited fixed period of 5 years viz. 2014-15 till 2018-19.Alternatively, the Committee recommends a differential tax regime (for 5 years), for MSME exports (with exports profit being taxed at a lower rate of 5 to 10%). Further, for marketing expenditure related to development of export market & sales (excluding export sales commission), the Committee recommends 200% deduction in respect of MSME exporters.

5.4.2. Double Weightage for MSMEs

Double weightage for MSMEs, along with other weightages for grant of recognition as Status Holders, was suggested The Committee received representation that higher rate of export concession/incentive should be given to MSMEs exporters compared to concession/incentive given to large industries.

5.4.3 Removal of export incentives for large companies

Export incentives for large exporting units may be phased out and focused incentives provided for the MSME sector. The Committee recommends that the matter be considered by DGFT

5.4.4. Additional Incentive for High tech

It was suggested that Investment in High Tech Exports Units should be made and policy measures may be taken to encourage entrepreneurs to move in this direction. The Committee recommends that additional export incentives for export of High Tech items need to be provided by Department of Commerce.

5.4.5 Reasonable Freight rates

The Committee received representation that because CONCOR (Container Corporation) is having a monopoly, freight rates for export cargo were extremely high. The Committee recommends that while freight rates need to be commercially reasonable, differential rates for MSME export products could be considered. The proposed Rail Tariff Authority would also be helpful in this regard.

5.4.6 High Cost of ECGC Cover

At present, ECGC reportedly requires banks to take insurance for the entire export advance book while issuing whole turnover policy. The payment of premium for covering the entire export advance book may work out to be an expensive proposition for banks, as the margins are thin in corporate deals. The Committee recommends that ECGC may consider introducing a new scheme for MSMEs permitting banks to cover segment/sector specific portfolios. The Committee also received representation for introduction of a separate ECGC policy, with more friendly procedures to be implemented for Small & Micro Exporters (based on Export Turnover). The Committee recommends ECGC to examine this issue.

5.4.7. Specific Duty Drawback Rates

The Committee, while appreciating the need for rebatement of all taxes in the export product noted that after discontinuation of Duty Entitlement Pass Book (DEPB), there were various export products for which specific Duty Drawback rates were not fixed. The Committee recommends that a list of items without a Duty Drawback Rate may be provided by the export associations along with cost and other data, so that CBEC/Duty Drawback Committee may take further action to ensure fixation of separate Duty Drawback rates.

5.4.8. Inverted Duty Structure

The Committee received representation that the Custom duty on raw materials used in a product should be lower than the import duty charged on the finished products e.g. Felt used on lawn tennis balls, copper and zinc in brass rods etc. The Committee recommends that different Associations should give a list of items with no dual use – but with inverted duty structure. CBEC to examine the matter thereafter, for appropriate rectification. Information on the relative value added would also be required in order to rectify the disadvantages.

5.4.9. Advance Authorization

The Committee noted that Domestic suppliers who are having invalidation of advance authorization cannot get the benefit of supplies made before applying for advance authorization. The Committee recommends that this issue, being a procedural one, be examined by DGFT.

5.4.10. Expeditious Rebates/ Refunds

In order to expedite the process of rebates and refund for MSME exporters, the Committee received various suggestions like:

a. The rebate claims be filed electronically;
b. The hard copies of documents such as shipping bills, ARE – I duly signed by customs etc. may be submitted manually;
c. If possible the CENVAT rebate claims may be paid electronically;
d. If possible the time period for refund of the CENVAT claim may also be reduced to within one month.

The Committee recommends that these issues may be examined and resolved by CBEC/DGFT.

5.4.11. Quick Payment of Drawback

For payment of drawback, scrolls are sent to the authorized bank. After the receipt of scroll, some banks take up to 15 days to make the payment vouchers manually. There is no fixed time for taking out the scroll. It was suggested that the customs department should transfer the drawback amount electronically to the exporters' account as every exporter's bank A/c number is recorded in the EDI system. The Committee recommends this matter for follow up with defaulting banks

5.4.12. Refund Of Excise Duties

It was suggested that refund of Excise Duty against physical export under Rule 18 of central excise may be done on lines similar to Draw Back refund. It was also suggested to dematerialize the duty scrips under chapter 3. The Committee recommends that the same may be examined by CBEC, for implementation in a time bound manner.

5.4.13. Refund Of VAT

The Committee noted that there are many cases of VAT refund pending for more than one month, especially in UP, Haryana and Delhi. The Committee recommends that there should be a provision of a maximum period of one month for refund of VAT beyond which interest may be payable to the exporters; and that the DoC should take up the matter with the respective State Governments. The Committee also recommended that implementation of GST should be expedited, to provide a stable policy framework.

5.4.14. Service Tax On Inward Remittances

The Committee noted that Service Tax is levied on conversion to Rupees on inward remittances of export proceeds. The Committee recommends non-levy of service tax on such conversion of export proceeds.

5.4.15. Status Holder Incentive Scheme

The MSMEs Exports would benefit if the Status Holder Incentive Scheme could be extended until 2019, which has been withdrawn from the year 2013-14; and also for allowing transfer of scrips to third parties. The Committee recommends DGFT and DoR to reexamine the matter.

5.5 Infrastructure

Good infrastructure facilities ensure the proper delivery and safety of the exported product alongwith savings in time and cost. The major recommendations of the Committee on infrastructure facilities for MSMEs are as follows:

5.5.1. 24*7 Facilities

There is a need to allow export consignments under Duty Drawback/FTP incentive schemes, on a 24*7 basis, so as to ensure faster delivery of export product. The Committee noted that export of Duty Drawback consignments has been allowed 24*7 for Bangalore, Chennai, Delhi, and Mumbai Air Cargo

Complexes. The Committee recommends this facility to be extended to other major ports in a specified time bound manner by CBEC.

5.5.2. Port Congestion

The congestion in ports may hamper the export efforts of MSMEs.The Committee recommends that DGFT/CBEC may look into the matter, and take similar measures including electronic payments, so that port congestion does not impede the export efforts of MSMEs.

5.5.3. No Detention of Export Consignments

According to FTP provisions, no export consignment shall be detained at ports. The Committee recommends that CBEC should issue Circular again (earlier circular in 2011), so that Export Consignments are not stopped at the port. Specific instances could be brought to the notice of CBEC for remedial measures.

5.5.4. Uninterrupted Power Supply

It was suggested that uninterrupted power supply to the export-oriented MSME clusters/ industrial parks may be ensured, as it would increase working hours and labour productivity and therefore exportable surplus. The Committee recommends that the possibility of providing independent feeders for power supply for such clusters be examined, in consultation with the State Govts., so that uninterrupted power supply could be ensured.

5.5.5. MSME Clusters Near Highway/Rail Corridors

Locating MSME clusters close to the National Highway or railway corridors was suggested so as to ensure facilitation for boosting exports. Keeping in view the increasing difficulties in land acquisition, the Committee recommends that MSME export clusters may be so identified, and State Governments may be encouraged to acquire land near Highways and Railways corridors.

5.5.6. Enhancement of ASIDE Scheme

The funds available under the ASIDE scheme for development of export related infrastructure are quite limited. In view of the significant gaps in infrastructure, increased funding for ASIDE along with a prioritized list of projects needs to be ensured.

5.6 Institutional Framework

The institutional framework to support MSMEs is essential for their all-round development and contribution to the exports of the country. The Committee recommends the following for strengthening the institutional framework for MSMEs:

5.6.1 Focus On MSMEs

The Committee recommends that an institutional mechanism to hear MSMEs may be constituted which may include the following:

a. An Inter-ministerial grievance redressal mechanism to address the policy related issues of exporters related to DGFT and the Central Ministries.
b. The Board of Trade to discuss export strategy, continuously monitor progress of execution and suggest course correction, with a focus on MSMEs.
c. The Committee received a suggestion for constitution of a Standing Committee of Secretaries to sort out policies and implementation related issues of exports by MSMEs. The Committee recommends that the said committee may be constituted and institutionalized in the Cabinet Secretariat.

5.6.2. Facilitation Support

MSMEs face the problem of unpaid invoicing in exports. It was suggested that a facilitation council should be set up to take up the matter on their behalf at a subsidized cost. The Committee recommends that the Indian Embassies (commercial sections) must also be directed to assist in this regard.

5.6.3. Zonal Coordination and Revival of REIAC

The Committee noted that Transactional issues may result in delay of export consignments sometimes if there is lack of co-ordination between Customs & DGFT. The Committee recommends that there is a need to strengthen the existing mechanism and co-ordination between Customs & DGFT. Zonal DGFTs and the respective Commissioner of Customs should regularly convene meetings to resolve issues, particularly of MSME exporters. Regional Export Import Advisory Committees (REIAC) may help the MSMEs exporters in suggesting measures relating to customs clearance, shipping, credit insurance and export inspection. The Committee received representations that these REIAC may be revived and an institutional arrangement should be made for dialog with MSME exporters.

5.6.4 Role of Associations

The awareness among MSMEs of the different schemes seems to be limited The Committee recommends that in order to guide MSMEs, the export Associations need to be more pro-active and these Associations must regularly update/inform the MSMEs regarding the export related schemes, procedures and facilities of the Government.

5.7 Sector Specific Issues

The Committee consulted the industry associations of the specific sectors having high export potential. The recommendations of the Committee on some important sectors are as follows:

5.7.1 Chemicals

a. One of the main raw materials for pigment industry is urea and potash which is only sold to farmers at subsidized rates. It was suggested that urea & potash be given at non-subsidized rates to the actual manufacturer of pigments. The Committee recommends that DGFT resolve this matter in consultation with Department of Fertilizers – (imports directly by the industry could be examined).

b. Fatty Alcohols manufacturers have invested huge amounts in Europe to distribute all grades of Fatty Alcohol. However, Europe has levied anti-dumping duties on this product, causing an adverse impact of over 7% higher costs. Such high and unfair duties are affecting the exports of Fatty Alcohols from India. Committee recommends that mechanism be institutionalized to examine whether anti dumping duties or other non-tariff barriers are being used by any particular country, so that the issues could be taken up at a Governmental level for resolution.

c. Environmental ban has been put up in Chemical industrial areas such as Ankleshwar, Vatva and Lote Parshuram where expansion of the existing capacity is not allowed. Moreover, there are stringent product specific norms.An example was given regarding the Lote Parshuram Industrial Area which applied under the ASIDE scheme for expansion of the common ETP; however, no action has been taken. This has resulted in its exports declining from about Rs. 1700 crore to Rs. 600 crore. The Committee recommends:
   i. To provide assistance under ASIDE scheme for upgrading CETPs
   ii. DOC may expeditiously follow up for approval regarding CETP proposal for Lote Parshuram, and
   iii. D/o Chemicals & Pharmaceuticals proposes to levy a cess of 0.1% on Chemical Production for creating a corpus fund for TUFS for Chemicals.This proposal (as also discussed in para 4.3.1) may be expeditiously taken forward.

d. The Committee received representation that to safeguard manufacturers of Oleo Chemical Industry, it is essential to correct the inverted duty structure. The Committee recommends this may be examined by CBEC.Data on value addition at various stages needs to be provided

5.7.2. Handicrafts

a. In spite of support for handicrafts, exports from this sector are declining. Development Commissioner (H) needs to examine the problems faced by handicraft clusters like brassware, wood products, stone work etc**.** It was suggested that thrust should be given to the MSME sectors which have natural advantage, (like Handicrafts). The Committee recommends that traditional crafts need to be supported for exports and required budgetary support may be provided.

b. There is need for a vigorous cluster development process to improve the competitiveness of traditional products.

c. It was suggested that there is a need to enlarge the list of duty free import provisions of embellishment, trimmings and tools to the handicraft sector.DGFT may provide a list to CBEC for examination.

d. It was suggested that there is a need for the creation of ICDs for carpet producing areas as containerized, custom-cleared transportation from the manufactures' premises or a centralized location near the manufacturing areas to the port of shipment is most critical.Existing ICDs are also located outside the main manufacturing areas e.g. Varanasi ICD.The Committee recommenda that CBEC may examine the issue.

e. The committee received representation that Automated Scrap Monitoring System (ASM) may be installed at ICD Moradabad for scanning Radio Active Contamination (Cobalt 60) in metal handicrafts. Ministry of Shipping is also likely to install Radiation Portals/Radiation Monitors at major seaports in the year 2013.For airports, Bureau of Civil Aviation is mandated to install such Radiation Portals/Radiation Monitors.Committee recommends that scheme be implemented early.

5.7.3. Leather

a. Increased assistance at 50% on the investment made in plant and machinery subject to ceiling of Rs. 2 crores under the Integrated Development of Leather Scheme (IDLS) (as against the current limit of 30% for SSI and 20% for non-SSI and 20% for all units for assistance above Rs.50 lakhs) was suggested. The Committee notes that funding is not a problem under the scheme, and recommends that the scheme guidelines may be made similar to schemes of M/o MSME / M/o Textiles, in respect of MSME exporters.

b. It was suggested that 100% assistance may be considered under MAI scheme for organizing visit of leather sourcing delegations. The committee recommends that MAI support needs to be expanded.

c. It was suggested that Kanpur, Jalandhar & other ICDs be included as designated ports for importing raw hides & skins, along with posting of Veterinary inspector to enable these places for AQCS. The Committee recommends that the matter may be expeditiously resolved by DGFT, CBEC and Deptt. of AHD&F.

d. Relaxation in import procedure of hides, skins and leathers was suggested for reduction in transaction cost. The Current position is: i) Raw & Pickled Hides and Skins can be imported into India against submission of Veterinary Certificate of the supplying country as per the format notified by DAHD&F and upon obtaining NOC from AQCS in India. ii) Semi-processed and finished leathers can be imported into India against submission of Veterinary Certificate of the supplying country as per their own format and upon obtaining NOC from AQCS in India. The Committee recommends that DGFT may resolve the matter in conjunction with DAHD&F.

e. The association requested that frequency of train services should be increased, between Agra and Mumbai & Kanpur and Mumbai. This needs to be examined by Min. of Railways & Concor.

5.7.4. Textiles

a. Suggestions were received regarding increasing overtime hours allowed and women to be allowed to work at night with suitable safety measures atleast in the textile industry.The Committee supports the suggestion.

b. It was suggested to calibrate exports of Cotton Yarn. It was also suggested that Import duty on cotton yarn be reduced from 12% and that export incentive for export of cotton yarn be removed. The Committee recommends that there should be no export incentive for export of either cotton or cotton yarn.

c. It was suggested to incorporate separate entries in the Drawback schedule for cotton Woven/Knitted with Elastomer (Spandex/Lycra) special finish and suitably modify value caps. The Committee recommends that the matter may be resolved by CBEC/DOR.

d. It was suggested that in order to avoid unintended exclusions Fabrics items may be covered at the four digit HS level and Made ups items at the two digit HS level. The Committee recommends that the matter may be examined by CBEC.

e. To reduce transportation cost for raw materials, it was suggested to suspend Cabotage Rules for transporting Cotton from Gujarat & Maharashtra to Tamil Nadu for a period of six months every year (for say 3 to 5 years) i.e. from Oct to March, so that foreign vessels can carry coastal cargo, until infrastructure facilities are streamlined in the country. The Committee recommends that Ministry of Shipping may examine this matter.

f. It was suggested to issue duty credit scrip on import of specialty fabrics at the rate of 5%, so as to enlarge garment export by using fabrics which are not widely available in India. The committee recommends lowering of the import duties on fabrics not significantly manufactured in India.CBEC may examine the proposal on receipt of details.

g. It was suggested that Govt. should notify that Textiles Committee's opinion on classification regarding garments shall be binding on Customs. The Committee recommends that CBEC may give due consideration to the opinion of the Textile Committee while finalizing the classification.

5.7.5. Plastics

a. There is an urgent need to increase the export of value added plastic items and increase its share in the total plastic exports. A major constraint in achieving this goal is the low production volume of plastic processing industry. Therefore, it was suggested that Technology Upgradation Fund is essential for Plastic Processing Sector. The Committee recommends that this issue may be considered. D/o Chemicals to examine and formulate TUFS for plastic processing sector, on similar lines as proposed for Chemicals.

b. Plastic Processing Parks, having facilities for design and prototyping of plastic items, mould & die design centers, tool rooms etc., was suggested to be set up.

Action on setting up of 4 PCPIRs should be expedited. The Committee recommends that D/o Chemicals should closely monitor and expedite progress of the PCPIR projects. For Common Facility/Design Center, scheme of D/o MSME may also be tapped.

5.7.6 Agricultural & Food Processing Products

a. It was suggested that direct purchases from the farmers should be allowed to reduce the transaction costs. There is a problem in procurement of raw material due to restrictive provisions in APMC Acts. Market reforms carried out by the States vary from State to State. Some degree of uniformity in terms of the provision in the Model Act is needed for ensuring smooth supply of raw materials The Committee recommends that State APMC Acts need to be modified, so as to enable direct purchase by exporters from the farmers, of at least horticulture/ vegetable items.

b. In Food Processing, Quality Certification is a major issue where costs are very high. The Committee recommends that the facilities for Quality Certification may be expeditiously expanded.

c. Most of the processed food products were brought under levy of excise duties from March, 2011. Thus, processed food products, except fruits, vegetables and milk products, attract excise duty of 2% without CENVAT facility, and of 6%-12% with CENVAT facility. It also attracts VAT ranging from 4% to 16% at state level. Further, excise duty of 6-12% is also levied on food processing equipments. For attracting investment to the sector, exemption from excise duty was suggested for all processed food products, produced by MSMEs.

d. It was suggested to develop infrastructure including setting up of post-harvest handling facilities, food testing laboratories, pack houses etc. The Committee recommends greater investment to boost post-harvest infrastructure facilities, and recommends that for such schemes Plan funds need to be enhanced. Agricultural exports have a huge potential. The biggest bottleneck for this sector is requisite infrastructure, particularly post-harvest. Plan schemes funds are inadequate, and the Committee recommends that this sector requires more Plan funds for achieving its full export potential.

5.7.7. Meat & Meat Products

a. The benefit under Vishesh Krishi Gram Udyog Yojana which was withdrawn from meat & meat products around two years back, be restored.

b. Efforts should be made for establishing equivalence of SPS measures/standards between India and other importing countries.

c. MOU has been signed with China for export of deboned and deglanded frozen buffalo meat. Similar agreements need to be pursued with other countries.

d. APEDA should facilitate and give hand holding services to the promoters of abattoirs. Similarly, Dimapur Abattoir could facilitate access to Yangon for export of meat products. There is need for convergence and formal intervention.

The Committee recommends that the issues may be examined by DOC.

5.8. Specific Market Related

There are various problems faced by MSMEs in some specific markets like EU, USA and other markets. The Committee reviewed such problems brought to its notice, which related to specific markets, and major recommendations of the Committee are as follows:

5.8.1. Transit Period For Sight Bills

Under FEDAI Transit Rules for North America and Latin America, it was suggested that the transit period for sight bills be increased to 60 days from the present level of 25 days. The Committee recommends that DFS/RBI may examine the issue. Padmanabhan Committee (RBI) also recommends for enhancement of the transit period for sight bills for long distance market.

5.8.2 Focus Market Scheme Expansion

Focus Market Scheme helps the exporter to offset high freight cost and other externalities to make Indian exports competitive internationally in select countries. The Committee received representation that EU and USA may be brought under FMS for those engineering products which are exported predominantly by MSME such as articles of iron and steel; hand tools; machine tools; auto parts; medical devices etc. The Committee recommends that focused export incentives for products from MSMEs be examined by DGFT.

5.8.3 Export Of Agrochemicals

The countries where India has very good export potential like UAE, Syria, and Lebanon do not allow import of Indian agrochemicals unless they are registered in USA. The Committee recommends that the matter may be taken up by DOC bilaterally with the said countries.

5.8.4. Remittances From Third Countries

Timely and proper remittance of payments is an important part of the trade cycle. The Committee received representation that there are problems in remittances in dollars from countries like Sudan. The customers are prepared to remit payments from other countries, but RBI insists on payment from the bank account of that particular party. Certain export orders have been lost in the past due to this particular reason. The Committee recommends that this be examined by RBI for resolution. DGFT/CBEC could ensure that landing certificates are supplied from destination country like Sudan.

5.8.5. Export Promotion In East Europe

The committee received representation that assistance may be provided for export promotion under the MDA Scheme for East Europe. The Committee recommends that DOC may examine the issue.

5.8.6. Review of FTAs

Metal packaging is exported from India to Sri Lanka but they are not covered in the FTA. It was suggested that there is a need to look into the inclusion of the tariff item in the Sri Lanka FTA.Similarly duty concessions extended for tractors when imported from Japan was mentioned to be affecting the interest of local tractor manufacturer The Committee recommends that this issue should be examined by DOC

5.9 General Recommendations

In additions to specific problems faced by MSMEs, there are some general issues faced by MSMEs in India. These issues are not sector specific or site-specific but are general in nature. The Committee reviewed such issues and recommendations of the Committee are as follows:-

5.9.1. Redefinition Of MSME

There were representations by most MSME exporters that the MSME Investment Limit under MSMED Act, 2006, may be revised. The Committee notes that this issue has been partially addressed in the 2013 Budget announcement which mentions that non tax benefits of MSME would continue to be available for 3 years after the units graduating to a higher level,. However, keeping in view the definitions for MSMEs in other countries, and the inflation in India in last few years, this Committee feels that the levels of capital investment for defining MSMEs are too low. The Committee accordingly recommends enhancement of the capital investment criteria by atleast 50% for MSMEs.This is essential to ensure price competitiveness through some economies of scale, as well as to ensure 'export surplus'.

5.9.2. Incorporation of Employee Number In MSME Definition

Many countries incorporate employee numbers in their definition of MSMEs.The Committee also received representation to incorporate this aspect into the definition of MSME.The Committee recommends that like other countries including Bangladesh, the possibility of incorporating employee numbers for the purpose of definition of MSMEs, may also be examined.

5.9.3. Promoting MSME Exports in Defence Sector

The threshold for offset policy of Defence for procurement should be reduced to Rs.75 crore. The tenure of banked offset clause which has been recently introduced needs to be increased to around 5 years. The Committee recommends that offset is a powerful tool to support high tech items related to the defence sector. Offset Policy is not being fully utilized to involve the MSME pvt. sector for such export of high tech items from India. The Committee recommends that MoD must re-examine in detail the procedure outlined in the offset policy, so that it can be leveraged to boost the capability and exports of high tech. items from MSMEs, particularly in the engineering and electronics product groups.

5.10 <u>Concluding Remarks</u>

The Committee was conscious of the fact that a number of the recommendations would increase the budgetary expenditure/reduce tax revenue and consequently add to the strain on fiscal deficit. However the Committee felt that the most critical issue facing the Indian economy today is CAD, and that there is no sustainable medium/long term option for the country but to boost exports. Accordingly, while recommending taxation/fiscal incentives, the Committee has suggested that the benefit may be limited to a period of 5 years. Where increase in budget outlays have been suggested for some Plan schemes supporting MSME's exports, the Committee also felt that there may be a need to curtail consumption expenditure in other schemes, so as to ensure that India remains on the path of fiscal consolidation.

Annexure I

STRATEGIC DEVELOPMENT OF MSMEs: Comparison of Policy Framework and Institutional Support Systems in Select Countries

BANGLADESH

Financial Incentives

a. The export earnings of the MSMEs are exempted from income tax and tax rebates between 30% to 100% are given on export earnings. In the budget of FY2004-2005, a 30 per cent cash incentive scheme was introduced for exporters of agro-products and agro-processed goods.
b. Full tax relief is granted to 100% export-oriented MSMEs. They are also exempted from local taxes.
c. SMEs credit disbursement by financial institutions grew rapidly over the period 2003-2008. The situation accelerated in 2008-09. Total MSMEs loans increased by Tk.13441.85 crore.
d. The BASIC Bank Limited was established with the primary objective of financing Small and Cottage industries. The MOA of BASIC stipulates that at least 50% of its loan able funds should be invested in small scale industries. Lower interest rates are charged on loans given to finance MSMEs.
e. Considering the importance of MSMEs financing cell has been created in 2003 in the Ministry of Industries. It has been announced by the cell that 80% of the total resources would be allocated for the development of small enterprises. It was also decided in the cell that the BASIC and BRAC bank will work together as lead banks and will be responsible for distribution of short run credit and venture capital.
f. To overcome the financial constraints of the SME sector and to induce banks and Financial Institutions to provide credit facilities to SMEs, Bangladesh Bank introduced a refinancing scheme for SMEs in 2004 using three sources of funds: Tk.100 million of Bangladesh Bank's own fund, US $20 million from IDA under the Enterprise Growth and Bank Modernization Project; and US $30 million from ADB. Up to April, 2012, an amount of Tk. 2,330.14 crore has been refinanced under the SME refinancing scheme of Bangladesh Bank.
g. The initial target for all banks and financial institutions was Tk240bn (US$3bn) in SME loans for 2010. This was achieved and the target for calendar year 2012 is nearly two and half times the same amount at Tk590bn.
h. The government has lowered the import duty on machinery. Businesses exporting 80% or more of goods and services qualify for duty free import of machinery and spares. Facility of 90% loans against letters of credit is allowed. In 2009 it was decided MSMES would get complete VAT exemption on utilities.

Institutional and Policy support

a. National Taskforce on MSME Development was constituted by the Government to draw up a realistic strategy for promoting competitiveness among MSMEs.
b. Cluster development is seen as a way of addressing the problems faced by the MSME export sector. In the national MSME policy of Bangladesh, Cluster development was defined as a priority area.

c. Around 64 MSME helpline centers have been set up at the district level and another 7 in different trade bodies. All MSME entrepreneurs are receiving required information and training from these centers.
d. Upto March 2012, 9699 plots have been allotted to different industrial units. In FY 2010-11, goods worth Tk. 29,027 crore were manufactured in these industrial units, out of which goods worth Tk. 16,659 crore were export commodities.
e. Industrial policy 2010 and SME policy strategies 2005 provide policy directions with regard to industrialization particularly in case of MSMEs. The Sixth Five Year Plan (2011-2015) and Ten Year Perspective Plan (2011-2021) have sketched the long term targets related to export and import during 2011-2021.

VIETNAM

Financial Incentives

a. There are now special provisions in Vietnam's Trade and Taxation regimes that allow export oriented enterprises to import duty free intermediate goods from abroad and to enjoy preferential tax rates.
b. To resolve financial constraints, Credit Guarantee Fund was set up by the Government to enable MSMEs to borrow with favorable conditions.
c. In 2002, the Ministry of Finance issued a circular guiding expenditure for supporting trade and export promotion activities of MSMEs, which grants enterprises more authority in financing their trade and export promotion costs and for expanding business activities.
d. The International Finance Corporation (IFC) has granted a US$10mn loan to Vietnam's Orient Commercial Joint Stock Bank to increase US dollar financing for small exporters. This is the IFC's second loan in support of small Vietnamese exporters under its Vietnam small and medium enterprises (MSME) liquidity Facility programme.

Institutional and Policy support

a. In Vietnam, Agency for MSME Development (ASMED) is the central government agency which coordinates policy formulation and its implementation for the MSMEs development.
b. There is a Technical Assistance Center for MSME to provide guidance on technologies and techniques.
c. In addition, 3 government policies recently have reduced some restrictions on MSMEs.
   i) Firms are allowed to export directly.
   ii) Requirements to import through state enterprises, to satisfy stipulated conditions of capital and qualified personnel needed for being registered as an importer, have been removed.
   iii) Foreign investors are now allowed to own thirty percent of shares in existing domestic enterprises, permitting private firms to seek foreign partners
d. There is a BDS (Business Development Services) market to support MSMEs. This aims at improving the effectiveness and transparency of the existing markets.

e. One of the milestones was enforcement of the Law of Enterprises in 2000, which stipulates supporting measures for MSME development.
f. Aiming at improving MSME competitiveness, the government has been trying to provide MSMEs and other business sectors with increasing support through support institutions that offer market information and credit incentives.
g. The two-week regional training program on MSME Cluster Development and Export Consortia which was organized by the Mekong Institute, in collaboration with New Zealand Aid Programme (NZAID) was successfully completed on May 25, 2012.The training offered participants to actively participate through plenary discussions, course activities, group work and presentation.

JAPAN

a. In order to support business innovation and new business development arising from internationalization of SMEs, Government of Japan, through various institutions, provides strategic information and advisory services (entry into foreign markets, tie-ups, and trade related information with foreign enterprises) that help the SMEs in their internationalization efforts.
b. A special 'Law on Supporting Business Innovation by Small and Medium Enterprises' has been enacted which is intended to promote creative development of SMEs.
c. To support the plans of SMEs to venture into new areas of activity, research and development, and commercialization, Government of Japan is also taking proactive steps to provide grant support, low-interest loans, and special tax concessions for eligible SMEs that conduct business in accordance with a business plan for research and development which has been approved by the Prefectural Governor under the Temporary Law concerning Measures for the Promotion of the Creative Activities of Small and Medium Enterprises.

SOUTH KOREA

a. SME Technology Innovation Program- The programme part provides funds to SMEs for technology development, and has been designed to receive 30% of the contribution by the Government as technology fees, over five years, when the product development task becomes successful. Overall, the objective of the programme is to create virtuous circle, so that the Government could use the repayments received, for furthering the technological progress of SMEs or for establishing the infrastructure.
b. The Government of Korea has also established promotional funds for technological upgradation, including SMEs, involving academia and research organizations. The Information Promotion Fund (IPF) supports ICT related projects and start-ups; the Science and Technology Fund (STF) is aimed at establishment of technology intensive start-ups; the Korea Small Business Innovation Research Programme (KOSBIR), encourages public institutes to devote a considerable share (5%) of their investment in technology development to SMEs.
c. The SME Credit Guarantee Scheme provides guarantees for bank loans through the Korea Credit Guarantee Fund and Korea Technology Credit

Guarantee Fund. The primary objective behind establishment of such funds was to provide credit guarantee services to SMEs that lack tangible collateral. The Korean Credit Guarantee Fund has been designed as an extensive risk management system to counter potential risks leading towards a higher default probability.

MALAYSIA

a. In order to increase acceptance of SME products and services, the National Mark quality certification will be further promoted during the Tenth Plan period. In order to support innovation, 1-InnoCERT will be introduced to certify SMEs on the basis of innovation and commercialization achievement. SMEs that receive 1-InnoCERT certification will receive benefits such as tax deduction for R&D activities and priority in government procurement.
b. Procurement will be used to create demand for innovation and push SMEs to develop products in areas that are of benefit to the nation and have larger commercial potential.
c. SME International, Malaysia, is specially established to assist the Malaysian SMEs to connect with other SMEs worldwide; providing useful platform for them to overcome the challenges of globalization and trade liberalization in their quest in breaking the boundaries.
d. SME Corp. will implement Skills Upgrading Programmes aimed at enhancing the skills and capabilities of workers of SMEs. Under this programme, SME Corp. will finance 80% of the training cost paid by employers to train their employees in accredited training centres.
e. Bank Negara Malaysia has also launched a RM 200 million Micro Enterprise Fund to increase access to micro financing for micro enterprises with viable businesses.
f. Government has proposed to strengthen risk capital industry to increase access to funding for innovative start-ups.

CHINA

a. China has instituted the 'Spark Programme', which is a kind of a national plan encouraging the technology innovation in the 'villages and towns' enterprise. This programme is being in place since 1986, promoting the technology innovation capacity in 'villages and towns' enterprises.
b. The Government has established over 1200 productivity promotion centers, which provide diverse range of technological services for over 100,000 SMEs every year.
c. The Chinese Government enacted the SME Promotion Act, in 2002, emphasizing fair treatment and level playing field for SMEs. The Law ensured greater access to finance and encouragement to venture capital investments in SMEs.
d. Recognizing the limited financial opportunities available to SMEs, the Chinese Government has created a network of credit guarantee agencies. It is reported that the credit guarantee system includes a framework of 'onebody, two wings, four levels'. According to this model, the prefectural credit guarantee institutions give guarantee in their regions. The provincial credit guarantee

institutions grant reguarantee for those credit guarantee institutions at lower levels, and supervise them along with People's Bank of China. They can also grant guarantee directly. National credit guarantee institutions have been established as guarantors of last resort and grant re-guarantee to the credit guarantee institutions at lower levels.

e. SME International Market Development Fund has been established under SME Promotion Act drawing resources from central and provincial budgets. The fund partly supports the market development activities of SMEs.

SINGAPORE

a. To improve access to financing for SMEs, the Government has established various schemes such as the 2005 SME Access Loan, a securitized loan scheme that had generated loans for around 400 SMEs. Apart from lowering corporate income tax rate to 18% from Year of Assessment 2008, the Singapore Government had increased the partial tax exemption threshold for companies from S$100,000 to S$300,000 while startups can continue to enjoy full tax exemption on the first S$100,000 of their chargeable income in the first 3 years of operation.
b. The Government will commit S$ 850 million as part of the Enterprise Development Fund (EDF) over the next five years, to be administered by SPRING (Governmental agency dedicated to the promotion of Singapore's economic growth and productivity) Singapore and International Enterprise (IE) Singapore.

THAILAND

a. Industrial Technology Assistance Program (iTAP) is an industrial technology support program for SMEs to help them meet the challenges in introducing technology based products and processes. iTAP include: Industrial Consultancy Services, Technical Training and Seminars, Techno-Business Matching, Technology Acquisition, Provision of Industrial and Technology Information, Linkage to other Industrial Service Organizations.
b. SME Promotion Plan 2007-2011 contained numerous support measures for product quality improvement; establishing business incubator centers in regional and local areas; support for participation in trade fairs; setting up of exhibition centers for SME products throughout the country; improving logistics or distribution channels and creation of industrial clustering and networks.
c. Under the New Entrepreneurs Creation, NEC program, the SME Bank provides business counseling and training to resolve the challenges associated with running a business and development of businesses.
d. The Government established the Market for Alternative Investment (MAI) to enable access to capital for smaller companies. The MAI serves as a much needed avenue to facilitate SME equity financing in Thailand.
e. The Company Directed Technology Development Program (CD) provides competitive financial support to industrial operators who want to do research and development in order to develop new products, improve manufacturing processes, set up a laboratory, conduct reverse engineering, and commercialize successful research.

f. Key SME development programme was the establishment of a Venture Capital Fund, worth Bt 5 billion, in the year 2003, aimed at creating joint ventures in SME projects. The Fund was used in conjunction with an existing SME Venture Capital Fund worth Bt 1 billion, being managed by the One Asset Management Corporation.

g. **Credit Measures**

i. Low Interest Loans through the Collaboration of the Government Savings Bank: Interest rate: 3% loan interest rate for three consecutive years Soft Loans from the Government Savings Bank
ii. Credit for SME Entrepreneurs Through Collateral Mechanism of Portfolio Guarantee Scheme of Thai Credit Guarantee Corporation (TCG)
Total Loan Guarantee Limit: 100,000 Million Baht
iii. The Bank of Thailand provides assistance to SMEs through commercial banks, foreign branches of commercial banks, and six public specific financial institutions; The Export-Import Bank of Thailand, the Bank for Agriculture and Agricultural Co-operatives, SME Bank, the Government Savings Bank, the Government Housing Bank, and the Islamic Bank of Thailand.

h. Establishment of Disaster Insurance Promotion Fund coverage and sub limit.

i. Labor Measures:-The preventing and alleviating layoffs project aims at supporting employers to be able to pay wages to their employees. However, they have to mutually agree that there will be no layoffs, and wage has to be paid at at least 75% of the previous wage. The Ministry of Labor will join with employers in paying the wage of 2,000 baht to each employee for three months.

PHILLIPINES

a) The most important piece of SME legislation, the Magna Carta for Small Enterprises, was passed in January 1991. The Magna Carta is aimed to consolidate all government programs for the promotion and development of SMEs into a unified institutional framework. The Magna Carta had three important provisions, namely: (i) creation of the Small and Medium Enterprise Development (SMED) Council to consolidate incentives available for SMEs; (ii) creation of the Small Business Guarantee and Finance Corporation (SBGFC) to address SME financing needs; and (iii) allocation of credit resources to SMEs by mandating all lending institutions to set aside 8% of their total loan portfolio to SMEs (6% for small and 2% for medium enterprises).
b) Under the Medium Term Philippine Development Plan (2004-2010), technological support was provided under The One Town-One Product (OTOP) Program. This involved the development and promotion of a product or service where a town has competitive advantage. The OTOP interventions include: provision of a comprehensive package of assistance to MSMEs and OFWs (Overseas Filipino Workers) through a convergence of services by LGUs (Local Government Units), NGAs (National Government Agencies) and private sector in product/design development, skills and entrepreneurial training, marketing assistance and introduction of appropriate technologies.

c) To triple the loans to SMEs, access to various sources of financing are being improved through the enhanced SULONG (SME Unified Lending Opportunities for National Growth) Program. SULONG is a unified lending program by Government Financial Institutions (GFIs) designed to give SMEs greater access to short and long term funds.
d) Also, under the 2004-2010 Medium Term Philippine Development Plan, the legal impediments to the establishment of an SME Credit Bureau were removed and the establishment of an SME credit rating/ scoring system was fast-tracked. The implementation and operation of the SME Capital Market have been strengthened and venture capital financing is being promoted.
e) There are many financing programs introduced by the government such as Wholesale Microfinance Program, a lending facility of Small Business Corporation to microfinance institutions (MFIs) which have the organizational capability to provide sustainable credit access to borrowers in the livelihood sector; Micro Energy Credit Program, to support reforms and priority investments to improve the quality of life in rural areas through the provision of adequate, affordable and reliable energy services, specifically the small-scale renewable energy solar home system/solar lanterns; Microfinance Program for NGOs and Cooperatives, to facilitate the access of micro-investment enterprises and the entrepreneurial poor to formal credit and banking services, that include training, market assistance, business consultancy, whenever possible, to hasten their growth and development; Microfinance Eco-Enterprise Program, to increase participation of the entrepreneurial poor and micro enterprises in the Sustainable Waste Management Sector, Coco Coir subsectors and other Eco-enterprises through microfinance.

INDONESIA

Major policies for the empowerment of Cooperatives and SMEs in Indonesia for the period of 2010-2013 are as follow:

a. Improvement of the business climate for Cooperatives and SMEs
- Structuring the legislation in the field of Cooperatives and SMEs;
- Synchronizing the legislation in national and regional level;
- Developing the policy in Micro Finance Institution (LKM) and Banking Cooperatives/ Syariah Financial Service Cooperatives(KSP/KJKS);
- Increasing the skill and quality of personnel, particularly in the region; developing and supporting study activities, such as for One Village One Product (OVOP) program to increase added value of Developed Superior Product as the result of Developed International Model in the application of technology, and the results of study and research In accordance to the need and business scale of Cooperatives and Micro Small Medium Enterprises (MSMEs);
- Developing and increasing information quality of Cooperatives and MSMEs, including the development of network system and information.

b. Improvement of access towards the productive resources
- Strengthening the capitalization for Cooperatives and MSMEs in form of credit schemes, particularly for People's Entrepreneurship Credit (KUR), and other schemes in line with the condition and needs of Cooperatives and MSMEs,

including funding after land certification; giving wider coverage, besides support and direct funding for the entrepreneurs; banking development effort; initiating effort to lower the loan interest and other advantages, particularly for micro and small credits.

- Ministry of Cooperatives and SMEs has appointed Revolving Fund Management Institution Cooperatives and MSMEs (LPDB-KUMKM), which especially give loan and other funding schemes in line with the Cooperatives and MSMEs.
- Funding for the Cooperatives and MSMEs through Ventura Capitalization Company; funding for KSP/USP Primary Cooperatives and/or KJKS/UJKS Primary Cooperatives; funding for MSMEs through KJKS and UJKS Secondary Cooperatives; and funding for SMEs through KSP and USP Secondary Cooperatives.

c. Development of product and marketing for Cooperatives and MSMEs

- Increasing the production by the improvement of added value with technology implementation;
- Strengthening the domestic market and increasing import market. The Ministry of Cooperatives and SMEs has ordered Marketing Service Institution – Cooperatives and Small Medium Enterprises (LPP-KUKM) as independence business unit, but still the work unit under the Ministry to give promotion facility for the Cooperative and SMEs products in domestic and international market. The scope of activities are promoting superior products, providing market information, and providing human resources to handle marketing function and training for the products of Cooperatives and SMEs.

d. Improvement of competitiveness of Cooperatives and SMEs

- Encouraging, developing, and helping the education, training, and socialization activity of Cooperatives;
- Socializing and culturing entrepreneurship, and;
- Establishing and developing Training and Education Institution for giving education, training, seminar, motivation and business creativity, technical and live skill, and creating new entrepreneurs.
- Implementing competency standard and certification for human resources who managing financial service Cooperatives by formulizing and developing policies;
- Improving technical skill to manage financial and managerial aspects;
- Developing Cooperatives personnel, skills and technical ability (technology transfer and product innovation/nano-technology), and improving the implementation of modern management.
- Developing the training and education institution of Cooperatives and MSMEs by formulizing and developing policies, revitalizing and nurturing the institution through partnership with local and international higher education institutions.

e. Strengthen the Cooperatives institution

- Improving the institutional quality of Cooperatives, in this case including the ranking of Cooperatives by gradually improving the institutional quality through awakening, empowering, developing, and strengthening efforts;
- Managing the administration and evaluation for Cooperatives legal body;

- People's Awareness Movement for Cooperatives (Gemas-KOP), coordinating and synchronizing policy implementation in the institution, empowering Cooperatives and MSMEs, and;
- Revitalizing the institutional function of Cooperatives.

MEXICO

a. The Ministry of Economy and the National Council for Science and Technology (CONACYT) implemented the following programs to boost technological capabilities of Mexican firms: 1) the Technological Modernization Program (Programa de Modernización Tecnológica—PMT); 2) the Science and Technology Sectoral Fund for Economic Development; 3) the High Value-Added in Businesses with Knowledge and Entrepreneurs program (Alto Valor Agregado en Negocios con Conocimiento y Empresarios—AVANCE); 4) Mixed Funds Program; 5) the Knowledge and Innovation Program (Programa de Conocimiento e Innovación— PCI); 6) the Support Research and Development in Projects Program (Programa de Apoyo a Proyectos de Investigación y Desarrollo Conjuntos—PAIDEC); and 7) the fiscal incentives program.
b. Technology based Business Accelerator program, TechBA accelerates the development of SMEs by building strong linkage with the international hub of high technologies. The Program attracts interests of talented ex-pats and also home-grown technology based entrepreneurs to establish high technology SMEs in Mexico because they can enjoy the merit of accessing technologies of advanced economies even though the SMEs base is within Mexico.
c. A Productive Chains Integration Promotion Fund (FIDECAP) has been established for financing productive projects, which support the inclusion of SMEs into the productive chains. The identified activities include: establishing industrial, commercial and services infrastructure, distribution centers, and entrepreneurship promotion. A Micro, Small and Medium Enterprises Financing Access Support Fund (FOAFI) has been established to promote financing and guarantee system for SMEs. A Consolidation of Exportable Goods Support Fund (FACOE) has been established to enhance the competitiveness of export oriented SMEs.

(Source: EXIM Bank)

Annexure II

Definitions of MSMEs in various countries:

<table>
<tr><th>S.No.</th><th>Country</th><th colspan="7">Definition of SME sector</th></tr>
<tr><td rowspan="5">1.</td><td rowspan="5">India</td><td colspan="4">Manufacturing Sector</td><td colspan="3">Services Sector</td></tr>
<tr><td>Enterprise category:</td><td colspan="3">Investment in Plant & Machinery:</td><td colspan="2">Enterprise category:</td><td>Investment in Equipments:</td></tr>
<tr><td>Micro</td><td colspan="3">< Rs25 lakh</td><td colspan="2">Micro</td><td><Rs 10 lakhs</td></tr>
<tr><td>Small</td><td colspan="3">Rs 25 lakhs to Rs 5 crores</td><td colspan="2">Small</td><td>Rs10 lakhs to Rs 2 crores</td></tr>
<tr><td>Medium</td><td colspan="3">Rs 5 crores to Rs 10 crores</td><td colspan="2">Medium</td><td>Rs 2 crores to Rs 5 crores</td></tr>
<tr><td>2.</td><td>Vietnam</td><td colspan="7">SMEs are independent production and business establishments, duly registered according to the current law provisions, each with registered capital not exceeding VND 10 billion or annual labour not exceeding 300 people.</td></tr>
<tr><td>3.</td><td>Indonesia</td><td colspan="7">Fewer than 100 employees.</td></tr>
<tr><td rowspan="5">4.</td><td rowspan="5">Philippines</td><td colspan="2">Enterprise category</td><td colspan="3">Number of Employees</td><td colspan="2">Asset Size (Phillippine peso)</td></tr>
<tr><td colspan="2">Micro</td><td colspan="3">1-9</td><td colspan="2">Upto 3,000,000</td></tr>
<tr><td colspan="2">Small</td><td colspan="3">10-99</td><td colspan="2">3,000,001 – 15,000,000</td></tr>
<tr><td colspan="2">Medium</td><td colspan="3">100-199</td><td colspan="2">15,000,001 – 100,000,000</td></tr>
<tr><td colspan="2">Large</td><td colspan="3">More than 200</td><td colspan="2">> 100,000,000</td></tr>
<tr><td>5.</td><td>Thailand</td><td colspan="7">Depends on the business sector. Different criteria based on number of employees and fixed capital size.</td></tr>
<tr><td rowspan="4">6.</td><td rowspan="4">European Union</td><td colspan="2">Enterprise category</td><td colspan="2">Headcount</td><td colspan="2">Turnover (in Euros)</td><td>Balance sheet (in Euros)</td></tr>
<tr><td colspan="2">Medium-sized</td><td colspan="2">< 250</td><td colspan="2"><= 50 million</td><td><= 43 million</td></tr>
<tr><td colspan="2">Small</td><td colspan="2">< 50</td><td colspan="2"><= 10 million</td><td><= 10 million</td></tr>
<tr><td colspan="2">Micro</td><td colspan="2">< 10</td><td colspan="2"><= 2 million</td><td><= 2 million</td></tr>
<tr><td rowspan="6">7.</td><td rowspan="6">Bangladesh</td><td>Criteria</td><td colspan="3">Fixed Asset excluding land and Building (million BDT)</td><td colspan="3">No. of Manpower employed</td></tr>
<tr><td>Size</td><td>Manufac turing</td><td>Service</td><td>Trade</td><td>Manu-facturing</td><td>Service</td><td>Trade</td></tr>
<tr><td>Cottage</td><td colspan="3">< 0.5</td><td colspan="3">≤10 [including family members]</td></tr>
<tr><td>Micro</td><td>> 0.5 - ≤ 5.0</td><td>< 0.50</td><td>< 0.50</td><td>10-24</td><td>< 10</td><td>< 10</td></tr>
<tr><td>Small</td><td>> 5.0- ≤ 100.00</td><td>> 0.50 - ≤ 10.0</td><td>> 0.50 - ≤ 10.00</td><td>25- 99</td><td>10-25</td><td>10-25</td></tr>
<tr><td>Medium</td><td>>100.00- ≤300.00</td><td>>10.00- ≤ 150.00</td><td>>10.00- ≤150.00</td><td>100-250</td><td>50-100</td><td>50-100</td></tr>
</table>

Annexure III

Inter-Ministerial Committee for boosting exports from MSME sector

No. 601/1/2/2013-Cab. III
GOVERNMENT OF INDIA / BHARAT SARKAR
CABINET SECRETARIAT / MANTRIMANDAL SACHIVALAYA
RASHTRAPATI BHAVAN

New Delhi, dated the 10th April, 2013

ORDER

Subject: **Setting up of Inter-Ministerial Committee for boosting exports from MSME sector.**

Refence this Secrectatiat's Order dated 4th April, 2013 on the subject mentioned above. In partial modification of the said order, it has been decided to reconstitute the Inter-Ministerial Committee with the following composition:

(i)	Shri R. S. Gujral, Finance Secretary	- Chairman
(ii)	Shri S. R. Rao, Commerce Secretary	- Member
(iii)	Shri Sumit Bose, Revenue Secretary	- Member
(iv)	Shri Madhav Lal, Secretary, MSME	- Member
(v)	Shri Rajiv Takru, Secretary, D/o Financial Services	- Member
(vi)	Shri Raghuram Rajan, Chief Economic Adviser	- Member

2. The Committee will examine the suggestions received in the meeting organized by the Ministry of Commerce, Industry and Textile on 15.3.2013 regarding Exports of Goods from Micro, Small and Medium Enterprises Sector and suggest short and medium term measures to enhance exports from MSME sector.

3. The Committee may associate such other members as required.

4. The Committee will be serviced by the Ministry of Commerce.

5. The Committee will submit its recommendations within one month.

(Bhaskar Jyoti Sarma)
Deputy Secretary

To
Shri R. S. Gujral, Finance Secretary
Shri Arvind Mayaram, Secretary, DEA
Shri S. R. Rao, Commerce Secretary
Shri Sumit Bose, Revenue Secretary
Shri Madhav Lal, Secretary, MSME
Shri Rajiv Takru, Secretary, D/o Financial Services
Shri Raghuram Rajan, Chief Economic Adviser

Copy to SO to CS

(Bhaskar Jyoti Sarma)
Deputy Secretary

Annexure IV

SECRET
MOST IMMEDIATE

No. 601/2/1/2013-Cab. III
GOVERNMENT OF INDIA / BHARAT SARKAR
CABINET SECRETARIAT / MANTRIMANDAL SACHIVALAYA
RASHTRAPATI BHAVAN

New Delhi, dated the 4th April, 2013

ORDER

Subject: Setting up of Inter-Ministerial Committee for accelerating manufacturing in MSME sector.

Refence this Secrectatiat's Order dated 20th March, 2013 on the subject mentioned above. It has been decided to reconstitute the Inter-Ministerial Committee with the following composition:

(i)	Shri Madhav Lal, Secretary, MSME	-	Chairman
(ii)	Shri Saurabh Chandra, Secretary, DIPP	-	Member
(iii)	Dr. M. Sarangi, Secretary, M/o Labour	-	Member
(iv)	Shri Rakesh Kacker, Secretary, MFPI	-	Member
(v)	Smt. Zohra Chatterji, Secretary, M/o Textiles	-	Member

2. The Committee will examine the suggestions received in the meeting organized by the Ministry of Commerce, Industry and Textile on 15.3.2013 regarding Exports of Goods from Micro, Small and Medium Enterprises Sector and suggest short and medium term measures that may be taken to encourage and enhance manufacturing in MSME sector.

3. The Committee may associate such other members as required.

4. The Committee will be serviced by the Ministry of Micro, Small and Medium Enterprises.

5. The Committee will submit its recommendations within one month.

(Bhaskar Jyoti Sarma)
Deputy Secretary

To
Shri Madhav Lal, Secretary, MSME
Shri Saurabh Chandra, Secretary, DIPP
Dr. M. Sarangi, Secretary, M/o Labour
Shri Rakesh Kacker, Secretary, M/o Food Processing Industries
Smt. Zohra Chatterji, Secretary, M/o Textiles

Copy to SO to CS

(Bhaskar Jyoti Sarma)
Deputy Secretary

01/02/121/AM 13/EDI
Government of India
Ministry of Commerce & Industry
Directorate General of Foreign Trade
New Delhi

Dated 18.04.2013

OFFICE MEMORANDUM

Subject: Second Task Force on Transaction Cost in Exports.

Government has decided to constitute a Task Force on Transaction Cost in Exports. It would be the Second Task Force. The earlier Task Force released its report in February 2011.

2. **The Task Force will consist of the following members:-**

i. Chairman: Director General of Foreign Trade
ii. Member Secretary: Addl. Director General of Foreign Trade (Policy)
iii. Official Members: Representative/ nominee from Ministry/ Department of Railways, Revenue, Shipping , Civil Aviation and Environment and Forests; (not below the level of Joint Secretary to Government of India)
iv. Members from Trade & Industry:
    a. DG & CEO of FICCI, CII and FIEO
    b. Chairman/ ED of EPCs and other trade bodies as and when required
v. Chairman may co-opt any person, as necessary, either as a Member or an Invitee.

3. **Terms of Reference of the Task Force:**

i) To identify reasons for high transaction cost in exports.
ii) To identify areas, where Indian exporters face administrative impediments that lead to increase in transaction cost.
iii) Compare procedural complexities in exports between India and its major competitors.
iv) Suggest guidelines/ steps for removal of procedural complexities drawing from the global best practices.
v) Suggest guidelines/steps to move towards transparent and increasingly paperless processing through digital platform.

4. Task Force will meet on regular basis and submit report in six months' time.

(Ajay Srivastava)
Joint Director General of Foreign Trade
Tel:23062484
E-mail: sajay@nic.in

Annexure VI

List of participants who attended the Meetings of the Inter-ministerial Committee for the boosting exports from MSME Sector

SI. NO.	NAME/DESIGNATION	Ministry/Department/ Organization
1.	Shri R.S. Gujral Finance Secretary, Chairperson	M/o Finance D/o Expenditure
2.	Shri. Saurabh Garg Jt. Secretary (PF-II)	M/o Finance D/o Expenditure
3.	Shri Piyush Srivastava Director (PF-II)	M/o Finance D/o Expenditure
4.	Shri S.R. Rao Secretary	Department of Commerce
5.	Shri Rajiv Takru Secretary	Department of Financial Services
6.	Smt. Zohra Chatterji Secretary	Ministry of Textiles
7.	Shri Siraj Hussain Secretary	M/o Food Processing Industries
8.	Shri Sumit Bose Secretary	Department of Revenue
9.	Shri Ram Tirath DG, DGEP	Department of Revenue
10.	Shri Ajay Jain Commerce (CX), CBEC	Department of Revenue
11.	Shri P.K. Mohanty Jt. Secretary, TRU-I	Department of Revenue
12.	Shri Madhav Lal Secretary	M/o MSME
13.	Shri A.K.Pujari DG, DGFT	Department of Commerce
14.	Dr. Raghuram Rajan Chief Economic Adviser	Department of Economic Affairs
15.	Smt. Malvika Sinha CGM	RBI
16.	Dr. Ajay Kumar Jt. Secretary	Deity
17.	Shri Anurag Jain Joint Secretary	Department of Financial Services
18.	Smt. Manisha Sinha Director	Ministry of Textiles
19.	Shri. A.K.Agrawal ADO, Industrial adviser	DCPC
20.	Shri R.P. Singh Director (Customs)	Department of Revenue
21.	Shri A.K.Pandey STO (DBK)	Department of Revenue

22.	Shri Rajesh Kr. Agarwal DBK Division	Department of Revenue
23.	Shri Dinesh Kr. Gupta Director (DBK)	Department of Revenue
24.	Shri Sunil Tated Addl. Director	Department of Revenue Intelligence
25.	Shri P.K. Raut DGM (Foregin Ex. Deptt.)	RBI
26.	Shri Siddh Nath Singh Chairmen	CEPC
27.	Shri Shiv Kumar Gupta Executive Director	CEPC
28.	Shri N.K. Guin, DD	CEPC
29.	Shri S.S. Gupta, Dy. Commissiner, Handicrafts	Ministry of Textiles
30.	Shri Rakesh Kumar ED,	EPC for Handicraft
31.	Shri Arshad Malik Vice Chairman	EPCH
32.	Shri Prince Malik COA Member	EPCH
33.	Shri Amarendra Sinha Additional Secretary & Dev. Commissioner	MSME
34.	Shri Nipun Jain SME Panel Chief	Pharmexcil
35.	Shri Abhay K. Sinha Regional Director	Pharmexcil
36.	Shri B.K. Singh Director (P I-II)	Department of Pharmaceuticals
37.	Shri Rajiv Talwar Joint Secretary	Department of Revenue
38.	Shri P.K. Mishra Jt. Secretary	Department of Economic Affairs
39.	Shri Ateesh Singh Director	Department of Financial Services
40.	Shri Rajiv Mishra Director	M/o MSME
41.	Ms. Reetu Jain DS (I&T), DEA	Department of Economic Affairs
42.	Shri. S.C. Ralhan Chairman (N.R.)	FIEO
43.	Shri. Ashok Jain Member Committee	FIEO
44.	Shri T.S. Ahluwalia Member Committee	FIEO
45.	Shri. Navratan Samdriya Member Committe	FIEO

46.	Shri. H.C. Pant Jt. Director	FIEO
47.	Shri Ashish Jain Jt. Director	FIEO
48.	Shri D.K. Singh Addl. DG:FT	Department of Commerce
49.	Shri R.P. Jhalani Former Chairman	EEPC
50.	Shri Rana Roy Addl. ED	EEPC
51.	Shri Ajit Lakra E.M.	Apex Chamber of Commerce
52.	Shri Rajnish Ahuja Secretary P.R.	Apex Chamber of Commerce
53	Shri P.D. Sharma	Apex Chamber of Commerce
54.	Dr. T.k. Chakravarthy Consultant	DCPC
55.	Shri Arun Agarwal Director	DCPC
56.	Shri Jasbir Singh Consultant	DCPC
57.	Shri Rajeev Chitalia Chairman	PLEXCONCIL
58.	Shri S.R. Dewan Regional Director	PLEXCONCIL
59.	Shri Satish Wagh Chairman	CHEMEXCIL
60.	Dr. J.P. Tiwari Regional Director	CHEMEXCIL
61.	Shri Anup K. Thakur	Agriculture & Cooperation
62.	Shri. A.S. Rawat	APEDA
63.	Shri K.C. Rout	DGFT
64.	Shri G. Bhujabal Economic Adviser	MoFPI
65.	Ms. Vandana Khare G.M. (Foreign Ex. Deptt.)	R.B.I.
66.	Shri R.K. Boyal General Manager	APEDA
67.	Shri Vinod K.Kaul	APEDA
68.	Shri K.K.M Kutty	C.I.I.
69.	Shri Jayesh, Director	C.I.I.
70.	Smt. Anjula Singh Solanky	C.I.I.
71.	Shri Sanjay Bhatia Chairman, MSME Committee M.D, Hindustan Tin Works Ltd.	FICCI
72.	Shri Hemant Seth Addl. Director	FICCI

73.	Shri. Atul Chaturvedi Joint Secretary	Department of Industrial Policy and Promotion
74.	Shri Sanjay Kumar Regional Director	Council for Leather Export
75.	Shri Anil Bhardwaj Secretary General	FISME
76.	Shri N Shankar Chairman	ECGC
77.	Shri T.C.A. Ranganathan Chaiman	Ex-Im Bank of India
78.	Shri Deep Kapuria Chairman, MSME	C.I.I
79.	Shri Arvind Kapoor Member	MSME Committee
80.	Shri Mahesh Desai Chairman	MSME (C.I.I)
81.	Shri Sujith Haridas DDG	C.I.I.
82.	Ms. Sheila Sangwan Member: Budget	CBEC, Department of Revenue

Annexure - VII

Issues raised by FIEO in the meeting with the Cabinet Secretary at Udyog Bhawan on 15.3.2013

1. **Enhancement in MDA/MDA allocation or creation of an Export Development Fund:** The biggest challenge affecting MSME exports is on the marketing front as most of MSME lack financial resources to meet the cost. Government needs to chip in with liberal funding. The total marketing support extended by DOC under MAI and MDA is insufficient to meet the demand of MSME for export marketing. The budget for MDA is about Rs.50 crores. The policy of MDA talks about supporting a maximum of five visits by an exporter with a total support of Rs.7.10 lac (4 to different focus areas and 1 to rest of the world). Theoretically, it means the Scheme can cover only 750 exporters. Assuming the exporters are not availing fully and only take 3 visit with a support of Rs.5 lacs a year, it at best can cover 1000 exporters as against over 25000 active MSME exporters which would mean that the coverage of the Scheme is only 4% of total MSME exporters.
   Secondly, the support under the Scheme ranges between Rs. 80000-180000. Australia has EMDG Scheme which reimburses 50% of the expenditure with a minimum of 10000 Australian Dollar. Hong Kong has SME Export Marketing Fund which provides reimbursement of 50% of the expenditure or HK Dollar 50000 whichever is less. Therefore, there is urgent need to increase the limits imposed under MDA Scheme.
   Moreover, the fund allocated under MAI or MDA Scheme should be increased 50 times or if the same is not possible, we should create an Export Development Fund so as to support them on this front. The corpus of the fund should be 0.5% to 1% of export value so that sizable money is available to promote MSME exports.
2. **Availability of Dollar denominated credit:** The cost of credit has gone up substantially in India and even after factoring 2% Interest Subvention, the cost of Rupee credit is over 10% for MSME exporters. Most of the banks are not providing subvention of 1% as MSME besides 2% export subvention. The dollar denominated credit is available at LIBOR + 50 basis points and can be extended at around 3% to exporters. However, most of the Indian banks are not having adequate funds with them. RBI should help the banks to get necessary dollars for providing dollar denominated credit. Unfortunately, even after deregulating the PCFC, the availability to MSME is still a big concern as most of the banks consider corporate as a safe bet.
   Alternative, RBI may allocate US$ 50 billion from the Reserves to Banks to provide PCFC to MSME exporters. If this happens, Indian SMEs will shed uncompetitive position vis-a-vis their competitors.
3. **Support to E-Commerce:** E-Commerce has emerged as an important tool for micro & small exporters. Such portals provide a marketing support to MSME and the linked payment gateway ensures payment without any risk to exporters. The private e-com websites like E-bay, etc. charge around 13-15% as their transaction fee. We should encourage MSME exporters to develop their own professional website for promoting their products and get it linked with service provider for payments. The cost of development of the website and the one-time

cost for payment linkage may be reimbursed to MSME exporters. The present e-commerce exports are about US$ 1 billion but could grow by over 100% on year on year basis.

4. **Waiver of additional export obligation under EPCG for MSME exporters:** Technology is an important factor as they are not expanding or upgrading technology. The sum total of the duty on imports comes to around 25% but they have the option to import at Zero or concessional duty under EPCG Schemes. However, the average export obligation acts as a deterrent to most of MSME. Therefore, the average export obligation under EPCG Schemes should be waived for MSME exporters which will help in replacing the old technology and adopting new and upgraded technology for better production.
5. **Capacity Building for Exports:** The new entrepreneurs are not entering in the field of exports due to lack of knowledge and complexities of International trade. This is the reason that the share of SMEs exports in India has stagnated at around 35%. Capacity building programmes for exports in export centric industrial clusters will help in attracting new entrepreneurs in the field of exports. Government should provide liberal funding for export based capacity building so as to equip and attract new entrepreneurs in the field of exports. FIEO would like to enter into MOU with Department of Commerce or DC (MSME) for a pan India capacity building programme to take MSME exports to 50% of country's exports by 2020.
6. **Providing design supports:** One of the critical area affecting MSME exports is lack of exposure in designs. Many of the countries have procured services of International designers to give a new approach to their exports. WE should identify 10-15 international designers and bring them to India for 3-6 months to provide necessary exposure to Indian MSMEs. This will also help them in product development to meet the international requirement as the designers have fairly good knowledge of technical standards as well.
7. **Double Weightage for MSMEs along with other weightages:** MSMEs were given double weightage for grant of recognition as Status Holder in addition to other weightages. However, with a policy change effected about two years back, they are now only entitled for one of the weightage. This has created problem for MSME. MSME should be given double weightage in addition to other weightage available for grant of recognition as Status Holder.
8. **Reduction in premium and extension in coverage besides data on new buyers:** ECGC should provide concessional premium to MSME by charging 50% of the normal premium and extend the coverage to 95% from 90% at present. Moreover, the time taken in issuance of coverage should be compressed by ECGC. ECGC is not having data on buyers of the new market which is affecting grant of insurance cover to such markets which are covered under Focus Market Scheme or Market Linked Focus Product Scheme.
9. **MSMEs to focus on China:** The rising cost in China and decline in working population has compelled China to move from labour intensive sectors. This will provide massive opportunity to India provided we aggressively market in China. MSMEs can take part in Canton and Kunming Fairs to market their products and took at opportunities emerging in China. Ministry of MSME should look into these exhibitions to encourage MSMEs to participate in the same.

Annexure VIII

Suggestions received from Various Organizations and Recommendations of the Committee thereon

1. EEPC INDIA

S.No.	Issues	Recommendations
1	Revision of MSME Investment Limit under MSMED Act, 2006, since larger capital investment helps in technological upgradation of MSMEs.	Significantly addressed in Budget announcement that non tax benefits of MSME would continue to be available for 3 years after graduating to a higher level.
2	Technology Upgradation Scheme for the Engineering Sector. Technology Fund Upgradation Scheme should also be formulated. Revise the limits for Credit Link Capital Subsidy Scheme (CLCSS). (20% capital subsidy and loan upto Rs. 5 crore)	An EFC note is reported to be under preparation in M/o MSME. Expansion of CLCSS (which is a successful scheme) needs to be supported.
	Export Credit Related Issues:	
1	Interest Subvention on Rupee Export Credit should be paid expeditiously up front.	Expeditious Credit of Interest Subvention is essential for Exporters. SBI perhaps does so. Other banks perhaps do so only after receiving the amount from RBI/Govt. It is recommended to examine the reasons for delay; so as to ensure that interest subvention is provided to all the exporters on a timely basis.
2	Lower Interest Rate on Export Credit in Foreign Currency (Currently charges as high as Libor + 4%)	Recommended to consider whether the spread can be reduced to Libor + 3%. (Earlier it was LIBOR + 2.5%). Padmanabhan Committee (Reserve Bank of India) also recommends that in respect of export finance for which refinance is being provided by RBI, banks may not charge spread beyond a specific cap.
3	Provide Rupee Export Credit to Exporters at the Repo Rate.	It is necessary to reduce the cost of Export Credit, to around 7%. Perhaps, need to give extra interest subvention of another 2% for MSME exporters who make timely payment. Padmanabhan

		Committee (Reserve Bank of India) also recommends framing of suitable interest subvention policy for long term export credit.
4	Export Credit Limit to MSME Units should be increased by 10% Automatically.	This needs to be institutionalized, particularly when rupee is depreciating.
5	Allow extension of Forward Contracts.	Details of the issue are required to be submitted by EEPC.
6	FEDAI Transit Rules for North America and Latin America to increase the transit period for sight bills to 60 days (from the present level of 25 days)	DFS/RBI to examine.
7	**Some other credit related suggestions:** a) Enhancement of limit of export proposal from USD 100 million to USD 200 million for approval by Working Group of RBI. b) Increase in the buyer's credit limit under automatic route from USD 20 million to USD 50 million. c) Permission to Exporter for remitting only Trading branch office abroad. d) Net savings from Bid Bond Guarantees; where ECGC cover of 90% is available, banks should not insist on cash margin for issuing Bid bond.	a) Not relevant for exports. b) This may be examined by RBI. c) It may be not be relevant. d) To check whether ECGC cover is available against Bid bond amount? If not, then no change is required.
8	Review of FTA's keeping the interest of MSME's in view.	Not relevant for Exports.
9	EU and USA be brought under FMS for those engineering products which are exported predominantly by MSME such as articles of iron and steel; hand tools; machine tools; auto parts; medical devices etc.	Issues of Export Incentives to be seen only by DOC.
10	Instead of having duty scripts under Chapter 3 export benefits, it is suggested that either these be dematerialized or duty credit be directly paid like the drawback system.	Issues of Export Incentives to be seen only by DOC.

2. APEX Chamber of Commerce & Industry

S. No.	Issues	Recommendations
1.	Excise rebate should be granted within 30 days instead of 90 days.	This is to be examined by CBEC.
2.	Eligibility for subsidy under CLCSS (of MSME) be increased to Rs.5 crore instead of Rs.1 crore.	Needs to be considered by D/o of MSME (in their proposed EFC for modification of CLCSS)
3.	Need to reduce transaction costs for MSME exporters (presently stated to be around 10%)	Matter to be examined by separate Committee headed by DGFT.

3. FEDERATION OF INDIAN MICRO AND SMALL & MEDIUM ENTERPRISES (FISME)

S.No.	Suggestions	Recommendations
1	Rebuilding Institutional framework for exports promotion a) Niryat Bandhu – Inter-ministerial grievance redressal mechanism: Need to set up an institutional mechanism to address the issues of exporters related to DGFT and Central Ministries. b) Rejuvenating Board of Trade to discuss export strategy, continuously monitor progress of execution and suggest course correction. c) Need to make Export Promotion inclusive with greater support from MDA/MAI for MSMEs.	- An institutional mechanism to hear MSMEs be constituted. - Budget for MDA/MAI needs enhancement. (Action: DoC/DGFT/ D MSME)
2	a) Mega MSME Export Support Programme b) Developing SME Marketing arms: i) Establishing Export Development Companies (EDCs) ii) Trading houses for SMEs c) India outbound scheme i) Assistance to develop forward linkages for associations ii) Support for making forward linkages for MSMEs iii) Challenge fund for Studies/ short term interventions d) Inland Freight subvention: CONCOR is a natural monopoly, the pricing mechanism needs to be done through an independent regulator.	50% of India's exports are to Asia; therefore MDA/MAI may focus more towards Asia. (Action: DoC) Greater pro-active support required from commercial sections of Indian embassies in such countries. (Action: DoC/MEA) Differential rates for exports could be considered – freight rates need to be reasonable in any case. (Action: MoR/CONCOR). Padmanabhan Committee (Reserve Bank of India) also recommends differential tax regime for exporters.

3	a) Replacement of Duty Entitlement Pass Book (DEPB). b) Duty Credit Advance License Scheme. It allows flexibility on this count: i) The exporter can herself import one or all the inputs used in exported product and use the corresponding duty credit obtained through the scheme.	List of items without a Duty Drawback Rate may be provided, so that CBEC may take further action. (Action: CBEC/DGFT)

4. <u>Federation of Indian Export Organization (FIEO)</u>

S.No.	Suggestions	Recommendations
1	a) It is requested that the rebate claims may be filed electronically b) The hard copies of documents such as shipping bills, ARE – I duly signed by custom etc. may be submitted manually. c) If possible the Cenvat rebate claims may be paid electronically. d) If possible the time period for refund the Cenvat claim may also be reduced to within one month.	This needs to be resolved by DG Systems CBEC.
2	For payment of drawback, scrolls are sent to authorized bank. After the receipt of scroll, the banks take up to 15 days to make the payment vouchers manually. There is no fix time for taking out the scroll. It is suggested that the custom department should transfer the drawback amount electronically to the exporters' account as every exporters bank a/c no. is in the EDI system.	For follow up with defaulting banks (like PNB)
3	Additional interest subvention of 200 bps over and above the present rates applicable to MSMEs.	To reduce cost of credit for MSME exporters, additional interest subvention of 2% may be allowed to MSME exporters who repay on a timely basis during the year.
4	Technology Upgradation Fund Scheme.	Credit Linked Capital Subsidy limit is upto 1 crore. It may be allowed to be increased to 5 crore. Subsidy may also be treated as Margin money.

5	Exports under priority sector lending.	It may be accepted for MSME exports. Padmanabhan Committee (Reserve Bank of India) also recommends inclusion of export credit under Priority Sector Lending.
6	a) Swap facility scheme is available till June 28, 2013. It should be extended for at least 3 years with annual rollover. b) RBI should provide 100% refinance under the scheme. c) The fund for swap may be increased from USD 6.5 billion to USD 25 billion to ensure adequate availability. d) 50% of the total fund should be earmarked for MSME units.	a) Recommended for consideration by RBI
7	Deeper Interest Subvention for MSMEs, despite 2% interest subvention, cost of rupee credit is 11-12% for MSMEs exporters. 4% interest subvention required.	To reduce cost of credit for MSME exporters, additional interest subvention of 2% may be allowed to MSME exporters who repay on a timely basis during the year. Padmanabhan Committee (Reserve Bank of India) also recommends framing of suitable interest subvention policy for long term export credit.
8	Creation of an Export Development Fund. The budget for MDA of DoC is about Rs. 50 crores. The policy of MDA talks about supporting a maximum of five visits by an exporter with a total support of Rs. 7.10 lakh (4 to different focus areas and 1 to rest of the world).	There is a need to increase the funds available for marketing; and accordingly increase budgetary provisions for MDA/MAI (from present level of Rs.50 crore/Rs.180 crore to Rs.150 crore/Rs.500 crore respectively)
9	Support to E–Commerce. E-Commerce portals provide a marketing support to MSME and the linked payment gateway ensures payment without any risk to exporters.	All product EPCs to set up e-enabled sites. DGFT may set up a website (as a new scheme).
10	Waiver of additional export obligation under EPCG for MSME exporters.	Not recommended.

11	Double Weightage for MSMEs along with other weightages for grant of recognition as Status Holders.	DGFT to consider.
12	Capacity Building for Exports.	
13	Providing design support and exposure to MSMEs for better product development.	It may be considered and FIEO can be made Implementing Agency. Existing scheme of MSME be modified to provide both hard intervention (infrastructure/common facility centre) and soft support (training/DPR preparation).

5. <u>BASIC CHEMICALS, PHARMACEUTICALS & COSMETICS EXPORT PROMOTION COUNCIL (CHEMEXCIL)</u>

S.No.	Issues	Recommendation
1	The Environmental ban has been put up in Chemical industrial areas such as Ankleshwar, Vatva and Lote Parshuram where expansion of the existing capacity is not possible. Moreover, there are stringent product specific norms. Lote Parshuram Industrial Area applied under ASIDE for expansion of common ETP; however, no action has been taken. This has resulted in its exports declining from Rs. 1700 crore to Rs. 600 crore.	It may be recommended to seek assistance under ASIDE for upgrading CETPs.DOC may follow up regarding CETP proposal for Lote Parshuram. D/o Chemicals & Pharmaceuticals proposes to levy a cess of 0.1% on Chemical Production for creating a corpus fund for TUFS.
2	One of the main raw materials for pigment industry is urea and potash which is only sold to farmers at subsidized rates.	This issue is to be resolved by DGFT in consultation with Department of Fertilizers-(imports directly by the industry could be examined).
3	In order to safeguard manufacturers of Oleo Chemical Industry, it is essential to correct inverted duty structure phenomenon.	This is to be examined by CBEC.
4	In order to safeguard the manufacturing under Export Oriented Units (EOUs) who are importing raw materials to manufacture value added products in India for its export, we have made a provision Excise Notification No.23/2003 dt. 31-03-2003 that, 50% of Basic Custom Duty (BCD).	This is not recommended.

	Calculation should be based on either merit rate of duty, or duty under any exemption Notification, or any exemption Notification related to FTA, whichever is lower.	
5	Fatty Alcohols manufacturers have invested huge amounts in Europe to distribute all grades of Fatty Alcohol. However, Europe has levied anti-dumping duty on this product, having there an adverse impact of over 7% negative. Such high unfair adversity is affecting the exports of Fatty Alcohols from India. Additional Incentive under MLFPS of 5% be provided.	Export Incentives on individual products to be examined/decided only by DOC.
6	Domestic Chlor Alkali Sector needs to be revived. Transport subsidy be provided.	No recommendation.
7	The countries where we have very good export potential like UAE, Syria, Lebanon do not allow import of Indian agrochemicals unless they are registered in USA.	Matter needs to be taken by DOC bilaterally with the countries.
8	Iran is very promising market for India.	
9	Revision in MDA Scheme.	This is to be examined by DOC and it is recommended to increase the MDA funding.
10	Revision in MAI Scheme.	It is recommended to increase the MAI funding, while MOC may examine the suggestions for specific modifications.

6. TEXPROCIL

S.No.	Suggestions	Recommendations
1	Extend 2% interest subvention to the entire cotton textile sector.	MSMEs are already covered under 2% Interest subvention.
2	Incorporate separate entries in the Drawback schedule for Technical Textiles (Woven/ Knitted) with Elastomer (Spandex/Lycra) special finish and suitably modify value caps.	Needs to be ensured by CBEC/DOR.
3	In order to avoid unintended exclusions cover Fabrics items at the four digit HS level and Made ups items at the two digit HS level.	May be examined by CBEC.

4	The TUFs Scheme should be finalized and announced quickly. The Blackout period (June 2010 – April 2011) should also be covered.	Ministry of Textiles should expeditiously finalize the matter.
5	Suspend Cabotage Rules for transporting Cotton from Gujarat & Maharashtra to Tamil Nadu for a period of six months i.e. from Oct 2013 to March 2014 so that foreign vessels can carry coastal cargo until infrastructure facilities are streamlined in the country.	Ministry of Shipping may examine.

7. FICCI

S.No.	Suggestion	Recommendation
1	Custom duty on Raw Materials used in a product should be lower than the duty charged on the finished products being imported having similar Raw Materials used on it. e.g. Felt used on lawn tennis balls and finished tennis balls.	FICCI to give list of items with no dual use –with inverted duty structure. CBEC would examine the matter thereafter.
2	Process cum Product Development Centre should be established in every cluster with technical staff for testing the products and to assist in development of the products.	List of Product Clusters where Process cum Product Development Centre is required will be given by FICCI. Matter to be examined for approval thereafter by MSME/DOC.
3	To encourage R&D activities amongst MSMEs, provision to incentivize MSMEs (by way of tax reduction or subsidy), for amounts incurred abroad also.	Not related to exports.
4	Cumbersome Procedure for Registering with DST for R&D eligibility.	Not related to exports.
5	Need to create virtual market information cell on latest development on consumer preferences, standards, regulations, etc. where MSMEs can be made aware.	May be examined for implementation by industry councils, along with institutions like IIFT.
6	Buyer Seller meets should be planned considering difference in SME definition across the globe.	Marketing support to be enhanced for MSME; through higher budgetary allocation for MDA/MAI.

7	List of dead patents to be provided to SMEs to enhance innovation at low cost.	-Indian Patent Office may do so, for local patents. - FICCI may inform of problems in access from foreign patent office, if any. - Possible to use commercial offices in Indian Embassies.
8	Thrust should be given to the MSME sectors which have natural advantage, (like Handicrafts)	Traditional crafts need to be supported for exports. DOC to examine.
9	Technology Upgradation Fund should be created for MSMEs.	CLSS of MSME is presently only for machinery and subsidy is only 15%. This requires enhancement, as also inclusion of support for infrastructure and CETP's. Procedural issues need streamlining.
10	MSMEs face the problem of unpaid invoicing in import and export. It is suggested that a facilitation council should be set up to take up the matter on their behalf at a subsidized cost.	The Indian Embassies(commercial sections) could assist in this regard.
11	Reduction of Drawback from 3% to 2.4% is not justified. The same rate of 3% should be restored.	For CBEC.
12	Refund of Excise Duty against physical export under Rule 18 of central excise should be done on line similar to draw back refund.	This may be examined by CBEC.
13	Similar facility of refund of Excise Duty should be extended in case of deemed export.	Not relevant for physical exports.
14	Refund of TED should be restored.	This may be considered by DGFT.
15	Accumulation of CENVAT Credit should be allowed for buying raw material or refund of accumulated cenvat credit should be made for deemed exports.	Refund is allowed on a proportional basis for physical exports.
16	In case of domestic supplier who is having invalidation of advance authorization cannot get the benefit of supplies made before applying for advance authorization. The anomaly should be removed.	Procedural issue – to be examined by DGFT.

17	At present Advance Authorization is not allowed to be transferred as per restriction imposed by FTP policy. Restriction should be removed and the same should be allowed to transfer.	Not recommended.
18	Earlier condition of positive value addition against 15% (wef 16.02.10) should be restored in case of Advanced Authorization.	Not recommended.
19	Need to strengthen co-ordination between custom & DGFT as we have few instances where we have faced issue like that DGFT uploads advance license but it does not appear on the custom system which results into delay of export consignment.	DGFT/CBEC to examine and resolve.
20	Remittances in dollar from countries like Sudan, where there are restrictions from US Government to trade in dollar. The customers are prepared to remit payments from other countries but RBI insists on payment from the bank account of that particular party. We have lost certain export orders in the past due to this particular reason.	To check this issue with RBI. DGFT/CBEC may agree if lending certificates will be supplied from destination country.
21	Metal packaging is exported from India to Sri Lanka but they are not covered in the FTA. We need to look into the inclusion of tariff item on which duty rebates are given to the importer in Sri Lanka.	DOC to examine.

It is recommended that FICCI may give details for the issues related to financing, credit and marketing.

8. COUNCIL FOR LEATHER EXPORTS

S.No.	Suggestions	Recommendations
1	Capacity Modernization and Technological Upgradation – Request to notify schemes under Indian Leather Development Programme (ILDP) for XII Plan. Increased assistance at 50% on the investment made in plant and machinery subject to ceiling of Rs.2 crore under Integrated Development of Leather Sector (IDLS) (as against the current limit of 30% for SSI and 20% for non-SSI and 20% for all units for assistance above Rs.50 lakh)	It is seen that there has been no problem of funding under DIPP Scheme. Hence, no change is proposed. The scheme guidelines may be similar to schemes of M/o MSME/ M/o Textiles. (Action: DIPP)
2	Special Package for USA market: a) 100% grant under Market Access Initiative Scheme (MAIS) for design support. b) Provision of 6% duty credit scrip for exports to USA under Focus Product Scheme (as against 4% now) for notified leather products and footwear. c) Special Package of 100% grant under MAIS for buyer seller meet.	Marketing support may be considered under MAI, for the suggested areas including design support and buyer sellers meet. (Action: DoC)
3	Request to extend 2% interest subvention scheme on rupee export credit to entire leather sector during 2013-14	It may not be considered for large sector as the focus is on exports by MSMEs.
4	Enhancement of duty free limit under Duty Free Import Scheme (DFIS) from 3% to 5%	This would have a trade-off with the Duty Draw Back Rate. Hence, not advisable.
5	Request for creation of Brand Promotion Fund	IBEF needs to be more proactive for developing 'Brand India'. Government support for individual private brand promotion may primafacie not be feasible. (Action: DoC)
6	It is requested that 100% assistance may be considered under MAIS for organizing visit of leather sourcing delegations	MAI support to be expanded. (Action: DoC)
7	Skill Development: There is a need to dovetail the various HRD schemes of DIPP,	CLE should compile details of all Skill Development Schemes/ Programmes of GOI and help the

	Ministry of HRD, Ministry of MSME and also State Governments into the action plan of Leather SSC so that the maximum utilization of the funds could be ensured.	MSME exporters. (Action: CLE)
8	Measures to reduce transaction costs: 1) Banks may be advised to reduce the interest rates at least by 4-5% (as the present rates are very high in the range of 14-16%) 2) Payment of automatic interest for delay in DBK disbursements beyond a period of one month from the date of shipment 3) Relaxation in import procedure of hides, skins and leathers. Current position is: a) Raw & Pickled Hides and Skins can be imported into India against submission of Veterinary Certificate of the supplying country as per the format notified by DAHD & F and upon obtaining NOC from AQCS in India. b) Semi-processed and finished leathers can be imported into India against submission of Veterinary Certificate of the supplying country as per their own format and upon obtaining NOC from AQCS in India. 4) High Freight charges of CONCOR. There is a need to increase the frequency of train services. 5) There should be provision of a maximum period of one month for refund of VAT beyond which interest may be payable to the exporters.	1) Could be included under Priority Sector Lending. (Action: RBI/DFS) a) DGFT to resolve in conjunction with DAHD & F. (Action: DAD & F/DGFT) b) Kanpur could also have AQCS. (Action: DAD & F) 4) Differential rates for export could be considered, along with, higher frequency between Agra and Mumbai & Kanpur and Mumbai & between Agra ICD, Kanpur ICD and Mumbai. (Action: MoR/CONCOR). Padmanabhan Committee (Reserve Bank of India) also recommends differential tax regime for the exporters. 5) Delays in VAT refund especially in UP, Haryana and Delhi. D/o Commerce to take up with respective State Governments. (Action: DoC).

Requests concerning relaxation in import procedure		
1	Kanpur, Jalandhar & other ICDs to be included as designated ports for importing raw hides & skins, alongwith posting of Veterinary inspector.	It may be considered by DGFT/CBEC. (Action: DFT/CBEC/DAHD & F)

9. Apparel Export Promotion Council

S.No.	Proposal	Recommendation
1	Issuance of duty credit scrip on import of specialty fabrics at the rate of 5% so as to enlarge garment export by using fabrics which are not widely available in India.	It may be recommended to lower the duties on fabrics not significantly manufactured in India; and AEPC to provide list.
2	Allocation of funds for setting up innovative research/resource centre.	The value addition in knitted export is noted to be high. Centres at Tirupur, Kolkata and Ludhiana are being suggested. The need for a design studio/resource centre is recognised. In view of Training/Skill Development being a significant component of the Resource Centers, the Centers could be considered part of ISDS.
3	Policy intervention for overcoming major non-compliance in garment factories through two amendments in the Factories Act, 1948. a) Overtime wages at the rate of one and one quarter times of the regular rate (Section 59) b)The cap of 50 hours a quarter should be removed (Section 64)	It is recommended to take up this issue with MoLE, especially regarding the restriction of the overtime cap of 50 hours a quarter. Central Act provides for 50 to 150 hours overtime. Karnataka has sent Amendment to MoLE. Higher working hours greater than 8 hours to be allowed (with 5 working days). Karnataka has perhaps also recommended to tweak Minimum Wage – with lower prescribed for Backward Areas. MoLE to examine.
4	Allocation of funds directly to AEPC under Market Access Initiative (MAI) Scheme.	It is recommended to DOC to look into the matter in order to enable AEPC to do 14 shows annually each with about 150 exporters. Budgetary allocation for MAI will need to be enhanced.
5	Diesel for using in the Gen sets should be provided at international prices.	It may not be relevant as diesel prices get aligned with international prices.

6	Calibrated exports of Cotton Yarn. (Remove Export Incentive on export of Cotton Yarn). Import duty on cotton yarn to be reduced from 12%.	Ministry of Textiles to examine.
7	24*7 clearances of drawback shipping bills.	This has been done for 10 ports, but only for white shipping bills. Problems in Pipavav and Tuticorin persist. The facility be extended to non-white shipping bills. Export of Duty Drawback consignments has now also been allowed 24*7 for Bangalore, Chennai, Delhi, and Mumbai Air Cargo Complexes on 16.5.13. This needs to be extended to other major ports also in a time bound manner by CBEC.
8	Separate chapter for getting export credit at fixed 7.5% interest.	Exports by MSMEs must be treated as Priority Sector Lending. With current 2% Interest subvention, the export credit for MSMEs is still around 9.5-10%. There is a need to lower the interest rate for MSME exporters. Perhaps 2% additional interest subvention may be provided to MSME exporters who repay on a timely basis. Padmanabhan Committee (Reserve Bank of India) also recommends inclusion of export credit under priority sector lending and framing of suitable interest subvention policy for long term export credit.
9	It is requested to reduce the threshold limit to Rs.10 crore for investment allowance.	Not related to exports.
10	Service tax related issues – Details to be given separately by AEPC.	It would need examination by DOR.
11	DOR to issue clear cut directions that no export consignment shall be stopped at ports, in line with FTP, else the ship is missed.	CBEC to issue Circular again (earlier circular in 2011) so that Export Consignment should not be stopped at the port.

12	Govt. to notify that Textiles Committee's opinion on clarification of garments shall be binding on Customs.	DGFT to examine all such cases.
13	Congestion in ports and connecting the ports online.	DGFT/CBEC will look into the matter including electronic payments.
14	Constitution of a Standing Committee of Secretaries to sort out policies and implementation related issues.	It may be accepted.

Additional issues raised in the round table meeting taken by the Cabinet Secretary on 17.5.2013:

1) Move from low-end to medium/higher end garments –other niche segments (including additional support for technical textiles). DOC to consider.

2) Understanding of FTAs (not only impact on Domestic Market) but also possible Export Potential. AEPC/DOC to examine the issue for guiding industry.

3) Additional incentives/support is not enough; focus should be on how to make Industry competitive?

4) Study policy of Bangladesh/Vietnam and give some incentives/procedures – Designing, Training (Skill Upgradation), Macro issues of cost, Ease of transactions, TUFs renewal/extension identified as important.

Description of fabrics both for knitwear & woven required by the industry, but not widely available domestically:

1) 100% Polyester Dyed Fabrics both for knitwear & woven

2) 100% Linen/Blended/Dyed/Printed/Yarn dyed fabrics both for knitwear & woven

3) Cotton & Spandex Blended/Printed dyed fabrics both for knitwear & woven

4) Cotton and Elastane blended printed fabrics both for knitwear & woven

5) Cotton & spandex & polyester yarn dyed/printed blended fabrics both for knitwear & woven.

6) Cotton & polyester yarn dyed blended fabrics both for knitwear & woven

7) Cotton & metallic yarn dyed blended fabrics both for knitwear & woven

8) Cotton & spandex & metallic blended fabrics both for knitwear & woven

9) 100% viscose printed fabrics both for knitwear & woven

10) Cotton & elastane printed fabric both for knitwear & woven

11) Cotton & lycra dyed fabric both for knitwear & woven

12) Cotton & nylon & spandex dyed/printed blended fabric both for knitwear & woven

13) Cotton & silk lining fabric both for knitwear & woven

14) Cotton & silk dyed/printed fabric both for knitwear & woven

15) 100% linen chambray woven/dued fabric both for knitwear & woven

16) 100% ramie dyed/blended/printed/yarn dyed fabric both for knitwear & woven

17) Nylon & spandex lining fabrics both for knitwear & woven

18) Polyester/spandex sequin dyed/printed/blended fabric both for knitwear & woven

19) 100% polyester velvet dyed fabric both for knitwear & woven

20) Nylon/cotton/polyester embroidery fabric both for knitwear & woven

21) Rayon/polyester dyed/printed/blended fabric both for knitwear & woven

22) Polyester/viscose/elastane dyed/printed fabrics both for knitwear & woven

23) Polyester/acrylic/wool & viscose nylon dued/printed/blended fabrics both for knitwear & woven

24) Cotton/nylon lace fabric both for knitwear & woven

25) 100% polyester knitted grey/dyed/blended/printed fabrics both for knitwear & woven

26) Cotton/nylon/embroidery croched lace lining fabric both for knitwear & woven

27) 100% rayon died fabric both for knitwear & woven

28) Speciality Fabrics of Cotton both for knitwear & woven

10. JHARKHAND SMALL & TINY INDUSTRIES ASSOCIATION

S.No.	Suggestions	Recommendations
1	Institutional arrangement should be made for dialog with MSME exporters by reviving Regional Export Import Advisory Committees.	To guide MSME's, the Associations need to be more pro-active and inform the MSME's regarding the export related schemes, procedures and facilities of the Government. (Action: MSME Association)
2	Maximum import license fee should be different for large Scale Industries and MSEs. At present import license application fee is Rs. 2/- per thousand, with ceiling of Rs. 150 thousand. Thus, those applying for import license of more than Rs. 75 lacs, will have to pay maximum import license application fee of Rs. 150 thousand. Differential existed until 1983-84.	Zonal DGFT's and the Chief Commissioner of Customs should regularly convene meetings to resolve the issues. (Action: DGFT/CBEC)
3	Higher rate of concession/ incentive should be given to MSMEs exporters than given to large industries.	May be considered. (Action: D/o Commerce)

11. Agricultural & Processed Food Product Export Development Authority (APEDA)

S.No	Suggestions	Recommendations
1	Direct purchases from the farmers under the Cluster Development Program should be allowed to reduce the production costs.	State APMC Acts needs to be modified, so as to enable direct purchase of horticulture/ vegetable items by exporters from the farmers.
2	Infrastructure development which includes setting up of post-harvest handling facilities, food testing laboratories, packing plants, pack houses etc.	Need for greater investment to boost post-harvest infrastructure facilities. Need to enhance the Plan funds for such schemes.
3	Higher assistance under Marketing Development Assistance (MDA) Scheme/MAI.	Need to enhance funds for MDA/MAI.
4	Incentive Programs may be devised for assisting the MSME sector industries for capacity building in various facets of domestic and international trade such as Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP) etc.	

5	Good potential for organic products exports (especially from North East). Traceability mechanisms exist in India now.	
6	Sanitary and Phyto-Sanitary (SPS) issues need to be resolved for fresh produce exports.	
7	Cost of funds for food processing remains high.	
8	APMC Act is hindrance for ex-porters to purchase from farmers directly. Fruits/Vegetables need to be exempted. Incentives may be considered for states which amend the APMC Act.	
9	Problems of large volumes of fresh products availability compounded due to restrictions on ownership of agricultural land by non-agriculturists and contract farming. Higher ceilings for orchards (like plantations) could be considered.	
10	Modernization of municipal abattoirs needed as also setting up of integrated abattoirs in clusters. Getting NOC from SPCB's on issue. Meat exports have high potential.	
11	In order to promote poultry (chicken, eggs) export zoning for poultry diseases based on state boundaries needed.	
12	Exporters need to be exempt from restrictions of storage quantities under the Essential Commodities Act.	
13	Cold storage capacities need augmentation.	

Additional Issues Raised:

1. 15000 Registered exporters (all MSMEs except basmati rice & buffalo meat)
2. Subsidy 25% or Rs.25 lakhs – for strengthening infrastructure (Common Facilities)
3. Packaging, Designing etc. to be now given higher subsidy
   Mango: a) Vapour Heat Treatment (Requirement of Japan); leads to part cooking and early spoilageand b) Irradiation (USA) – Nasik (AERB), 2 more by APEDA at Vashi and Ahmadabad (Gujarat Agro Industries)

4. Apeda Scheme:
    i) Infra Assistance (Rs.1200 crore 12^{th} Plan)
    ii) Transport Assistance
    iii) Quality Assistance
    iv) Marketing Assistance

5. Other Issues:
    a. Cost of working capital too high
    b. Packaging assistance required. Scheme to be formulated.
    c. MDA/MAI too low
    d. APMC amendment – to exclude fruits/vegetable & contract farming.

6. Direct purchase from farmers

7. Exempt from land holding (e.g. plantation crops, tea, coffee, rubber)

8. Processed Foods – Limited exports

9. Cold Storage shortage – 36 million tonnes, last year sanctioned only 1 million tonnes. NHB has own scheme. RKVY, APEDA also fund cold storages.

10. Meat export has huge potential (like China, DOC should manage with Russia & Saudi Arabia.

11. Poultry (Issue of Avian Influenza) Oman, Afghanistan, Kuwait main markets

12. Protocol with OIE to give individual states specific (rather than whole India being treated as whole)

13. Increase modern Abattoirs

14. Organic product can be boosted (e.g. North East)

15. Traceability to farm ensured on Computer

16. Clearance by Quality Inspector

12. THE PLASTICS EXPORT PROMOTION COUNCIL

S.No.	Suggestion	Recommendation
1	There is an urgent need to increase the export of value added plastic items and increase its share in the total plastic exports. A major constraint in achieving this goal is the loss production volume of plastic processing industry. Technology Upgradation Fund is therefore essential for Plastic Processing Sector.	May be considered. D/o Chemicals to examine and formulate TUFS for plastic processing sector.
2	Formation of SPV for the purpose of Joint Marketing. Enhancement of budget for the MDA Scheme.	It is recommended to enhance the MDA budget.
3	Setting up of Plastic Processing Parks, having facilities for design and prototyping of plastic items, mould & die design centres, tool rooms etc. Action on setting up of 4 PCPIRs to be expedited.	D/o Chemicals to closely monitor and expedite progress of the PCPIR projects. For Common Facility/Design Center, Scheme of D/o MSME may also be tapped.
4	Consideration of East Europe under the MDA Scheme.	DOC to examine the issue.
5	The costs of PCFC need to be reduced.	It needs to be verified if under PCFC, the limits are converted into INR and on payment reconverted to USD leading to losses for exporter.

13. ALL INDIA PLASTIC INDUSTRIES ASSOCIATION

S. No.	Issues	Recommendations
1	4% Additional Custom Duty	DGFT/CBEC to check if there are any issues regarding refund of SAD; and if so, to resolve the same.

14. EXIM BANK

S. No.	Suggestions	Recommendations
1.	In 2007-08, Apparels was having a major contribution in Exports but at present, MSME Exports don't expand beyond a level due to labor rules. Thus, labor laws in Apparel sector needs to be revised.	MoLE may examine this.

2.	Definition of MSME needs to be modernized. In Bangladesh, it is defined in terms of number of employees (less than 200 for small enterprises), but in India, definition is based on capital investment.	The possibility of incorporating employee numbers may be examined.
3.	For Chemicals & Leather, cluster approach should be adopted and assistance should be provided like cluster scheme of Electronics. Common Facility Centres are required, also due to the need for meeting environmental standards.	A scheme for the same may be started.
4.	Investment in High Tech Exports Units is required to be made. Policy measures are required to be taken to encourage entrepreneurs to move in this direction.	Specific suggestions would be required so that they can be taken forward.
5.	In Food Processing, Quality Certification is a major issue where costs are very high. This issue needs to be addressed.	Alternatives for Quality Certification may be examined.

15. <u>ECGC</u>

1.	50% of export credit must go to MSMEs.	May be recommended.
2.	ECGC ensures flow of credit to exporters (68% of total export credit covered by ECGC).	
3.	A separate ECGC policy, with more friendly procedures, is required for Small & Micro Exporters (based on Export Turnover).	This may be examined.

16. <u>DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION</u>

S. No.	Suggestions	Recommendations
1.	Exports will not be able to pick up unless production picks up. Therefore, focus should be on boosting production from the supply side.	It is recognized that manufacturing has to be increased.
2.	Clusters need to be provided with Common Facility Centres.	This may be incorporated in the relevant scheme.

3.	Ensuring uninterrupted power supply to the export-oriented MSME clusters would increase working hours and labour productivity and therefore exportable surplus.	The possibility of isolating power supply for such clusters and the costs could be examined.
4.	The MSME clusters situated close to the National Highway or railway corridors need to be focused on for facilitation for boosting exports.	Such clusters may be identified for a focused approach.
5.	It would be desirable for the Technical Institutions such as the IIT or the NIT to 'adopt' export oriented MSME clusters to support technological innovation and design. Preferably, 'design clinics' may be set up for MSME clusters.	Linkages with different technical institutions including CSIR labs could be considered.

Additional Information:
The DIPP has also recently issued a clarification on definition of cluster for obtaining benefits of the National Manufacturing Policy (NMP).

17.<u>Confederation of Indian Industry (CII)</u>

S.No	Suggestions	Recommendations
1	**Taxation:** **i)** Stop banks from recovering service tax on inward foreign remittances. **ii)** Policy should clearly state that for grant of Rebate amount, Bank Realisation Certificate (BRC) should not be insisted. **iii)** Exporters should be allowed to take credit in line with Cenvat credit. **iv)** The Duty Drawback scheme benefit should be provided for the entire Electronics systems design and Manufacturing (ESDM) sector.	May be examined
2	**Access to Finance:** **i)** It is suggested that the PCFC credit be provided at LIBOR + 200 basis points. **ii)** Rupee Export Credit, both Pre and Post shipment should be provided at 2.5% below the base rate through refinancing	Recommended

	mechanism so that it is possible to export at competitive prices. **iii)** Banks should revise their CMA data formats to follow RBI guidelines w.r.t. "Treatment of Term Loan Installments". **iv)** To address the issue of timely and low cost availability of credit to the MSMEs, RBI may constitute a group along with the Indian Banks Association and the credit rating agencies to work out a uniform credit rating format and process to bring transparency and speed to this important issue. **v)** There is a need to revise the NPA norms for a period of 2-3 years to enable the banks to re-structure the financial facilities offered to this sector. **vi)** The Government should declare the possibility of offering differential rates of interest for MSMEs. **vii)** There is a need to widen the scope of interest subvention to ensure larger exporter segment derive benefit from the Scheme. **viii)** Relaxation of RBI's external commercial borrowings (ECB) to allow all categories of engineering exporters to raise ECBs for import of capital goods and equipment. **ix)** In order to reduce the MSME credit gap, Scheduled Commercial Banks, may be directed to maintain minimum 22% in their outstanding credit growth to MSME sector during the first two years from 2013-15 and further minimum 25% during the remaining three years from 2015-18. **x)** Banks should achieve 10% increase in new micro enterprises borrowers on annual basis between 2013-17. Banks should also look at adding 12	

	new MSMEs in their Semi Urban and Urban branches. **xi)** Guarantee coverage under Credit Guarantee Fund Trust for MSMEs (CGTMSE) may be increased to at least 10 times the corpus. **xii)** Industry Associations can become an effective institutional mechanism for facilitating credit flow to MSME sector. The model adopted by SIDBI in this direction may be replicated by lead banks in their domain MSME clusters. **xiii)** It is suggested that export finance for which refinance is being provided by the RBI, banks may not charge spread beyond a specific cap. **xiv)** A nodal agency could be set up for borrowing in foreign currency from abroad on a pool basis and further lend to MSME companies in India at competitive rates for technological upgradation. **xv)** SIDBI and NSIC may be permitted to raise SLR bonds / Tax free bonds / Capital Gain Bonds from the market as per the eligibility limit fixed by GOI. **xvi)** It is suggested to introduce a new scheme to supplement Promoters Contribution in case of projects proposed to be implemented by MSMEs to avail of loans from Banks or Financial Institutions. **xvii)** It is suggested to introduce a scheme called "Need for Factoring Services" with a budgetary support of Rs.750 crore in the next 4 years under which assistance would be provided for equity or margin money support for factoring companies to publicize the scheme. **xviii)** The policy of working out	

	preferential access to new markets and putting in place conducive trading arrangements with trading partners through PTAs, FTAs and CECAs/CEPAs to be continued and expanded.	
3	**Improve Risk Mitigation for Exporters:** At present ECGC reportedly requires banks to take insurance for the entire export advance book while issuing whole turnover policy. The payment of premium for covering the entire export advance book may work out to be expensive proposition for banks as the margins are thin in corporate deals. Hence, ECGC may consider introducing new schemes permitting banks to cover segment/sector specific portfolios.	May be examined by ECGC
4	**Export Promotion / Marketing Activities:** **i)** There is a need to create awareness about various schemes available for MSMEs exporters in India. The State Governments too should be given the liberty to use the ASIDE scheme for promoting the MSMEs. **ii)** IBEF's primary objective is to promote and create international awareness of the Made in India label in markets overseas and to facilitate the dissemination of knowledge of Indian products and services. Against this backdrop, a fund to subsidize MSMEs' marketing operations would be a step in the right direction. **iii)** The Convergence of "Market Development Assistance" scheme run by Ministry of MSME, NSIC, KVIC and Ministry of Commerce needs to be made. **iv)** Exporters need to frequently incur soft expenditures like	Suggestions for export promotion are recommended

	branding, advertisement, promotional events for which financial availability is limited. These expenses need to be encouraged through various means, including a concept of double tax deduction and allowing eligible companies to deduct against their taxable income twice the amount of expenses incurred on certain qualifying activities. **v)** To provide preferential access to "Manufacture in India" electronic products and "Indian Electronic Products" for all government procurement and procurement by Government licensees.	
5	**Technology & Competi-tiveness:** **i)** Ministry of MSME, through its arm NSIC can consider looking at providing a platform for technological alliance for SSI's with Global Companies. **ii)** We need to undergo a vigorous cluster development process to improve the compete-tiveness of traditional products. **iii)** National labs should be given special funding for undertaking testing for MSMEs. **iv)** M/o MSME needs to launch a Technology acquisition scheme to provide assistance in both, development of indigenous R&D products as well as procurement of global technology. **v)** The key sectors which are likely to have high growth need to be given specific focus. **vi)** The focus on clean energy related technology and renewable energy will have to be given to make MSME sector more energy efficient. **vii)** The Emerging sectors may be provided assistance on a higher scale under each of the	These suggestions may be recommended

	three proposed schemes for technology acquisition, procurement of equipment and support for soft skills, respectively. **viii)** Higher scale of assistance may be decided for adoption of clean manufacturing technologies, renewable energy sources and environment friendly processes. **ix)** NMCP has a separate component of ICT application. As ICT today covers all areas of activity of an enterprise – Processing, training, marketing and infrastructure planning etc. the need for a separate component on ICT may be reconsidered. **x)** The use of new concepts such as cloud computing will offer an effective and affordable solutions for early ICT penetration. **xi)** TUFS for the engineering sector, particularly, the MSME sector, needs to be introduced.	
6	**FDI by NRI's in MSME Sector:** There are different agencies handling policy and implementation of NRI investments into the SMEs. This leads to the need for a Single window of information for attracting FDI by NRI's.	
7	**Policy & Procedural Issues:** **i)** There is a need to enhance the limit on investment in plant and machinery by MSMEs. **ii)** Dispense with the installation certificate from Central Excise for the import of capital goods under EPCG scheme and consider Chartered Engineers certificate along with self-declaration form from the importer. **iii)** The MSMEs Exports would benefit if the SHIS benefit eligibility could be extended until 2019 as it has been withdrawn	These issues may be examined by CBEC/DGFT

	from the year 2013-14 and also allowing transfer of scrips to third parties. **iv)** DGFT needs to review the processing of E-BRC scrips process for helping MSME exports.	
8	**Infrastructural Development for MSMEs:** **i)** Private sector should also be allowed for development of Infrastructure specially for MSMEs. **ii)** Availability of land should be ensured for MSMEs. State Governments may earmark at least one Industrial Estate per block. **iii)** GOI can consider providing 50% subsidy to the Micro Units to buy Gensets which could be used for uninterrupted manufacturing process. **iv)** There is a need to set up quality testing laboratories for MSMEs in almost every industrial area. **v)** Towards enhancing skill level of workers of MSME sectors, setting up of 100 Tool rooms/Technology Development centre is recommended.	May be examined by State Governments Recommended
9	**Promoting MSME Exports in Defence Sector:** FDI in Defence sector by liberalization of FDI rules. The threshold for offset policy for procurement should be reduced to Rs.75 crore. The tenure of banked offset clause which has been recently introduced needs to be increased to around 5 years. 30% OFFSET policy of Ministry of Defence should be made very transparent.	Recommended

18. Ministry of Food Processing Industries

S.No.	Suggestions	Recommendations
1	Cold chain/storage facility is one of the critical infrastructural	Greater Focus may be

	gaps. It is necessary that this sector should receive priority. Estimated requirement of investment is Rs.25788 crore. For the XII Plan period, allocation of Rs.700 crore is done. The scheme should be made open ended with significant step up in allocation.	recommended
2	Problem in procurement of raw material due to restrictive provisions in APMC Act. Market reforms carried out by the States vary from State to State. Some degree of uniformity in terms of the provision in the Model Act is needed for ensuring smooth supply of raw materials.	May be recommended
3	Most of the processed food products were brought under levy of excise duties from March, 2011. Thus processed food products, except fruits, vegetables and milk products, attract excise duty of 2% without CENVAT facility and of 6%-12% with CENVAT facility. It also attract VAT ranging from 4% to 16% at state level. Further, the excise duty of 6-12% is also levied on food processing equipments. For attracting investment to the sector, exemption is required. There is also a need to revise the current turnover limit of Rs.1.5 crore at least up to Rs.5 crore for exemption of Central Excise duty for SSI units which was fixed way back in 2007.	This needs to be examined by CBEC.
4	There is a need to widen the scope of Interest Subvention on Export Credit.	
5	The process of disbursement of incentives announced for exports is too cumbersome. The existing modus operandi of implementation of enacted policies is a major issue. India	The Transaction Committee may examine this.

	needs process reforms alongside policy reforms.	
6	**a)** The benefit under Vishesh Krishi Gram Udyog Yojana which was withdrawn from meat & meat products around two years back, should be restored. **b)** Efforts should be made for establishing equivalence of SPS measures/standards between India and other importing countries. **c)** MOU has been signed with China for export of deboned and deglanded frozen buffalo meat. Similar agreements need to be pursued with other countries. **d)** APEDA should facilitate and give hand holding services to the promoters of abattoirs. Similarly, Dimapur Abattoir could facilitate access to Yangon for export of meat products.	May be recommended.
7	There is a need for selecting few products and of providing full scale support in terms of complete supply chain, marketing and processing infrastructure to scale up production and exports. There is need for intervention by a single agency for few products with a scale of investment necessary to generate critical mass of production and export.	This needs to be examined by DoC.

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