

Report Summary

Report of the Expert Committee on Prior Permissions and Regulatory Mechanism

- The Expert Committee on Prior Permissions and Regulatory Mechanism (Chair: Mr. Ajay Shankar) submitted its report to the Department of Industrial Policy Promotion, on February 27, 2016. The Committee was set up in April 2015 with the terms of reference which included: (i) studying the requirement of multiple prior permissions, (ii) examining the possibility of replacing these permissions, (iii) proposing a regulatory mechanism, and (iv) drafting a proposed legislation.
- **Advisory function on reforms:** The Committee recommended that a Standing Committee on Regulatory Affairs should be set up. It will: (i) advise the government on issues with regulators, and (ii) carry out independent regulatory impact assessments. A similar mechanism may also be created in the states.
- **Clearances:** Currently, several clearances are required from the central and state governments before the commencement of a business. The Committee observed that an inventory of clearances required at these levels is being prepared. It recommended that an open-source platform should be created for the inventory, to ensure that all stakeholders can participate in the process.
- **Standards:** Standards help in ensuring reliability and uniformity of products. The Committee stressed on the need for ministries to participate and consult stakeholders and take decisions on: (i) setting new standards, (ii) adopting existing standards, and (iii) deciding if compliance with a standard is voluntary or mandatory. Further, it recommended that decisions to make standards mandatory should be taken after consultations with stakeholders are carried out, and the industry is given time to make necessary adjustments.
- It also suggested that with the evolution of technology, there should be willingness to adopt standards from international markets such as the USA, Europe and Japan. It felt that this would help in making the 'Make in India' globally competitive.
- **Third party certification:** Third party certifications involve an independent person or authority, such as a chartered accountant, certifying that the specified requirements for the product or service have been satisfied. The Committee recommended setting up credible third party certification, in areas that are regulated such as the petroleum and natural gas sector. This would be done jointly with regulators in a phased manner. It was of the opinion that this would help in reducing the burden of certification and quality control on regulators.
- **Environment clearance:** The Committee recommended starting an Environment Certificate Trading Scheme, similar to the existing Renewable Energy Certificates Trading Scheme. The scheme will allow industrial plants, which have emissions above the prescribed norms, to buy environment certificates from the industries, which have emissions under the prescribed limit.
- **Geographical planning:** The Committee observed that the process of getting environmental clearances is time consuming. It recommended that ministries looking at industries where international environmental standards exist (such as power and steel) should identify locations to set up projects. These locations should be categorised based on their environmental impact, which would help speed up the process of clearances and minimise risk to the environment.
- **Forest clearance:** The Committee noted that a digital map inventory of forests has been created using satellite imagery. It recommended that this inventory should be used for approving projects that require forest clearances. When forest clearances are granted for diversion of forest land for a project, compensatory afforestation needs to be carried out to compensate for the loss of forest cover. The Committee suggested that the Ministry of Environment, Forests and Climate Change, along with the state governments create land banks for compensatory afforestation.
- Currently, the project developer is required to identify the site where compensatory afforestation will be carried out. The Committee suggested that the developer should not be required to identify this land, and should only be expected to pay for compensatory afforestation. This would expedite the process of obtaining forest clearances.
- **Start-ups:** The Committee suggested that an objective definition of a start-up is needed, to avoid a case by case determination for eligibility for benefits. It suggested that an enterprise should be treated as a start-up for three years from the commencement of business, or till it crosses either: (i) a workforce of 100 workers, (ii) investment of Rs 20 crore, (iii) a turnover of Rs 30 crore, or (iv) a profit of Rs 10 crore.

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