

**EASE OF
DOING BUSINESS
IN
NORTH EAST**



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

June 2017

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Preface

As established time and again that encouragement of business activities along with its various rewards to mankind stimulates the holistic development of the nation. Therefore, with a view to boost the entrepreneurship environment, government is initiating various measures for ease of doing business in India. To name few are, the enactment of Insolvency and Bankruptcy Code, easier processes for incorporation, integration of processes through eBiz portal, one person company, simpler tax laws and alike.

In all, North-Eastern States, which have been pioneering states in the industrial development of the country during the British era with the establishment of first tea plantation industry, first oil refinery, and first coal field, are also emerging with the opportunities for its populace to exercise their entrepreneurial spirits through the initiatives available for ease of doing business in their demographic region.

With a view to encourage the Businesses and to enable the business environment along with the smooth utilization of resources and skills and promotion of ease in compliances from beginning till end, state governments at north east are initiating schemes such as Think Investment, Think Assam, Emerging North-East, and alike. Under this context, the Institute has published the Book, "Ease of Doing Business in North East" to apprise the entrepreneurs, businesses, professionals and other stakeholders, about the opportunities and challenges involved with ease of doing business in North East.

I commend the dedicated efforts of Dr. Sapna Malhotra, Deputy Director, ICSI in preparing the manuscript of this publication and Mr. Akinchan Budhudev Sinha, Assistant Director, Directorate of Professional Development, Perspective Planning & Studies, ICSI for finalizing the publication for printing

I am sure that this publication would pave the way for the budding entrepreneurs and facilitate to maximize the government efforts for the equitable growth of all states of North East region under the initiatives for ease of doing business in North East.

New Delhi
9 June, 2017

CS (Dr.) Shyam Agarwal
President

The Institute of Company Secretaries of India

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CHAPTER I

INTRODUCTION

Overview of the North Eastern Region

The economy of Northeast India has got its definite identity due to its peculiar physical, economic and socio-cultural characteristics. This region consists of eight states viz., Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim. The NER of India covers an area of 2.62 lakh sq. km. Occupying 8% of India's geographical spread, the states are home to only 4% of the country's population, while Assam accounts for 68% of the population. All the eight states have different developmental prospects and resources to support their efforts in contributing to the regional as well as national economy. A critical appraisal of the key economic indicators along with a detailed sketch of the individual strengths of the seven states is critical to achieve a holistic framework to target growth in the region.

India's north east region (NER) is endowed with huge untapped natural resources and is acknowledged as the eastern gateway for the country's 'Look East Policy'.

Arunachal Pradesh lies to its north and Sikkim a little away in the North West bordering China and Bhutan. Bangladesh and Myanmar lie to its southwest and east. The torrential Brahmaputra deposits its rich alluvial silt along the banks of the plains of Assam. Tropical rain forest, rich in flora and fauna, spread their arms across Arunachal Pradesh into Assam. It is a land where tea is an industry, handicrafts a major occupation and martial arts a favoured sport.

The western side of the North East is connected to the eastern part of the Indian subcontinent by a narrow land corridor, sometimes referred to as the Siliguri Neck or "Chicken's Neck". The eight states that comprise the region reflect ecological and cultural contrasts between the hills and the plains; there are also significant elements of continuity. Available medieval and modern records indicate interdependence and interaction between the hills and plains. The North East is one of the most biodiverse regions in the world. The forest cover varies but

average 65 per cent is government owned. Village communities, individuals and chiefs own the rest. The area can be divided into three geographical divisions- the Shillong Plateau, the North Eastern hill Basin and the Brahmaputra Valley.

Economic Profile of North Eastern Regions

- Higher contribution of the agriculture sector to the GSDP than the country average. Primary sector activities mainly constitute cultivation, on which approximately 75 per cent of the region's population depends for employment; agriculture contributes to approximately 30 per cent of the NSDP.
- Secondary sector activity comprises infrastructure, construction and mining; contributes to approximately 18 per cent of the NSDP.
- Industrial products primarily include crude petroleum, natural gas, tea, minerals and steel fabrication.
- Tertiary sector constitutes tourism-related activities, real estate businesses and public administration; contributing approximately 52 per cent of the NSDP.

Exhibit 1

Economic Profile of NER

Net State Domestic Product at current prices (1993-1994 base), in US\$ million				
States	2001-2002	2002-2003	2003-2004	2004-2005
Arunachal Pradesh	430	470	540	560
Assam	7,620	8,330	8,870	9,600
Manipur	730	760	830	910
Meghalaya	920	990	1,080	1,180
Mizoram	440	500	NA	NA
Nagaland	960	1,110	NA	NA
Sikkim	240	280	310	340
Tripura	1,380	1,500	1,670	NA
NER	12,730	13,930	NA	NA

Source: Individual state official websites, downloaded on July 2007.

Arunachal Pradesh

Arunachal Pradesh is the largest among the seven states located in the Northeast of India, with an area of 83,743 sq km. It shares its borders with the neighbouring

countries of Bhutan in the west, China (Tibet) in the north and northeast, Myanmar in the east and southeast and the Indian states of Assam and Nagaland in the south. The geographic location of the state provides immense opportunities for international trade with South Asian countries such as Myanmar, Bhutan and China.

The land is mostly mountainous with the Himalayan ranges running north-south. The state is divided into five river valleys - the Kameng, the Subansiri, the Siang, the Lohit and the Tirap. These river valleys have immense hydropower potential, currently estimated at 60,000 MW, or approximately 22 per cent of India's current power generating capacity. As of June 2016, the installed hydropower capacity in Arunachal Pradesh is 97.57 megawatt (MW).

The state's economy is largely agrarian, based on the terraced farming of rice and the cultivation of crops such as maize, millet, wheat, pulses, sugarcane, ginger, oilseeds, cereals, potato, and pineapple. In 2015-16, total production of horticulture crops in the state was recorded at 481.76 thousand metric tonnes, while the total production of fruits and production of vegetables in the state stood at around 9,964.03 thousand metric tonnes and 5,124.26 thousand metric tonnes in 2015-16, respectively. Some of the other key industries of the state include art and crafts, weaving, cane and bamboo, horticulture, power and mineral based industry. At current prices, Arunachal Pradesh's gross state domestic product (GSDP) was about US\$ 2.98 billion in 2015-16. Average annual gross state domestic product (GSDP) growth rate from 2004-05 to 2015-16 was about 12.98 per cent.

Due to its topography, the state has varied agro-climatic conditions suitable for horticulture of flowers and aromatic and medicinal plants. Arunachal Pradesh is home to 601 species of orchids, or 52 per cent of the species of orchids known in India, indicating a huge potential for attracting tourists, especially foreign ones.

The state and central governments have both offered huge fiscal and policy incentives for the development of thrust sectors in the state. Some of these policies include Public Private Partnership Policy 2011, the State Industrial Policy 2008 and the Hydro Power Policy 2008. In October 2014, the Union Railway Ministry approved the proposal to connect New Delhi with Naharlagun, 15 km away from Itanagar, with a bi-weekly Rajdhani Express. The project is expected to be operational by April 2018.

According to the Department of Industrial Policy & Promotion (DIPP), FDI inflows to the Northeast states totalled to US\$ 94 million from April 2000 to March 2016

Key Sectors:

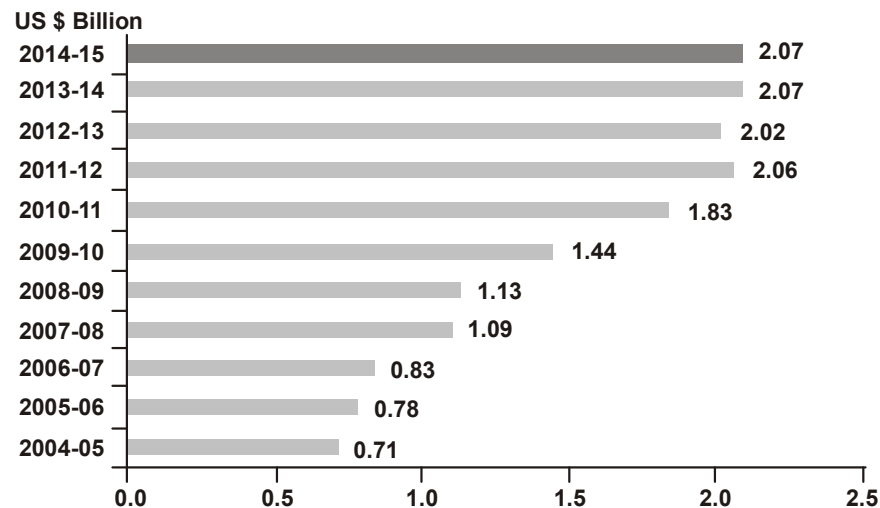
- *Power:* As of June 2016, the state accounted for an installed capacity of power generation of 55.41 MW from thermal power plants out of which 43.06 MW is contributed by gas power plants and 12.35 MW from coal power plants. For the installation of 40,000 MWp grid connected solar rooftop system in the country by 2022, the target allocated for the state is 50 MWp.
- *Agriculture and Forest-Based Industries:* Under Rashtriya Krishi Vikas Yojana, US\$4.82 million was allocated to the state during 2015-16, out of which US\$2.41 million has been released and US\$ 2.12 million has been utilized by the state.
- *Tourism:* In 2015-16, foreign tourist arrivals in the state stood at 5,700 tourists. Under the Swadesh Darshan scheme, for the development of adventure tourism in the state, US\$14.83 million was sanctioned by the state government, during 2015-16.
- *Textiles:* Out of the total cost of US\$ 4.50 million under Intensive Bovoltine Sericulture Development Project, till June 2016, US\$ 840.20 thousand has been released by Government of India for the state of Arunachal Pradesh.

Factfile

- Capital: Itanagar
- Geographical Area (sq km): 83,743
- State Language: Assamese, Bengali, Hindi and English
- Literacy Rate: 65.38 per cent
- Key Industries: Arts and Crafts, weaving, cane and bamboo, carpet weaving, wood carving, ornaments, tourism and horticulture

Exhibit 2**Net State Domestic Product (NSDP) of Arunachal Pradesh**

Arunachal Pradesh's NSDP was US\$ 2.07 billion over 2014-15.



Source: Directorate of Economics & Statistics of Arunachal Pradesh, Central Statistics Office

1.2.2 Assam

Assam is located in the northeast of India. The state shares its borders with Arunachal Pradesh, Nagaland, Manipur, Mizoram, Meghalaya, Tripura and West Bengal. The state shares international borders with Bangladesh and the Kingdom of Bhutan. Assam is India's gateway to Northeast India and acts as a vital link for trade with Southeast Asian countries. The state is known for its tea, petroleum resources, muga silk and bio-diversity. It is also becoming an increasingly popular destination for wildlife tourism.

At current prices, the Gross State Domestic Product (GSDP) of Assam was US\$ 30.72 billion in 2015-16 while the average annual GSDP growth rate from 2004-05 to 2015-16 was 9 per cent. The 12th Five Year Plan estimates the growth rate to be around ten per cent overall, while estimating industry and services sub-sectors to grow at 9 per cent and 13 per cent respectively.

The state is rich in water resources and has vast tracts of fertile land. Assam is also the third-largest producer of petroleum and natural gas in the country and has ample reserves of limestone. With its five national parks and 18 wildlife sanctuaries, the state is a biodiversity hotspot. Other potential areas of investment include power and energy, mineral-based industries, tourism and crude oil refining.

Assam has adopted numerous investor-friendly policies to attract investments and accelerate industrial development. Key areas of focus include the IT, tourism and power sector along with several other initiatives such as the North East Industrial and Investment Promotion Policy (NEIIPP) 2007 and the Industrial and Investment Policy 2014. Assam stands 22nd among Indian states in rankings based on ease of doing business and reforms implementation, according to a study by the World Bank and KPMG.

According to the Department of Industrial Policy & Promotion (DIPP), cumulative FDI inflows during April 2000 to March 2016 totalled to US\$ 94 million.

Development Plans:

- The Government of India signed the agreement for third and last tranche of US\$ 273 million loan, out of total US\$ 800 million loan agreement with The Asian Development Bank (ADB), for constructing 6,000 kms of all-weather rural roads in Assam, Chhattisgarh, Madhya Pradesh, Odisha and West Bengal
- The first passenger train was flagged off from Silchar to Guwahati that will ply on the newly converted Silchar-Lumding section in Assam

Key Sectors:

- *Tea:* During 2015-16, the state government provided Assam State Electricity Board (ASEB) with US\$ 1.52 million for the electrification of quarters of the Tea Workers. The state government has proposed to construct a Tea Museum in Dibrugarh, in 2016-17.
- *Energy-Coal, Oil, and Gas:* The Assam-Arakan Basin in Northeast India is an important oil-producing region and contains more than 15 per cent of the country's reserves. Assam has over 1.3 billion tonnes of crude oil and 156 billion cubic metric tonnes of natural gas reserves.
- *Medical Herbs and Plants:* Assam, with its vast area under hills and forests, is home to a variety of medicinal herbs and plants. About 300 types of medicinal herbs and plants are found in abundance in the state with the Brahmaputra valley alone having 150 varieties of herbs and plants of commercial value.
- *Sericulture:* Assam enjoys global monopoly in terms of Muga silk (also known as golden silk) production. The state accounts for around 95 per cent of global Muga production. Moreover, Assam is the country's major Eri silk producer (accounts for 65 per cent of the country's Eri silk production). Raw silk production in the state during 2015-16 was recorded to be 3,325

MT whereas during 2016-17 (up to May 2016), the raw silk production was 1,137 MT.

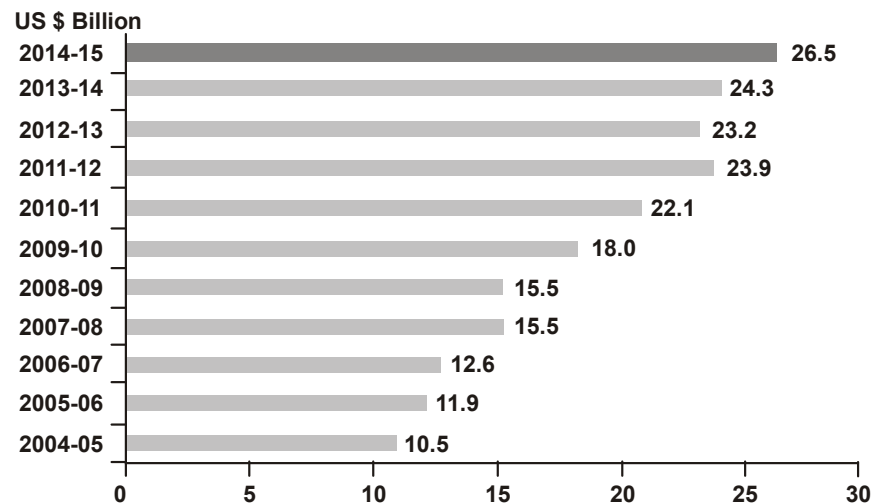
Factfile

- Capital: Dispur
- Geographical Area (sq km): 78,438
- State Language: Assamese, Bodo, Bengali and English
- Literacy Rate: 73.18 per cent
- Key Industries: Tea, coal, oil and gas, Limestone and Cement, agriculture, horticulture, food processing and tourism

Exhibit 3

NSDP of Assam

Assam's Net State Domestic Product (NSDP) was US\$ 26.5 billion over 2014-15



Source: Directorate of Economics & Statistics of Assam, Central Statistics Office

Manipur

Manipur is situated in the eastern-most corner of Northeast India. The state shares borders with other north-eastern states of Nagaland, Mizoram and Assam and the neighbouring country of Myanmar. Due to its wealth of flora and fauna, Manipur is described as a 'flower on lofty heights', 'a jewel of India' and 'Switzerland of the East'. Its breath-taking scenic beauty makes it a tourist's paradise.

Manipur has the advantage of acting as India's 'Gateway to the East' through Moreh town, which is the only feasible land route for trade between India and Myanmar and other Southeast Asian countries. With about 3,268 square km of area covered by bamboo forests, Manipur is one of India's largest bamboo producing states and a major contributor to the country's bamboo industry. In 2015, the state accounted for 9,303 square km of bamboo bearing area.

Manipur has the highest number of handicrafts units as well as the highest number of craft persons comprising skilled and semi-skilled artisans in the entire north-eastern region. Handlooms is the largest cottage industry in Manipur and the state ranks among the top five in terms of the number of looms in the country.

The Gross State Domestic Product (GSDP) of the state grew at a compound annual growth rate (CAGR) of 8.17 per cent from 2004-05 to 2015-16. At current prices, the total GSDP of Manipur was about US\$ 2.7 billion in 2015-16.

As of June 2016, Manipur had a total installed power generation capacity of 206.11 MW. The state has a potential to generate hydropower equivalent to about 2,200 MW.

Imphal has one airport and Air India provides air cargo services. Four national highways run through the state. The railway line under construction on the Manipur-Assam border is a national priority project. Manipur has a land area of 22,327 sq km and a pollution free environment.

Key Sectors:

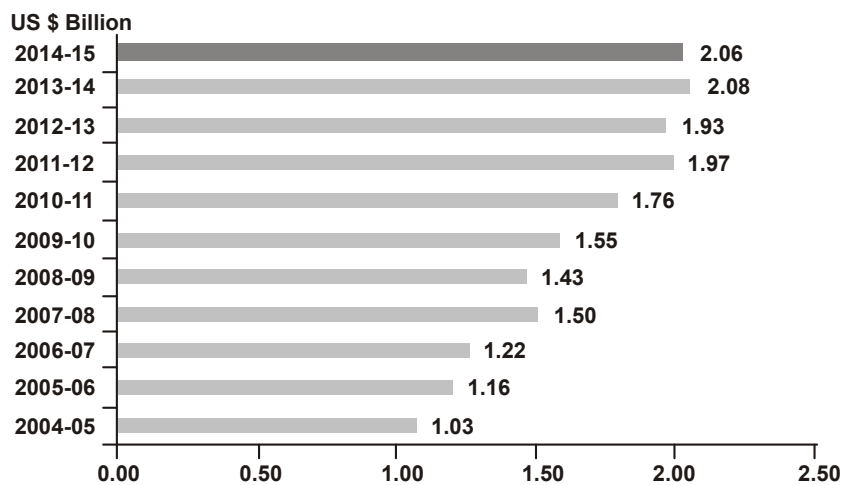
- For a period of 2007 to 2017, 72 projects have been sanctioned under Technology Upgradation/Establishment/Modernization of Food Processing Industries Scheme, 37 projects under National Mission for Food Processing Scheme and 1 project, each, under the Food Testing Laboratory Scheme and Integrated Cold Chain, Value Addition & preservation Infrastructure Scheme.
- Total financial assistance given to handloom weavers in the state during 2015-16 stood at US\$ 0.45 million.
- In 2015-16, US\$ 0.10 million was released for the development and promotion handicrafts sector under various handicraft schemes in the state.
- Government of Manipur has proposed to provide a training programme for bamboo-based industries in the trades of bamboo blinds, furniture making, bamboo charcoal and briquette making etc.

- Manipur is the first state in India to have set up the 4-core infrastructure of the National e-Governance Plan, namely Common Service Centre, State Wide Area Network, State Data Centre and State Portal, State Service Delivery Gateway and e-forms.
- The government sees hydropower as a major industry and has given top-priority consideration to developing the state's hydropower potential. In view of this goal, it has decided to invite private investors in the hydropower generation industry.

Exhibit 4

NSDP of Manipur

Manipur's net state domestic product (NSDP) was US\$ 2.06 billion over 2014-15.



Source: TechSci Estimates based on "Advanced Estimates" provided by Directorate of Economics & Statistics of Manipur

Meghalaya

Meghalaya is located in the Northeast of India. The state shares its border on the north and east with Assam and on the south and west with Bangladesh. Meghalaya's GSDP stood at US\$ 4.17 billion in 2015-16. The state's GSDP grew at a CAGR of 9.74 per cent between 2004-05 and 2015-16.

Meghalaya, with an average annual rainfall of 1,150 cm, receives the highest amount of rainfall in the country. The diverse range of soil types, including red-loamy and laterite, support various agricultural crops like rice, maize, pulses, oilseeds, cotton, jute and mesta. Meghalaya has a strong floriculture sector and

is one of the leading states in the Northeast in terms of production and supply of cut flowers to mainland consumer markets. About 14 per cent (3,108 square kilometres) of Meghalaya is covered by bamboo forests, and the state is one of the leading bamboo producers in the country. The state has achieved success in the cultivation of non-traditional crops like tea, cashew nut, oilseeds, tomato, mushroom, wheat, etc. During 2015-16, the state produced 409.25 thousand tonnes of fruits under an area of 37.14 thousand hectares. Similarly, 88.20 thousand tonnes of spices were produced in the state under an area of 18.20 thousand hectares during 2015-16. Of the 6,000 medicinal plants in India, 834 plants, including the famous Himalayan Yew, are in Meghalaya. Moreover, the state has eight of the top 20 medicinal plants that are traded in the country and are in high demand.

Out of the total installed power generation capacity, 356.58 MW was contributed by hydropower, 122.84 MW by thermal power, and 31.03 MW by renewable power. The potential for hydropower in the state is estimated to be around 3,000 MW.

Meghalaya, with abundant deposits of coal, limestone, kaolin feldspar, quartz, granite, industrial clay and uranium and a small deposit base of sillimanite, bauxite, base metals and apatite has great industrial potential.

Meghalaya, one of the most picturesque states in the country, has two National Parks and three wildlife sanctuaries. It offers many adventure tourism opportunities like mountaineering, rock climbing, hiking & trekking, water sports, etc.

Agro-processing, horticulture, minerals, tourism, electronics and IT have been identified as thrust sectors for development and promotion. The state provides excellent institutional support through various central and state government agencies, namely North East Council, Ministry of Development of North Eastern Region, and Meghalaya Industrial Development Corporation.

According to the DIPP, cumulative FDI inflows to the North-eastern states, during April 2000 to March 2016, stood at US\$ 94 million.

Key Sectors:

- Meghalaya is one of the leading north-eastern states in terms of production and supply of cut flowers to mainland consumer markets. The state's climate, particularly the areas near Shillong in East Khasi hills district, is well suited for cut flower production.
- Meghalaya is one of the leading producers of bamboo in the country. Bamboo enterprises can be developed from the bamboo reserves and

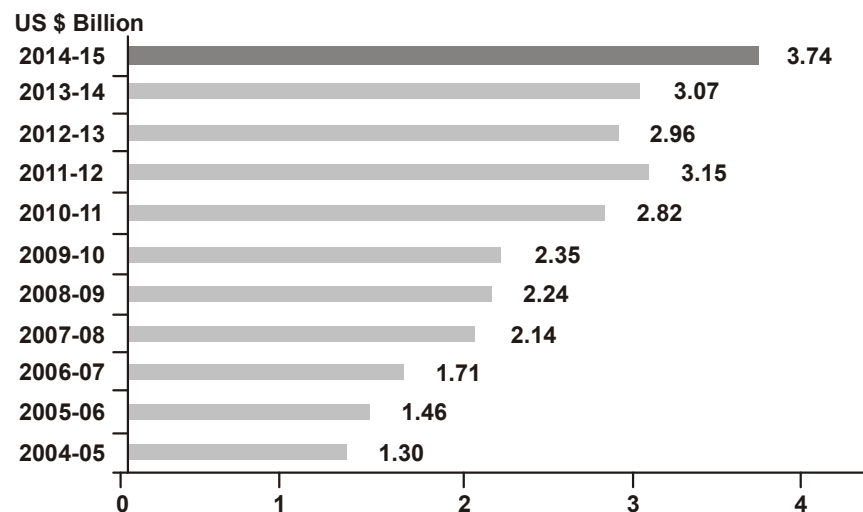
forest cultivations. Natural bamboo forests cover 3,108 square kilometers (14 per cent) of Meghalaya's total geographical area.

- Meghalaya has a climate that supports agricultural and horticultural activities. The state offers potential for investment in these areas.
- As of June 2016, the state had an installed hydroelectric power capacity of 356.58 MW. The state utilities accounted for a share of 79 per cent in total installed capacity and the remaining is contributed by the central sector. Hydroelectric power projects with a total capacity of 687 MW have been proposed to be set up in Meghalaya. All these projects are expected to be operational by 2016-17.
- Meghalaya is richly endowed with flora, fauna, thick forests, ancient forest groves, large rivers and grass fields – making it an attractive tourism destination.
- Meghalaya has an established tradition of high-quality weaving. Around 15,900 families are involved in handloom activities in the state. There are eight handloom production centres, 24 handloom demonstration-cum-production centres, 24 weaving training centres and a state-level handloom training institute (Mendipathar, East Garo Hills) in the state.

Exhibit 5

Economic Snapshot: NSDP of Meghalaya

Meghalaya's net state domestic product (NSDP) was US\$ 3.74 billion over 2014-15.



Source: Directorate of Economics & Statistics of Meghalaya, Central Statistics Office

Mizoram

Mizoram is one of the seven states in the North-East of India. Mizoram shares its borders with other north-eastern states of Manipur, Tripura and Assam, and neighbouring countries of Bangladesh and Myanmar. Industries in the state enjoy a unique location-specific advantage. Bordering Myanmar and Bangladesh, Mizoram offers a gateway for engaging in international trade with Southeast Asian countries. With improving road, rail and air connectivity and the establishment of trade routes with neighbouring countries, trade facilitation has improved over the last decade.

With 31 per cent (6,446 sq km) of its geographical area covered by bamboo forests, the state is one of the leading producers of bamboo in India, contributing 14 per cent to the country's bamboo stock. It offers immense potential for commercial exploitation of the natural resources for export-oriented industries.

The climatic conditions in the state provide a conducive breeding ground for commercial exploitation of all kinds of silkworms. Sericulture remains one of the state's key industries. During 2015-16, a total of 5,054 farmers from 176 villages were engaged in sericulture across land area of 5,293 hectares.

Mizoram has abundant hydro-electric power potential (around 4,500 MW) with just 0.7 per cent harnessed through small and mini-hydel projects to date. As of June 2016, Mizoram had a total installed power generation capacity of 119.52 MW (comprising 36.47 MW from state utilities and 82.95 MW from central utilities). Renewable power and thermal power contributed 36.57 MW and 48.64 MW respectively.

With a literacy rate of 91.85 per cent, Mizoram offers a highly literate workforce. Knowledge of English is an added advantage for the Mizo workforce. Mizoram government has formulated a new economic development programme called 'the Way Forward' under which the agriculture and allied services would not be dependent on marginal farmers, scientific farming would be introduced and agri-business would be encouraged by bringing in the educated youth in the agricultural sector.

Key Sectors:

- The natural resources, climatic conditions and policy incentives in the state support investments in bamboo, sericulture, tourism, agro-products and agro-processing sectors.
- With abundant natural resources and supporting policies, the food processing sector offers potential for investment. Mizoram accounts for about 12 per cent of the total fruits produced in Northeast India, and the

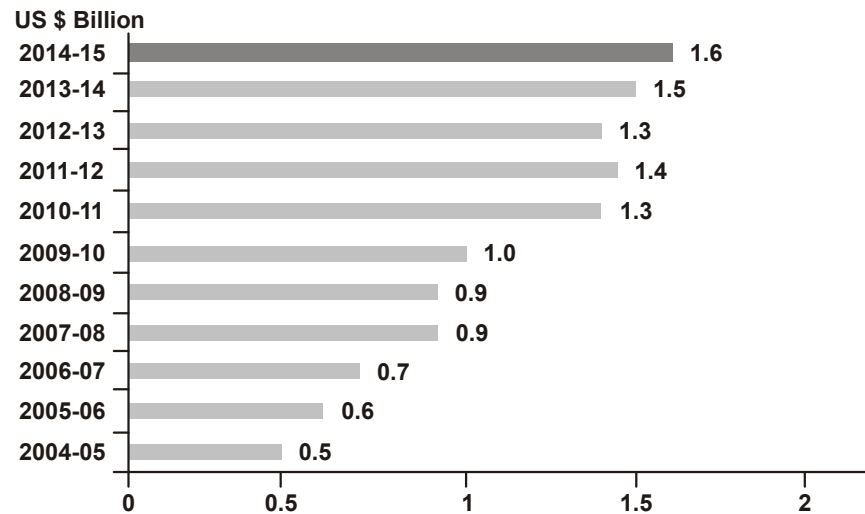
yield per hectare is on the rise because of adoption of modern horticultural practices

- With its highly green hills, crisscrossing rivers, and interspersed lakes, Mizoram is a tourist's paradise. Under the 12th Five-Year Plan, Mizoram has 11 ongoing tourism projects with a sanction of US\$ 7.7 million from the Government of India.

Exhibit 6

Economic Snapshot: NSDP of Mizoram

Mizoram's net state domestic product (NSDP) was US\$ 1.6 billion over 2014-15.



Source: TechSci Estimates based on "Advanced Estimates" provided by Directorate of Economics & Statistics of Mizoram

Nagaland

Nagaland is among the seven North-Eastern states and is located in India's farthest east side. The state is flanked by Myanmar in the east, Arunachal Pradesh in the north, Assam in the west and Manipur in the south. The state has considerable resources of natural minerals, petroleum and hydropower. It has unexploited reserves of around 600 million metric tonnes (MT) of crude oil and more than 20 MT of hydrocarbon. Moreover, the state has 315 MT of coal reserves and 1,038 MT of limestone reserves. Nagaland's estimated hydropower generation potential is 1,574 megawatt (MW), while the state has a total installed power generation capacity of 140 MW.

The agro-climatic conditions in Nagaland provide commercial opportunities for floriculture and horticulture. The state has 650 indigenous species of medicinal and aromatic plants. The state is estimated to have the potential to produce 15,000 MT of honey and 100 MT of wax, which together could generate around US\$ 100 million annually. Moreover, the production of honey during 2015-16 was recorded to be 0.43 thousand tonnes.

Bamboo is found extensively in Nagaland, with bamboo growing stock covering nearly five per cent of the total stock in the country. During 2015-16, production of raw silk in the state of Nagaland stood at around 631 MT. Moreover, from April-August, 2016, the raw silk production in the state was 218 MT. The state aims to increase its silk production to 1,700 MT, over the 12th Five-Year Plan period.

The gross state domestic product (GSDP) of Nagaland was about US\$ 3.47 billion in 2015-16, increasing at a compound annual growth rate (CAGR) of around 9.33 per cent between 2004-05 and 2015-16. Agriculture and allied sector contribution to the economic output stood at 20 per cent and expected to reach 28 per cent by 2025. About 71 per cent of the state's population is engaged in farming.

The state provides institutional support through various central and state government agencies viz., North East Council, Ministry of Development of North Eastern Region and Nagaland Industrial Development Council.

The state offers excellent policy and fiscal incentives for agro-based and forest-based industries, horticulture, food processing, mining, tourism, and the handlooms and handicrafts sectors. Industrial centres and special economic zones (SEZs) are being developed to enhance the marketability of products.

Key Sectors:

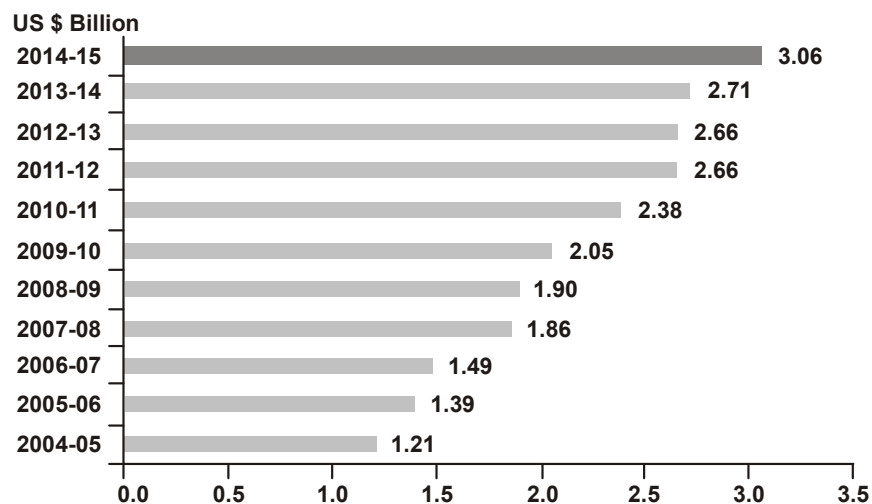
- Nagaland promotes bamboo processing as an enterprise, covering various applications such as food-based, medicinal usage, handicraft, art, tiles and flooring. Nagaland Bamboo Development Agency (NBDA) is the nodal office that coordinates with other offices for all bamboo-related research, development and business applications. In July 2015, the Governor of Nagaland inaugurated the country's first bamboo toilet in Nagaland.
- Nagaland has a rich wealth of flora and fauna. Favourable climatic and geographical conditions in the state offer tremendous scope for floriculture.
- Nagaland has a suitable climate for agricultural and horticultural produce. It supports multiple crops viz., rice, maize, millet, gram, mustard, bean, sugarcane, rubber, tea, banana, pineapple, orange, jackfruit, pear, plum, passion fruit, litchi, mango, lemon, sweet lime, potato, sweet potato, tapioca, tomato, pea, chilly, ginger, garlic, cardamom, etc.

- Nagaland has a potential for 1,574 MW of hydropower generation, while the installed hydropower generation capacity in the state, as of June 2016, was 53.32 MW.
- The handicraft and handloom sector in Nagaland has enormous growth potential due to the abundant availability of skilled labour and raw materials, coupled with rich cultural traditions that people follow. Handicraft and handloom products from the state are renowned for their beauty and intricate design.

Exhibit 7

Economic Snapshot: NSDP of Nagaland

Nagaland's net state domestic product (NSDP) was US\$ 3.06 billion over 2014-15.



Source: Directorate of Economics & Statistics of Nagaland, Central Statistics Office

Sikkim

Sikkim is surrounded by vast stretches of Tibetan Plateaus in the north, the Chumbi Valley of Tibet and the Kingdom of Bhutan in the east, the Kingdom of Nepal in the west and Darjeeling district of West Bengal in the south.

The state is richly endowed with rare and exotic flora and fauna, which includes 4,500 different flowering plants, 550 types of orchids, 36 varieties of rhododendrons, 28 bamboo species, over 144 mammals, 552 species of birds and 600 different butterflies. This makes it one of the leading states in the Northeast region in terms of production and supply of cut flowers to mainland consumer markets.

Sikkim has several snow-capped peaks including Kanchenjunga, the world's third highest peak that attracts a large number of tourists from across the globe. The state has been able to bag seven out of 25 central government's national projects to promote India as destination for adventure tourism globally.

The gross state domestic product (GSDP) of Sikkim expanded at a high compound annual growth rate (CAGR) of 19.44 per cent between 2004-05 and 2015-16.

There has been a drastic shift in the sectoral contribution from primary and tertiary to the secondary sector. In 2015-16, the secondary sector contributed 67.73 per cent to the state's GSDP at current prices. It was followed by the tertiary sector at 23.65 per cent and primary sector at 8.62 per cent. Moreover, at a CAGR of 33.91 per cent, the secondary sector has been the fastest growing among the three sectors from 2004-05 to 2015-16. It was driven by manufacturing, construction and electricity, gas & water supply.

Sikkim had a total installed power generation capacity of 414.48 megawatt as of June 2016. Sikkim has a suitable climate for agricultural and horticultural products. It supports multiple crops; viz., rice, wheat, maize, millet, barley, urad, pea, soya bean, mustard and large cardamom. Sikkim is the top producer of large cardamom, contributing over 80 per cent to India's total production. As per the state budget 2016-17, Sikkim got certified as first fully organic state in India by the Central Ministry of Agriculture and Farmers' Welfare as well as other recognized agencies of the country.

The state follows the North East Industrial Investment Promotion Policy, 2007, which provides several incentives and concessions for investment. Institutional support is provided through various central and state government agencies viz., North East Council, Ministry of Development of North Eastern Region and Commerce and Industries Department.

The state has attracted Foreign Direct Investment (FDI) equity inflows worth US\$ 3.93 billion during the period April 2000 to March 2016, according to data released by Department of Industrial Policy and Promotion (DIPP).

Key Sectors:

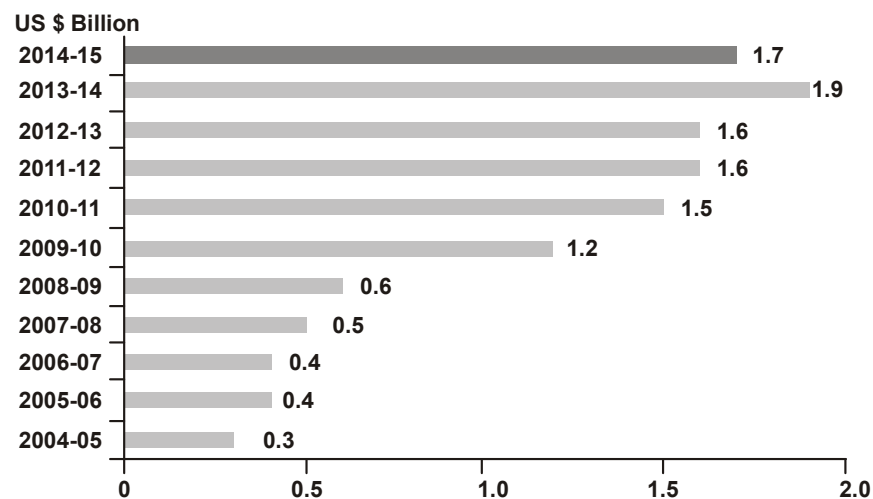
- The allocated budget for the industry and minerals sector in Sikkim is estimated to be US\$ 9.46 million during 2016-17. Out of this total allocation, villages and small industries would be allocated US\$ 5.97 million and large industries would be allocated US\$ 2.75 million. The remaining US\$ 0.73 million would be allocated to the non-ferrous mining and metallurgical industries of the state.

- Sikkim’s geographical and environmental conditions are quite conducive for development of floriculture at a higher altitude. The state is also considered to be the Kingdom of flowers and is an innovator in cultivating Gladiolus.
- The state government is also laying emphasis on improving organic farming in the state. During 2015-16, the state government recognised the existing MPCS in the state to promote and enhance organic farming in Sikkim. As a result of these initiatives, the state was certified as the first fully organic state in India, by the Central Ministry of Agriculture and Farmers’ Welfare as well as other recognized agencies of the country.
- It is estimated that Sikkim has a peak potential capacity of 8,000 MW and a steady 3,000 MW of hydroelectric power. About 28 hydropower projects are being set up in the state under the public-private partnership (PPP) mode.
- Tourism in Sikkim has emerged as the new profession of the Sikkimese people with its vast natural potential. Promotion of village tourism, homestay, cultural tourism, trekking tourism, ecotourism, wellness tourism, flori-tourism and adventure tourism has given fillip to the tourism trade in the state where a large of number of people are engaged under different employment opportunities.

Exhibit 8

Economic Snapshot: NSDP of Sikkim

Sikkim’s net state domestic product (NSDP) was at US\$ 1.7 billion over 2014-15.



Source: TechSci Estimates based on “Advanced Estimates” provided by Directorate of Economics & Statistics of Sikkim

Tripura

Tripura, one of the north-eastern states, is bounded on the north, west, south and southeast by Bangladesh, whereas in the east, it shares a common boundary with Assam and Mizoram.

The state has favourable climatic conditions for cultivation of various fruit and horticultural crops. It is rich in natural resources such as natural gas, rubber, tea and medicinal plants. Tripura is endowed with rich and diverse bamboo resources. It is also the second largest natural rubber producer in the country after Kerala and produced 37,277 million tonnes of rubber in FY 2015. Tripura accounts for about 6 per cent of bamboo sticks, used for making incense sticks in India. Around 21 of the 130 bamboo species known in India are grown in the state. Tripura holds a strong tea plantation base, with 58 tea gardens covering an area of over 6,400 hectares as of 2014-15. Tea produced in Tripura is famous for its blending qualities. The state is also rich in natural gas deposits, glass sands, limestone, plastic clay and hard rock. As of June 2016, Tripura had a total installed power generation capacity of 676.5 megawatt (MW).

With its pleasant climate and scenic landscape, Tripura is a favoured tourist destination. The state offers tourists attractions such as historical Hindu and Buddhist sites, temples, rivers and rock carvings. The number of foreign tourists visiting the state grew at a compound annual growth rate (CAGR) of 50.4 per cent from 2010-11 to 2014-15. The state has favourable climatic conditions for cultivating various fruit and horticultural crops including rice, jackfruit, pineapple, potato, sugarcane, chilli and natural rubber. Rice is the major crop of the state and is cultivated in 91 per cent of the cropped area. The state has a wide variety of medical plants having 266 medicinal plants, 379 species of trees, 581 herbs, 320 shrubs and 165 climbers.

The Guwahati-region which includes Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura has attracted Foreign Direct Investment (FDI) equity inflows worth US\$ 94 million during the period April 2000 to March 2016, according to data released by Department of Industrial Policy and Promotion (DIPP).

The state has a wide range of fiscal and policy incentives for businesses under the Tripura Industrial Investment Promotion Incentive Scheme, 2012. Developing infrastructure, improved rail & air connectivity, and establishment of trade routes have facilitated trade.

Recent developments

The Asian Development Bank (ADB) and Government of India signed a loan

agreement of US\$ 80 million, which is the third tranche of a US\$ 200 million financing facility under the North Eastern Region Capital cities Development Investment Program, and will be invested for improving water supply, solid waste management and sanitation in the cities of Agartala and Aizwal, the capital cities of Tripura and Mizoram respectively.

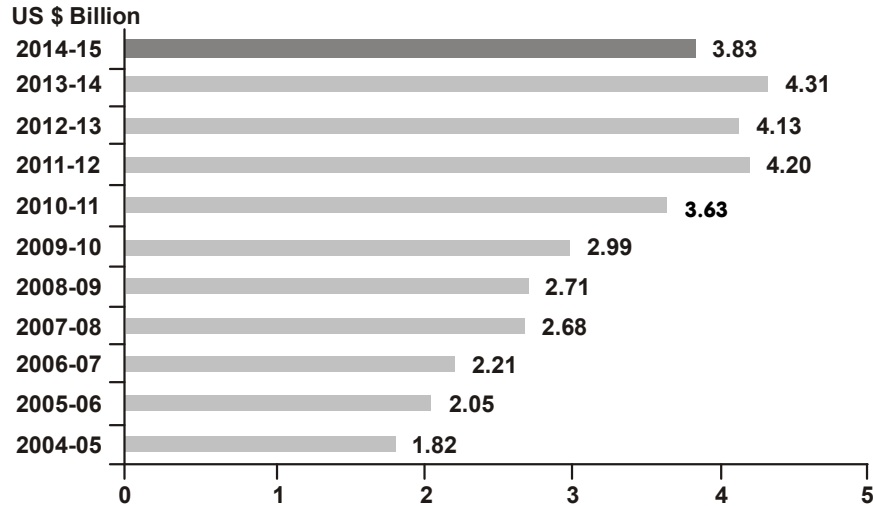
The Airports Authority of India (AAI) plans to spend Rs 450 crore (US\$ 68 million) on upgradation of Agartala airport in Tripura to international standards, which will be completed by 2016.

Key Sectors:

- Tripura has vast natural gas reserves. The gas is available in a non-associate form, with high methane content of about 97.0 per cent. Concessional gas-pricing and vast reserves offer potential for setting up industries in the sector.
- The agro-climatic conditions in the state are favourable for growing various fruits and horticultural crops. Tripura's pineapples and oranges are known for their unique flavour and organic nature.
- An agri-export zone for pineapples is also being developed. The state also has potential in the meat processing sector. Tripura implemented the National Food Security Act, 2013, in September 2015 and became the first state to implement the act in the entire North East
- Tea grown in Tripura is known for its good blending qualities. Organic tea and green tea production have been undertaken by some of the tea estates in the state. Tea production is a growing industry in Tripura and provides a considerable scope for investment.
- During 2015-16, 13 online services were inaugurated in the state under e-District project. Further, an incubation centre is also being set up for encouraging the IT entrepreneurship in the state.

Exhibit 9**Economic Snapshot: NSDP of Tripura**

Tripura's net state domestic product (NSDP) was estimated at US\$ 3.83 billion over 2014-15.



Source: TechSci Estimates based on "Advanced Estimates" provided by Directorate of Economics & Statistics of Tripura

Socio-Economic profile

- The NER has a high literacy rate of 68 per cent, which is higher than the national average of 65.4 per cent.
- Mizoram has the second-highest literacy rate in the country at 88 per cent.
- Education infrastructure has improved considerably over the past decade and, so have the associated metrics of teacher-student ratio, enrollment rates and, the number of schools and colleges.
- More than 50 per cent of all the state's population is employed by the primary sector.
- Handloom industry provides employment to a large section of the population.

Exhibit 10

Literacy Rates and Sector-wise Distribution of Workers

Literacy rates		Sector-wise distribution of workers						
		States	Rural			Urban		
			Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
Arunachal Pradesh	54.74							
Assam	64.28	Arunachal Pradesh	83.4	7.5	9.0	8.7	13.4	77.9
Manipur	68.87	Assam	67.7	6.2	26.2	6.0	13.5	80.5
Meghalaya	63.31	Manipur	75.3	8.9	15.8	28.3	15.6	55.9
Mizoram	88.49	Meghalaya	86.5	3.0	10.5	1.3	14.6	84.1
Nagaland	67.11	Mizoram	88.5	2.4	12.2	30.3	14.7	55.0
Sikkim	69.68	Nagaland	79.7	2.2	18.1	8.4	12.1	79.5
Tripura	73.66	Sikkim	60.8	9.9	29.3	2.1	16.1	81.8
NER	68.00	Tripura	45.7	12.0	42.3	2.7	8.0	89.3
		India	76.3	11.4	12.4	8.8	32.0	59.2

Source: Census of India, 2001

Source: Census of India, 2001

Exhibit 11

Socio Economic Snapshot

	Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura
Capital	Itanagar	Dispur	Imphal	Shillong	Aizawl	Kohima	Gangtok	Agartala
Area (Sq. Km.)	83,743	78,438	22,327	22,429	22,081	16,579	7,096	10,486
Population (2001 Census, million)	1.1	26.7	2.2	2.3	0.9	2.0	0.5	3.2
Sex ratio (2001 Census, per 1000 males)	901	932	978	975	938	909	875	950
Literacy rate (2001 Census, per cent)	54	64	69	63	88	67	70	74
GSDP (US\$ billion) at current prices - 2004	0.7	13.0	1.2	1.6	0.7	1.4	0.5	2.1
Annual per capita income (US\$) - 2001	428	260	314	345	NA	NA	384	NA
Natural resources	Crude oil, natural gas, coal, marble, forest resources, other minerals							
Key industries	Tea, agro and forest-based products, rubber, natural gas, petroleum, silk, handloom and handicrafts, breweries, distilleries, tanning.							

Sources: Official website of Ministry of External Affairs, GOI, www.indiabusiness.nic.in downloaded on July 2007; Individual state official websites, downloaded on July 2007 and Annual Report 2006-07, Ministry of Development of North East Region, GOI

Exhibit 12**Region wise Development of Industries- A Snapshot**

State	Characteristics
Assam	<ul style="list-style-type: none"> • Largest producer of tea in India and, other agricultural produce including rice, maize and jute. • Secondary industries include coal mining, crude petroleum, cement and fertilizers. • Assam accounts for about 15 per cent of India's crude output and about 50 per cent of India's total onshore production of natural gas. • Muga silk, known for its natural shimmering gold colour is extracted from a species of insect found only in the NER, particularly in Assam.
Manipur	<ul style="list-style-type: none"> • The state produces paddy, wheat, maize, pulses, oilseeds and rubber • Handloom products are sarees, bed sheets, curtains and woolen shawls. • Bamboo production is above one million tonne per annum and the state is known for bamboo craft.
Arunachal Pradesh	<ul style="list-style-type: none"> • Major agricultural produce is food grain, oil seeds and pulses. • Handicraft and industry provides employment to a large section of the population.
Meghalaya	<ul style="list-style-type: none"> • Major crops and plantations include rice, maize, jute, rapeseed, mustard, rubber and coffee. • Agriculture employs more than 50 per cent of the total workforce. • Horticulture is widely practiced in the State. • Major Crafts are cane and Bomboo-based.
Mizoram	<ul style="list-style-type: none"> • Bamboo forests in the state account for 14 per cent of the total Bomboo forest area in India • Bamboo is used in Construction, Agriculture, and allied services and Micro Enterprises

	<ul style="list-style-type: none"> • The State accounts for 12% of the total output of fruits in the NER.
Nagaland	<ul style="list-style-type: none"> • 70 per cent of the population is dependent on agriculture. • Main crops include rice, millet, maize and pulses. • Major crafts are artistic textiles, cane and bamboo. • Straw, woodwork and metalware.
Sikkim	<ul style="list-style-type: none"> • Main crops produced are rice, wheat and maize. • Sikkim produces 80 per cent of India's large cardamom. • Sikkim is famous for its locally grown 'Temi' tea. • Liquor industry is the major source of excise revenue.
Tripura	<ul style="list-style-type: none"> • Second-largest producer of rubber in India. • Largest producer of True Potato Seed (a high yield variety) in India. • Fifth-largest in tea production, among the 14 tea producing states in India.

INFRASTRUCTURE

Roads and Railways

Road is an important mode of travel in the hilly areas as other mode of travel is either too expensive or difficult. The North East Road Sector Development Scheme is a one of the major initiatives of state government to take up rehabilitation/ construction/ upgradation of interstate roads, roads in socio-politically neglected pockets of NER, roads required for security and strategic viewpoint not covered in any other programmes and roads of economic importance linking and providing market access to the agricultural products. Committees are formed under the scheme for effective functioning and scrutinising the projects from development to implementation stage. Ministry of DoNER is authorised to release funds and critically evaluate the successful allocation of funds, at various stages of project implementation.

Exhibit 13**Road Wise Details of the neglected Inter-State Roads
(orphan roads)**

Length of Road in Km

SI No.	Name of Road	Length of the Road in the concerned State (KM)	Length of the Road in neighbouring state (KM)	Total	Neighbouring State
	ARUNACHAL PRADESH				
1	Mirem-Mikong-Jonai road	16.83	5.6	22.43	Assam
2	Jote-Balijan road	47	13.1	60.1	Assam
3	Mebo-Dholla road	37.5	30	67.5	Assam
4	Margherita-Deomali road	16.06	13.1	29.16	Assam
5	Longding-Bitnalpur road	44	13	57	Assam
6	C/o road from Manmao to North Tirap Gate near Ledo NH-38 in Assam	27	10	37	Assam
7	Jagun-Namchik-Miao road	27	8.15	35.15	Assam
5	Tezu-Sadiya road	16.17	16.5	32.67	Assam
9	Doimara to Tenga road in West Kameng District	98	15	113	Assam
10	Doimukh to Harmuti road	6	10	16	Assam
	TOTAL	335.56	134.45	470.01	

	MEGHALAYA				
1	Rongsai-Bliosjora-Bajengdoba (RBB) road (Assam portion from Rongsai to Bhorjora)	18.22	30	48.22	Assam
2	Tura-Mankachar road (Assam portion) connecting to Ferryghat	19	2	21	Assam
3	Sualmari to Nabang bazar connecting NH-51 in Assam	0	7		Assam
4	Lakhipur to Abirampara connecting AMPT road at 19th Km	0	15	15	Assam
5	Tikrikilla bazar to Sathaimari	0	3	3	Assam
6	Damra-Medhipathar road to Bangsi Apai via Nishangram	0.71	3	3.71	Assam
7	Krishnai-Mendhipathar road	0.12	14	14.12	Assam
8	Amjonga-Baksalpara road	3	3.5	6.5	Assam
9	Siluk to Mendima	1.2	5	6.2	Assam
10	Darangre to Kharkutta road	1	5	6	Assam
11	Dhupdhara to Adokgre road	1.2	12	13.2	Assam
12	Kattakuti Badakata road	2	13	15	Assam

13	Krislinai Resubelpara road	0.12	13.2	13.32	Assam
14	Mukroh Uinspar linking Jrikyndeng road	5	4	12	Assam
15	Mawshynrut- Haliim-Boko road	37	14.6	51.6	Assam
16	Umsning-Jagi road	79.6	14.6	94.2	Assam
	TOTAL	171.17	158.9	330.07	
	MANIPUR				
1	Tamei-Termining Road	21.6	54	75.6	Nagaland
2	Tadubi Pfutsero Road	13	94	107	Nagaland
3	Tamenglong Haflong Thosem Road	91	11	102	Assam
	TOTAL	125.6	159	284.6	
	MIZORAM				
1	Zamuang-Hripaw- Durlabhcherra road	47	14	61	Assam
2	Kawnpui-Bairabi	15	15	30	Assam
3	Sherklian- Bhagabazar	0	16.5	16.5	Assam
4	Khawzawl-Sinzawl	0	50	50	Manipur
5	Lower Poo Kanlimun	27	27	54	Assam
	TOTAL	89	122.5	211.5	
	NAGALAND				
1	Kangtsungyimsen to Akhel (Assam)	5	18	23	Assam
2	Anaki C to Akhel (Assam)	11	11	22	Assam
3	Dimapur to Delai Gate (NH-36)	7,5	0	7.5	Assam

4	Dimapur to NH-39	1.86	0	1.86	Assam
5	Mon-Namtola-Sonari	13	11	24	Assam
6	Wokha-Merapani-Golaghat	3	34	37	Assam
7	Pfutsero-Tadubi NH-39	94	13	107	Manipur
5	Kohima-Bokajan	5	24	29	Assam
9	Lougchem-Naginijan via Saring	13	12	25	Assam
10	Mangkolemba to Alongtaki to Nakachari	22	4.2	26.2	Assam
11	Lirmen to Deodar Ali	17	10	27	Assam
12	Yajang C to Selanghat	10	9	19	Assam
13	Yajang C to Haluating	9	12	21	Assam
	TOTAL	211.36	158.2	369.56	
	GRAND TOTAL	932.69	733.05	1665.74	

Exhibit 14**Road Density 2008**

States	Road density per 1000 Sq. KM	Road density per 1000 population
Arunachal	196.96	13.77
Assam	2936.51	7.83
Manipur	739.11	6.98
Meghalaya	438.67	3.89
Mizoram	292.11	6.35

Nagaland	1345.32	10.27
Sikkim	263.95	3.17
Tripura	3026.23	9.09
India	965.73	2.77

Source: 1. Material supplied by TRW, M/o Road Transport & Highways

2. Annual Report, published by M/o Road Transport & Highways

*Excludes roads constructed under JRY and PMGSY

To address the issue of Road Density, the Ministry of Road Transport and Highways (Morth) has been paying special attention to the development of national highways in the region. The ministry has earmarked 10% of the total allocation for the NE region. The total length of NHs in the region is 8,480 km and these are being developed and maintained by three agencies-the state Public Works Departments, Border Road Organization (BRO) and National Highway authority of India (NHAI). Of the total length of 8,480 km, about 2,118 km is with the BRO and 5,409 km is with the respective state PWDs. The remaining length of 953 km is with the NHAI. There has also been a special thrust in building the road infrastructure. Sufficient funds have also been allocated in building the road infrastructure in the NE states. The states have 2,473 km of NHs, 5,711 km of state highways, and 15,154 km of major district roads. The states have funds (from various agencies such as Asian Development Bank, etc.) to upgrade the worn out state roads.

In most NE states, village and district roads are dominant. These roads are particularly important for facilitating intra-state movement of people and freight.

A snapshot of the road lengths in the various states of the region is as follows:

Exhibit 15

Road Length in NE: A Snapshot

States	Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura
National highways	1,992	2,836	959	810	927	494	62	400
State highways	–	3,134	668	1,134	259**	404**	186	689
Major district roads	12,169	4,413	964	1,219	--	2,387	1,720	90
Rural road*	5,455	1,88,850	6,305	1,569	1,972	22,095	2,326	16,415

Urban road*	33	6,664	210	110	325	98	162	280
Project road*	1,088	8,493	-	940	35	269	5	1,346

Source : Ministry of Road Transport & Highways, CMIE State of India

**2007-08 data

*2010-11 data

Major Road Development Projects in NER

The major road development programmes that are being undertaken in the region are as follows:

1. National Highway Development Programme (NHDP)-II proposes to link the east-west corridor beginning at Porbandar, Gujarat to the NE through a 678 km four-lane highway connecting Silchar to Srirampur via Lumding-Daboka-Nagaon-Guwahati in Assam. This has been entrusted to the NHA under the NHDP phase-II.
2. NHDP-III proposes to widen 1,051 km stretches of various NHs to improve connectivity of state capital towns.

Exhibit 16

National Highway Development Programme III

NH No.	State	Stretch	Length
36/39	Assam/Nagaland	DabokaOimapir	124
39	Nagaland/Manipur	Kohima-Itanagar	140
	Meghalaya/Assam	Shillong-Chutiaibari	252
54	Assam & Mizoram	Silchar-Aizwal	190

3. The Arunachal Pradesh Road Development Project envisages improving the connectivity to the Arunachal Pradesh through:
 - Construction of public roads to link the hydel power project
 - Four-lane connectivity to Itanagar
 - Two-lane connectivity of district headquarters
 - Trans-Arunachal highway
4. Special Accelerated Road Development Programme for North East (SARDP-NE) Phases 'A' and 'B' will cover construction and improvement of 8,737

km of road length. Major objectives of this programme includes providing a two-lane NH connectivity to all state capitals with East-west corridor, providing connectivity to all district headquarter of NER by at least a two-lane road and providing inter-connectivity to all the state capitals by at least a two-lane NH.

Besides, there is a proposal to connect India and Myanmar through a single road running on either side of the borders. Earlier, the stretch of road in Myanmar was to start from Kaletwa, which will now start from Paletwa. The DPR for this new stretch is being prepared. In India, the road is to start from Lawngtlai in Mizoram. The technical specification of the road has been revised and consequently revised cost estimates are being worked out.

CHAPTER II

EASE OF DOING BUSINESS- MAJOR MILESTONES

Introduction

India's rank in the Doing Business Report 2015 was 142 among 189 countries which improved to 130 in the Doing Business Report, 2016. Government of India has emphasized on the importance of 'Ease of Doing Business' and it is a major pillar of 'Make in India' initiative. It is working extensively on improving India's rank in the World Bank Group's Doing Business Study.

Investment Promotion

The World Banks' Doing Business 2017 report shows that for the first time the absolute score of 'Distance to Frontier' that measures the gap between India and the global best practice has increased for two consecutive years. It has improved by 2.5% from 55.27 to 53.93 over a period of last one year. A Memorandum of Understanding (MoU) was signed between India and UK to support Ease of Doing Business in India. A national conference on Ease of Doing Business was organized with support from Government of UK to disseminate the best practices.

Through constant efforts, States too have been brought on board in the process to expand the coverage of these efforts. The rankings of the States/UTs based on 340-Point Business Reform Action Plan released on 31st October 2016, show that national implementation average of reforms undertaken by States/UTs stands at 48.93%, significantly higher than last year's national average of 32%. It also shows that 12 States scored more than 90 % as against none last year. Under Start Up India initiative 129 crore committed by SIDBI to Venture Funds.

Notification issued by RBI allowing Foreign VCs to invest in equity or equity linked or debt instrument issued by an Indian startup without RBI approval. Notification issued for Relaxed Norms of Procurement in Government Departments and CPSUs.

Funds for 10 Startup Centres released and 9 Technology Business Incubators approved. Establishment of Atal Tinkering Labs: NITI Aayog has announced a list of 257 schools.

Incentives for Industries of North East and Himalayan States –

North East Industrial and Investment Promotion Policy, 2007 revised with notification on 22nd Nov, 2016 for resumption of registration process for new industrial units that had commenced production on or after 01.12.2014. Committee headed by CEO, NITI Aayog to suggest a roadmap for a new industrial policy for the region.

Highlights

- Requirement of minimum paid up capital and common seal under the Companies Act 2013 done away with.
- Registration for Permanent Account Number (PAN)
- Tax Deduction Account Number (TAN), EPFO (Employees' Provident Fund Organization) and ESIC (Employee's State Insurance Corporation) and incorporation of company can be done through a single form on eBiz portal.
- Times taken for obtaining PAN and TAN on eBiz portal has been brought down to T+1 days.
- Provision for applying for company name and Director Identification Number (DIN) at the time of incorporation with single Form INC29 has been made.
- Online and real time registration of ESIC and EPFO has been introduced.
- Provision for online payment of EPFO and ESIC contributions has been introduced.
- Requirement of bank account for registration with EPFO and ESIC has been eliminated.
- Central Registry Rules have been amended to record security interests of all types of property.
- Number of documents required for imports and exports have been reduced to three.
- Physical submission of documents for export and import is not required. They can be submitted electronically by using digital signatures.
- Custom ICEGATE Portal has been integrated with Food Safety and Standards
- Authority of India (FSSAI), Animal and Plant Quarantine, Drug Controller and Wildlife Control Bureau for imports.

- ShramSuvridha Portal has been launched to facilitate risk based Inspections, submission of common electronic returns under 8 Labour Acts and issue of Labour Identification Number.
- Insolvency and Bankruptcy Code with provision of easy and faster exit, has been passed by the Parliament.

State Level Regulatory Reforms

A 98 point Action Plan for State business reforms was prepared in December, 2014. The Action Plan was implemented by the States/Union Territories by 30th June, 2015. An assessment of implementation of these reforms was carried out by DIPP and published on 14th September, 2015. The assessment included ranking States on the level of implementation of the 98 point Action Plan.

A similar exercise has been undertaken for the year 2016. A 340 point Action Plan has been prepared for implementation by the State Governments after detailed stakeholder consultation. State Governments have been requested to complete these reforms by 31st March, 2016.

An online Dashboard for status update by the State Governments on the Action Plan and real-time ranking of States will be launched on 1st April, 2016. State Governments shall be able to upload evidence of completion of each action point. On validation of the same by DIPP, the rank of the State shall be updated accordingly.

In majority of states online filing and payment of Value Added Tax and Central Sales Tax have been implemented. Many states have eliminated pre-registration VAT inspections and replace them with post-registration advisory visits.

A number of states have implemented Common Application Form and established dedicated single windows, backed by legislation or state notifications to establish and empower them. Clear timelines has been laid down for processing applications related to construction permits which will help investors to plan their construction effectively.

Some states have allowed for self-certification under the Minimum Wages Act, 1948, the Shops and Establishment Act and Payment of Wages Act, 1936.

A few states and UTs issue factory licenses with a validity of 5 years or more. Under environmental procedures some states have exempted green industries from Pollution Control Board clearance prior to business startup.

Ease of Doing Business Ranking

In recent years, the ease of doing business (EDB) rank has become one of the

most widely watched and discussed statistic in Indian policy economic policy circles and more so in India over the last year. Ensuring sustainable growth is one of the key goals of policymakers in India. A better EDB rank is seen as a critical factor in achieving this goal.

The EDB index is meant to measure regulations directly affecting businesses and does not directly measure more general conditions such as a nation's proximity to large markets, quality of infrastructure, inflation, crime, and other social factors. A nation's ranking on the index is based on the average of 10 sub-indices:

- (a) *Starting a business*: Procedures, time, cost and minimum capital to open a new business
- (b) Dealing with construction permits: Procedures, time and cost to build a warehouse
- (c) Getting electricity: procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse
- (d) Registering property: Procedures, time and cost to register commercial real estate
- (e) Getting credit: Strength of legal rights index, depth of credit information index
- (f) Protecting investors: Indices on the extent of disclosure, extent of director liability and ease of shareholder suits
- (g) Paying taxes: Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
- (h) Trading across borders: Number of documents, cost and time necessary to export and import
- (i) Enforcing contracts: Procedures time and cost to enforce a debt contract
- (j) Resolving insolvency: The time, cost and recovery rate under bankruptcy proceedings.

The EDB has been widely known and used by academics, policy-makers, politicians, development experts, journalists and the business community to highlight red tape and promote reforms. As stated by the IEG study from the World Bank: "For country authorities, it sheds a bright, sometimes unflattering, light on regulatory aspects of their business climate. For business interests, it has helped to catalyze debates and dialogue about reform.

The ranking of countries on the basis of the EDB index, has been criticized by

experts in the World Bank itself. One of the arguments is that, instead of having a single headline index, it would be advisable to have separate rankings for each individual indicator, now aggregated into the main index. There are several crucial problems relating to the index as a barometer that can work as a guideline for investors. The debate was about whether a higher ranking implied that a country was on the right track of private sector development. Another criticism has been that, basically, countries that have no labour regulations what so ever get the best marks.

India now ranks 130 out of 189 countries in terms of EDB, moving up four places from last year's adjusted ranking of 134. The contributing improvement has been in three key areas: 1) Starting a business; 2) Getting construction permits; and 3) Getting Electricity.

An analysis of public affairs index 2016 provides comparative picture of the achievements and performance of the states in relation to parameters that have an impact on enterprise development. Unlike the ease of doing business index, the Public Affairs Index (PAI) offers a more realistic measure, which depicts the Indian reality better. This index captures ten variables that are more representative of the Indian situation.

Enterprise development depends on certain conducive factors like the freedom of choice or economic freedom enjoyed by the people, besides availability and quality of appropriate infrastructure and the fiscal discipline of the government. Public Affairs index built on these parameters ranks various Indian states. The extent of Economic Freedom is reflected in the level of ease of doing business prevalent in the State. The number of business entities in the formal sector is also an indication of the open mindset of the people towards entrepreneurship. A high index of business activity is indicative of the relative efficiency of the administrative set up in the state in promoting and supporting enterprises and entrepreneurship. The PAI results were reworked by the **ISED Small Enterprise Observatory** to the context of the present discussion. The following data and the charts indicate the relationship between the observed advancement of the states and the effect of the selected parameters.

Exhibit 17

PAI Public Affairs Index

State	PAI Rank				Ease of doing Business Rank by DIPP	Rank in GDP growth	Social Protection	Transparency
	Overall	Economic Freedom	Infrastructure	Fiscal Management				
Andhra Pradesh	14	3	7	28	2	14	26	19
Arunachal	16	23	17	4	28	13	8	29
Assam	26	21	28	8	20	26	17	6
Bengal	12	12	18	20	11	17	4	12
Bihar	29	22	21	10	19	29	29	15
Chhattisgarh	21	11	20	13	4	22	20	3
Delhi	9	18	1	1	14	2	19	7
Goa	11	16	3	6	18	1	22	14
Gujarat	7	1	6	23	1	7	24	18
Haryana	18	10	4	25	13	4	28	8
Himachal	5	17	5	29	16	11	9	4
J & K	15	20	16	11	25	21	5	24
Jharkhand	28	14	24	9	3	25	27	11
Karnataka	3	9	13	18	9	12	3	2
Kerala	1	15	15	21	11	8	6	1
Madhya Pradesh	25	6	22	15	5	24	7	13
Maharashtra	6	2	10	26	8	5	18	9
Manipur	13	28	26	3	29	27	16	25
Meghalaya	17	29	23	2	26	20	15	21
Mizoram	4	25	19	27	24	16	1	16
Nagaland	23	24	27	24	27	15	13	28
Odisha	27	13	29	12	7	23	21	20
Punjab	8	8	2	14	15	10	25	5
Rajasthan	20	5	14	17	6	19	10	17
Sikkim	10	27	11	5	23	3	2	27
Tamilnadu	2	4	8	19	12	6	11	26
Tripura	24	26	25	16	22	18	23	23
Uttarakhand	19	19	9	22	21	9	14	22
Uttar Pradesh	22	7	12	7	10	28	12	10

Source: Public Affairs Centre; Compiled by ISED Small Enterprise Observatory

CHAPTER III

**INDUSTRIAL DEVELOPMENT IN
NORTH EASTERN REGIONS**

Overview

The Government has taken several initiatives for development of industries in the North Eastern Region. Policies and Programmes are directed towards development of infrastructure, entrepreneurship skills, markets and providing flow of credits to the entrepreneurs. The orientation of the programmes are focussed to a large extent on (i) Cluster-based approach to industry, (ii) Industries based on local resources within the Region, and (iii) encouraging the industries in the medium and small-scale sectors. The Ministry has, through the North Eastern Development Finance Corporation Ltd. (NEDFi), undertaken techno-economic studies and resources mapping for the development of industries in the North Eastern Region. The areas so far covered in the study include inter-alia, medicinal and aromatic plants, agriculture, livestock and poultry development, tourism, software development, handloom and handicrafts and food processing.

The focus of the Government has been to upgrade the infrastructure in the North Eastern Region. Government has taken up several projects for improvement in road, rail, air, communication, waterways and telecom network in the region. Addressing connectivity issues assumed a new seriousness. Government has set up National Highways and Infrastructure Development Corporation Limited (NHIDCL) in 2014, which is now fast tracking road building activity. NHIDCL has also undertaken upgradation of neglected, but critical inter-state roads, a new scheme launched by Ministry of Development of North Eastern Region.

The North East is now better connected with broad gauging of the major rail networks in the entire region, the last being from Silchar to Agartala.

Heavy investment has been made in power transmission with two projects covering all the 8 states sanctioning the total cost of Rs.9865 crores in order to reach power to more areas.

The Comprehensive Telecom Development Plan with a budget of Rs.5336 crore

has enabled better mobile connectivity with new nodes at district, block and gram panchayat levels. Internet services got a boost with the recent launch of international internet gateway from Cox's Bazar in Bangladesh to Agartala, making it the third in the country after Mumbai and Chennai.

Thrust has been given for promotion of Handlooms & Handicrafts in the North Eastern Region. Under the North Eastern Region Textile Promotion Scheme, an amount of Rs. 286 crore has been spent during the last two years.

The DoNER Ministry organised a mega-event "Destination North East-2016" from 12th -14th February, 2016 at PragatiMaidan, ITPO, New Delhi to showcase the inherent economic, social and cultural strength, potential and opportunities in the North East Region. The North East-ASEAN Business Summit was organized during April 7th-9th, 2016 at Imphal, Manipur. A meeting on "Economic Cooperation Dialogue in Eastern South Asia: Transport Corridors and Border Special Development Zones" was jointly organized by UNESCAP, Government of Meghalaya and North Eastern Council at Shillong during, April 25 -26, 2016.

Government is implementing various schemes/programmes for promotion, upgradation and development of Micro, Small and Medium Enterprises throughout the country including NER region. The major schemes/programmes include Prime Minister's Employment Generation Programme (PMEGP), Credit Guarantee scheme, Credit Linked Capital Subsidy Scheme (CLCSS), National Manufacturing Competitiveness Programme, Cluster Development Programme, International Cooperation Scheme etc. Efforts have been undertaken to motivate entrepreneurs to invest in sectors like plastics and polymers, tourism and hospitality, information technology, food processing, aromatic and medicinal plants, sericulture, horticulture and floriculture, handlooms and handicrafts and bamboo processing etc. Some entrepreneurs have set up their venture and taken assistance from NEDFi. In addition, North Eastern Council has supported a number of projects posed by State Governments relating to development of work-sheds and marketing of produce.

This was stated by the Minister of State (Independent Charge) for Development of North Eastern Region (DoNER), MoS PMO, Personnel, Public Grievances, Pensions, Atomic Energy and Space, Dr. Jitendra Singh in written reply to a question by Dr. Sanjay Singh in the Rajya Sabha today.

Rubber and bamboo are among the important agricultural produces which can attract a lot of investment opportunities. Tripura is the chief production hub and has been declared as the 'second rubber capital of India' right after Kerala by the Indian Rubber Board. The state has the potential to produce 10,000 hectares of rubber (the available plantation area is 35,760 hectares). Other rubber producing

states in the region are Mizoram and Assam. Coupled with the fact that globally India ranks third in the production and fourth in the consumption of rubber creates a huge market for investors. The NE states also produce a substantial percentage of bamboo, accounting for 65% of India's production value and 20% of the global production value. Mizoram alone contributes to around 40% of the country's bamboo production. While India's bamboo market is expected to grow to 5.5 billion USD by 2015, the UN's Industrial Development Organisation estimates the NE's bamboo production to grow up to 1.25 billion USD in the same period.

Realizing Growth Potential of North Eastern Region

The region's comparative advantages in producing fruits, vegetables and other horticulture products can be tapped by setting up small-scale processing units for the local market which will also boost rural employment. This set-up is economically viable as well as doable as a small processing unit requires little capital. The region produces a large amount of spices such as chillies, gingers, mustard seeds, fruits and vegetables which can be processed and marketed locally.

Arunachal Pradesh has taken up the cultivation of horticulture produce especially of sub-tropical fruits on a large scale with assistance from the government. In Mizoram, which accounts for 12% of the total fruits produced in the north east, a special purpose vehicle (SPV) has been formed with private sector companies to set up a plant for the processing of turmeric, ginger, chilly, fruits and other horticulture products. In Manipur, organic farming is the most sought-after practice in the hill areas. The state government has given special impetus to farming for pineapple, passion fruit, mushroom, etc. on a massive scale. With proper processing, many of the agri-horticultural crops of the state look promising for export. Another focus area for the agro based industry is the processing for extracts of spices, medicinal and herbal plants. The state government has established a food park at Nilakuthi with a project cost of 6.6 million USD. This park will provide common facilities like cold storage, warehouse, quality control laboratories, packaging, tool room, power and water supply, sewerage treatment, etc. The Nagaland Food Private Limited (NFPL) established in the Dimapur Industrial Estate specializes in bamboo shoot processing, pineapple, passion fruit and orange juice processing. The food and meat processing sector also provides immense potential for investment in the state. The Nagaland Industrial Development Corporation has received approval for developing an agro and food processing SEZ in Dimapur.

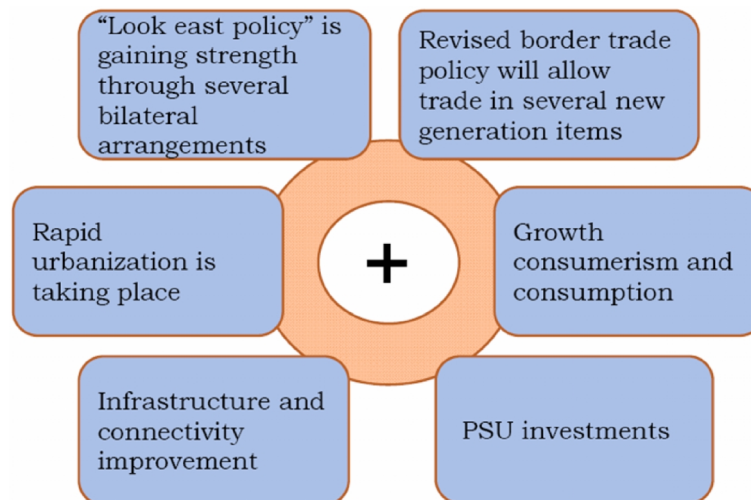
There is also scope for dairy processing and poultry, fishery processing in the region. There is huge demand for dried fish in the region, processing of which is

not capital intensive. The National Dairy Development Board (NDDB), which has extensive experience in mobilising producers in milk, vegetables as well as other areas, could play a key enabling role in this process. Increase in milk production will encourage the milk, butter and cheese processing industry in the region.

Private entrepreneurs need to be encouraged to set up storage, distribution and marketing infrastructure such as a cold storage chain along major arterial highways. This will help exploit the horticulture potential of the region and bring perishables speedily to marketing hubs. For cold chain operations, a public-private partnership (PPP) or lease could also be explored. Similar initiatives can already be seen in Meghalaya and Mizoram where flowers are being distributed outside the region by a private distributor, Zopar, which also supplies seed varieties to farmers.

Exhibit 18

Positive Changes in NER



Source: Planning Commission

Exhibit 19**Documents/Clearances required for setting up a Micro Small and Medium Enterprise in Arunachal Pradesh**

NOC's and Clearances	
1	Pollution Control Board to Set Up
2	Forest and Environment Department in case of Forest Based Industries
3	Geology and Mining Department in case of Mineral based industries
4	Registration of EM Part I and Part II shall be issued by DIC, authority
5	Load Sanction from power department, for power intensive unit
6	State food adulteration board in case of food related enterprises
7	Registration under Factory and Boiler Act
8	Local Body
Documents Required	
1	Trading license from concern deputy commissioner/Director Trade and Commerce (prior to Arunachal Pradesh State Industrial Policy 2009, Trading License were issued to APST only. However, under Industrial policy 2008, the Trading license will be issued to outside investor also for Industries/Enterprises which involve investment of minimum of Rs. 5.00 crores in Plant and Machineries, and in case of Service Sector the minimum investment on equipment should not less than Rs.2.00 corers to qualify for obtaining trading license).
2	ST certificate for APST from respective Deputy Commissioner
3	Land availability certificate fro Deputy Commissioner
4	Lease deed agreement in case of lease
5	Sketch map of the proposed land
6	Land allotment order issued from land record and land management department
7	DPR in triplicate
8	Registration under Arunachal Goods Tax Act

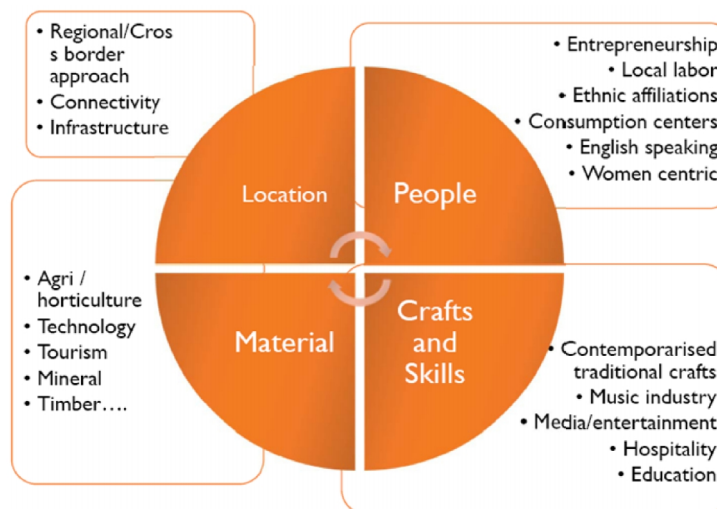
Source: National Informatics Centre, Arunachal Pradesh State Centre, Itanagar

NEDFi is an ISO 9001:2008 certified company since 2001 and the mission is the economic development of the North Eastern Region of India by identifying, financing and nurturing commercially and financially viable projects in the region. It is notified as a Public Financial Institution under Section 4A of the said Act and was registered as an NBFC in 2002 with RBI. The shareholders of the Corporation are IDBI, SBI, LIC, SIDBI, ICICI, IFCI, SUUTI, GIC and its subsidiaries. The management of NEDFi has been entrusted upon the Board of Directors comprising representatives from shareholder institutions, DoNER, State Governments and eminent persons from the NE Region and outside having wide experience in industry, economics, finance and management.

NEDFi provides financial assistance to micro, small, medium and large enterprises for setting up industrial, infrastructure and agri-allied projects in the North Eastern Region of India and also Microfinance through MFI/NGOs. Besides financing, the Corporation offers Consultancy & Advisory services to the state Governments, private sectors and other agencies. We conduct sector or state specific studies under its Techno-Economic Development Fund (TEDF) and is the designated nodal agency for disbursement of Govt. of India incentives to the industries in the North-East India under North-East Industrial and Investment Promotion Policy 2007 (NEIIPP 2007). The promotional activities of NEDFi include mentoring through BFC, Water Hyacinth Craft, NEDFi Convention Center, NEDFi Pavillion etc.

Exhibit 20

Indigenous Approach and Growth Levers



Source: Planning Commission

Exhibit 21

Literacy Rates and Sector-wise distribution of Workers

Literacy rates		Sector-wise distribution of workers					
States		Rural			Urban		
		Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
Arunachal Pradesh	54.74						
Assam	64.28	83.4	7.5	9.0	8.7	13.4	77.9
Manipur	68.87	67.7	6.2	26.2	6.0	13.5	80.5
Meghalaya	63.31	75.3	8.9	15.8	28.3	15.6	55.9
Mizoram	88.49	86.5	3.0	10.5	1.3	14.6	84.1
Nagaland	67.11	88.5	2.4	12.2	30.3	14.7	55.0
Sikkim	69.68	79.7	2.2	18.1	8.4	12.1	79.5
Tripura	73.66	60.8	9.9	29.3	2.1	16.1	81.8
NER	68.00	45.7	12.0	42.3	2.7	8.0	89.3
India		76.3	11.4	12.4	8.8	32.0	59.2

Source: Census of India, 2001

Exhibit 22

Share of NE States in production of major crops (2008-09)

NE state	Rice		Wheat		Cereals		Pulses		Food grains		Oil seeds	
	Prod	Share (%)	Prod	Share (%)	Prod	Share (%)	Prod	Share (%)	Prod	Share (%)	Prod	Share (%)
Arunachal Pradesh	163.9	0.17	5.2	0.01	77.7	0.19	9.0	0.06	255.8	0.11	30.5	0.11
Assam	4008.5	4.04	54.6	0.07	15.4	0.04	64.5	0.44	4143.0	1.77	137.9	0.50
Manipur	397.0	0.40	-	-	11.5	0.03	6.5	0.04	415.0	0.18	0.7	0.00
Meghalaya	203.9	0.21	0.7	0.00	27.3	0.07	3.9	0.03	236.3	0.10	7.1	0.03
Mizoram	46.0	0.05	-	-	9.3	0.02	3.6	0.02	58.9	0.03	2.5	0.01
Nagaland	345.1	0.35	2.1	0.00	127.3	0.32	39.7	0.27	514.2	0.22	71.5	0.26
Sikkim	21.7	0.02	7.8	0.01	66.2	0.17	11.8	0.03	107.5	0.05	7.4	0.03
Tripura	627.1	0.63	1.2	0.00	2.0	0.00	4.4	0.03	634.7	0.27	2.5	0.01
NE Region	5813.2	5.9	71.6	0.1	337.2	0.8	143.4	1.0	6365.4	2.7	260.1	0.9
All India	99182.4	100	80679.4	100	40037.9	100	14566.7	100	234466.4	100	27719.0	100

Note: Production in thousand tonnes

Share % share in all India production

Source: Agricultural Statistics at a Glance, Ministry of Agriculture, Government of India.

Exhibit 23**Forest Cover 2011**

<i>States</i>	<i>Geographical area</i>	<i>Forest cover</i>	<i>% Forest cover</i>
Arunachal	83743	67410	80.5%
Assam	78438	27673	35.3%
Manipur	22327	17090	76.5%
Meghalaya	22429	17275	77.0%
Mizoram	21081	19117	90.7%
Nagaland	16579	13318	80.3%
Sikkim	7096	3359	47.3%
Tripura	10486	7977	76.1%
NER	262179	173219	66.1%
All India	3287263	692027	21.1%

Areas in Sq. Km

Source: Forest Survey of India

This is due to the limited land available for agriculture. The region has a forest cover of more than 66.1% (ranging from 35.3% in Assam to 90.7% in Mizoram) against the national average of 21.1%. Even though, it accounts for about 8% of the total geographical area of the country, it has only 3.4% of land for agricultural purposes (CMIE, 2007). It contributes only 2.8% to the total agricultural production, underscoring the low productivity of the region (RBI, 2005).

Roads and Railways connectivity in NER

Road is an important mode of travel in the hilly areas as other mode of travel is either too expensive or difficult. The North East Road Sector Development Scheme is a one of the major initiatives of state government to take up rehabilitation/ construction/ upgradation of interstate roads, roads in socio-politically neglected pockets of NER, roads required for security and strategic viewpoint not covered in any other programmes and roads of economic importance linking and providing market access to the agricultural products. Committees are formed under the scheme for effective functioning and scrutinising the projects from development to implementation stage. Ministry of DoNER is authorised to release funds and critically evaluate the successful allocation of funds, at various stages of project implementation.

Exhibit 24**Road Wise Details of the neglected Inter-State Roads
(orphan roads)****Length of Road in Km**

SI No.	Name of Road	Length of the Road in the concerned State (KM)	Length of the Road in neighbouring state (KM)	Total	Neighbouring State
	ARUNACHAL PRADESH				
1	Mirem-Mikong-Jonai road	16.83	5.6	22.43	Assam
2	Jote-Balijan road	47	13.1	60.1	Assam
3	Mebo-Dholla road	37.5	30	67.5	Assam
4	Marglierita-Deomali road	16.06	13.1	29.16	Assam
5	Longding-Bitnalpur road	44	13	57	Assam
6	C/o road from Manmao to North Tirap Gate near Ledo NH-38 in Assam	27	10	37	Assam
7	Jagun-Namchik-Miao road	27	8.15	35.15	Assam
5	Tezu-Sadiya road	16.17	16.5	32.67	Assam
9	Doimara to Tenga road in West Kameng District	98	15	113	Assam
10	Doimukh to Harmuti road	6	10	16	Assam
	TOTAL	335.56	134.45	470.01	

	MEGHALAYA				
1	Rongsai-Bliosjora-Bajengdoba (RBB) road (Assam portion from Rongsai to Bhorjora)	18.22	30	48.22	Assam
2	Tura-Mankachar road (Assam portion) connecting to Ferryghat	19	2	21	Assam
3	Sualmari to Nabang bazar connecting NH-51 in Assam	0	7		Assam
4	Lakhipur to Abirampara connecting AMPT road at 19th Km	0	15	15	Assam
5	Tikrikilla bazar to Sathaimari	0	3	3	Assam
6	Damra-Medhipathar road to Bangsi Apai via Nishangram	0.71	3	3.71	Assam
7	Krishnai-Mendhipathar road	0.12	14	14.12	Assam
8	Amjonga-Baksalpara road	3	3.5	6.5	Assam
9	Siluk to Mendima	1.2	5	6.2	Assam
10	Darangre to Kharkutta road	1	5	6	Assam
11	Dhupdhara to Adokgre road	1.2	12	13.2	Assam
12	Kattakuti Badakata road	2	13	15	Assam

13	Krislinai Resubelpara road	0.12	13.2	13.32	Assam
14	Mukroh Uinspar linking Jrikyndeng road	5	4	12	Assam
15	Mawshynrut- Haliim-Boko road	37	14.6	51.6	Assam
16	Umsning-Jagi road	79.6	14.6	94.2	Assam
	TOTAL	171.17	158.9	330.07	
	MANIPUR				
1	Tamei-Termin Road	21.6	54	75.6	Nagaland
2	Tadubi Pfutsero Road	13	94	107	Nagaland
3	Tamenglong Haflong Thosem Road	91	11	102	Assam
	TOTAL	125.6	159	284.6	
	MIZORAM				
1	Zamuang-Hripaw- Durlabhcherra road	47	14	61	Assam
2	Kawnpui-Bairabi	15	15	30	Assam
3	Sherklian- Bhagabazar	0	16.5	16.5	Assam
4	Khawzawl-Sinzawl	0	50	50	Manipur
5	Lower Poo Kanlimun	27	27	54	Assam
	TOTAL	89	122.5	211.5	
	NAGALAND				
1	Kangtsungyimsen to Akhel (Assam)	5	18	23	Assam
2	Anaki C to Akhel (Assam)	11	11	22	Assam
3	Dimapur to Delai Gate (NH-36)	7,5	0	7.5	Assam

4	Dimapur to NH-39	1.86	0	1.86	Assam
5	Mon-Namtola-Sonari	13	11	24	Assam
6	Wokha-Merapani-Golaghat.	3	34	37	Assam
7	Pfutsero-Tadubi NH-39	94	13	107	Manipur
5	Kohima-Bokajan	5	24	29	Assam
9	Lougchem-Naginijan via Saring	13	12	25	Assam
10	Mangkolemba to Alongtaki to Nakachari	22	4.2	26.2	Assam
11	Lirmen to Deodar Ali	17	10	27	Assam
12	Yajang C to Selanghat	10	9	19	Assam
13	Yajang C to Haluating	9	12	21	Assam
	TOTAL	211.36	158.2	369.56	
	GRAND TOTAL	932.69	733.05	1665.74	

Exhibit 25**Road Density 2008**

States	Road density per 1000 Sq. KM	Road density per 1000 population
Arunachal	196.96	13.77
Assam	2936.51	7.83
Manipur	739.11	6.98
Meghalaya	438.67	3.89
Mizoram	292.11	6.35

Nagaland	1345.32	10.27
Sikkim	263.95	3.17
Tripura	3026.23	9.09
India	965.73	2.77

Source: 1. Material supplied by TRW, M/o Road Transport & Highways
2. Annual Report, published by M/o Road Transport & Highways

To address this The Ministry of Road Transport and Highways (Morth) has been paying special attention to the development of national highways in the region. The ministry has earmarked 10% of the total allocation for the NE region. The total length of NHs in the region is 8,480 km and these are being developed and maintained by three agencies-the state Public Works Departments, Border Road Organization (BRO) and National Highway authority of India (NHAI). Of the total length of 8,480 km, about 2,118 km is with the BRO and 5,409 km is with the respective state PWDs. The remaining length of 953 km is with the NHAI. There has also been a special thrust in building the road infrastructure. Sufficient funds have also been allocated in building the road infrastructure in the NE states. The states have 2,473 km of NHs, 5,711 km of state highways, and 15,154 km of major district roads. The states have funds (from various agencies such as Asian Development Bank, etc.) to upgrade the worn out state roads.

In most NE states, village and district roads are dominant. These roads are particularly important for facilitating intra-state movement of people and freight.

Exhibit 26

Road Length

A snapshot of the road lengths in the various states of the region is as follows:

Road lengths (km)

India: 2011-12

States	Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura
National highways	1,992	2,836	959	810	927	494	62	400
State highways	-	3,134	668	1,134	259**	404**	186	689
Major district roads	12,169	4,413	964	1,219	--	2,387	1,720	90

Rural road*	5,455	1,88,850	6,305	1,569	1,972	22,095	2,326	16,415
Urban road*	33	6,664	210	110	325	98	162	280
Project road*	1,088	8,493	-	940	35	269	5	1,346

Source : Ministry of Road Transport & Highways, CMIE State of India

**2007-08 data

*2010-11 data

The major road programmes that are being undertaken in the region are as follows:

1. National Highway Development Programme (NHDP)-II proposes to link the east-west corridor beginning at Porbandar, Gujarat to the NE through a 678 km four-lane highway connecting Silchar to Srirampur via Lumding-Daboka-Nagaon-Guwahati in Assam. This has been entrusted to the NHAI under the NHDP phase-II.
2. NHDP-III proposes to widen 1,051 km stretches of various NHs to improve connectivity of state capital towns.
3. The Arunachal package envisages improving the connectivity to the Arunachal dramatically. The package incorporates the following:
 - Construction of public roads to link the hydel power project
 - Four-lane connectivity to Itanagar
 - Two-lane connectivity of district headquarters
 - Trans-Arunachal highway
4. Special Accelerated Road Development Programme for North East (SARDP-NE) Phases 'A' and 'B' will cover construction and improvement of 8,737 km of road length. Major objectives of this programme includes providing a two-lane NH connectivity to all state capitals with East-west corridor, providing connectivity to all district headquarter of NER by at least a two-lane road and providing inter-connectivity to all the state capitals by at least a two-lane NH.

Besides, there is a proposal to connect India and Myanmar through a single road running on either side of the borders. Earlier, the stretch of road in Myanmar was to start from Kaletwa, which will now start from Paletwa. The DPR for this new stretch is being prepared. In India, the road is to start from Lawngtlai in Mizoram. The technical specification of the road has been revised and consequently revised cost estimates are being worked out.

Railways are the best mode of mass transportation in the country. However, in the hilly terrains of the NER it is difficult and expensive to setup rail networks. This accounts for the absence or nominal presence of railway lines in hilly states like Arunachal Pradesh, Manipur, Meghalaya and Mizoram.

CHAPTER IV

**BUSINESS REFORMS ACTION PLAN & STATE
POLICIES AND MEASURES
FOR NORTH EASTERN REGION**

Overview

Department of Industrial Policy and Promotion in 2016 came up with Business Reforms Action Plan for States and Union Territories. Reforms were focused on the following areas:

1. Ensuring access to information and enable transparency: it was recommended to simplify the various forms and checklist of activities that were laid down at various stages such as pre-establishment, pre-operation, establishment of business, and various state approvals applicable to starting business. It was also proposed to issue a single id for all state taxes. Various legislations were proposed to ensure time-bound service delivery.
2. It was further decided to mandate and make arrangements to publish the comments/ feedback received on the draft business regulation and how they were addressed in the final regulation.

The research report (2015, September) assesses implementation status of reform measures across eight areas as follows:

- 1 Setting up a Business
- 2 Allotment of Land and obtaining Construction Permit
- 3 Complying with environment procedures
- 4 Complying with labour regulations
- 5 Obtaining infrastructure related utilities
- 6 Registering and Complying with tax procedures

7 Carrying out inspections

8 Enforcing contracts

The major findings of the report indicated that effective implementation of the reforms require all parties to have a shared vision. A Vision document outlining what success means for each of the 285 questions was prepared and shared for effective implementation at states. It was contemplated that states to aggressively undertake a detailed communications campaign to ensure businesses are aware of the improvements in the regulatory environment. Another element that will evoke successful implementation of the reforms is business feedback. The assessment report reveals that states are at very different levels of implementation of the 98 point action plan which is indicated in the state rankings as shown in the table below:

The OECD Economic Survey (India)

Economic growth of around 7½% makes India the fastest-growing G20 economy. The acceleration of structural reforms, the move towards a rule-based policy framework and low commodity prices have provided a strong growth impetus. Recent deregulation measures and efforts to improve the ease of doing business have boosted foreign investment. Investment is still held back by the relatively high corporate income tax rates, a slow land acquisition process, regulations which remain stringent in some areas, weak corporate balance sheets, high non-performing loans which weigh on banks' lending, and infrastructure bottlenecks. Quality job creation has been low, held back by complex labour laws.

Arunachal Pradesh State Industrial Policy 2008

The industrial policy, 2008 of Arunachal Pradesh is formulated to achieve the investment-friendly environment in the state for industrial growth in the private/joint venture/co-operative sectors for sustainable economic development of Arunachal Pradesh. It aims to generate employment opportunities in the state and make Arunachal Pradesh a preferred destination for outside investors. It encourages the state to encourage local entrepreneurs to set up enterprise based on locally available raw materials and further to promote export oriented handloom and handicrafts. The policy will encourage industrial units producing high value low volume products.

Industries based on agricultural, horticulture and plantation, bamboo, cane medicinal plants/herbs aromatic grass, teas, coffee etc, textiles, handicrafts and sericulture electronics and IT based enterprises, and mineral based industries, electronics and IT based enterprises, mineral based industries, facilitation and

development of industrial infrastructure, including power, communications etc under PPP.

The policy aims to create special efforts for development of infrastructure by promoting establishment of Industrial Estates, Industrial Growth Centres, Integrated Infrastructure Development Centres, Small Industries Cluster Development, Export Promotion Industrial Parks, Export Promotion Zones, Special Economic Zone (SEZ), Food Parks; strengthening of existing Industrial Estates, Border Trade Centres, Industrial Cluster Development etc. Entrepreneur(s)/ a group of entrepreneurs/ consortium of industries is allowed 100% equity holding / ownership of their industrial unit(s)/enterprises and hold the land on lease for a period of 50 years. After the end of 50 years, the State Government reserves the right to review and modify equity holding/ownership on mutually agreed terms and conditions.

State Government shall provide 99% Sales Tax (VAT) / Entry and Tax exemption to eligible industrial units on import of actual raw materials, machineries and equipment's into Arunachal Pradesh as also on sale of finished goods in the State for a period of 7 years from the date of commencement of commercial production.

At present Trading License are issued only to indigenous local traders. The present policy will also be applicable for small scale industries/enterprises.

However, under this policy the trading license will be issued to all entrepreneurs including outside investors for the industries/ enterprises which involve investments of minimum Rs 5.00 Crore in plant and machineries, whereas in case of service sector the minimum investment on equipment's should not be less than Rs.2.00 Crore to qualify for obtaining trading license.

The State Fiscal Incentives:

Price Preference: State Government Departments and other state Government controlled bodies and organizations, while making purchases will give price preference to the products manufactured by registered Micro and Small Enterprises. Other things being equal they will be given a price preference in contract bids as indicated below:

Type of Industries	Price preference rates
Cooperative Ventures	7.5 %
Cottage, Micro and Small Enterprises	7.5 %

Arunachal Pradesh State Industrial Policy 2001

The policy resolution is aimed to encourage the establishment of industrial undertakings in the private and co-operative sectors for the sustainable

development of the state. Other thrust areas of the policy emphasised on creating employment and self-employment opportunities in industrial and allied sectors. It was decided that investors from outside the state will be given 100 equity ownership of an industrial unit by entrepreneurs for a maximum period of 30 years by the end of which period such equity holding will be reduced to 49 per cent and the remaining 51 per cent will be held by local Arunachal tribal entrepreneur or a group of local tribal entrepreneurs or the state govt. if it considers necessary to do so. Outside entrepreneurs may be allowed to hold land on lease for a period of 30 years which may be used as security for loans from financial institutions.

According to the policy in the initial stages following industries will be encouraged:

- a. Industries based on agricultural, horticultural and plantation produce
- b. Industries based on locally available raw materials
- c. Textiles (handlooms and power looms) and handicrafts.
- d. Electronics and knowledge based industries
- e. Industries based on non-timber forest produce
- f. Infrastructure such as power and communications
- g. Tourism
- h. Medical services
- i. Educational services

Incentives designed for the industries

All incentives granted by the central government shall be transmitted to eligible entrepreneurs establishing industrial units in Arunachal Pradesh. Currently these include:

- Central Capital Investments subsidy scheme
- Transport subsidy scheme
- Central interest subsidy scheme
- Comprehensive insurance scheme etc

Price preference

Government department and other government controlled bodies and organizations, while making purchases will give price preference to products

manufactured by registered SSI units. Other things being equal they will be given a price preference in contract bids as indicated below:

Sr. No.	Type of Industries	Price preference rates
1	Cooperative Ventures	7.5%
2	SSI Units, cottage and tiny units	15%

Administrative Measures

A State level industrial empowered committee comprising of the concerned secretaries and representatives from banking and financial institutions will be formed to grant the requisite clearances and facilitate the establishment of industries from a single window. This empowered committee is headed by the Ministers of Industries. Each district industries centres has udyogsahayak cell to guide entrepreneurs in the setting up of the industries by selection of product, preparation of project report and arrangement of finance for the project. There is also women's centre to cater to the special needs of women entrepreneurs. The district level industrial advisory boards is reconstituted for monitoring the working of the district industries centres. Rural Non-Farm Sector has identified 10 sectors for development, which includes sectors like Agriculture, Fish rearing and processing, Rural retail Trade, Sericulture and Silk textile fibre products, construction, small plantations products, handloom, handicrafts products in cane and bamboo and wood. These activities are to be developed for creation of additional employment in the rural areas. All relevant departments will be associated in the implementation of these schemes. A package for the revival of sick industries in the SSI and Tiny sector is also devised. Other initiatives under the policy include public sector policy, women entrepreneurs, and registration of SSI units. Under the registration of SSI units a single window service cell is set up for assisting entrepreneurs to get all required technical clearances, guidance etc, for undertaking any industrial project or activity in the district in the district. Units fulfilling all formalities of registration will be given provisional or permanent registration will be given provisional or permanent registration by the district industries centres/directorate of industries. Registered SSI units is exempted from furnishing security deposits or earnest money. Quality control for purchase of testing equipment's 50% subsidy is admissible to the SSI and tiny industries. Registration fee and annual fee with the Bureau of Indian Standards etc. is reimbursed in full for the first five years. The departments of industries is the Nodal Agency for quality control of all industrial products in the state.

Area and Population	
Area	83.743 Sq Km
Population	8.64 lakhs (1991 Census)

Administrative Set-up

District	15
Sub-division	36
Circle	149

Industry

Medium Industries	17
Small Scale Industries	2626
District Industries Centre/Sub-DIC	13
Craft Centre/Weaving/Knitting Centre	76
Sericulture Demonstration Centre	25
Govt. Emporia	17

Power Availability

Hydro	39.52 W
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Procurement Preference Policy, Assam, 2015

In 2006 a Central Act viz Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006) came into force.

Section 11 of the Act lays down that in order facilitate *promotion and development of micro and small enterprises, the Central Government or the State Government may, by order notify from time to time, preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises, by its Ministries or departments, as the case may be, or its aided institutions or public sector enterprises*".

Assam Preferential Stores Purchase (APSP) Act 1989 does not match with the provision of Micro Small and Medium Enterprise (MSME) Development Act, 2006 and other relevant institutions of the Central/State Government like CVC. Whereas it has become expedient and necessary to encourage growth of enterprises in the State of Assam and promotion, development and enhancement of competitiveness thereof especially for Micro and Small Enterprises.

The Legal Framework

Section 11 (under chapter IV) of MSME Development Act, 2006 empowers the state Government to resort to preferential procurement vis-a'-vis the principles of the public procurement and AFR_BM Act and other extant rules /guidelines.

Objectives:

- To facilitate growth of Micro and Small Enterprises, to provide opportunity to local entrepreneurial talents and to maximize avenues for employment generation
- Increased participation by Micro and Small Enterprises in the State Government Stores Purchase programme.
- Enhancement of competitiveness amongst the Micro and Small Enterprises.
- Encourage linkages between Micro &. Small Enterprises and Large Enterprises.

Registration for getting preference under the Policy:

Any MSE who has obtained an EM Part-II from the District Industries & Commerce Centre shall be eligible for registration under the Policy. Registration shall be valid for 2 (Two) years and will be reviewed and renewed after every 2 (Two) years by verifying continuous commercial and technical competence of the registered Micro and Small Enterprises. The General Manager, DI&CC will issue Registration Certificate under the Policy.

Such units shall be called enterprises registered under Procurement Preference Policy (PPP) and when such units supply/ intend to supply goods or render services to State Government offices/ Corporations/ PSUs etc they shall be called suppliers which shall also include ASIDC. Such certificate issued by General Manager, District Industries & Commerce Centre will clearly indicate name Of the MSE, name of owner(s) of WISE, name of street, town/village, contact email address, phone No., items for which registered, capacity of production and sales turn over as per balance sheet of previous years. The certificate should also include the dates of issuance and supply.

Preference

- i) MSEs registered under the Policy and falling in Schedule -1 areas will be entitled for price preference upto 20% over the Li price if LI happens to be Non-registered industry/ supplier under this policy. In case more than one such unit qualifies for price preference, then the lowest quoted rate

by the MSE registered under the policy and falling in Schedule-1 will be considered and supply order shall be given to such enterprise.

- ii) MSEs registered under the Policy and falling in Schedule-2 areas will be entitled for price preference upto 15% over the Li price if Li happens to be Non-registered industry/ supplier under the policy. In case more than one such unit qualifies for price preference, then the lowest quoted rate by the MSE registered under the policy will be considered and supply order shall be given to such enterprise.
- iii) MSEs registered under the Policy and falling in Schedule-1 areas will be entitled for price preference upto 10% over the Li price if Li happens to be PPP registered MSEs and located in Schedule-2 area. In case more than one such unit qualifies for price preference, then the lowest quoted rate by the MSE registered under the policy and falling in Schedule-1 areas will be considered and supply order shall be given to such enterprise.

However, in all the above 3 (three) categories, such preferential procurement will be restricted to 25% of the tender value in all the cases and the rest 75% of the tender value will be allowed to L1.

- iv) In case of MSEs registered under the policy and falling in Schedule-1 area and IVISEs registered under the policy and falling in Schedule-2 area qualify for supply of goods where Li happens to be a Non-registered industry/ supplier under this policy, then the supply will be distributed as below:
 - (a) MSEs registered under the policy located in Schedule-1 area: 12.50%
 - (b) MSEs registered under the policy located in Schedule-2 area: 12.50%
 - (c) Non-registered industry/ supplier quoting L1: 75.00%

Illustration is at Annexure-A1 to A4

Tendering & Procurement

(i) All purchases above Rs.5.00 Lakh (Rupees Five Lakh) should be done by OPEN TENDER under this policy by the respective departments themselves.

(ii) If any purchasing department so desires, it can appoint ASIDC as its official tendering agency as per terms and conditions agreed upon by the purchasing department and ASIDC.

Purchasing department, if so desires, can also appoint ASIDC as its procuring agency as per terms and conditions agreed upon by the purchasing department and ASIDC.

Rate Contract

ASIDC shall conclude rate contracts with the registered suppliers for goods and items of standard types which are identified as common user items and are needed on recurring basis by various State Government Departments/ State PSUs/ its aided institutions.

Detailed operational modalities along with items to be considered for such rate contract will be finalized by ASIDC within 3 (three) months of the notification of the Policy with the approval of Commissioner of Industries.

Marketing Syndication and MSEs Consortium

ASIDC shall also act as a representative consortium on behalf of the PPP registered MSEs to procure and supply goods/ services to State Government offices/ its aided institutions/ Public Sector Undertakings for which it (ASIDC) shall qualify for the following benefits.

- (a) Issue of tender sets free of cost.
- (b) Exemption from payment of Earnest Money.
- (c) Waiver of Security Deposit.

For such services rendered to PPP registered MSEs under the consortium, with the consent of MSEs, upto one percent of the value of supply order would be charged by ASIDC as "Service Charges" from the MSE supplier if any such supply order is bagged by MSEs under ASIDC's consortium.

Developing Micro and Small Enterprise vendors

ASIDC shall also act as a Nodal Agency for development of Micro & Small Enterprises in the State and take necessary steps to develop appropriate vendors organising Vendor Development Programmes/ Buyer-Seller Meets for the development of Micro & Small Enterprise in the state. Further, for development of Micro and Small Enterprises of Schedule Caste, Schedule Tribe and women:-

- a) Special Vendor Development Programmes/ Buyer-Seller Meets shall be conducted for Scheduled Castes or Scheduled Tribes including that of women.
- b) Outreach programmes shall be conducted by ASIDC to cover more and more Micro and Small Enterprises from Scheduled Castes or Scheduled Tribes.

For the purpose of the same State Government shall make a separate budget provision for ASIDC to carry out the works.

Payment

Payment for purchase would be made by the purchasing department directly to the supplier which shall also include ASIDC, in case the supplier is ASIDC.

Quality

Quality of the items shall be as per purchasers' specification. Quality certification may be obtained from the Quality Control Laboratories under the Industries & Commerce Department, Assam, any other Central/State. Government authorized institution/agency.

Annual Plan for Procurement from Micro and Small Enterprises

The State Government Departments/ State I5SU/ State Govt. aided institutions shall also prepare Annual Procurement Plan for purchases within 30th June every year and upload the same on their official website and also submit the same to ASIDC to upload the departmental Annual Procurement Plan in the Corporation's website so that Micro and Small Enterprises may get advance information about requirement of procurement.

Applicability and Compliance

The Procurement Preference Policy of MSEs shall be statutory under section 11 of Micro, Small Medium Enterprises Development Act, 2006 and mandatory for all State Government offices, its aided institutions, Public Sector Undertaking.

Review Committee

There shall be a Review and Monitoring Committee headed by the senior most Secretary, Industries & Commerce Department, Assam for ensuring proper implementation of the Policy. The Industries & Commerce Department, Assam will notify the Committee along with the terms of reference.

Notification of Schedule-I & II

Industries & Commerce Department, Government of Assam will notify Schedule-I & II from time to time.

Removal of difficulty

Any difficulties experienced during the course of implementation of the above Policy shall be clarified by Government of Assam, Industries & Commerce Department.

NORTH EAST INDUSTRIAL AND INVESTMENT PROMOTION POLICY (NEIIPP), 2007

Overview

The northeast Industrial Policy (NEIP), 1997 announced on 24.12.1997 covered the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Under NEIIPP, 2007 Sikkim will also be included. Consequently the New Industrial Policy and other concessions for the state of Sikkim announced vide O.M N0.14 (2)/2002-SPS dated 23/12/2002 and the schemes thereunder i.e. central capital investment subsidy scheme, 2002, central interest subsidy scheme, 2002 and central comprehensive insurance scheme, 2002, notified vide notifications No. F.No 12 (2)/2002- SPS dated the 24-12-2002 will be discontinued from 1.4.2007.

Duration

All new units as well as existing units which go in for substantial expansion, unless otherwise specified and which commence commercial production within the 10 year period from the date of notification of NEIIPP, 2007 will be eligible for incentives for a period of ten years from the date of commencement of commercial production.

Neutrality of Location

Incentives will be available to all industrial units, new as well as existing units on their substantial expansion, located anywhere in the North Eastern Region. Consequently the distinction between 'thrust' and 'non-thrust' industries made in NEIP, 1997 is discontinued from 1.4.2007.

Substantial expansion

Incentives on substantial expansion is given to units effecting 'an increase by not less than 25% in the value of fixed capital investment in plant and machinery for the purpose of expansion of capacity/modernization and diversification', as against an increase by 33 1/2 % which was prescribed in NEIP, 1997.

Excise duty exemption

100% excise duty exemption is continued on finished products made in the North Eastern Region. However in cases where the CENVAT paid on the raw materials and intermediate products going into the production of finished products (other than products which are otherwise exempt or subject to nil rate of duty) is higher than the excise duties payable on the finished products.

Income tax exemption

100% Income Tax exemption will continue under NEIP, 2007 as was available under NEIP, 1997.

Capital Investment Subsidy

The subsidy is enhanced from 15% of the investments in plant and machinery to 30% and the limit for automatic approval of subsidy at this rate is Rs. 1.5 crores per unit, as against Rs. 30 Lakhs as was available under NEIP, 1997. Such subsidy will be applicable to the units in the private sector, joint sector, co-operative sector, as well as the units set up by the state governments of the North Eastern Region. For grant of higher subsidy of maximum Rs. 30 crores, the decision will be taken by setting up an empowered committee. Proposals which are eligible for subsidy higher than Rs. 30 crores, will be placed by Department of Industrial Policy and Promotion before the Union Cabinet for its consideration and approval.

Interest subsidy

Interest subsidy is made available @ 3% on working capital loan under NEIPP, 2007.

Comprehensive Insurance

New Industrial units as well as the existing units on their substantial expansion will be eligible for reimbursement of 100% insurance premium.

Industries not eligible under the scheme

The following industries are not eligible for benefits under NEIPP, 2007:-

- All goods falling under chapter 24 of the first schedule to the Central Excise Tariff Act, 195 (5 of 1986) which pertains to tobacco and manufactured tobacco substitutes.
- Pan Masala as covered under Chapter 21 of the first schedule to the Central Excise Tariff Act 1985 (5 of 1986).
- Plastic carry bags of less than 20 microns as specified by Ministry of Environment and Forests Notification No. S.O 705 E dated 2.9.1999 and S.O 698 E dated 17.6.2003.
- Goods falling under chapter 27 of the first schedule to the Central Excise Tariff Act 1985, (5 of 1986) produced by petroleum oil or gas refineries.

Incentives for Service/Other Sector Industries

Incentives under NEIPP, 2007 will be applicable to the following service sector activities/industries:-

- Service Sector
 - a. Hotels (not below two star category), adventure and leisure sports including ropeways;
 - b. Medical and health services in the nature of nursing homes with a minimum capacity of 25 beds and old age homes;
 - c. Vocational training institutes such as institutes for hotel management, catering and food crafts, entrepreneurship development, nursing and paramedical, civil aviation related training, fashion, design and industrial training.
 - d. The tax benefits as is availed under section 80IC of the Income Tax Act is extended to IT related training centres and IT hardware units.
- Biotechnology Industry will be eligible for benefits under the scheme as applicable to other industries.
- Power generating plants will continue to get incentives as governed by the provisions of Section 81A of the income tax act. In addition power generating plants upto 10MW based on both conventional and non-conventional sources will also be eligible for capital investment subsidy, interest subsidy and comprehensive insurance applicable under NEIIPP, 2007.

Value Addition

In order to ensure genuine industrial activities in the North Eastern Region, benefits under NEIIPP, 2007 will not be admissible to goods in respect of which only peripheral activities like preservation during storage, cleaning operations, packing repacking, labeling or re labeling, sorting, alteration of retail sale price etc. take place.

Transport Subsidy Scheme

The transport subsidy scheme would continue beyond 31.3.2007, on the same terms and conditions. However, an early evaluation of the scheme will be carried out with a view to introducing necessary safeguards to prevent possible leakages and misuse.

Nodal Agency

The North East Industrial Development Finance Corporation (NEDFi) is acting as nodal agency for disbursement of subsidies under NEIIPP, 2007.

It was noted that industrial units which have commenced commercial production on or before 31.3.2007 will continue to get benefits/incentives under NEIP 1997.

CHAPTER V

EFFECTIVE IMPLEMENTATION OF THE STATE POLICIES IN NORTH EASTERN REGION

Guidelines for Administration of Non-Lapsable Central Pool of Resources

The North East has essentially depended on Central funding for development works. All the States in the NER are Special Category States whose Development Plans are centrally financed on the basis of 90% Grant and 10% Loan. Further, the Special Category States are allowed to use up to 20% of the Central Assistance for Non-plan expenditure. Despite the fact that the per-capita plan outlays of the NE States over a period of time have increased yet States still rank significantly below the national average in so far as the development of infrastructure is concerned. In terms of per-capita, State Domestic Product or other development indices, such as Power, Length of Roads or Hospital Beds, the North-East ranks well below the national average. Though the literacy levels are higher than the national average, vocational training and entrepreneurial skills remain weak areas. As the benefits of economic development have yet to steadily accrue to the Region, efforts have been initiated in this direction in the recent past through various supportive measures.

In October 1996, the then Prime Minister announced "New Initiatives for North Eastern Region" and stipulated that at least 10% of the Budget(s) of the Central Ministries/Department will be earmarked for the development of North Eastern States. A preliminary exercise undertaken by the Planning Commission in consultation with the various Ministries/Department revealed that the expenditure on the North East by some Union Ministries during 1997-98 fell short of the stipulated 10% of the GBS for that year. Planning Commission thereafter explored the possibility of creating a Central Pool of Resources for the North East out of the unspent amount of stipulated 10% of GBS to support infrastructure development projects in the North East. Certain Departments (e.g. Atomic Energy, Ocean Development) could be exempted, mainly for the reason that they might have little direct involvement in the Region.

Further, as part of the budget proposals 1998-99, it was announced that: "It has been decided that all Central Ministries/Departments should earmark at least 10% of their budget for specific programme of development in the North Eastern Region.

The broad objective of the Non-lapsable Central Pool of Resources scheme is to ensure speedy development of infrastructure in the North Eastern Region by increasing the flow of budgetary financing for new infrastructure projects/schemes in the Region. Both physical and social infrastructure sectors such as Irrigation and Flood Control, Power, Roads and Bridges, Education, Health, Water Supply and Sanitation - are considered for providing support under the Central Pool, with projects in physical infrastructure sector receiving priority. States may identify certain sectors for focused investments with a long-term vision instead of expending these funds into small, diverse and stand-alone projects. The State should also indicate that these projects have not been taken up or proposed to be taken up with any other funding mechanism. Projects in backward areas/ Sixth Schedule areas/ Autonomous District Councils of the State would continue to be accorded weightage. While posing projects for funding under NLCPR in a particular financial year, the States may include projects from backward areas/ Sixth Schedule Areas/ Autonomous District Councils in the priority list of projects for a particular financial year minimum upto 25% of total cost of projects included in the priority list for that year. Along with Priority List, the Concept Paper for each project included in it should be submitted denoting approximate financial outlay benefits accruing from such projects, identification of beneficiaries etc. Concept Papers must be prepared as per the generic structure. They must clearly indicate a detailed analysis of the existing facilities in the sector and full justification for retention of the particular project. The Concept Paper must invariably delineate the cost-benefit analysis of the project. For economic sector project economic benefit should specifically be indicated comparing it with the cost involved. The concept paper should inter-alia include a certificate that the project have not been taken up or proposed to be taken up with any other funding mechanism. Government of India norms for projects and for the sector to which the project belongs should invariably be kept in mind while proposing a project. Only the infrastructure development projects that may lead to socio economic upliftment in the State and having impact on larger number of people should be included in the list. No individual beneficiary schemes / projects should be included in the Priority List. For optimum utilisation of funds, the States may propose the projects on the basis of present needs and keeping view the future expansions rather than making imaginary proposals. Projects with an estimated cost of only Rs.3.00 crore or above should be included in the priority list. If a project in the priority list is considered by the NLCPR Committee but not retained, then it may not be proposed again at-least for next three (3) years.

The cost indicated in the Concept Paper should be on realistic side and based on latest SOR. The cost escalation while finally sanctioning the project is allowed only to the extent of 10-15 % over the cost indicated in the Concept Paper. Under exceptional circumstances this limit can be extended up to 20% beyond which the project will stand chances of being dropped or the State Government will be required to comment and fund the enhanced cost. The scope of the project indicated in the Concept Paper should be what is intended to be reflected in the DPR. There should not be any major change in scope of project in DPR against what was proposed in the Concept Paper.

Project Identification Plan

Following criteria would further guide the project identification exercise by the NLCPR Committee:

- a. Projects of less than Rs.3 Crore would not be generally funded;
- b. NLCPR funds will not be used to fund land acquisition costs;
- c. Each location specific project would be counted as one; the practice of clubbing many projects into one to increase the size of the project would not be acceptable;
- d. Project acceptance would depend on its soundness. The State priority list will only be a suggestive guide. NLCPR Committee will not be bound by that priority.
- e. Projects in backward areas/ Sixth Schedule areas/ Autonomous District Councils of the State would be given weightage and minimum 25% funds may be allocated to the projects falling in these areas.
- f. NLCPR funds would not be used to substitute a budgeted ongoing project or scheme. Emphasis need to be given for employment generation and infrastructure schemes.
- g. Normally project duration should not exceed maximum 3-4 years. Long gestation projects will not be encouraged;
- h. Funding under NLCPR would be made available to State/Central agencies only. The State however, may decide to get the project implemented through any qualified, reputed, experienced agency to be specified in the proposal.

Project Implementation Plan

- a) The Detailed Project Reports (DPRs) would be prepared properly by the

State Department concerned as per generic structure, based on the current schedule of rates and submitted to the Ministry of DoNER, in five (5) copies, through Nodal Department of the State within two months of retention of projects. If the State Government could not submit DPR of the project within two (2) months of its retention the project may be dropped.

- b) To avoid the repetition of mistakes while preparing DPRs, the State Governments should refer to the comments provided earlier by the Line Ministries/ Ministry of DoNER for improvement in the DPRs of similar type of projects.
- c) All regulatory and statutory clearances like forest & environment, land acquisition etc. should be identified and timeframe for obtaining the same has to be indicated.
- d) The DPR should be accompanied by a socio-economic feasibility report and must establish its economic and technical viability such as its rationale, cost, finances available from other sources, similar facilities available in and around area of the project site, detailed technical specifications etc.
 - CPM and PERT chart;
 - Year-wise phasing of inputs, viz. expenditure;
 - Quarterly and yearwise physical outputs/targets to be achieved (as project monitoring indicators);
 - Project Implementation Schedule (Annexure III);
 - An authentication by State Authorities (not below the level of Chief Engineer equivalent) that the costs are based on the latest Schedules in vogue in the State concerned;
 - All relevant regulatory and statutory clearances and time frame for obtaining the same.

Appraisal of Project Proposals

The Member Secretary will place the shelf of priority project proposals before the NLCPR Committee. The Committee in the first instance would identify the projects out of the shelf, which can be considered for funding based on the soundness of the proposal for further detailed examination. If required prior consultation may be made with State Government officers/ Chief Secretaries. All Recommendations of the NLCPR Committee would be placed before Minister, Ministry of Development of North Eastern Region for his approval before being communicated to the States for submission of DPRs. The exercise of retention of projects may be completed

within one month of submission of Priority Lists by State Governments. The complete and proper DPRs of the retained projects received from the State Governments would be examined from technical and economic angle by the Technical Wing of the Ministry/ Central Ministries concerned/ CPSU selected for the purpose. The Technical Wing of the Ministry/ Central Ministries concerned/ CPSU will offer their comments on the DPR within 15 days and final comments within one month of receipt of DPR. The comments of the Technical Wing of the Ministry/ Central Ministries concerned/ CPSU selected for the purpose would be conveyed immediately to the State Governments. Similarly the State Government fully complying with the comments of the Ministry should send back the DPR/ revised DPR along with compliance report within 15 days from the receipt of the comments of the Ministry. If required the Ministry may invite officers of the State Government for clarifications. To avoid duplication of projects the DPRs may be sent to Planning Commission and Central Ministries concerned to obtain their comments within a definite time frame of one month about duplicity in funding of projects. If no comments received within one month, the Planning Commission and Central Ministries concerned may be deemed to have no objection in funding the project under NLCPR and DoNER may proceed for according sanction.

Project proposals techno-economically cleared by the Technical Wing of the Ministry/ Central Ministries concerned/ CPSU selected for the purpose would be put up before the NLCPR Committee for final approval. This process would be completed within two months of the receipt of complete and proper DPR in the Ministry from the State Government.

Concurrence of the Minister DONER would be obtained before according final approval for the projects to be funded under NLCPR.

Cost Escalation

The proposal relating to escalation in cost of the sanctioned projects for any reason generally does not qualify for consideration under the Non-lapsable Central Pool of Resources. However, in some deserving cases, if the enhancement of the cost is due to change in scope of the works that was not envisaged at initial stage, the proposal will be submitted to the NLCPR Committee at the appropriate juncture for consideration. In cases where the increase in cost is not due to change in scope, and felt to be justified due to factors beyond the control of the executing agency, NLCPR Committee will take a view provided that in such cases in overall terms the escalation does not exceed 20% of the originally approved cost. Financing of such increased cost may be permitted on the basis of sharing between the Nonlapsable Central Pool of Resources and the State Government in the ratio of 1:1.

Project Implementation by the State Government

Once the project is approved by the Ministry of DoNER the State Government should ensure that the tender has been called on competitive basis by giving wide publicity in print media & website etc. and the works have been awarded within three months of its sanction, even without waiting for the release of funds from State Government to implementing agency.

The State Government should follow all codal formalities and strictly adhere to the project implementation schedule and physical targets given in the DPR.

State Government may give preference to Local Bodies for implementation of the projects if they are qualified under tendering/ financial rules followed by them.

Any project which could not be completed within target date (as given in DPR by the State Government) plus six months, it will be closed for funding by M/o DoNER. The State Government will be responsible for completion of the balance work in the project from its own resources.

In case during implementation of project State Government wants to increase/change the completion schedule of the project, it may be done at the level of State Chief Secretary by holding a meeting and the revised date of completion so finalized may be conveyed to Ministry of DoNER with specific reasons well before the expiry of six months period after the original/actual date of completion.

Release of Funds

Once the proposal is approved for support by the Ministry of DoNER the funds would be released in three installments comprising of 40%, 40% and 20% of the approved project support/cost unless there are special circumstances which would be clearly brought out in the proposal for release.

The NLCPR division through the Joint Secretary concerned shall obtain the concurrence of Internal Finance Division of the Ministry for releasing installments. The funds would be released/ sanctioned to the State Government in the form of 90:10. 90% of the approved cost would be released by the M/DoNER as Grant. Balance 10% being State share would be contributed by the State Government. As regards the disbursements, if any for projects of Union Ministries/Departments, it shall be made from the Central Pool to the department/ministry in form of supplementary demand for grants.

Release of funds for ongoing projects: The 2nd installment will be released only on completion of 40% of the project and submission of utilization certificate of at least 80% of funds released in 1st installment. The subsequent installments shall depend upon the progress - both in financial and physical terms - of the

implementation of the project subject to 80% utilization of funds of last release, and full utilisation of all prior releases, if any, and achieving commensurate physical progress.

Request for release of subsequent installments of funds submitted by the State must be accompanied with:

- Utilization Certificates (UCs)
- Quarterly Progress Reports (QPRs)
- Photographs of the works completed
- Work plan for the requisitioned amount with milestones and time frame
- Inspection report of Nodal officer indicating the physical & financial progress of the project, etc.

UCs shall be submitted in the prescribed proforma (Annexure IV) only when the expenditure on the project has been incurred by the implementing agency. Planning Secretary on behalf of the State and, in case of a Union Ministry, an officer not below the rank of Joint Secretary, should sign the UCs.

Release of further installments shall be recommended only after receipt of UCs and QPRs and other mandatory documents.

Funds released from the Pool must be transmitted to the implementing agency/project authority (such as PWD, Housing Corporation, State Electricity Board, etc.) by the State Government within 15 days from the date of release of funds from Government of India and a certificate to this effect be sent to Ministry of Development of North Eastern Region by the State Planning Department.

Funds released by the Government of India must be utilized within a period of 12 months from the date of release. In case the funds are not utilized within the stipulated time, such cases may be referred to the Ministry of Development of North Eastern Region with sound reasoning for revalidation. Revalidation for a limited period may be granted by Secretary of Ministry of DONER on merit.

Monitoring & Evaluation

The State and Union Ministries/Departments shall report the progress in respect of each project at the end of the quarter on the proforma (QPR) prescribed for this purpose at Annexure V. Any additional information may be furnished along with the format. Such QPRs should reach the Joint Secretary of the Ministry within three weeks of the end of the quarter under report.

Chief Secretary of the State shall hold quarterly meeting to review the progress of

implementation of the ongoing projects under NLCPR and make available summary record of such meetings to the Ministry of DONER.

State will carry out project inspection periodically. The quarterly review report of the State would contain a separate and distinct section on the findings of the project inspection. In case of NLCPR projects implemented by Central Government agencies, such inspections may be conducted by their competent authority and reports will be submitted to the Ministry under intimation to concerned State Government.

State would nominate a 'nodal officer' for each project who would be responsible for project implementation and monitoring.

Monitoring and evaluation of implementation of the project shall also be undertaken through field inspections by officers of the Ministry of DONER, as well as through impact studies, social audits and evaluations conducted by government or through independent agencies at the request of the Ministry (DONER).

Each State would ensure that the projects being funded under NLCPR are shown at Major-head to sub-head level in their plan budgets so that withdrawals from those heads as certified by audit can be matched with expenditure figures supplied by State for each project.

The State Government would ensure that the data entry of the progress of the project starting from the submission of the priority list by the State Government upto the completion of the project shall be made by the designated officials of the State Government on the online data entry Management Information System (MIS) already in vogue

The Ministry should also review of implementation of projects with State Governments through video conference at the level of Joint Secretary.

Transparency and Publicity of Information

In order to ensure that the information about developmental schemes being financed through the Non-lapsable Central Pool of Resources reaches the ultimate beneficiaries, i.e. the targeted beneficiaries, there is a need to ensure greater transparency and publicity of information. For this purpose, the following shall be ensured:

- (i) All the schemes/projects being supported from the Central Pool shall be given wide publicity in local media.
- (ii) Immediately after project approval is received, the State Government shall display at project site a board indicating the date of sanction of the project,

likely date of completion, estimated cost of the project, source of funding i.e. Non-lapsable Central Pool of Resources (Government of India), contractor(s) name and the physical Target after completion of projects,

State Government will put a permanent display on site like plaque on the wall etc. after asset is created displaying details of NLCPR funding.

- (iii) State Government shall disseminate information through media, print, electronic, through appropriate means on the schemes being implemented from the Central Pool.

Chapter VI

Impact of GST on Ease of Doing Business in North Eastern Region

Prelude

GST stands for “Goods and Services Tax”, and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian Central and State governments. The main expectation from GST is to abolish all indirect taxes and only GST would be levied. As the name suggests, the GST will be levied both on Goods and Services.

GST is expected to provide fillip to the country’s exports and fast track process for refund of duties and taxes to exporters. Employment generation is also expected to gain pace.

How is GST applied?

GST is a consumption based tax/levy. It is based on the “Destination principle.” GST is applied on goods and services at the place where the final consumption takes place. GST is collected on value-added goods and services at each stage of sale or purchase in the supply chain. Being the last person in the supply chain, the end consumer has to bear this tax and so, in many respects, GST is like a last-point retail tax and will be collected at point of Sale. The incidence of double taxation will be removed and there will be no cascading effect of multiple levies.

How Northeast will benefit through GST?

GST will convert India into one unified market and will bring uniformity to the tax structure and will also bring about transparency. As already mentioned above, this move is crucial to improve ease of doing business in India and address the ambiguities of the current indirect tax landscape, proving beneficial for the economy, at large.

It can facilitate seamless movement of goods across inter-state borders enabling better efficiency and spurring growth of the (eCommerce) sector. With various

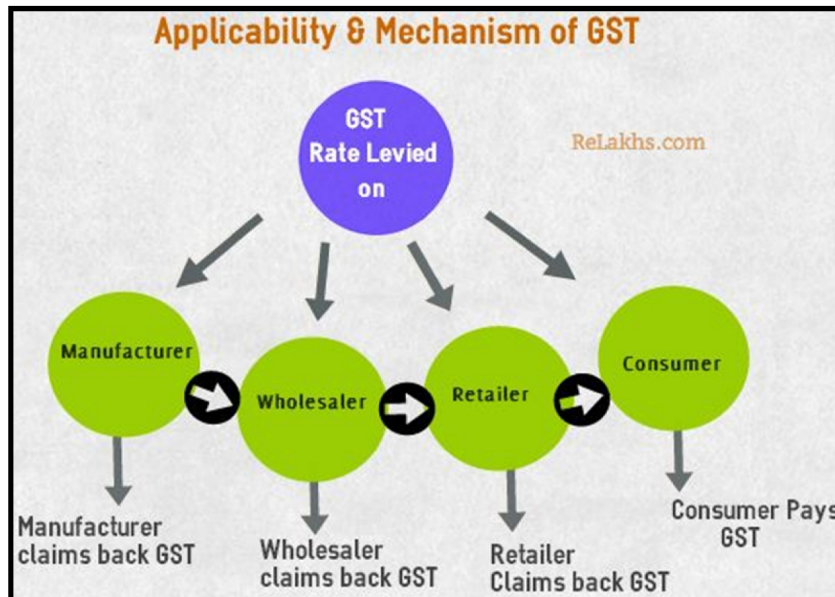
start ups being initiated in the Northeastern region, the upcoming entrepreneurs will get a boost to their start-ups.

Riddhinil Roy, founder and CEO of NE8 Start ups, an initiative that provides a platform for budding entrepreneurs opines, "The GST is more than a boon in disguise as well as in practicality for aspiring entrepreneurs from the country, considering the demography of Northeast India as well. While the benefits includes ease of starting business and most importantly higher exemptions to new businesses, reforms will include, simple taxation which will be a game changer especially in reduction in logistics cost and time across Northeast Indian states, so that the connectivity between the states is improved thereby developing the economy and contributing towards the nation's growth."

It may be noted that although luxury cars, FMCG products, consumer durables, electronics items and readymade garments will become cheaper once GST is rolled out next year, but mobile phones, banking and insurance services, telephone bills as well as air travel will be dearer due to higher tax.

Hence while the luxurious community may be in for some good news, the North-eastern students studying outside the region may be in for some disappointment. But for goods which currently attract low rate of duty like small cars (excise duty of 8 per cent), the impact of GST will bring about a price hike. However, for SUVs and big cars that attracts excise duty of 27-30 per cent, will see a marked drop in prices. Hence the dream of owning an SUV might soon come true for people of the region.

Again, the effective rate of tax for cement companies is now 25%. If GST rates are fixed at 18-20% then the overall tax incidence will be lower GST IS expected to lead to savings in transportation cost, which currently comprises up to 20-25% of total revenue. One common market will bring down the number of depots in the country. With various cement manufacturing units coming up in the region, this comes as some respite.



Source: The North East Today

However, the investors in the region are in for some bad news as they will have to shell out more for buying mutual fund products after the implementation Goods and Services Tax (GST) as investment in mutual funds will become costlier by 3 per cent.

Another grey area is that companies rushing to establish manufacturing units in far-flung states to take advantage of tax benefits may have to look for other avenues. The Central Government is unlikely to provide further extension to the ten year excise duty holiday scheme which has been extended once for states in North-East, Uttarakhand, Himachal Pradesh, Jammu & Kashmir. The purpose of launching the scheme was to develop the economies of the aforesaid states and create employment opportunities. Now the mentioned tax sop may not be extended as it could pose inconveniences when Goods and Services Tax (GST) will finally come into existence.

The Bill will, however boost the 'Make in India' plan and might make the Northeastern region self-sufficient in various economic domains considering the fact that various states in the region shares its borders with foreign nations and trade relations may improve. To sum up, it can be said that GST will alter the present system of production-based taxation to a consumption-based one.

Further, one of the biggest advantage the northeast will avail through Goods and Services Tax (GST) is the elimination of bribery and corruption and check the role of toll post. The roll out of GST from 1st of July, 2017 will bring substantial succor to

the poor and lower middle class by resulting in a tax rate lower than the present tax rate.

The Central Government would compensate GST related revenue loss to the states for the first five years. For the eight north eastern states and the three hilly states, incentives like, tax exemptions provided to industries by states will also be counted in the computation of revenue loss.

The Central Government is also taking cognizance of the internet-connectivity issues in Northeast and so numerous convenient alternatives are being worked for smooth rollout of GST in the region.

Epilogue

The infrastructure scenario of North Eastern States is showing an improving trend. Soft infrastructures such as, healthcare and education is also progressing and there is an overall growth of the region. With the rise in entrepreneurship it is on way of becoming '*Engine of India's new economy*'. There is huge growth potential in hydel power, cottage industry, tourism, textiles, handicrafts, sericulture, Oil & Gas based industry, apparel and garmenting etc.

India's trade relations with its immediate contiguous countries in South Asia have gained special focus for the government, with a larger goal of building regional value chains in varied sectors like, textiles, engineering goods, chemicals, pharmaceuticals, auto components, plastic and leather products. An added advantage of such integration will be an enhanced role for North East India in regional trade with its consequent development results. A better connected South Asia can offer additional trade routes to South East Asia and Central Asia.

Moreover, the approach named ASIDE (Assistance to States for Developing Export Infrastructure and Allied Activities) Scheme which proposes implementation on a 50:50 basis for all States and on 80:20 basis for Hill and North Eastern States.

It is interesting to note that the connectivity of North East with the rest of country in terms of road, rail, air, telecom, power and waterways is improving. While addressing a joint sitting of Parliament, Shri Pranab Mukherjee, Honorable President of India said that India is opening up road and rail routes to adjoining countries to provide an impetus to the economic development of North East.

Some of these notable developments are harbinger of tremendous growth potential of India's incredible North East- Putting Arunachal Pradesh and Meghalaya on the rail map; Connecting Agartala, Tripura with broad guage line; Approval of North-East BPO scheme in the Digital India program; Mega projects of The Brahmaputra Cracker and Polymer Limited and Numaligarh Refinery Limited etc. In order to strengthen employment opportunities in the northeast, the Commerce & Industry Ministry and NITI Aayog are in talks with the north-eastern states to soon come out with a new North East Industrial & Investment Promotion Policy (NEIIPP).

Thus, northeast is all set to fly high on the firmament of endless business opportunities.

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