INDIA

Priorities supported by indicators

Reduce trade and FDI barriers as well as administrative burdens (2011)

Recommendations: Ease FDI restrictions in services sectors, especially in retail. Reduce trade barriers, especially in sectors where they are particularly high, including automotive manufacturing. Reduce red tape and legal and regulatory uncertainty.

Actions taken: In April 2011, the government issued revised regulations removing a requirement for foreign investors in some joint ventures to gain government approval before making a separate investment in the same sector. In January 2012, the government eased FDI restrictions in the retail sector, raising the foreign ownership limit for companies owning single-brand retail stores from 51% to 100%.

Improve the education system (2011)

Recommendations: Improve teacher effectiveness by strengthening accountability and improving quality of and access to training. Expand teaching resources in a cost-effective manner. Reform regulatory and quality-assessment arrangements in higher education. Provide institutions with greater autonomy.

Actions taken: The government has proposed legislation to establish a new higher education regulator. Parliament is also considering new legislation to broaden the quality assessment framework, reduce false advertising and clarify regulatory arrangements for foreign education providers.

Improve labour market flexibility (2011)

Recommendations: Reform employment protection legislation that discriminates against large firms, especially provisions requiring government approval to terminate employment contracts.

Actions taken: No action taken.

Other key priorities

Enhance infrastructure provision (2011)

Recommendations: Reduce regulatory uncertainty in the infrastructure sector in order to promote greater private sector involvement. Streamline land acquisition processes to reduce costs and delays. Eliminate cross-subsidies in the electricity and transport sectors.

Actions taken: The government raised limits for foreign institutional investment in debt issued by Indian infrastructure companies. The central government has prepared legislation to reform land titling and arrangements for public land acquisition.

Undertake wide-ranging financial sector reforms (2011)

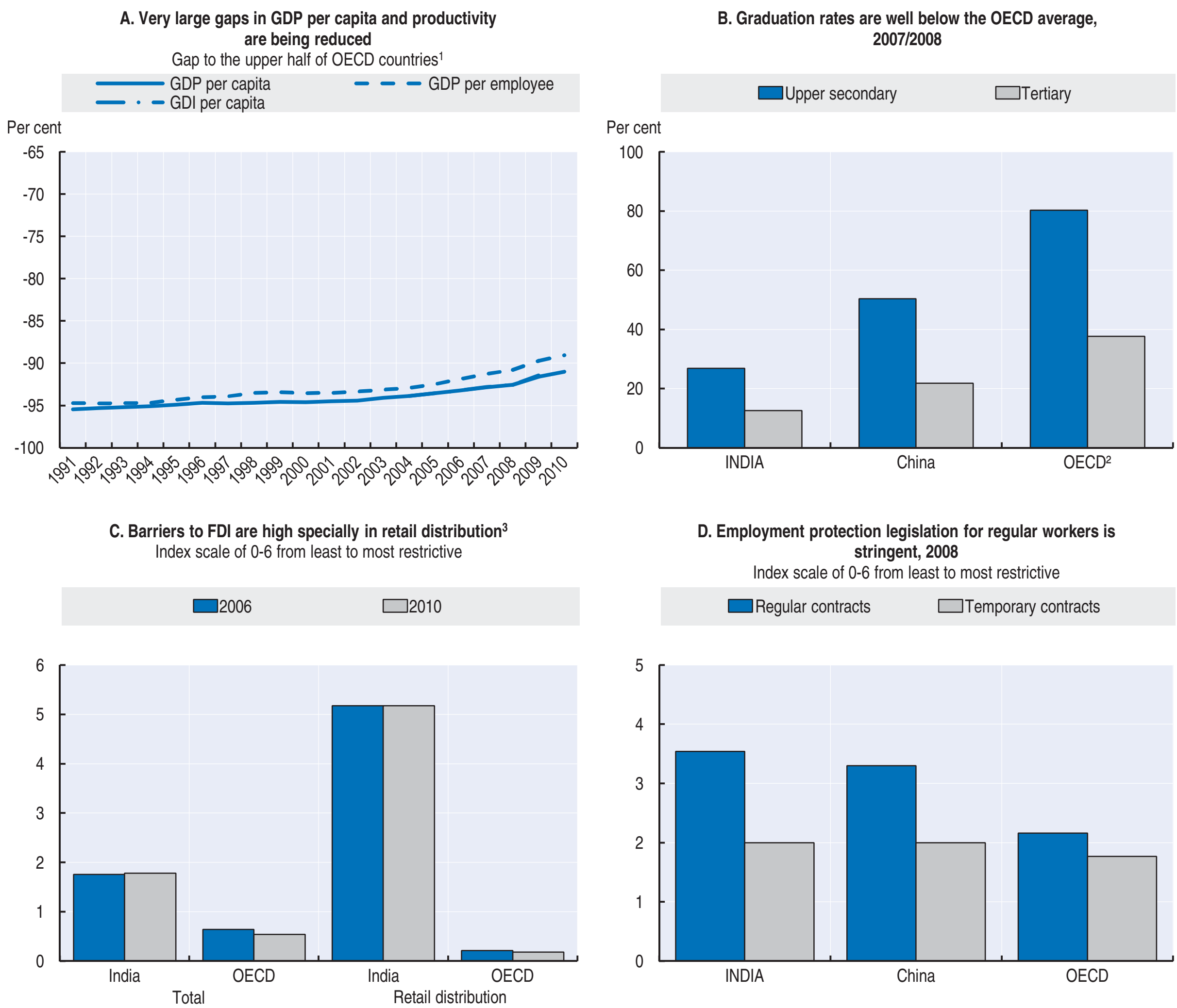
Recommendations: Allow greater participation by foreign investors in the financial services sector and promote the entry of new private banks. Reform wide-ranging operational regulations for banks. Establish a new independent debt management authority.

Actions taken: In 2011 the government announced that it would issue additional licences for new private sector banks. A Financial Stability and Development Council has been established to monitor macro-prudential supervision and improve regulatory co-ordination. The government is proceeding with the establishment of a new independent Public Debt Management Agency. Restrictions on access to Indian capital markets have been eased with foreign individuals allowed from 2012 to invest directly in local stock markets.

INDIA

- The Indian economy has continued to expand rapidly, ensuring strong growth in per capita incomes and a decrease of the income gap with OECD countries. However, the latter remains very large, reflecting low labour productivity.
- Among key priority areas, the government has proposed legislative changes to higher education regulations aimed at enhancing quality and encouraging participation by foreign providers. There have also been significant achievements in key infrastructure sectors, although major bottlenecks persist.
- In other areas, further progress has been made in deregulating energy prices, enhancing energy efficiency.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2005 PPPs).
2. Graduation rate at upper secondary level (first-time graduate) and graduation rate for single year of age at tertiary-type A level (first-time graduate). For upper secondary education, average of OECD countries excluding Australia, Austria, Belgium, Estonia, France and the Netherlands; for tertiary education, average of OECD countries excluding Belgium, Chile, Estonia, France and Korea.
3. The OECD FDI regulatory restrictiveness index looks only at statutory restrictions and does not assess the manner in which they are implemented.

Source: Chart A: World Bank (2011), *World Development Indicators (WDI) Database*, National Sample Survey (various years), annual population estimates of the Registrar General and OECD estimates; Chart B: OECD (2011), *Education at a Glance*; India National Sample Survey (2007/8) and China Statistical Yearbook; Chart C: *http://www.oecd.org/investment/index*; Chart D: OECD, *Employment Database*.

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