



Ease of Doing Business in Haryana

The Haryana State Government has undertaken many reforms to improve the Ease of Doing Business (EoDB) in the State. Some of the reforms include implementation of a Single Window Clearance system, relaxation in labour laws, faster environmental clearance etc. The reforms have helped Haryana improve its ranking from 14th to 6th among Indian states on (EoDB) business index. This Briefing Paper highlights some of the key reforms undertaken by the state government to attract investment and the challenges, which hamper the investment climate in Haryana. The Paper contains recommendations, which could further improve the conditions for doing business in the State.

Background

India does not feature in the top 100 on the (EoDB) rankings released by World Bank (WB) in 2015. The Indian Government envisions that if the various state governments in the country work towards improving the EoDB in their respective states, this would place India amongst the top 50 on WB's index by 2018.¹ Pursuant to this, the Department of Industrial Policy and Promotion (DIPP) in June 2015 started ranking states on the EoDB index in a bid to promote competitiveness among states to attract investment.

Haryana (referred to as the State) has transformed itself from a State only known for its agricultural production to a state known for attracting Fortune 500 companies. The state's growth and development trajectory has been progressive since its formation as an independent state. It has set the example for planned economic development and has emerged as one of the leading Indian states in terms of per capita income.²

With one third of the State falling under the National Capital Region (NCR), Haryana has been able to attract sizable investments. The state has vast resources supporting its huge potential in the agro-based sectors. As per the 2011 census, 65

percent of its population lives in rural areas and 35 percent lives in the urban areas. Haryana is one of the most economically developed and industrialised states of India. It has a strong foothold in the knowledge-based industry including IT and biotechnology. Textiles, food processing, automobile and auto components are the other key sectors.³

PwC in its report⁴ notes, "The state has achieved significant milestones in its endeavour as a hub for industrial products; this is evident from the fact that Haryana today is a major contributor of passenger cars, motorcycles, tractors, bicycles, and scientific instruments".

As part of its future roadmap, the Haryana Government has initiated a number of reform measures to streamline the regulatory burden associated with doing business. These efforts include streamlining and implementing online mechanisms across departments including Town and Country Planning, Urban Local Bodies, Labour, Industries, Environment Department and Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC).

Table 1 provides a summary of the socio-economic profile of Haryana.

Item	Statistics
Geographical Area (2011)	44,212 sq. km ⁵
Population (Census 2011)	2,53,51,462 ⁶
Rural:	1,65,09,359
Urban:	88,42,103
Literacy Rate (Census 2011)	Total: 75.55 % Male: 84.06 % Female: 65.94 %
Gross State Domestic Product (GSDP) at current prices (2014-15)	₹4,41,864 crore or US\$66.43mn (approx.)
Per Capita GSDP (2014-15)	₹1,50,260 or US\$2259.209

Source: Economic Survey of Haryana 2015-16', Publication No. 1126, issued by Department of Economic and Statistical Analysis, Haryana

Over the last decade, Haryana has transformed itself into a prosperous and industrially developed state. GSDP of the State increased at a CAGR of 8.5 percent during FY05- FY14 (2004-05 prices). The services sector has been the major contributor to the State economy contributing 57 percent to the state economy in 2013-14.⁷

In March 2016 Haryana organised 'Happening Haryana', an investor summit wherein investors committed to invest ₹5.84 lakh crore or US\$ 1.4bn; key investors included IKEA, Indiabulls and Patanjali.⁸ Earlier this year, the Haryana State Government signed a memorandum of understanding (MoU) with Wanda Group, a Chinese realty giant, for an investment worth ₹70,000 crore or US\$10bn in Haryana.⁹

Geographical Location and Potential

Haryana's geographical location is a key determinant of its growth. Not only does Haryana's boundary surround the national capital on three sides, it also has access to many highways and airports and plans on creating even more corridors for freight management. Haryana surrounds New Delhi (the capital of India) on three sides.¹⁰ One-third of Haryana falls under the NCR and cities, such as Panipat, Rohtak, Gurgaon, Faridabad and Sonapat have a special potential for accelerated socio-economic development. It has a rich industrial base and the State is supported with efficient infrastructure.

Ease of Doing Business Reforms in Haryana

The governmental body responsible for developing the industrial sector in Haryana is the Industries and Commerce Department of Haryana. It operates as the apex body for promoting industries and aids entrepreneurs in establishing industries in Haryana by providing them with advice on clearances required, availability of land, incentives/concessions available etc. The Department also implements Central Government policies on manufacturing and commerce.¹¹

According to the ease of doing business rankings released by the DIPP in September 2015, Haryana did not feature among the top 10 states on the index.¹² **In 2015, Haryana ranked 14th with a score of 40.66 percent** in terms of the implementation of factors to improve ease of doing business in the state. Since 2015, the DIPP has been tracking the reforms undertaken by all states through a real-time online evaluation portal. Notably, **out of a total of 340 parameters of evaluation laid down by the DIPP, Haryana implemented 318, with an implementation percentage of 96.95 percent.** As a result, Haryana propelled from its earlier ranking to reach the **6th position in India in 2016.** Notably, the leading state, Andhra Pradesh is at an implementation percentage of 98.78 percent. The state government of Haryana has been instrumental in carrying out many policy and regulatory changes which has helped Haryana become one of the top performing states when it comes to ease of doing business.

In order to boost investments in the state, the Haryana Government came up with a new Enterprise Promotion Policy-2015 (EPP) in the form of an extended validity period for clearances, issued by the State Pollution Control Board. The Government aims to promote EoDB by helping entrepreneurs in avoiding frequent visits to the State Pollution Control Board at short intervals.

One of the salient features of the EPP is the establishment of the Haryana Enterprise Promotion Board (HEPB) HEPB is a two-tier system for project clearances¹³ to help businesses obtain clearances faster.

A leading investment reform in Haryana is the introduction of the 'single roof' system modelled on the Invest Punjab initiative. Under the single roof system, "clearances for projects with more

than ₹10 crore investments and involving Change of Land Use (CLU) in respect of more than one acre land would be cleared by the Empowered Executive Committee under Principal Secretary to Chief Minister under one roof".¹⁴ This would ensure time-bound clearances for investment projects.

The Government of Haryana has also focussed on infrastructure and skill development to attract investors. With a view to fast-tracking the skill development programme, an innovation campus is

being readied with a budget of ₹4 crore. Besides, seven incubation centres are proposed to be set up in the State. Further, to enhance productivity and leverage schemes launched by the Central Government, appropriate skill development training will be provided to rural/urban youth with rural business process outsourcing (BPO) centres in university towns of the State.

(Note: Score¹⁵=Number of reforms implemented by state divided by total reforms as per DIPP indicators).

Table 2: Ease of Doing Business Reforms Undertaken by Haryana

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score (Refer to DIPP Indicators) ¹⁶
1.	Single Window & Online Single Window System	<p>Single Window Single window clearance constituted and housed within CMO whereby all clearances shall be granted within 2 months. It is a system to facilitate online clearances which has been put in place by creating an e-biz Haryana portal (www.investharyana.gov.in) where composite application forms can be submitted by an investor for 64 services for securing online clearances/ sanctions/ permits/NOCs with effect from October 2015</p> <p>Sole Point of Contact The state has established a dedicated physical body/ bureau that functions as the sole point of contact for the purpose of setting up a business through the Haryana Enterprise Promotion Act 2016</p>	<p>Department of Industries and Commerce</p> <p>Investment Promotion Centre, Govt. of Haryana</p> <p>Haryana Enterprise Promotion Board</p>	28/28
2.	Construction Permit Enablers	<p>Third party certification Construction permit allows third party certification of structural design and architectural drawings by authorized structural engineers/architects</p> <p>Alternative to Tree NOCs Self-certification has replaced Tree NOC on the condition that replanting requirements are complied with¹⁷</p>	<p>Directorate of Urban Local Bodies</p> <p>Haryana Forest Department</p>	20/29
3.	Environmental Registration Enablers	<p>Online System for Consent to Operate The procedure and list of documents for obtaining CTO under The Water Act 1974 and The Air Act 1981 is present online. Consent to operate is granted for period of 5 to 10 years.¹⁸</p>	<p>Haryana State Pollution Control Board</p>	31/31

S. No.	Issues	Key Reforms Undertaken	Key Institutions/ Departments	Score (Refer to DIPP Indicators) ¹⁶
		Consent to establish is granted for a period of 5 years. ¹⁹		
4.	Availability of Land	<p>New Land Acquisition law The Haryana Government has announced plans to bring a new land acquisition act and acquire land as per it, so that no land can be acquired without the consent of farmers in the State²⁰</p> <p>Timeline for allotment 60 days has been specified as the timeline for land allotment in Haryana Right to Service Act 2014.²¹</p>	Haryana State Industrial and Infrastructure Development Corporation Limited	17/20
5.	Access to Information and Transparency Enablers	<p>Online Investment Wizard Investment Wizard was developed by INVEST HARYANA Portal to inform investors about the regulatory clearances needed for their projects. The facility is available under Know Your Clearance section.²²</p> <p>Online Checklist of NOCs Procedure and comprehensive checklist of No Objection Certificate (NOC) in respect of Punjab Land Preservation Act, 1900 (PLPA, 1900) or Forest or Restricted Lands & Permission of Felling of Trees is available on the department website under Forest Clearances section.²³</p> <p>Online CTO/CTE certificates The procedure and list of documents for obtaining Consent to Establish (CTE) under The Water Act 1974 and The Air Act 1981 is present on the website of the Haryana State Pollution Control Board.²⁴</p>	<p>Haryana Enterprise Promotion Board</p> <p>Haryana Forest Department</p> <p>Haryana State Pollution Control Board</p>	12/13

Challenges

Despite, the plethora of EoDB reforms introduced by Haryana, there are certain challenges, in terms of actual implementation of reforms and various other aspects, which are beyond the DIPP's EoDB parameters of ranking of the states. Some of the challenges were brought forth during the stakeholder interactions in Haryana held as part of the project by CUTS

International namely 'Evaluation of Competitiveness among North Indian States'. These challenges have been listed below:

Social challenges and impact on investment

Social challenges in Haryana always remain a key concern area which also impact investment in the state. The state that boasts of one of India's best per capita incomes, marquee industries, and agricultural riches falls flat when the focus shifts

on the society. Social unrest, such as the recent *Jat* reservation agitation, which occurred shortly before the Happening Haryana summit could give the State a bad name in terms of potential investment opportunities. As per Associated Chambers of Commerce & Industry of India (ASSOCHAM) observations, the *Jat* agitation in Haryana had dealt an estimated blow of ₹18,000-₹20,000 crore by way of loss to public and private property and resulted in halting trade, industry, small business and transport. Several industries including Suzuki were of the opinion that such incidents mark a huge loss of confidence among investors to set up industries in this area.²⁵

Lack of balanced developments

Huge regional disparities exist among various districts in Haryana in terms of economic development. The State Government's focus on development has remained on the region comprising NCR; as a result, other districts are not as developed as cities like Gurgaon and a significant difference in income levels exists between the two.²⁶

Labour strikes

When the State government had promulgated labour reforms (including relaxed norms for lay-off and retrenchment of factory workers) in March 2016, various trade unions and labour unions, such as *Bhartiya Mazdoor Sangh* were unhappy with the reforms.²⁷ Some factory workers had even gone on strike; labour strikes/labour unrest can be a significant challenge to investors' interests in the State. Labour unrest is prevalent in Haryana and other states in India over the exploitative condition of workers;²⁸ strikes by factory workers can cause the business of investors to come to a stand-still.

Recommendations

Reforms to develop non-NCR region of Haryana

The government should focus on developing cities in Haryana, which do not fall in the NCR region. Land is cheaply available in the rural and less-developed regions of Haryana but investors would not be able to seize this opportunity, if proper infrastructure is not present in those areas. Therefore, Haryana should develop not only smart cities but also smart villages.

Need for labour reforms

There is a need for state governments to intervene and address the labourers' concerns through amendments in the law. While it is important to relax labour norms for businesses to operate with ease, the legal norms must not be inadequate to protect workers' interests, since this would provoke labour strikes and cause loss to investors.

Controlling law and order situation

Investors are attracted to states with good law-enforcement mechanism which offers a stable investment climate. The Government should enforce law and order more strictly in the State so that investors do not suffer losses due to public agitation like the *Jat* reservation agitation.

Regulatory Impact Assessment

Regulatory Impact Assessment (RIA) is an *ex-ante* systematic approach of assessing the positive and negative effects of regulations which are being considered by the government but have not come into effect. RIA also includes an *ex-post* assessment of the current regulations. Through conducting RIA, the government can ensure that its regulations are conducive to support its objectives of EoDB reforms. It offers an introspective evidence based methodology to policy making wherein the government can bring in effectual changes in regulations which are not in sync with the EoDB reforms.²⁹

Conclusion

While Haryana has climbed up from 14th to the 6th rank on the index of EoDB, the State needs to overcome the challenges that it is facing currently in order to enhance the same. Gurgaon district located in Haryana is one of the fastest developing cities in India³⁰ and houses many Fortune 500 companies in India owing to the many reforms that Haryana has undertaken to attract investors.

Haryana continues to adopt reforms to improve investment in the State. Haryana is one of the states, which has signed the Goods and Services Tax (GST) bill that aims to attract investment in India by simplifying the tax regime in the country;³¹ consequently, Haryana also set up a task force for successful implementation of GST in the State.³²

China Fortune Land Development (CFLD) has entered into a joint venture with HSIIDC to develop an industrial township in Gurgaon.³³

The Haryana Government plans to establish automobile and electronics industries in the proposed township, which is expected to generate

employment for millions and also provide healthcare and education facilities.³⁴ Similar progressive reforms are in the pipeline³⁵ and it is expected that these would further up Haryana on the EoDB index.

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