



Ease of Doing Business in Uttarakhand

The State Government of Uttarakhand has been laying great emphasis on stimulating all three sectors of the economy, i.e. agriculture, industry and services, to their fullest potential in tandem with the geographical profile of the State. The State has excelled in bringing in the Ease of Doing Business Reforms, based on the Action Plan provided by the Central Government. Notably, as a result of implementation of key reforms in various areas, the state's ranking according to the DIPP jumped from the 23rd position in 2015 to the 9th position in 2016. In addition, the State has large resource potential to attract huge investments from variety of industries such as manufacturing, infrastructure and tourism. In the light of the same, this Paper delves into the Ease of Doing Business (EoDB) Reforms undertaken by Uttarakhand to improve its business climate. The Paper also highlights various challenges and corresponding recommendations for the State to improve furthermore.

Background

With the launch of the 'Make in India' programme by the Government at the Centre, the States began to introduce reforms facilitating EoDB to attract investments at the state level. On the other hand, in a bid to move up the ladder in World Bank's (WB's) EoDB ranking of the countries, there has been a lot of thrust by the Central Government for the States to function *en masse* in the spirit of Cooperative and Competitive Federalism. As per the World Bank's Doing Business Report 2016, India presently stands at 130th position, out of 189, and has moved up four places from where it stood in 2015, i. e. 134th (as per the adjusted rankings)¹.

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce along with the WB initiated a system of rankings of the Indian states in 2015, based on 98 action points for doing business. The ranking exercise was revisited again this year (2016), based on 340 action points for doing business. The State of Uttarakhand has attained 9th position as per the

Table 1: Socio-Economic Profile

Item	Statistics
Geographical Area	53,483 sq. km Hills: 46,035 sq. km (86%) Plains: 7,448 sq. km (14%)
Population (Census 2011)	10.086 million Rural: 7.037 million Urban: 3.050 million
Literacy Rate (Census 2011)	Total: 78.80 % Male: 87.40 % Female: 70.00 %
Gross State Domestic Product (GSDP) at current prices (2014-15)	₹1,38,72,254 lakh, i.e. US\$ 2,084.283bn
Per Capita GSDP (2014-15)	₹1,32,825, i.e. US\$ 1995.67
<small>Source: 'Uttarakhand at a Glance (2014-15)', Directorate of Economics and Statistics, Department of Planning, Government of Uttarakhand.</small>	

DIPP's EoDB index with a score of 96.13 percent.

While it is important to have a detailed understanding of the EoDB reforms undertaken by Uttarakhand, it is equally important to

understand some of its peculiarities owing to its socio-economic features. 86 percent of the State's geographical area is covered with hilly terrain and also, a large portion of its land mass (38,000 sq. km) is covered by forests.² Further, 70 percent of the State's population lives in rural areas. Interestingly, the State's literacy rate (78.80 percent as per Census 2011) is higher than the national average (74.04 percent as per census 2011). Table 1 provides a summary of the socio-economic features of the State.

Geographical Location and Potential

The state of Uttarakhand was carved out of Northern Uttar Pradesh in the year 2000. It shares its international borders with Nepal and Tibet (in the North) and within India with Himachal Pradesh and Uttar Pradesh. The State is located at the foothills of the Himalayan ranges and as mentioned above, a large proportion of its geographical area (86 percent) is covered by hilly terrain. Due to the nature of the terrain, development of infrastructure becomes a challenging task in the State. The State has been witnessing mass exodus of inhabitants from hilly areas to plains, facing challenges in sustaining their livelihoods.

Uttarakhand is rich in natural resources, especially water and forests with many glaciers, rivers and dense forests. It is also referred to as Dev Bhoomi, translating into God's Land and is a home to about 175 rare species of aromatic and medicinal plants.³ *Char-dhams*, the four most sacred and revered Hindu temples of Badrinath, Kedarnath, Gangotri and Yamunotri are also located in this State. Thus, the State has vast tourism potential in adventure, leisure and eco-tourism. Also, it is a host to a variety of commercial opportunities in horticulture, floriculture and agriculture.

Ease of Doing Business Reforms in Uttarakhand

Uttarakhand has made a remarkable progress *vis-à-vis* the ranking done by DIPP and the WB in 2015, ever since it was ranked 23rd. The credit for its jump to the 9th position goes to the personalities leading the EoDB agenda in the State, who were pro-active in introducing the reforms.

The key institutions/Government Departments responsible for facilitating EoDB reforms in Uttarakhand include the Directorate of Industries at the State level and the District Industries Centres (DIC) at the district level. The Directorate of Industries plays the prime role in providing an investor-friendly environment in the State through implementation of policies and programmes and in setting up a comprehensive framework of procedures, in coordination with other state departments, to be followed by the industries while establishing/expanding their businesses. On the other hand, DICs played a key role in facilitating EoDB for the Micro, Small and Medium Enterprises (MSMEs) and in coordination between various Government Departments at the district-level for granting approvals/clearances as well as for monitoring of the entire process.

There is a major thrust by the Uttarakhand Government on strengthening the Information and Communication Technology (ICT) infrastructure in the State and is thus attracting investments in the ICT sector.⁴ Also, in order to boost the development of Tourism Sector in the State, the Government has collaborated with YES Bank to formulate the new tourism policy. The Government has already signed several Memorandum of Understanding (MoUs) with investors for projects in Tourism sector, at the Inaugural Incredible India Tourism Investors Summit 2016.⁵

Further, the Government has introduced a few unique policies to attract investments in the State. The MSME Policy and the Startup Policy has been formulated to provide a supportive regulatory environment to MSMEs for doing business. Inputs from industry associations in the State were taken while formulating the policy. Several incentives have been introduced for the industries through the Policy. Also, the Chief Minister has introduced the *Mukhya Mantri Gram Swarozgar Yojana* for industries based in rural areas with investment worth 4-5 lakh. The Government is also pro-actively working to encourage women entrepreneurs in the State and has introduced a new policy for women entrepreneurs.

The DIPP website (www.eodb.dipp.gov.in) provides a detailed description on the EoDB reforms undertaken by the State. Some of the key reforms have been summarised in the Table below.

Table 2: Details of Key Reforms Undertaken by Uttarakhand

S. No.	Issues	Key Reforms Undertaken ⁶	Key Institutions/ Departments	Score (Refer to DIPP Indicators) ⁷
1.	Access to information and Transparency Enablers	<p>The state has done a comprehensive compilation of 329 investor related services across 55 departments on its single window portal.</p> <p>Further, the Government has also introduced a help line to address the investor related queries.</p>	Directorate of Industries, Government of Uttarakhand	13/13
2.	Single Window	<p>The Single Window Clearance System (SWCS) in the State is a two-level system. The industries submit their applications and the response is to be given to them within 15 days, stating whether their applications are complete or not and if they stand chances to receive approval or not. Further, within the following 15 days the approval/rejection is granted to them. In case no response has been provided to the industry, they are given a ‘deemed approval’ automatically.</p> <p>The Parent Act governing the SWCS in the State is the Uttarakhand Single window Clearance Act, 2012 The Government has introduced an online Common Application Form (CAF) for all clearances and approvals, available on the Single Window portal of the State.</p> <p>Also an online grievance redressal system has been put in place for addressing investor grievances w.r.t clearances and approvals.</p>	Single Window Clearance Cell, Directorate of Industries, Government of Uttarakhand	28/28
3.	Availability of Land	<p>List of land bank⁸ with area, infrastructure and distances is given with GIS mapping. The GIS data is integrated with google maps, and is available on SIIDCUL GIS System. The ‘first-come-first-serve’ principle is followed for land allotment, and the procedure needs to be completed within 30 days of application.</p> <p>Also, E-Stamp facility is now available at all the sub-registrar offices.</p> <p>Further, clear timelines have been provided for land use and land conversion.</p>	<p>State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIIDCUL)</p> <p>Stamp and Registration Department</p> <p>State Revenue Department</p>	16/20

S. No.	Issues	Key Reforms Undertaken ⁶	Key Institutions/ Departments	Score (Refer to DIPP Indicators) ⁷
4.	Construction Permit Enablers	The Government has introduced Comprehensive Formal Building Bye Laws. An Automatic Building Plan Approval Management System has been established by the Government to facilitate quick processing, standardisation, effective monitoring and disposal of building plan permissions. An online Registration form for Building Plan Approval is available on the SIDA's online portal. The Government has fixed a deadline for the grant of Building Permit Approval (CTE) and Completion Certificate (CTO) issued by SIDA, i.e. 30 working days	Housing Department, Government of Uttarakhand State Industrial Development Authority (SIDA)	27/29
5.	Environment Registration Enablers	A comprehensive list of procedures and documents required for application are available on the UEPPCB's website. The provision for an online Consolidated Consent and Authorisation form (CCA Application) for Water/Air Consent & Hazardous Waste Authorisation has been made. Also, the calculation for the Consent Fee can be done through an online fee calculator. The Government has also fixed a timeline for approval/rejection of applications.	Uttarakhand Environment Protection and Pollution Control Board (UEPPCB)	31/31

Challenges

Despite, the plethora of EoDB reforms introduced by Uttarakhand, 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 Uttarakhand held as part of the project by CUTS International namely 'Evaluation of Competitiveness among North Indian States'. These challenges have been listed below:

Feedback of investors not taken into account

The EoDB Reforms have been introduced by the State majorly from the perspective of completion of action points provided by DIPP. It seems that the reforms do not effectively take into

account the investor's feedback, who are the actual users of the online portals.

Several Windows behind a Single Window

The SWCS of the state still has several windows behind itself, which need to be further reduced. Thus, even though the clearance system seems to have reduced the hassle for the investors at the outset, the reality is quite different.

Issues associated to deemed approval

There are two stages to the SWCS in the State. The first stage involves receiving a response from the Government regarding the scope of approval, the second stage involves receiving the 'in principle' approval. In case, the in principle approval is not granted within the stipulated time, it is deemed to be approved. However, the 'deemed approval' is

not considered as a valid approval by various agencies, such as banks at the time of issuing credits/loans. Thus, the industry players are still compelled to visit respective departments to secure proof of approval.

Migration from hilly areas

The development in the State is limited to a few districts located in the plains, such as Nainital, Dehradun, Haridwar and Udham Singh Nagar, and thus, it is not spread equally across the State. This has resulted into migration of inhabitants from the hilly areas. The issue of migration is associated to three major challenges: transportation, education and medical facilities⁹. All the three services are deficient in the hilly areas.

Political uncertainty and lack of institutional memory

The State has had nine Chief Ministers (CMs), over the past 11 years. Thus, by the time the EoDB reform process gets over, the CM might change again. Similarly, there are lot of transfers within the bureaucracy in the State. Thus, the institutional memory of the State gets majorly affected.

Unutilised land

Even though, 86 percent of the State's geographical area is covered by hills, there are large tracts of land which are left unutilised and can be brought to use.

Lack of market access and financial linkages for small scale industries

The State is a hub of several handicrafts units and holds huge export potential. But the potential is not being realised effectively, due to lack of financial support and market access for the small-scale industries.

Recommendations

Lessons from Punjab's model of Single Window Clearance System

The Government of Punjab has established a separate institution for single window clearance system known as 'Invest Punjab (IP)', by bringing on board the members from various government departments under one roof. All the States in the country could replicate the practice adopted by

Punjab to fast track their process of clearances and approvals. However, one important ingredient for the success of the IP, has been the political will.

Capacity building, market access and financial support for MSMEs

The MSMEs need to be equipped with relevant skills and knowledge to produce goods for domestic and export market. Also, effective market linkages need to be established and appropriate financial support needs to be provided to the MSMEs.

Developmental programmes to address migration

Even though the Government has launched a few policies and schemes benefitting the MSMEs based in the hilly areas, such as the MSME Policy, the Startup Policy, etc., there needs to be more thrust by the Government on providing appropriate infrastructure, education facilities and health care services to the inhabitants in the hilly areas.

Introducing incentive packages for industries

Uttarakhand State has a great resource potential to attract businesses, but there is need for the government to introduce better incentive packages to let the businesses sustain for long.

Efficient utilisation of available land

Owing to the peculiar topography of the State, the available land should be used efficiently and the potential unutilised land should be identified and brought to use. The land could be brought to use vertically, instead of horizontally, i.e. by establishing storeys.

Regulatory Impact Assessment of Policies and Procedures

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 reforms¹⁰.

Conclusion

The Government of Uttarakhand has been very keen on bringing in reforms and policy measures for the industries. It has also been closely engaging with the industry associations for their inputs, while formulating policies. However, the momentum with which the reforms have been initiated in the State, needs to sustain for longer. It should not be short-lived. Also, these reforms need to be geographically overarching in the State,

and should not be limited to a few districts. The reforms also need to effectively correspond with capacity building of MSMEs.

The State's performance has been commendable in terms of bringing in EoDB reforms amongst other Indian states, as per the DIPP rankings. But, there are certain limitations, owing to actual implementation of the reforms. Cross-learning sessions between various states in India, could be a helpful initiative in this regard. Also, Uttarakhand needs to effectively leverage upon its resource potential and indulge into effective branding, for bringing in more investments in the State.

Endnotes

- 1 <http://www.doingbusiness.org/data/exploreconomies/india/>
- 2 http://des.uk.gov.in/files/Latest_Uttarakhand_At_A_Glance_-_English_2014-15_.pdf
- 3 <http://uk.gov.in/pages/display/115-state-profile>
- 4 <http://egov.eletsonline.com/2015/07/an-uphill-task/>
- 5 <http://www.tribuneindia.com/news/uttarakhand/state-signs-nine-pacts-for-tourism-projects/300267.html>
- 6 http://eodb.dipp.gov.in/ReportView.aspx?st_id=5&r_id=0
- 7 Score as per DIPP Action Points= Number of reforms implemented by state ÷ Total reforms as per DIPP indicators.
The indicators provided by DIPP can be accessed at: http://eodb.dipp.gov.in/data/4_Business_Reform_Action_Plan_2016_340_Points_26_September_2015.pdf
The Reforms implemented by Uttarakhand can be accessed at: http://eodb.dipp.gov.in/ReportView.aspx?st_id=5&r_id=0
- 8 <https://www.siidcul.com/download/general-downloads>
- 9 <https://thelogicalindian.com/story-feed/awareness/the-migration-crisis-of-uttarakhand-1053-villages-have-no-inhabitants/>
- 10 CUTS projects on undertaking Regulatory Impact Assessment are available at: <http://www.cuts-ccier.org/BHC-RIA/> and <http://www.cuts-ccier.org/ADB-RIA/>

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