

**EVALUATION OF COMPETITIVENESS
AMONG NORTH INDIAN STATES**

EVENT REPORT

SYMPOSIUM

ON

**MAKING NORTH INDIAN STATES
COMPETITIVE: PATH TO INCLUSIVE AND
SUSTAINABLE GROWTH**

17TH – 19TH NOVEMBER 2016

JAIPUR, RAJASTHAN, INDIA

SUBMITTED BY

CUTS INTERNATIONAL

EXECUTIVE SUMMARY

CUTS International in partnership with CII and support from the US Embassy organised a Symposium from 17-19th November, 2016 in Jaipur on “Making North Indian States Competitive: Path to Inclusive and Sustainable Growth”. The Symposium brought together close to 100-120 delegates (media, government, policymakers, non-state actors, academia, etc), wherein relevant stakeholders shared experiences and ideas on various topical issues ranging from skills development, MSME’s and job creation, Ease of Doing Business, What should be the role of Government, etc.

Following are the key recommendations that emerged from discussions:

1. **State Level Competition Laws:** Healthy competition is one of the imperatives in a State’s competitiveness. In a big country like India, it is not possible for regulatory actions to be taken up only in the national capital and therefore, state governments should establish their own state regulatory agencies to regulate the businesses in the state, thus, there is a need to adopt a state level competition law. Further, while central government has adopted pro-competitive legislations, capacity within states to promote competition and check market abuses remains limited. Capacity building has to be followed up vigorously.
2. **Regulatory Impact Assessment:** Need for re-engineering of the regulatory framework in India. Thus, there is a need to use tools such as Regulatory Impact Assessment (cost/benefit analysis) to clean up the laws, and thus reduce the cost of regulations for doing business. Need of the hour is to have guiding regulations and not controlling regulations.
3. **State Specific Export Policy:** There is a need to look at global value chains (GVCs), when marketing a State and have tailor made export policies to improve the state’s competitiveness. Over 60 percent of international trade now a days is through GVCs. Thus, every State should have its own Export Policy/Strategy and body to implement it.
4. **Reforms in Education and Health Care System:** The formal education system has failed to contribute significantly towards employability. The education system is not addressing what the real issues are, for example, there are fewer women who are formally trained. Thus, there is need to ensure better coordination between the education system and skills training, and then calibrate that against the labour market. Secondly, healthcare system is also very weak and adversely affects the productive capacity of labour. States must find innovative ways to deliver reasonable health care services to its populations.
5. **Inclusive Platforms:** There is a need for more multi-stakeholder platforms outside the political arena wherein economic and political economy issues could be discussed, consensus built and then forwarded to the polity and government for implementation.
6. **Analysis of Policy Failures:** There is a cost in implementation of policies and one need to analyse the causes of failures, so as to learn lessons and not repeat them. Thus, the focus should be on analyzing (ex-post) policy implementation failures, so as to learn from one mistake and avoid repetition.
7. **Sharing of good practices among States:** There is a need to share good practices among States and also to learn from non-successes to as to put their best foot forward. For example,

the single window service in Punjab is a single roof system under one command, while not so in other states. This can help save huge time and be efficient.

8. **Mapping of Sectors:** Each state should undertake an assessment to map its competitiveness in specific sectors and then focus on design of policies and its effective implementation vis-à-vis the specific sector. For example, the tourism sector in Rajasthan, or food processing in Punjab.

BACKGROUND

The Symposium on 'Making North Indian States Competitive: Path to Inclusive and Sustainable Growth' was organised by CUTS International in partnership with CII and support from the US Embassy, from 17th -19th November, 2016 in Jaipur, "under the aegis of the its project titled 'Evaluation of Competitiveness among North Indian States'.

The purpose of the event was to bring together relevant stakeholders from the six North Indian States of Rajasthan, Punjab, Haryana, Himachal Pradesh, Uttarakhand and Uttar Pradesh and other experts from across the nation to a common platform and deliberate on issues relating to State Competitiveness vis-à-vis Ease of Doing Business (EoDB) in North India.

The Symposium brought together close to 100-120 delegates comprising government officials, industry representatives, researchers, media persons, academia, etc. who elucidated the subject related issues with their diverse experiences and understanding in the field.

The Guests of Honour for the Symposium, H.E Richard Rahul Verma, U.S. Ambassador to India and Shri Rajpal Singh Shekhawat, Hon'ble Minister of Industry, Government of Rajasthan revered the event with their esteemed presence during the Inaugural session held on Thursday, 17th November 2016.

The following two days (18-19th November, 2016) of the conference were bifurcated into five knowledge sessions comprising panel discussions on subjects ranging from state competitiveness; EoDB; skills development; competitiveness of micro, small and medium enterprises and role of Government in enhancing EoDB.

THURSDAY, 17TH NOV 2016

INAUGURAL SESSION

**NEED, IMPORTANCE AND CHALLENGES OF COMPETITIVENESS -
TRANSFORMATIVE CHANGE TO ACHIEVE DOUBLE DIGIT GROWTH IN
INDIA**

The session introduced the significance of competitiveness of states, its need and importance in stimulating economic growth. The challenges in the path to becoming competitive were also discussed and the speakers provided suggestions to address the same.

The evening was graced by the presence of distinguished speakers who came from different backgrounds, having rich experience in dealing with and analysing competitiveness and related issues within and outside India. The speakers comprised U.S. Ambassador to India, H.E. Richard Rahul Verma; Shri Rajpal Singh Shekhawat, Honourable Minister of Industry, Government of Rajasthan; Shri. Arun Maira, President, CUTS International and Former Member, Planning Commission of India; Mr. Albert Allen Foer, Founder, American Antitrust Institute; Shri Anthony DeSa, Former Chief Secretary, Government of Madhya Pradesh; Mr. Rajat Agrawal, Chair, Confederation of Indian Industries Rajasthan State Council; Mr. Pardeep S Mehta, Secretary General, CUTS International amongst other dignitaries and participants.

Pradeep S. Mehta, Secretary General, CUTS International opened the Symposium and the Session by emphasising upon the importance of competitiveness in the current economic environment wherein the states are expected to be engines of growth for the country. He referred to the studies conducted by the World Bank and the Department of Industrial Policy and Promotion (DIPP), Government of India on EoDB which set the stage for State Competitiveness *vis-à-vis* EoDB. He emphasised that despite introduction of EoDB reforms by various States in India as per DIPP's Action plan, the procedural bottlenecks remain. He highlighted the best practices adopted by the States such as Punjab for ensuring smoother processes for grant of clearances by establishing an autonomous agency for the same (Invest Punjab) and Rajasthan for initiating discussions on adoption of pro-competition related legislations.

U.S. Ambassador to India, H.E. Richard Rahul Verma highlighted that competitive federalism, which India has recently adopted, is a key feature of US economy as well. He noted that investors all over the world are closely watching the state-level EoDB rankings in India undertaken by the DIPP and are increasingly reaching out to states, by passing Delhi.

Rajpal Singh Shekhawat, Honourable Minister of Industry, Government of Rajasthan emphasised on the importance of State Competitiveness and listed out the EoDB reforms adopted by Government of Rajasthan. He noted that the State is willing to work with relevant stakeholders to improve its own capacity to promote competition and check anti-competitive practices. He further acknowledged the need to improve capacity at lower levels of governance in order to ensure effective implementation of policy reforms.

Arun Maira, President, CUTS International and Former Member, Planning Commission of India highlighted the significant issues India needs to ponder upon at present, which includes job creation, growth of small and medium enterprises and sustainable & inclusive development. He was of the opinion that reforming the process of undertaking reforms by adopting best practices such as regulatory impact assessment could help in identifying the real problems and designing workable solutions for improving competitiveness.

Rajat Agrawal, Chair, Confederation of Indian Industries Rajasthan State Council, provided the industry's perspective on EoDB reforms adopted by various states, including Rajasthan. He further mentioned there is need to constitute a task force comprising representatives from both government and industry in order to ensure proper communication between the two for weeding out the procedural bottlenecks in the system and enhancing EoDB.

Albert Allen Foer, Founder, American Antitrust Institute shared the American perspective on competitiveness and said that it is a pre-requisite for the state to understand its strengths and weaknesses in order to become competitive and design reforms accordingly. He delved into the origin of the concept of 'competitiveness' and highlighted how it has evolved over time and the way it is understood now.

Anthony DeSa, Former Chief Secretary, Government of Madhya Pradesh shared his experiences while in Madhya Pradesh Government and the EoDB reforms introduced by the state. He noted the potential among states to learn from each other in this domain.

Jonathan Kessler, North India Director, US Embassy and **Bipul Chatterjee**, Executive Director, CUTS International, delivered the vote of thanks. They acknowledged the way speakers provided a broad overview of theory and practice of competitiveness.

The healthy blend of speakers along with giving a broad understanding about the importance of competitiveness also set up the tone for further in-depth discussions about the role of competitiveness in achieving sustainable and inclusive growth. The session also helped in understanding the importance of competitiveness in increasingly uncertain global political economic environment wherein businesses would operate.

FRIDAY, 18TH NOVEMBER 2016

SESSION – I

COMPETITIVENESS & ECONOMIC DEVELOPMENT IN INDIA

The objective of the panel discussion was to provide a comprehensive view to approach the subject ‘Competitiveness vis-à-vis EoDB in India’. The speakers put forth all the important issues related to making states more competitive and enhancing the economic development of the nation as a cumulative in the current global context by keeping the future scenario in mind.

The session was been Chaired by Ajay Shankar, Former Secretary, Department of Industrial Policy and Promotion (DIPP), Government of India and co-chaired by Pradeep S. Mehta. The eminent panellists included Gopal Krishna Agarwal, BJP National Spokesperson on Economic Issues; R. Sudarshan, Dean, O.P. Jindal School of Government and Public Policy; Sanjeev Ahluwalia, Advisor, Observer Research Foundation and Ratnesh Kashyap, Former Chairman, CII, Rajasthan State Council.

Given down below are the key highlights that emerged from the panel discussion:

- Need for more thrust on adopting a competitive exchange rate, competitive economic and trade policy & effective bankruptcy laws in Indian states. The regulatory regime needs to be reinvented which should act as a facilitator to ensure that the small and medium enterprises grow and there is a need to curb the ‘Inspector Raj’.
- The four pillars of democracy (legislature, executive, judiciary and media) needs to work in tandem with each other, rather than undermining each other Further, more institutions should be established for holding free and fair discussions on issues pertaining to political economy without any political interference. The top-down approach of governance needs to be reduced and more autonomy needs to be provided to the States.
- Equivalent emphasis should be laid on micro level issues, such as guaranteed land titles, etc. There is a dire need to formalise the economy by allowing more people to pay taxes and a corresponding need to informalise the economy by translating laws in all the official languages.
- Decision making needs to be conditioned upon the global scenario, with an ultimate objective of creating more jobs in the future. Consequentially, there is a need to determine the nature of skills that would be required in the near future.
- Competitiveness also needs to be understood from the perspective of creating appropriate soft infrastructure (education, primary healthcare, ancillary industries, etc.) which are essential for creating an efficient workforce.
- Need to look at new markets towards the east as well as the west (African nations) of India
- Policy decisions need to take into account the changing global circumstances and the future scenario.
- Enabling ecosystem for EoDB would need to be created by introducing suitable governance reforms, re-visiting policy failures and drawing lessons accordingly.

SESSION II

RECENT DEVELOPMENTS ON EASE IF DOING BUSINESS IN NORTHERN STATES IN INDIA

The session involved deliberations on the EoDB reforms introduced in the 6 North Indian States of Uttar Pradesh, Himachal Pradesh, Uttarakhand, Haryana, Punjab and Rajasthan, the persistent challenges and the best practices worth emulating. The session was chaired by Dr. Arvind Mohan, Director, Institute of Management Sciences, University of Lucknow and co-chaired by Kishore Rungta, Chairman and MD, Man Structural, Ltd

The esteemed panellists included Anirudh Tewari CEO, Punjab Bureau of Investment Promotion¹; Amit Kumar Ghosh, Managing Director, Uttar Pradesh State Industrial Development Corporation²; Pritam Banerjee, Senior Director, Deutsche Post DHL; Shihab Ansari Azhar, Private Sector Specialist, South Asia Trade & Competitiveness, World Bank and Prof. Jabir Ali, Professor, IIM Lucknow.

Given down below are the key highlights that emerged from the panel discussion:

- DIPP's EODB rankings have provided significant momentum to the state level reforms *vis-à-vis* facilitating and attracting investments. However, at the same time the sustainability of these reforms needs to be ensured.
- It is important for the states to understand the impact that convoluted laws have on investors. For instance, in the case of transport, while the Motor Vehicles Act, 1988, dictates the laws at centre level, the rules are framed at the state level. This ultimately results in states having different laws and different custom rules, which adds to the costs of doing business for the investor. Introduction of GST regime is thus, being hailed as a pro-business measure to address some of these concerns.
- Centre and the States needs to understand that 'One size does not fit all'. Thus, respective states in India need to realize their strengths and weaknesses & accordingly introduce reforms.
- Most SMEs these days are shifting to trading instead of manufacturing (opposed to the Make in India campaign), thus the policies for them need to be designed accordingly.
- Validity of some of archaic regulations was also questioned and the need to advocate for simpler rules and regulations was emphasised.
- Government of Punjab has established an autonomous institution for providing Single Window Clearances, i.e. Punjab Bureau of Investment Promotion (PBIP) or Invest Punjab, set up by a legal statute. While, the Single Window Clearance Mechanism adopted by other states also requires that investment application is submitted to a single window, but the file moves through multiple windows for approvals. Thus, the Punjab's model is unique as the officials from all the relevant departments sit under one roof and provide clearances within the specific timelines. The CEO of the institution has the ultimate decision making powers for granting all the approvals.

¹Presentation on EoDB available at http://www.cuts-ccier.org/STATE-COMP/ppt/Session-II_Anirudh-Tewari_EoDB.pdf

²Presentation on EoDB available at http://www.cuts-ccier.org/STATE-COMP/ppt/Session-II_Amit-Kumar-Ghosh_EoDB.pdf

SESSION III

ARE CURRENT SKILL DEVELOPMENT INITIATIVES ADDRESSING THE PRIVATE SECTOR'S DEMAND FOR ADEQUATELY TRAINED WORKERS?

The purpose of the session was to deliberate upon the issues pertaining to the skill sets of the workforce in India and the closely related sectors. The panellists also reflected upon the changing global scenario and the emerging need to plan for future jobs that needs to be created and the corresponding skillsets required to suit the future jobs.

The session was chaired by VK Mathur, Former Chairman, International Airport Authority of India³ and co-chaired by Rohit Brandon, Former Additional Chief Secretary, Government of Rajasthan.

The distinguished panellists included Sabina Dewan, President and Executive Director, JustJobs Network⁴; Abhishek Hegde, Head – Monitoring & Research, National Skill Development Corporation; Selva Kumari Jayarajan, Joint Managing Director, Uttar Pradesh State Industrial Development Corporation Limited⁵; Anand Singhal, Former Chairman, CII Rajasthan; S. P. Sharma, Chief Economist, PHD Chamber of Commerce and Industry; Miniya Chatterji, Chief Sustainability Officer, Jindal Steel & Power and Manish Goel, President, Indian Industries Association, Uttar Pradesh

Given down below are the key highlights that emerged from the panel discussion:

- Government's skill development initiatives should be more outcome oriented rather than just focusing upon achieving targets.
- Skills development in India needs to be more industry-work oriented and there should be a role for both the government and the private sector to impart the right kind of skills amongst the youth.
- Private sector's involvement in skills development should be based on the 3C model - 'conceive', i.e. to idealise the philosophy of sustainability, where the employee should be asked on how and what sustainability should define; 'Cast', i.e., inculcation of sustainability across all verticals of the organisation; and 'Collaborate', where all stakeholders should collaborate on the holistic growth and principles of sustainability.
- Current skill development initiatives do not take into account the future jobs scenario. The research organisations should analyse the future jobs from a sectoral perspective rather than the economy perspective.
- There is need for better coordination between the Center and the States on sharing good practices and the government's objective should be to create entrepreneurs, who is return would create jobs.
- Limited availability of good quality trainers to impart the right kind of training. Thus, there is a need for training of the trainers. Also, the scarcity of trainers exists due to lack of incentives for the trainers.
- Effective training at the workplace needs to be ensured. Enterprises should evolve with the changing scenario and must offer rewarding jobs and enhancing an employee's productivity.

³ Presentation on Skill Development, accessible at http://www.cuts-ccier.org/STATE-COMP/ppt/Session-III_V-K-Mathur-Skills-Development.pdf

⁴ Presentation, "Path to Employability: Education & Skills in India", accessible at http://www.cuts-ccier.org/STATE-COMP/ppt/Session-III_Sabina-Dewan-Just-Jobs-Network.pdf

⁵ Presentation on Skill Development, accessible at http://www.cuts-ccier.org/STATE-COMP/ppt/Session-III_Selva-Kumari_Skills-Development.pdf

SATURDAY, 19TH NOVEMBER 2016

SESSION IV

“ROLE OF SMALL AND MEDIUM ENTERPRISES IN INNOVATION DRIVEN ECONOMY”

The session aimed at highlighting the major issues, challenges, reality, outcome and tentative solutions to the problem by emphasising the SME’s role in innovation driven economy.

The session was chaired by Bipul Chatterjee, Executive Director, CUTS International and co-chaired by Kishore Khaitan, Former Chairman, CII Rajasthan.

The eminent panellists of the session included Mukesh Gulati, Executive Director, Foundation for MSME Clusters⁶; R B Rahate, Deputy General Manager, MUDRA; Rajiv Chawla, Chairman, Integrated Association of Micro, Small & Medium Enterprises of India, Haryana; Anil Bhardwaj, Secretary General, Federation of Indian Micro & Small and Medium Enterprises; and Pankaj Gupta, President, Industries Association of Uttarakhand.

Given down below are the key highlights that emerged from the panel discussion:

- Few issues need to be analyzed in context of MSMEs in India: actual ground level progress of EoDB reforms; role of states and inter-ministerial cooperation; doing business and red tapism issues; role of public & commercial service providers in responding to problems of market linkages, access to capital for MSMEs with MUDRA, payment banks, small finance banks and NBFCs; efficient supply chains and virtual MSME clusters; social security of workers in MSMEs, etc.
- MSMEs in countries such as USA, UK, Japan, Israel, etc. are more productive as compared to the ones in India due to presence of three key factors: access to capital, efficient bankruptcy & insolvency laws, and, alliance between states. Further, the countries lay more emphasis on standards and values rather than cost/Tariffs.
- MSMEs should leverage upon the power of collective growth and collective buying and selling of cheaper and affordable goods; thus formation of clusters should be promoted.
- Access to capital is the biggest challenge for MSMEs in India. Thus, the policies need to cater to such concerns and multi-stakeholder consultations converging all the interests together would be important facilitator for better policy making.

⁶ Presentation on MSME, accessible at http://www.cuts-ccier.org/STATE-COMP/ppt/Session-IV_Mukesh-Gulati_FMSME.pdf

SESSION V

WHAT SHOULD GOVERNMENTS DO – WHAT ARE THE LOW HANGING FRUITS?

The key focus of the session was to understand the priority areas for Central and State governments in order to enhance their competitiveness *vis-à-vis* Ease of Doing Business (EoDB).

The session was chaired by Saurabh Chandra, IAS (R), Former Secretary, Ministry of Petroleum & Natural Gas and co-chaired by Anthony DeSa, IAS (R), Former Chief Secretary, Govt. of Madhya Pradesh.

The eminent panelists included: Yaduvendra Mathur, IAS, Chairman and Managing Director, EXIM Bank; Siddharth, Principal Advisor, Industry, Govt. of West Bengal & Chairman, West Bengal Industrial Development & Promotion Board; Ajay Shah, Professor, National Institute of Public Finance and Policy; Shakti Sinha, IAS (R), Director, Nehru Memorial Museum & Library and S. G. Vyas and Former Chairman, CII, Rajasthan & Managing Director Jagjanani Textiles Ltd

Given down below are the key highlights that emerged from the panel discussion:

- A wider perspective for formulating policies was put forth with the need to understand EoDB from the ‘input cost’ point of view, and therefore banks have a key role to play in this.
- States need to understand EoDB from the ‘global market value chain perspective’. They need to link manufacturing with global market.
- Centre needs to consult States while formulating export policy and the trade policy and individual states should consider having export policies of their own. States need to talk to their existing enterprises in order to formulate the appropriate policies.
- The government (Centre and States) should have more clarity to set their priorities. The 1st purpose of the State is to provide ‘public goods’ effectively, which are non-excludable and non-rival in nature (everybody benefits from it), for instance law and order, judicial system, land titling system, etc. The states should learn to walk first, before they run, i.e. they should assess their capacities and husband their resources accordingly.
- As regards measuring EoDB, we need to measure both inputs (procedures) and outputs (investments). There is a mismatch in demand and supply of skill sets, and thus, the job industry needs to engage well with educational institutions.
- Further, for job creation the focus should also be on the self-employed and informal sector of the economy.
- The states should rather focus upon linking their manufacturing potential with the global markets. The states should formulate their own trade and export policies and invest resources in building the skills sets

CLOSING SESSION

The purpose of the session was to provide an overview of the discussions held during the two and half day long symposium, reiterate the issues which require more attention and further deliberate upon the way forward.

The session was chaired by Arun Maira, Former Member, Planning Commission of India & President, CUTS International. The role of a rapporteur was played by Nitya Nanda, Fellow, The Energy and Resources Institute. Special addresses were delivered by Basant Khaitan, Managing Director, Wires Ltd; Umesh Kumar, IAS, Additional Chief Secretary, Department of Industries and Chairman, RIICO, Government of Rajasthan and Rao Rajendra Singh, Hon'ble Deputy Speaker, Rajasthan Legislative Assembly.

The session rapporteur, Mr. Nanda stated that for ensuring competitiveness, presence of both hard and soft infrastructure needs to be ensured. Further, the policy makers need to adopt Regulatory Impact Assessment as a tool while formulating policies and regulations. In addition, setting standards is important to make India more competitive globally.

The key issues that emerged from interventions made by the dignitaries were with respect to business reforms, competitiveness depends on various things as land, labour, and finance. However, it is very important to have clear focus of the objective, which should be achieved logically. Along with that prioritization of reforms is very important.

Trust is a factor which enables competitiveness and it is very important to have trust among government, consumer and business enterprises. It enables people take informed decisions. While the public, industry and government are co-related and so it is important for all these three stakeholders to co-exist in a healthy manner.

In conclusion, it was emphasised that there is a need to learn as a society and move forward together. The speed and quality of the process of change and learning's was stressed upon. Also the need for short-term, mid-term and long-term goals instead of merely looking at the low hanging fruits was emphasised. It is important to use regulatory impact assessments to evaluate the cost and benefit of new reforms and also existing policies/regulations. More importantly there is a need to get rid of archaic laws. The above could be done effectively through stakeholder interactions from the beginning of the reform process.

The vote of thanks was delivered by Mandeep Kaur, Principal Programme Advisor, US Embassy and Udai S Mehta, Deputy Executive Director, CUTS International who thanked the eminent panellists and delegates.
