EXECUTIVE SUMMARY

Under the aegis of its project entitled 'Evaluation of Competitiveness among North India States - Leveraging from the United States', supported by The US Embassy, CUTS International organised a symposium in Chandigarh. The Symposium brought together relevant stakeholders (National and International) on one common platform for cross learning and discussion on critical issues related to Ease of Doing Business (EoDB) and inter-state competitiveness.

The 2-day symposium saw participation of approximately 100 participants cross cutting from the six North Indian States - Uttar Pradesh, Himachal Pradesh, Haryana, Rajasthan, Punjab and Uttarakhand – that included senior policy makers, top industry representatives and academicians.

A baseline scenario in terms of the major challenges in front of the nation, impeding EoDB, was deliberated upon, along with the way forward to overcome them. Critical pain points requiring relief were identified as regulatory burdens impeding EoDB; access to FELT (Finance, Electricity, Labour and Transport) elements; and the pertinent question as to how competitive federalism and state competitiveness could boost economic growth and improve governance.

A few suggestions that emerged from the deliberations, are as follows:

- Undertaking Regulatory Impact Assessments (RIAs), i.e. Cost-Benefit Analysis (CBA) as an ex-ante mechanism to ensure adoption of optimal regulations
- Aiding cross-learning between the States, by analysing the policy failures of one State, and learn lessons, so as to avoid repeating failures during implementation in other State
- Need for States to frame optimal and predictable regulations in order to reduce compliance burden and foster growth of micro, small & medium enterprises (MSMEs)
- Promote cooperative and competitive federalism, by using States as regulatory laboratories to find solutions for social and economic challenges, before implementation at the national level
- Facilitate cross learning between States to learn from their good practices, keeping in mind the various social, economic and geographical disparities between them
- Giving thrust to sunrise enterprise sectors and build a complimenting ecosystem to nurture start-ups and MSMEs and help develop a sustainable workforce in the long run
- ‘Whole of Government’ approach to disrupt the existing governance structure to push effective implementation of EoDB reforms
- More people to people interaction in various sectors such as research, education, manufacturing etc., through trade and investments, to encourage cross-learning
Overview

The Welcome Address was delivered by Pradeep S Mehta, Secretary General, CUTS International, whereas the Inaugural Address was delivered by VP Singh Badnore, Hon’ble Governor of Punjab. To set the context of the symposium, Thematic Addresses were delivered by Ariel Pollock, Director, North India Office, US Embassy, New Delhi; Daniel Mitchell, Chairman, Centre for Freedom & Prosperity; Paramjit Singh Sahai, IFS, Retd; Sebastian Saez, Lead Economist, Trade and Competitiveness, The World Bank.

Proceedings

The Ease of Doing Business (EoDB) in India was said to remain a controversy. Even though the country progressed from the 136th position to the 100th position in World Bank's Doing Business Rankings, India still has a long way to go in further improving its position.

The state competitiveness initiative of the government was considered to be a welcome step; however, the same needed to be supplemented by focussing on sector-specific policies and allowing states to formulate their own export and competition policies. This will require state governments to have clarity in identifying the right potential of the state, in order to efficiently harness it.

The government must prioritise ‘making the lives of businesses easier’. The ultimate objective of the business reforms should be to remove barriers (especially regulatory barriers) to growth of micro, small and medium-sized enterprises (MSMEs), which will propel overall growth and development of the nation.
Cooperative federalism and state competitiveness were noted to be catalysts to boost economic growth, and bring in efficiency in governance. These were also highlighted to be one of the key pillars of success for the US. A balance between cooperation and competition was also suggested for Indian states.

It was suggested that India and US must focus to enhancing commercial linkages between the two countries, along with people-to-people ties. The need for larger two-way trade between the federal countries was also highlighted, on the pretext of being natural allies.

Further, learning’s from US regarding good practices followed by them, pertaining to cooperative federalism and state competitiveness was suggested, through enhanced sub-national engagement, starting with the North Indian States. This was touted to help boosting the economic growth of various states and inducing efficiency in governance.

**Conclusion**

The focus must not be restricted to underlining challenges, but also on finding effective solutions to challenges faced in EoDB. A good start for this was said to be through improving the regulatory framework for businesses, which may be achieved through capacity building of government officials and undertaking Regulatory Impact Assessment (RIA) by third parties to evaluate regulatory reforms. This will improve the quality and transparency in regulations, along with aid states in formulating enabling and optimal regulations.

States have a potential to act as laboratories for regulatory reform experiments, before such reforms are scaled up to national levels. Also, cross-learning between states, through analysing policy failures of one state, and learn lessons from it while implementation in others will be facilitated through regulatory reform experiments. However, this will require a positive attitude of state governments towards EoDB, which will, in turn, boost economic growth.

South Indian states have arguably done better than North Indian states in implementing EoDB reforms, so one may learn from their good practices, keeping in mind social, economic and geographical disparities between various states. The country has a huge potential in improving its doing business rankings, which could be achieved by adopting global best practices. Low taxes and light touch regulations for smaller businesses, and not just large corporates was touted to be instrumental in effectuating the inclusive growth of businesses.
SESSION I: ACCESS TO THE FELT ELEMENTS

Overview
The session was chaired by Paramjit Singh Sahai, IFS, Retd. Anushree Sinha, Senior Fellow, National Council of Applied Economic Research was the session presenter, while panellists were Daniel Mitchell, Chairman, Centre for Freedom & Prosperity, US; Gopal Krishna Agarwal, National Spokesperson, Economic Affairs, BJP; Anoop Nautiyal, Founder, GATI Foundation; Amit Kapoor, Honorary Chairman, Institute for Competitiveness.

Proceedings
CUTS’ project on ‘State Competitiveness‘ to gauge the success/effectiveness of the Department of Industrial Planning and Promotion’s (DIPP) Business Reform Action Plan (BRAP) was highlighted which helped understanding the level of its implementation through the perception of various industry players.

Certain good initiatives, such as State Competitiveness through DIPPs state-wise rankings, Cooperative Federalism through Goods and Services Tax (GST) etc. were also discussed. Debating on certain good practices, such as Single Window Clearance System, organising investment summits by states, self-declaration forms for registering MSMEs etc., all of which help in ensuring optimum economic growth were also deliberated upon. However, the entire concept of seeking approvals/liaison with the government to start a business was questioned. Least involvement of the government with businesses was debated as being the best form of governance. Incentivising large corporates through tax concessions was also questioned, and adequate focus on smaller businesses was stressed upon. Not just easy entry, but a respectable and easy exit for smaller businesses was considered as an imperative.

Last mile delivery and access to Finance, Electricity, Labour and Transport (FELT) elements also needed to be stressed upon for achieving inclusive growth, and creating an enabling investment ecosystem. It was also opined that owing to the unique potential and challenges of Indian states, a comparative ranking on state competitiveness was not fair for some states.
Conclusion

Fostering an ecosystem by enabling *de facto* permissions by the government, complimented by *de facto* obligations on businesses of complying with laws should be strived by the country. Further, granting more powers to states to frame their own labour, export, competition and sector-specific policies was also highlighted, along with limiting the role of the Central Government to key national issues such as defence etc.

Implementing the Prime Minister’s clarion call of 'minimum government and maximum governance’ was held to be of prime importance. Stalled projects of the government required to be completed on priority, and clarity in vision was required to effectuate EoDB in its true sense. Inclusivity and transparency while framing policies were also considered to be important pillars of regulatory reforms.

It was suggested that focus could be placed on chasing doable solutions, rather than wasting time on implementing impractical recommendations for EoDB. Reliance may be placed on the three T’s required for its success, namely – Technology, Tolerance and Talent for this purpose.
SESSION II: MAXIMISING SKILLS FOR JOBS AND JOBS FOR SKILLED

Overview
The session was chaired by Shakti Sinha, IAS (R), Director, Nehru Memorial Museum & Library. Rahul Singh, Policy Analyst, CUTS International was the session presenter, while panellists were Siddhartha, IAS (R), Principal Advisor, Industry & Chairman Industrial Development and Promotion Board Government of West Bengal; Mahesh Venkateswaran, Chief Growth Officer, Knack.it and Former Management Team Member, National Skill Development Corporation; Anil Bhardwaj, Secretary General, Federation of Indian Micro & Small and Medium Enterprises; Anil Bhardwaj, Secretary General, Federation of Indian Micro & Small and Medium Enterprises; Malti Jain, Adviser, British High Commission; R. Sudarshan, Dean, Jindal School of Government and Public Policy, O.P. Jindal Global University, Haryana; Prachi Agarwal, Project Manager, Just Jobs Network

Proceedings
The current primary education system in the country has been unable to instil an entrepreneurship culture among students. Such an education system by default encourages students to prepare for the job sector, which triggers a rat race to achieve good grades and better degrees. This also leads to a situation where entrepreneurship ends up becoming the last resort for low-performing students, degrading the quality and skills for job creators also. There is an urgent need to revamp this education system in order to address the job creation needs of the nation.

In today's technology-driven world, enterprises are striving to become competitive by being more productive. Virtual workplaces and automated systems are redefining the way business is conducted. As a shortcut to reducing the gap between employability and employment opportunities, there have been multiple initiatives to re-skill and re-train workforce across industries, which is proving to be insufficient, as such trainings cannot reinforce the weak foundation of 20 years of school and college education. The North Indian states must realise the importance of an efficient and productive workforce with right skills and acumen, in order to become competitive and attract business investments in their region. There is an urgent need to look at jobs and skills narrative with a 'Whole-of-Government' approach in order to renovate the future of jobs in India.
Conclusion

The current vocational training systems should be flexible to accommodate the changing needs of enterprises. Government policymakers and enterprises must work together in order to match their respective proxies while working on jobs and skills agenda.

States must give thrust to sunrise enterprise sectors and build a complimenting ecosystem to nurture start-ups and MSMEs, which will help develop relevant and sustainable workforce in the long run.

The education system must be re-designed to ensure overall development of youth so that they become employable or job creators. States must strive to achieve economic growth and prosperity through a productive and compatible workforce, which requires strong political will and emphasis.
SESSION III: OPPORTUNITIES FOR ENTREPRENEURS AND MSMEs

Overview
This session was chaired by Rajesh Batra, Head, Centre for MSME, Indian Institute of Corporate Affairs. Kanika Balani, Senior Research Associate, CUTS International was the session presenter, while panellists were Pankaj Gupta, President, Industries Association of Uttarakhand; Nazia Yusuf Izuddin, President, World Integrity Centre India and Senior Vice Chairperson, FICCI FLO, Uttarakhand; Yogesh Sagar, Vice President, Mohali Industries Association; Dilnawaz Khan, Founder and Chief Evangelist, Codesign Labs.

Proceedings
Successive governments have emphasised the value and importance of MSMEs in the overall economic growth and development of the country. With a separate Ministry, through its chain of institutes present in each state, it is mandated to provide an environment where EoDB reforms are prevalent, leading to job creation and business prosperity. However, there still seems to be a disconnect between the intended outcome and implementation, as MSMEs still find it challenging to grow and expand due to compliance burden and inefficient governance.

The newly introduced GST reforms are expected to streamline the taxation structure, but it must also be ensured that refunds are made timely so as not to affect the financial liquidity of MSMEs due to an erratic credit flow system. Easy access to the FELT elements are also critical for an MSMEs sustenance, which still remain a challenge due to the multiple permissions to be obtained for them.

When entrepreneurs make progress in their businesses and make profits, they are not seen in good light by the public at large due to a prejudiced cultural perception. This perception gets extended to the banking and lending fraternity that does not appreciate the risk-taking appetite and talent of new-age entrepreneurs, creating a barrier in accessing finance.
Conclusion

There is an urgent need to assess the compliance cost burden on MSMEs, which strongly impedes their growth. The MSME sector needs a platform where common facilities (infrastructure, utilities and machinery) are created within states so that investments of entrepreneurs are reduced and businesses become scalable.

Introduction of light-touch regulations will galvanise entrepreneurship in the right spirit and lead to better job creation and progress across the North Indian states.
CONCLUDING SESSION:
SYMPOSIUM SUMMARY AND THE WAY FORWARD

Overview
This session was chaired by Udai S Mehta, Deputy Executive Director, CUTS International. Rahul Singh, Policy Analyst, and Sidharth Narayan, Research Associate, from CUTS International were rapporteurs for the symposium, while panellists were Douglas Fowler, Economic Officer, US Embassy; Arvind Mohan, Head, Department of Economics, University of Lucknow and Secretary General, Policy Think Tank, Lucknow; Kanwar Sandhu, Punjab Legislative Assembly, Aam Aadmi Party; Stanzin Dawa, Regional Director, Rajiv Gandhi National Institute of Youth Development.

Proceedings
The North Indian states need to prioritise addressing the on-ground EoDB challenges in order to become more competitive and achieve inclusive growth. While certain states have initiated many reforms, such as single-window clearance mechanism, labour and land, financing through state funds, lesser permits, etc. these are not transforming the on-ground situation due to lack of clarity among implementing agencies.

States must focus on their strengths by identifying key sectors, such as food processing in Punjab, tourism in Uttarakhand, Himachal Pradesh and Rajasthan, etc. in order to design sector-specific policies and reforms to promote these sectors and harness their own unique potentials.

Conclusion
It is a known fact across the country that the entire governance structure, both at the Central and state level, that includes a plethora of departments, ministries, implementing agencies, has grown into a huge disconnected and entangled system.

Such a system makes inter-department communication and synergy extremely difficult. This entire governance hierarchy needs to start thinking out-of-the-box by exercising a ‘Whole-of-Government’ approach.

Such a disruption would ensure that a focussed drive in implementing EoDB reforms effectively will help propel MSME growth and job creation should be the focus points going forward.