

EVALUATION OF COMPETITIVENESS AMONG NORTH INDIAN STATES

REPORT OF THE FIRST SPEAKING TOUR UTTAR PRADESH, PUNJAB AND HARYANA



SUBMITTED BY
CUTS INTERNATIONAL

BACKGROUND AND PROJECT OVERVIEW

Consumer Unity Trust Society (CUTS International) with the support of the US Embassy, New Delhi is implementing a project, 'Evaluation of Competitiveness among North Indian States'.¹ The objective of the project is to gauge the perspective of relevant stakeholders (government officials, industry, academia, media etc.) on reforms being undertaken in six North Indian States (Rajasthan, Punjab, Haryana, Uttar Pradesh, Himachal Pradesh and Uttarakhand) to propel State Competitiveness *vis-à-vis* Ease of Doing Business (EoDB) and bring them to a common platform for cross learning and sharing their best practices.

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry in collaboration with the World Bank, has already been assessing the performance of Indian States based on an EoDB action plan. Thus, the intervention by CUTS International is quite timely. To support Prime Minister Narendra Modi's mission to make India a global hub for business and investment, it is important for States to become competitive and attractive for investments (Foreign Direct Investment and also domestic investment). In order to sustain the momentum, DIPP has been conducting the State rankings on EoDB annually. However, the ground realities suggest that the idea of State Competitiveness *vis-à-vis* EoDB extends much beyond the suggested action plan by DIPP. Thus, the project aims to understand the existing ground realities from the viewpoint of stakeholders and the way forward on EoDB.

Under the project, CUTS prime responsibilities have been: (i) Organising a Symposium by bringing together relevant stakeholders from all the six States and subject experts on a common platform to deliberate on the challenges and way forward in EODB and facilitate cross-learning amongst them. (ii) Organising two Speaking Tours, where two American Experts would visit different select States and CUTS would facilitate cross fertilisation and exchange of good practices and ideas.

This report focusses on the first Speaking Tour. The Tour was conducted in Lucknow, Uttar Pradesh and Punjab. The American expert Mr. Albert Foer, Founder and Senior Fellow, American Antitrust Institute (AAI) was accompanied by representatives from CUTS International and the US Embassy. During the speaking tour, Focussed Group Discussions (FGDs) and one to one meetings were organised with relevant stakeholders (Industry, media, government officials, subject experts, etc.). As mentioned above, the idea was to provide a platform to discuss innovative ideas and good practices among stakeholders from India and the American expert.

The report has been divided into two Chapters, while the first encapsulates the highlights of the meetings held in Lucknow, Uttar Pradesh; the second comprises the highlights of the meetings organised in Chandigarh, Punjab and Haryana.

¹ For more details regarding the project, please visit: <http://www.cuts-ccier.org/STATE-COMP/About.htm>

LUCKNOW, UTTAR PRADESH

NOVEMBER 15-16, 2016

In Lucknow, Mr Albert Foer was accompanied with Mrs Mandeep Kaur, All India Principal Programme Advisor, Public Affairs Section, American Embassy and Ms Neha Tomar, Senior Research Associate, CUTS International. The tour was held from November 15-16, 2016 and included two FGDs and a single one to one meeting.

The proceedings of the discussions are given below:

ONE TO ONE MEETING WITH MEDIA REPRESENTATIVE

Deepa Jainani, Special Correspondent, The Financial Express was met to understand some of the emerging issues pertaining to competitiveness and EoDB in Uttar Pradesh. In the beginning of the discussion, Mr Foer provided an overview and brief description of State Competitiveness in the US. He explained that competitiveness is a broad terminology and extends to include various paradigms, such as tax, infrastructure, Intellectual Property Rights (IPR), innovation, job creation, trade and so on. Foer pointed out that much of the presidential debate in the current year revolved around State Competitiveness and Competition.

According to him, to make a state competitive, governments need to make firms locally competitive, so that they can eventually compete globally. He further underlined the need of awareness of the implications of government fed monopolies. While most of the reforms are brought 'in public interest' they often carry anti-competitive elements, which are not very evident. Moreover, with every reform that comes into play, there are winners and losers. It is the losers that the government needs to take care of. One of the ways of accomplishing this is by actively providing skill trainings and quality jobs.

On the issue of skill training, Jainani explained that the National Skill Development Corporation (NSDC) seems to be doing well. Often the courses that are being organised by NSDC are designed keeping in mind demands of private sector. In fact, sometimes, the private sector specifies the skills required by them to the NSDC and invites NSDC to conduct trainings within their organisations. She added that there is a need for private players to participate in the process of skill development and job creation. It cannot be left alone on the Government.

Drawing attention towards UP, Jainani mentioned that the Government (which??) needs to focus on providing robust infrastructure across UP. She explained that most of the infrastructural development in UP was taking place in urban areas. Consequently, there has been almost no development in the rural and semi urban areas. Most of the locals of the rural areas prefer to migrate to find better opportunities, while no one from urban or semi urban area wants to shift to the rural areas due to the lack of services and infrastructure. She termed this process as a 'lopsided development' and reiterated on the need to provide and develop infrastructure across the State.

Mandeep Kaur concluded the meeting on the note that political will is extremely important. She added that with respect to DIPP rankings, while states are introducing multiple reforms to increase competitiveness and simplify setting up business, it is equally important for States to also focus on effective implementation of the reforms.

FOCUSSED GROUP DISCUSSION: PUBLIC POLICY THINK TANK, UNIVERSITY OF LUCKNOW

The FGD was organised by Professor Arvind Mohan, Director, Institute of Management Sciences, University of Lucknow. The discussion saw the presence of some eminent members, such as:

- Mr Alok Ranjan, Resident, Policy Think Tank and Chief Advisor to the Chief Minister
- Mr G Pattnaik, Chairman, 7th Pay Commission
- Mr Desh Deepak Verma, Chairman Power Regulatory Authority
- Mr Sanjay Aggarwal, Principal Secretary
- Mr A P Verma, Former Chief Secretary
- Mr D N Srivastava, Member State Administrative Tribunal

Professor Mohan commenced the discussion by speaking of the importance of good governance. He elucidated that while the cost of doing business in UP is one of the lowest in India, the process of setting up businesses is in fact the lengthiest one. This clearly reflects lack of effective governance for setting up business. According to him, in order to attract investments, UP must enhance the quality of governance. In terms of other challenges faced by the State, Professor Mohan referred to availability of land and good quality infrastructure. He mentioned that with the introduction of the new Agra-Lucknow expressway, it is envisaged that the transport connectivity will be improved in various ways. The expressway will connect various cities and a Delhi-Lucknow journey will only be for about six hours.

Besides, the State is also working towards improving power supply in terms of supply and quality. He explained that while the private sector has been investing in generation of power, the public sector has been investing in transmission and distribution. With regards to the tax regime, Professor Mohan mentioned that UP fares as one of the best performers in this regard as compared to other States.

In the inaugural address, Foer delivered a presentation highlighting some of the key issues pertaining to competitiveness in the US. He explained that it is important for the State and Centre to have clear and well defined roles. Citing Michael Porter, he explained that when firms are competitive, they result in overall economic benefits for the society.



Further, he reiterated on the importance of ‘co-opetition’ which is an amalgamation of competition and cooperation. China recently introduced competition advocacy in its regime where government authorities are required to undertake a self-review and ensure reforms are pro-competitive. The idea is to ensure that there are no anti-competitive elements in reforms being introduced. In the US, it is said that competitiveness began to dampen even before the global melt down.

In terms of EoDB, Foer drew few examples from New Jersey and Delaware where they introduced reforms and simplified existing rules to attract investment and become industrial hubs. Most importantly, he highlighted the importance of understanding and reacting to the changing nature of society. A healthy competition regime can ensure sustainability and support the ever-changing nature of the society. Change attracts new reforms, where some benefit from the reform and some lose. The State Government needs to be proactive in taking care of the ones losing out because of the reforms.

Below are some of the highlights that emerged from the discussion:

- In UP, most of the development has been focussed in the urban areas, as a result forcing migration among rural areas. The Government needs to develop and create infrastructure and establish incidental facilities in the rural areas. More so, such development should be done in a way that it promotes and encourages entrepreneurs to establish their businesses in UP.
- The current State Government has been trying to reform the power sector. While the private sector has invested significantly in power generation segment, the public sector is investing in transmission and distribution segments.
- The contours of Public Private Partnership (PPP) should be understood and clearly defined by both public and private bodies. There are not many examples of PPP success models in India. Therefore, good practices and success stories of other countries can be looked at.
- UP is one of the most populated States of India. Consequently, it provides a big consumer market, which needs to be tapped.
- Given the large population of UP, it is crucial for the Government to focus on skill development programmes. Further, such programmes should be linked with job creation. Keeping in mind demographic dividend, the Government needs to provide quality jobs.

- As UP is home to significant amount of Small and Medium-sized Enterprises (SMEs), the Government can look at facilitating cluster formation of SMEs. Going forward, CUTS and the American Embassy can be a bridge to link SMEs in India to SMEs in America for potential business and/or partnerships.
- The Government is endeavouring to revive some of the SMEs through various sources. For instance, the SMEs in Varanasi involved in manufacturing wooden toys, are being revived by the Government.
- A progressive initiative highlighted in the discussion was 'Stand Up India'. It is a new initiative by the Centre Government. Under the initiative, an online portal has been set up, according to which an investor may choose among any three banks for investment. The idea is to make banks competitive and promote entrepreneurship. Under the initiative, the entrepreneur is also linked with a mentor for guidance.
- As done by some of the other States, the Government of UP should try to strengthen ties with foreign investors and look at ways to simplify and attract foreign investments. For instance, industrial parks are being set up in some of the States, which are not only bringing huge investments but also generating significant amount of jobs. The State of UP should clearly mention the competitive advantages of investing in UP and accordingly attract the investors.

FOCUSSED GROUP DISCUSSION ORGANISED BY PHDCCI

An FGD was organised by Mr R K Sharan, Regional Director, UP, Bihar and Jharkhand, PHD Chambers of Commerce (and Industry PHDCCI) at the PHD Office in Lucknow. Some of the important highlights of the FGD are as following:

- Most industrialists were of the view that the experience of doing business in UP has improved since the last few years. Moreover, the process of setting of a business has been simplified in the past few years and the bureaucracy has also become supportive towards investors.
- Similarly, most of the industrialists were of the opinion that the overall governance in UP has improved, especially in the real estate sector.



- The Government is currently trying to develop UP as a whole, as opposed to focussing development activities in select cities. Cities, such as Agra, Varanasi, Allahabad and Kanpur are also being developed, so as to attract investments. Agra is being developed from tourism perspective, while the other cities are being developed in a manner to make them investor friendly.
- UP provides a large market and makes it lucrative for investors, therefore it is important for the Government to also ensure availability of skilled labour.

CONCLUSION

From the meetings and discussions held in UP, it is evident that there has been a progress on ground *vis-à-vis* EoDB. The Government has played an active role in simplifying business procedures, developing various cities, reviving SMEs and strengthening the power sector. In terms of areas for improvement, the Government needs to focus on developing infrastructure in rural areas. Currently, there is an outflow of labour and investment because of lack of infrastructure and services in rural areas. Given the demographic dividend, the Government also needs to provide skill training and create quality jobs. Going forward, it would be helpful to connect SMEs in India to the SMEs in the US for learning and sharing best practices.

CHANDIGARH, PUNJAB AND HARYANA

NOVEMBER 21-22, 2016

In Chandigarh, Mr Albert Foer was accompanied with Mr Douglas Fowler, Economic Officer, North India, American Embassy and Ms Neha Tomar, Senior Research Associate, CUTS International. As Chandigarh is the capital city of Punjab and Haryana and a hub for government offices, the purpose of visiting the city was to assimilate information on competitiveness and EoDB in both Punjab and Haryana. In Chandigarh one to one meetings were arranged at the Department of Labour and PHD Chamber of Commerce & an FGD was organised at the University of Punjab.

The deliberations of the meeting are as mentioned below:

ONE TO ONE MEETING WITH DEPARTMENT OF LABOUR (PUNJAB)

The purpose of meeting the Department of Labour in Chandigarh was to understand the labour reforms being implemented in the State, the impact of the same and what are the challenges still remaining to be addressed. According to the officials of the Labour Department, all relevant labour reforms as outlined by the DIPP for the purpose of EoDB have been implemented in Punjab. Overall, there is availability of qualified labour in the State. Moreover, Punjab offers one of the highest wage rates in North India, which attracts labour from various States, such as Uttar Pradesh, Bihar and so on.

In terms of skill development, the officials explained that training programmes are provided to labour by public as well as private bodies. They have even experimented the PPP model, wherein the training programme is organised by the Government and the facilitation of the sessions is undertaken by private players, as they are better capacitated to design the courses linking it with their demand. With respect to working women, they explained that reforms have been introduced to ensure late night shifts are conditional to safety. Further, for women specifically, camps and training workshops are organised at the district level.

Regarding wages, the officials mentioned that Punjab prescribes 'Equal pay for equal work'. Foer broached the idea that it may be interesting and helpful for Commissioners of Labour to interact with each other to share good practices and facilitate cross fertilisation. The process may be initiated by having Commissioners in the same region and on the same platform. He explained that this was periodically done in the US and has proved to be a successful model. The Commissioner, Labour Department, appreciated the idea and agreed that such cross fertilisation would be extremely beneficial.

FOCUSSED GROUP DISCUSSION ORGANISED BY THE UNIVERSITY OF PUNJAB

FGD was organised by Professor B S Ghuman at the University of Punjab (PU). The FGD was chaired by Anirudh Tewari, Chief Executive Officer, Invest Punjab. The panellists comprise Dr Manoj Sharma, University Business School, PU; Dr Upinder Sawhney, Professor and Head, Department of Economics, PU and Dr B S Ghuman, Department of Public Administration, PU. Broadly, the purpose was to provide a platform for discussion on State competitiveness *vis-a-vis* EoDB. Issues pertaining to EoDB and

measures to be taken to make Punjab and Haryana more competitive were discussed during the FGD.

Foer also provided the inaugural remarks wherein he referred to his presentation delivered in Lucknow. He explained in detail the relationship between competition and competitiveness. Tewari delivered a presentation on the Single Window Clearance (SWC) model implemented by Invest Punjab (IP). He explained that IP is the only institution, which essentially brings all relevant departments under one roof to provide clearances and thus, is termed is a SWC System.



Below are the some of the key issues that emerged from the deliberations:

- It was unanimously agreed that the Indian States need to become competitive internally as well as internationally. It is important for the States to be connected with the Global Value Chains.
- The Government of Punjab has worked hard to provide quality supply of power to industrial areas. In fact the State currently has surplus power. In the power sector, while private players invested in power generation, the Government invested in transmission and distribution
- In terms of investment inflows, it was mentioned that most of the investment were coming in agri-processing sector. However, investments were also being

attracted in textile and manufacturing sectors. Some of the big investors in Punjab are Cargill, Muruguppa, Amul and Tropicana.

- Stress was also laid on the need to focus on structural changes, as it will strongly impact the competitiveness of Punjab and Haryana. Both the Governments need to better comprehend why local companies in Punjab and Haryana prefer to set up their businesses outside these two States.
- To ensure sustainability of reforms and competitiveness, the panellists agreed that the Government of Punjab needs to first build internal capacity of relevant stakeholders within the State. The Government of Punjab needs to revive its agriculture industry, improve the income levels of farmers, bring modern infrastructure and support the SMEs.
- It was also agreed that State Governments should not merely focus on the DIPP rankings. States need to go beyond the rankings and make themselves competitive as well as sustainable.
- Apprenticeship programme of Germany hailed as a good practice to merge education and training. Panellists agreed that while training workshops were being organised for skill development, the Government needs to increase the number and quality of workshops.
- Lastly, it was mentioned that with the advent of multiple reforms in Punjab and Haryana, the Government must ensure that the implementation of the reforms is effective and it is translating into benefits.

ONE TO ONE MEETING WITH PHDCCI, CHANDIGARH

Dr Parveen Rathee, Regional Director, PHD Chamber of Commerce (Punjab, Haryana and Himachal Pradesh), was met to understand the Industry perspective of competitiveness and EoDB in Punjab and Haryana. He endorsed Foer's idea of providing a platform for cross fertilisation of good practices among government officials. Regarding EoDB, Rathee was of the view that not much has changed on the ground. While multiple reforms have been introduced by Punjab and Haryana, customary practices continue to exist at the local level of red tapism and corruption.

Moreover, there is an awareness gap between policy makers and implementers. To make Indian States competitive, he mentioned that firstly, the Government should aim to provide quality infrastructure. Secondly, need for standardisation is extremely important. Standards should be strictly enforced, as it would make Indian products be able to compete globally. In addition, he said it is very important for the Indian Government to understand the requirements and challenges being faced by SMEs. It is often felt that while assistance is extended by the Government, access to the same is difficult for the SME's.

CONCLUSION

The Single Window Clearance Mechanism (Invest Punjab) as introduced by Government of Punjab is a leading model that has simplified the process of investing in Punjab and should be replicated by other States as well. Punjab has the competitive advantage of labour and power. Given the plethora of reforms implemented by the state, it is important for the Government to ensure effective implementation of reforms and improving per capita income of the locals.

**ANNEXURE:
LIST OF STAKEHOLDERS MET DURING THE SPEAKING TOUR**

Name	Organisation
LUCKNOW	
Arvind Mohan	Director, Institute of Management Sciences, University of Lucknow
Alok Ranjan,	Resident, Policy Think Tank and Chief Advisor to the Chief Minister, UP
A P Verma,	Former Chief Secretary, UP
D N Srivastava,	Member State Administrative Tribunal
Deepa Jainani	Special Correspondent, Financial Express
Desh Deepak Verma,	Chairman Power Regulatory Authority, UP
G Pattnaik,	Chairman, 7 th Pay Commission
R K Sharan	Regional Director, UP, Bihar and Jharkhand, PHD Chambers of Commerce
Sanjay Aggarwal,	Principal Secretary, UP
CHANDIGARH	
Anirudh Tewari	Chief Executive Officer, Invest Punjab
BS Ghuman	Professor, Department of Public Administration and Former Dean, Faculty of Arts, PU
Dr Manoj Sharma	University Business School, PU
Dr Upinder Sawhney	Professor Head Department of Economics, PU
Kashmir Singh	Joint Director, Department of Labour, Punjab
M P Beri	Joint Director, Department of Labour, Punjab
Mona Puri	Deputy Labour Commissioner, Department of Labour, Punjab
Praveen Rathee	Regional Director, PHD Chamber of Commerce (Punjab, Haryana and Himachal Pradesh)
