EMPOWERING INDIA
Redesigning G2B Relations

FICCI *and* BAIN & COMPANY

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Foreword

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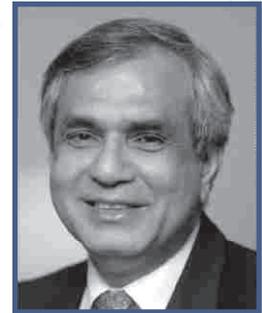
Dr Rajiv Kumar
Secretary General
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India is one of the fastest growing economies in the world today. Our large and growing market, a vast pool of skilled manpower and strong institutional framework has made India a preferred destination for investors. Most experts agree that given these structural advantages, India could achieve higher rate of inclusive growth. The 12th plan's target of 9% is testimony to this. We are currently at a stage of development, where the pace of growth will be decided by how we move ahead in the realm of 'process' or 'procedural' reforms and improve the business and investment confidence. Here it is important to note that while India is consistently ranked amongst the top countries in terms of attractiveness as an investment destination, yet, when it comes to the ease of doing business on the ground, we lag much behind.

The basic assumption underlying Empowering India Project is that it is not possible any longer for India Inc to remain globally competitive and sustain rapid and inclusive growth without an improvement in public governance. In the first phase of this project, we have identified variables that determine the climate for doing business; examined the best practice achieved in individual states; and on this basis attempted to recommend improvements in the delivery of public goods and services and in the regulatory regime across other major states in the country.

This will allow FICCI to expand its work across states and engage with the state governments on the basis of a program that is likely to bring tangible benefits for them in the form of attracting greater private investments. The Empowering India Project will help improve some of the variables that affect investment activity and this would ultimately help improve India's ranking in 'ease of doing business'. While this report contains recommendations pertaining to seven states, we plan to expand the project's coverage across the country in the next phase.

Ashish Singh

Dr Rajiv Kumar

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Summary

India is emerging as a key player in the global business arena. It is amongst the fastest growing economies today and in line with recent performance, it is expected to account for ~10% of the growth in global GDP from 2010 to 2020. As a growing consumer market, a low cost manufacturing location and a source of skilled manpower, no global company can afford to overlook India and exclude it from their growth aspirations. Not surprisingly, investors continue to be drawn towards India with FDI inflows increasing more than 250 times from ~$140M in 1990 to ~$36B today. However, they continue to struggle with the complex business environment in the country at the same time. The World Bank, in its 2012 'Doing business' report ranked India 132nd out of 183 countries in terms of 'ease of doing business'. This is driven by the high complexity and time consuming nature of a range of processes in the country including setting up a business, dealing with construction permits, registering property, paying taxes and enforcing contracts, among others. The rankings reaffirm what the industry echoes, that the business environment in India, while on its way towards improvement, is still not progressive enough.

Historical and recent performance of states in terms of industrial output and investments reveals that all states have begun making efforts to draw investors. Through focused reforms and initiatives, states have started to make improvements in their respective business environment. **The objective of our report is to identify some key factors which impact the business environment in India, identify progressive and high impact reforms that have been implemented across different states and highlight opportunities for implementing reforms in the seven FICCI states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and West Bengal based on learning drawn from the best performing state in any of the identified areas.** In the next phase we hope to expand our coverage to other remaining major states as well.

The scope of this report includes 12 key factors influencing business environment. These factors were identified through over 180 interviews with the government and industry as well as through a survey across 75 FICCI members.

The ability of the states to introduce reforms in each of these areas depends on whether these fall under the Union, State or Concurrent list. In ten of the twelve factors, we found that states have introduced clear best practices or strong initiatives to improve the business environment. In the remaining two, no clear state-led reforms emerged as the role of the Judiciary or the Centre is much stronger and states had little or no leeway to significantly alter the state of affairs. While the focus of this report is on learning from domestic reforms, some international examples have also been considered to understand further the potential for improvement across all factors beyond the domestic best practices.

12 factors identified through industry and government interviews

Universe of factors affecting business environment	**12 factors identified through industry and government interviews and existing research**	• **7 factors** with holistic best practices - Land acquisition - Availability of power - Property registration - Industry clusters - Obtaining construction permits - Availability of information - Single window mechanism • **Supplemented by international examples**
		• **3 factors** with strong initiatives - Labour reforms - Environment - related clearances - Payment of taxes • **Supplemented by international examples**
		• **2 factors** with no clear best practices - Dispute resolution - Exit procedures

Role of the State vs. the Centre varies across these factors

Our recommendations for each of these ten factors address four key themes: the policy framework, effectiveness of procedures, critical enablers to enhance effectiveness and the implementation discipline to make the various initiatives work. Implementation discipline is a frequently occurring theme throughout this report. Industry, across states in India, expressed the urgency to strengthen implementation. Most states have introduced strong policy frameworks and procedural improvements but leave a lot of room for improvement in the implementation of these. Strengthening implementation involves cultivating a performance-driven culture among the government departments, fixing clear ownership among individuals and departments to enforce time-bound deliverables from all involved parties, establishing clear metrics to track and measure performance and aligning incentives with performance. Furthermore, the enforcement of initiatives must be tracked through user feedback and improvements introduced. Industry feedback on states' business environment varied heavily between states -not due to the absence of policy frameworks, but rather due to the varying perceptions of implementation effectiveness.

In summary, the proof of all initiatives lies in dogged and unyielding implementation on the ground, which makes investors note and acknowledge changes, and enhances their confidence in the reforms efforts of any government.

Introduction & Objectives

India has seen tremendous growth in the two decades of economic liberalization that started in July 1991. The ongoing reforms such as opening up of international trade, deregulation, support to private enterprise, reforms in taxes and privatization of certain public sector industries and infrastructure have helped catapult India from three decades of so-called Hindu rate of growth of 3.5% from the 1950s to the 1980s to the peaks in 2006 to 2008 when the GDP grew by 9%.

The impact of the reforms and relaxation of the License Raj can be seen with the increase in investor confidence, as indicated by the increase in GDP and FDI. India recorded its highest growth in the 2000's, where it firmly established itself as one of the fastest growing economies of the world. FDI has increased over 250 times from ~$140M in 1990 to ~$36B today as well.

Today India is the ninth largest economy by nominal GDP and fourth largest by purchasing power parity (PPP). In PPP terms, India is expected to become the third largest economy by 2020. India's contribution to the global GDP growth between 2010 and 2020 is also expected to be a substantial 10%.

Global GDP forecast
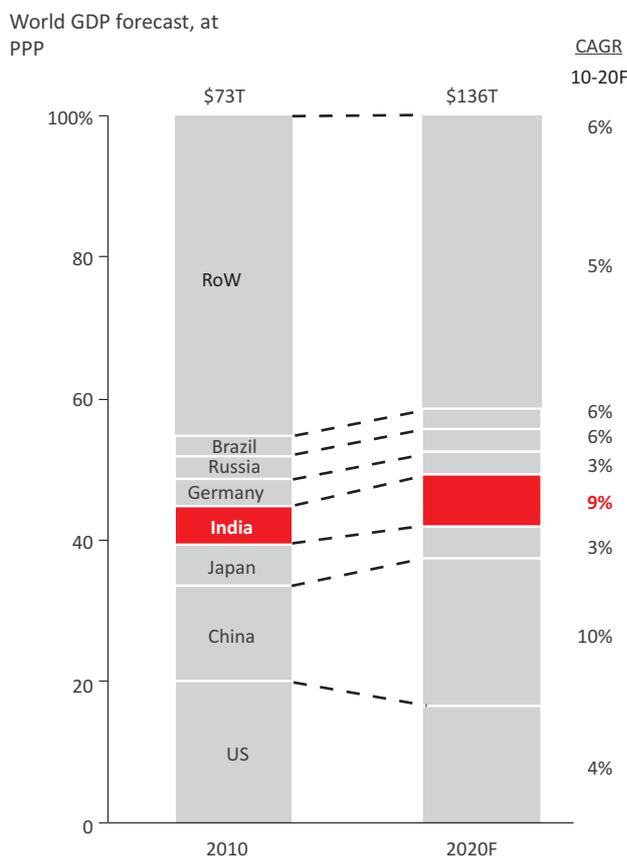
Source: World bank development indicators, Euromonitor, World Economic outlook

Global behemoths have reiterated their interest in India through large scale expansions

Cashing in on this tremendous growth story, companies across geographies and industries have entered and expanded in India. While many of these have set up their manufacturing bases in India, others have capitalized on an increasingly skilled work force in the Services space. Companies have established a strong front end presence as well as their manufacturing and back office backbone here. Irrespective of the route they have adopted, it is clear that India is indispensable to their growth story.

HYUNDAI	• Exported over 1 million cars from India in 10 years
MERCK Be well	• Merck aims to be among top 5 drug makers in India by 2015
Disney	• Outsourced key animation projects to studios throughout India
GE imagination at work	• 70:70:70 -outsourced 70% of the work, of which 70% was offshore, of which 70% came to India
vodafone	• ~145 Million subscribers in India

However, FDI in India is still significantly lower than China; manufacturing remains a small contributor

Despite the growth India is witnessing, investment and industrial output are lower than our closest competitors. China attracts ten times as much FDI as India. Domestically, manufacturing output also continues to be low. From the early 1980s to now, the contribution of manufacturing to GDP has stayed at ~16%.

**Foreign investment in India is still low. Manufacturing, a key focus area, remains small**
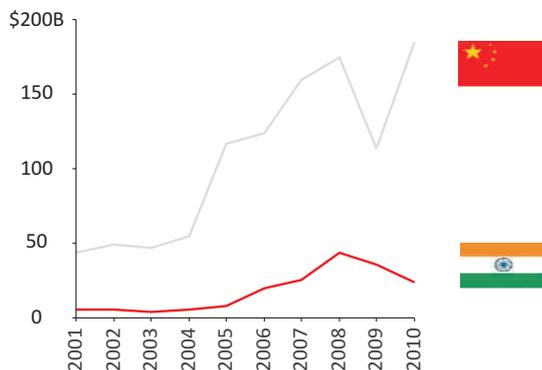
FDI net Inflows

Share of manufacturing in GDP (2009-2010)

Source: World Bank development indicators

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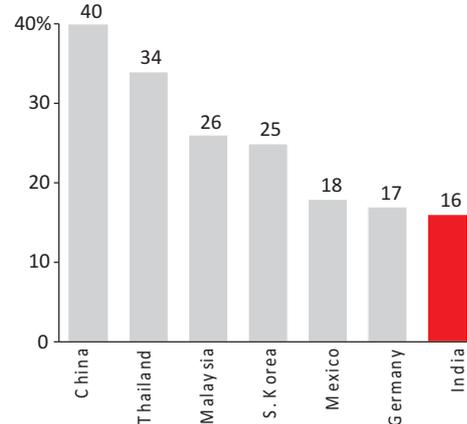
India continues to rank low in the 'ease of doing business'

The state of the business environment in India helps one understand some key reasons why India lags in indicators of investment and industrial activity. The World Bank ranked India 132 out of 183 countries on the 'ease of doing business', as part of their 'Doing business 2012' report across 183 countries. While this is an improvement from 2011 when India ranked 139, it still indicates significant room for further improvement in the business environment.

'Empowering India' aims to help India make significant changes to its business environment

FICCI has launched the 'Empowering India' initiative to help draw out a path for reforms and enable India to transform into a dynamic, progressive and business friendly economy.

The objective of this report is to identify best practices in improving the business environment across the country, determine the key levers available to Indian states (vs. the Centre) to alter the business environment, and to arrive at actionable and practical recommendations for some Indian states.

The focus of the analysis is on **benchmarking practices across Indian states** and developing recommendations based on best practices within India. We have also used international examples throughout this report to indicate additional room for improvement - but the key focus area remains best practices from amongst Indian states to make sure our recommendations are practical and grounded in the realities that exist in India today. Finally, there are also areas where states have limited ability to make considerable reforms and so the role of the Centre in addressing these acquires greater significance.

Historical performance of States

Historical trends indicate that growth and investments in India have been focused on a few regions

States' distribution of population, industrial output and investments shows that nine states account for over 60% of India's industrial output.

Nine states account for ~60% of India's GDP and industrial output

India: Statewise distribution of population and output (FY10)
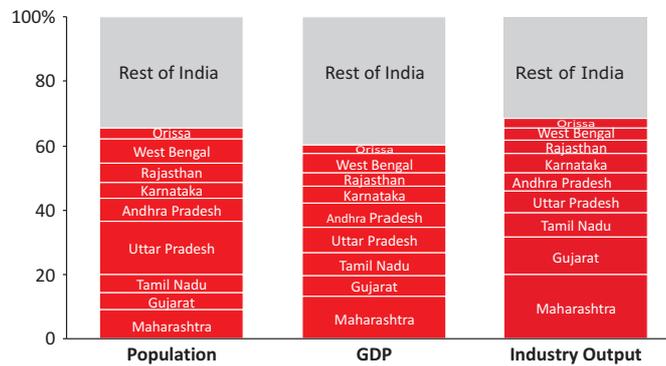
Note: GSDP: Gross state domestic product; Industrial output comprises of the output of industrial establishments, covering mining and quarrying, manufacturing, construction, electricity, gas and water supply.

Source: RBI India statistics handbook, Indiastat.com

The fastest growth has come from Orissa and Karnataka, where industry output has grown at over 10%, in real terms, between 2001 and 2010. The absolute growth has been highest in Maharashtra, Gujarat and Tamil Nadu. While Maharashtra and Tamil Nadu have always been at the forefront of industry, Gujarat has revved up its efforts in the last 10-15 years and its improved macro-economic performance is a direct result of proactive reforms. As we look at industry output per capita, it is again these three states that lead, though here Gujarat leads with Maharashtra and Tamil Nadu as close followers.

While Orissa and Karnataka are the fastest growing, Maharashtra, Gujarat and Tamil Nadu still account for the most growth in terms of volume of industrial output

Top 9 States Industry Output (FY-10 Constant prices)
Rs '000 Crore
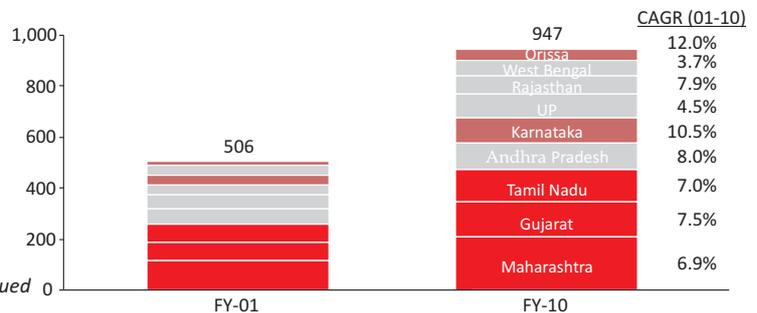
Note: FY-01 real number calculated using GDP deflators issued by Central Statistical Organization

Source: Central Statistical Organization (CSO), India

Gujarat, Maharashtra and Tamil Nadu have the highest industry output per capita

Industry output per capita

	Gujarat	Maha-rashtra	Tamil Nadu	Karnataka	Andhra Pradesh	Rajasthan	Orissa	West Bengal	UP
CAGR (01-10)	10.8%	10.5%	10.8%	14.3%	12.3%	11.0%	16.1%	7.5%	7.7%
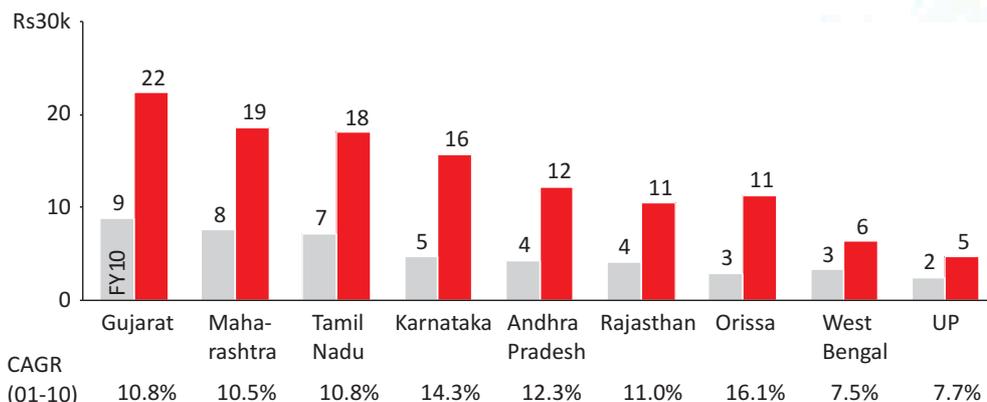
Note: All output numbers are nominal
Source: Central Statistical Organization (CSO), India

The trend in recent investments is in line with macro-economic indicators. Maharashtra continues to maintain its leadership in attracting FDI while Gujarat leads in attracting domestic investment, as is evident from its share of the total investment that has gone into Indian states since 1991. Additionally, a number of investment intentions have been announced, the distribution of which over the last couple of years is a strong indicator of which states have recently started to attract the attention of investors.

Gujarat and Maharashtra lead in terms of attracting investments

Domestic investment

Rs lakh Cr
(1991-11)
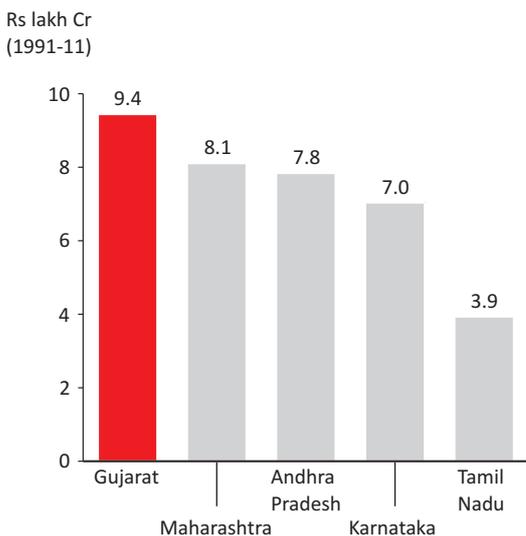
Foreign direct investment

Rs '000 Cr
(1991-11)
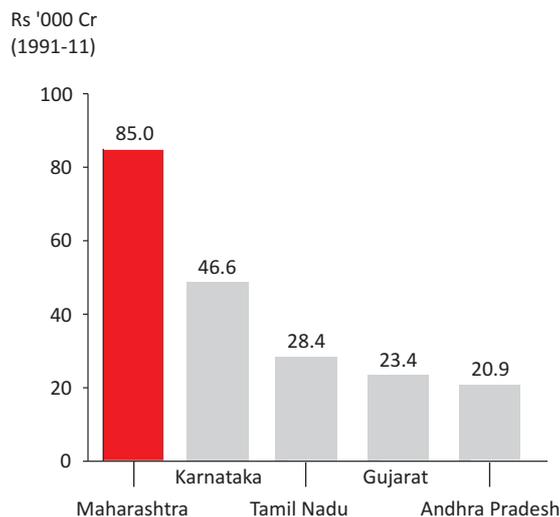
Source: Central Statistical Organization (CSO), India

Orissa, Gujarat and A.P have attracted the most investment intentions in recent times

Investment intentions (Proposed investments- IEMs+LOIs+DILs)

Rs '000 Cr
(2009-11)

| % of total | 17% | 11% | 11% | 10% | 9% | 4% | 3% | 1% |
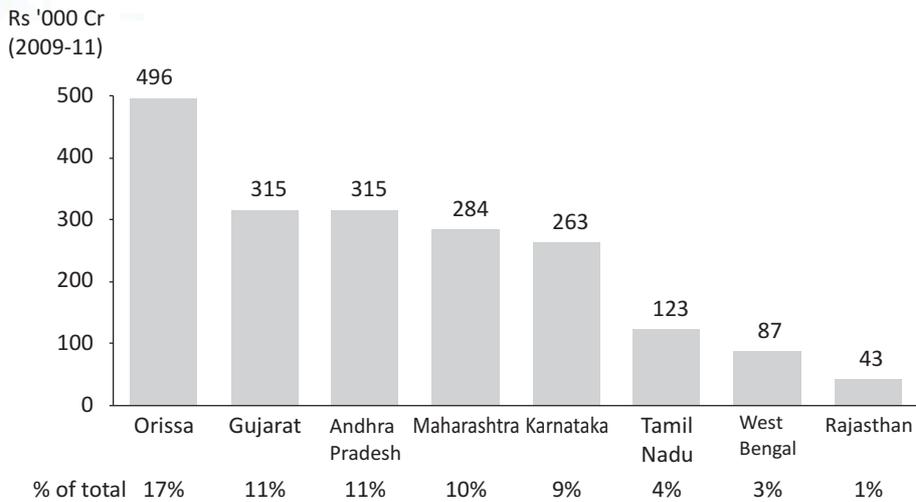
Source: Ministry of Commerce and Industry

The data indicates wide disparity between the states in terms of industrial development. This is primarily driven by the investment promotion measures taken by the states through the years coupled with locational advantages. All states acknowledge the need to increase investments and industrial activity and consequently there have been strong moves by the states to promote investment and industrial activity. States' differing performance on major macro-economic indicators, recent investment activity as well as industrial reforms, all highlight a compelling opportunity for states to emulate progressive initiatives from each other. In the following pages, we have focused on key factors that impact the business environment in a state and identified best practices that states have implemented towards improving each of these.

Approach and scope of the report

Three step approach towards identifying key factors influencing business environment

A range of factors influence the business environment in a country. For the purpose of this report, our objective was to focus on the most common factors that influence the business environment primarily from the point of view of a manufacturing firm. A summary of the three-step approach we adopted for this research is laid out below:

Three step approach towards identifying best practices and developing recommendations

1 Review past published research	2 Validate key factors and refresh best practices	3 Determine recommendations based on best practices
• **Leveraged past research** conducted by World Bank, World Economic Forum and DIPP	• **Validated and revised list of parameters impacting business** through an independent survey with industry	• **Determined detailed implementation experience** from States that have implemented best practices
• Determined key factors impacting business as well as best practices as identified in past research	• **Updated best practices across States for each pain point, through 180+ interviews** as well as extensive secondary research	• Identified **superior practices through international examples**
		• Determined relevance of best practice for all other States and recommendations for each
List of best practices by States as of 2009	**Updated best practices by States**	**Detailed "how to" behind best practices and recommendations for States**

We started with an initial list of factors already identified through past published research. We refined this and finalized key factors to dive deeper into, through over 180 detailed interviews with industry and government officials across nine states. **In this phase of the study, we developed recommendations for seven key states: Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and West**

Key factors influencing business environment

Doing business		
Setting up	**Operations**	**Exiting**
✔ Land acquisition	✔ Labour reforms	• Exit procedures
✔ Property registration	✔ Environment-related compliances	
✔ Obtaining construction permits	✔ Availability of Power	
✔ Single window clearance mechanism	✔ Payment of taxes	
✔ Industrial clusters	• Commercial dispute resolution	
✔ Availability of information		

> ✔ Identified holistic best practices initiated by States
> ✔ Identified improvement initiatives initiated by States

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Summary of best practices and key initiatives

Best practices as well as major initiatives were identified for key factors

Good governance implies enhancing transparency, predictability and speed of key processes. Investors and more broadly the business environment are direct beneficiaries of such good governance. States which stand out are those who have demonstrated stronger adherence to the above mentioned qualities. States have adopted these qualities to varying degrees. Specifically, with respect to the twelve aforementioned factors, some states offer clear best practices due to proactive reforms that are in different stages of implementation.

A large part of the states' ability to influence the business environment depends on the extent to which the powers to legislate lie with the states. According to the constitution of India, the legislative power is divided into 3 lists: Union List on which the Parliament of India has exclusive power to legislate; the State List on which the individual states have exclusive authority to legislate and the Concurrent List on which both the Centre as well as the State can legislate, with the pre-eminence going to the Centre in case of conflict.

This leads to a variation in the extent to which reforms can be implemented by the Centre versus the states. In subjects such as property registration, single window clearance and construction permits, the state can play a significant role in implementing reforms to address the major pain points. In contrast, in areas of labour, taxes, environment and land, both the state and Centre have a role to play. In such areas, the states must identify key areas of impact where they can introduce change and focus on reforms in those areas. Finally, in areas such as dispute resolution and exit procedures, the states have limited ability to introduce change and the Centre's role is much more significant. In summary:

- For ten of our twelve factors, we have found that some states offer either clear best practices or strong initiatives to improve procedures.
  - ❖ Best practices typically emerge in areas where states have a larger ability to introduce reforms
  - ❖ Strong initiatives have been identified in areas where states' ability to legislate is lesser and hence rather than holistic best practices, states have introduced strong but piecemeal initiatives
- In the remaining two factors, dispute resolution and exit procedures, states have limited ability to introduce any reforms.
  - ❖ Dispute resolution lies under the judiciary and reforms need to be initiated through the High court
  - ❖ Exit procedures are consistent across states and guided by national labour laws

The focus of our recommendations hereafter is primarily on the ten factors where the states have a strong role to play.

Varying Role of the Centre and States in addressing key issues				
Factors impacting business	Pain points	Role in addressing pain point		Best practices found in States
		Center	State	
1 Land acquisition	• **Policy:** Absence of a uniform policy and lack of consistent enforcement of clear compensation and rehabilitation policies • **Procedures:** Limited state support in expediting acquisition processes and ensuring enforcement of policies • **Implementation:** Absence of consistent enforcement of clear compensation and rehabilitation policy	◑	◑	✓
2 Property registration	• **Procedures:** Cumbersome and time consuming registration procedures	◯	●	✓
3 Obtaining Construction permits	• **Procedures:** Cumbersome and time consuming procedures to obtain permits	◯	●	✓
4 Single Window Clearance mechanism	• **Procedures:** Large number and high complexity of procedures • **Implementation:** Inadequate implementation of Single Window Mechanisms	◯	●	✓
5 Industrial clusters	• **Implementation:** Sub-optimal quality and lack of pro-active development of clusters	◔	◕	✓
6 Labor reforms	• **Policy:** Multiple and often dated labour regulations and compliances • **Procedures:** Complex administration methodology including multiple returns, filings and inspections; inadequate skilling of labour	◑	◑	✓
7 Environment-related compliances	• **Policy and procedures:** Multiple and often dated environment regulations and compliances	◑	◑	✓
8 Availability of power	• **Procedures:** Insufficient availability or reliability of Power supply	◔	◕	✓

9 Payment of taxes	• **Policy (regime):**
	  - Multiple levels of taxation and large number of taxes
	  - Difference in rates across States
		◑	◑	✓

10 Availability of information	• **Procedures:** Limited and inconsistent availability of information	◯	●	✓
11 Commercial dispute resolution*	• **Procedures:** Slow resolution process for Commercial disputes	◑	◑	✗
12 Exit procedures	• **Policy:** Stringent policy requirements for businesses wanting to exit • **Procedures:** Significant complexity in closure of businesses	◕	◔	✗
*Primary role is of the State High Courts				

In the following pages, we look at examples of initiatives implemented by various states and understand in detail how these were implemented. We also share examples where strong practices have been implemented internationally. Based on these, we have drafted a set of recommendations for each of the factors influencing business environment. Most of these recommendations are for the States to address. We have indicated where the Centre has a larger role to play and also summarized the specific actions for the Centre at the end.

Domestic best practice initiatives introduced by States point towards practical actions for each State

The following table summarizes the various best practice initiatives we identified across Indian states. For some of the factors such as property registration and building construction permits, we have identified holistic best practice ways of addressing the pain points that emerge, which can be used as a 'model template' by other states. However, for other factors such as labour, environment and taxes, states have a relatively smaller role. The initiatives indicated for these are strong, piecemeal reforms which may help in improving the operating environment, but are not wide or holistic enough to cover the entire set of pain points that industry faces.

Summary of best practices as well as strong procedural initiatives in India	
1. Land acquisition	• **Gujarat:** Policy based on partnership with owners and market-prices • **Andhra Pradesh:** Smooth and predictable procedures for land allotment
2. Property registration	• **Karnataka:** Computerized procedures and anywhere registration (Bengaluru) • **Gujarat:** Computerized land records to accelerate registration time
3. Obtaining Construction permits	• **Tamil Nadu:** Online submission of building plans in Chennai • **Karnataka:** Online submission and computerized approval of building plans in Bengaluru urban area
4. Single Window Clearance mechanism	• **Andhra Pradesh:** Implementation of Single Window Act with deemed clearances • **Rajasthan:** Implementation of Single Window Act with time-bound clearances
5. Industrial clusters	• **Tamil Nadu:** Creation of large-scale automotive hub • **Gujarat:** Creation of Pharmaceutical hub, automotive hub
6. Labor reforms	• **Maharashtra:** Online labour management system to administer labour laws and provide a range of labour management services online • **Gujarat:** Strong skill development initiatives through industry participation
7. Environment related compliances	• **Gujarat:** Implementation of e-governance by the Gujarat Pollution Control Board
8. Availability of power	• **Gujarat and Rajasthan:** Strong availability of quality power for Industry • **West Bengal:** Initiatives to reduce AT&C losses
9. Payment of taxes	• **Rajasthan:** Simplified VAT system • **Karnataka:** GIS-based property tax payment system
10. Availability of information	• **Maharashtra, Gujarat:** Multiple, formal mechanisms for disseminating information

Note: Best practices for States bolded in Red font have been detailed out in the following pages. 'Exit procedures' and 'Commercial dispute resolution' were excluded as no best practices were identified in any State

International examples show significant room for improvement, even beyond domestic best practices

For each of the factors, we also looked at international examples to understand further improvements that can be introduced by Indian states. While the socio-economic and political realities are hugely different between India and international examples, there are strong learnings for Indian States to consider by studying these examples further and extracting specific lessons.

| International examples of business friendly reforms	
1. Land acquisition	● **South Korea and Japan:** Enforcement of an unambiguous pricing and acquisition mechanism
2. Property registration	● **Singapore, Portugal:** Reduced title transfer time to 1-7 days ● **Egypt:** Reduced stamp duties significantly
3. Obtaining Construction permits	● **China:** Implemented online approval of plans ● **Denmark**: Simplified procedures for providing construction permits ● **Egypt:** Implemented a single window for construction
4. Single Window Clearance Mechanism	● **Singapore and Hong Kong:** Established online Single Window for trade clearances ● **Mexico:** Implemented an online, single window system for businesses
5. Industrial clusters	● **Japan:** Set up best in class manufacturing clusters in Textiles and Automotive, among others with local government support
6. Labour reforms	● **Multiple countries:** Encouraged industry participation in skill and capability building; flexibility in labour policies
7. Environment related compliances	● **US, UK:** Initiated reforms to simplify processes for obtaining environment-related approvals; regular training for industry and officials
8. Availability of power	● **Brazil:** Superior development of alternate sources of energy ● **France:** Development of nuclear power: Over 70% of electricity derived from nuclear source
9. Payment of taxes	● **Azerbaijan:** Overhauled legacy tax code and instituted new, simplified structure ● **China:** Simplified total number of payments made by industry
10. Availability of information	● **Singapore:** Established clear, up-to-date forums for transparent and timely information dissemination

Note: 'Exit procedures' and 'Commercial dispute resolution' are excluded as no clear state-specific best practices were identified

The extent of reforms across these factors in each State suggests significant opportunity for States by adopting domestic and international best practices

The current status of best practice initiatives across the country along ten key factors (ex- commercial disputes and exit procedures) is shown below in relation to some international examples. The graphic shows the international examples and the gap between the international examples and the best practices implemented in India. The considerable distance between the Indian best practice frontier and the international example frontier shows that while many states have introduced strong reforms that other states can learn from and replicate, there is still significant room for improvement. Even in states that currently have the 'best practices', policies need to be more broad-based and implementation needs to be strengthened heavily before they can reach the standards being followed internationally.

The current status of all the seven individual states along these factors has also been indicated in subsequent figures.

Domestic best practice frontier with international examples
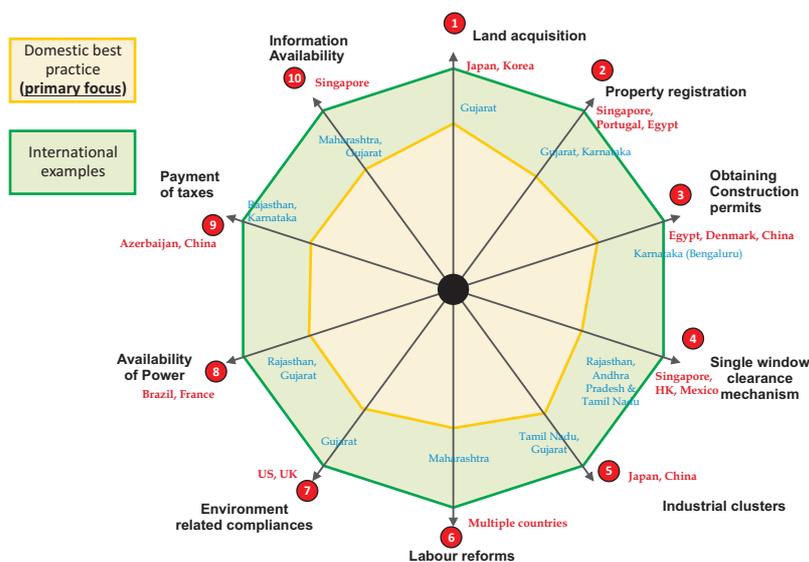
Legend: In each of the spider figures, the outer Green frontier indicates strong practices implemented internationally. The Yellow frontier shows the strongest practices/initiatives identified across 7 states, and the Red frontier in the following figures indicates the position of each State. The distance between each frontier is a qualitative assessment of the opportunity available to each state for introducing reforms.

Relative performance among states

Andhra Pradesh
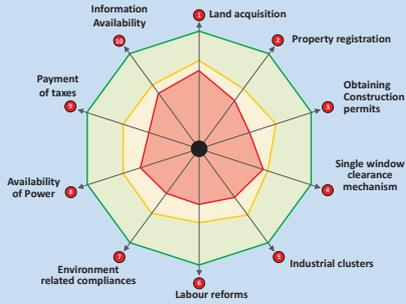
Gujarat
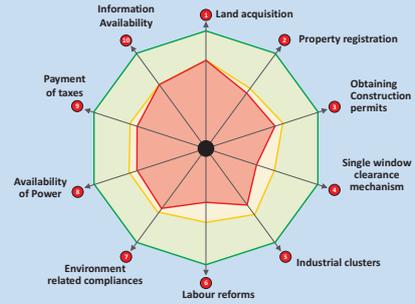
Karnataka
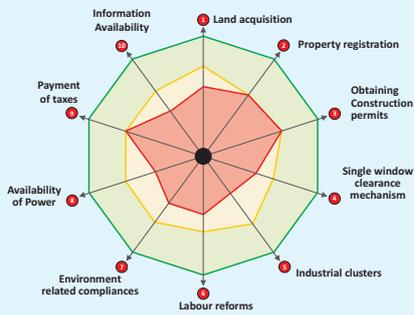
Maharashtra
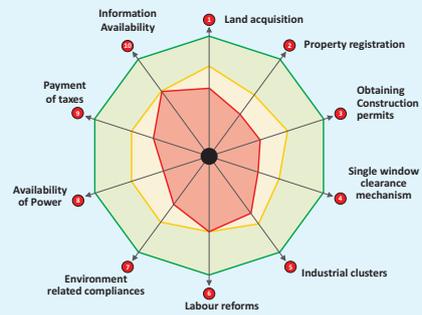
Rajasthan

Tamil Nadu

West Bengal

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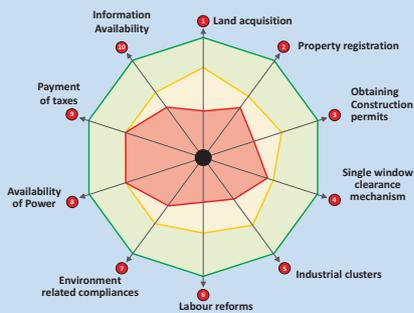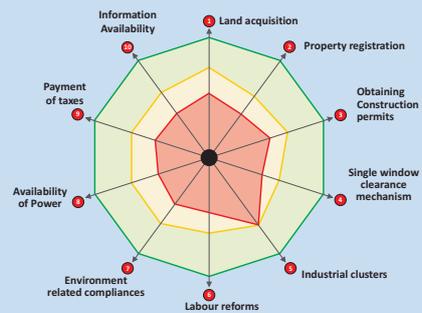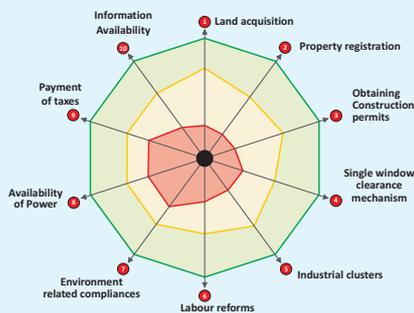
Overall, our recommendations address four recurring themes across States

Looking at the initiatives implemented in different States, it is clear that reforms in the business environment are being treated as a high priority for each State. To varying degrees, all States have begun the process of investor-friendly reforms. At the same time, there is significant room for further improvement as initiatives are taken off the ground and launched into full blown implementation.

The success of reforms depends on four key themes:

- Developing a robust and coherent policy framework

- Facilitating procedural simplicity for investors

- Putting in place strong enablers

- Driving dogged and unyielding implementation

In the context of India, strengthening implementation becomes even more important as a large number of strong initiatives bear the risk of losing effectiveness due to lack of adequate or consistent implementation. This may be driven by accountabilities which are not clear or not adequately enforced and often lack of measurable metrics for individuals involved.

Based on best practice initiatives introduced and implemented by various Indian States and also reforms introduced in other countries, we have drafted recommendations for the 'model template' for a state. The recommendations aim to address the above mentioned four critical components of reforms: policies, procedures, enablers and implementation.

Recommendation themes

Implementation discipline
- Strong **tracking and monitoring mechanisms** to measure progress
- Clearly **defined individual and departmental accountabilities enforced** through robust target setting, monitoring and rewards / penalties

Strong Policy framework
- **Introduction of the appropriate policy frameworks**
- Improvements to existing policy frameworks
- Suggestions to **rationalize regimes**

Critical enablers
- Enablers such as **IT enablement, GIS as well as incentives to facilitate procedural improvements**

Improvements in Procedures
- **Reduction, simplification, consolidation or digitization of procedures** to bring about greater speed and responsiveness

Improved business environment

Best practices and initiatives: Detailed Assessment

1. Land acquisition

Land acquisition is, and has always been a highly sensitive issue in the Indian economy. As the country began its modernization from an agrarian set up, large parts of society have been impacted through the process. Land, which has traditionally been upheld as the safest and most stable form of investment, became a key medium of growth, and consequently an asset much in demand. Land in India is a subject on the Concurrent list, and has been, more recently, the subject of a lot of public agitation and political legislations. Land acquisition in India has been long governed by the Land Acquisition Act of 1894. After more than a century, the regulations were refreshed when the National Government passed the New Land Acquisition Bill earlier this year.

The common practices and key pain points that emerge in land acquisition across states are:

- Existence of a land acquisition policy but significant procedural delay in acquiring land due to the absence of consistent interpretation of the policy
- Limited role of the state in facilitating land acquisition for industry
- Absence of standard and uniform price determination and compensation mechanisms
- Absence of an effective recourse and issue resolution mechanism
- Unclear acquisition and allotment process leading to acquisition of land for speculative purposes and not industrial use, further resulting in 'artificial' scarcities and price rises

The recent experiences of the Tata Nano plant in West Bengal as well as land acquisition for Posco's mega project in Orissa highlight what is amongst the most critical issues facing industry: the State's role in facilitating land acquisition for industry in a fair, transparent and timely manner. Industry friendly land acquisition practices require the State to introduce the highest degree of transparency and predictability into the process. Further, given the lengthy processes required before land can finally be acquired, converted and allotted, states who have created land banks which are ready to be used for industry, have stood out for their industry-friendly land acquisition practices.

While each state grapples with this issue, there have been some successful initiatives implemented in a few States. Gujarat, for instance, has created a land bank facilitated through highly computerized land records which is available for industry to choose from. Naturally, Gujarat also benefitted from having large tracts of dry and unutilized land, which ironically has turned out to be a blessing for the state. Karnataka, though faced with some controversy on land acquisition, has proactively pooled a large land bank in advance of its next Global investor's meet. The state has considerable room for improvement in land acquisition procedures and policies, but it has started to make steps in the right direction. While land acquisition

support in most states in interpreted as making land available at low cost for industry, it can be learned from Gujarat's example that more than the cost of land, it is information about land availability and the transparency and efficiency of processes that drive industry feedback.

There are further learnings to draw from international examples, such as Japan and South Korea, where land was acquired by the state, supported by a price determination process based on negotiations and appraisals. Appraisals were done through more than one independent appraiser. Further, both parties, the seller and the buyer, were involved adequately and had access to recourse in case of disagreements. Time-bound processes were put in place to escalate and resolve cases where disagreements occurred. In addition to a well defined pricing mechanism, these countries also explored other creative avenues to boost their land banks, including using up all idle and waste land in the country as well as encouraging voluntary land banks through coordination of tax policy with land acquisition efforts.

Gujarat: Transparent and predictable land acquisition policy supported by State's role as a facilitator	
Key features	- Role of state in land acquisition clearly defined -state acquisition of land for industrial use only for GIDC - GIDC acquires land for industrial estates; land is allotted to industry from within these existing industrial areas - Outside of GIDC industrial areas and government land no state support in obtaining private land for industry - Attractive and transparent compensation policy - Price determined by an independent body (CEPT) - Land acquired primarily through consent awards where land owners consent to price offered - Initiatives to share with land owners the higher price after infrastructural development. 1% of developed land and 10% of final sale price of land offered to land owners apart from compensation - Numerous other forms of compensation like priority in employment and sponsoring of education offered by GIDC in addition to the price of land - Strong thrust on identifying dry, waste, idle land for acquisition - Comprehensive land database for industry to identify land called Investor Support System (ISS) - All land in the state is mapped on to the database with details along 65 parameters to help investors choose from available land from one place - State plays a strong role in resolving disputes that arise due to the process
Impact	GIDC has acquired and developed 80,000 hectares of land
Implementation experience	- Development of the land bank database (Investor Support System): - Multipurpose geo spatial database developed with the help of BISAG (Bhaskaracharya Institute for Space Applications and Geo-Informatics) and TCS (Tata Consultancy Services)

	▪ Land records obtained from the land and revenue department were superimposed on satellite images and field verification done through physical surveys to create a verified land database. Data along multiple parameters like gas lines, railway lines and adjacent industrial areas are added to the database ● Project completed in 6 months
Key enablers	● Coordination between multiple departments for sharing of land and infrastructure related data ● On-boarding of suitable IT and other external partners to implement robust supporting systems and frameworks ● Regular monitoring and tracking mechanisms along with fixed accountabilities to track the progress of the project

Karnataka: Pro-active creation of land banks for Industry

Key features	● Aggressive state role in creating land banks through acquisition in anticipation of industry demand
	  ▪ Karnataka Industrial Areas Development Board (KIADB) working towards a target of 1, 00,000 acres of land ready for industrial use in time for the Global Investor's meet in June 2012.
	● Price determination through a committee involving all stakeholders including land-owners
	  ▪ Alternate forms of compensation: ~22% of developed land provided as an option instead of price offered
	  ▪ Employment promised to one member of family selling land
	  ▪ Price determination processes are however, not yet optimal and estimated using registration prices as benchmark
	● Encouragement to voluntary land banks

Impact	● 1,19,000 acres of suitable land identified for acquisition in 15 months (since June 2010) ● 86,000 acres of land in various stages of acquisition
Implementation experience	● Land is identified for acquisition through a demand survey by KIADB ▪ Zonal/district level teams with officers from both KIADB and the District Industry Centres are formed to identify land for acquisition across districts ● Once land is identified, a proposal for land acquisition is prepared by the KIADB for government approval. If approved, the land acquisition process is immediately set in motion
Enablers	● Coordination between the Industries department and the KIADB is imperative to ensure quick identification and acquisition of land

Karnataka's land acquisition practices leave significant room for improvement but their proactive moves towards creating land banks, if executed in a fair and transparent manner, holds significant potential for industry. In order for this initiative to have its intended impact, temptations towards short term solutions should be resisted as it will lead to an unclear and conflict-ridden outcome. The policy makers must adopt a medium term horizon to lend fairness and transparency to their land acquisition procedures.

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Key Recommendations

Policy Framework	• Draft an unambiguous and transparent land acquisition policy, enlisting the terms of acquisition, compensation measures and exceptions • Define a facilitation role for industry boards in land acquisition on a consistent basis • Introduce a competitive compensation and rehabilitation program and supporting recourse and resolution process to address litigation

Improvements in procedures	• Offer flexible and fair compensation options for land owners
	 ■ Institute a robust pricing mechanism through an independent entity
	  - Involve all stakeholders (land owners , industry, land department, local panchayat & academia) in the pricing process with a clear decision structure
	  - Ensure that compensation is linked to market prices (through an independent pricing mechanism) as well as eventual sale price
	 ■ Incorporate the option for sellers to take cash compensation or developed land
	 ■ Build in employment terms, skill-development sponsorships for impacted parties and ensure strict implementation
	 ■ Encourage partial or complete leasing of land (from landowners) as opposed to outright sale to supplement acquisition efforts
	 ■ Provide for access to recourse and speedy resolution of disputes
	• Prepare advance land banks for industrial use, with a medium term time horizon
	 ■ Identify waste and under-developed land for industrial use; get alignment on clear and unambiguous definition of 'waste and under-developed' land; Build plug-and-play industrial estates
	 ■ Encourage voluntary land banks through packages for collective land holdings
	• Build strong visibility into available land by creating an online, detailed and up-to-date repository, including land use, location, infra availability, resource endowments, markets and suppliers
	 ■ Create multiple levels of data - online for summary and offline for details

Critical enablers	• Use technology effectively to reduce the time for investors to identify suitable land ■ Leverage related departments' (land and revenue dept.) efforts to computerize land records while building land banks • Over time, build sustainable advantages for industry through infrastructure creation and training of manpower, so that compensation doesn't remain the most important determinant for businesses
Implementation Discipline	• Form a price-determination committee with clear roles and responsibilities -the committee should involve members from the local panchayat, land owners, industry, academia and the land department to ensure fair representation • Build escalation and resolution mechanisms for land owners and industry to resort to in case of non-compliance of practices ■ The dispute resolution body should include representatives from all involved parties, including industry and land owners • Enforce clear and stringent land use and construction terms for land to ensure land is used on time for the right purpose. Institute a mechanism to 'take back' land previously allotted but not utilized through transparent terms

2. Property registration

Property registration in India has moved away significantly from a highly time consuming, manual, paper-based system towards a technology-enabled online system. States such as Karnataka, Rajasthan and Maharashtra were amongst the first to go online, and others followed suit. However, despite the reforms, property registration in India continues to take time due to varied implementation of reforms and the presence of separate, un-integrated registration and mutation procedures. In most states, online implementation has been limited to a few divisions. Further, while e-stamping was first introduced in Delhi and then subsequently adopted in other States, it is still limited to one or two commercial centres in each State. Some common issues with property registration across states are:

- Time consuming registration and title transfer processes due to absence of online procedures for registration and mutation

- Inability to apply for registration without the help of a lawyer due to complex procedural requirements

- Limited penetration of e-stamping procedures

- Outdated circle estimates of land, leading to huge gaps between registered and actual sale prices

- Lack of clarity on amount of stamp duty to be paid for different properties and ambiguity in property valuations

- The process from registration to transfer of title takes over a month, which is significantly higher than that taken internationally. This is hugely driven by the fact that Registration and Mutation fall under different State departments and the two processes are not integrated. Although it's a strong departure from the current way of operating, moves towards integrating registration and mutation procedures would hugely simplify the process for property owners as well as the various government departments

- In areas where computerization has been completed, absence of adequately trained staff is a key bottleneck for making the system work

Amongst Indian states, Gujarat, Karnataka, Rajasthan and Maharashtra have implemented strong procedural improvements by moving to the online system of Property registration. Further, property registration has been greatly simplified for companies which choose to set up in state-developed industrial estates.

- Karnataka and Rajasthan launched 'Anywhere registration' which enables a property owner to register their property anywhere within a district. However, in practice, the implementation is restricted to a few districts only. Further, Karnataka has announced the intent of eventually migrating to a system where property can be registered 'anywhere within the state'.

- Gujarat has an extensively computerized land administration system which enables fast registration and title transfer

- Rajasthan standardized property registration documents by uploading 34 documents on the website of the Registration and Stamps department, to enable a property owner to register property themselves and not necessarily through a lawyer

- Multiple states, including Karnataka, Gujarat, Maharashtra and Rajasthan have implemented e-stamping. E-stamping has brought in significant benefit to both the property owner as well as the state departments. Rajasthan, for example, experienced cost savings of ~3.22% of revenue by moving to e-stamping in Jaipur alone. A major area for improvement though is in ensuring broader implementation of e-stamping, which even in the most progressive of States, is limited in its reach. In addition, ensuring tight security and limited access is key to make sure the process is fraud-free

- Specifically on the issue of stamp duties, some States such as Rajasthan and Gujarat have gradually reduced stamp duties to bring them closer to other competing States, which has expectedly led to a jump in their revenue collections

The initiatives outlined above have simplified property registration significantly in many states and industry finds the registration process well defined, simplified and efficient. However, the mismatch between registration prices and actual market prices needs to be minimized as much as possible. Rajasthan addresses this problem by continuously updating the circle rates which function as a minimum bar on land prices in an area. This prevents registration prices from being much lower than actual prices. Plugging this inconsistency would significantly reduce the number of disputes that arise during government acquisition of land.

Countries such as Singapore and Portugal have reduced time taken to complete the transfer of title to one day, by integrating the multiple processes of registration and transfer of titles into a single process, reducing the total time to completion to anywhere between 1 to 7 days.

Gujarat: Electronic registration and mutation systems (e-Dhara Bhulekh)	
Key features	• Extensively computerized land records and registration process enable quick and secure property registration 　■ Detailed records of all land in the state have been computerized 　■ Encumbrance certificates provided in 20 minutes 　■ Biometrics-enabled process to expedite registration and reduce fraud 　■ Record of Rights provided to land owners online 　■ Computerized title mutation process; Announced initiative to combine registration and mutation processes • E-stamping facilities for stamp duty payment • Rationalized stamp duty regime with reduction from 6 to 5%
Impact	• Time to register property reduced from 3 days to 3 hours • Time to issue various land certificates reduced from 2 days to 1 hour
Implementation experience	• Blueprint for the project developed by the revenue department and implemented by NIC Gujarat unit • Computerization of land records completed through 15 years
Enablers	• Robust communication channels and integration between involved departments (e.g GSWAN) • Use of technology and GIS to computerize and update land records

Karnataka: Online and 'Anywhere registration' (KAVERI)	
Key features	• Computerized land transactions and online registration enable quicker generation of encumbrance certificates 　■ Biometrics to complete verification & expedite registration; reduce fraud 　■ Initiatives/pilots announced to link registration and mutation • Anywhere registration: Properties can be registered anywhere within a district • E-Stamping across the State to facilitate quick and paperless payment of duties
Impact	• ~1 day to complete all registration procedures (ex-mutation time)
Implementation experience	• C-DAC, ECIL and CMS computers as a technology partner • Strong security and limited access for individuals/officials to online databases • Initial deployment in pilot office in Bengaluru followed by state-wide deployment on a Build-Operate-Transfer basis • Six months for development and 6 months for testing, state-wide deployment and maintenance
Enablers	• Coordination between the Stamps and registration and revenue departments • Training provided to all KAVERI officials

Key Recommendations

Policy Framework	• Rationalize stamp duty rates ■ Benchmark stamp duty rates annually across States as well as internationally

Improvements in procedures	• Implement computerized registration across all districts and divisions within States
	• Allow for 'Anywhere registration': assign task force and prepare business plan for
	  ■ Computerization of land records and linking all sub-registrars electronically in districts and across the State
	  ■ Implementation of one day time line for generating encumbrance certificate
	• Launch e-stamping across the State to reduce paper and handling charges
	• Develop case for consolidation of registration and mutation processes and progressively reduce prescribed time in line with international benchmarks
	  ■ Examine the feasibility to integrate registration and revenue department to enable completion of Mutation process speedily
	  ■ Digitize mutation procedure and revise completion time line (currently minimum is ~30 days)
	  ■ In the short term: Implement 'fast track' option for registration and mutation at a higher fee

Critical enablers	• Effectively use technology to computerize records and link interdepartmental databases
	• Leverage cross functional expertise by involving government, technology partner, industry & stakeholders while ushering in changes
	• Clearly define a Citizen's charter to educate users as well as officials about service levels
	• Make information on registration processes available online
	  ■ Standardize and upload property documents online, along with a user manual, to enable self service and avoid unnecessary legal fee
	  ■ Develop and launch stamp duty calculators for all the different circles
	  ■ Implement help desks, online information to self-validate and check documents before applying for registration

Implementation Discipline	• Establish one point accountability (revenue/ registration department or nodal agency) for service delivery enabled by clear monitoring and tracking of progress against budget and milestones
	• Obtain periodic user feedback to track and measure effectiveness of implementation
	• Prepare blueprint for implementation of key improvement initiatives with clear milestones, owners and tracking mechanism to enforce implementation
	  ■ Invest upfront to identify target outcomes, anticipate issues and determine potential resolution mechanisms
	  ■ Ensure stringent safety measures to avoid tampering with data
	  ■ Develop training programs for officials to understand adeptly use new systems
	  ■ Establish performance standards and periodically conduct tests to measure readiness of individuals to transition to new systems

3.   Obtaining construction permits

Obtaining building construction permits can be a time consuming and unpredictable process for industry across the country due to the involvement of multiple departments, inspections and consequently, approvals by each. Common practices across states that lead to delays include:

- Lack of sufficient clarity on the large number of regulations and byelaws that have to be complied with to obtain approvals

- Multiple departments often need to be approached and multiple payments may be required to obtain construction permits. While this varies across cities, existence of multiple departments is a common feature across cities

In most industrial areas, companies are aided by the Industrial Development Corporations in obtaining building construction permits. However, for standalone units outside of the industrial areas, obtaining construction permits is often a cumbersome process. While States have made attempts to simplify the byelaws and regulations, there is still a long and tedious process that companies must go through.

States such as Karnataka, Tamil Nadu, Gujarat and Maharashtra have made significant reforms by introducing online submission, scrutiny and tracking of construction permits in some cities which are enabled through the use of customized software. In Bengaluru there is a single window for construction-related permits operated by the municipality.

Examples of countries such as China and Denmark suggest further room for improvement, even beyond taking these processes online. Countries have established single windows or one stop shops for all construction related approvals, including environment and safety certificates. These one stop shops also hold the entire set of relevant information, and serves as a guidebook for investors. A major benefit of this is that a large number of approvals from different departments can be consolidated into an online portal through a virtual single window. Finally, to ensure greater predictability in the process, there are statutory limits for providing approvals. The result of such initiatives is that investors have clear and accurate information on requirements to be fulfilled, a convenient format for applying for approvals and great transparency into the status of the application and the reasons for delays, if any.

Karnataka: Online building-plan approval system in Bengaluru	

Key features	• Simplified approval procedure through online submission and approval of building plans
	
	  ▪ Online tool 'Pre-DCR' to submit building plans online and for initial online validation to check building plans against registered bye-laws
	
	  ▪ Pre-DCR provided to 750 registered architects; plans can be submitted in pre-determined formats
	
	  ▪ Automatic plan scrutiny system called Auto-DCR checks the plans and simultaneously produces scrutiny reports
	
	  ▪ BPAMS, an automatic hierarchical organization based file-flow system, is used for the approval process

Impact	• Time taken to obtain building plan approval reduced to 10 days from 30 days
Implementation experience	• Suitable outsourcing partner (SoftTech Engineering) identified and contract granted • Output clearly defined by the town planning department for the partner • All building by-laws and BBMP town planning organizational hierarchy shared with IT partner • Project implemented in 10 months
Enablers	• Formation of a Municipal Reforms Cell to drive the initiatives • Suitable IT partner to develop, launch and implement the new online system • Upfront investment to identify target outcomes, anticipate issues and potential resolution mechanisms • Extensive training of officials and users to enhance usability & generate commitment around implementation

Key Recommendations

Policy Framework	• Revise construction laws every 2-3 years to do away with archaic laws and norms
	▪ Involve major stakeholders in the process (industry, urban authority, experts, public, PCB officials amongst others)
	▪ Set mandate for single window and online approvals at state level and cascade implementation down to municipalities
Improvements in procedures	• Introduce Single Window for all Construction-related approvals
	▪ Establish task force to draft plan for single window system after consultation with the different departments involved
	▪ Mandate time limits for inspections and approval processes, enabled by penalties
	• Prepare blueprint and operating model for simplification of number of procedures and approvals
	▪ Understand industry and departmental view on dated, unnecessary clearances
	▪ Rationalize and combine inspections to two- before and after completion
	• Prepare business case, implementation plan and operating model to digitize plan submissions and approvals
	▪ Pilot with single city/urban area/industrial estate, and roll out to all commercial, industrial and residential areas through appropriate Municipality/Industrial body
Critical enablers	• Leverage technology to ensure online-enablement, time-bound approvals and reduced inspection load
	▪ Select an experienced partner to build a strong technology backbone
	▪ Invest upfront to identify target outcomes, anticipate issues and potential resolution mechanisms
	• Ensure coordination between different urban authorities to institute a single window mechanism
Implementation Discipline	• Draft plan for state-wide roll out of online submission. Assign Project Sponsor at Urban development Ministry and Project Manager from a special Municipal reforms committee
	▪ Define time bound implementation plan and track against defined milestones
	▪ Enforce accountabilities for approving plans and conducting inspections through rewards/penalties
	▪ Define norms of service based on cross-functional expertise from govt., technology partner as well as industry
	▪ Train officials and users to enhance usability and generate commitment around implementation
	• Review current processes and institute single window mechanism if more than 3 approvals are required for construction to commence
	▪ Municipality/ local development authority may function as the nodal agency and coordinate between departments like fire & safety and electricity departments
	• Track effectiveness and introduce improvements through user surveys
	▪ Create a time-bound redressal cell for implementation gaps

4. Single Window clearance mechanism

Single Window Clearance has existed in principle in many states for years and has more recently translated into a comprehensive mechanism instituted by each State to promote ease in doing business for investors. Most States now have a strong policy framework to facilitate a single window mechanism for clearances for new industry. Some states have even institutionalized this by passing an Act to ensure investors have a Single Window to get all the required approvals. Investors in general viewed this as a strong positive step forward, which was very rapidly emulated across most States. However, in practice, the implementation of the Single Window mechanism leaves significant room for improvement. Industry, across States, expresses low levels of satisfaction with the implementation of the policy and while a sophisticated structure and charter exists, it appears the spirit of the policies has not been upheld. The Single Window unfortunately often acts as a 'Single Window to understand which departments to further reach out to' rather than a 'Single Window to process applications and grant approvals'.

The proof of a Single Window Mechanism lies in its implementation. Common gaps exist across states in the functioning of the single window system:

- The Single Window frameworks across most states are strong but the consistency in implementation and enforcement leaves room for improvement.

- The nodal agency is not sufficiently empowered in most states to enforce timelines or model practices across departments, preventing it from truly functioning like an efficient single-window system

Among states that have made strong policy moves with accompanying procedural reform, a few notable examples are those of Rajasthan, Andhra Pradesh and Tamil Nadu. Rajasthan and Andhra Pradesh have passed Single Window Acts to provide for an entity which must serve as the single point of contact by law. Tamil Nadu's Single window mechanism is a comprehensive framework based on consensus between various departments which has a track record of strong implementation. West Bengal has also recently launched a single-window system with a common application form that reduces 99 pages of application forms to a single 7-page form.

The ebiz initiative by the Department of Industrial Policy and Promotion (DIPP) aims to take the single-window systems online where all Government-to-Business (G2B) services are available online at a single portal. The pilot version of ebiz is currently being developed across many states and is scheduled to become operational in Andhra Pradesh and Maharashtra by 2012.

There are some structural inhibitors towards establishing a smooth running Single Window Clearance mechanism however, the most formidable being the highly departmentalized structure of government offices. The integration required to make a Single Window System work is critical and while it can be enabled by technological integration, the underlying basic must-have is the alignment of all involved stakeholders and departments to well defined, common target outcomes. The digitization and integration of all

departments further helps enhance the user's experience and shows a common front to the investor. Finally, the most important enabler is to ensure all accountabilities are clearly assigned within this Single Window System and the end goal of providing a true, single point of contact to the investor is truly achieved in its spirit.

Rajasthan: Single Window Act, enabled through online-system	
Key features	• Legislative initiative through enactment of Single Window Act • Bureau of Investment Promotion (BIP) functions as the nodal agency for businesses ■ Applicable to companies with investment >Rs 10 Cr • Time-bound clearances: Maximum time to process applications prescribed for each clearance ■ Clear accountabilities established within each department; individual penalties are imposed in cases of delay in some departments • One-time information request: A department can only contact an investor once to request for additional information while processing the application • Online applications enabled where possible but hard copies still required
Impact	• Significant improvement on the time taken to process applications: 2% timeout rate on >~340 forms submitted since Jan 2011
Implementation experience	• Involvement of multiple stakeholders, industry bodies and learning from other States in formulating the framework
Critical enablers	• Legislation passed by the state government to enforce the framework • Time bound responses enabled by departmental penalties • Extensive training and alignment sessions to obtain early buy-in from all stakeholders, and enhance usability of the new processes

Andhra Pradesh: Single Window Act with deemed clearances	

Key features	• First state to institutionalize the Single window system through legislation by passing the Single Window Act in 2002
	
	• Scope: The Single window clearance facility is available for all companies irrespective of investment and
	
	   ■ 4-tiered single-window system for companies of varying size (for small , medium, large and mega projects)
	
	   ■ All clearances/permits required are combined under the single window system including land allotment and power supply
	
	• Commisionerate of Industries functions as the nodal agency to implement the single-window
	
	• Common application form (CAF) which combines multiple departments' forms into a single form
	
	• Single window committees (SWC) meet once a fortnight (monthly in the case of high level committee) to process applications and to track progress
	
	• Time-bound clearances: Maximum time to process applications has been determined for each department. Delayed applications are taken up in every SWC meeting for discussion
	
	• Deemed clearances: The SWC is empowered to grant deemed clearances on behalf of a few departments if the delay is extended
	
	• Online monitoring of application forms: Applicants can view the status of their applications at various departments online
	
	• Ebiz: Ebiz is a Government of India initiative that aims to take the entire single window process online. The pilot implementation of ebiz is expected to be functional in Andhra Pradesh first by 2012.

Impact	• Significant reduction in time to obtain clearances: 3-15 days for Green industries
Implementation experience	• The Commissionerate of Industries was instrumental in the formulation of the Single window system framework • The Government of Andhra Pradesh proactively encouraged the legislation
Critical enablers	• Strong coordination and alignment between the various departments enforced by a strong meeting cadence • Empowerment of the Commissionerate of Industries, by legislation, to enforce the timelines and issue deemed clearances • Training of employees to handle the upcoming ebiz system is critical to its successful implementation

Key Recommendations

Policy Framework	• Pass a Single Window Act to legally empower nodal agency and to reinforce commitment to efficient approvals • Include coverage of companies of all sizes through tiered single windows across districts and divisions in States • Ensure time-bound action and strong accountabilities through individual and departmental penalties

Improvements in procedures	• Simplify applications by introducing a Common Application Form (CAF) for multiple approvals and easier inter-departmental linkage
	  ■ Include in the CAF applications for land allotment, environment clearances, location permits, construction permits, utilities supply, Tax registration and labour permits amongst others to ensure that there really is only one form
	
	• Constitute single window committee with department representatives to oversee the process
	  ■ Arrange interactions with investors to clarify doubts on either side
	
	• Enforce time-bound approvals by introducing 'deemed approvals' in case of delays
	  ■ Announce statutory time limit for grant of approval/reject to better motivate the departments involved

Critical enablers	• Implement IT infrastructure to help data sharing and transfer between departments, and help departments grant faster approvals • IT training and computer literacy is a key enabler of successful implementation and generating buy-in • Information availability about required documents and compliances in one place

Implementation Discipline	• Assign and empower the nodal agency- the Commissionerate of industries or investment promotion council- to act as a true single window and enforce time bound approvals on all the involved department
	
	• Ensure consensus, transparency and accountability among departments involved by co-opting higher authority as overseer of process- fix responsibilities on individuals for department performance
	  ■ Assign clear time bound deliverable enabled by tracking, escalation and resolution mechanisms
	  ■ Impose penalties on departments/individuals for delays and link to annual performance reviews to ensure that applications are approved or rejected on time
	  ■ Track progress through periodic end-user feedback
	
	• Establish a strong meeting cadence including monthly meetings of single window steering committee to track and monitor effectiveness
	
	• Build and enforce escalation and grievance redressal mechanisms
	
	• Ensure publicity about the system through marketing, and continuously update information portals

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5. Industrial clusters

Industrial clusters have been a key route for a region to achieve leapfrogging growth. Our scope of Industrial clusters includes the following areas:

- **Clusters of related industries including large and small units:** This refers to the traditional definition of Industrial clusters -clusters of this kind have traditionally developed naturally due to location advantages and cultural reasons, rather than due to proactive and focused efforts towards establishing clusters. Clusters as such can play a huge role in the development of a region. By providing a favourable operating environment for a single seed firm, the State can set the stage for a cluster to develop significantly through a multiplier effect by ancillarization, development of opportunities to the local economy, focused skill development and use of local resources

- **Industrial parks, zones or regions:** Industrial zones or regions are dedicated areas carved out solely for the purpose of industry. These include major and minor industrial areas, including industrial estates, parks, SEZs and other industrial zones. Industrial zones should ideally be designed so as to lead to development of large or small urban centres in their catchment areas.

The success of industrial clusters depends primarily on the creation of the right conditions for growth namely strong infrastructure, common facilities and a favourable operating environment in terms of statutory compliances and inspections. The common conditions prevalent in states that deter the development of industrial clusters are:

- Absence of world-class infrastructure within the clusters including roads, connectivity, utilities and other facilities to encourage holistic development of the cluster region

- Delays and lack of sufficient clarity in the disbursal of incentives to industries within clusters

- Absence of a tracking mechanism to evaluate the success of various clusters

- Challenges in getting relevant and up-to-date common infrastructure within the estates

Overall, a large number of clusters in India suffer from lack of relevant support leading to a passive growth story. Industry clusters experience significant shortages of power, utilities, lack of strong infrastructure and companies within these frequently have to fend for themselves, with limited support from the State. Amongst Indian States, Gujarat and Tamil Nadu offer strong examples of creating clusters of related industries, where positive growth outcomes can be directly traced to a robust cluster development effort. However even the best in class clusters described above face challenges in the future. The most significant challenges are likely to be the sustainability of fiscal incentives as a competitive advantage, maintenance of a benign regulatory environment and the quality and adequacy of surrounding infrastructure and utilities.

Examples of successful and thriving clusters from other Asian nations such as Japan and China suggest a highly consistent and proactive role played by the State. In most Japanese clusters, the local governments played a pivotal role in the success of the clusters by establishing various public testing, research, and technical centres and by encouraging various institutions such as trade associations, business associations, and wholesalers associations to thrive and play a key role in facilitating the communication between firms in a cluster. Local governments in China have led the industrial cluster policy by establishing dedicated industrial zones and more importantly, leading the process of capacity building within these through construction of physical infrastructure, building supporting institutions, developing and skilling human capital and creating living conditions suitable for the target industry.

Gujarat: Ahmedabad Pharmaceutical cluster	

Cluster overview	• Cluster located in the Ahmedabad-Vadodara region, comprising ~450 pharma and medical device companies
	• Total turnover of $2B
	• A large number of core Pharma and ancillary industries involved, including Pharmaceutical, including Active Pharmaceutical Ingredients as well as Formulations, Medical disposal products, Pharma R&D , Contract Research Organizations, Chemicals and Healthcare services
	• Enjoys natural competitive advantages such as
	  ■ Superior location due to proximity to sea ports as well as Northern and Western markets
	  ■ Culturally entrepreneurial populace
	  ■ Lower cost of manufacturing in the partially developed belt
	• Seed firms such as Alembic Chemical Works, Zydus Cadila, Torrent Pharma, Sun Pharma and Cadila pharma provided momentum to the cluster to attract a range of related industries

Impact	• Gujarat share in total Pharma production rose from 10% in '00 to 34% in '10 • Turnover more than doubled from $800m in '00 to over $2Bn in '10 • Employs over 50,000 people directly or indirectly
Favorable business environment	• Government policy and regulatory environment aimed at simplifying the business environment for Pharma and related industries through support from GIDC, financial institutions, iNDEXTb and GIIC • Support to facilitate establishment of a dedicated Pharma special economic zone by Cadilla Pharma in the region, Ahmedabad at an investment of US$ 650 million
Enablers	• Creation of a healthcare ecosystem through significant promotion to a large number of allied industries such as chemicals, health care, CRO, medical devices and biotechnology • Investments in collective research & technology innovation in partnership with state universities including Drugs Laboratory in Vadodara, LM College of Pharmacy, BV Patel Education Trust, and BV Patel Pharmaceutical Education and Research Development (PERD) Centre (set up by Gujarat Branch of Indian Pharmaceutical Association (IPA) and SMEs • Financing support through links with financial institutions such as SIDBI, ICICI • Fiscal incentives announced by government to sustain the fiscal advantages vis-à-vis other States • Strong infrastructure by way of a large road network, power availability, special port for handling chemicals • Other common facilities ■ Facilities of quality circles, testing labs and other supporting infra • Promotion of manufacturing efficiencies through implementation of IT in SMEs through Project Vikas, with support from Microsoft and the National Government

Tamil Nadu: Chennai Automotive cluster	
Cluster overview	- Leads India in terms of production capacity, with an installed capacity of 12.8 lakh passenger cars and 3.5 lakh commercials vehicles a year - Industry ecosystem includes Passenger and commercial vehicles, Earth moving equipment, Auto components, Tires, coaches, Motorcycles and other auto parts - Key companies include Ford, Hyundai, Ashok Leyland, BMW, Daimler, HM-Mitsubishi, TVS group, Amalgamations group amongst others - Enjoys natural competitive advantages such as - Superior location due to proximity to sea ports - Culturally entrepreneurial populace - Consistent inflow of high quality engineering talent available due to proximate engineering colleges - Though Ashok Leyland existed since 1940s, the cluster kick-started with the entry of Ford in 1996, soon followed by Hyundai
Impact	- Emergence as one of the top 10 global automobile manufacturing hubs - Accounts for 30% of auto, 35% of auto components production & 53% of India's exports - Existing capacity is ~2x of Maharashtra, and 1.7x of Gujarat's projected capacity - Employment of ~250,000 people
Favorable business environment	Easier regulatory compliance by way of easier land allotment and smoother processes to obtain clearances and licenses to start up
Enablers	- Increasing investments in ancillary industries through creation of India's largest component cluster - Focus on creation of sustained advantages through support for R&D - Emphasis on R&D in cluster- 8 public and private R&D and design centres, - National Automotive Testing R &D Centre being set up by NATRiP for further R&D efforts and employment in the auto hub - Government is drafting a new auto-sector policy to improve competitiveness by providing strong fiscal packages and more importantly support to develop the entire ecosystem including human resources, infrastructure and other facilities - Support through strong fiscal incentives for Super (investment of over Rs 1,500 Cr) and subsequently Ultra mega projects (investment of over Rs 4,000 Cr) - Abundance of skilled manpower due to presence of a plenty of engineering colleges

Key Recommendations

Policy Framework	● Promote industry clusters through a well defined, targeted, cluster development policy, owned and driven by State and local governments
	■ Identify suitable sectors for promoting clusters based on study of existing industries in state
	■ Simplify regulatory requirements, including elimination of a large number of compliances and introducing self-certifications
	■ State govt. to assume the leadership role in creating clusters and building the capacity for sustained development
	● Draft sector-specific policies with input from experts and industry leaders to create a sound ecosystem
Improvements in procedures	● Simplify administrative procedures by facilitating single window clearances, standardized documentation and time bound approvals
	● Develop short term fiscal incentives and ease tax requirements to encourage rapid cluster development
Critical enablers	● Benchmark clusters and survey industry members to understand critical infra and facilities required
	■ Prepare business case for required facilities and estimate benefits flow
	■ Promote and create/co-create common technical facilities such as effluent treatment plants and R&D labs to create an industrial cluster ecosystem
	● Provide technological advancement support to SMEs in target clusters through partnerships with private technology players
	● Facilitate easier access to funds through promoting linkages between industry and finance institutions
	● Ensure access to quality and skilled manpower through improved curriculum and university tie-ups
Implementation Discipline	● Create a government task force/department for overseeing cluster development
	■ Each cluster to have a governing body comprising of key industry representative, local governance and common infrastructure, e.g. CETP, STP providers
	■ Assign officer responsible for execution of annual plans and progress of cluster initiatives. Fix accountabilities and track progress against defined milestones.
	■ Conduct annual planning and budgeting for cluster, with inputs from cluster members
	● Create sector-specific councils with leaders from industry and academia
	■ Allow councils to collaborate with each other and with national and international sector-specific councils
	■ Develop a strong channel of communication with the body: derive inputs for state and national level policies

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Implementation Discipline (contd.)	• Proactively reach out to allied industry firms for investment in the cluster
	• Ensure publicity about the system through marketing, and continuously update information portals
	• Prepare a robust plan for deficit months. Identify surplus States and ear-mark outlays for purchases
	• Assign project owners for each initiative with clear deliverables and targets, heavily monitored through monthly and quarterly meetings, and annual performance reviews
	• Address and rectify delays in setting up clusters with strict penalties to deter cost and time overruns

	• Create plan to ensure world-class power supply within industrial areas
	  ■ Explore the option of prioritizing industrial power supply
	  ■ Earmark land for/ build captive power stations in each industrial area

6. Labour reforms

Labour practices in Indian states are governed by common national laws. Industrial Disputes Act of 1947, 1948 Factories Act, Minimum Wages, amongst others, lay out the various rules, compliances and certifications that industry must adhere to with respect to employment of labour.

Many of the labour laws in India have not been revised since independence in the light of their relevance to industry today. Apart from the policy framework, there are significant procedural requirements associated with compliance with labour laws, including multiple and highly frequent filings as well as unpredictable and a large number of inspections. These lead to a high administrative burden on industry. Within this, a key area of pain is when States are found to play an ambivalent role in labour disputes. India has been experiencing, more so recently, significant labour disputes which lead to tremendous loss of productivity for the country. In 2009-10, over five million man-days were lost due to strikes and lockouts according to the Labour Bureau. While the States can significantly improve their role in curbing industrial disputes, this again points out to the overarching requirement of revision of labour laws.

A more controllable area of pain to industry is in the highly inadequate quality of labour. Initiatives towards skill development have been introduced but have not had significant impact. While private participation in skill development is on the rise, there is significant room for further improvement in skilling of labour. While some states have a large number of ITIs- government or private- the overall state of ITIs is sub-optimal as many ITIs are not fully functional and often out-of-date. The common issues that industry faces across states are:

• Multiple laws with various compliance requirements that increase administrative burden on industry

• Lack of standardization in inspection procedures -separate inspections for the various laws applicable

- Absence of a quick dispute resolution mechanism for labour-related issues

- Out-of-date and not completely relevant curriculum and facilities in ITIs across states

No State offers a significant holistic lesson in simplifying the labour environment, primarily due to this being a Concurrent subject. However, there are individual initiatives that states have introduced.

- Maharashtra provides a strong example through its recent initiatives in developing a Labour Management System.

- Gujarat has been cited as being significantly more objective and when required, industry-friendly in assessing the course of action during labour disputes.

- In terms of skill development, Gujarat and Karnataka have pushed up industry participation in skill development and have some notable examples for other States to emulate.

Maharashtra: Labour Management System	
Key features	• Implementation of seamless labour management system (Mahashramm)
	■ Wage payments through cheques to ensure workers are fairly paid
	■ E-portal to provide users with efficient and time bound services (online registrations, returns filings, license, exemptions, tracking of applications)
	■ Reduction of inspections: Direct reconciliation of returns with bank statements to reduce physical inspections
	■ Simplification of returns filings procedures: 14 mandated returns to be submitted together as one comprehensive return annually; wage payment returns to be filed monthly
	• 3rd Party health & safety audits being introduced to do away with State inspection
	• Investment in skill building in partnership with industry to develop human capital
Impact	• Information related to labour compliances can be viewed at a single portal online
	• Time bound services to businesses
Implementation experience	• Project launched in August 2010 by the government of Maharashtra
	• Pilot ongoing in Thane district since Aug'11, to be rolled out to the entire state over 6 -12 months (till Dec'2012)
Critical enablers	• Intention of creating a system beneficial to both businesses and workers
	• Effective use of PPP to form link between industry, banks, workers & government
	• Extensive use of technology for streamlining processes

Gujarat: Strong initiatives towards skill development	
Key features	• Gujarat Skill Development Mission (GSDM) developed for monitoring, coordination and providing policy direction for skill development activities ■ GSDM online portal launched for the convergence and dissemination of all information related to skill development ■ Skill Development Vouchers' introduced- prepaid vouchers bought by candidates to undertake training at any of the GSDM training institutes • Reforms in Industrial Training Institutes ■ ITI MoUs with Businesses: For training in government ITIs ■ University MoU with Businesses: University inputs in course curriculum ■ Industry exposure campaigns: Quarterly or monthly surveys to gauge the skill-sets demanded by the industry ■ Privatization of ITIs: Privatization of ITIs have been implemented in Gujarat to ensure that training matches industry requirements
Impact	• 940 training institutes and one lakh candidates have been registered in the GSDM
Implementation Experience	• Implemented by the Labour and Employment department
Critical Enablers	• Obtaining regular feedback from industry on training programmes • Clear blueprint with stated targets and roadmap

Key Recommendations

Policy Framework	• Revise labour laws and amalgamate into a simple, consolidated Act to follow
	  ■ Introduce exceptions and simplifications for high priority industry (e.g. NMIZs)
	• Improve administration of laws through an effective labour management system
	  ■ Cover fair payments to workers, formal payment procedures and provisions for development of human capital

Improvements in procedures	• Identify opportunities for simplifying labour-related returns filings
	  ■ One comprehensive return, instead of multiple returns for compliance, standardize format for returns
	  ■ Implement compliance mechanism with appropriate checks to minimize in-person inspections
	  ■ 3rd Party audits for health & safety, Self certification of labour laws
	  ■ Consider feasibility of a complaint-based vs. mandatory system of inspections
	• Implement a computerized labour management system to expedite processes
	  ■ Prepare design and implementation plan for e-enablement of labour systems-facilitating online registrations, returns filings, license applications, exemptions and tracking of applications
	  ■ Automate wage payments – payments through cheques, bank transfers
	  ■ Involve "total service providers" like ICICI, SBI to register workers, get them bank accounts and establish linkage between businesses, banks, labour dept., workers and network correspondents like kirana stores
	• Create blueprint for a 5-7 industry-led year skill development program
	  ■ Privatize ITIs to ensure quality training of candidates
	  ■ Constantly obtain industry feedback on government run ITIs to update curriculum on a regular basis

Critical enablers	• Leverage public private model to establish links between businesses, banks, workers and government
	• Use experienced technology partner to support design and execution of IT changes
	  ■ Creation of user friendly e-portal
	  ■ Software to generate alerts for pending/delayed applications
	• Involve all stakeholders early on to seek feedback and consent for proposed reforms

Implementation Discipline	• Process simplification
	  ■ Enforce self-certification through 3rd party audits and stringent penalties; encourage self-certification through simplified but documented user manuals
	  ■ Institute and empower a grievance redressal cell to promptly resolve labour-related issues, address complaints on misuse of audits and enforce prompt action
	  ■ Institute a reforms committee responsible for reviewing existing labour laws and simplifying procedures across the board in collusion with the central government
	• Labour management systems: Define functionalities, identify vendor, prepare blueprint and institute monitoring mechanisms to track progress of implementation
	  ■ Invest in training of government officials on the new system and educate them about service delivery norms
	• Fix clear responsibilities on individual officers for performance of ITIs, with metrics based on industry feedback to measure performance

7. Environment-related compliances

Environment-related compliances feature amongst the most common pain point experienced by industry. Across States, a common theme echoed by industry was that of cumbersome environment-related compliances. While environment-related compliances are extremely important and often non-negotiable, the administration of these has significant room for improvement in speed, predictability and costs. Common issues that industry faces are around the following areas:

- Lack of clarity and education on the myriad regulations involved
- Lack of clarity on classification between different industry categories, especially for new technology
- Long procedures for grant of emission and discharge consents by Pollution Control Boards
- Short validity periods for granted consents
- Lack of training for enforcing authorities, leading to low awareness regarding latest technology
- Rules which are viewed as sub-optimal and less practical

The feedback on procedures and reforms related to environment compliances has been consistent across States and no state offers a clear best practice. However, Gujarat has made some e-governance initiatives towards improving the efficiency of the State Pollution Control Board, the results of which have been felt by major industries in Gujarat. The recommendations for Environment clearances have also been envisaged and included in the New National Manufacturing Policy and if implemented, would help simplify the operating environment greatly for industry.

Gujarat: Computerized, transparent, time-bound processes	

Key features	• Implementation of Extended Green Node (XGN), an e-governance tool to support all the processes within Gujarat PCB to make the department paperless
	  ▪ Disposal rate of applications increased from 1,500 per year to 9,823 per year
	  ▪ Online application by industries enabled
	  ▪ "In principle clearance" granted via email as soon as the application is approved before actual clearance is delivered
	  ▪ SMS update sent to the applicant at every one of 8 stages to ensure transparency
	• Consolidated consent and authorization (CCA): All consents under air, water and hazardous materials given as one authorization.
	  ▪ Validity of CCA increased from 1 to 5 years for non-red industries; increased to 6 years for ISO 14001 compliant and CP/CT award winning industries
	• Time-bound authorizations: An e-file that has exceeded the stipulated days in a work-flow is auto-reflected to the next level for e-movement/ processing

Impact	• Disposal rate of applications increased from 1,500 per year to 9,823 per year • E-returns filed per year have increased from ~3000 to ~12000 • Amount lost due to lab charges defaults decreased from INR 2.3 Cr to INR 5 lakhs
Implementation Experience	• Extended Green Node (XGN) implemented by NIC Gujarat in 6 months • Framework for CCA, validity of extension and time-bound authorizations passed by the governing board of GPCB

Key Recommendations

Policy Framework	● Institute a single approval authority for all environment related acts ■ Environment ministry and Pollution Control Board to grant one clearance instead of the current requirement for environment clearance and no-objection certificate in some cases ● Periodic review of regulations in consultation with stakeholders Involve industry, academic institutions and environmental activists in the review process to simplify and tailor regulations to technological advancements and changing requirements
Improvements in procedures	● Introduce clarity into environmental regulations and processes ■ Make information on environmental regulations easily available on websites and proactively disseminate information to make industry aware of existing processes ■ Conduct training programs for industry on compliance measures and on latest developments in green technology ● Web-enable processes around submissions and approvals ■ Introduce online submission of applications and online tracking of application status ● Institute committee to identify and implement procedural reforms/ simplifications ■ Extend validity of no-objection certificates from 1 year to 5 years for green category of firms ■ Introduce self-certification for green category of firms, audited by 3rd parties ■ Implement one common application form and one common authorization for all the acts combined ■ Implement usage of RFID tags to track transportation and disposal of hazardous waste to reduce inspections
Critical Enablers	● Use of technology to improve productivity: Test feasibility of electronic enablement of the Pollution Control Board (PCB) ● Effective information dissemination to make industry aware of compliances required to reduce rejection rate
Implementation Discipline	● Train officials periodically to ensure increased awareness of latest technology widespread use of up-to-date technology ● Institute a reforms committee at every state PCB to introduce procedural reforms ● Institute a policy reforms committee at a national level to periodically (every 5 years) revise policy in consultation with stakeholders

8. Availability of power

The issue of power supply is not a new one. Power availability or the lack of it is a pan-India issue and expectedly, most States are faced with serious power supply issues. Across States, peak deficits are high and political tensions add further to an already precarious situation. Industry is impacted seriously by inconsistent availability of power. In fact, industry has learnt to live with predictable as well as unpredictable power cuts by investing heavily in captive power supply. However, this is far from ideal as it leads to huge expenses for industry, which are well avoided in some states and several other countries due to proactive planning by the government. The common practices across states that cause industry most concern are as follows:

- Unpredictable availability of power and unscheduled power cuts

- Lack of power connectivity in some industrial estates-in these areas power is not guaranteed by the respective industrial development corporations and connections long time to be installed

- Insufficient capacity addition and focus on renewable power to meet future demands

- Significant AT&C losses amongst state electricity boards causing further deficiency

Power supply is inadequate due to several reasons including inadequate capacity, insufficient development of alternate sources of power, sub-optimal use of power and high AT&C losses. States have, to varying degrees, made several reforms to accelerate capacity and reduce losses.

The most important remedy for a rampant power deficit is through acceleration of capacity expansion. Power sufficiency is a critical determinant of the growth of industry and is a significant bottleneck for industry today. Gujarat and Rajasthan stand out - these largely power sufficient states have met industry's power requirements through strong capacity additions over the years. The demand for power in states is definitely not comparable and some states face a significantly higher burden in terms of demand. Nevertheless, there are strong lessons emerging out of the experience of these two states.

Further, losses due to inefficiency in transmission and distribution are massive across the country- a huge drain on an already insufficient power supply. AT&C losses accounted for, on average, 30% of losses in the 2007-2010 period. The National government has launched strong initiatives for states to reduce AT&C losses. The R-APDRP, though focused on urban areas, is a progressive and results-oriented initiative tying grants from Central government to demonstrated performance in reduction in AT&C losses. States such as Punjab, West Bengal and Delhi, among others, have taken proactive steps to successfully reduce AT&C losses, in the past and provide strong examples for the rest to emulate.

The experiences of developed countries such as France and developing peers such as Brazil show how concerted efforts can enable power sufficiency. States must set aside budgets for investment in power early on to plan for the growth of industry over the next 5 to 15 years. Countries such as France and Japan

invested heavily in ensuring adequate power supply through addition of nuclear power sources, gas plants and efficient management of grids. While not entirely similar to India, there are useful learnings for Indian states to draw from the experiences of these countries.

Peak power deficit across states in 2009-10

Peak deficit, 2009-10
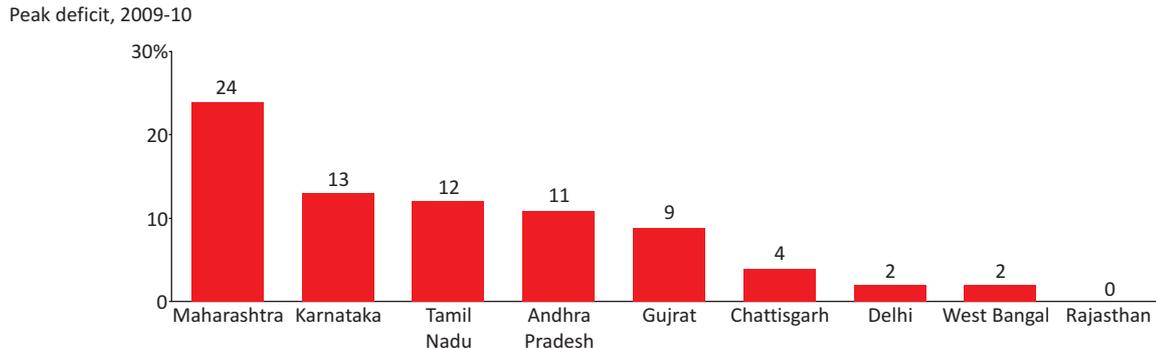
Source: Central electricity Authority, 2011

Gujarat: Capacity expansion and promotion of alternate sources	
Key features	● Large scale capacity expansion driven through incentives 　■ Only state with integrated state-wide gas grid 　■ Land subsidies and fuel import facilitation for power plants ● Incentives to develop alternate sources of Power 　■ Up to 100% land cost subsidy for solar and wind farms 　■ Electricity duty and demand cut exemptions, nodal agency for implementation and facilitation
Impact	● ~4x capacity expansion in 11 years; 8.6% deficit in FY10 ● Renewable power currently contributes 12% of total capacity
Implementation experience	● Specific policies designed by the government of Gujarat to promote renewable energy – Solar Power Policy 2009, Wind Power Policy 2009
Critical Enablers	● Tie up with leading countries for technology transfer and Carbon credits ● Financial incentives to encourage energy firms

Rajasthan: Power sufficiency through strong thrust on alternate sources of energy and efficient management of deficits

Key features	• Industrial demand prioritized over others
	
	  ■ 100% land subsidy for dedicated industrial power
	
	  ■ Dedicated substations for >90% estates
	
	  ■ Facilitated by separation of industrial feeders
	
	• Massive thrust on renewable power for long term power needs
	
	  ■ 1800 MW Wind and 50 MW solar correspond to ~15% of total capacity
	
	  ■ Fast-track approval for Wind plants
	
	  ■ Laid out land banks for large scale Grid Interactive Solar Plants (~600 MW)
	
	  ■ Strict project planning and stringent penalties
	
	  ■ Natural resources support the government's thrust on solar and wind energy-large tracts of land that receive sufficient sunlight and have high wind speeds
	
	• Efficient demand management by sale of power during surplus months, which enables generation of cash to use in deficit months

Impact	• 0% peak deficit in FY' 10
Implementation experience	• Policy for promotion of private sector investment for setting up of power generation projects in the state of Rajasthan in effect from 2005 ■ Single window system and other incentives announced for power projects • State investment in promoting renewable energy through focused power policies
Critical Enablers	• Sale to deficit States generates cash for buy-backs during deficit months • Financial incentives and single window system for energy firms serve as effective tools for promotion of energy firms

Key Recommendations

Policy Framework	- Place the highest priority on industry power availability and - Provide land subsidy for dedicated industrial sub-stations in Industrial areas - Minimize load shedding, especially for large scale power-dependent industry - Draft state electricity policy aimed at meeting power requirements over a 5-10 year period. Award urgent priority to power supply. Draft policies for govt initiatives as well as private participation supported through State incentives and development support - Draft renewable energy policies and incentivize development of alternate sources of Energy - Create task force for identifying suitable land for Wind and Solar power- make available at subsidized rates - Prepare blue-print for creating alternate energy hubs - Simplify approvals and implement Single Window Approval mechanism for alternate energy
Improvements in procedures	- Prioritize setting up peaking gas plants in areas of high peak deficits- prepare blueprint based on international case studies - Prepare state-wide plan for plugging AT&C losses (in line with Central Govt. initiatives): States with lower deficits are also experiencing significant losses in Transmission & distribution - Impending Smart meters promise potential to improve metering efficiency - Smart grids pilots to reduce transmission losses - Conduct study to understand key initiatives , associated costs and timelines- for steps taken by other States (e.g. WB)
Critical Enablers	- Allocate budget to expedite capacity additions for conventional as well as non-conventional sources - Estimate loss of revenue vs. cost of setting up over the next 5, 10, 15 years to make the case for budget allocations - Build supply of natural gas through investments in supporting infrastructure
Implementation Discipline	- Prepare a robust plan for deficit months. Identify surplus States and ear-mark outlays for purchases - Strengthen implementation discipline for each initiative through strict project planning, milestone tracking, PMO and stringent penalties - Assign project owners with clear deliverables and targets, heavily monitored through monthly and quarterly meetings, and annual performance reviews - Address and rectify delays with strict penalties to deter cost and time overruns

9.   Payment of taxes

Indian businesses operate in a system characterized by multiple levels of taxation. In a federal system as that of India, taxes are levied by governmental bodies at several levels, including the Centre, the State and the municipalities. This leads to several issues including double taxation, complex and difficult-to-comprehend procedures and administrative burden and costs on businesses in order to adhere to these. The most important and awaited reform is that of the introduction of a common nation-wide Goods and Services Tax. Debated over several years, it is expected to be passed in 2012 and likely to bring in the much awaited relief to the Indian tax payer by consolidating multiple levels of taxes into a single, consolidated tax.

Currently, a range of policy and procedural matters impact the ease of paying taxes, we have focused on two specific areas on taxation: simplification of VAT as well as simplification of Property taxes. Common pain points related to taxation faced by industry are:

● Variation across states in the VAT regime and requirements

● Ambiguity in property valuations, leading to lack of clarity on property tax calculations

● Absence of a unified online portal for all tax payments across the entire state

Multiple States have moved towards e-filing of VAT. Rajasthan provides a strong example where the move towards e-filing was implemented in a short duration and effectively enforced across the State. Karnataka has a Geographic Information System (GIS) based method for the evaluation and online payment of property taxes, though only in Commercial and Residential areas in Bengaluru.

Rajasthan: VAT simplification and improvement	
Key features	● Improvement across all functions ■ Rates: Simplified categorization, exemptions ■ Payments and returns: Compulsorily online; Reduced frequency ■ Filing: Deemed status, fast track mode ■ Assessment: Streamlined, computerized ■ Digitization: All payments made online ● Fast-track mode of return filing ■ 50% of the claimed return is paid up at the time of filing returns and remaining 50% paid after assessment of claims
Impact	● Increased compliance due to simplified processes- 19% y-o-y increase in collections
Implementation experience	● Incorporated regular inputs from trade bodies, businesses ● Computerization for accountability, efficiency and transparency ● Regular training of government officials to handle computerized systems and to improve service levels
Challenges	● Establishing a training institute for tax-officials ● Obtaining buy-in from multiple stakeholders

Karnataka: GIS-based online property tax payment	
Key features	• Use of GIS to bring all properties under the tax net ■ Unique property ID assigned to each property • Online calculation of property tax based on set parameters (SAS Calculator). Property tax to be paid can be viewed online by property owner by entering unique property ID • Online payment of property tax
Impact	• Extension of property tax regime to all properties under the GIS system. Tracking non-compliance easier after digitization. ■ Municipality Revenue from property tax doubled since implementation in 2009 • Ease of payment has improved due to the online payment facility

Implementation experience	• Keonics & NIC brought on board to help Bengaluru Municipality (BBMP) with the implementation
	• GIS system implemented by Keonics to obtain details of properties in Bengaluru
	• Physical validation of the GIS data is done by survey inspectors from BBMP.
	• For each verified property, a property ID is created. Other property details are added to the database during the field survey
	• NIC develops the software for online management of property tax (online property tax calculator and online tax payment)
	• Total timeline: 10 months
	  ■ GIS mapping: 2 months
	  ■ Physical validation of GIS data through field surveys: 6 months
	  ■ Development of online payment portal: 2 months

Critical Enablers	• Identification of suitable IT partner to implement system • Unambiguous rules to calculate property tax in various areas formulated by BBMP

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Key Recommendations

Policy Framework	• **Assess consolidation** of multiple national, state and municipal taxes at a single point of contact
	  ■ Test the feasibility of a single tax collection authority: Businesses register at one place, pays one tax; authority distributes taxes to the centre, states and ULB
	• Rationalize taxes levied by States **-** e.g. gradually eliminate one-off taxes like the Octroi, where still existing
	• Rationalize state tax rates : Benchmark state tax rates and reduce in line with competing States
	  ■ Harmonize taxes across States - Develop uniformity in tax code; Allow changes only to rates
	  ■ Likely achieved with implementation of GST in 2012

Improvements in procedures	• Implement mandatory electronic payment of taxes across the State
	  ■ Set up kiosks to extend facility across the State
	  ■ Supplement online payment with online calculators and greater automation to ensure high greater predictability and minimum errors in tax calculations
	  ■ Introduction of e-registration, e-customs and other e-governance
	• Payment consolidation into 1 payment p.a.; e.g.-Municipal and Professional taxes combined in Gujarat
	• Reduce filing frequency to lower administrative burden
	  ■ Encourage quarterly or annual filing , computerization of assessment and consolidated invoice submission

Critical Enablers	• Benchmark regime nationally and internationally; actively seek feedback from industry members on simplifying and rationalizing categories to improve clarity and simplicity for tax payers • Determine feasibility of consolidating various sources of data to ease administrative burden and ease of tracking ■ For property tax, leverage computerized land records to estimate, collect and track tax revenue collections

Implementation Discipline	• Involve suitable technology partner to e-enable tax payment and filing process.
	• Assign clear objectives, roadmap and responsibilities for initiatives and ensure progress is in line with implementation timelines. Escalate roadblocks and resolve through the initiative steering committee
	• E-governance and automation to be a supplemented by employee training
	  ■ Heavily incentivize computer literacy through promotions and other linked incentives
	  ■ Establish training and tax institutes for not only training the employees but to engage academia, taxation experts, industry bodies and traders in general to recommend improvements in the code

10.   Information availability

Investors looking towards India and those expanding to new regions within India crave transparency and consistency in information availability. Information made available needs to be relevant, which requires it to be adequately available, conveniently located and frequently updated. Common issues faced by industry with respect to information availability are manifold:

● Absence of a consistent, easily accessible online source where all relevant information is available

● Out-of-date information available online leads to lack of clarity

● Multiple sources of information for various processes

States have recently started to make large amounts of industry-related information available online, on dedicated portals. Notable examples are those of Gujarat's iNDEXTb, Maharashtra eBiz and BIP in Rajasthan. High quality information availability also requires a defined but comprehensive set of sources, ideally integrating the different departments together.

Apart from online information availability, it's increasingly important to disseminate and even 'market' one's initiatives by proactively reaching out to existing as well as new industry to provide updates on changes and reforms. In most States, large volumes of information are provided online, across a multitude of web-sites. However, this information must be kept up to date and in a user friendly form.

Gujarat: Investment facilitation portal with all required information	
Key features	● Single-stop portal for all information related to investing in the state ■ Information on the state's focus sectors, infrastructure, labour schemes and incentives to MSMEs provided online ● Promotional events like the Vibrant Gujarat Investors' Summit to better disseminate information ■ Vibrant Gujarat set up as a forum for international collaboration ■ Region desks in 66 countries across 6 continents to disseminate information about Gujarat ● Extensive land bank database in the form of Investor Support System (ISS) ■ Data about all land available in the state computerized ■ Data along 65 parameters available for the land to help investors choose land from one place
Impact	● Contributed significantly to Gujarat's emergence as the most favored investment destination in the country
Timing and implementation	● The initiatives towards information availability have been primarily driven by iNDEXTb from 2001
Critical enablers	● Effective use of technology ● Creaton of an information dissemination agency like iNDEXTb ● Regular updating of data in the information portals

Maharashtra: Maha ebiz - information - cum - business portal	
Key features	• Information portal combined with single-window system ■ All forms required to start and run businesses made online ■ Information on various districts, key clusters, land, water and power rates and possible investment regions available at one place • Reports and newsletters on doing business in the state ■ Doing Business in Maharashtra report: Explains the detailed step by step process involved in starting/running any business in the state ■ Maha Connect᾽: A monthly business newsletter launched by the government with updated developments and sector snippets
Impact	• Easy availability of information is a strong reason for Maharashtra attracting the most FDI in the country
Timing and Implementation	• Enabling easy availability of information is a continuous initiative undertaken by MIDC to enable businesses and to make processes across the board transparent
Critical Enablers	• Coordination with the different departments involved to obtain up-to-date information on changes within the departments • Provision inter-departmental networks for quicker information flow • Developing long term business relationship with suitable knowledge partners to continuously generate and update content on the state

Key Recommendations

Policy Framework	● Commit to efficient and timely information availability through a well defined policy framework to institutionalise an information dissemination agency in the state ■ Make agency responsible for holding investment summits and owning all knowledge on investing in the state (like creating sector reports)
Improvements in procedures	● Make all information required to run businesses available online at one place ■ At a state level consolidate information pertaining to all the departments/ministries at one place ■ At a national level consolidate information pertaining to all the different states with the differences in procedures and policies across states, along with information on central government procedures and policies ● Provide Online forums, help-desks to address public queries and concerns ■ E-portal to have moderated "open" forums for the public to post queries and have them answered by officials ■ Sample filled-in documents uploaded to guide investors ● Conduct investment summits and marketing campaigns to create greater awareness around States' efforts
Critical Enablers	● Leverage State IT departments or external providers to: ■ Digitise documents, disseminate information and provide avenue for answering queries from business ■ Provide inter-departmental networks for quicker information flow ● Selection of suitable knowledge partners to continuously generate and update content on the state ● Coordination with the different departments involved to obtain up-to-date information on changes within the departments
Implementation Discipline	● Assign task force for planning and setting up information dissemination agency with clear time-lines, decision authority and accountability ● Clearly define responsibilities and powers of agency ● Track progress through periodic reviews. Benchmark progress against plan, best practices within the country and around the world

11.   Commercial Dispute resolution

Commercial dispute resolution is a subject that falls under the Judiciary and not the State or Central governments. The Judicial system in India is constitutionally separate from the Legislature and enjoys independence and extensive powers. Organized in a tiered structure, the judicial system comprises district courts at the district level, high courts at the state level and the Supreme Court at the apex. Overall, the judicial system in India has a sound structure, well suited to the highly federated structure of the Indian state.

Specifically from the point of view of doing business, the judicial environment in a state or a country for that matter, has a significant effect on its ability to attract investment. However, India has continuously ranked low on effectiveness of the commercial dispute resolution system and based on World Bank's rankings in 2012, it occupies the 182nd position in 183 countries. Foreign investors are often deterred by the slow, unresponsive system of justice especially as it relates to contract enforcement in India. Key issues that industry often faces include sub-optimal enforcement of Alternate Dispute Resolution mechanisms, absence of fast track courts, limited capacity of judges and huge pendency of cases due to limited capacity and limited technological upgradation of Courts.

- A key means to resolve commercial disputes is through Alternate Dispute Resolution mechanisms. However, in India, ADRs have not met with tremendous success in resolving commercial disputes in a timely manner. The current ADR mechanisms require further refinement, especially in terms of the ability of the involved parties to challenge the judgment, which is a key cause for delays

- In early 2000s, the Central government announced special courts for fast tracking resolution of disputes. However, commercial disputes did not fall under the ambit of these fast track courts. A Commercial Division of High Courts bill has been passed and is currently awaiting approval. A step in the direction, it still requires further refinement. Once passed, it will facilitate fast track resolution of commercial disputes

- Judges capacity and consistency in quality across different courts is another key issue that limits the overall effectiveness of the Judicial system and consequently, commercial disputes as well

- A significant initiative that the Delhi as well as the Orissa High Court has launched is that of e-courts. E-courts are part of an overall eGovernance initiative whereby the large volumes of documentation are moved online or on CDs. It enables courts to dispose cases and arrears much faster than before. Further, e-Courts enable Video conferencing to record witnesses and all filing of case history is done electronically. The initiative promises to significantly accelerate disposal of cases and also clearing of arrears. The initiative was funded by the Delhi government. The vision is to eventually move to a system where there is holistic e-filing, submission of plaints and documents online and online evidence producing. International examples of South Korea, Russia demonstrate how moving to an online system of case management can significantly impact the speed of delivering justice

The issues of commercial contracts and disputes fall under the State high courts. A few key actions are critical for improving the judicial mechanism for businesses in India

- Simplification and better implementation of the Arbitration Act, especially in limiting the ability to challenge the judgment of the arbitrator and hence enable faster resolution of cases

- Fast track disposal of cases through setting up of fast track courts dedicated to Commercial disputes

- Procedural simplifications in resolving cases by classifying them according to their simplicity/complexity

- Ensuring consistently high quality of judges across the States through alignment in compensation across States as well as launching an All India Judicial Services for the District cadre in India

Some critical enablers to ensure effectiveness of these initiatives are:

- Accelerate setting up of e-courts across Indian States: Expand the ambit of e-courts to include widespread computerization, online case management, online filing of complaints and submission of documents

- Increased transparency : Provide information on status of cases, online/remote consultation of legal records, making information on disposal rates and associated judgments available publicly

12.   Exit procedures

In most states, a company which requires shutting down due to financial losses finds it difficult if not impossible to close. Exiting a business comes with associated laws which make it extremely difficult for a company that employs over a 100 workers, to exit a business. Further, there are tax-related requirements which may add to the administrative burden for a company looking to exit. Flexible entry regulations, if not accompanied by an easier exit environment, don't end up achieving the intended goal of simplifying the business environment and keeping it competitive.

The Industrial Disputes Act, 1947 constrains companies from downsizing employees by retrenchment, as they attempt to close down their establishments. Further, the retrenchment procedure involved additional legalities and complex procedures. Any such initiatives are heavily opposed by trade unions as well. The underlying rationale for such restrictions was to make sure that all efforts to revive an unviable or unprofitable enterprise are made before allowing it to shut down, in order to safeguard the interests of the employers as well as the employees. In practice, this leads to significant pressure on unprofitable enterprises as they are 'forced' to continue operations despite losses. The reasons for such policies are best understood in the context of the history and evolution of work force in India. However, these policies must be refreshed in order for them to be relevant to the context of industrialization that is increasingly the order in India today.

No State offers any distinct improvement in terms of simplifying procedures to enable a company to exit smoothly. However, exit procedures are a critical area for the Centre to introduce reforms. Given the sensitive nature of the topic, the feasibility of reforms should be tested for select industries or companies. Further, the States must be given more powers in areas of labour reforms as the realities of the labour market, industrialization and modernization are different across Indian states, and there is a need for each state to tailor the approach as it is most suitable to its industrial environment.

Role of the Centre in implementing reforms

In factors where states have autonomy, the environment is widely varied across states and changes across the country are difficult to realize, while in factors where the Centre has greater autonomy progressive states have little room for the implementation of reforms and change needs to be driven from the centre. However, the most common theme is that states have considerable power to create change by ensuring procedural improvements and effective implementation of reforms, while the Centre has a significant role to play in the formulation of policy-level reforms. This is even more pronounced in areas like labour reforms and environment related compliances where the states have very little room for manoeuvre and primarily function as enforcing agencies.

Recommendations for the Centre

- Land Acquisition: While the Centre determines the primary framework for land acquisition, the states have a large role to play in the implementation. Common issues like the process of determining market value need to be addressed sufficiently by the Centre in the policy to ensure that implementation across states is not widely varied, while still not taking away too much from the autonomy of the states. Suggestions on ways to bridge the gap between registered prices and market prices should be recommended by the Centre after detailed discussions with all involved stake-holders. The Centre also needs to institute a redressal/ intervention mechanism in case of non-enforcement of state policies.

- Labour reforms: Most labour laws are concurrent laws framed by the Centre and enforced by the states. While this ensures a uniform standard across states, the States depend heavily on the Centre to introduce reforms and revise the laws that govern labour practices today. Compared to other factors, labour policies and regulations have been considerably slow to change given the sensitiveness of the issue and the ease with which they could become topics of political discourse. However, procedural improvements like rationalising of inspections, creating common annual returns forms and facilitating common registers and muster-rolls and introducing third-party certification or self certification would significantly reduce the time businesses spend in conforming to the multiple labour regulations. The procedural reforms in labour like common returns need to be addressed by the DGFASLI (Directorate General, Factory Advice Service and Labour Institutes) which is the central government body under the Ministry of Labour and Employment (GoI) and other such bodies that handle reforms in labour processes. DGFASLI has already undertaken a project to suggest common rules and reforms in labour-

related practices across states which, once completed should standardize procedural reforms across states so that all states have common procedures.

- Payment of Taxes: The tax regime is almost entirely driven by the Central government except for VAT and some municipal taxes. The primary area for development within the tax regime is simplification of taxes across levels (Centre, state and municipal). While enormous improvement has been made in the simplification of the tax regime in the last two decades, there is still considerable room for improvement before the system can be compared to some of the best in the world. Some recommendations are provided below:

  - ❖ Devise a new taxation system simplifying and consolidating the multiple levels of Central, State and Municipal taxes and harmonizing them (likely achieved with the GST)

  - ❖ Streamline payment procedures by mandating simplified and computerized payment

  - ❖ Identify opportunities for streamlining returns filing, assessment and refunds

  - ❖ Benchmark rates periodically to test and enable competitiveness of Indian taxes

  - ❖ Identify opportunities for reducing frequency of filing and for cross-departmental returns

- Environment related compliances: This is an area which needs the most reform and needs to be driven primarily by the Centre. There is considerable dissatisfaction among industry with respect to the state of implementation of environmental laws across the country. Common points of dissatisfaction include lack of clarity in classification of industries under different categories with considerable room for interpretation, lack of upfront availability of information on environmental regulations and lack of training of employees within enforcing agencies to bring them up-to-date with latest developments in technology. Key areas where Centre can act to improve are:

  - ❖ Consider the creation of a single agency to grant all clearances related to the environment and to enforce the regulations

  - ❖ Continuously review and update environment related regulations after obtaining feedback from all involved stakeholders based on relevance

  - ❖ Include all relevant stakeholder inputs while reviewing policies

  - ❖ Mandate simplification of inspections' system and replace with self certification and 3rd party audits. Build provisions for exceptions where simplifications are possible

  - ❖ Mandate web-enablement of status tracking of all clearances, and deemed clearances

  - ❖ Institute training of all employees involved in enforcing regulations to ensure they are aware of developments in technology

- Commercial Dispute Resolution: A large part of the procedural improvement and implementation lies with the State High Courts. However, the Centre can play a significant role in the following ways:

  - ❖ Amendment and passage of the Commercial Division of High Courts bill

  - ❖ Make refinements to the Arbitration and Conciliation Act, 1996, to enhance effectiveness of resolution through ADR

  - ❖ Mandate e-enablement of High courts across the country

  - ❖ Introduce All India Judicial Services to improve the quality of judges in India

- Exit procedures: The Centre plays a pivotal role here as simplification of exit procedures, and more broadly labour reforms, has been long a key need. The policy reform for simplifying exit procedures lies with the Centre and must be adopted sooner than later. Introducing such reforms would require bold moves and a longer term development oriented view

  - ❖ As a starting point, the procedures can be simplified exceptionally for designated areas, as outlined in the New National Manufacturing Policy

  - ❖ Increase in threshold for closure, from 100 employees as present to 1,000 employees

  - ❖ Support in banning strikes, again, to start with, in designated areas such as National Manufacturing and Investment Zones (NMIZs)

Synthesis and impact plan

There is a wide variation in the business environment across states and states are sufficiently empowered to bring about reforms to improve the business environment. States that have demonstrated best practices across factors have primarily focused on a few key areas

- Strong policy frameworks and simplifications in procedures

- Use of technology to facilitate and expedite processes

- Introducing clarity and transparency around various processes

- Dogged implementation, a can-do philosophy and a visible departure away from traditional bureaucratic processes

The extent of disparity between states along each factor can be considerably reduced if a regular mechanism for exchange of best practices between states is established where states are encouraged to document and share their experiences in implementing reforms.

Impact plan

State-level reforms have significant far-reaching impact, on investors, the respective state departments as well as the wider community. A high level impact plan below lays out the key beneficiaries, benefits to expect as well as key activities and timing of benefits flow.

Initiative	Key beneficiaries	Key benefits	Key activities required	Timeline	Key enablers
1. Land acquisition					
Streamlined land acquisition policy	• New companies entering the State • Existing companies expanding capacity • Land-owners	• Rapid resolution of disputes • Reduced time to set up industry	• Clearly define role of state in facilitating land for industry • Set up a robust dispute resolution framework	• Short term	• Large scale computer-ization of land records • Enforcement of price determination mechanism
Creation of land banks	• New companies entering the State • Existing companies expanding capacity	• Minimal disputes faced by industry • Faster decision making	• Conduct large scale land mapping exercise • Draft voluntary land bank scheme support by fiscal incentives	• Short-medium term	• Task force mandated to identify unproductive, dry lands
Clear compensation and rehabilitation programmes	• New companies entering the State • Existing companies expanding capacity	• Minimal disputes faced by industry and government • Reduced time to acquire land due to reduced disputes	• Formulate a clear pricing mechanism which involves all stake-holders • Explore different compensation mechanisms for land owners	• Medium term	• State government thrust on removing ambiguity in existing processes
Time bound and clear land allotment procedures	• New companies entering the State • Existing companies expanding capacity	• Reduced time to set up industry • Increased industry trust in state processes	• Codify publicly available framework for allotting land with defined timelines • Enforce timelines and a redressal mechanism	• Short term	• Obtaining industry inputs while framing process
2. Property registration					
Computerized and geographically integrated property registration system	• Companies purchasing new land • State Stamps and registration departments	• Faster time to registration • Reduced fraud • Increased choice of sub-registrar offices to register at for companies	• Computerize property registration process • Integrate land records to enable 'anywhere registration'	• Medium term	• Identification of suitable IT partner for project implementation • Training of officials to handle new systems
E-stamping	• Property owners • State revenue department	• Cost saving of ~3% of revenue • Reduced fraud	• Introduce of online stamping facilities across SROs in the state • Conduct phased implementation plan for pilots followed by state-wide rollout	• Short term	• Identification of suitable IT partner for project implementation • Adequate training of staff and tight security measures to minimize incidence of fraud
Integration of registration and title transfer systems	• Companies purchasing new land • State stamps and registration department and land and revenue department	• Faster time to register property and transfer title	• Build a single database of comprehensive land records that includes all data about all data on the state • Integrate the property registration and mutation processes through integration of departmental records electronically	• Medium-long term	• Tight, online, security systems to control mutation access • Alignment of all involved departments and individuals to achieve integrated processes

Initiative	Key beneficiaries	Key benefits	Key activities required	Timeline	Key enablers
3. Obtaining construction permits					
Online validation & submission of building permits	• Companies setting up and expanding new units • State municipalities	• Validation of plans through initial scrutiny before submission • Faster time to get building plans approved • Greater predictability for investors of requirements and costs involved	• Set up task force to develop concept and prepare implementation blue print • Identify external 3rd party IT partner to design solution specifics • Pilot project in some areas and expand	• Short term	• Unambiguous definition of byelaws is required to automate scrutiny process • IT partner to e-enable process and transition to an online system
Simplify processes/ implement Single Window for Construction related permits	• Companies setting up and expanding new units • State municipalities	• Appointment of a Single point of contact for processing all construction-related approvals • Alignment of all involved departments like fire, safety and municipality	• Set up task force to determine scope and involved departments • Set mandate through department of industries • Create only single window and integrate departments online	• Medium term	• Alignment of all involved departments • Stringent performance metrics by enabled penalties • Industry feedback to refine processes
4. Single Window Clearance mechanism					
Implementation and enforcement of a Single Window Clearance mechanism	• New companies entering the State	• Reduced complexity of processes involved in starting a business • Shorter time to set up a business	• Empower a nodal agency to coordinate between all departments • Combine all application forms to required to start a business into one combined application form (CAF) • Assign timelines for the enforcement across the state	• Short term (for empowering nodal agency, creating CAF) • Medium term (for e-enablement of processes)	• Empowered nodal agency • Industry feedback to refine processes • IT infrastructure to take processes online
5. Industry clusters					
Full potential cluster strategy	• Small and medium industry • Local labour force	• Greater industrialization in the state • Development of industry expertise • Equitable development of small and medium industry	• For existing clusters, set up task force to determine full potential strategy • For new clusters- identify and acquire seed firm investment during early stages • Offer customized incentives to targeted industries • Track disbursal of incentives to clusters through a tracking mechanism	• Short-Medium term	• Membership and involvement of industry, academia and government in clusters • Monitoring mechanism to ensure disbursement of incentives towards relevant facilities • Track progress of clusters against plan

Initiative	Key beneficiaries	Key benefits	Key activities required	Timeline	Key enablers
6. Labour reforms					
Simplification of labour laws and procedures	• All industry across the country • All States within the country • Work force across the country	• Greater flexibility and predictability to industry • Higher productivity and reduced administrative burden from procedural simplifications • In the medium term, higher productivity within the work force	• Determine key revisions required within labour laws and develop a phased 1,3,5 year plan • Identify target industrial zones for initial pilots • Determine initial and final scope of revised laws and exceptions to be maintained throughout	• Medium-long term	• Strong focus on labour law reforms and alignment of stakeholders
Implementation of a Labour Management System	• All industry within State • State labour force • State labour department	• Transparency in labour law administration • Reduction in time spent by firms in compliance • Increased compliance	• Introduce procedural reforms like 3rd party certification and rationalising of inspections • Set up team to make labour processes online	• Short-Medium term	• Identification of suitable technology partner
Transformational skill development	• All industry within State • State labour force	• Partaking of local population in States' industrialization • Easy availability of skilled labour for industry	• Privatize ITIs • Continuously obtain industry feedback on training programmes to obtain curriculum	• Short term	• Continuous industry and academia feedback • Clearly fixed responsibilities on individuals to drive success of skill development program
Streamlined approval of Environment clearances	• All industry within State • State pollution control boards (PCBs) • Environmental ministry	• Increased clarity on environmental regulations for industry • Greater compliance levels • Lesser time to operations for industry	• Set up information dissemination practices to educate industry on compliance • Introduce e-governance in PCBs with time-bound services • Regularly train employees on latest technology that influences regulations	• Short term	• Identification of suitable IT partner to implement e-governance • Use of technology to reduce inspections (RFID tags to track waste)
8. Availability of power					
Policy thrust for managing power deficits	• All users of electricity • Small, medium and large industry	• Increased industrial activity and productivity due to reduced power cuts • Improved quality of power supply	• Prepare business plan and budget for long term capacity addition • Develop blueprint for inviting private participation	• Medium- long term	• Strong thrust on long term capacity addition by State government • Simplified regulatory environment for private players

Initiative	Key beneficiaries	Key benefits	Key activities required	Timeline	Key enablers
7. Environment-related compliances					
Strong thrust on renewable energy	• All users of electricity • Small, medium and large industry • State government, • State exchequer	• Increased industrial activity and productivity due to reduced power cuts • Lower unpredictability in supply • Reduced state costs due to lesser reliance on high cost sources	• Draft solar and wind focused policy with strong incentives • Draft strategy and business case for bringing in producers of renewable power • Allow for easier business environment to companies in the sector through improved land allotment and faster clearances	• Short-medium term	• Financial incentives for energy firms, particularly renewables
AT&C reduction drive	• State electricity departments and exchequer • Industry and residents in State	• Reduction in large AT&C losses and up to 50% increase in power availability • Higher revenue	• Prepare blueprint for key measures required to reduce losses • Develop business plan to estimate upside from limiting losses vs. cost • Assign implementation team and fix 1,3 and 5 year targets for loss reduction	• Short-medium term	• Clear accountabilities for implementation of initiatives • Strict penalties for weak enforcement • Close monitoring to track progress
9. Payment of taxes					
Streamlined state-level taxation	• All taxpayers and industry within State • State revenue department	• Reduction in time spent in paying taxes for industry • Reduced administrative burden and costs for taxpayers • Lower incidence of fraud due to streamlined and consolidated processes • Increased tax compliances and higher revenue for state	• Set up committee to review tax regime • Enable online filing and payment of all taxes • Make processing of returns time-bound	• Short-medium term	• E-enablement of multiple taxes • Feedback from industry • Enforcement of online systems to ensure minimization of fraud

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Initiative	Key beneficiaries	Key benefits	Key activities required	Timeline	Key enablers
10. Availability of information					
Best in class information availability	• All industry within State • New investors in the process of identifying destinations for investments	• Clarity around processes involved in setting up industry for businesses • Reduced time to set up industry • Increase in investment in state	• Set up information dissemination agency to create comprehensive updated database on all processes available online • Prepare blueprint for taking all information related to all processes to one online portal and set milestones for tracking	• Short term	• Effective use of technology to disburse information • Technology and knowledge partners to aid in information collation and dissemination
11. Commercial dispute resolution					
Enforcement of ADRs	• Industry involved in commercial disputes	• Faster and clearer resolution of commercial disputes • Greater predictability for industry	• Amend Arbitration and Conciliation Act to reduce ambiguity and enforce greater adherence	• Short-medium term	• Strong enforcement mechanisms through clear, unambiguous rules
Fast track courts for Commercial contracts	• Industry involved in commercial disputes • State industrial department	• Faster resolution of disputes • Greater business activity due to simplified judicial set up	• [Centre to] pass Commercial Division of High Courts bill • State high courts to expedite adoption by setting up Commercial divisions	• Short-medium term	• Adequate judges capacity and quality
e-enablement of courts	• Industry involved in commercial disputes	• Greater transparency regarding processes due to better information availability	• [Centre to] prepare plan with deadlines for e-enablement of courts • Regular tracking of progress against plan to be carried out	• Medium term	• Training of court officials to operate new systems • Identification of suitable technology partner to drive implementation

Initiative	Key beneficiaries	Key benefits	Key activities required	Timeline	Key enablers
12. Exit procedures					
Progressive exit procedures in designated zones	• Industry operational within designated zones • Work force within designated zones	• Greater flexibility and predictability to industry • Elimination of drain on national output due to closure of loss making units • In the medium term, higher productivity within the work force	• Determine key policy measures to be revised • Determine scope for reforms, i.e. industrial zones covered • Draft safety measures for impacted employees and employers, including stringent employee safety measures	• Short-medium term	• Enforcement of severance requirements on employers

In summary, there is tremendous investment potential in India. For each of the ten factors identified, initiatives taken by the 'best-in-class' state are detailed and key recommendations outlined. At the end an impact plan is laid out for all of the twelve factors. By studying best practices in different states and in other countries, concrete, implementable steps states can take to improve the 'ease of doing business' in the country have been outlined.

There are huge immediate and long-term benefits to implementing reforms to improve the overall business environment in the country. These initiatives need to be launched by each state individually with clear tracking mechanisms. If implemented well, these initiatives can set the stage for explosive growth and an unprecedented transformation.

Acknowledgements

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