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White Paper

Improving India's Competitiveness for Inclusive Economic Growth

An enabling environment for Samaj, Sarkar and Bazaar to work together

This paper has been prepared after five rounds of webinars with leading scholars, a list of which is placed at the end of this paper. The fourth event was organised in association with Pune International Centre and the last one was in partnership with the Institute for Studies in Industrial Development.

Executive Summary

India has been strengthening the entire ecosystem through rapid structural reforms to achieve Prime Minister Modi's dream of becoming a US$5tn economy by 2025. The government is simultaneously focusing on improving the quality; productivity and efficiency of Indian products to better compete in the global market. Although the impact of COVID-19 has led the country into a state of demand depression with higher levels of unemployment, India is still in a position to achieve the required annual growth rate of 7.5 percent from exports subject to a greater degree of improved competitiveness from Indian industries.

This ***Whitepaper*** makes a thorough attempt to identify factors that determine the degree of competitiveness of Indian industries, promoting investment in intangible assets including skills, education and human resource development; better intra and inter-sectoral cooperation at firm level; ensuring fair competition; and modernisation of public institutions. The paper also attempts to recognise suitable solutions and policy recommendations in order to turn identified challenges into opportunities for ensuring improved competition in the industry.

Although it is duly recognised that such complex, multi-dimensional issues cannot be addressed through simplified recommendations, a sincere effort has to be made through complementing synergies of *Samaj, Sarkar, and Bazaar* (society, government, and markets) as possible mitigation measures to ensure an inclusive and resilient recovery from the Covid-19 pandemic.

Four Pillars

Driven by the spirit of cooperative federalism, four priority areas have been ideated to cater to a shared vision with scopes of mutual learning and a single market mechanism. Key pointers discussed in each of these are as follows:

- **Investment in Intangible Assets:** Strengthening social and economic infrastructures in education and health with a special focus on women could have far-reaching results. Use of digital tools can be a gamechanger in this regard. Capacity building about labour force participation with proper skilling of human resources could enhance national competitiveness. The paper identifies a need to ensure better inter-ministerial coordination at the central level and inter-departmental coordination at state levels, with proper monitoring and evaluation of policy implementation strategies to improve the competitiveness quotient. Collaborative efforts of academia, industry, administration and local communities may be attained through an institutionalised framework to resolve issues regarding human capital formation and efficient knowledge transfers.

- **Firm level cooperation and participation in value chains:** The paper vouches for fair access and ability of all firm sizes to equally participate in the economy. It is important to build the capacity of local firms by addressing factor market inefficiencies and fostering coordination for their participation in global value chains. Furthermore, it should be ensured that efficient business networks across and within sectors create business and employment opportunities for a wide spectrum of firms and workers. It is also imperative for individual firms to break the barriers of possessing a 'Master-Subject' relationship with the government. The relationship could rather be that of 'Shareholder - Management'. Lastly, it has been ideated that India should now look up to RCEP as an opportunity to participate in the regional value chains in Asia – Pacific, not only to ensure better trade balance but also to initiate potential investments. This would also lead to efficient structuring of industries, including adopting economies of scale and scope, further enhancing competitiveness.

- **Ensuring Fair Competition:** Out of several reform-based suggestions that the paper has prescribed in order to ensure fairer competition, reduction in barriers to entry and exit operations for new incumbents, as opposed to the existing players, comes foremost. Minimisation of institutional and competition distortions to factor markets, goods, services and technology should be prioritised. The paper suggests that a three-way testing mechanism of necessity, legality, and proportionality with an appointment of independent regulatory impact assessment bodies could reduce the existing eco-system's regulatory cholesterol. Adopting a National Competition Policy with adequate participation of government departments and regulatory agencies at central and state levels to review existing laws and policies from a spectrum of competition could unlock values in the industries sector. The paper gives relevant industry examples in this regard. Enhancing labour productivity, apart from focusing on human capital and skilling, is highly recommended. As most of the export-oriented sectors of South Asian economies are labour intensive, labour-displacing technologies often displaces unskilled and semi-skilled jobs.

- **Modernising and Enhancing Capacities of Public Institutions:** Apart from developing a framework for assessing institutional quality and gaps, the paper discusses a new age 'precision' in articulation of law and designing targeted objectives. Building institutional ability, strength and credibility would require process reforms to attract and retain competent individuals through performance linked incentives, ensuring clarity in objectives through government consultation and minimum government interference thereafter, and functional and financial autonomy of institutions with reduced possibility of post-facto review of reasoned decisions taken in good faith.

From Vision to Action

The study has ideated eight pillars of a basic framework to start with, under which the broader vision and discourse of competitiveness can be translated into tangible and actionable points. Although challenges and proposals for each of these pillars are detailed in the White Paper, the Executive Summary would essentially outline the pillars and provide remarks:

Pillars	Remarks
1. Access to Credit and Incentives	• Enhance outreach of financial services, including delivery channels across all sections of society, sensitise banking officials, develop cash flow-based lending practices, increase awareness of the banking services, and ensure affordability and accessibility of the appropriate financial products to achieve sustainable and viable financial inclusion. • Financial reforms are required to promote governance, transparency, competition, and enablement of niche banking, with use of digital tools.
2. Reduce Regulatory Cholesterol	• Understand the precise nature of circumstances that lead to delays, harassment, irritation and, in many cases, rent-seeking and facilitation payments. • Run a programme with credible civil society and business associations to make comprehensive assessments of the above-mentioned nitty-gritties in different states and across different functions. • Reduce regulatory burden by removing the requirement of licence, renewals or increasing its periodicity, minimising or eliminating a number of display requirements for licences, risk-based inspection system and simplifying a number of filings, removal or rationalisation maintaining

Pillars	Remarks
	registers/records. ● Laws to allow the state to seize the ill-gotten property of a convicted civil servant should then be used to advance social causes.
3. Protocols for Regulating Access to and uses of Data	● Data openness is expected to improve the decision making of both governments and individuals. ● The untapped potential could be unleashed if government data is standardised into open government data, with adequate privacy protections, and the restrictions to the access and re-use of such data, including legal, financial and technological ones, are overcome. ● The evolving data protection and governance framework should focus on unlocking the value of government data, including leveraging the potential of digital public goods.
4. Enforcement of Contracts and Rule of Law	● For enforcement of contracts, reliance should no longer be placed on the principle of efficient breach of contract. In contrast, more reliance should be placed on the performance of the contract through the Specific Relief Act of 1963.
5. Strengthening of Judicial Ecosystem	● Reform sagging civil and criminal justice system ● Litigants to deter and/or be disabled from gaming the legal system ● Judges to be appointed in commercial courts rather than just giving additional duties to existing judges who are already overburdened with cases. ● The culture of alternate dispute redressal

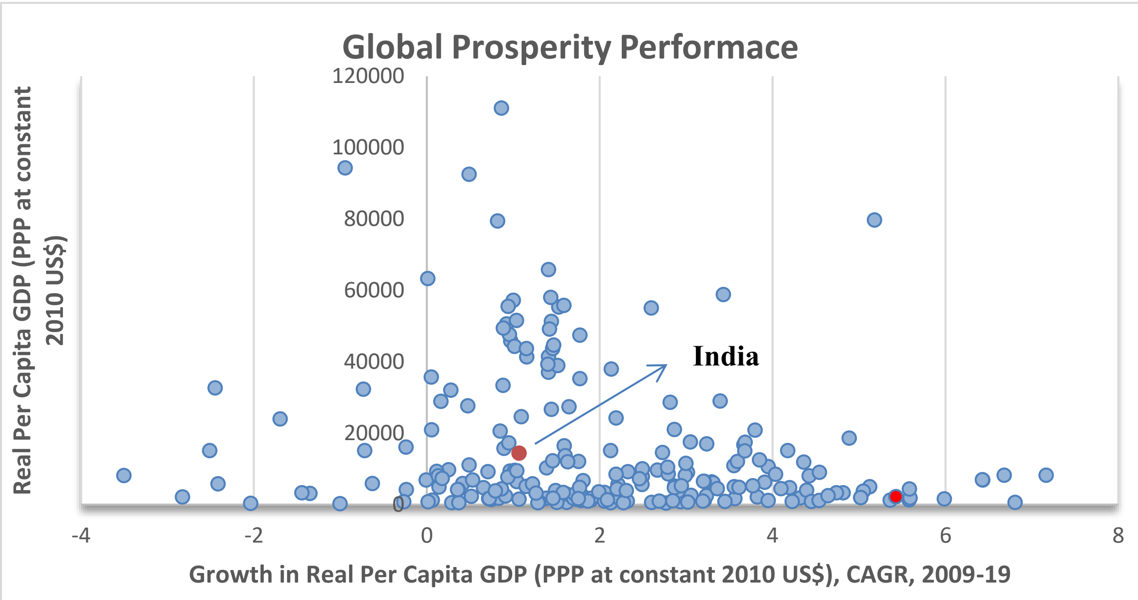
Pillars	Remarks
	(mediation, conciliation, and arbitration) in India should be strengthened, particularly through use of digital tools. ● The Specific Relief Act has been amended to allow courts to engage experts to assist them in adjudicating commercial matters, which require greater analysis than just legal. ● Constitutional courts should create a roster of experts to be tapped into, as and when a need arises.
6. Strengthening Governance	● The functioning of the bureaucracy needs to be strengthened and decentralised. ● People need to be trained to take complete onus and responsibility of their work and should be made accountable for their deeds. ● An incentive-disincentive system (sticks and carrots) needs to be created in this regard. ● The government to ensure that every citizen has been made available with the most basic rights to lead a decent and respectful life not just on paper but also in spirit and fact.
7. Granular Reforms	● Government to ensure that strategic protectionism is adopted, especially in light of the covid pandemic. ● A multifaceted intervention is needed by the government with more infrastructural development, more capital investment, an impetus to exports, more human capital and more private sector participation. ● Private participation in infrastructure development through various forms of

Pillars	Remarks
	public-private partnerships should be encouraged. ● The government is required to boost spending for employment generation. ● A sector-wise strategy is needed to focus on factors of growth to improve competitiveness.
8. Macro Level Reforms	● State-led efforts are needed to increase productivity and quality of the workforce to become globally competitive. ● Boosting investors' confidence, practicing fiscal prudence and providing the required impetus for quick growth is important. ● The government should ensure that there is no artificial appreciation/depreciation of the currency. Our effective exchange rate should be dynamically adjusted with inflation differentials between India and its major trading partners.

Introduction

Speaking at the opening session of the World Economic Forum in January 2018 at Davos, the Prime Minister of India said 'India is poised to become a US$5tn economy by 2025'. For many, the target appeared to be ambitious. For this to happen, India would require the gross domestic product (GDP) to grow at 10 percent per annum in real terms for each year over the next four years. Given the recently announced reforms in goods, services, and factor markets, one can safely assume that India will be able to achieve at least 8-9 percent annual growth in real terms over the next few years.

However, that will not be sufficient to achieve the above-stated target and would *inter alia* also require significantly improved contribution from exports to grow at 7.5 percent annually, increased participation in the global value chains, and significant improvement in the competitiveness of Indian industries.



Source: Institute for Competitiveness

Furthermore, the impact of the covid pandemic has led to demand depression and high unemployment in the global economy. India was led into a recession affecting the unorganised sector and semi-skilled jobholders losing their employment. Despite several claims that the impact of the second and third waves of the covid on the Indian economy may not be very large and the impact may remain muted, the Indian economy is feeling the stress of the deadly pandemic wave.

According to various reports, the following consequences *inter alia*, of the second wave are being witnessed, which will have an overall major impact on the set goal of India becoming a US$5tn economy by 2025:

- In India, the retail inflation based on Consumer Price Index (combined) increased to a three-month high of 4.91 percent in November, 2021 with food prices rising too.
- Moreover, the private sector spending by consumers or private final consumption expenditure has still not reached the 2019 levels. In the second quarter of 2019-20, it was Rs. 20.19 lakh crore, which is now Rs. 19.48 lakh crore.
- The unemployment rate has gone up to 7.75 percent in October, 2021 from 6.86 percent in September, 2021. The urban unemployment rate in the month of November 2021 soared to 8.21 percent.
- The recently released World Inequality Report 2022 highlights that in India, while the top 10 percent and top 1 percent hold respectively 57 percent and 22 percent of total national income, the bottom 50 percent share has gone down to 13 percent.
- India's industrial growth remained tepid at 3.2 percent in the peak festive month of October 2021, the lowest in eight months.
- According to NITI Aayog's Multidimensional Poverty Index (MPI), one in every four people in India was multidimensionally poor. While the poverty ratio is as high as 33 percent in rural areas, around 9 percent population in urban areas is poor.
- According to Centre for Monitoring Indian Economy, India's labour participation ratio was 41.38 percent in March 2021, but has further fallen to 40.15 percent in November 2021.
- Despite the pandemic and weak economic recovery, corporate profits have soared and reached historic highs. In financial year 20-21, the net profit of listed companies (more than 4,000) recorded a historic high, up 58 percent to Rs. 5.31 lakh crore, and its share in the GDP hit a 10-year high of 2.63 percent. This is when the GDP growth slipped to negative territory, at -7.3 percent – one of the worst in the world

Going by these figures, it is clear that the Indian economy has not recovered yet from the pandemic. Therefore, improving competitiveness amidst these challenges is the only option left for the Indian economy to grow at a reasonably high rate so as to create meaningful employment for the masses and help them overcome the challenges of income as well as non-income dimensions of poverty. This has also been worsened by the pandemic.

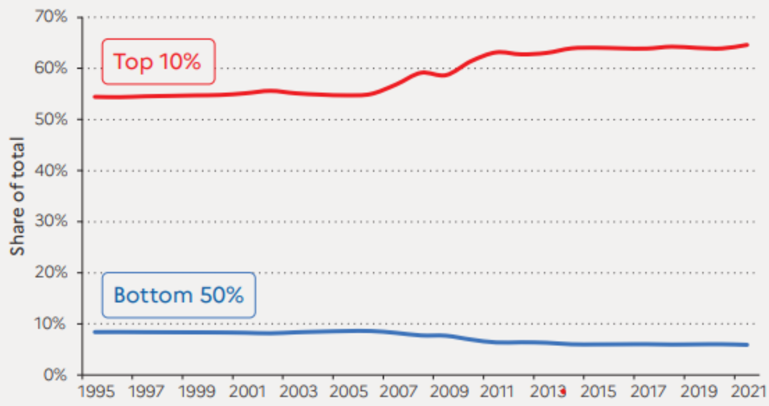
This White Paper attempts to identify factors that determine the degree of competitiveness of the Indian industry. Then it suggests possible solutions and recommendations to turn these challenges into opportunities to improve competitiveness of Indian industries. This, in turn, will contribute to making India an economic powerhouse in the coming years.

We recognise that this is a complex multi-dimensional issue and cannot be addressed through simplified recommendations, but an effort has to be made. By complementing the synergies of samaj, sarkar, and bazaar (society, government, and markets), such an effort is much more relevant now than ever before to ensure an inclusive and resilient recovery from the covid pandemic.

Indian Economy and its Challenges

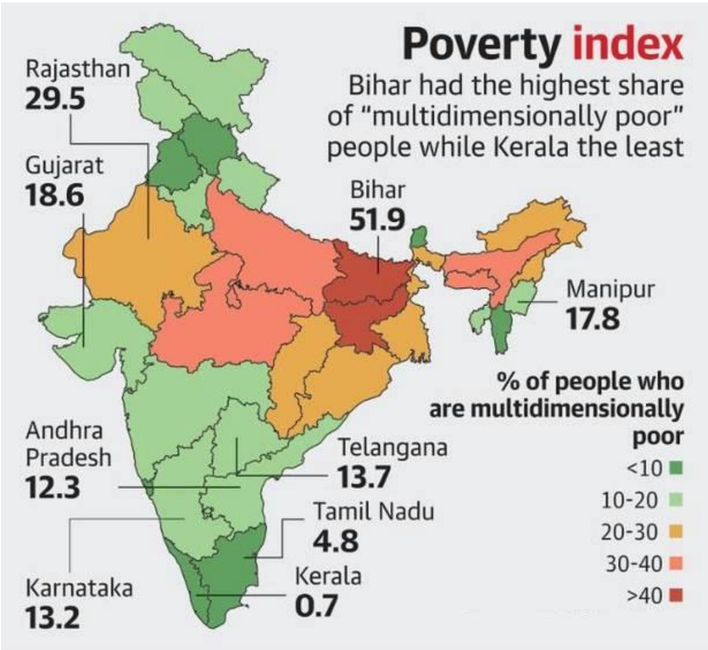
As per the World Inequality Report 2022, India stands out as a 'poor and very unequal country with an affluent elite group'. The top 10 percent holds 57 percent of the total national income, including 22 percent held by the top 1 percent while the bottom 50 percent's share is just 13 percent in 2021. Moreover, in India, the increase in private wealth ownership was 290 percent in 1980, which almost doubled to 560 percent in 2020.

Figure 2: ***Wealth distribution in India***



Interpretation: *In 2021, the wealthiest 10% of the population own 65% of total household wealth. Household wealth is the sum of all financial assets (e.g. stock, bonds) and non-financial assets (e.g. housing), net of debts.*
Sources and series: *wir2022.wid.world/methodology.*

The Commission of Growth and Development, World Bank (2008) considered systemic inequality of opportunity as 'toxic' since the same is responsible for derailing the growth process through political channels or conflict. Both high and rising levels of inequality hinder poverty reduction, which slows down the growth process. One important indication of inadequate inclusion in India is that millions continued to live on the margins despite years of rising growth without safety nets and fell back into poverty when the pandemic struck. In addition, there is inequity in accessing basic needs and an enabling environment required for a decent quality of life. Moreover, the NITI Aayog has recently released a Multidimensional Poverty Index (MPI) which seeks to measure poverty across its multiple dimensions and in effect complements existing poverty statistics based on per capita consumption expenditure. According to the index, one in every four people in India was multidimensionally poor. Bihar has the highest proportion of people (51.91 percent of the state's population) who are multidimensionally poor, followed by Jharkhand and Uttar Pradesh.



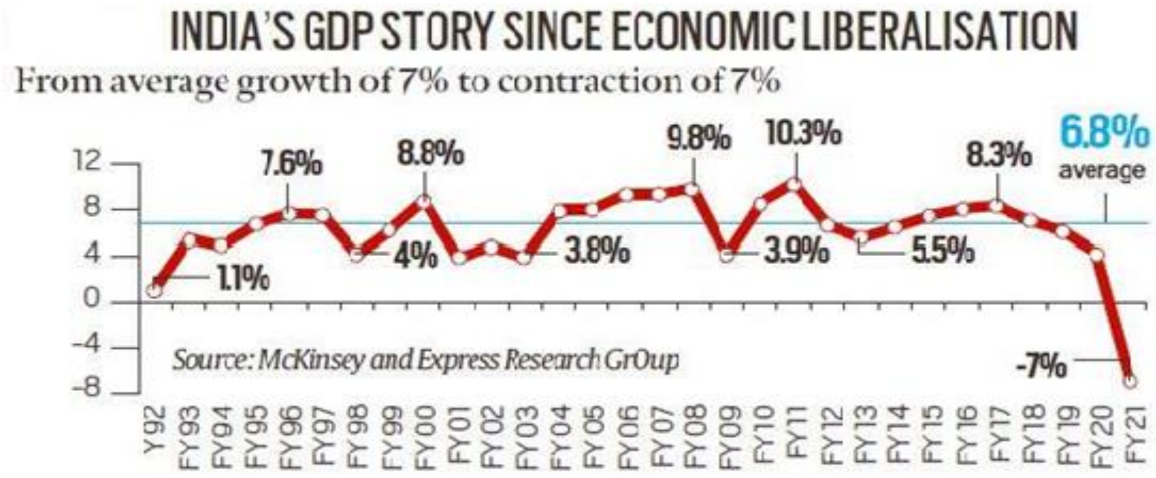
Source: NITI Aayog National Multidimensional Poverty Index, 2021

It is not that the government is unaware of these challenges. Through initiatives like the National Infrastructure Pipeline, it aims to provide massive push to infrastructure development. However, it has been estimated that only five percent of projects that are to be executed over five years till FY25 have been completed till mid-November 2021. Consequently, despite significant cumulative spending in absolute terms by the government, the quality of health and education infrastructure remains suboptimal on average and reflects inadequate management and deployment of such spending. Over the years, our governments' (both union and states) efforts to provide basic facilities, such as decent education, health, and social services, have proven to be insufficient. This, in turn, has forced people with relatively modest incomes to spend large amounts of money on such services offered by the private sector. This reduced their ability to invest in other aspects of quality of life, as well as save, and prevented them from accumulating wealth. It is this gap in overall wealth and human capital that drives the vicious cycle of inequality.

For example, a single health emergency can drive a lower-middle-income family into poverty and eradicate their modest savings, which affects the next generations' ability of social mobility. The government introduced Ayushman Bharat Yojana (PMJAY) in 2018 to provide healthcare facilities to economically vulnerable citizens. But out of an estimated 45,50,000 people who were hospitalised for covid treatment in public or private hospitals, only 13 percent availed the insurance provided under PMJAY. A National Healthcare Authority (NHA) was set-up to implement the programme throughout the states but in some states like Punjab and Gujarat, reportedly negligible people availed insurance under PMJAY. This points out towards the inefficient implementation of the scheme, especially amidst the times of health crisis due to the pandemic.

A protracted covid wave is already shrinking incomes and wiping out savings of the middle-class families in India, posing a risk of a double whammy for Asia's third-largest economy that is still struggling from last year's pandemic induced recession.

Furthermore, the covid pandemic has exposed the limitations of the economy in terms of growth and employment generation. From growing on an average by seven percent, the economy has contracted by almost seven percent. The National Council for Applied Economic Research (NCAER) in its quarterly review of the economy (Q1) stated that the second wave of the covid pandemic, significantly more virulent than the first wave, has completely disrupted the economic recovery process after the first wave. The report estimated that the GDP would grow 11.5 percent in the first quarter and 8.4-10.1 percent for the whole year 2021-22. The report stressed on a strong expansionary macroeconomic policy thrust for the Indian economy for a faster recovery.



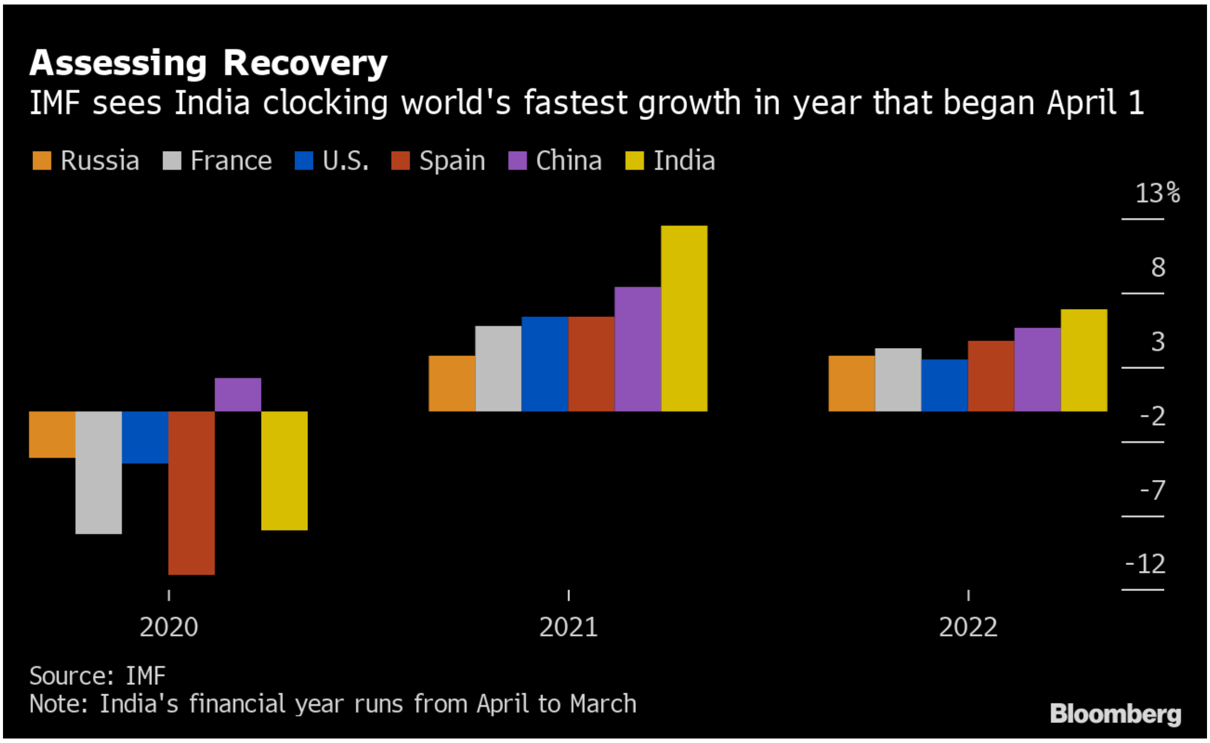
Source: The Indian Express

As per NITI Aayog's Three Year Action Agenda 2017-18 to 2019-20, India's problem is severe under-employment rather than jobless growth, resulting in low productivity and low wages. Two or more workers often perform a job that one worker can perform. In effect, those in the workforce are employed, but they are mainly stuck in low-productivity, low-wage jobs.

The unemployment rate in India has consistently remained between five percent and eight percent. The CMIE data highlights that the unemployment rate was at a startling nine percent in December 2020, coming down to less than seven percent in January 2021. The unemployment rate went up to 7.75 percent in October, 2021 from 6.86 percent in September, 2021. The urban unemployment rate in the month of November 2021 soared to 8.21 percent.

At the time when the global economy is booming with the two largest economies of the world, the US and China, together accounting for around US$35tn (40 percent of the world economy) owing to vaccine optimism and significant fiscal stimulus, India is nowhere near its potential.

Despite the challenges facing the Indian economy, the International Monetary Fund has predicted that India is likely to clock world's fastest growth in this financial year (FY22). Given that there would be an increasing demand for global exports, India has an excellent opportunity to double the manufacturing (1.5 to 3 percent) and services export, subject to pursuing an open and inclusive trade regime.



That will depend on how much resilience can the Indian economy show, and against the other challenges mentioned in this White Paper.

Understanding Competitiveness and Inclusive Economic Growth

Competitiveness is defined as "*The set of institutions, policies and factors that determine the level of productivity of a country*". World Economic Forum	Inclusive growth is defined as "*economic growth that is distributed fairly across society and creates opportunities for all*". Organisation for Economic Cooperation & Development

Inclusiveness as a concept encompasses equity, equality of opportunity, and protection in market and employment transitions and is an essential ingredient of any successful growth strategy _

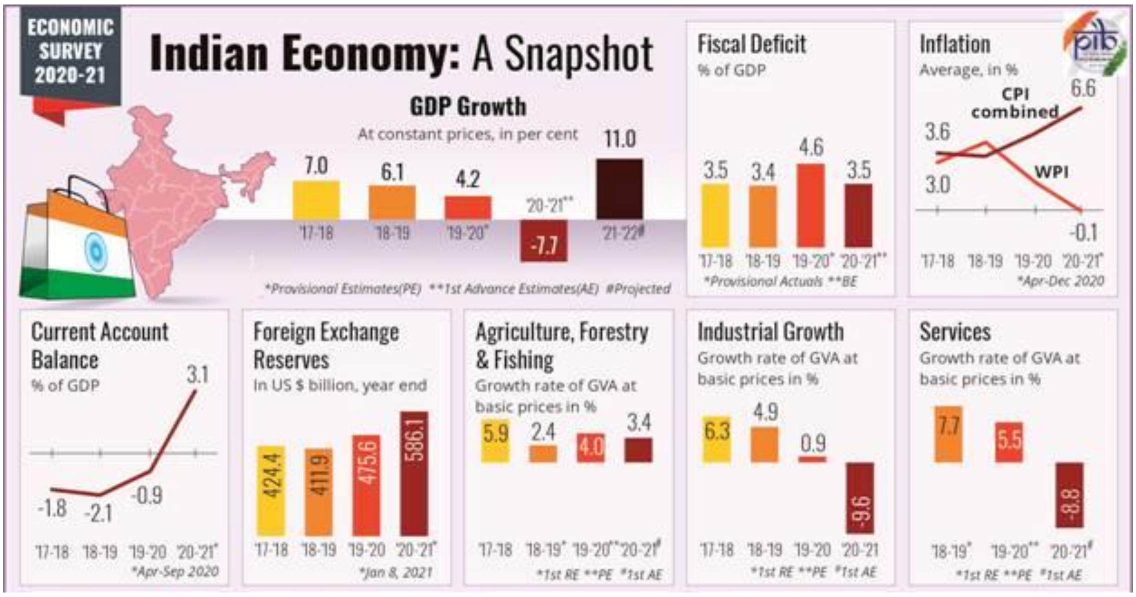
Commission on Growth and Development, World Bank, 2008.

World Economic Forum (WEF)'s Global Competitiveness Index 2019 places India at 68th position in 141 countries, a slip of 10 places compared to 2018. WEF's Global Competitiveness Report 2020 rates India poorly on indicators like the adequacy of skill sets among graduates, combining labour protection with safety net models, etc.

Also, in the IMD's World Competitiveness Ranking 2021, India was at 43th position out of 64 countries. India was ranked 46th and 49th on Government Efficiency and Infrastructure, respectively. Apart from this, the IMD also released the World Digital Competitiveness Ranking to measure the capacity and readiness of countries to adopt and explore digital technologies as a key driver for economic transformation. India's stands at 46th position out of 64 countries in World Digital Competitiveness Ranking 2021.

Therefore, economic objectives combined with social and environmental objectives should focus on India's development model. An ecosystem approach is required to plan and successfully implement measures to enhance competitiveness and inclusivity of growth.

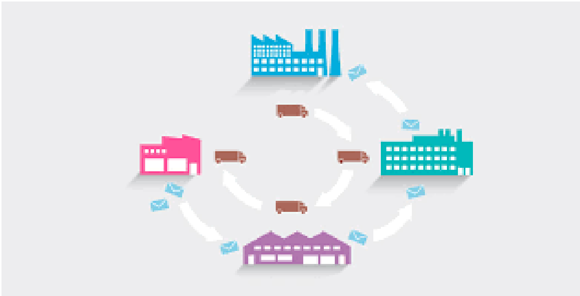
A higher degree of competitiveness and significant inclusion of human capital and skill drives greater productivity, which, in turn, leads to growth and higher income levels and, thereby, enhances the overall well-being of a nation.


ECONOMIC SURVEY 2020-21
Indian Economy: A Snapshot
GDP Growth
At constant prices, in per cent
7.0
6.1
4.2
-7.7
11.0
17-18
18-19
19-20*
20-21**
21-22#
*Provisional Estimates(PE) **1st Advance Estimates(AE) #Projected
Fiscal Deficit
% of GDP
3.5
3.4
4.6
3.5
17-18
18-19
19-20*
20-21**
*Provisional Actuals **BE
Inflation
Average, in %
CPI combined
WPI
3.6
3.0
6.6
-0.1
17-18
18-19
19-20
20-21*
*Apr-Dec 2020
Current Account Balance
% of GDP
-1.8
-2.1
-0.9
3.1
17-18
18-19
19-20
20-21*
*Apr-Sep 2020
Foreign Exchange Reserves
In US $ billion, year end
424.4
411.9
475.6
586.1
17-18
18-19
19-20
20-21*
*Jan 8, 2021
Agriculture, Forestry & Fishing
Growth rate of GVA at basic prices in %
5.9
2.4
4.0
3.4
17-18
18-19*
19-20**
20-21#
*1st RE **PE #1st AE
Industrial Growth
Growth rate of GVA at basic prices in %
6.3
4.9
0.9
-9.6
17-18
18-19
19-20
20-21
*1st RE **PE #1st AE
Services
Growth rate of GVA at basic prices in %
7.7
5.5
-8.8
18-19*
19-20**
20-21#
*1st RE **PE #1st AE

Four Pillars

If India is to achieve the target of US$5tn GDP mark, the competitiveness of Indian industries needs to improve significantly. This calls for interventions in four priority areas, driven by the spirit of cooperative federalism (given that such action will lie in the states), which will lead to inclusive growth and better competitiveness. They are as follows:

Investment in intangible assets such as skills, health, education



Intra and inter-sectoral firm-level cooperation and participation in supply chains

Ensuring fair competition

Modernising and enhancing capacities of public institutions

Shared vision, Mutual learning, and Single market

Investment in Intangible Assets

- Investment in education and skill development along with social and economic infrastructures in education and health need to be strengthened. Specific focus on the education of women can have far-reaching results. This is particularly poignant as women earn just 18 percent of India's total labour income, as per World Inequality Report 2022.

  ✔ Treating investment in education and health as social sector expenditure is incorrect. Both these sectors are engines of growth with tremendous potential to transform an economy.

- Capacity building in relation to labour force participation, particularly that of women.

  ✔ While the overall Indian unemployment rate was at 7.0 percent before India's lockdown in March 2020, it was already as high as 18 percent for women. In less than 15 years, India has fallen 39 places on the World Economic Forum's economic gender gap, from 110th in 2006 to 149th in 2020. Among its South Asian neighbours, India now has the lowest female labour force participation, falling behind Pakistan and Afghanistan, which had half of India's FLFP in 1990. Female labour income in India of 18.3 percent is lower than the average for Asia, which was at 27 percent in 2019.

  ✔ For better education and skill development in India, it is important to overhaul India's present education system. Given the complex nature of India's education system, which changes from state to state, it is important for the implementation of the National Education Policy to be fast-tracked as well as structured. To check that the NEP doesn't remain just a blueprint, an organisation can be set up within the mandate of the Ministry of Education and UGC. The findings of the recently released report on the State of Foundational Literacy and Numeracy in India also need to be taken into account.

- Collaborative efforts of the academia, industry, government and the community may be attained if an institutionalised framework is established, and strong government support is required for resolving issues regarding the human capital formation and knowledge resources.

- States also need to learn from each other on effective initiatives for investment in intangible assets. Strategies to increase the participation of women in education and labour force can also be cross-learned. Ensuring adequate resources and their productive use would require close coordination between Centre, states, and the Reserve Bank of India.

- A need to ensure better inter-ministerial coordination at the central level and inter-departmental coordination at state levels, with proper monitoring and evaluation of policy implementation strategies would be helpful. A need to develop the ethos and intellectual capacities of reading and writing laws is very much required in the context of India.

- Enhancing national competitiveness through proper skilling of human resources is required. The Education Policy should be framed in a manner to train the youth in cognitive and socio-emotional skills and not just technical skills.

Firm Level Cooperation and Participation in Value Chains

- Low level of competitiveness seems to impact India's participation in trade and value chains directly.

  - ✔ The broad inefficiencies in the factor markets viz. land, labour, capital and technology impact the overall competitiveness of the nation. Other issues also impact the overall competitiveness viz. including *inter alia*, transaction costs of starting and operating a business due to poor enforcement, badly designed regulations and corruption.

- Fair access and the ability to participate in the economy should be given to entrepreneurs irrespective of size. It should be ensured that there are efficient business networks across and within sectors that create business and employment opportunities for a wide spectrum of firms and workers:

  - ✔ The development of inter-sectoral and intra-sectoral networks that lead to better-connected value-chains result from micro-decisions to source, buy, and sell, made by individual firms.

  - ✔ The networks work at multiple levels, at the local, regional or national level. Large business associations drive this. On the ground, it is the smaller sectoral associations and cluster level associations that often matter more. The success of such network institutions depends on the level of trust they engender amongst members and the extent they address information asymmetries.

- India's reluctance to sign the Regional Comprehensive Partnership (RCEP) Agreement was *inter alia* because the Indian industry is not well prepared to counter imports from China, since China is not a normal functioning market economy. China's ability to distort prices would expose several critical sectors in India to significant risk. Therefore, the decision to have a delayed entry in RCEP is perhaps a good decision, especially because India should not risk exposing its domestic market in the global economy without preparing it for global competition. India opting out of joining RCEP was not a global ideological difference but the priority was to make the Indian economy more resilient on the lines of Atma Nirbhar Bharat. However, India do have long transition periods in many tariff lines, which can allow her to transit safely. One of the big risks is trade diversion, i.e., trade would happen more within the signatories of the agreement and ignore India.

- With the aim to create a virtuous cycle of enhancing supply chain resilience in the Indo-Pacific region, the Supply Chain Resilience Initiative (SCRI) was launched by the trade ministers of India, Japan and Australia. India should leverage this initiative by taking advantage of the interest that many countries have in moving their manufacturing out of China. This would aid India's presence in the global supply chain and thereby emerge as an alternative to China.

- To counter China's Belt and Road Initiative (BRI), the G7 launched a "Build Back Better World (B3W)" project to meet the infrastructural needs of low and middle income countries. China's BRI project clearly reflected upon the China-centric economic integration. India should actively engage with the B3W project to overcome China's adverse trade impact on India's products' competitiveness, market access, resource extraction etc. India has already highlighted the need to ensure four aspects in infrastructure creation under the B3W initiative: climate resilience; incorporating traditional knowledge; prioritising poor and vulnerable; sustainable and transparent finance that respects the sovereignty and territorial integrity of all countries,

- I t is equally important for India to use the available time to build local firms' capacity by addressing factor market inefficiencies and fostering coordination for participation in value chains. The role of district administration, local authorities, and state governments is crucial in this regard, who will need to cooperate among themselves and with the union government through a shared vision.
- The government has announced an outlay of Rs. 1.97 lakh crores for Production Linked Incentive (PLI) Schemes across 13 key sectors, to create national manufacturing champions and generate employment opportunities. While a step in right direction, selection of eligible entities needs to be transparent and incentives should not be provided for perpetuity. Already, there are concerns of micro, small, and medium enterprises being excluded from such schemes, and firms having to go through cumbersome processes to obtain incentives. Recently, the Union Cabinet cleared a mega multi-billion dollar capital support and production-linked incentive plan to push manufacturing of semiconductors. The aim of the government is to make India a global electronics hub. The government should introduce more such industry and sector specific incentive schemes to promote the domestic manufacturing industry, while ensuring equitable access to industries across sizes, time bound implementation and seamless grant of incentives. Moreover, incentives to address inefficiencies in the area of transport, logistics, infrastructure, would be crucial. It would drive exports and growth by achieving size and scale in manufacturing.
- Individual firms must break the barriers of possessing a 'Master–Subject' relationship with the government. The relationship should rather be that of 'Shareholder-Management'. An activist environment of challenging and criticising laws and ultimately generating feedback to the legislators is much needed.
- The systemic orientation of trade facilitation measures in India viz. digitalisation, automation, and other paperless trade modes have improved significantly over the last 6-7 years. It is now time for the Indian government to nurture the 'culture of enforcement' by capacitating officials and Government employees.
- With the onset of Fourth Industrial Revolution, digitalisation has become a key to competitiveness especially in developing countries like India. The number of opportunities in international trade will increase for the countries which are able to adapt and adopt according to dynamic international standards. The digital revolution is rapidly transforming the global manufacturing and trade, thereby altering the export competitiveness of developing countries. India needs to leverage its capabilities in the

digital ecosystem, including digital public goods, to enhance its manufacturing and export competitiveness.

Ensuring Fair Competition

- Reduce barriers to entry, operation and exit of firms
  - ✔ The inability of new entrants to grow and challenge established players due to high entry, operational, and mobility barriers result in unreasonable business costs and heighten entrepreneurial risks.
  - ✔ Micro, small, and medium enterprises currently bear a disproportionate burden of regulatory costs, which needs to be addressed by creating a level playing field, and risk based regulation.
- Ensure competitive neutrality
  - ✔ Competitive neutrality is a recognition that there is no undue preference to select enterprises or types of enterprises. It is mostly visible vis-à-vis similarly placed state owned and private sector enterprises, wherein the former are unduly favourably treated through regulations, resulting in absence of level playing field. Increasingly, unreasonable preference to local enterprises over foreign enterprises is also being witnessed. In an economy like India the issue of competitive neutrality is more critical since the government operates businesses in various sectors which are monopoly or in competition with private sector. Sectors like railways, mining, power, postal system, banking, etc. remain largely under the public sector.
  - ✔ To establish competitive neutrality in all sectors, a holistic National Competition Policy should be introduced by the government to address and prevent competition distortions in India.
- Institutional and competition distortions in factor markets, goods, services and technology should be minimised.
  - ✔ Distortion in access and prices of aforesaid factors should be minimised, to ensure their efficient utilisation. This will enable firms to exploit the comparative advantage of such factors successfully. This can be made possible through comprehensive economic policies to support land market reforms, competition processes, open labour markets and access to finance, along with investments in critical infrastructure.
- Addressing challenges at the implementation level and removing subjective human interventions.
- Value addition incentives given to industries should neither be discretionary nor distortionary, and should be reviewed within a prescribed time period. Also, large firms

should not be provided undue preference in public procurement by setting unreasonably stringent eligibility conditions.

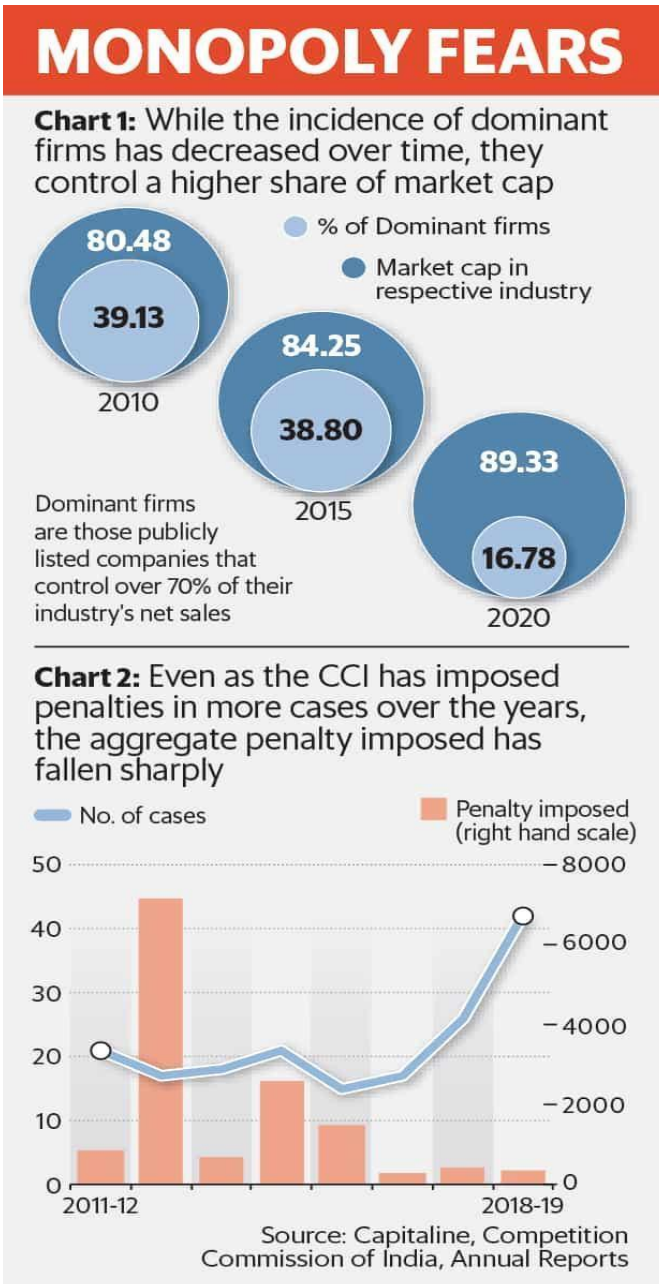
- Honouring and respecting wealth creators so that ample wealth leads to further investment and can create more jobs and ensure fair distribution is necessary. Investors also need to be nudged to hold enterprises to account for ensuring decent working conditions and wages to the labour.
- Reducing regulatory cholesterol by using the regulatory guillotine process, which reviews all regulations through a three-way test of: a) necessity, b) legality, and c) proportionality. To do this, the states should establish independent regulatory impact assessment bodies to examine all existing and proposed regulations through a multi-stakeholder approach.
- A National Competition Policy should be adopted with adequate participation of government departments and regulatory agencies at the Central and state levels. An exercise to review existing laws and policies from a competition lens and adopt appropriate reforms can go a long way in unlocking the value of Indian industries.
- Some of the industry examples are illustrated below to explain what is meant by ensuring fair competition:
    - Despite claiming that it lays great emphasis on fostering the growth of sellers using its platform so that they may thrive and in turn benefits customers, Amazon has never publicly clarified how it is providing a level-playing field to all the local businesses that use its platform. Amazon has been significantly less than vocal in India on the mechanisms it has put in place to ensure that its online marketplace does not disproportionately benefit some sellers more than others.

      The authorities investigating Amazon's business practices, whether in India or abroad, must make Amazon clear the air on the systems it has put in place to ensure that its online marketplace benefits all sellers equally and does not restrict choices available to customers.
    - Out of the US$50 billion investment in 2020, global tech giants, including *inter alia*, Metaverse (formerly Facebook) and Google, have invested in Reliance's Jio Platforms worth US$22bn, in July last year. While these investments proved to be a vote of confidence for Jio Platforms and its wide array of digital services, many questions exist regarding the potential anti-competitive nature of these deals in the context of India.
    - Dominance is an endemic feature of many other sectors of the Indian economy, with legacy firms such as ITC having held the sway for a significant period for various products. In the automotive sector, companies such as Bajaj Auto dominate the scooters and three-wheeler industry, and Tata Motors has the most significant presence in the light and heavy commercial vehicles. In metals and mining, Aditya Birla group-owned Hindalco and Vedanta group's Hindustan Zinc dominate the aluminium and zinc industries. Further, a public sector undertaking such as the Oil

and Natural Gas Corporation is the country’s largest firm engaged in oil exploration and dominates this particular segment.

- Comprehensive economic partnerships and translating comparative advantages into competitive advantages are the way forward. Citing an example of Vietnamese competition with Bangladesh on the readymade garments industry, Vietnam is enjoying zero tariff access for RMG in countries like the EU, Canada, Japan, and China due to its participation in the Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP) and RCEP.

- Enhancing labour productivity, apart from focusing on human capital and skilling, is highly recommended. As most of the export-oriented sectors of South Asian economies are labour intensive, labour-displacing technologies often displace unskilled and semi-skilled jobs.



- The consolidation of market power in these dominant firms means that they are in a position to dictate prices and other terms and, at the same time, risks posed by such dominance are a lot harder to quantify since many of the firms are either unlisted private entities or listed in stock markets outside the country.

- In the absence of more up-to-date pro-competition regulations to address anti-competition challenges emanating from new technology-enabled sectors, in particular, these sectors can misuse their market power to enrich themselves at the expense of competitors and consumers. Therefore, it is necessary for the Competition Commission of India to enhance its capacity and for the government to amend the Competition Act, 2002, to deal with such new-age competition issues by balancing producer/supplier, consumer and public interests to ensure a free and fair competition marketplace.

Cooperative Federalism

How can Bihar become Tamil Nadu & Tamil Nadu become Taiwan?

- Southern states are faring better because they focus on essentials like education, health, infrastructure, logistics and power, and are, therefore, more competitive than the rest.
- Translating successful policy lessons and implementation experience by states is a critical element of reforms leading to better outcomes across the country.
- The state capacity needs to be strengthened to plan and implement well, because only competent states can lead to a strong and resilient national economy.
- We recognise that the implementation of the Goods & Service Tax (GST) regime was done badly, which is now being corrected. The process needs to be handled with an equal role for union government and state governments like was done to establish the Goods & Services Tax Council. Such a body should be a standing council of Finance Ministers from all States/UTs, which should be the paramount body to deliberate on all financial issues in the country.
- The NITI Aayog should be merged with a constitutional body such as the Inter-State Council with due amendments in the Constitution to function effectively with a strong mandate. This may result in improving the institutional participation of state governments in inter-state affairs. Thus, the new NITI Aayog has to ensure that mechanisms are established to enable true federal spirit with affirmative action programmes for lagging states. The new NITI Aayog may receive significant resources (say one to two percent of the GDP) to promote accelerated growth in the lagging states and overcome their historically conditioned infrastructure deficit, thus reducing the developmental imbalance. This is opportune time to reform NITI Aayog as the government is already in the process of reviewing its performance and designing necessary reforms.
- A recent example of imbalance has been witnessed with the advent of GST in India. States' share in gross tax revenue of the centre is much lower than the recommended 42 percent. The states' dependency on the centre for revenues has increased, with the share of the revenue from own sources declining from 55 percent in 2014-15 to 50.5 percent in 2020-21. The new NITI Aayog must create a niche, assume the role of another policy instrument and should become the second pillar of the new fiscal federal structure.
- Other than the GST, the government should take steps to create a single market in the country without barriers so that states' competitiveness is enhanced and not frittered away due to unnecessary rivalries or following sub-national autarkic policies such as reservations of jobs for locals, whether in the public sector or private sector.

- Only through a shared vision, mutual learning and coordinated approach to create a single market can cooperative federalism benefit India.

Modernising and Enhancing Capacities of Public Institutions

A basic framework for assessing institutional quality and gaps can be based on the following criteria:

Institutional Ability	Institutional Strength	Institutional Credibility
Capacity to deliver on its mandate in terms of available resources.	**Access:** Stakeholders face little or no impediment in approaching institutions for their needs, irrespective of their socioeconomic standing.	**Trust:** Stakeholders and partners strongly believe that solutions can be found working through these institutions.
Competence of officers (knowledge and awareness) to adequately meet the demands of service required of them.	**Accountability and Transparency:** There are robust procedures to ensure that an institution meets its mandate and for stakeholders to seek redress when it does not. Systems exist that map performance of the institution and the officers/executives running it most transparently.	**Collaboration:** Stakeholders and partners have faith in the institution to deliver on common goals and serve as a platform for collective action in a manner that does not jeopardise their individual needs or interests.
Institutional memory and continuity, i.e., the level of service and ability to deliver on its mandate, is not over-dependent on individual leadership and initiative but is systemic.	**SOP and exception management**: There are robust SOPs for most of the day-to-day work and an exception to such SOPs is recorded transparently.	**Instruments of Approbation:** Wrongful actions by individuals or entities (for example, officers in a public institution, firms in an association) that jeopardise the mandate of the institution, compromise its credibility, or harm its collective action goals are met with adequate administrative, as well as social approbation that acts as a robust check against such behaviour.

One of the most important elements of navigating the way out in drafting laws is creating a new age of 'precision' in articulating law and designing targeted objectives. Each organisation should have precise objectives and narrow investigating powers with proper checks and balances written down to the law. Adoption of good drafting principles will be key in this regard.

Building institutional ability, strength and credibility will require process reforms to attract and retain competent individuals through performance-linked incentives, ensuring clarity in objectives through government consultation and minimum government interference thereafter, and functional and financial autonomy of institutions with reduced possibility of *post-facto* review of reasoned decisions taken in good faith.

From Vision to Action

Eight pillars of a basic framework under which the broad vision of Competitiveness which can be translated into actionable points

Sl. No.	Pillars	Challenges	Proposals	Remarks
1.	Access to Credit and Incentives	The biggest impediment to 'fairness' is inequity in availing credit (at competitive rates) and incentives by MSMEs. There are few other factors due to which access to credit and incentives become a challenge, including *inter alia*, the lack of financial literacy amongst the people; unsatisfactory penetration of formal financial services in the country and incapacity; lack of interest, incentives and poor management of frontline bank officials to gauge the creditworthiness of entrepreneurs specifically; costs in reaching out to marginal sections of the society, including MSMEs; inability to leverage alternative credit data; lack of political will to disburse exporting incentives and GST refunds. It has been reported that MSMEs have been unable to	• Address inequity in availing credit incentives by MSMEs. • Need for improved financial literacy amongst the people. • Enhance penetration of formal financial services in the country, including leveraging the potential of fintech for democratising access to finance. • Promote the use of alternative credit data for the assessment of creditworthiness and address impediments in this regard. • Ensure competitive rates of credit to MSMEs.	Enhancing the outreach of financial services, including the delivery channels across all sections of the society and sensitising banking officials, developing cash flow-based lending practice, increasing awareness of financial services and ensuring affordability and accessibility of the appropriate financial products so that sustainable and viable financial inclusion can be achieved. The much-needed financial reforms are also required, which will promote governance, transparency and enablement of niche banking. Such reforms should leverage the potential of NBFCs and the fintech sector to serve vulnerable sections by adopting risk-based proportional regulation.

Sl. No.	Pillars	Challenges	Proposals	Remarks
		obtain benefits of the MSME Samadhaan portal, set up to help enable faster payments and improved cash flows for MSMEs, owing to complicated procedure and requirement to upload multiple documents. It has been reported that the number of applications filed for relief on the portal are piling up close to one lakh, and the total amount of delayed payments under these applications is nearing a whopping Rs 25,000 crore.	• Provide targeted incentives to MSMEs, through production-linked incentive-like schemes and tax incentives for R&D expenditure, at state and central level.	
2.	Reduce Regulatory Cholesterol	There is a plethora of reasons for which things are 'legitimately' delayed or multiple inspections are undertaken. The compliance burden is laborious, time-consuming and frustrating, often discouraging small entrepreneurs from starting their businesses or carrying on the same. It has been reported that 40 percent of owner's time gets invested in filling out the	• System of self or third-party certification should be promoted • Rationalise the number of forms, reports to be filed, and related fees • Remove the requirement of licence renewals or increase the periodicity of licences • Setting and achieving the	Understanding the precise nature of circumstances that lead to delays, harassment, irritation and, in many cases rent-seeking and facilitation payments. SOPs that eliminate such practices through appropriate technological interventions and accountability mechanisms, to be developed. Compliance with such SOPs in letter and spirit to be ensured. It requires getting down to the

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		various forms. Industries in India do not want to move to the next scale. For example, a small-scale industry does not want to become a medium-scale industry because with changing scales, the regulatory burden increases. This results in firms remaining stunted. One of the worst impediments is the nuisance value of the bureaucracy which finds ways to extract rents or not allow an operating enterprise to run its legitimate operations. While the central and state governments have launched single window portals to enhance transparency and time bound clearance procedures, there is need to examine the rationale and objectives of clearances.	target of converting the already existing approvals, licenses and issuing new approvals, licences, taxation, and scrutiny files that lead to setting up and operation of business entities fully electronic with timestamps by 2025. This should apply at both state and central level administrations. The programme may be initiated in 2022, marking 75 years of Indian Independence. ● Use Regulatory Guillotine to eliminate unnecessary rules by applying a three-way test of: a) legality, b) necessity and c) proportionality ● Establish independent and empowered Regulatory Impact Assessment bodies at central and state levels.	practical nitty-gritties of actual practice at local offices. This may be enabled by the new NITI Aayog where it should run a programme with credible civil society and business associations to make comprehensive assessments of such nitty-gritties in different states, and across different functions. As a priority, the regulatory burden should be reduced inter alia by removing the requirement of licence renewals or increasing its periodicity, minimising or eliminating the number of display requirements for licences, risk-based inspection system, and simplifying the number of filings, removal or rationalisation of maintaining registers/records. In addition, there is a need to decriminalise offences, as penalties and affirmative actions should be adequate nudges for ensuring compliance with legitimate regulatory provisions. This is especially required in regulations pertaining to digital

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			● Curb ongoing inspections and nuisance factors of bureaucracy by reducing unfettered discretionary power. ● Encourage industries to grow by reducing regulatory and compliance burden at district, state and central levels. The UK has recently introduced 'scaleboxes' to provide agile regulatory support to high growth and innovative companies for enabling them to scale-up. India needs to provide similar support to micro and small enterprises. ● Well-designed policies to reduce subjectivity. ● Establish exemplary punishment for bureaucrats who extract rents from enterprises that have to be preceded by good	economy wherein fear of criminal liability may impede innovation and investment. The supervisory system needs to be tightened and be independent because bad bureaucrats get away by hook or crook. Laws should be made to allow the state to seize the ill-gotten property of a convicted civil servant, which should then be used to advance social causes. This will reduce the incentive for corruption if the perpetrators know that such wealth will not be available to them or their families. It has been reported that the government is keen to overhaul the archaic legal architecture of the telecommunications sector, which provides unnecessary powers to the government. This initiative must be completed in a time bound manner and should be repeated in other sectors as well.

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			accountability processes, including departmental vigilance systems and anti-corruption forces. ● Naming and shaming should be institutionalised with specific punishments such as dismissal from membership of social associations and clubs or encouraging a social boycott. ● Ensure that all states have an effective whistle-blower policy, an online system of transparent filing of whistle-blower complaints that allows anonymity, and an effective independent investigation system.	
3.	Protocols for Regulating Access to and uses of Data	Policy-makers are taking uncertain and inconsistent steps regarding regulating access, processing and use of data. Most of these measures are targeted to	● Government data should be open access, while complying with best practices related to privacy, data protection and	The extraordinary quantity and centrality of data collected by governments make the data particularly significant as a resource for increased public

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		address privacy, data protection, and misuse of data by dominant firms. However, limited efforts have been made to protect and leverage the potential of public data collected by the government.	security. ● Clear boundaries and criteria should be set to protect privacy, access and re-use of authorised data. ● The data protection law should be similarly applicable to government entities and the private sector. ● Use of digital public goods need to be democratised and should not result in exclusion or distress.	transparency. Data openness is eventually expected to improve the decision-making of both governments and individuals. The untapped potential could be unleashed if the government data is standardised into an open government data, with adequate privacy protections, and the restrictions to the access and re-use of such data including legal, financial and technological ones are overcome. The relevance and quality of data should be periodically reviewed to ensure its relevance.
4.	Enforcement of Contracts and Rule of Law	There is a huge uncertainty cost attached to doing business in India due to the uncertain enforceability of contracts. This affects the investment climate adversely and makes Indian businesses globally less competitive. It, thus, silently works as a major force that deters investment, both domestic and foreign.	● Adherence to the rule of law ● Protection of property rights and contractual rights of the parties ● Making specific performance of contracts the rule, and payment of damages the exception, in	The 'rule of law' has a wide meaning ranging from sense of security and order, property rights, to checks on government, control of corruption to the operations of courts and the administration of justice. The rule of law is expressed through the hypothesis that no one is above the law. Contractual rights are based on

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		Uncertain cash flow is a major reason for companies shutting down and cash flow becomes especially uncertain when contracts are not enforceable. It is easy to challenge the validity of a contract itself due to India's poor and costly registration system. It has been frequently observed that the government usually does not accept the recommendation of an alternative dispute resolution mechanism, which may be a more time-saving and effective dispute resolution mechanism. This may happen due to various reasons *inter alia*, including that the officer making the decision regarding which appropriate dispute resolution mechanism is to be adopted is not responsible to pay for the legal costs out of his own pockets or concerned about the time and efforts being invested in pursuing any legal proceeding before the	case of breach of contracts. ● Registration of contracts with the sub-registry should become a digital process that can happen seamlessly through digital signatures and other technology such as blockchain so that disputes over the genuineness of a contract can become redundant. ● Leveraging alternate modes of dispute settlement such as mediation, conciliation, and arbitration, and online dispute resolution. ● The government by far is the biggest litigator in the country. Keeping the aforesaid in mind, few suggestions are as follows: ➢ Standard Operating Procedures established by different departments stating	property rights. They allow individuals to enter into agreements with others regarding the use of their property, providing recourse through the legal system in the event of noncompliance. The reliance should no longer be placed on the principle of efficient breach of contract for enforcement of contracts. In contrast, more reliance should be placed on the performance of the contract through the Specific Relief Act of 1963. It will deter people from freely breaching the contract by compensating for the losses arising from such breach.

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		courts. According to the Ease of Doing Business Report (2018), enforcing a contract in India can take 1,445 days and 30 percent of the claim value as cost. The ranking in the enforcement of contracts has improved only marginally from earlier 186.	specific circumstances under which the government may either adopt an alternative dispute resolution mechanism or initiate legal proceeding before the court. ➢ Making alternative dispute resolution mechanisms mandatory under certain circumstances for a set of contracts. ➢ Making the number of cases (the litigation burden) of the department, or regional jurisdiction of a department part of the 360-degree review of its senior officers.	
5.	Strengthening of Judicial Ecosystem	India has a painfully slow judicial system. Despite the massive growth in economy,	• Dispute resolution mechanism in the country	The sagging civil and criminal justice systems should be reformed.

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		there has been no proportionate increase in the strength of judges or courts. The recent attempts to reappoint retired judges as ad-hoc judges are belated and unsustainable. The cost of litigation in India is around 30 percent of the total value of a contract, without accounting for the time value of money. If the cost exceeds the profits under the contract, the enforcement process becomes a value destroyer. Inadequacy of infrastructure, including the poor use of information technology, shortage and competence of judges, court holidays, archaic laws etc., are to blame for such situation. The Ease of Doing Business Index Report (2018) gives 10.3 points out of 18 to India's quality of a judicial process, which is quite poor.	needs to be strengthened ● Judiciary to ensure that justice is delivered in a time-bound manner, including faster resolution of disputes and reducing an active number of cases in courts. ● Specialised courts/ tribunals to be established for commercial disputes, including commercial courts being introduced at the level of district judges. It must be ensured that such reforms do not remain only on paper. State governments need to do their part in this regard. ● Setting up special fast-track courts. ● Repeal of several archaic laws and compliances, at state as well as central level. ● Judges, particularly those	Litigants should be dissuaded and/or disabled from gaming the legal system. Lawyers and judges should be encouraged to conclude their submissions in one or two sittings and using their skills in expediting the process with an outcome orientation. Skilled judges in larger numbers should be appointed in commercial courts rather than just giving additional duties to existing judges who are already overburdened with cases. The Constitution permits the Supreme Court to engage experts to guide it in matters that require economic analysis to provide comprehensive justice. Furthermore, the Specific Relief Act has been amended to allow courts to engage experts to assist them in the adjudication of commercial matters, which require greater analysis than just legal. This mechanism needs to be

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			of commercial courts, need basic orientation on economic issues as all commercial disputes straddle both law and economics. ● Courts can also engage subject matter experts, including economics and finance to assist them in adjudicating commercial cases, or wherein apparently contradictory economic, environment and equity considerations are at play. This issue has been enshrined in the latest amendment in the Specific Relief Act.	more frequently used. To strengthen Alternate Dispute Redressal, the government has introduced a draft Mediation Bill. A stand-alone legislation on mediation will boost confidence and faith in the mediation process and lessen the burden on the judiciary. Therefore, the government should ensure that the legislation soon sees the light of the day. Recently, India's first International Arbitration and Mediation Centre was inaugurated at Hyderabad. There is a need to ensure equitable access to its facilities.
6.	Strengthening Governance	India's legal and regulatory institutions are not yet robust and efficient enough to support a thriving modern economy. The bureaucratic system in the country continues to stay unreformed. There is heavy	● Functioning of the bureaucracy needs to be strengthened and decentralised ● Ensuring bureaucratic accountability through	The functioning of the bureaucracy needs to be strengthened and decentralised. Suitable laws and mechanisms should be developed wherein people are able to attain the offices of public importance in the

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		centralisation of power with poor accountability. Besides the above, the bureaucracy ends up being arrogant and this comes from inflated egos which can have a negative streak. A top-down one size fits all approach to solve problems results in significant adverse consequences for stakeholders.	independent bodies. ● Federalism in policy-making should be institutionalised ● Entrepreneurial activities and potentials of India should be tapped at taluk/ district levels. The growth of organic clusters, including firm-level coordination, must be fostered by states and central government ● Ensure corporate governance and corporate transparency to minimise administrative failures ● Informed bureaucracy with evolved positive mindsets and technically qualified people ● Every bureaucrat should be evaluated in a 360-degree manner which should also include a review by stakeholders	country only after they have proven themselves in their respective fields. People should be trained as such that they take complete onus and responsibility for their work and should be made accountable for their deeds. Governance is not well measured by terms such as ‘maximum,’ but by indicators of outcomes and efficiency, and by measures of accountability, including independent third-party verification. Strengthening governance in our country is an ongoing process and the proposals mentioned herein are not exhaustive but are some of the action items in the right direction. It may often be asked as to how we can measure the improvement in the governance of the country. In light of the aforesaid, it can be stated that any improvement or

Sl. No.	Pillars	Challenges	Proposals	Remarks
			who they had to deal with ● A bottom-up approach to understanding the problem and designing appropriate solutions involving relevant stakeholders needs to be institutionalised	strengthening of governance cannot be measured by any yardstick as such. The government should ensure that every citizen has been made available with the most basic rights to lead a decent and respectful life, not just on paper but also in spirit. There should not exist any rights of privilege concentrated in just a few hands. There should be a sense of overall achievement and no scope for any gaps where things could have been done any better.
7.	Granular Reforms	The first and foremost challenge at the micro level for the government is to increase the private spending, which has remained weak for the last couple of years. The challenges of dealing with unemployment and underemployment, while avoiding overexploitation of workers, have to be prioritised. Infrastructure development	● Honest and strategic protectionism in upfront manner. ● Addressing hard and soft infrastructural issues including logistics, cost of capital, inputs, power tariffs, finance. ● Impetus to privatisation, including that of public sector banks, complemented with the	At the micro-level, the government is expected to adopt strategic protectionism, especially in light of the COVID-19 pandemic. Also, countries like Korea, Japan and China created global players by adopting strategic protectionism. Therefore, India should not be shy in being a strategic protectionist. But the same should not be misused in a manner that our industry will not grow and/or other countries can retaliate against us. A time-bound

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		remains a key constraint in India's economic development. Improvements are not possible if the quality of physical infrastructure is poor and they are even more unlikely if institutions are weak, and the same is the case with India. In the power sector, India is the only country whose industrial power tariffs are higher than residential tariffs. This has made the manufacturing sector less competitive. This is largely due to inefficiencies in power distribution and cross-subsidisation. In addition, as per the Logistics Ease Across Different States Survey 2021, India's logistics costs are about 14 percent of gross domestic product, significantly higher than the 8-10 percent range for developed economies.	principles of competition, during and after a change of ownership ● Incentivising private sector to invest in research and development by collaboration with academia and think tanks ● Development of labour-intensive manufacturing along with services and technology-intensive sectors ● Product diversification leading to more choices for consumers ● Export oriented economy. ● Strategy, focus and sequence are essential for improving competitiveness in India ● The Competition Commission of India should play a major role in ensuring fair competition in the markets.	approach with clear targets in this regard could be helpful. The government needs a multifaceted intervention with more infrastructural development, more capital investment, an impetus to exports, more human capital and more private sector participation. Private participation in infrastructure development through various forms of public-private partnerships should be encouraged. While the government has launched an ambitious National Infrastructure Pipeline programme, its timely rollout will be the key. Reforms suggested by the Kelkar Committee on PPPs should be implemented to revitalise PPPs and address related concerns. If we want to succeed in creating global champions, we should succeed in manufacturing and export markets.

Sl. No.	Pillars	Challenges	Proposals	Remarks
			● Ensure decent and safe working conditions for workers and treat them as human capital and not cost centres. ● There is a need to find innovative ways of reducing the cost of power and logistics without causing a major disruption in the law- and- order equilibrium. While the government is making dedicated efforts to reduce logistics costs, timely realisation of benefits will be essential. ● A comprehensive National Logistics Policy should be adopted and implemented in a time bound manner to reduce related inefficiencies. ● A National Competition	The government is required to boost spending for employment generation. To achieve the same, government needs to pump funds and reform employment-intensive sectors like manufacturing, food processing, real estate, banking, dairy farming and more. This can be aided through cutting unproductive expenditures, subsidies, improving fiscal management, reforming tax laws including taxes foregone, working in close partnership with states. Creation of good jobs should be the goal with high GDP growth as a consequence. To improve competitiveness, there should be sector-wise strategy to focus on factors of growth. The Competition Commission of India should play an active role in improving competitiveness within India, particularly by helping sector specific regulators identify and remove barriers to competition. It should look at competitiveness at the global level

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			Policy as drafted by the Ministry of Corporate Affairs in 2011 should be updated and adopted so that policy-induced anticompetitive decisions are not adopted.	and should function accordingly. To reduce the cost of power especially in industrial sector, the government should work to form a model to suggest systematic corrections across the value chain of the power sector, right from generation to distribution.
8.	Macro Level Reforms	The first and foremost challenge before the government is to achieve high GDP growth numbers to reach a US$5tn size economy as soon as possible and ensure inclusive development. Fiscal targets along with revenue uncertainty, increased expenditure by the government, unproductive expenditures, and further need to enhance public spending together pose a unique challenge for the government.	• Market-friendly reforms for enhancing business and consumer welfare • Cooperative and competitive federalism is expected • Improvement of public narration and positive political sentiment • Significant rise in the export to GDP ratio through better exchange rate management • Need for dynamically correcting exchange rate anomalies so that our currency is neither over-	The states should remove their obsession with trying to do everything, rather they should focus on their competitive edge. State-led efforts are needed to increase productivity and quality of the workforce to become globally competitive. Boosting investors’ confidence, practicing fiscal prudence and providing the required impetus for rapid growth is important. Consumer confidence and the health of the economy are both interdependent.

Sl. No.	Pillars	Challenges	Proposals	Remarks
			valued nor under-valued ● Collaboration between private and public sectors ● Sustainable current account deficits ● Shift from structural reforms to counter-cyclical reforms. ● Clear roadmap of government's policies with sector wise implementation strategy	The government should ensure that there is no artificial appreciation/depreciation of the currency. Our real effective exchange rate should be dynamically adjusted with inflation differentials between India and its major trading partners so that there is not much difference between the actual and effective rate of tariff protection. The well-thought-out reforms process should continue, which will streamline the government's expenditures and save money and improve its revenues.

Way Forward

Some immediate action points for enhancing India’s Competitiveness for Inclusive Economic Growth are suggested below:

1. **Adopt the National Competition Policy**- In the absence of a national competition policy, the benefits of competition have not reached all the sectors. Therefore, it is important to adopt a national competition policy where the state still plays a major role in the economic sectors. The Ministry of Corporate Affairs should take actions to adopt the proposed national competition policy. If adopted, the policy will directly affect the behaviour of enterprises and the structure of industry, which is essential for growth in a free market.

2. **Institutionalise Regulatory Guillotine**– A phase wise plan to subject all laws, regulations and compliances at central as well as state level to a three-way test of legality, necessity, and proportionality is crucial to reduce regulatory cholesterol and ensure optimal regulation.

3. **Establish Policy Coherence Units** - To effectively address the issue of competitiveness, it is important to enhance capacities and ensure results by converging policies and practices. There are intersections in the objective of various policies and government schemes. Absolute clarity on the role of these policies and their ability to achieve convergence will be critical to achieve desired growth and employment in the economy. To this end, establishment of Policy Coherence Units within the office of PM and Chief Ministers of states will be essential.

4. **Grassroot Level Entrepreneurship**- Introduction of entrepreneurship programmes which are tailored to suit the locals will help the youth in establishing their own ventures. It is important to incentivise better opportunities locally in order to change the ecosystem at the bottom of the pyramid. This will put in place a fundamental makeover in the development sector approach primarily led by new generation entrepreneurs.

5. **Incentivising reduction in cost of logistics and power**- Power distribution continues to be the weakest link in the supply chain of the power sector. For various government initiatives like ‘Make in India’ and Atma Nirbhar Bharat to work, there is a need for 24x7 access to reasonably priced and reliable power. Enabling efficient distribution of power would increase productivity and prove to be a game-changer for India’s manufacturing competitiveness. Similarly, high logistics cost disables locally manufactured products from being globally productive. An efficient logistics and power distribution model needs to be created to strengthen productivity momentum.

   To this end, incentives on the lines of production linked incentive schemes could be introduced to promote research and development, innovation, and investments aimed to reduce inefficiencies and costs in power and logistics sectors. Incentivising innovations in the areas of renewable energy, drones, blockchain technology, among others, to identify and address bottlenecks could be gamechanger. Private sector could also be incentivised to partner with the public sector to ensure speedy and efficient roll out infrastructure and other related projects. A comprehensive National Logistics Policy also needs to be adopted soon.

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Two background papers were prepared by Amit Kapoor, Chairman, Institute for Competitiveness, India and Pritam Bannerjee, Consultant with ADB, which guided the discussions,

List of Speakers

S.No.	Name of Speakers	Affiliations
1.	Abhishek Kumar	Partner, Indicc Associates
2.	Ajay Shah	Research Professor, Jindal Global University
3.	Ajay Shankar	Former Secretary, Government of India
4.	Ajit Pai	Distinguished Expert, NTI Aayog
5.	Ajit Ranade	Chief Economist, Aditya Birla Group
6.	Amit Kapoor	Honorary Chairman, Institute for Competitiveness
7.	Amitabh Kant	Chief Executive Officer, NITI Aayog
8.	Ashima Goyal	Professor, Indira Gandhi Institute of Development Research & Member of the RBI's Monetary Policy Committee
9.	Bidhisha Ganguly	Chief Economist, Confederation of Indian Industry
10.	Bipul Chatterjee	Executive Director, CUTS International
11.	Bornali Bhandari	Senior Fellow, NCAER
12.	Deep Kapuria	Chairman, The Hi-Tech Gears Ltd.
13.	Gopal Krishna Agarwal	National Spokesperson. Economic Affairs, BJP
14.	Harsha Vardhan Singh	Chairman, IKDHVAJ Advisers LLP
15.	Himanshu	Jawaharlal Nehru University
16.	Indira Rajaraman	Member of the 14th Finance Commission
17.	Jagat Shah	Founder and CMD, Global Network
18.	K. Keshava Rao	MP, Rajya Sabha, Chairman, Standing Committee on Industry
19.	Manoj Panda	RBI Chair Professor, Institute of Economic Growth,
20.	Montek Singh Ahluwalia	Former Deputy Chairman, Planning Commission of India

21.	Mythili Bhusnurmath	Consulting Editor, The Economic Times
22.	Nagesh Kumar	Director and Chief Executive of the Institute for Studies in Industrial Development
23.	Naina Lal Kidwai	Former Group General Manager and Country Head, HSBC India
24.	Nitin Desai	President, CIRC Governing Council & Former Under Secretary General to UN
25.	Pradeep S Mehta	Secretary General, CUTS International
26.	Pritam Banerjee	Consultant, ADB
27.	Puja Mehra	Financial Journalist
28.	Rajat Kathuria	Dean and Professor, Shiv Nadar University
29.	Rajiv B. Lall	Professorial Research Fellow, Singapore Management University
30.	Rathin Roy	Managing Director, ODI
31.	Shailesh Pathak	Chief Executive Officer, L&T, IDPL
32.	Shamika Ravi	Non-resident Senior Fellow, Brookings Institution
33.	Shankar Acharya	Member, Board of Governors & Honorary Professor at the ICRIER
34.	Surjit Bhalla	Executive Director for India at the International Monetary Fund
35.	Vijay L. Kelkar	Vice President, Pune International Centre
36.	Vivan Sharan	Partner, Koan Advisory Group