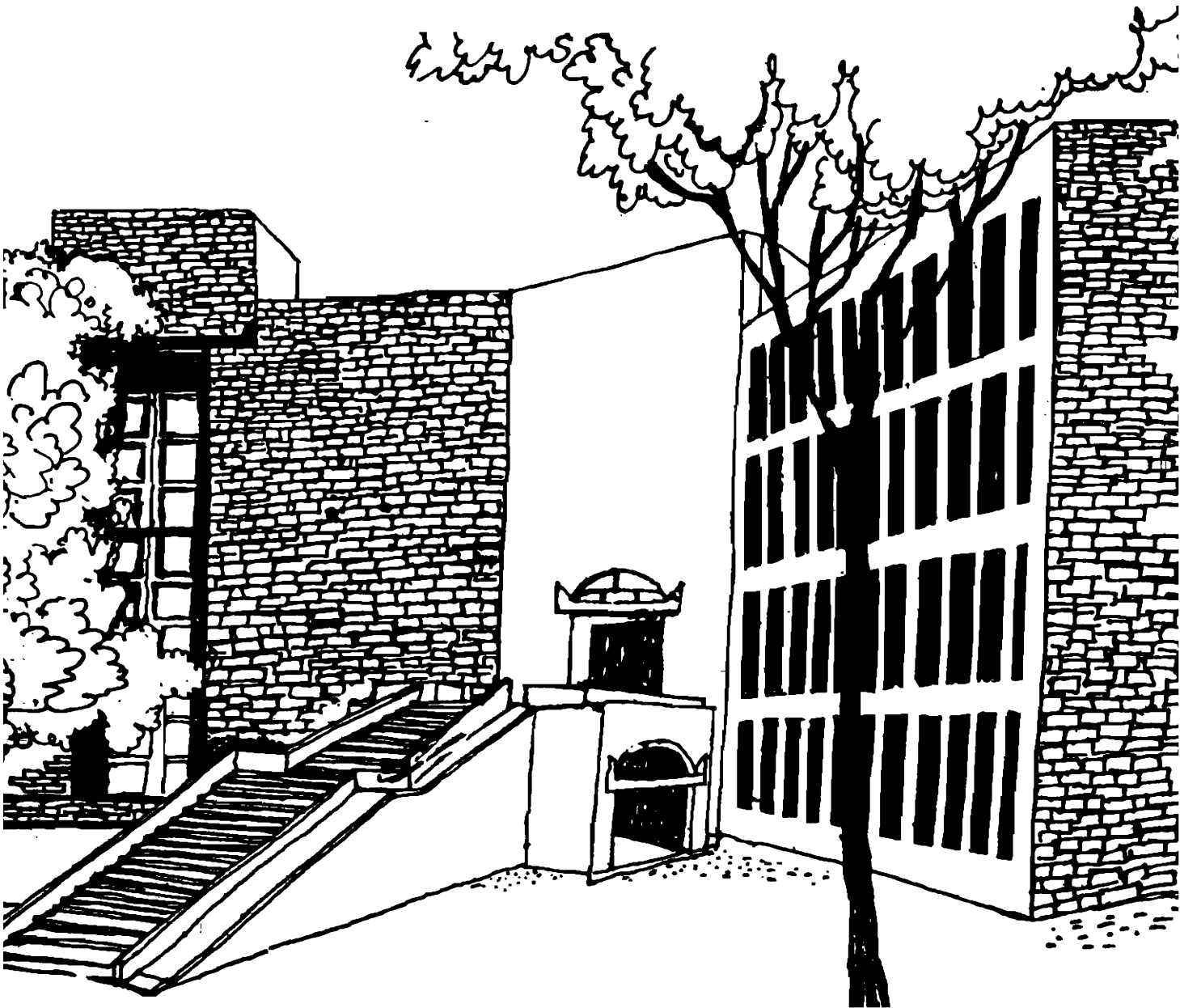




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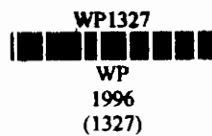


DEREGULATION AT THE STATE LEVEL

By

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DEREGULATION AT THE STATE LEVEL

INTRODUCTION

Background

There is a perception, shared widely, that deregulation of industry and commerce in India has stopped at policy pronouncements by the central government. At the state level, not only do we still have a plethora of rules and regulations, but they are enforced in an unfriendly manner.

Industrial and commercial units in India do indeed have to obtain an astonishingly large number of approvals from various state and central government authorities to start and stay in business. Udyog Mitra of Maharashtra lists 7 central and state legislations which impinge on industrial activity in the state and even this list is not exhaustive. The Vice-Chamber of Commerce and Industry and Indian Merchants' Chamber (Imba), have drawn attention to the fact that a tourist resort in Goa needs 44 permissions and clearances from central or state governments before and after implementation. The Confederation of Indian Industry (CII) reports that on an average 118 government inspectors visit each industrial unit in Madhya Pradesh every year.

An analysis of the Udyog Mitra list reveals that 90% of the legislations are central and of these 90% are industry-specific. Of the 118 inspection visits listed by CII, 17 are by central government inspectors. The moral here, which we may note in passing, is that even at the central level deregulation has only just begun and a great deal remains to be done by way of rationalisation of industry-specific legislation.

Purpose and Scope of the Study

The purpose of this paper is to examine the current status of deregulation at the state level. We do this by looking at the management of industrial approvals in the four western states of Goa, Gujarat, Madhya Pradesh and Maharashtra. We also suggest a few measures which could make the approval process more industry-friendly. To keep the analysis manageable, we limit ourselves to the initial (as distinct from re-going) approvals required from 10 state government authorities to set up a new industrial unit. These approvals apply widely across industries and account for the bulk of the time and effort spent in seeking initial permissions and clearances.

Data Sources

Our findings are based on published information and 52 meetings with industrial units and government officials in the state capitals and a few districts.

INDUSTRIALISATION STRATEGIES OF THE STATES

The four states seem to have quite different strategies for industrialisation. Exhibit-1 brings out these differences clearly.

Goa does not have a strong entrepreneurial class, but has a skilled and educated work force, a pretty countryside and a thriving tourism industry. Her emphasis is on high value-added, non-polluting industries which use skilled manpower and pay high wages, even though this may have depressed the rate of industrial growth.

Gujarat's growth has come primarily from the small units set up by her entrepreneurs. But in the process, productivity of capital and labour and the level of wages have suffered.

Madhya Pradesh has achieved a high rate of growth by making a special effort to attract entrepreneurs from outside the state to set up large units in her growth centres. However, the high capital-intensity of manufacture has not been reflected in high labour productivity and wages.

Maharashtra has followed a two-pronged strategy of developing the Bombay-Thane region into an international centre for tertiary sector activities and dispersing manufacturing industry to other parts of the state. In the process, she has achieved balanced, but not a very high rate of growth.

The states have used three main instruments to influence the rate and pattern of industrialisation: provision of incentives to new and expanding units; investments to create infrastructure and factor endowments (like skilled manpower, capital through the state financial corporations); and the grant of permissions and clearances. In this paper, we are concerned only with the third. As we shall see later, the states' approaches to giving clearances vary quite distinctly, especially in respect of land and pollution control.

IMPORTANCE OF AN INVESTOR-FRIENDLY APPROVAL SYSTEM

Of the three instruments mentioned above, incentives have probably been resorted to most widely. Yet, they represent a drain on the public exchequer and do not enhance economic efficiency. They increase private profitability by simply

Exhibit-1

INTER-STATE COMPARISON OF INDUSTRY CHARACTERISTICS
(1991-92)

	Unit	Goa	Gujarat	Madhya Pradesh	Maha-rashtra
Growth in value added by Industry (VA), 1980-81 to 1993-94	% P.A.	2.8	7.3	7.0	5.2
Employees/Factory	No.	80.8	63.6	96.3	79.2
Capital/Factory	Rs.L	195.5	153.8	304.3	212.5
VA/Factory	Rs.L	128.2	46.8	81.9	84.5
VA/Value of Output	Ratio	0.22	0.17	0.22	0.22
Capital/Employee	Rs.L	2.42	2.42	3.16	2.68
VA/Employee	Rs.L	1.59	0.74	0.85	1.07
Capital/VA	Ratio	1.52	3.28	3.72	2.51
Employment Cost/Employee	Rs.L	0.39	0.27	0.29	0.46
Gross Return on Capital	%	49.6	19.4	17.7	22.8

Sources : Annual Survey of Industries and State GDPs.

transferring funds from the public to private hands. Investments in infrastructure and factor endowments increase private profitability by improving production efficiency, but require resources.' An investor-friendly approval system improves private profitability by reducing project costs. It increases the social returns on investment, but does not impose a heavy burden on the public exchequer.

An investor-friendly approval system can never be a substitute for investment in infrastructure and factor endowments. But it deserves priority for the simple reason that it is efficiency-enhancing and yet affordable.

THE APPROVAL PROCESS

Approvals at the state level become necessary because of state legislation (e.g. land acts) or central legislation administered by the states (e.g. pollution control acts) or the need to grant access to facilities provided by the states (e.g. power, incentives). Exhibit-2 provides an overview of the approvals required from the 10 authorities at various stages.

Approvals from the Directorate of Industries

For large and medium units, the initial approval comes from the central government in the form of a letter of intent, industrial licence or acknowledgement of the industrial entrepreneur's memorandum. A copy of this is sent to the Director of Industries of the state concerned.

For small units, the starting point is a certificate of provisional registration from the state Directorate of Industries. In all the four states this certificate is issued on the basis of an affidavit by the entrepreneur, undertaking to obtain all approvals in due course. Final registration which is essential for availing of incentives is given after verifying that all approvals have been obtained and commercial production started.

Private Land for Industrial use

All land is classified as agricultural, tribal or non-agricultural, under the states land revenue codes. In Gujarat and Goa, if a piece of agricultural land is to be put to industrial use, the concerned District Collector's permission is required on two counts: its purchase by a non-agriculturist and its conversion to non-agricultural use (NA). The executive wing of the local authority receives applications, obtains views of several other state authorities (like the Pollution Control Board, Environment Department, Regional Planning Authority, Electricity Department/Board, etc.), puts up the applications to the Collector for his

AN OVERVIEW OF MAJOR STATE-LEVEL APPROVALS



Stages	I	II	III	IV	V
Authorities					
1. Industries Directorate	Provisional Registration	-	-	-	Final Registration
2. Local Authority	NOC	-	Building plan approval	-	-
3. IDC	Allotment and delivery of land	-	-do-	-	-
4. Pollution Control Board	NOC	-	-	Consent	-
5. Competent Authority for environmental clearance	NOC	-	-	-	-
6. Factories Directorate	-	-	Factory plan approval	Certification	-
7. Boilers Directorate	-	-	-	-do-	-
8. Food and drugs Administration	-	-	Approval of planned practices	-do-	-
9. Electricity Dept./Board	-	Power Sanction	Layout approval	Energising	-
10. Sales Tax Dept.	-	-	-	Sales Tax Registration	-

NOTES

1. This does not reflect inter-state variations.
2. This covers only important approvals is not exhaustive.
3. All approvals do not apply to all units.

permission and communicates the decision to applicants. In Madhya Pradesh, purchase of agricultural land by non-agriculturists is permitted freely, but an NA clearance from the Collector has to be obtained through the local authority. In Maharashtra, agricultural land upto 25 acres can be purchased for industrial use without any permission, if the land is located within the industrial zone of an approved regional plan or in an area for which no regional plan exists. If the plot size exceeds 25 acres, such land can be bought with prior permission of the Development Commissioner (Industries). In either case, a no objection certificate (NOC) is necessary from the village panchayat which is given after consulting the master plan for the district.

Private parties cannot buy tribal land. In Madhya Pradesh, the state government purchases tribal land, provided the Tribal Advisory Committee does not object, and hands it over to the Director of Industries for allotment. In Maharashtra and Gujarat, tribal land can be leased after getting an NA from the Collector through the local authority.

A recent amendment to the agricultural land ceiling act in Madhya Pradesh enables agro-processing units to acquire agricultural land without any ceiling on land-holding for the cultivation of plantation / horticultural crops and/or production of improved seeds / plantation inputs, provided certain investment, scale and technology standards are met. The land ceiling exemption is granted by a sub-committee of ministers, based on certificates from the Director of Agriculture / Horticulture / Sericulture. Before building on private land, an approval of the building plan has to be obtained from the local authority (usually at the village level) in all the states.

Land in Government Industrial Estates

In Gujarat, Goa and Maharashtra, the state Industrial Development Corporation (IDC) develops industrial estates and allots plots, sheds and galas. In Madhya Pradesh, the Audyogik Vikas Nigam (AVN) through its six kendras (which are subsidiary corporations of AVN) sets up growth centres by acquiring land, developing infrastructure and inviting units to buy land in these centres. As the plots are large and readymade buildings are not provided, these centres are more suitable for the setting up of large units.

No NA is required for setting up a unit in an industrial estate or growth centre in any of the states. Gujarat and Goa ask for an NOC from the PCB before allotting a plot or shed in their industrial estates. In Maharashtra and Madhya Pradesh, this is not required.

In Maharashtra, field offices of IDCs are authorised to allot plots upto certain sizes. In Gujarat and Goa, all allotment is done at the head offices of the IDCs. In Madhya Pradesh, the head offices of the Kendras allot plots.

In Gujarat, Maharashtra and Madhya Pradesh, the IDCs (or Kendras) approve building plans. In Goa, the village panchayat's approval of building plans is necessary even for building on IDC land.

In all states, the local authorities collect taxes on IDC/Kendra land. But in Maharashtra and Madhya Pradesh efforts are on to vest the IDCs and Kendras with the responsibilities and powers of a local authority, including the power to levy taxes.

Pollution Control Clearances

Under the Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981, the state Pollution Control Board (PCB) clearances are required at two stages: an NOC before a plant is put up and a "consent" before commercial production is started. These clearances are in addition to the reference made to the PCBs for the NA clearance.

The Air and Water Acts apply to all units. No state gives any exemptions to large and medium units. In Madhya Pradesh, the PCB has authorised the District Industries Centres (DIC) to accept applications from small units in 503 non-polluting industries and receipt of applications is treated as consent. In Gujarat, pollution control certificates for small units in 65 types of non-polluting industries are not insisted upon. In Maharashtra, units in 11 industry groups (covering some 40% of SSI production) have to submit a one-page form and a declaration to the sub-regional offices of PCB and acknowledgement is treated as perpetual consent. In Goa, the Director of Industries is authorised to clear units in certain specified non-polluting industries. Units in certain other specified industries have to seek clearance from the state Directorate of Health Services (under Portaria 7012 which has existed since the days of Portuguese rule). Other units need PCB approvals.

In Gujarat and Goa all applications have to be submitted to the PCB head office. The regional and sub-regional offices of the Maharashtra PCB are competent to accept applications. The DICs accept applications in Madhya Pradesh.

In Gujarat, Goa and Madhya Pradesh, all approvals are given at the head office. In Maharashtra the regional offices can clear applications from small units, if effluents do not exceed 10 cubic metres per day.

Environmental Clearances

Under two central government notifications (of 1984 and 1994), siting of projects in 29 industries requires environmental impact assessment and clearance. All projects in 12 industries and projects with an investment exceeding Rs.50 crores in the other 17 industries require central clearance. Other projects are cleared by the state Environment Department or some other competent authority appointed by the state government. In Maharashtra environmental clearances are given by the state Environment Department. In Gujarat, the FCB is the competent authority. In Madhya Pradesh such clearances are given by a state level co-ordination committee, chaired by the Secretary, Housing and Environment, based on reports from PCB, town and country planning authority and an Environmental Planning and Co-ordination Organisation. In Goa, there is an inter-departmental Environment Committee.

Approvals for Power Supply

Usually, the state Electricity Department or Board will sanction power on receipt of applications providing details of the site and land requirements. A demand for payment is, however, issued only after the detailed technical specifications and layout have been approved by the electrical inspector concerned. The lines are energised on receipt of necessary payments and inspection of the lines (under Indian Electricity Act 1910), and after the applicant has submitted test reports, approved layout and NOCs (from the local authority, IDC, PCB, environment department, etc.). To tide over procedural delays, the consumer in Maharashtra and Madhya Pradesh can get his line connected by giving an undertaking, through an affidavit, to produce the necessary NOCs within six months.

In all the states, various tiers in the field offices can sanction power upto specified limits. But the authority limits in Goa are very low. Even the Chief Electrical Engineer of the state can sanction only upto 99HP and anything more has to go to the Power Minister.

Sales Tax Registration

Units with a sales turnover exceeding certain specified amounts have to charge a sales tax on their sales and pay the proceeds to the central and/or state government under the Central Sales Tax Act, 1956 and state sales tax acts. Such units have to get themselves registered with the state sales tax authorities before commencement of commercial production, failing which they cannot sell their products.

Approvals from the Directorate of Factories

All factories employing 10 or more workers with power or 20 or

more workers without power have to get themselves approved, licensed and registered with the state Directorate of Factories (or Industrial Safety and Health in Madhya Pradesh and Maharashtra) under the Factories Act 1948 which lays down standards for lighting, ventilation, safety, health and welfare of employees. The state Directorate of Factories vets the factory plan for conformance to these standards before construction can be started. After construction and before commercial production, the factory is inspected to check conformance to the approved plans.

Approval from the Directorate of Boilers

Any factory planning to use a boiler has to get its boiler inspected and certified by the state Directorate of Boilers under the Indian Boilers Act, 1923 and Indian Boiler Regulations, 1950. This is required before commencement of production.

Approvals from the Food and Drugs Administration

Under the Central Drugs and Cosmetics Act 1940, Drugs and Cosmetics Rules 1945 and the Prevention of Food Adulteration Act 1954, units manufacturing food products, drugs and cosmetics cannot commence production without a licence from the state Food and Drugs Administration. This is to ensure that the units follow good manufacturing practices, in terms of plant layout, product integrity, good laboratory practices, etc. Approval is required at two stages, of the detailed plans of facilities to be put up and after inspection of facilities actually put up.

CHARACTERISTICS OF THE APPROVAL PROCESS

At this point, we may note a few general characteristics of the approval process described above. First, there are many approving authorities. Second, several of them come in at more stages than one. Third, approval from one authority is contingent on approvals from others and a move from one stage to the next cannot be made without getting approvals from a number of them. Fourth, the authority to sanction at various levels is dependent on the magnitudes involved (e.g. size of the unit, plot size, load requirements, etc.), and not necessarily on the complexity of the decision process. And fifth, applications are received at the lowest tier, processed and passed upwards for a decision as required, so that they have to travel through more than one tier.

PROBLEMS ARISING

The problems faced by entrepreneurs in obtaining approvals have been articulated at great length by various bodies at

various fora. For our purposes, only a brief recapitulation should suffice.

Information Problem

The multiplicity of approving authorities and the complexity of the approval process have led to a massive information problem which has several dimensions. Entrepreneurs are ill-informed about the various permissions required and the method of getting them. The various approving agencies are also ill-informed about the roles of other agencies and the procedures followed by them. This becomes a problem because of the mutual interdependence of various approvals. Even within one approving agency, the lower tiers are not fully aware of the principles underlying decision-making at higher levels, although they are usually quite familiar with the mechanics involved.

Delays

Delays in getting approvals result directly from the multiplicity of authorities, the multi-stage involvement of each authority, mutual inter-dependence of approvals from different authorities and the multi-tier decision-making process. Exhibit-3 illustrates with the help of a PERT chart how these factors make the process of getting approvals from just 10 authorities a very complex affair. Since the number of authorities involved are usually many more (including central government agencies), the complexity is in fact far greater. Our meetings with the industrial units indicate that depending on circumstances, it takes anything between one and four years to get all the approvals. Land, pollution control and electricity clearances seem to take the most time, although there are inter-state variations.

Loss of Efficiency

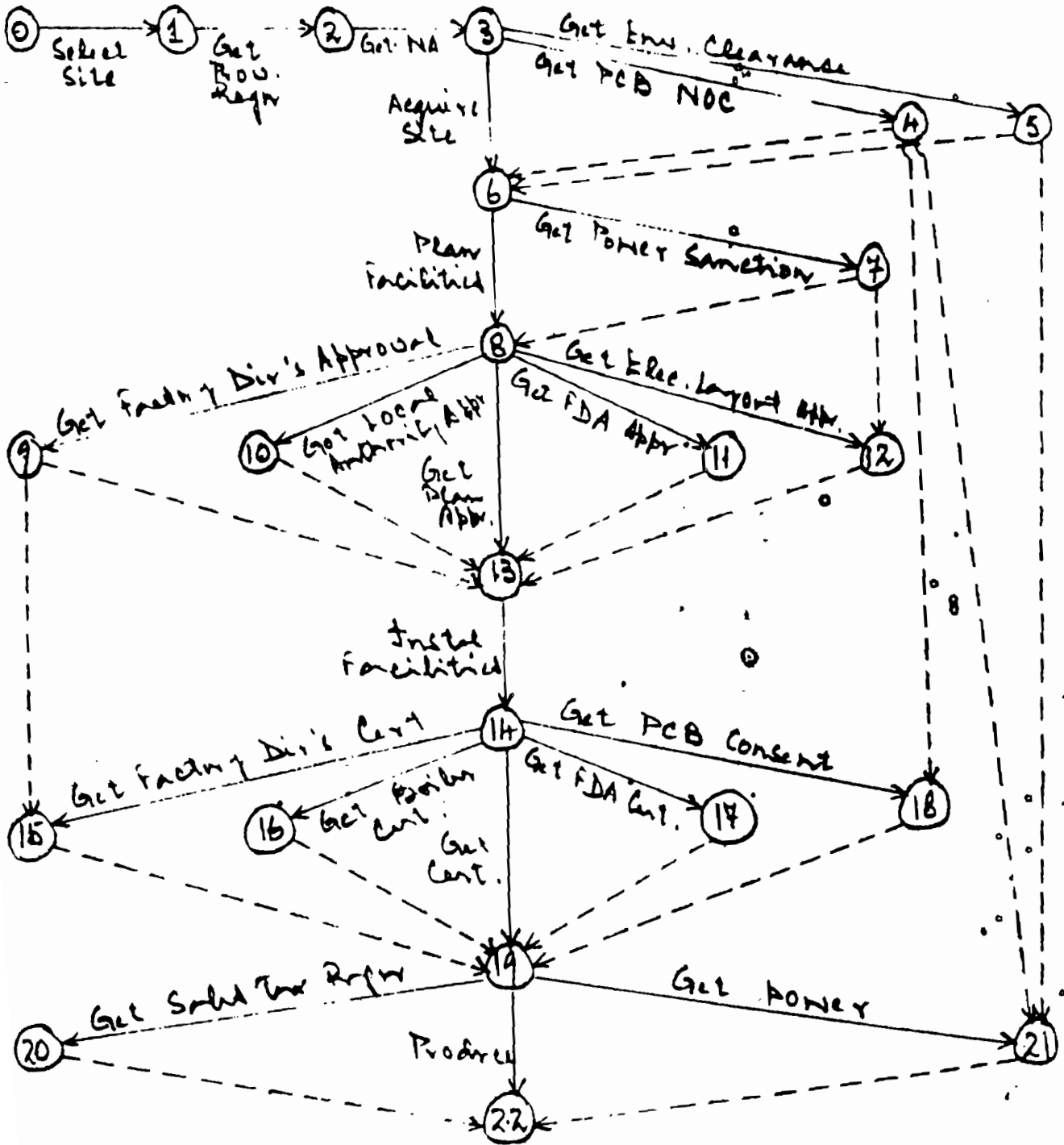
The problems of information and delay increase project costs, reduce social returns on investment and lead to an avoidable loss of efficiency. If the entrepreneur decides to collect information about the approval process and follow up on the approvals himself, project costs increase because of delays in project implementation. If he decides to buy information and expedite approvals by appointing "consultants" and/or by encouraging rent-seeking, project costs increase because of higher transaction costs.

Equity Problem

There is an equity problem too, because small units tend to suffer more. Generally, the smaller the project, the higher are these additional costs in relation to total project costs and the more difficult it is for the entrepreneur to absorb

Exhibit-3

THE APPROVAL SEQUENCE



them. Also, small units do not have as much access to the top as large units and are less able to get their problems redressed.

Non-fulfilment of Purpose

It is possible that some of the regulations, especially those relating to pollution control and land, are not achieving their purpose.

The product-based criterion for exempting units from pollution control regulations is by no means fool-proof. A unit which produces fabric-washing detergents or dyestuff is polluting. But how can we be sure that a garment making unit which uses these products is not? The logic of size-based exemption is also suspect. Small units are known to be less concerned about environment than large units. Even when there are no exemptions, for various reasons approvals are not always merit-based. Recently, the Gujarat High Court had to order closure of 780 running chemical units at Vapi, Ankleswar, Baroda, Jetpur and Surat, because they were digging shallow holes to discharge effluents into the ground, thus polluting the water table.

The inter-state variations provide an obvious escape route from land regulations. A non-agriculturist could buy agricultural land in Madhya Pradesh, declare himself to be an agriculturist and buy agricultural land in Gujarat or Maharashtra. This highlights the need for some amount of uniformity in the states' land regulations. We must also guard against the temptation to move from a regime of stifling regulations to one of liberal land laws which are badly managed. The latter coupled with backward area incentives could enable inefficient industrial units to drive small farmers out of good cultivable land, leading to sub-optimal use of land. Small farms respond well to incentives, can become very productive with technology inputs and are potentially more efficient than large farms, except in certain types of crops.

RECENT INITIATIVES BY STATES

The states are quite aware of these problems and have in recent years taken a few significant steps to solve them.

Information Brochures

Many of the authorities in all the states have issued information brochures. However, except in Maharashtra they are not always very comprehensive or easily available.

Information Centres

Udyog Mitra in Maharashtra, Indext-B in Gujarat and Aadyogik Sahayata Kendra in Madhya Pradesh serve as single window information centres. However, all authorities are not represented, nor are all application forms available at these centres.

Physical Housing of Authorities

Maharashtra tries to bring the regional offices of several approving authorities physically together, by housing them in the same premises. Similar arrangements have been made at the 22 growth centres in Madhya Pradesh.

Co-ordination Committees

In Goa, a High Powered Co-ordination Committee, with the Chief Minister as chairman and members representing various authorities, clears all applications from large and medium units. A similar committee in Gujarat, chaired by the Chief Secretary clears projects with an investment of Rs.100 crores or more. In Madhya Pradesh, there are two such committees: an Industrial Promotion Committee headed by the Chief Secretary and an Industrial Assistance Group headed by the Industries Secretary. In all the states, however, formal approvals have to be obtained through the usual channels.

Grievance Redressal

The chief minister of Madhya Pradesh holds weekly open houses where he hears grievances of entrepreneurs. In all the states except Goa, there are district level committees with the Collector as chairman, the DIC head as member-secretary and representation from various other departments, which serve as a vehicle for expediting approvals and redressing grievances. These committees seem to work quite well, especially in Maharashtra.

Affidavits

Affidavits have been used to circumvent delays due to mutual interdependence of approvals. In all the states, provisional registration of small units is on the basis of affidavits. In Maharashtra and Madhya Pradesh, power connection is given on the basis of affidavits.

Decentralisation of Sanctioning Authority

All states have tried to speed up approvals by decentralising sanctioning authority. However, this seems to work best in Maharashtra where the regional and district authorities have greater sanctioning authority than in other states.

Land Clearance

Acquisition of land for industrial purposes has been simplified considerably in Maharashtra and Madhya Pradesh through amendments in land laws. The arrangement in Maharashtra is noteworthy for another reason. It eliminates the need for the Collector's permission by using land use plans as the basis of empowerment of village panchayats and the Development Commissioner, Industries.

Pollution Control Clearance

Exemptions based on pre-determined lists are given by all the PCBs to small units. However, these lists are not easily available.

SUGGESTIONS FOR FURTHER IMPROVEMENT

These initiatives are extremely praiseworthy and reflect an industry-friendly attitude. However, they need to be taken to their logical conclusion and managed better.

Information Dissemination

Perhaps the most urgent need is for greater transparency and information. While some of the authorities have prepared brochures, these need to be updated, improved, expanded and consolidated. The Directorate of Industries in each state should prepare a comprehensive handbook of approvals, giving information on all major clearances required, agencies to be approached, at what level, where, rules, exemptions, pre-conditions, pro-formas, etc. This handbook should be produced with the help of a professional agency, priced moderately if necessary and made freely available at the state information centres, DICs and the chambers of commerce and industry.

Land Clearance

The Maharashtra model of giving land clearances based on land-use plans should be adopted by other states. But before this can be done, land-use plans have to be prepared and approved. Here there are major gaps. Even Maharashtra does not have plans for some of the districts. Goa has a plan which was prepared in 1982, notified in 1986 and is now out-of-date. Gujarat and Madhya Pradesh have no plans at all.

Clearly, there is an urgent need for the states to finalise their plans, without which orderly development cannot take place. These plans should go down to the village level, identify industrial zones and further earmark sub-zones for specific industries. They can then provide a sound basis for not only land clearance, but environment and pollution control clearances also.

Pollution Control Clearance

To make pollution control clearances rule-based and fool-proof, it is necessary to incorporate into land use plans special zones for polluting industries, with common facilities for effluent treatment, collection and disposal. Such facilities are essential if there is a predominance of small units. If the states or the IDCs are unable to create such facilities for any reason, co-operative efforts by units should be insisted upon.

Affidavits

The concept of affidavits should be taken to its logical conclusion. Only provisional registration (or the central government approval) should be made a pre-condition for other approvals which should be made completely independent of one another, by using affidavits. A check of all the approvals should be made only once, before the unit starts production. This could be done either by the electricity authority before energising the lines (to build in an element of compulsion) or by the Directorate of Industries.

Rationalisation of Forms

There is much scope for rationalising and simplifying the forms. Entrepreneurs should not be asked to provide information which the authorities are in a better position to obtain. For example, they should not be required to provide information on the location of fisheries, ancient monuments, sanctuaries, etc. or climatic and meteorological details, as called for by the Pollution Control Board forms. Nor should they have to provide more information than necessary. An example is the form prescribed by the Directorate of Factories, Goa. According to Goa Chambers of Commerce and Industry and Indian Merchants Chamber, Bombay, this form is fifteen pages long and asks for more details than necessary.

Ideally, a composite application form should be designed, avoiding all duplication. This form should have several special sections, one for each approving agency and a general section containing information required by all agencies (e.g. registration no., site details, etc.). This rationalisation exercise should be undertaken with the help of professional systems consultants.

Deemed Approval

It is also worth trying out the concept of "deemed approval". Approval should be deemed to have been given if no response is received within a specified time.

Single Window Clearance

The concept of single window clearance is very attractive, but

not easily implementable. Some time ago, government of Maharashtra tried to use the DICs as single window clearance points by making representatives of various authorities report to the General Manager of the DIC. The experiment did not succeed, because the DIC level representatives were not given sanctioning authority. This is hardly surprising. The authority of each approving agency has its own legislative and ministerial sources. No agency will wish to part with it in any substantive manner.

Less ambitious versions of the single window concept, based on co-operation rather than surrender of authority, may however work. The single window information centres are already quite useful and could become much more so with some refinements. The Maharashtra and Madhya Pradesh practice of housing various agencies under one roof should be extended to cover all important agencies in all locations and adopted by other states. Design of composite applications and a single point receipt and distribution of applications are achievable objectives. To start with, all states should adopt the Madhya Pradesh practice of the DICs receiving applications for all approvals and forwarding them to the appropriate authorities. A more ambitious plan will be to create a common computerised database, with all the authorities networked into it, which can be accessed to get the status of all applications relating to any one project. This will, however, work only if all the authorities input data regularly or a co-ordinating body takes the trouble of following up and obtaining data on each and every project.

Self Regulation and Third Party Certification

Self regulation and third party certification have sometimes been mentioned as possible solutions for the problem of delays in approvals.

Self regulation is a good long term objective. But for various reasons it may not be a feasible proposition in India at this stage, at least in certain critical areas like pollution control, food and drugs, boilers, etc. It is understood that the Punjab and Haryana governments are in the process of introducing self-regulation. We should await the results of this experiment.

Third party certification has undoubtedly many advantages. But to be effective, it should be done by reputed and reliable inspection agencies. Such agencies are expensive and may not be affordable by small units. Third party certification will also reduce the role of technical authorities, displace field staff and attract resistance. To start with, units could be given a choice between government and third party certification. Authorisation of third parties should be done very selectively.

An Integrated Organisation

It is possible to think of one organisational model which does not disturb the present authority and employment structures substantially and yet has the potential of streamlining the approval process by capturing many of the advantages of the single window concept. It is based on the separation of setting of standards and rules at the apex level from their implementation at the field level.

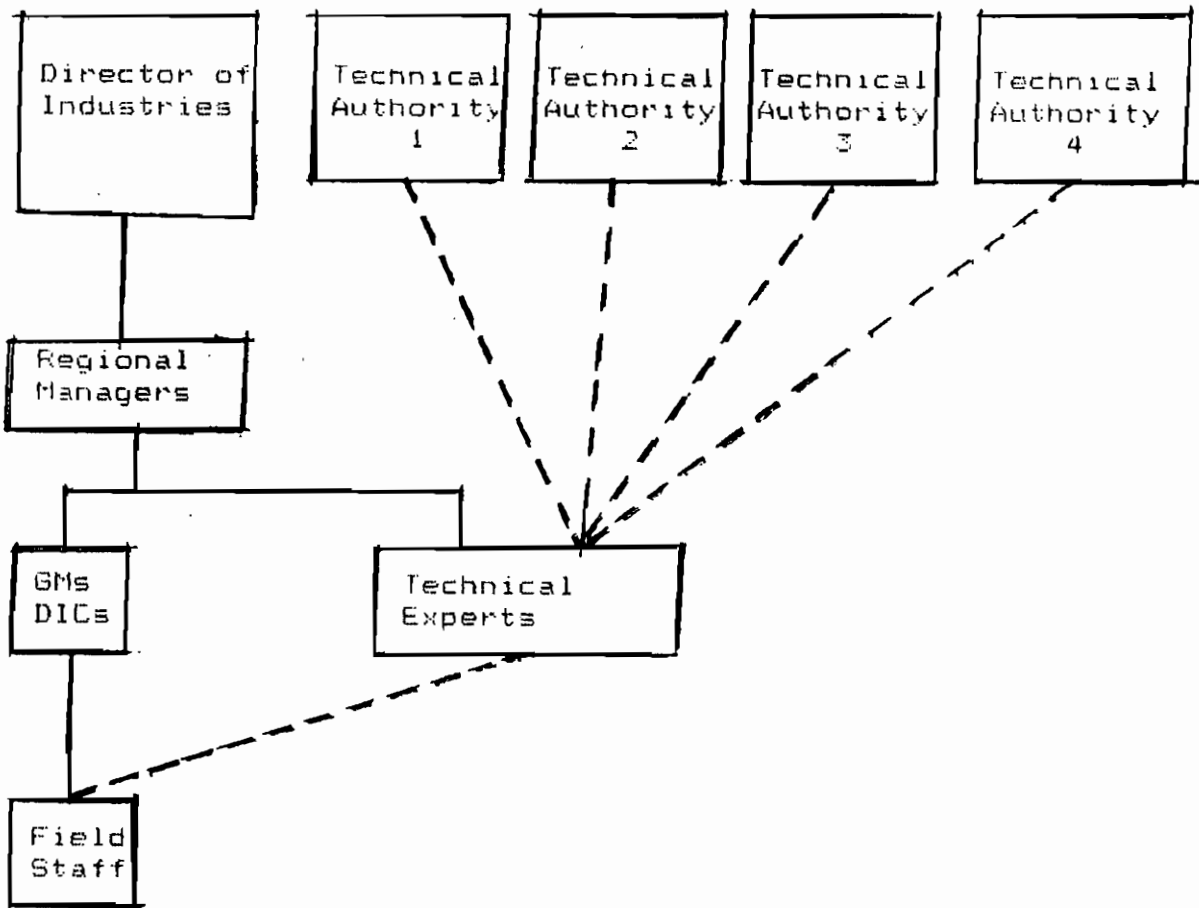
Exhibit-4 gives a brief outline of the organisation we have in mind. The various technical authorities at the centre will set standards (by approving technical plans) and rules (for exemptions, inspection and certification). A multi-disciplinary field organisation will serve all the technical authorities. It will receive applications, exempt as per rules, forward the rest to the central authorities for approval and inspect and certify as per rules. Reference upwards will not be based on the magnitudes involved (as at present), but because rules do not exist or the rules that exist are difficult to interpret.

The field organisation will report administratively to the Directorate of Industries and functionally to the technical authorities. It can be created by merging the field staff of the various technical authorities like the Pollution Control Board, Food and Drug Administration and the directorates of Factories, Boilers and Industries. Initially, in view of the special skills involved, verification by more than one field personnel at each unit may be necessary. But over a period of time, with suitable training and orientation it may be possible to develop multi-disciplinary field personnel. This will obviate the need for several people visiting the same unit and pave the way for creating a compact and productive field organisation. If at a future date the field organisation can be trained and empowered by the technical authorities to accord routine plan approvals based on standards laid down, we will almost have a system of single window clearance.

The regional (sub-divisional) offices should have specialist technical personnel, each with a functional link with the central authority in his area of specialisation, but reporting administratively to the Regional (Sub-divisional) Manager. To ensure professional loyalty and expertise, these experts may be deputed by their parent authorities and rotated. They will provide technical guidance and training to the field staff, solve technical problems and liaise with the central authorities on standards, procedures, regulations, exemptions, etc. The principle involved is not very different from what is followed by multi-divisional corporations, where the headquarters of various divisions formulate strategy, provide specialised inputs, but share a common field force for implementation. We appreciate that an organisational change of this magnitude will require some legislative changes.

Exhibit-4

AN ORGANISATIONAL MODEL



Motivation of Field Staff

No organisation can perform without motivated staff. At least at the field level, this aspect does not seem to be getting the attention it deserves. The rigid service rules of state governments are usually cited as the reason. But even within the constraints of these rules, some improvements should be possible.

The importance of providing a good physical environment at the workplace is not well understood. Simple things like white-washed walls, cheerful curtains, furniture and fixtures in a good state of repair, clean floors, etc., can be very good for morale.

There are no internal training programmes. Some people are occasionally sent to external programmes. Some people train themselves (e.g. in the use of computers) and become very useful to their organisations. Tailor-made training programmes seem to be a crying need. Through these, the staff can be made to appreciate the overall objectives, policies, programmes and organisation of the government, how their own roles fit into the total scheme of things, the role of other departments and the need for inter-departmental co-operation. These programmes can also impart technical, managerial and IT skills. The intensive interaction with colleagues can condition attitudes.

The reward system should be used innovatively. It is difficult to stop time-bound promotions of non-performers. But can we create a fast track for very good performers? The rules relating to increments do not leave much room for discretion. But can we give non-repetitive awards (cash, gifts, free holidays, etc.) to the best DIC of the year or the best field officer of the year? Perhaps both, because both group and individual incentives are important.

Providing opportunities for interaction outside the normal sphere of activities could also be a useful tool for training and motivation. The Industries Directorate may, for example, hold annual conferences of all heads of DICs and Regional (Sub-divisional) offices which will give an opportunity for vertical and horizontal interaction and a consultative process of finalising annual plans. Similarly, a few people with potential could be chosen for inter-state exchange programmes.

ROLE OF THE CHAMBERS OF COMMERCE AND INDUSTRY

In conclusion, we may draw attention to a few areas where the chambers of commerce and industry could make useful contributions. They could help bridge the information gap by disseminating information to their members. They could

educate their constituents in critical areas like environment protection, pollution control, industrial health and safety, etc. They could help the government to set and update technical norms and standards. They could provide inputs for the training of government personnel. All this will require more detailed interaction between government and business.

