



WINNER: Delhi dominates in infrastructure...



...but falls behind in institutional support...



...and comes

The Rank And Order

India's cities now offer quality lifestyle and improved avenues to do business, but there is catching up to do with the developed world

by Anup Jayaram and Amit Kapoor

"There is a near perfect correlation between urbanisation and prosperity across nations."

—Edward Ludwig "Ed" Glaeser, economist at Harvard University

A country with more cities and urban areas is usually better endowed in most fields of well being — from income to cultural stimulation. The pace of urbanisation in Indian cities is very rapid, and emerging cities are increasingly exploring new dimensions. The growth of cities in the country owes much to the combined magic of human ingenuity and industriousness.

That's a reality the India City Competitiveness Report (CCR) 2011 reveals. The report ranks 50 most prosperous Indian cities on the basis of various parameters for competitiveness, as men-

tioned in Michael Porter's microeconomic model. Measuring city competitiveness is all about rating one city against another on its economic strength. The CCR is an attempt to provide insights on how Indian cities can use their competitiveness to tap their potential.

There have been no major changes in the top rankings this year. This time also, the national capital, Delhi leads the nation. Interestingly, Delhi is numero uno across all parameters — be it factor conditions, demand conditions, competitive factors, and institutional infrastructure. This is largely attributable to the sharp improvement in the physical infrastructure in the city, thanks to the Commonwealth Games 2010, and a resulting improvement in the business environment. That said, no new projects have been completed in Delhi during this year.

Mumbai is ranked second in all categories except institutional infrastructure where it has been ranked sixth. While the financial capital is close to Delhi in many parameters, it is miles behind in physical factors — a fact that the rising slum population in the city will vouch for. Bangalore and Kolkata are ahead of Mumbai on this count.

Despite being the leader, Delhi loses out on innovation. While Mumbai and Chennai lead in innovation, the surprise entries are Chandigarh (Rank 3), Kozhikode (5) and Kochi (6). Delhi is a distant number 10 here. While Delhi is the leader in demographics, it is a distant sixth in income distribution.

During the year, both Mumbai and Bangalore have moved one rank up to the No. 2 and 3 slots. Pune has moved up four ranks to be at No. 4, while Gurgaon has risen seven ranks to be in the Top 10 at No. 6. In the process, Nagpur has come down to No. 13. The only non-metro (barring Gurgaon and Noida) to make it to the Top 10 is Jaipur. The biggest fall has been recorded



No. 4 in business incentives.



The city scores the highest in demographics.

Methodology

THE India City Competitiveness Report (CCR) 2011 evaluates 50 cities. It assesses the cities' overall performance in context to their financial, social, business performance, technology, foreign companies' involvement, etc. According to the Census of India 2011, a city is a town with a population of more than 100,000. The 2011 Census identified 475 cities with a population of more than 100,000 and 53 cities with over a million people.

The city competitiveness report 2011 has used data published by the government of India through reports disseminated by various ministries in different operational areas, government-funded research organisations and other organisations. The study uses hard data of 2011, which is collected from reliable sources to eliminate the possibility of personal bias or sampling errors.

The Scores

Competitiveness is measured on four pillars: factor condition, demand conditions, 'related and supporting industries' and 'context for strategy and rivalry'. These factors are quantified on the basis of sub-indices, which are based on sets of indicators.

There are six sub-indices for factor conditions, two for demand conditions, two for competitiveness and two for institutional infrastructure. Each of these sub-indices is further classified to dig deeper on the variables that influence the cities. In all there are about 800 indicators. For instance, the population, literacy rate, transport conditions, factories operating, etc. of cities helps understand the importance and distinctiveness of each city.

The data collection effort was affected by lack of appropriate data. The research team resolved it by calculating data for those cities using other dependent variables. Some variables that were easy to locate were population, education-related data and basic health and crime data. However, data pertaining to industries, technology and infrastructure was hard to source.

Constructing the index was an eight-step process: developing a framework, identifying the parameters, collecting both secondary and current data, analysing the various components of factor conditions, exploring demand conditions, examining business opportunities, investigating threat and opportunities and computing the competitiveness index. The cities have been selected by combining both qualitative and quantitative research techniques.

by Dhanbad, which fell from No. 21 in 2010 to No. 50 this year.

The game changer for India will come from some of the Tier 2 and Tier 3 cities, which are doing better in many parameters than the metropolitan cities. One city that seems to be giving a run for their money to the big cities is Indore — it has been ranked ninth in factor conditions. While its overall ranking has gone down to 20 from 14 in 2010, it has been ranked third in communications after Delhi and Mumbai. In financial factors, it is ranked seventh — ahead of Bangalore and Ahmedabad.

Miles To Go, Still

Despite the ranks, India's cities are still way behind cities in the developed world. They need to move from factor-driven competitiveness to efficiency-led and finally innovation-led economies. For change to happen, cities will have to invest heavily in improving infrastructure initially. While Delhi, Mumbai and Bangalore are known globally, much needs to be done not only to improve the competitiveness of these cities, but also to create awareness to attract investment.

The small towns of today will need to emerge as hubs of trade and business in the coming years. However, to ensure that they keep up with the growth, they will need to invest in physical infrastructure and urban services.

Some of that is already happening. Over the past decade, many cities have changed sharply, improving the quality of life they provide. Some of that change is due to the initiatives taken under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). Among other things, it has resulted in better quality public transport in most cities. As a result, today governments see cities as dynamic entities that result in greater productivity.

The Toppers

India's Top 5 cities to do business in

Rank 2011: **1**
City: **DELHI**
Overall score: **78.02**

Rank 2011: **2**
City: **MUMBAI**
Overall score: **72.93**

Rank 2011: **3**
City: **BANGALORE**
Overall score: **65.28**

Rank 2011: **4**
City: **PUNE**
Overall score: **64.27**

Rank 2010: **5**
City: **CHENNAI**
Overall score: **62.75**

Source: Institute For Competitiveness

INDIA'S MOST

| RANK 2011 | RANK 2010 | CITY | OVERALL COMPETITIVENESS SCORE | INFRASTRUCTURE | | | | | | | SCORE | RANK |
|-----------|-----------|--------------------|-------------------------------|----------------|----------|---------------|----------------|----------------|------------|-------|-------|------|
| | | | | FINANCIAL | PHYSICAL | COMMUNICATION | ADMINISTRATIVE | HUMAN CAPACITY | INNOVATION | | | |
| 1 | 1 | Delhi | 78.02 | 70.03 | 95.45 | 73.43 | 59.99 | 71.25 | 62.97 | 72.19 | 1 | |
| 2 | 3 | Mumbai | 72.93 | 83.38 | 63.77 | 72.19 | 63.53 | 68.19 | 70.64 | 70.28 | 2 | |
| 3 | 4 | Bangalore | 65.28 | 62.15 | 64.46 | 67.53 | 62.76 | 64.04 | 59.99 | 63.49 | 5 | |
| 4 | 8 | Pune | 64.27 | 54.50 | 62.03 | 61.86 | 54.25 | 68.51 | 64.21 | 60.89 | 10 | |
| 5 | 2 | Chennai | 62.75 | 65.90 | 62.37 | 58.63 | 56.20 | 64.35 | 67.45 | 62.48 | 7 | |
| 6 | 13 | Gurgaon | 62.30 | 65.29 | 57.94 | 68.65 | 69.51 | 61.32 | 62.63 | 64.23 | 3 | |
| 7 | 5 | Kolkata | 61.99 | 66.64 | 64.02 | 66.28 | 57.93 | 63.29 | 59.61 | 62.96 | 6 | |
| 8 | 6 | Hyderabad | 61.76 | 67.16 | 62.55 | 61.36 | 66.51 | 60.56 | 64.86 | 63.83 | 4 | |
| 9 | 7 | Ahmedabad | 60.86 | 61.56 | 58.18 | 54.64 | 54.77 | 63.13 | 57.81 | 58.35 | 13 | |
| 10 | 10 | Jaipur | 59.72 | 60.02 | 57.21 | 65.37 | 58.74 | 52.53 | 52.23 | 57.68 | 17 | |
| 11 | 17 | Noida | 59.33 | 56.17 | 56.57 | 58.10 | 78.52 | 57.98 | 57.34 | 60.78 | 11 | |
| 12 | 12 | Surat | 58.85 | 56.73 | 57.55 | 53.87 | 51.15 | 60.50 | 57.92 | 56.29 | 27 | |
| 13 | 9 | Nagpur | 58.48 | 56.83 | 50.05 | 63.91 | 55.99 | 59.56 | 58.91 | 57.54 | 18 | |
| 14 | 16 | Kochi | 58.06 | 58.45 | 61.57 | 47.85 | 53.85 | 61.61 | 64.51 | 57.97 | 16 | |
| 15 | 11 | Chandigarh | 58.01 | 60.90 | 56.89 | 61.68 | 61.38 | 60.94 | 65.64 | 61.24 | 8 | |
| 16 | 24 | Vadodara | 57.38 | 57.12 | 58.95 | 59.20 | 49.75 | 57.66 | 58.28 | 56.83 | 22 | |
| 17 | 29 | Thiruvananthapuram | 57.31 | 60.59 | 60.61 | 44.07 | 56.05 | 61.56 | 61.56 | 57.41 | 19 | |
| 18 | 38 | Nashik | 57.14 | 57.98 | 54.85 | 50.11 | 50.77 | 53.06 | 51.90 | 53.11 | 42 | |
| 19 | 32 | Rajkot | 57.07 | 55.88 | 55.93 | 56.87 | 51.33 | 60.02 | 58.33 | 56.39 | 25 | |
| 20 | 14 | Indore | 57.04 | 63.27 | 57.09 | 69.14 | 62.62 | 59.29 | 54.16 | 60.93 | 9 | |
| 21 | 33 | Kozhikode | 56.62 | 48.75 | 59.20 | 46.45 | 54.41 | 61.48 | 64.76 | 55.84 | 30 | |
| 22 | 15 | Coimbatore | 56.51 | 53.52 | 60.10 | 57.90 | 54.09 | 63.38 | 60.93 | 58.32 | 14 | |
| 23 | 28 | Lucknow | 56.17 | 60.78 | 51.54 | 55.52 | 59.70 | 57.19 | 47.81 | 55.42 | 34 | |
| 24 | 36 | Mysore | 55.57 | 51.83 | 60.86 | 55.95 | 57.60 | 56.25 | 58.53 | 56.84 | 21 | |
| 25 | 18 | Goa | 55.51 | 49.74 | 61.19 | 52.85 | 56.18 | 58.51 | 63.05 | 56.92 | 20 | |
| 26 | 41 | Visakhapatnam | 55.48 | 62.06 | 58.77 | 54.31 | 52.29 | 53.35 | 59.86 | 56.77 | 23 | |
| 27 | 20 | Kanpur | 55.48 | 55.37 | 56.44 | 61.15 | 58.73 | 56.05 | 49.60 | 56.22 | 28 | |
| 28 | 27 | Bhopal | 55.45 | 59.22 | 58.07 | 65.23 | 65.95 | 52.81 | 56.57 | 59.64 | 12 | |
| 29 | 25 | Madurai | 55.44 | 48.43 | 58.05 | 50.91 | 50.99 | 58.97 | 60.93 | 54.71 | 37 | |
| 30 | 22 | Ludhiana | 55.35 | 59.04 | 54.90 | 55.17 | 51.49 | 55.45 | 51.94 | 54.66 | 38 | |
| 31 | 39 | Vijayawada | 55.32 | 51.57 | 56.40 | 55.30 | 54.39 | 53.86 | 61.77 | 55.55 | 32 | |
| 32 | 26 | Agra | 55.12 | 53.21 | 56.15 | 56.26 | 54.16 | 58.51 | 48.75 | 54.51 | 39 | |
| 33 | 47 | Patna | 54.87 | 57.02 | 57.92 | 54.31 | 57.66 | 43.49 | 47.35 | 52.96 | 44 | |
| 34 | 46 | Allahabad | 54.62 | 50.56 | 55.37 | 52.98 | 48.60 | 59.39 | 47.74 | 52.44 | 46 | |
| 35 | 35 | Bhubaneswar | 54.59 | 59.72 | 51.03 | 65.78 | 53.92 | 50.22 | 54.49 | 55.86 | 29 | |
| 36 | 43 | Amritsar | 54.46 | 56.13 | 55.41 | 53.80 | 51.47 | 53.07 | 49.89 | 53.29 | 41 | |
| 37 | 45 | Meerut | 54.06 | 51.09 | 55.69 | 53.32 | 52.30 | 53.79 | 50.26 | 52.74 | 45 | |
| 38 | 23 | Varanasi | 53.91 | 53.52 | 55.09 | 54.85 | 50.19 | 55.77 | 49.08 | 53.08 | 43 | |
| 39 | 50 | Puducherry | 53.84 | 50.73 | 57.31 | 47.63 | 62.11 | 56.65 | 58.50 | 55.49 | 33 | |
| 40 | 34 | Guwahati | 53.65 | 60.89 | 58.37 | 53.40 | 72.27 | 47.00 | 57.85 | 58.30 | 15 | |
| 41 | 49 | Asansol | 53.63 | 57.11 | 57.13 | 59.28 | 49.33 | 53.55 | 52.64 | 54.84 | 36 | |
| 42 | 37 | Jammu | 53.62 | 54.21 | 57.52 | 52.20 | 64.19 | 48.63 | 56.79 | 55.59 | 31 | |
| 43 | 19 | Shimla | 53.59 | 56.23 | 57.38 | 61.03 | 54.43 | 47.77 | 63.69 | 56.76 | 24 | |
| 44 | 31 | Dehradun | 53.58 | 51.25 | 52.13 | 52.52 | 55.97 | 54.97 | 53.83 | 53.45 | 40 | |
| 45 | 40 | Srinagar | 53.09 | 56.14 | 60.30 | 52.20 | 59.56 | 48.62 | 61.32 | 56.36 | 26 | |
| 46 | 44 | Jabalpur | 52.72 | 47.85 | 50.36 | 63.61 | 60.74 | 50.98 | 56.76 | 55.05 | 35 | |
| 47 | 48 | Ranchi | 51.97 | 51.87 | 46.97 | 49.05 | 57.59 | 49.91 | 49.11 | 50.75 | 47 | |
| 48 | 30 | Faridabad | 51.66 | 54.30 | 16.82 | 60.02 | 57.68 | 52.23 | 52.35 | 48.90 | 49 | |
| 49 | 42 | Jamshedpur | 51.66 | 45.97 | 52.28 | 45.92 | 54.38 | 49.75 | 50.15 | 49.74 | 48 | |
| 50 | 21 | Dhanbad | 50.97 | 48.50 | 51.74 | 43.52 | 49.18 | 49.88 | 49.91 | 48.79 | 50 | |

For methodology, see page 43

COMPETITIVE CITIES 2011

| DEMAND CONDITIONS | | | | COMPETITION | | | | INSTITUTIONAL INFRASTRUCTURE | | | |
|--------------------|---------------------|-------|------|--------------------------------|---------------------|-------|------|------------------------------|-----------------------|-------|------|
| BASIC DEMOGRAPHICS | INCOME DISTRIBUTION | SCORE | RANK | INTENSITY & DIVERSITY OF FIRMS | BUSINESS INCENTIVES | SCORE | RANK | SUPPLIER SOPHISTICATION | INSTITUTIONAL SUPPORT | SCORE | RANK |
| 101.00 | 65.03 | 83.01 | 1 | 91.92 | 76.97 | 84.44 | 1 | 92.59 | 59.74 | 72.88 | 1 |
| 91.20 | 65.77 | 78.49 | 2 | 72.28 | 87.21 | 79.74 | 2 | 63.24 | 60.73 | 61.74 | 6 |
| 76.06 | 67.94 | 72.00 | 3 | 61.33 | 63.77 | 62.55 | 8 | 61.98 | 59.70 | 60.61 | 8 |
| 81.32 | 61.49 | 71.40 | 4 | 67.76 | 57.11 | 62.43 | 9 | 62.72 | 58.94 | 60.45 | 9 |
| 56.53 | 60.73 | 58.63 | 12 | 62.53 | 69.74 | 66.13 | 5 | 75.09 | 59.82 | 65.93 | 3 |
| 46.04 | 67.49 | 56.77 | 23 | 61.22 | 78.91 | 70.07 | 4 | 62.88 | 57.95 | 59.92 | 11 |
| 55.81 | 58.71 | 57.26 | 16 | 57.50 | 70.93 | 64.22 | 6 | 66.35 | 64.79 | 65.41 | 4 |
| 54.09 | 60.00 | 57.05 | 19 | 62.73 | 57.67 | 60.20 | 14 | 84.45 | 55.82 | 67.28 | 2 |
| 68.03 | 59.48 | 63.76 | 6 | 62.46 | 55.49 | 58.97 | 16 | 64.07 | 60.88 | 62.15 | 5 |
| 70.68 | 59.01 | 64.85 | 5 | 59.12 | 54.69 | 56.91 | 20 | 58.34 | 57.63 | 57.91 | 15 |
| 47.05 | 53.95 | 50.50 | 49 | 63.83 | 79.19 | 71.51 | 3 | 58.12 | 58.29 | 58.22 | 13 |
| 64.10 | 61.52 | 62.81 | 8 | 62.33 | 53.23 | 57.78 | 19 | 58.18 | 57.55 | 57.80 | 16 |
| 59.48 | 58.87 | 59.17 | 10 | 66.57 | 58.66 | 62.62 | 7 | 48.98 | 58.56 | 54.73 | 36 |
| 53.63 | 59.61 | 56.62 | 24 | 61.73 | 58.75 | 60.24 | 13 | 61.41 | 56.02 | 58.18 | 14 |
| 43.46 | 67.79 | 55.63 | 12 | 54.35 | 52.89 | 53.62 | 33 | 66.56 | 57.52 | 61.14 | 7 |
| 58.98 | 55.51 | 57.25 | 17 | 62.43 | 54.18 | 58.31 | 17 | 57.57 | 57.44 | 57.49 | 17 |
| 54.74 | 59.26 | 57.00 | 21 | 62.37 | 55.82 | 59.09 | 15 | 56.30 | 55.55 | 55.85 | 30 |
| 68.96 | 57.86 | 63.41 | 7 | 53.41 | 56.29 | 54.85 | 25 | 53.68 | 57.65 | 56.06 | 28 |
| 56.63 | 59.01 | 57.82 | 15 | 62.25 | 53.31 | 57.78 | 18 | 58.18 | 55.00 | 56.27 | 27 |
| 53.18 | 52.55 | 52.87 | 34 | 52.48 | 56.44 | 54.46 | 27 | 61.13 | 59.36 | 60.06 | 10 |
| 52.89 | 58.84 | 55.86 | 26 | 60.81 | 62.79 | 61.80 | 10 | 50.96 | 55.61 | 53.75 | 42 |
| 53.90 | 48.95 | 51.42 | 43 | 61.57 | 61.53 | 61.55 | 11 | 56.34 | 56.41 | 56.38 | 25 |
| 59.40 | 57.39 | 58.39 | 13 | 56.07 | 51.66 | 53.87 | 30 | 57.61 | 55.39 | 56.28 | 26 |
| 54.07 | 51.31 | 52.69 | 35 | 54.88 | 52.60 | 53.74 | 31 | 62.62 | 57.95 | 59.81 | 12 |
| 44.85 | 66.81 | 55.83 | 27 | 49.64 | 53.98 | 51.81 | 40 | 55.72 | 57.23 | 56.63 | 21 |
| 59.78 | 54.26 | 57.02 | 20 | 50.52 | 53.22 | 51.87 | 39 | 56.28 | 53.93 | 54.87 | 34 |
| 59.34 | 50.46 | 54.90 | 31 | 56.29 | 52.34 | 54.32 | 28 | 55.64 | 56.92 | 56.41 | 24 |
| 49.09 | 54.18 | 51.64 | 42 | 51.29 | 54.53 | 52.91 | 34 | 56.01 | 58.35 | 57.41 | 18 |
| 53.08 | 52.17 | 52.62 | 36 | 61.09 | 60.65 | 60.87 | 12 | 54.59 | 55.82 | 55.33 | 32 |
| 55.15 | 58.82 | 56.99 | 22 | 58.77 | 53.91 | 56.34 | 21 | 48.61 | 55.80 | 52.93 | 47 |
| 61.52 | 54.31 | 57.92 | 14 | 50.52 | 53.72 | 52.12 | 36 | 56.28 | 52.98 | 54.30 | 41 |
| 60.34 | 53.94 | 57.14 | 18 | 56.29 | 51.09 | 53.69 | 32 | 52.97 | 55.39 | 54.42 | 37 |
| 67.23 | 50.97 | 59.10 | 11 | 48.97 | 51.69 | 50.33 | 45 | 54.49 | 56.92 | 55.95 | 29 |
| 70.44 | 48.24 | 59.34 | 9 | 49.53 | 52.46 | 51.00 | 42 | 52.97 | 55.39 | 54.42 | 38 |
| 50.13 | 52.16 | 51.14 | 47 | 58.98 | 52.02 | 55.50 | 24 | 55.72 | 57.76 | 56.95 | 20 |
| 50.99 | 61.16 | 56.07 | 25 | 58.64 | 53.12 | 55.88 | 22 | 48.61 | 54.88 | 52.37 | 48 |
| 55.55 | 54.73 | 55.14 | 30 | 56.02 | 52.11 | 54.07 | 29 | 52.97 | 55.39 | 54.42 | 39 |
| 57.22 | 50.10 | 53.66 | 32 | 56.33 | 52.89 | 54.61 | 26 | 52.97 | 56.02 | 54.80 | 35 |
| 44.91 | 57.84 | 51.37 | 44 | 59.37 | 51.88 | 55.63 | 23 | 47.86 | 56.86 | 53.26 | 46 |
| 44.60 | 55.62 | 50.11 | 50 | 48.32 | 55.71 | 52.02 | 38 | 47.86 | 57.47 | 53.63 | 44 |
| 55.20 | 55.85 | 55.52 | 29 | 49.25 | 51.97 | 50.61 | 44 | 44.33 | 57.13 | 52.01 | 49 |
| 47.01 | 57.11 | 52.06 | 39 | 47.81 | 52.48 | 50.15 | 46 | 55.72 | 56.97 | 56.47 | 23 |
| 43.80 | 58.34 | 51.07 | 48 | 52.03 | 53.04 | 52.53 | 35 | 47.86 | 57.51 | 53.65 | 43 |
| 47.28 | 58.78 | 53.03 | 33 | 50.84 | 52.62 | 51.73 | 41 | 55.72 | 56.97 | 56.47 | 22 |
| 45.76 | 57.66 | 51.71 | 40 | 47.82 | 52.14 | 49.98 | 47 | 47.86 | 57.07 | 53.38 | 45 |
| 50.61 | 52.00 | 51.31 | 45 | 51.03 | 53.15 | 52.09 | 37 | 49.48 | 53.66 | 51.99 | 50 |
| 53.56 | 51.50 | 52.53 | 37 | 48.02 | 51.56 | 49.79 | 50 | 51.98 | 57.28 | 55.16 | 33 |
| 46.86 | 57.90 | 52.38 | 38 | 49.71 | 51.81 | 50.76 | 43 | 56.50 | 55.00 | 55.60 | 31 |
| 49.99 | 52.40 | 51.19 | 46 | 48.08 | 51.60 | 49.84 | 48 | 56.73 | 57.24 | 57.04 | 19 |
| 51.62 | 51.75 | 51.69 | 41 | 48.03 | 51.60 | 49.82 | 49 | 50.52 | 56.89 | 54.34 | 40 |

Source: Institute For Competitiveness

'A HUB FOR SERVICES'

Sheila Dikshit, chief minister of Delhi



TRIBHUVAN SHARMA

Rank 1
DELHI
 Highest score: **101** in demographics
 Lowest score: **59.74** in institutional support

THE PACE OF DELHI'S GROWTH OVER THE YEARS HAS BEEN SLUGGISH, owing to rising population and infrastructure demands. Power and water shortages still continue. The 2010 Commonwealth Games boosted the city's infrastructure growth, but it could not maintain the pace to complete new projects this year. Too many authorities and lack of coordination among government departments hinder infrastructure growth. Despite these, Delhi has emerged as India's most competitive city for business in the *BW* City Competitiveness Report. **M. Rajendran** spoke to Delhi's chief minister Sheila Dikshit on what makes the state click. Excerpts:

Q: Our survey shows Delhi's infrastructure growth has slowed down.

A: Last year, we were adding infrastructure at high speed to be ready for the Games. That kind of an emergency is not there now. Perhaps, that is the reason.

Q: Not just that. In many sectors, Delhi's growth has been lower than last year's.

A: The overall slowdown in the country has impacted Delhi, too. In Delhi, whatever we had targeted to collect as part of revenue generation has been achieved. The government had increased stamp duty, circle rates and excise duty, along with entertainment tax. We have been slow on (implementing) value-added tax (VAT), but I am sure we will be able to pick up.

Q: Does proximity to the central government help get work done faster?

A: No. But the Centre has been kind to us, whatever party they may belong to. We have the kind of multiplicity that no state has. We are a 'State-Union Territory'. Delhi does not have land to call its own or police to call its own, something other states can take pride in. I can't transfer a constable; nor allocate land for building a house. These are two big drawbacks. Since the federal government and diplomatic corps are

also in Delhi, we have to ensure that we fulfil the vision of the federal government and also live up to the expectation of the diplomatic corps.

Q: Better environment to do business is also a challenge.

A: We are North India's largest trading centre. Delhi is also one of the biggest import and export centre for goods and services. We do not have large industries, but we have 28 industrial centres, with more than 100,000 small-scale industrial units. Delhi's power reforms is a good example for privatisation of the sector. We are not going to give any incentives to attract business, but are going to get them into the habit to pay for the services they get.

Q: But your roads and traffic are in a bad shape.

A: We have built the best infrastructure, but demand has been growing much faster. There are seven million cars in Delhi; we tried to deter purchase of additional cars (in a family). Now, we have to do much more. But I need support from the people. I thought the metro and low-floor buses would make some difference. Still, people continue to buy cars as a status symbol. Frankly, I have still not found an answer to this problem. But we are working hard to find one.

As Delhi is sandwiched between two states, traffic from these states

continues to come and go out of Delhi. It does not impact Haryana and Uttar Pradesh, but it does impact us. Our plan to build an expressway is stuck over the cost of land acquisition. I hope it is not stuck forever because you cannot choke Delhi further.

Q: But companies need land to set up businesses.

A: As I said earlier, I do not have the powers to give them land. Companies also do not expect the Delhi government to do it for them. So they go to Noida or Gurgaon. But Delhi is a comfortable city to live. This movement (of businesses) has not impacted us yet.

But I cannot comment on the future because every corporate house that has reached a certain stature has to have a presence in Delhi. We are striving to make Delhi a hub of modernity for services business to flourish. For instance, in the past two years, Delhi has become a great place for setting up food businesses.

Q: What has been done to promote Delhi as a services destination?

A: More than 97 per cent of our economy comprises services, and about 2-3 per cent are industries. We have made administration transparent. Delhi, along with Goa, was the first state to implement the Right to Information and the Right to Education Acts. The Citizen Charter was first announced by us.

Rank **2**

Mumbai

Highest score: **91.20**
in demographics

Lowest score: **60.73**
in institutional support



'I'M CLEANING UP MUMBAI'

Prithviraj Chavan, chief minister of Maharashtra

SINCE NOVEMBER LAST YEAR WHEN HE TOOK CHARGE AS CHIEF MINISTER of Maharashtra, Prithviraj Chavan has been doing a delicate balancing act between cleaning up corruption in administration and keeping Mumbai and Maharashtra attractive to investors. Over a decade ago, the city was a premium centre for investment. Subsequently, growth slowed, as alternative centres pulled ahead. *BW's* recent City Competitiveness Report shows that Mumbai, Pune and Nashik have recouped losses and are surging ahead. Chavan talks to **Gurbir Singh** on how he is meeting the challenges of transportation, corruption and unaffordable housing. Excerpts:

Q: Mumbai's high score compared to other cities reflects industry and finance still have a high comfort level with the financial capital. Where are the investments coming from and in which projects?

A: Our Industrial Policy in 2006 focused on attracting mega units, which in turn, we hoped, would give a push to ancillary and small industries. Mega units — those with a minimum of Rs 500 crore investment and employing 1,000 or more persons — got huge support. Agreements for 170 mega projects were signed. Though we have not given any special incentives to the financial sector, we have a natural advantage — Mumbai being the financial capital of the country, the Reserve Bank and (stockmarket regulator) Sebi are headquartered here. The stock and commodity exchanges are here.

These have given Mumbai a huge momentum. Meanwhile, industry has left because it is too expensive to operate here, except for some of the older ones such as Godrej who have land.

Q: Transport is a major bottleneck. Mumbai is a narrow coastal strip so quality of life is governed by how quickly and comfortably people can travel. What are the key projects in this area?

A: We are posing four transport and one drinking water project

to the Centre as key, national projects for central financial participation. These include the metro system and the Alibaug-Virar multi-nodal corridor — which will be 122 km when completed. This will be an eight-lane highway along which we will have manufacturing centres and entertainment hubs.

The third is a coastal, ring road as the most cost-effective alternative for rapid movement. And, finally, we have the trans-harbour link that will connect Sewri with the mainland at Uran. And to add to that there is the new airport at Navi Mumbai and the water transport project.

Q: But water transportation has been tried and failed in the past.

A: The main flaw was that it was launched as a build-operate-transfer (BOT) project, with private parties being offered a real estate component in the jetty areas to pay for the project. The moment real estate came in, it got distorted. The new approach is that the five jetties that will ring Mumbai will be built by the city. And the BOT operator will provide the transport system — the catamarans. It is like airports are built by a central authority and airlines pay and operate out of these airports.

Q: What is the demand for funds that you are pitching to the Centre for these key projects?

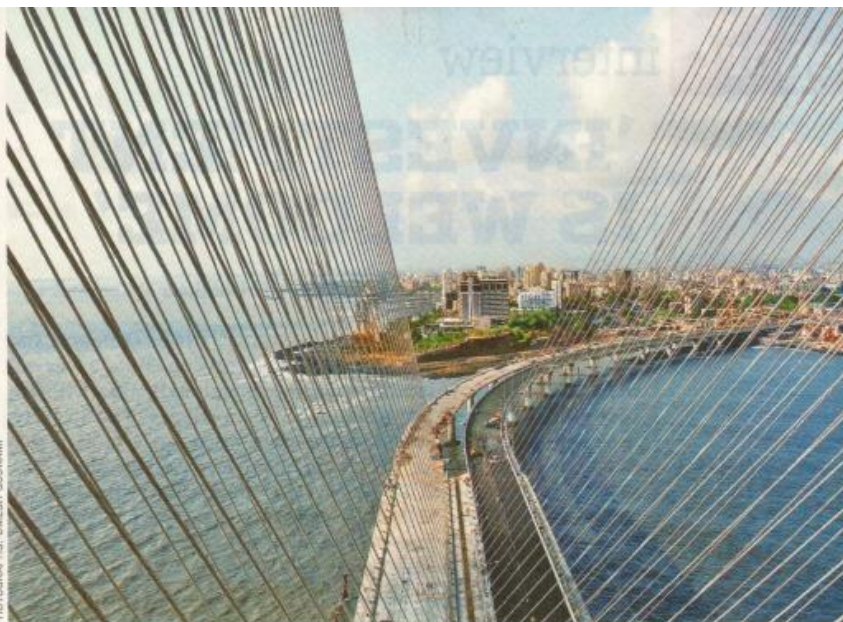
A: We intend to finance the water transport project ourselves. However, the four key projects will require Rs 50,000 crore and we are asking the Centre to contribute whatever it can. The project cost for the new airport is another Rs 14,000 crore. We are pitching for the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) schemes. Under JNNURM, these key projects can be designated as national projects as they go much beyond the city or the state.

For instance, the Navi Mumbai airport or the trans-harbour link are not just for the city, they are for the whole country. These projects should be considered for substantial funding — maybe for 75 per cent or 90 per cent — so that they can be implemented simultaneously. We are determined to complete all of them. However, without support, we will be constrained to do them one by one.

Q: In an earlier discussion, you had mentioned that corporate executives come to Mumbai, but are forced to relocate to centres such as Hyderabad and Bangalore because of the high cost of real estate. Do you think expensive real estate is possibly the biggest drag on the city?

A: That is why the population of Mumbai has actually shrunk when other cities have grown by 20 per cent or more. This is not a healthy

PHOTOGRAPHS: LIMESH GOSWAMI



HIGH COSTS:
Expensive real estate is forcing corporates to move out of Mumbai city

sign. There is already a surfeit of commercial space, but there is shortage of good, high-quality residences. Why can't we shift focus to building high-quality, high-income housing in close proximity of the city? Instead of building malls and office towers, we should build more homes. The Bandra-Kurla Complex is a new business district, but there are no residential complexes. Why can't we have more homes nearby, so that people can walk to work?

Q: The builders' lobby in Mumbai has been alleging that projects have been deliberately held up, and that the government is sitting on files and holding back permissions. Isn't this worsening the situation?

A: They are partly correct. Environmental clearances, for instance, take an inordinately long time — over a year, in most cases. This is not good. The other bottleneck is that there are so many rules and clearances. I am trying to work out a system with new development control rules where the discretion of the individual authorities will be much less. Builders will have to pay a premium for concessions. Therefore, the 'premium' they were paying under the table, will now come to the state. The state will benefit, and people can get concessions as a right, and in a transparent manner.

Initially, there was a slowdown

when I was trying to understand the system. But now I do not think it will be a problem.

Q: We are seeing the 'Anna' effect. People want an end to corruption. You were brought in precisely to deal with the fallout of the Adarsh building scam. What other steps are in the pipeline to clean up the administration?

A: We face limitations when there is a fractured verdict. For instance, we have five political parties in the assembly, all vying for more space, all indulging in vote-bank politics, instead of considering what is good for the state. So it will take time to reach a consensus.

Again, because of RTI (right to information) activism, people are afraid to take decisions. Earlier, there was a fast-track mechanism: if you approached the right people, you got a fast-track decision. That is not happening now. We are not doing case-to-case or a file-to-file decisions. I am trying to speed it up, but also trying to put a system in place.

Q: But don't mega projects need to be fast-tracked?

A: Mega projects of an industrial nature are always on the fast track. They are given the red carpet treatment. But mega building projects where land issues get distorted or there are issues of floor space index

(FSI) or where a garden plot is being changed, there could be a transgression of rules.

The Adarsh scam did taint Maharashtra substantially. Things were collapsing like a pack of cards when I took charge. The first thing that had to be done was to stabilise the situation — which meant that this cowboy method of decision-making had to be stopped. That process slowed down things a bit. Now that we have achieved stability, we are looking at speeding things up in a rule-based manner.

Q: In the past few years, Maharashtra and Mumbai have been slipping. Though we see Mumbai, Pune and other cities pulling up again, do you see complacency or poor administration as issues of concern?

A: In recent years, other cities have begun challenging Mumbai. Earlier, for industry and services, you had no other option; you had to come to Mumbai. Then alternatives came up — Hyderabad, Chennai, Bangalore, etc. — and people shifted. As our infrastructure choked, people left. But when we improved, they came back. As many as 40 projects are taking off in Maharashtra; eight have been signed, 32 are in the pipeline. GE is coming, Photon Motors (China) is setting shop up near Pune. Power plants are being set up in Vidarbha.

Rank **3**
BANGALORE
Highest score: **76.06**
in demographics
Lowest score: **59.70**
in institutional support



JAGADEESH NV

'INVESTMENT IS WELCOME'

D.V. Sadananda Gowda, chief minister of Karnataka

HE IS CALLED THE 'COLGATE CHIEF MINISTER'. THE REASON IS PLAIN enough. D.V. Sadananda Gowda constantly sports a 24-carat smile and is known to get out of tricky political challenges, with his easy-going nature and unflappable demeanour. The usually ebullient Gowda, however, was sombre when *BW's* Venkatesha Babu met him late in the evening on the day he faced the Karnataka Legislature for the first time as chief minister. Gowda was thrust into the CM's post four months ago, when his mentor and predecessor B.S. Yeddyurappa quit after the state Lok Ayukta indicted him in the illegal mining case. Excerpts:

Q: Opposition parties and some analysts say that governance in the state has ground to a halt due to intra-party turbulence, and the focus is on survival related issues of the government...

A: Over the past three-and-a-half years, the first-ever BJP government in South India has worked hard to deliver on our promise of good governance and all round development. There might have been some hiccups, but the party will tackle them and rectify any errors.

In a democratic party, there might be differences of opinion, but we have ensured that governance is not affected in any manner. Just this week, my government organised a global agri-business and processing summit in which several players pledged an investment of Rs 1.1 lakh crore.

In June 2010, the government organised a global investors' meet (GIM) in Bangalore, which attracted a total investment of Rs 3.92 lakh crore. Of the 389 memoranda of understanding signed, 20 projects have already been implemented and 215 other projects are under various stages of implementation. My government regularly monitors investment. We intend to organise another GIM on 7-8 July next year to attract even more investment in the state. I want Karnataka to lead the country in industrial growth and development indices.

Q: Karnataka faces acute shortage of power. Infotech and biotech companies in Bangalore constantly complain of infrastructure deficit — lack of adequate roads, traffic gridlocks, high cost of real estate, water supply woes, etc. How are you going to tackle these challenges?

A: I am proud to say the BJP government launched the Reach-1 of a world-class metro rail which will ease traffic congestion. I have requested the central government to provide additional funds to ensure speedy completion of the remaining phases of the metro rail, which will solve a number of these problems.

Through ABIDe (Agenda for Bengaluru Infrastructure and Development Task Force) and other forums, I regularly consult all stakeholders, including some leading industrialists, for the holistic development of the city.

Power crisis was a situation we inherited because of underinvestment in the sector by previous governments. We are trying to rectify the situation to ensure that there is minimum impact on industry. We have taken both short and long-term steps to alleviate this problem.

We also want to encourage industries to look at other cities in Karnataka such as Mysore, Gulbarga, Hubli, Mangalore and Belgaum as there is a lot of trained manpower available in these cities,

too. My government is keen to promote uniform development across the state.

We have tried to bring in transparency in land acquisition for industrial purposes. Farmers and landholders need to be adequately compensated so that the state can develop rapidly. We are ready to provide whatever facilities are required for entrepreneurs to invest here.

Recently, another survey highlighted the fact that Bangalore was India's best city to live in. I am sure future surveys would also indicate that Karnataka is the best state in the country to invest in.

Q: In the past, several former chief ministers have talked of making Bangalore another Singapore. What is your vision for the city?

A: I will not comment on what others might have promised (smiles). Instead of making grandiose vision statements, my aim is to implement and execute all the things planned for the city. There has been talk aplenty by several leaders, I would rather walk the talk. Bangalore already has a position on the global map.

We want to strengthen that even as we ensure equitable growth for all. Why just Bangalore? My aim is to focus on the all-round development of the state.