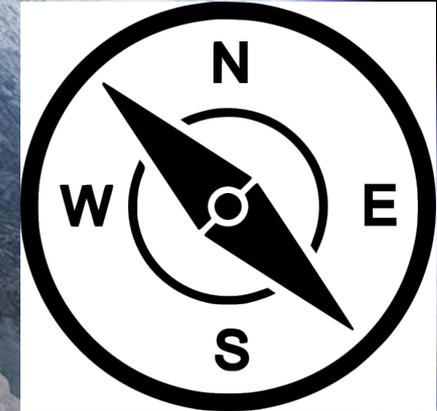


India Competitiveness Initiative

India @ 100: A Roadmap for Better Growth

August 2022

India@100: A Roadmap for Better Growth

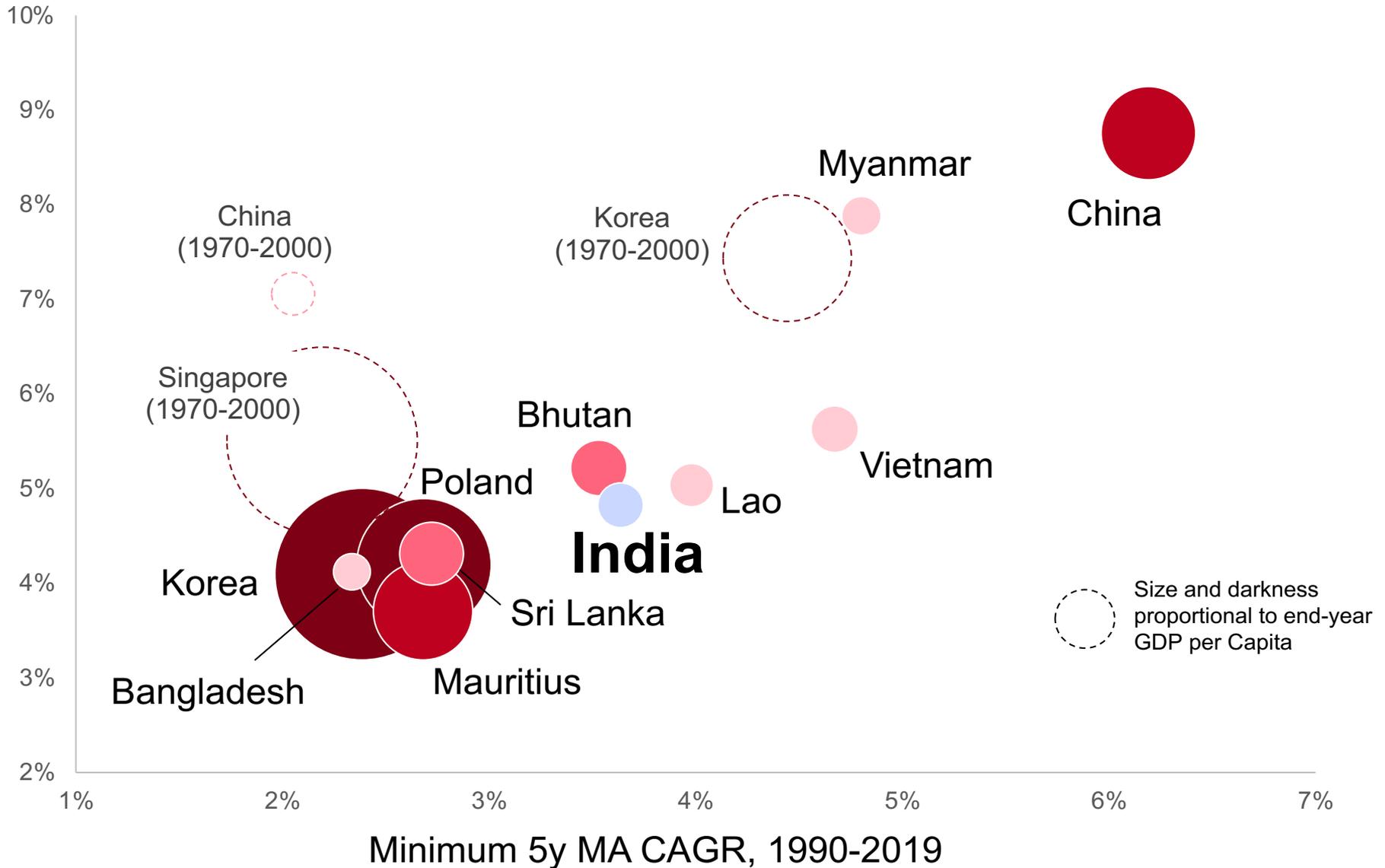


Our ambition

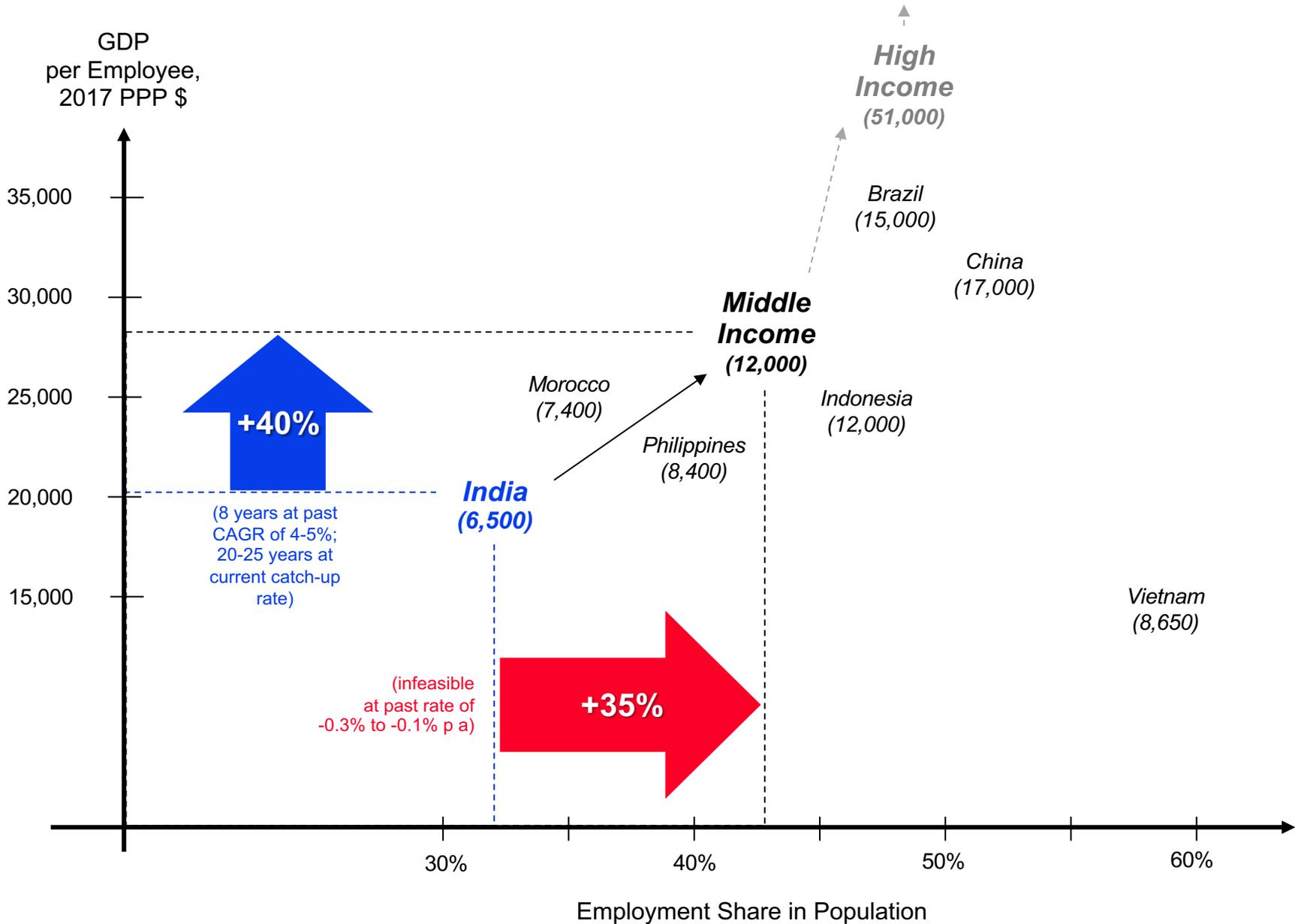
- **A common view of the key issues India has to address to realize its economic growth ambitions**
- **Direction and concrete suggestions on policy actions to take**

Global Leaders in Sustained Prosperity Growth

GDP per Capita Growth, CAGR, 1990-2019



India: Towards Middle Income and Beyond



*Number in brackets is GDP per capita, 2017 PPP \$
Source: World Bank

The Hill to Climb

A photograph of a steep, grassy mountain slope under a bright sky, with a list of challenges overlaid on the bottom right.

- **The shared prosperity challenge**
- **The jobs challenge**
- **The policy implementation challenge**
- **The global winds of change**

The Shared Prosperity Challenge



Income Inequality Across Selected Countries
Top 10% National Income Share, 1951-2019



Source: World Inequality Database

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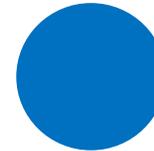
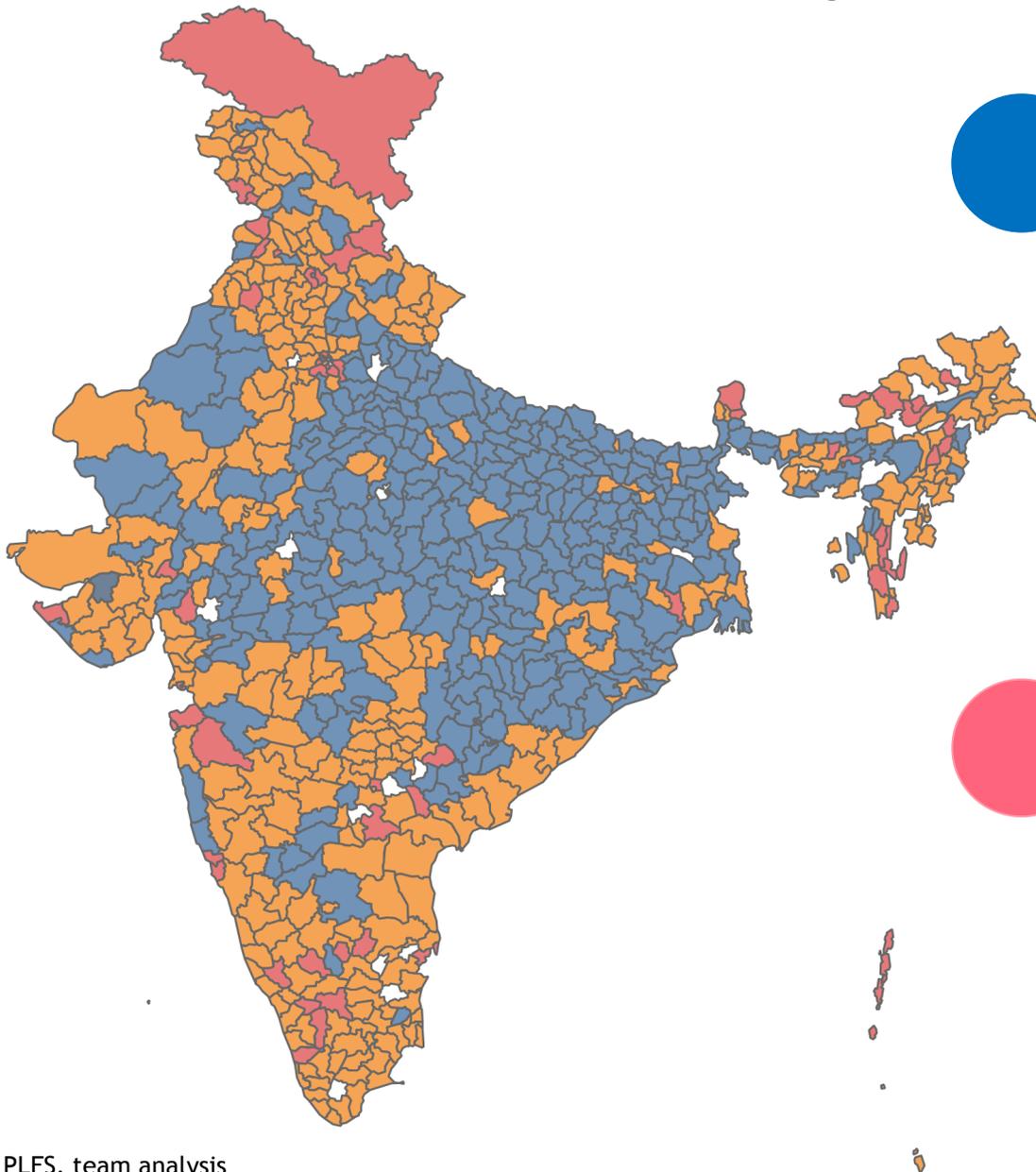
Copyright 2022 © Christian Krass

				Score/Value	Rank	Strength/Weakness					
INDIA				56.8/100	117/163						
				GDP per Capita PPP	\$6,754	110/163					
BASIC HUMAN NEEDS				66.24	115						
Nutrition & Basic Medical Care				75.50	130						
Undernourishment (% of pop.)				14.00	117						
Child mortality rate (deaths/1,000 live births)				36.57	137						
Maternal mortality rate (deaths/100,000 live births)				153.20	131						
Child stunting (% of children)				37.48	165						
Deaths from infectious diseases (deaths/100,000)				215.78	137						
Water & Sanitation				58.50	135						
Deaths attributable to unsafe water, sanitation and hygiene (per 100,000 pop.)				75.31	158						
Populations using unsafe or unimproved water sources (%)				50.10	128						
Populations using unsafe or unimproved sanitation (%)				31.88	109						
Shelter				67.93	123						
Access to electricity (% of pop.)				95.24	125						
Household air pollution attributable deaths (deaths/100,000)				105.26	158						
Usage of clean fuels and technology for cooking (% of pop.)				49.00	121						
Personal Safety				63.05	107						
Homicide rate (deaths/100,000)				3.08	85						
Perceived criminality (1=low; 5=high)				4.00	88						
Political killings and torture (0=low freedom; 1=high freedom)				0.60	119						
Traffic deaths (deaths/100,000)				16.74	111						
Notes											
1. On some components and indicators, there are more updated countries than the number of countries for which all indicators were available.											
2. Overall index, component and dimension scores are on a 0-100 scale; indicators scores are raw values.											
Comparing Countries											
Over and underperformance is relative to 16 countries of similar GDP per capita: Uzbekistan, Cabo Verde, Angola, Nicaragua, Honduras, Mexico, Laos, Vietnam, Djibouti, China, Nigeria, Myanmar, Mauritius, Cote d'Ivoire, Myanmar											
				50.15	161						
FOUNDATIONS OF WELLBEING				64.41	139						
Access to Basic Knowledge				0.21	154						
Women with no schooling				9774	79						
Primary school enrollment (% of children)				51.60	105						
Secondary school attainment (% of population)				0.39	141						
Gender parity in secondary attainment (distance from parity)				0.84	151						
Access to quality education (0=unequal; 4=equal)				0.84	151						
Access to Information & Communications				64.81	103						
Mobile telephone subscriptions (subscriptions/100 people)				86.94	143						
Access to online governance (0=low; 4=high)				0.86	29						
Media censorship (0=frequent; 4=rare)				1.66	130						
Internet users (% of pop.)				34.45	132						
Health and Wellness				49.73	133						
Life expectancy at 60 (years)				17.91	131						
Premature deaths from non-communicable diseases (deaths/100,000)				474.45	135						
Access to essential services (0=None; 100=full coverage)				58.07	131						
Access to quality healthcare (0=unequal; 4=equal)				1.13	135						
Environmental Quality				21.65	183						
Outdoor air pollution attributable deaths (deaths/100,000)				70.80	180						
Greenhouse gas emissions (total CO2 equivalents)				2980.00	189						
Particulate matter				916.3	180						
Biome protection				4.79	151						
OPPORTUNITY				54.01	95						
Personal Rights				68.30	99						
Political rights (0=no rights; 40=full rights)				34.00	60						
Freedom of expression (0=no freedom; 4=full freedom)				0.51	129						
Freedom of religion (0=no freedom; 4=full freedom)				2.32	142						
Access to justice (0=non-existent; 4=observed)				0.62	102						
Property rights for women (0=no right; 5=full rights)				4.21	88						
Personal Freedom & Choice				55.92	121						
Vulnerable employment (% of employees)				74.27	144						
Early marriage (% of women)				14.38	131						
Satisfied demand for contraception (% of women)				73.40	75						
Corruption (0=high; 100=low)				41.00	79						
Inclusiveness				35.39	124						
Acceptance of gays and lesbians (0=low; 100=high)				0.45	37						
Discrimination and violence against minorities (0=low; 10=high)				8.50	148						
Equality of political power by gender (0=unequal power; 4=equal power)				1.73	107						
Equality of political power by socioeconomic position (0=unequal power; 4=equal power)				1.32	134						
Equality of political power by social group (0=unequal power; 4=equal power)				1.37	137						
Access to Advanced Education				56.42	84						
Expected years of tertiary education				1.40	94						
Women with advanced education (%)				0.37	128						
Quality weighted universities (points)				220.00	7						
Citable documents				0.13	112						
Key											
Overperforming by 1 or more pts.						Underperforming by 1 or more pts.					
Underperforming by less than 1 pt.						Underperforming by less than 1 pt.					
Performing within the expected range.						No data available.					

SOCIAL PROGRESS IMPERATIVE

The Shared Prosperity Challenge

The Many Indias



Bottom 305 districts

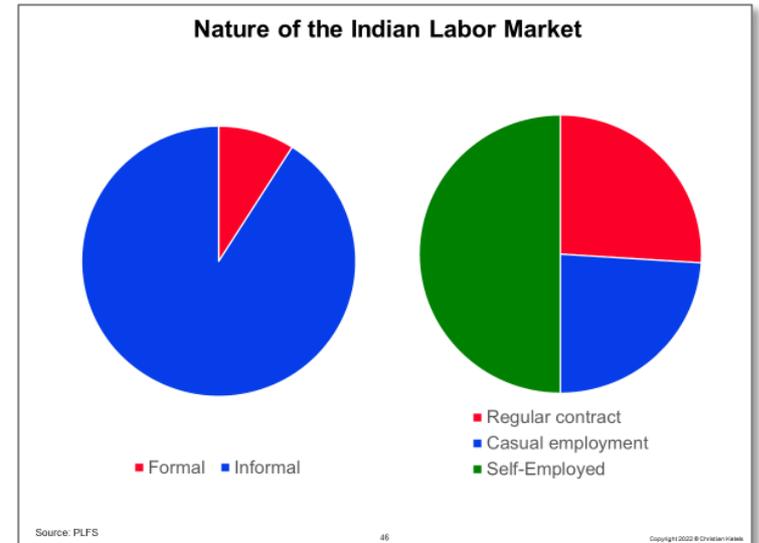
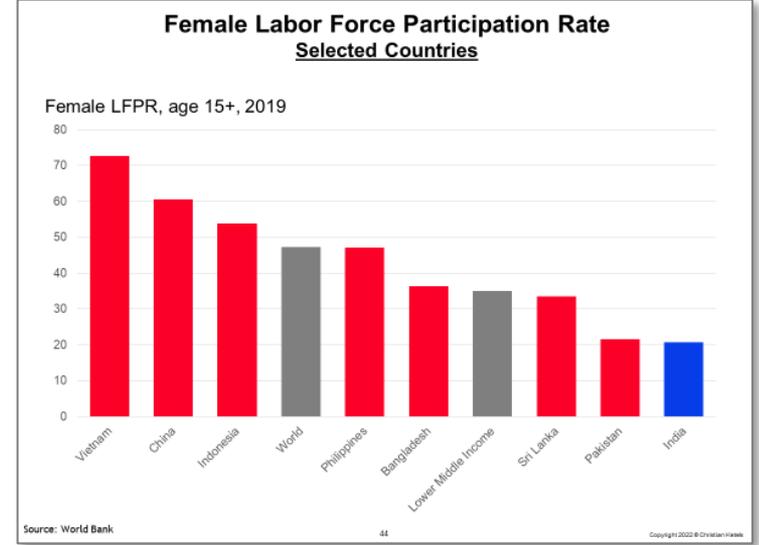
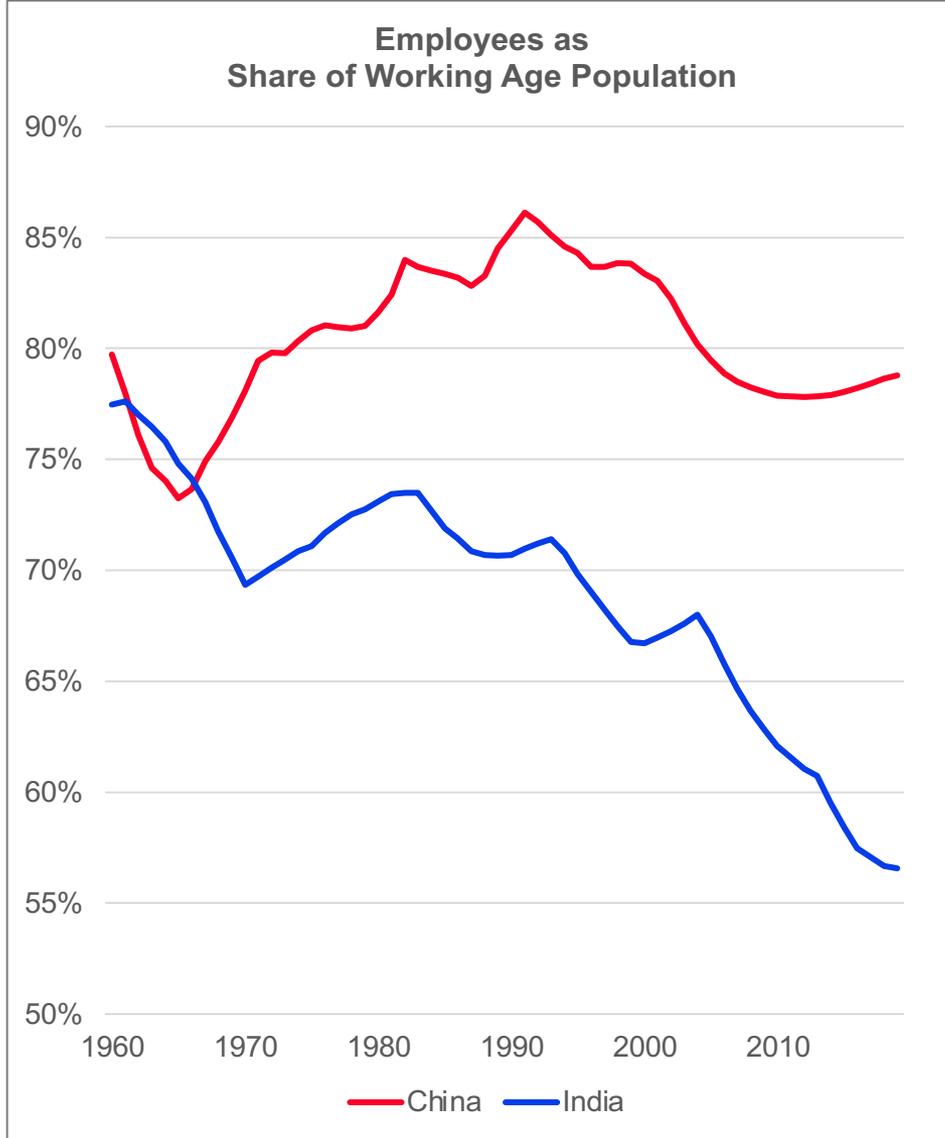
- 50% of all employees
- Largely local or natural resource-based economies
- Average wage roughly half of the rest of the country



Top 70 districts

- 10% of all employees
- Strong traded, skill-based clusters
- Average wage roughly double of the rest of the country

The Jobs Challenge



The Policy Implementation Challenge

Closed India

- Weak skills and infrastructure
- Domestic markets heavily regulated
- High cost of doing business
- Capital channeled to a few sectors
- High barriers to trade and FDI

Post-1991

- Weak skills and infrastructure
- Some domestic markets opened up
- High cost of doing business
- Financial markets slowly opened
- Falling trade and FDI barriers

Since 2014

- Efforts to enhance skills, infrastructure
- Further domestic markets opening
- Reduction of cost of doing business
- Financial sector oversight in focus
- More activist trade and FDI policy

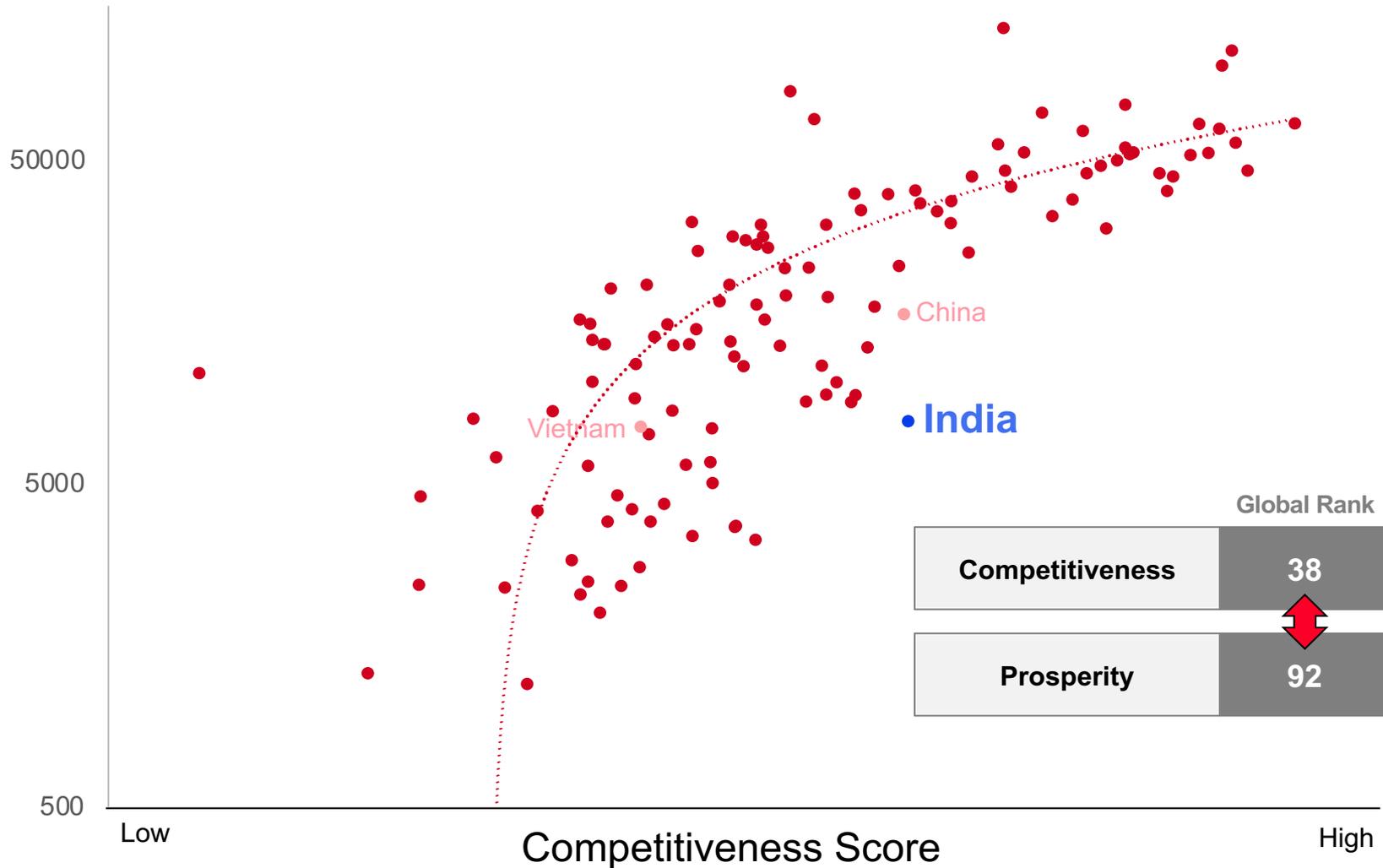
- Low demands on implementation capacity
- High benefits for individuals and firms globally competitive

- High demands on implementation capacity, specifically collaboration across levels and parts of government

The Policy Implementation Challenge

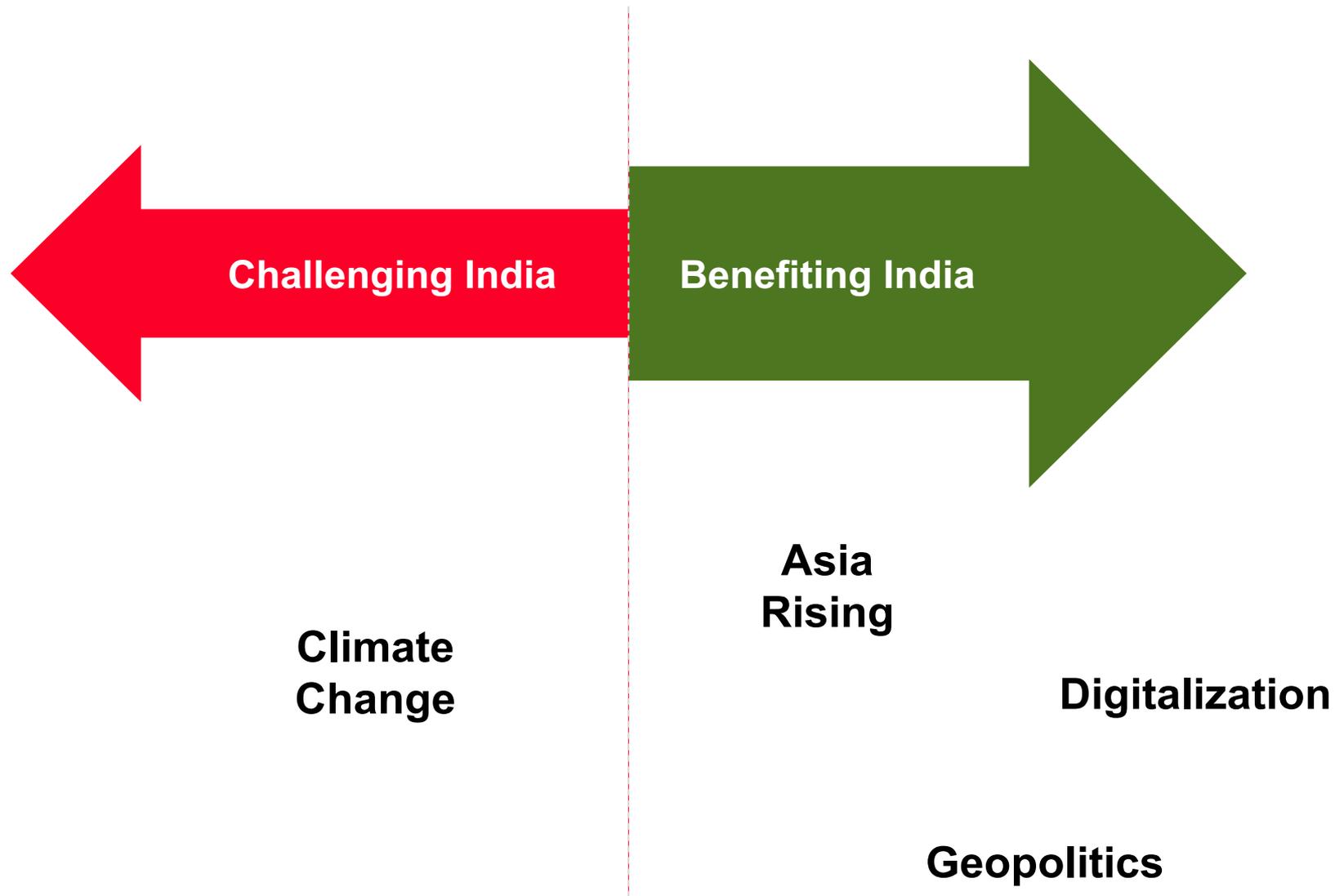
India's Competitiveness to Prosperity Gap

GDP pc (PPP)



Source: Global Competitiveness Report data for 2018, ISC analysis based on Delgado et al. 2008c

The Global Winds of Change



India@100: A Roadmap for Better Growth



**New
Goals**

**New
Development
Principles**

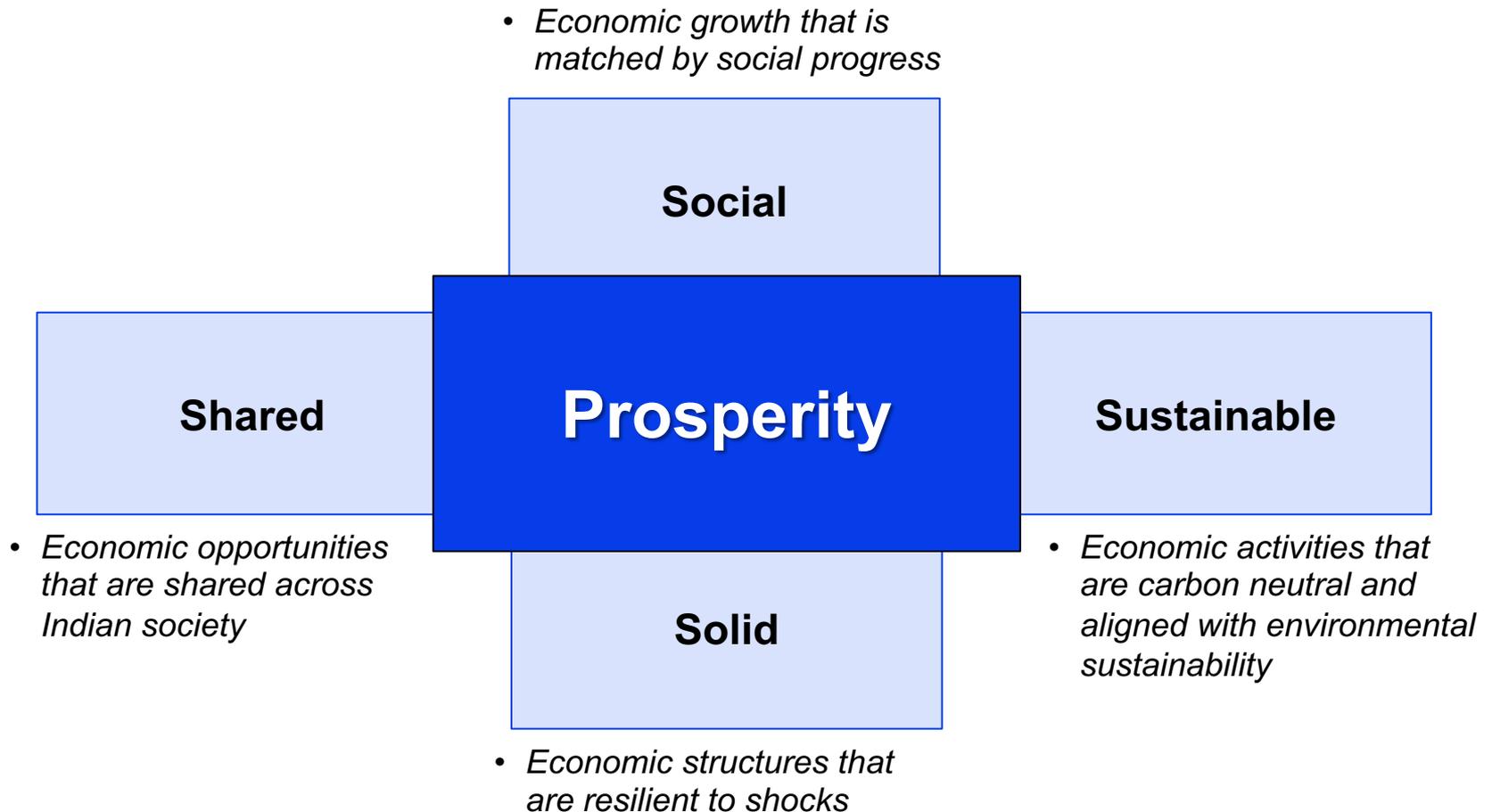
**New
Policy
Priorities**

**New
Implementation
Model**

A Broad Ambition for India's Future



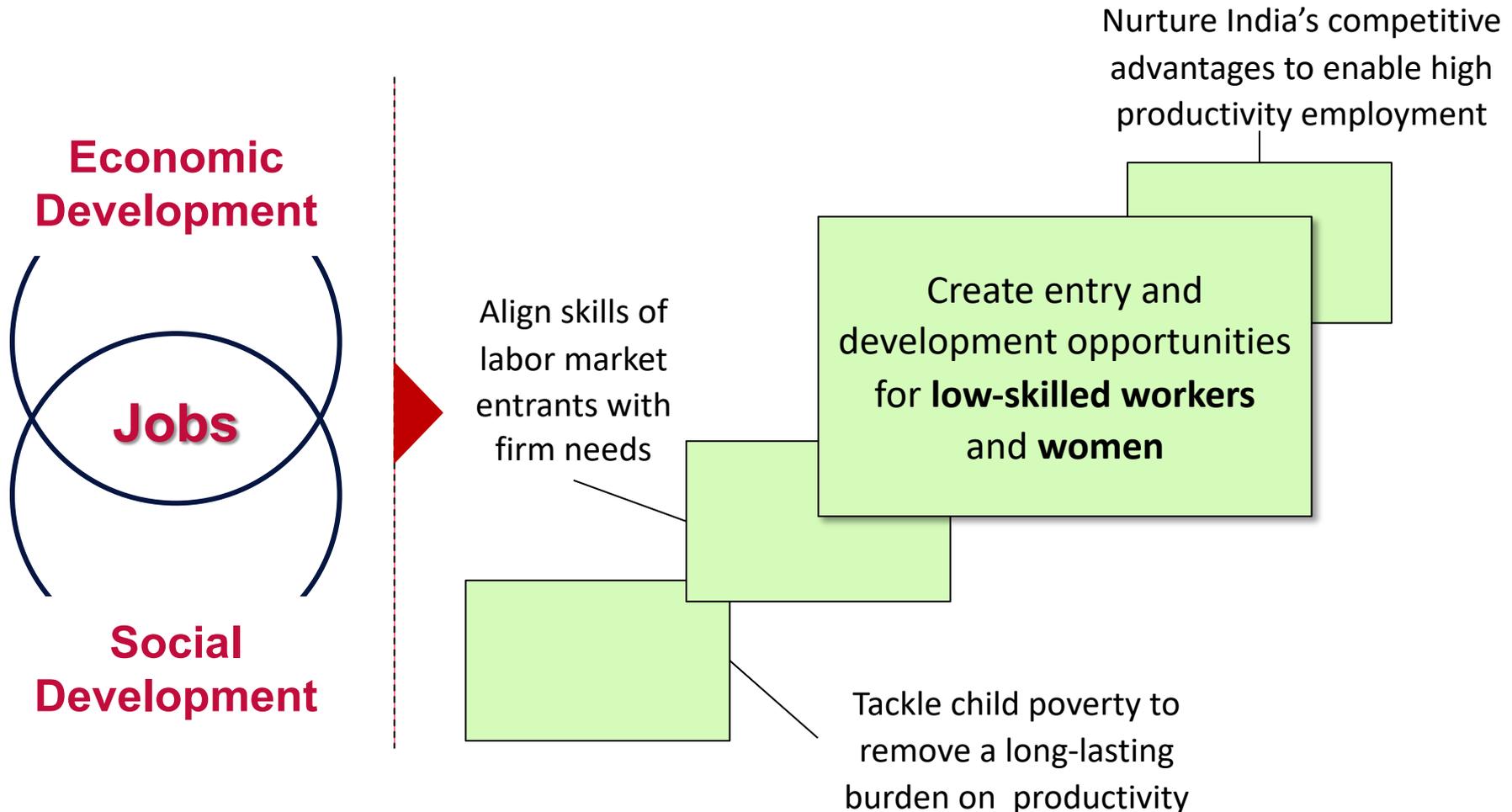
- A coherent set of outcome goals, capturing the quality of life across Indian society



Shared Prosperity through Competitive Jobs

New Principles

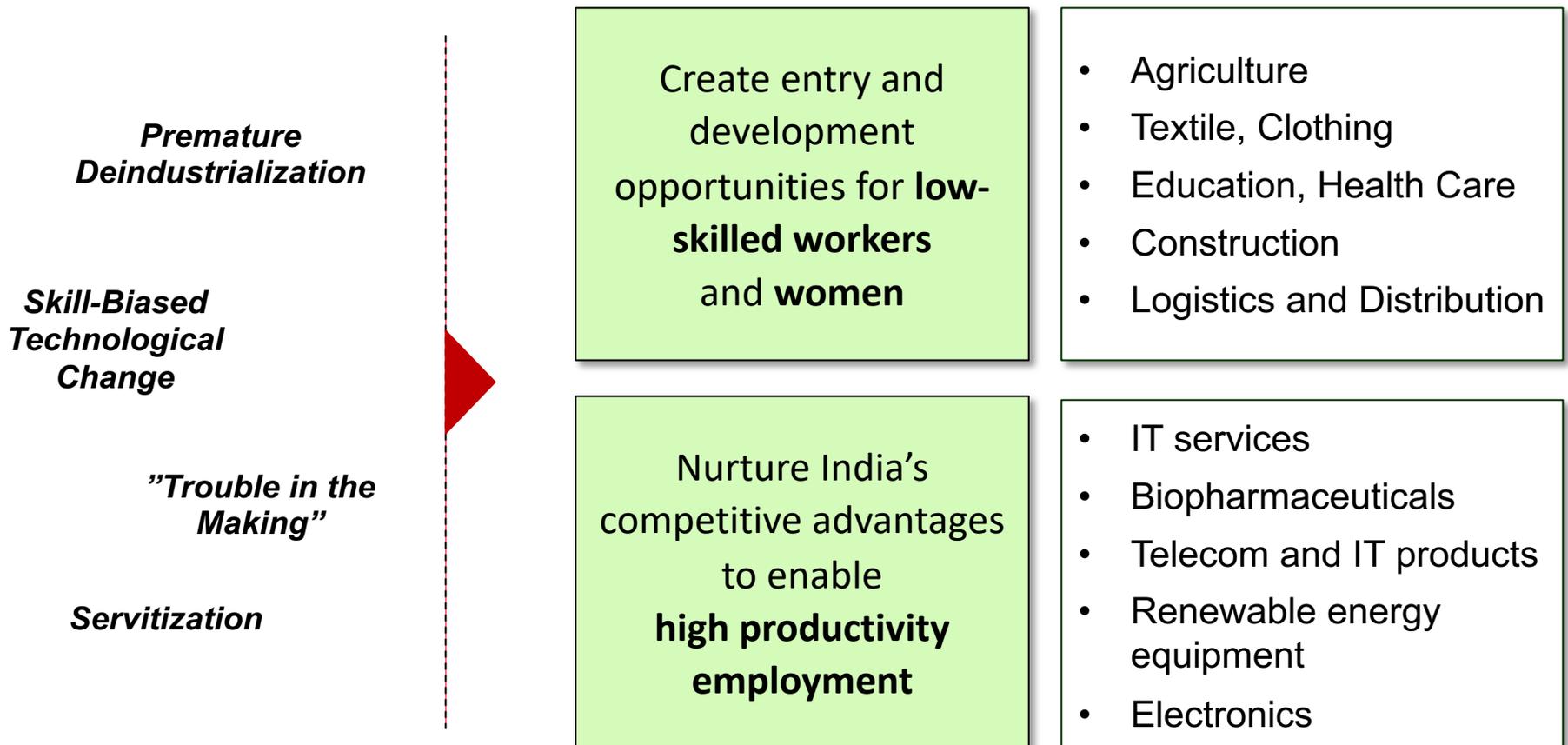
- Social Development through opening up pathways towards competitive jobs for low-skilled and female workers



Structural Transformation 2.0

New Principles

- Structural Transformation through sector-based growth across a portfolio of services and industries

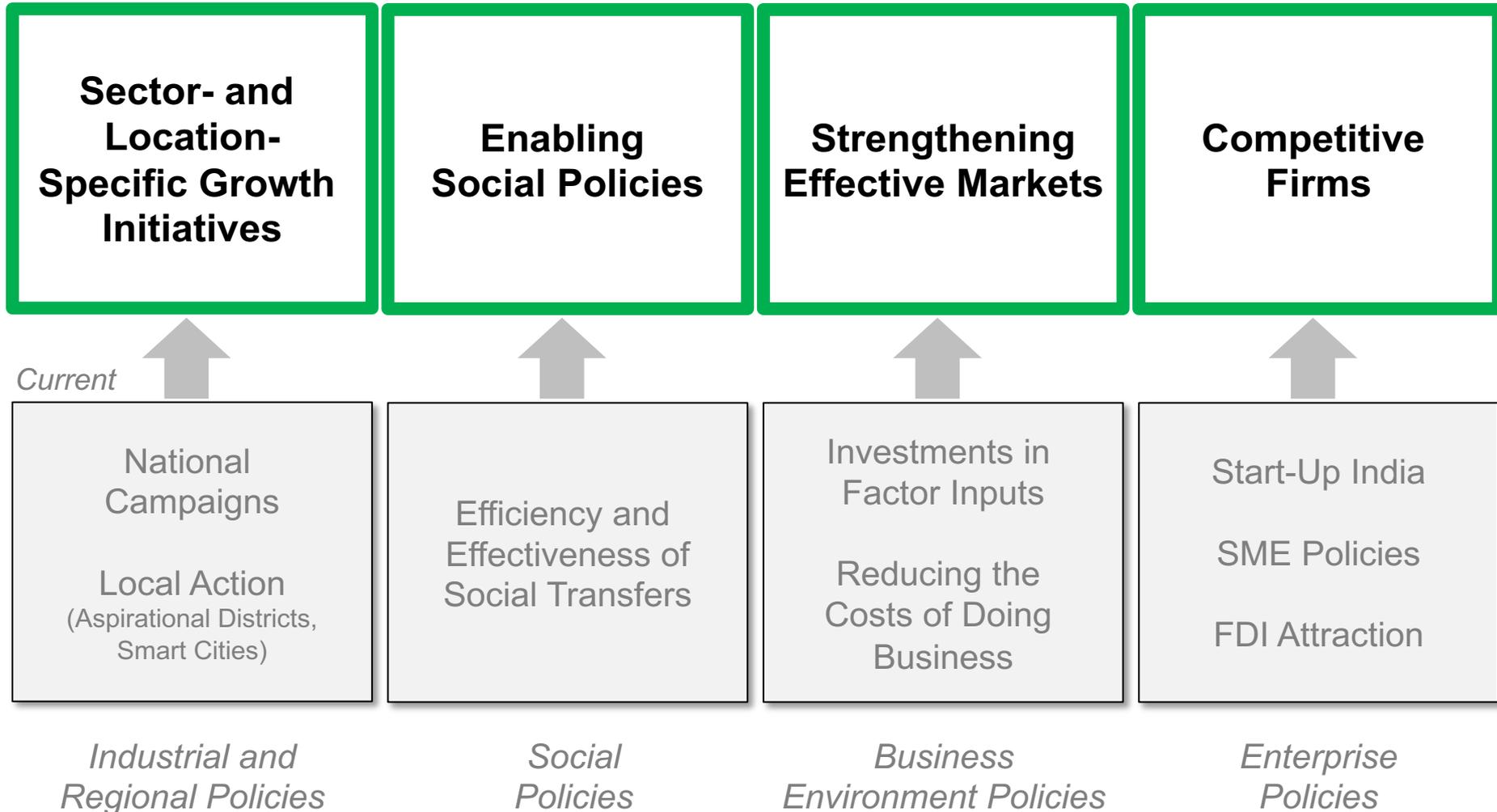


New Priorities for Policy Action



- Refocus existing policies to address critical bottlenecks to future growth

New Priorities



Sector- and Location-Specific Policies

Creating Jobs: Health Care Services



Aim

- Extend the supply of health care services
- Leverage female and low-skill workers in supporting health care delivery

Approach

- Regulatory changes necessary to open up activities for lower-skill employees
- Strengthen public investment/spending for health care services
- Leverage digital tools
- Open up delivery for both public and private providers
- Value-based health care principles
- Drive pilots, learn from experience, and scale successful efforts

Sector- and Location-Specific Policies

Improving Jobs: Agricultural Exports



Growing India's agricultural exports
through crop-specific, state-led plans

Submission to the XV Finance Commission

July 2020

Aim

- Enhance quality of jobs
- Create jobs in related and supporting sectors

Approach

- Focus on specific market niches, regions, and clusters
- Mobilize partnerships from public and private sector
- Create integrated action plans that coordinate a range of policy tools
- Draw on existing plans as far as possible
- Drive pilots, learn from experience, and scale successful efforts
- Evolutionary change vs structural reforms

Sector- and Location-Specific Policies

Jobs and Sustainability: Pact for Renewable Energy



- Reducing carbon intensity to 45% below 2005 level
- Increasing non-fossil capacity in power generation to 500GW
- 50% of energy from renewable energy sources by 2030
- Reducing emissions by 1 billion tonnes by 2030

The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi has given its approval to introduce the Production-Linked Incentive (PLI) Scheme in High Efficiency Solar PV Modules for Enhancing India's Manufacturing Capabilities and Enhancing Exports – Atmanirbhar Bharat.



INR 24,000 cr
Scheme Outlay



Aim

- Support expansion of affordable, reliable, and carbon-neutral energy for India
- Create jobs in India in the production of renewable energy equipment
- Contribute to global carbon reduction

Approach

- Foreign partners providing technology, production expertise, and funding
- Indian government provides guarantees for overall level of equipment purchases
- Indian regions compete for providing approved sites for production in conjunction with energy purchase agreements

Enabling Social Policies

Priority Action Areas

Tackle **childhood poverty** to remove a long-lasting burden on development and productivity

Provide **childcare services** to remove barriers for women entering the labor force and create job opportunities

Invest in a **value-based health care system** to provide better health care services and create job opportunities in a more low-skill, tech-enabled delivery model

Social and Economic Development

Enhance **public safety** to remove barriers for women entering the labor force

Enhance the effectiveness of the **education system**, providing K-12 students with strong foundations for a successful labor market entry

Strengthening Effective Markets

From Challenges to Policy Priorities

Electricity

India has created sufficient generation capacity

Profitability and reliability are low, prices are distorted

Agriculture

India has achieved self-sufficiency in food

Productivity and profitability are low

Education

India has increased enrollment rates

Quality of education is low and decreasing

India needs to implement policies that enable market forces to drive higher productivity and value creation

Anti-Trust Enforcement

Active Policies to Increase Effective Rivalry

Market Regulation for Value-Based Competition

Governance and Incentives

Reform Management

Enabling the Growth of Competitive Firms

Policy Actions

Priority Policy Areas

- **Infrastructure investments** to access new markets
- **Regulatory reforms** and improved effectiveness of the **judicial system** to enhance ease of doing business
- **Access to capital** to enable investment and scaling
- **Market opening** domestically (regulation) and internationally (trade policy) to create growth opportunities

Principles

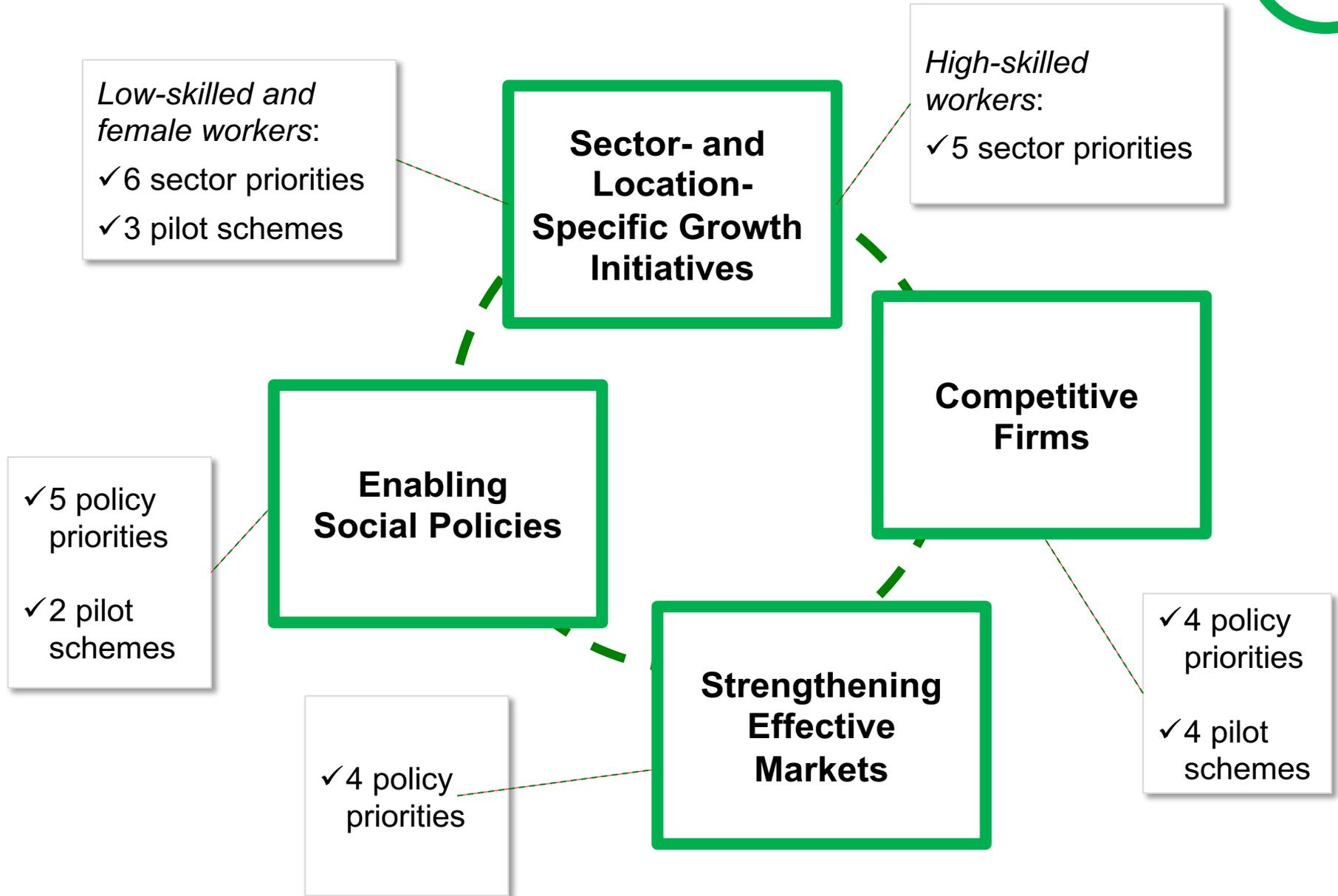
- Focus on effective implementation
- Enable experimentation, learning, and then scaling of policies
- Alignment of national policies with sectoral growth initiatives to achieve policy synergies

Pilot Actions

- **Scaling Indian Suppliers** establishes systematic efforts in collaboration with large domestic and foreign firms to qualify Indian for engagement in their value chains
- **Mentors India** connects Indian SME leaders with peers and partners in larger companies to gain insights on how to successfully manage firm growth
- **SBA India** is leveraging the experience of other countries to develop dedicated programs, especially tied to public procurement, that enable and challenge SMEs to grow
- **India Firmographics** would be launched as a joint effort of the Reserve Bank of India and CSO to develop robust measures of firmographics and on key drivers of SME growth

New Priorities for Policy Action

Reinforcing Policy Mix



Competitive Government

New
Model

Coordination across Government

- Across levels of government
- Across functional ministries and agencies

Capacity within Government

- Institutional capacity
- Individual capacity

Coordination beyond Government

- Dialogue with the private sector
- Collaboration with firms and other institutions

Towards Strengthened Indian Federalism

Current challenges

- No clear division of labor in areas of concurrent policy authority
- Rising fiscal space for states not systematically matched with rising capacity
- Lack of effective entities below the state level

India @ 100

- 
- Union government provides information, incentives, and tools
 - State (and regional) governments design strategies that deploy central and own tools and resources
 - Regional and especially metropolitan government entities are strengthened

Heterogeneity as a Challenge

Heterogeneity as an Advantage

Towards A New Architecture for Indian Policy Making

Current challenges

- Large number of separate ministries, departments, mission, commissions, etc.
- Policy initiatives focused on specific functional policy areas, while challenges increasingly require systemic solutions across them

India @ 100

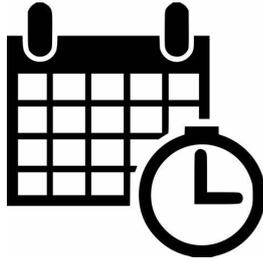
- Creation of new structures with authority to align actions across functional fields and ministries
 - Could be new entity, like A*Star and earlier EDB in Singapore
 - Could be more "goal-based", like in India's SDG process
- Important role for Niti Aayog in coordinating across these

Functional Structure

Goal-based Structure

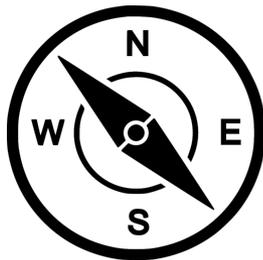
From Strategic Initiatives to All-of-Government Strategy

India @ 100



- Specific policies, tools and programs prioritized, adjusted, or newly launched based on the objectives of the strategy

Specific agencies and project teams



- Policies and programs to be connected and aligned with the objectives and priorities of the strategy
- Responses to external shocks to be informed by the objectives and priorities of the strategy

All of government

India's Success in a Global Context



The world needs India to succeed:

- **An Asian democracy balancing China;**
- **A demographic growth driver;**
- **A crucial part of the transition to global net zero**

- **While the global context matters, the key to India's success is domestic**