

# **1. EXECUTIVE SUMMARY**

## **1.1 THE GOVERNMENT'S INTENTION**

The study assumes importance in the context of the need to evaluate the functioning of the District Level Single Window Clearance Committees (DLSWCCs) as per the Karnataka Industries Facilitation Act 2002 and the main objective is to improve the effectiveness of the decisions taken in DLSWCCs in providing the solutions for the issues & problems of MSMEs being set up in the State of Karnataka under the fold of DLSWCCs.

## **1.2 MAIN EVALUATION QUESTIONS**

The main evaluation questions and tasks to accomplish the above Government's intentions/objectives are given below:

- Whether the DLSWCCs are receiving the proposals for approval of the projects and the procedure adopted by the Committee for granting the approvals as per rules.
- How many approvals for projects have been given by the DLSWCCs each financial year in each district since the coming up of the Karnataka Industries Facilitation Act 2002? Is there any trend or significant output emerging from the data?
- What is the average time that the DLSWCC take for deciding a Project? Is the time taken by districts is significantly different? What are the causes for taking more time and methods to reduce it?
- What is the status of litigation, if it has been a byproduct, of the decisions of DLSWCC? What are the causes district-wise? What guidelines should be issued for functioning of DLSWCC to reduce litigation, if it can be avoided?
- What is the perception of the users who have approached DLSWCC for getting their projects cleared?
- Based upon the data that is generated from the field study, what is the time taken for approval given to DLSWCC in each district?
- Whether the DLSWCC is meeting regularly? If yes how frequently number of meetings are held year wise and date of meetings approval and facilitations provided, issues and problems discussed shall be analyzed. If no, reasons for not conducting the meetings shall be evaluated, analyzed and reported.
- Whether the DLSWCC is functioning as per the Industrial Facilitation Act 2002?
- Whether the decision of DLSWCC is communicated to the applicants/ departments or authorities concerned – Time taken to communicate the decision and whether the compliance report is received and reviewed by the committee.
- Whether the decision taken by DLSWCC is binding on the other departments or authorities concerned.
- Whether Meeting notices convening the meeting date/ agenda notes/ proceedings are sent in time.
- Whether projects are actually approved by the committee and if so the details of components such as land, power, water, KSPCB issues are discussed and decisions taken.

- Whether the Combined Application Form is obtained from the applicant and whether the details in the Combined Application Form are filled up and scrutinized by the Member Secretary office.
- Whether the DLSWCC meeting is effective and useful to the applicants.
- Whether all the members are personally attending the meeting or Representative of the members are attending the meetings, whether the decisions are taken by the committee based on the feedback or information given by the representatives by members.
- Whether the reports regarding approval of projects are sent to higher authorities or not, if reports are sent the quality of the report and whether any formats have been devised for submitting the report. If reports are not sent the evaluator shall suggest various means and formats required in consultation with the Head Office.
- Feedback from the District Industries Association, Chairman Member of the Committee with regard to functioning/ strengthening/ empowering of DLSWCC.
- Whether any difficulties and constraints are faced during the approval/ decision and implementation?
- Whether decision of DLSWCC pertains only to project approvals or it also covers policy matters/ suggestions for the benefit of MSME sector projects?
- How DLSWCC is monitoring the approved projects?
- What is the follow-up mechanism for implementation of approved projects
- What is the weightage given to monitoring?
- How does the DLSWCC ensure that its decisions are being implemented by all the concerned departments/ agencies?
- Proportion of MSME projects approved in the DLSWCC.

### **1.3 EVALUATION APPROACH AND METHODS**

**A) Approach:** The evaluation study is required visit the District industries Centres (DICs) of Karnataka State, obtain the data for 12 years and analyze the data. Good and bad practices will be highlighted in the report. Obtaining the opinion of Chairmen, Members Secretaries and some of the important members of Committees such as KIADB, KSSIDC, KPCB, Concerned Electricity Supplying Companies and other members as deemed fit by the study. It is also required to interview few applicants for their opinion on functioning of DLSWCCs. The study is being carried out with the help of five-stage methodology. It is initiated with project inception, which is followed by desk research and literature review, field survey and personal interviews, data analysis, validation of findings, draft report preparation and report finalization.

**B) Methodology Adopted:** Methodology adopted for completing the study comprises of (a) Desk Research, (b) Field Survey, (c) Data Analysis, (d) Draft Report Preparation and (e) Final Report Preparation.

### **1.4 KEY FINDINGS AND RECOMMENDATIONS**

Investors and entrepreneurs experience hurdles in obtaining timely approvals at different levels. For the investment to materialize the business environment must be conducive and the various Government Agencies should serve as facilitators, so that the investors feel at home in

the State. The expectations of the investors are high and hence the Government of Karnataka has to gear up to meet the challenges of the competitive environment.

### **1) DICs to be Proactive Facilitators**

The District Industries Centres (DICs) to be proactive to make it as an effective Single Window Agency at District Level. Once a project is cleared in the DLSWCC, it interacts with the other agencies and obtains approvals from them without making the investor's visit to each agency for individual approvals. This process will be completed within defined a time limits.

### **2) Combined Application Form**

It is found from the field study that it is not happening in majority of the districts. All the DLSWCCs should have to accept Combined Application Form (Form I & II) at DIC level. It will speed up the implementation process in the respective districts.

### **3) Lack of Monitoring System from Directorate of Industries & Commerce**

- The State Level Office (Directorate of Industries & Commerce) should meet periodically at least once in a month to review the progress made at the district level and seek necessary data on the implementation of the Scheme(s).
- Review Meeting has to be conducted at least once in three months at State Level with all Committee Members of all the districts. There is less coordination/monitoring system on the Single Window Clearance System by the Directorate of Industries & Commerce, GoK and it should be strengthened.
- Similar kinds of industrial units are coming up in few districts. Awareness Generation Campaigns need to be conducted by the officials of DICs on available resources in the areas of respective districts, where there is a good scope for potential projects.
- The institutions involved in promoting industry in the State – the KUM, KIADB, DIC, KSSIDC, KSPCB, Electricity Companies, local bodies, etc will be made professionally strong to truly serve the purpose of rapid industrial development.

### **4) Strengthening of Industrial Infrastructure**

#### **a. Land Allotment by KIADB and Plot/Shed Allotment by KSSIDC:**

- ¶ In order to ensure orderly establishment, growth and development of industries in the State, Government of Karnataka needs to ensure acquisition of land by KIADB for setting up industrial areas. There is no timeframe for completing the acquisition process/proceedings including payment of compensation. Hence, KIADB should indicate a time frame within which the land will be acquired and allotted to investors.
- ¶ Land Bank Data in KIADB should be computerized and made more comprehensive and include all data that the investor would require to take a decision.
- ¶ KIADB must display in online system a clear allotment procedure to meet the demands of the investors, on First Come First Served Basis, who will complete the all the requisite formalities online and KIADB should ensure transparency in allotment of land/plots in industrial areas. The KIADB should also allot required land to KSSIDC, which in turn allot plots/ sheds to the prospective entrepreneurs.

- b. **Land Conversion:** The Government should speed up the process of conversion of the land from agriculture to industrial land and should monitor the progress in disposal of applications.

## **2. INTRODUCTION**

The Government of Karnataka (GoK) enacted “The Karnataka Industries (Facilitation) Act 2002” and rules for promotion of industrial development and facilitation of new investments to simplify the regulatory frame work by reducing procedural requirement and rationalizing the documents and to provide for an investors friendly environment in the State of Karnataka and also to expedient the implementation of industrial and other projects in the State by providing single point guidance and assistance to industry promoters.

As per the Karnataka Industries (Facilitation) Act 2002, the Karnataka Udyog Mitra (KUM) had been appointed as “Nodal agency “at the State level for the project cost of Rs.3.00 Crores and above.

‘District Industries Centres (DICs)’ have been nominated as the District Nodal Agency at the district level to undertake investment promotional activities and to render necessary guidance and assistance to entrepreneurs’ up to project cost of Rs. 3.00 Crores. GoK constitutes District Level Single Window Clearance Committee (DLSWCC) under the Chairmanship of Deputy Commissioner of the concerned district.

The Karnataka Evaluation Authority (KEA) is a Society registered under the Karnataka Societies Act 1960. With a view to overcoming the shortcomings and lacunae in evaluations of the past and to have a professional, unbiased and independent body with the responsibility of carrying out evaluations, the Government of Karnataka constituted the “Karnataka Evaluation Authority” in the year 2011.

The KEA, GoK has entrusted an Evaluation Study to APITCO (Andhra Pradesh Industrial & Technical Consultancy Organisation Limited) on “Functions and Outcome of District Level Single Window Clearance Committee (DLSWCC) of Karnataka State”.

APITCO is a deemed Government Company promoted by Central (SIDBI, IFCI & ICICI), State Financial Institutions (APIDC & APSFC) along with Nationalised Banks (AB, SB, SBI & IB) to promote MSMEs in the country especially in Andhra Pradesh and Telangana.

### **2.1 DEMOGRAPHY**

APITCO conducted an evaluation study during September and October 2015 to find out the functions and outcome of District Level Single Window Clearance Committees in Karnataka State during the years 2002 to 2014 in 30 districts of Karnataka State.

Two questionnaires were designed for collecting the primary data: (1) Questionnaire 1 - For the Members of DLSWCC; and (2) Questionnaire 2 - For the