

**Terms of Reference for the study on Evaluation of Functioning and Effectiveness
of industry related service modules of major Government Departments in
promoting investor friendly business environment for industries in
Karnataka State (2018-19)**

Sl. No.	Content	Page no.
1	Title of the Study	1
2	Department implementing the Scheme	1
3	Background and Context	1-5
4	Evaluation Scope, Purpose and Objective	6-7
5	Evaluation Questions	7-10
6	Sampling and Evaluation methodology	10-11
7	Deliverables and time Schedule	11
8	Qualities expected from the report	11-12
9	Structure of the report	12-14
10	Study Team-requirements	14
11	Cost limits and schedule of budget release	14-15
12	Selection of Consultant Agency for Evaluation	15
13	Contact person to get further details about the study	15

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1. Title of the Study:

Evaluation of Functioning and Effectiveness of industry related service modules of major Government Departments in promoting investor friendly business environment for industries in Karnataka State (2018-19).

2. Department Implementing the Scheme

Department of Industries & Commerce & Karnataka Udyog Mitra

3. Background & Context

India is in a process of rapid transition towards an industrial economy. The new industrial strategy includes promotion of medium and small enterprises along with large industries. The country is on the threshold of major reforms and is poised to become the third-largest economy of the world by 2030. India offers the 3 'Ds' for business to thrive— democracy, demography and demand. Add to that a tech-savvy and educated population, skilled labour, robust legal and IPR regime, and a strong commitment to calibrated liberalization — India is a destination that foreign investors cannot overlook. India's manufacturing sector has evolved through several phases - from the initial industrialisation and the license raj to liberalisation and the current phase of global competitiveness. Today, Indian manufacturing companies in several sectors are targeting global markets and are becoming formidable global competitors. Many are already amongst the most competitive in their sectors.

Make in India is a major new national programme of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country. The primary objective of this initiative is to attract investments from across the globe and strengthen India's manufacturing sector. It is being led by the

Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India. The Make in India programme is very important for the economic growth of India as it aims at utilising the existing Indian talent base, creating additional employment opportunities and empowering secondary and tertiary sector. The programme also aims at improving India's rank on the Ease of Doing Business index by eliminating the unnecessary laws and regulations, making bureaucratic processes easier, making the government more transparent, responsive and accountable.

Why the ease of doing business matters?

It essentially lies in the fact that there are important and well-researched linkages between the doing business climate (or the business regulatory environment), job creation, the firm-size distribution in the industry, and the level of economic activity. A poor business environment results in the country failing to realise its true growth potential. It may also result in specialisation that is contrary to the country's comparative advantage.

Doing Business advocates for both regulatory quality and efficiency. It is important to have effective rules in place that are easy to follow and understand. To realize economic gains, reduce corruption and encourage SMEs to flourish, unnecessary red tape should be eliminated. However, specific safeguards must be put in place to ensure high-quality business regulatory processes; efficiency alone is not enough for regulation to function well. Doing Business exposes cases with evident discrepancies between regulatory quality and efficiency, signalling to regulators what needs to be reformed.

Studies have pointed out that merely reducing the time taken to grant approvals for restaurants from nine months to three months, the states will accrue an additional revenue of Rs 38.76 crore, and the sugar millers/distillers will receive an additional revenue of Rs 51 lakh, which could potentially find its way towards payment of dues of sugarcane cultivators. These calculations indicate that by merely

reducing the amount of time for issuing licence, and the government incurs no expense in doing so, there is a significant economic gain. (Pahle India Foundation, An Integrated Value Chain Approach to Ease of Doing Business: A Case Study of Sugar, Alco-Bev, and Tourism Business Standard Sept. 2018) Fewer procedures quick approvals and lower levels of minimum capital, for example, are positively and significantly associated with the process of starting a business. Where procedures are more complex or unclear, the likelihood of corruption and illegal practices is also likely to be higher. Further, there are benefits to companies of formal registration, such as greater access to new equipment and a larger scale of operations, which can lead to increased competitiveness and productivity.

Thus, there is high correlation between the business regulatory environment and income per person across time and space indicating the possibility that the improvement in business environment will increase the industrial activity and the per capita income. (EODB An enterprise survey of Indian States 2017 NITI & IDFC p-14).

The performance of the countries on Ease of Doing Business is measured by the World bank annually based on the parameters that affect the industrial environment. Doing Business 2019 measures the performance of the countries based on some standard indicators. A nation's ranking on the index is based on the average of the following indices:

1. **Starting a business** Procedures, time, cost and paid-in minimum capital to start a limited liability company
2. **Dealing with construction permits** Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
3. **Getting electricity** Procedures, time and cost to get connected to the electrical grid, and the reliability of the electricity supply and the transparency of tariffs

4. **Registering property** Procedures, time and cost to transfer a property and the quality of the land administration system
5. **Getting credit** Movable collateral laws and credit information systems
6. **Protecting minority investors** Minority shareholders' rights in related-party transactions and in corporate governance
7. **Paying taxes** Payments, time, total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes
8. **Trading across borders** Time and cost to export the product of comparative advantage and import auto parts
9. **Enforcing contracts** Time and cost to resolve a commercial dispute and the quality of judicial processes
10. **Resolving insolvency** Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency

(Labor market regulation- Flexibility in employment regulation and aspects of job quality is included in the analysis but is not included in the Score).

India's rank has improved from 100 in 2017 to 77 in 2018 among 190 countries in the world with a score of 67.23 on a 0-100 scale.

Business reforms in Karnataka

The Karnataka Industries (Facilitation) Act 2002 provides for the promotion of industrial development and facilitation of new investments to simplify the regulatory frame work by reducing procedural requirements and rationalising documents and to provide for an investor friendly environment in the State of Karnataka. It provides for Constitution of State High Level Clearance Committee, State Level Single Window Clearance Committee and District Level Single Window Clearance Committee for consideration of application from entrepreneurs intending to establish industries in the State. Appointment of Karnataka Udyoga Mitra as a Nodal Agency at State Level and the District Industries Centre at Nodal Agency at the District level to undertake investment promotional activities and to render

necessary guidance and assistance to entrepreneurs to setup industrial undertaking in the State.

Karnataka Udyog Mitra (KUM) working under the aegis of Dept. of Industries and Commerce is the “single point of contact” for all investors who are looking forward for setting up businesses and also the nodal agency for implementing initiatives under Ease of Doing Business in the State.

KUM works on the model of a Single Window Clearance mechanism. Karnataka Udyog Mitra will liaise between the organization and the various government departments for assistance in land identification, land allocation, power, water, environmental clearance, etc. to ensure smooth and timely implementation of your projects. The investor has no longer need to go from department to department or wait in line or hop multiple websites for information and services.

Projects with investments between INR 15 to 500 crores, will be cleared by the State Level Single Window Clearance Committee (SLSWCC), chaired by the Minister for Large and Medium Scale Industries, Government of Karnataka. If the investment is above INR 500 crores it will be cleared by the State High Level Clearance Committee (SHLCC), chaired by the Chief Minister, Govt. of Karnataka.

However, to boost the investment process and attract the new investors in competitive markets, it is essential to have a robust automated system wherein businesses can be facilitated with end-to end service delivery by creating smooth transition from receiving an investment proposal to the implementation and operationalization of the project and its after care through adequate monitoring.

In this context, evaluation of the industry related service modules of major Line Departments is taken up here as requested by Karnataka Udyog Mitra. The objective is to understand the effectiveness of these modules in delivering the services to the investors and identify gaps if any to make necessary corrections and reengineering of these services to make them more investor friendly to boost the investment process in the State.

4. Scope of the Study

The evaluation study is mainly a process evaluation. The 55 major services rendered by different Departments are listed for evaluation. The scope of the study is to examine the performance in delivery of these services as per the timeline, the process of delivery, online- offline, the clarity about the services, the problems faced, any additional issues etc. and the suggestions for any changes required. The data is to be collected and analysed for all applications from 1/4/2018 to 30/6/2019. The service delivery is to be assessed against the scheduled No. of days mandatory for the delivery of the service. It should cover the evaluation of both the aspects -service delivery and functional aspects of the service modules. It will also collect the opinion of the investors about the EoDB facilitated by these service modules. The study, based on the findings. will offer the suggestions for further improvement in the procedures.

Objectives of Evaluation

The basic objectives of Evaluation are:

1. To study the role of Karnataka Udyog Mitra (KUM) as single window portal and the services offered by it to facilitate the investment process in the State.
2. To examine the status of EoDB in Karnataka State vis a vis other States in India.
3. To analyse the service delivery mechanism, the approval process and the time taken by different departments for the approvals during the study period.
4. To examine the procedures, documents to be submitted to obtain a service – their requirement vis a vis redundancy, & to analyse the time pattern in delivery of services across the Departments/ categories of services, the investor groups, the Start-ups etc.
5. To analyse ease of accessibility, submission of application, access to information on the portal, ease of handling the process, and e- payments across the group of investors and regions.

6. To assess the effectiveness of service delivery, identification of gaps, pendency, online & offline procedures and issues across the Departments and suggest effective mechanism to overcome the gaps and improve the efficiency of service delivery.
7. To examine the impact of service delivery on growth of investment, enterprises and entrepreneurs in the State (Pre & Post Period analysis).
8. To study the models in other States & countries and their application in the State to improve the ranking of the State in EoDB.

5. Evaluation Issues/ Questions

I. Assessment of service Delivery Procedure

1. Data collection from line Departments for all applications for each industry service module, and its approvals as per specified period.
 - a. Applications received, approved and rejected- reasons for the same.
 - b. Delivery of service, payment mode - online/ offline
 - c. Document submission- online/ offline/ partial.
 - d. Clarification- online/ offline/ NA
 - e. Status Tracking- online/ offline/ both
 - f. Approval certificate- online/ offline/ both
 - g. Approval Certificate signature (digital/ e-sign/scanned upload etc.)
2. Analysis of the following information for each Department & industry service wise
 - i. Name of the service,
 - ii. Timeline as per Sakala
 - iii. Name of the applicant, Application No. mobile no. e-mail id & address
 - iv. Office, division / circle/ Taluka applied to
 - v. Kalyan Karnataka region vis-a-vis Non-KK region
 - vi. Date of application
 - vii. Date of approval

- viii. Clarifications raised by Dept.- No. of days from the date of application,
- ix. No. of times clarifications raised.

Website specific details

- 3. Creation of Login IDs and making online applications for each service to check modules, functionality of website, ease of accessibility, form submission, workflow, ease of applying, document upload, tracking applications, downloading final certificate and other procedural requirements.
- 4. Analysis of ease of accessibility, submission of application, access to information on the portal, ease of handling the process, workflow, ease of applying, document upload, tracking applications, downloading final certificate and online payments across the group of investors and regions.
- 5. Analyse interdependence in service delivery across the services in different Departments. Identify correlation between two or more Departments.
- 6. Examine the extent of overlapping/ non overlapping in procedures /Laws/ rules/ among concerned Departments.
- 7. Validation and confirmation of the receipt for delivering the Sakala services to the concerned applicants/ entrepreneurs.
- 8. The number of days spent in getting approvals and compliances. Additional costs incurred for getting any approvals or completing processes beyond officially prescribed fees.

II. Functional aspects of service modules

- i. Workflow process- end to end application approval.
- ii. Document Storage capacity, document sharing and internal workflow process.
- iii. Help to understand a particular process.
- iv. Compliance to standard browsers (Google, Internet explorer, Mozilla Firefox, safari etc.)
- v. Bilingual support provision for the modules

- vi. Compliance with W3C Standards
- vii. Support to digital signature.
- viii. Security aspects w.r.t. authorisation.

III. Output & Outcomes (Service delivery and impact on investors).

- a) Analyse the percentage increase in growth of industries, business/ services in pre and post Sakala period in the State and percentage change/ decrease in time taken for final approvals.
- b) Analyse the service delivery trends across the services and Departments as against the scheduled time period. Identify the services that are provided within the time period and review to what extent the online mode has met the expectations of the investors.
- c) Whether separation of guidelines between Industrial Land approval agencies versus other residential and commercial zoning areas will speed up the land approval process?
- d) Analyse the pendency rate across the services, Departments regions, sectors and investor groups. Start-ups, small investors vis-a vis the big investors, investors within & outside the State & country.
- e) Carry out a regression analysis of services across departments and across services to identify which Departments and services are contributing to the delay period.
- f) The survey of enterprises by NITI Aayog on EoDB (2017) observed that at All India level, the average time taken to get all construction related approvals was around 75 days but in Karnataka it was 140 days, the highest in the country. Examine its validity and reasons for the same.
- g) The report also has noted that the awareness, information and utilisation of single window system is very low across the States. Examine it among the sample investors in Karnataka.
- h) How many business reforms are carried out by the state and what is the gap left. Examine to what extent the service coverage is adequate to ensure increased flow of investments in the State.

- i) Analyse the problems faced by MSME entrepreneurs with regard to procedures, access to and handling of investment procedures across the regions.
- j) Examine whether clear process guidelines are existing covering recent urban legal judgements and challenges to industrial approvals (including small firms-restaurants, clinics, shops, educational institutions etc.)
- k) Review the functioning of the grievance redressal mechanism to address the issues and concerns of the investors and time taken to settle the issues.
- l) The study has to undertake an opinion survey of investors to get feed back about the actual difficulties faced by them in seeking various approvals required for the investment proposal.
- m) What are the perceptions of the entrepreneurs about the business environment in the State?
- n) What are the models adopted in other States & countries and examine the feasibility of their application in the State to enhance the effectiveness of service delivery in the State and increase the flow of investments?

6. Sampling & Evaluation Methodology

The study is basically an audit/ assessment of processes involved in sanction of different approvals to start an industry/ business. It therefore largely depends on the secondary data collected from the portals/ websites of different departments and the data available in e- governance for these 55 industry related services in about 24 Departments. The study will also apply experimental method to generate the data. Various statistical techniques like correlation, regression to be applied for the analysis of the data.

For the opinion survey of applicants, a sample of minimum 30 applicants each from four divisions in the State to be picked up randomly based on the available information. The total is 120 applicants. A structured questionnaire with limited number of questions is to be used to collect the data from sample applicants.

In depth interviews with the officers of the Departments, Karnataka Udyog Mitra, Federation of Chamber of Commerce and industries and experts in the field to seek their views and suggestions.

Qualitative data

FGDs 10	4 @t division level 4 @ district level 2 @ State level	Stakeholders- leading industrial groups, members of chamber of Commerce & Industries, successful entrepreneurs, and other key persons.
IDI's 75	2 from each Dept. involved in the study & officers at Division level, district level and from Udyog Mitra.	Higher level and other key Implementing officers and others concerned.

7. Deliverables time Schedule:

The Karnataka Udyog Mitra, Sakala Mission and KEA will provide the necessary information pertaining to the study and also co-operate with the consultant organization in completing the assignment task within the stipulated time period.

It is expected to complete the present study in 3 months' timeline, excluding the time taken for approvals at KEA.

Table 5: Timelines and deliverables

a. Inception Report	15 days after signing the agreement
b. Field Data Collection	1 month after the date of work plan Approval*
c. Draft report submission	1 month after Field Data Collection
d. Final report	15 days after approval of the Draft report
Total duration	3 Months

8. Qualities expected from the Report

The evaluation report should generally confirm to the United Nations Evaluation Guidelines (UNEG) "Standards for Evaluation in the UN System" and "Ethical Standards of Evaluations".

The report should present a comprehensive review of the Scheme/ programme in terms of the content, implementation process, adequacy, information and access to beneficiaries and the effectiveness of service delivery.

The qualitative data collected through FGD and discussions with the officials should be used in unbiased manner to support or for further analysis of the reflections from the quantitative data. The analysis should provide adequate space for assessing the variations across the regions and social categories. Case studies to be presented to bring out the realities at the household level.

The report should come out with specific recommendations based on adequate field evidence for any modifications in the programme design, content, implementing procedures, and any other modifications to improve the access and impact of the Scheme/Programme.

9. Structure of the report

The following are the points- only inclusive and not exhaustive- which need to be mandatorily followed in the preparation of evaluation report. The report should be complete and logically organized in a clear but simple language. Besides confirming to the qualities covered in the Terms of Reference, report should be arranged in the following order:

Preliminary Part

- Title and Opening Page
- Index
- List of acronyms and abbreviations
- Executive Summary- A section that describes the program, purpose and scope of evaluation, research design and methodology, key findings, constraints and recommendations.

Chapter-1 Introduction and Study design

- **Background-** A section that briefly covers the history or genesis of the sector under which the programme/scheme being evaluated covered. It should give recent fact sheets taken from reliable and published sources and review of the progress of the scheme at Taluka/District level.
- Log Frame theory/ Theory of change
- Objectives and performance of the program - This section includes the stated objectives of the program and the physical and financial achievements of the selected program in the period of evaluation. It should cover the description of the target group, aim of the program, the programme guidelines and method of selection of beneficiaries and the physical and financial achievements.

Chapter –II Review of literature and Evaluation Methodology

- Review of past evaluation reports and their findings- Theoretical background.
- Evaluation Methodology - This should include research design, hypotheses for testing, evaluation matrix sample design and size, Methodology for data collection and analysis- questionnaire design and pilot test, data analysis.
- Limitations/constraints in the evaluation study.

Chapter III - Findings and discussion

- Tables and figures are to be used to present results in summary and/or graph format to add clarity to the presentation. In addition to simply presenting the results in a straightforward manner, the author also must provide the readers with his/her interpretation of the results, implications of the findings, conclusions. Each result is discussed in terms of the original hypothesis to which it relates and in terms of its agreement or disagreement with results obtained by other researchers in similar/related studies.
- A detail analysis of Case Studies, and discussions

Chapter IV Summary and Conclusions

Chapter V- Recommendations – Recommendations to be evidence based- short term for mid-course corrections & long term for change in program design/ policy change.

Annexures

Sanctioned Terms of Reference of the study.

Survey tools and questionnaires

Place, date and number of persons covered.

Table showing details of major deviations, non-conformities, of the program.

10. Study Team- requirements

Sl. No.	Team	Subject Experts Requirements	Experience
1.	Principal Investigator	Ph.D in Commerce/ Management/ Economics is preferable or first class post graduate degree in Commerce/Management /Economics	05 years of experience in field
2.	1 st Core team member	First class graduate/ Post graduate engineering degree in Computer Science/ Information technology/ Business analysis/ web designing.	Should also possess a minimum of three (3) years of experience in allied sector projects
3.	2 nd Core team member	Postgraduate in Statistics/ MCA with knowledge of Statistical analysis techniques	3 years' experience in data analysis

11. Cost and Schedule of Budget release

The Output based budget release will be as follows-

1. The **first instalment** of Consultation fee amounting to 30% of the total fee shall be payable as advance to the Consultant after the approval of the inception report, but only on execution of a bank guarantee of a scheduled nationalized bank, valid for a period of at least 12 months from the date of issuance of advance.
2. The **second instalment** of Consultation fee amounting to 50% of the total fee shall be payable to the Consultant after the approval of the Draft report.

3. The **third and final instalment** of Consultation fee amounting to 20% of the total fee shall be payable to the Consultant after the receipt of the hard and soft copies of the final report in such format and number as prescribed in the agreement, along with all original documents containing primary and secondary data, processed data outputs, study report and soft copies of all literature used in the final report.

12. Selection of Consultant Agency for Evaluation

The selection of evaluation agency should be finalized as per provisions of KTPP Act and rules without compromising on the quality.

13. Contact persons:

Shri Pradeep kumar, Karnataka Udyog Mitra Bangalore

Dr. Chaya Degaonkar (ACEO.) KEA, Ph: 9342331301

**The Terms of Reference were approved by the Technical Committee of KEA
in its 45th Meeting held on 10th October 2019.**

Chaya Degaonkar

Prepared by:
Dr. Chaya Degaonkar (ACEO, KEA)

Sunderban GA
Chief Evaluation Officer
Karnataka Evaluation Authority

