

Competitive Federalism



What is Competitive Federalism?



Concept where centre competes with states & vice-versa, &



Ultimate aim is to develop India



States compete with each other



Policy shift from one-size-fit-all to based on own priorities within the state.



Originated in countries such as the US



Bottom-up approach



According to Liberty Foundation (USA): it is a system that allows States to compete with each other over a broad range of issues to provide citizens with



Services at the lowest cost, and



The best value goods



Why in News?



Signs of competitive federalism especially in terms of ease of doing business



States trying to attract investments by facilitating reforms



Progress in Terms of Competitive Federalism in States



Reforms in ease of doing business



Competed for investments by bringing various reforms



Expediting the pending project clearances



Eg. Andhra Pradesh & Karnataka (Hyderabad and Bengaluru)



Competitive Federalism in India



One of the mandates of NITI Aayog to develop competitive federalism



State governments do not look towards centre for



Policy guidance



Fiscal resources



Share of states in central tax revenue increased from 32% to 42%



Freedom with states to plan their expenditure based on their own priorities



Work within the context of shared national objectives



Way Forward



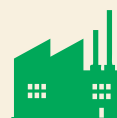
India on right track of competitive federalism



Not all states have yet embraced the concept



Special funding required by deficit states like Bihar, Odisha, Jharkhand, NE states etc to participate in competitive federalism



Handful of states are taking steps to strengthen their business environments like



Reforms in land acquisition &



Labour flexibility