

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:648  
ANSWERED ON:03.12.2004  
FOREIGN DIRECT INVESTMENT  
Maheshwari Smt. Kiran

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the annual Foreign Direct Investment Climate Survey was recently carried out by Confederation of Indian Industry and the World Bank;
- (b) if so, the details of States which were gradually losing their attractiveness for foreign investment as per survey;
- (c) the reasons given in survey for the same;
- (d) the corrective measures suggested in survey for the same; and
- (e) the response of the Union Government on the survey with the action if any taken by the Government on the basis of survey?

**Answer**

Minister of State in the Ministry of Finance (Shri S. S. Palanimanickan)

(a): Yes sir.

(b) & (c): The World Bank report on 'India Investment Climate Assessment 2004' in comparing 12 States, has identified Madhya Pradesh, West Bengal, Uttar Pradesh and Kerala as having a lower investment climate rating. According to the survey, functioning of the product and factor markets (including markets for labour, land and capital); sources of non-pecuniary intra- and inter-industry externalities (i.e., spillovers); the quality of public goods (such as law and order, government regulation) and physical and social infrastructure are the key determinants of investment climate.

(d): The report has suggested two interrelated sets of regulatory and institutional reforms in order to improve investment climate. The first comprises a set of regulatory reforms, including reducing entry and exit barriers to manufacturing industries, addressing impediments to the smooth functioning of labour, land, and product markets, and streamlining the regulation of business startups, bankruptcy procedures, and industrial and trade routines. The second reform set would address physical infrastructure bottlenecks and weaknesses in financial and other business services.

(e): The Government is making continuous efforts to make India an attractive destination for investments in the region by providing an internationally competitive investment climate in terms of policy, procedures and institutions. Government has set up a National Manufacturing Competitiveness Council (NMCC) which, inter-alia, will provide a forum for policy dialogue and evolve strategies for manufacturing sector as a whole as well as individual industries for enhancing competitiveness.