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 with in 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

**Competitive Federalism in India**
- One of the mandates of NITI Aayog to develop competitive federalism

**Progress in Terms of Competitive Federalism in States**
- Reforms in ease of doing business
- Competed for investments by bringing various reforms
- Eg. Andhra Pradesh & Karnataka (Hyderabad and Bengaluru)
- Expediting the pending project clearances

**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 Labour flexibility

**NITI Aayog**
- Share of states in central tax revenue increased from 32% to 42%
- Fiscal resources

**State governments do not look towards centre for**
- Policy guidance

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- Inspiring Innovation