

Industrial Policy **2003**



GUJARAT GOING GLOBAL



सत्यमेव जयते

Industries & Mines Department
Government of Gujarat

INDUSTRIAL POLICY - 2003

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STRONG GUJARAT.... PROGRESSIVE GUJARAT

Our Responsibility

Growth of Gujarat for Development of India

Our Aim

To establish Gujarat as a front-runner State in Global competition

Our Base

Cultural heritage

Our Land

Fertility – Sow a Rupee, reap a Dollar

Our Strength

Gujaratis with enterprising nature spread all across the globe

Our Nature

Trade is not our business but our nature

Our Pride

Jay Jay Garvi Gujarat

Our Desire

To provide business leadership to the entire world

Our Dream

Prosperity for the last man of the society

Our Approach

Creation of conducive environment

CHAPTER -1 INTRODUCTION

PREAMBLE

Gujarat has been the front-runner in the overall economic development of the country all these years, as is evident from the fact that with mere 6% of geographical area and 5% of the population of India, the state contributes to 21% of the country's exports and 6.42% of the national GDP at constant prices. If the decadal growth of performance of some of the Indian states vis-à-vis other Asian economies with that of Gujarat is compared, one gets quite an encouraging scenario. The industrial growth of Gujarat with a figure of 8.52% could be way ahead of many Indian states and other Asian Tigers viz. Singapore, Malaysia and Korea.

Gujarat - A leading state in manufacturing sector

Over a period of time, the state has established itself as second to none, especially in case of manufacturing sector. The State has successfully carved out a formidable position for itself on the national map of manufacturing sector, as is reflected from the status of dominance in many areas pertaining to manufacturing. The illustrative list of some of the selected products, wherein Gujarat contributes significantly is as under:

S.No.	Sector/Industry	Share of Gujarat in National Production
1.	Engineering <ul style="list-style-type: none">• Power Driven Pumps and Monoblok Pumps• Air & Gas Compressors• Steel Casting• Forgings• CI Casting	74% 70% 57% 12% 10%
2.	Chemical Products <ul style="list-style-type: none">• Soda Ash• Liquid Chlorine• Paints & Enamels• Caustic Soda• Sulphuric Acid	94% 70% 20% 17% 16%
3.	Petrochemical Products <ul style="list-style-type: none">• Caprolactum	55%
4.	Plastic Products <ul style="list-style-type: none">• Laminated/Decorative sheets	14%
5.	Drugs and Pharmaceuticals	45%

6.	Dyes <ul style="list-style-type: none"> • Azo Dyes • Reactive Dyes 	20% 17%
7.	Fertilizers <ul style="list-style-type: none"> • Phosphatic Fertilizers • Nitrogenous Fertilizers 	66% 29%
8.	Mineral Based Industries <ul style="list-style-type: none"> • Cement 	10%
9.	Food Products <ul style="list-style-type: none"> • Baby food and Instant Milk Powder 	43%

Policies in Retrospect : A strong foundation for a brighter tomorrow

The erstwhile policy initiatives shot the state into prominence on the industrial map of the country with a well-diversified base from a lone base of textile and its auxiliaries when formed in 1960. The earlier policies including the policies of the first decade of post-liberalization period were primarily incentive centric to attract investments in the developing areas of the state. These policies have also served the purposes but this instrument since 2000 was no longer available, the state came out with a different policy initiatives in 2000, primarily focusing on strengthening the manufacturing sector with emphasis on strengthening existing and creating new clusters, promotion of IT and knowledge based industries, enhancing exports, development of small and service sector, technology upgradation programme, R&D, setting up of Industrial Parks, upgradation of infrastructure, support for environmental protection measures, etc. Since then however, certain new developments especially in the form of markets increasingly getting integrated with global economy and the state emerging with substantial reserves of gas which would transform the economy of the state to flourish on the basis of cheaper and cleaner source of energy. These developments necessitated fine-tuning of the policy initiatives.

Process of Economic Reforms : Gujarat the Leader

Gujarat being a leading state in terms of economic development in the country is watchful on the internal and external environment governing any change and accordingly, wherever required implements the reforms quickly. As a result, the state has earned the distinction of being the **first state** to advance the reform process in the country. When the economic regime in India was under protective environment and most of the activities were under the Government control, Gujarat first time in the country had stepped in the direction of privatization. Today when the Union Government and other state Governments have initiated the process of privatisation, Gujarat has already started enjoying the sweet fruits of it. In the decade of 80s, a large number of industrial enterprises were set up in the joint sector in Gujarat. In spite of the Government partnerships in these ventures, most of them turned out to be blue chip companies. As and when these ventures turned viable, the Government

withdrew its investment from them. Thus, Government of Gujarat had played a role of financial promoter and facilitator to remove other bottlenecks in establishment of these projects. The responsibilities of day to day operations of these ventures were assigned to the private sector partner. Today most of these ventures are under the management of private sector companies. Similarly, Government of Gujarat for the first time in the country, had enacted Gujarat Infrastructure Development Act which not only facilitated but accelerated the process of setting up infrastructure projects with the help of private sector investment. Gujarat Disaster Management Act is yet another example through which the state is now capable of facing the challenges of any type of disaster. The state Government has also initiated the process of reforms in power sector and as a result in the coming years, the consumers of electricity will certainly be benefited. On implementation of provisions of the Gujarat Gas Act enacted again for the first time in the country, the economy of the state is slated to be transformed into a gas-based economy. Labour reforms will also become an important attraction for investment in the state in the coming years and other states will be inspired to emulate the same. In the recent times, Government has promulgated ordinances to facilitate speedy establishment of Special Economic Zones and Industrial Parks. These SEZs will prove to be ideal destinations for industrial investment on account of the flexibility in terms of the provisions of labour laws associated with them. Gujarat has brought about important and revolutionary reforms in its taxation regime for the first time in the country, which had landed simplification, transparency and harmony in the taxation system for the taxpayers. Some of the reforms have resulted in the reduction of tax for the taxpayers. Government of India sometime back had constituted a committee to explore the possibilities of linkages of river waters, but in Gujarat the process of linkage has already been initiated by transferring waters of Narmada in the rivers of Mahi and Sabarmati through canal network. Thus, any developmental reforms considered by Gujarat today is followed by other states in the country later. Like a leader in any other sector, Gujarat is way ahead of other states in India in the reform process too.

Gujarat benchmarking with Asian Tiger Economies

The State acknowledges this fact that given the position of strength it enjoys, complacency should not be permitted to set in and that the current position has to be leveraged to a level wherein the industries of Gujarat can successfully compete against their counterparts elsewhere in the world by benchmarking with the erstwhile Asian Tiger Economies. The Government of Gujarat thus proposes to achieve an average annual industrial growth rate of 15%+ on a sustained basis to fulfill the overall economic growth target of 10.2% set by the Government of India.

In the backdrop of this situation, the Government of Gujarat has decided to bring out the New Industrial Policy by spelling out its strategies keeping in mind the requirements of the present-day industries to not only strengthen its industrial base but also consolidate the gains achieved all these years in the interest of overall economic development of the state. The state is now

determined to lead the rest of the country by emerging as a ***Model Industrialized State in Asia.***

The Industrial Policy 2003 : Proactive Approach of the Government

The Industrial Policy of a state assumes the role of a lighthouse giving futuristic direction to the process of industrialization. In fact, it also reflects the commitment of the State towards the achievement of a sustainable industrial development. In the rapidly changing current scenario, it is more than imperative that the Industrial Policy adopts a pro-active approach rather than a reactive approach and that Government should encourage free market forces to decide the course of development and to intervene only when the interests of the society in general and investor community in particular are found to be at peril.

Hospitality of Gujarat : Government to act as a Facilitator

Nothing can give boost to the aspirations of an entrepreneur/investor than an access to concrete, speedy and authentic information. The mode of information dissemination and the usual courtesies associated with it are also equally important at all levels right from grass-root to the apex. Besides, the authorities and the staff at all levels should leave no stone unturned by assuming the role of friends, philosophers and guides by exploiting the technology at its fullest extent. In order to give a tangible form to the aspirations, the presence of sound infrastructure, encompassing the social and physical dimensions assumes utmost importance. All the facets of physical infrastructure should compete with the best in the world. At the same time, there is an increased sense of realization that development is not a subject confined only to Government. The representative bodies of Industries should also be empowered to become a partner-in-progress. The Policy would not serve its purpose if it does not bring us closer to the ultimate destination of our pursuit – Enhanced Quality of Life. Basic parameters serving as yardstick to determine the quality of life would be taken into consideration. Education is one of the important aspects leading to the empowerment of an individual to enable him to contribute to the society. An effort will be mobilized in the direction of strengthening linkages between educational institutions and industry.

Special Economic Zones : Paradise for Investors

The Government of Gujarat has recently promulgated ordinances to facilitate setting up of Special Economic Zones and Industrial Parks. As per the provision of this ordinance, the responsibilities of management of the Zone and all the permissions under Single Window to the industrial units coming up in the Zones are vested with the Development Commissioner of Government of India. In addition, all the powers, duties and responsibilities for compliance of provisions under various labour laws as available with Labour Commissioner, have also been delegated to the Development Commissioner. In order to attract entrepreneurs for investing in the Zones, the Government has also decided to offer certain incentives. The industrial units setting up a power plant for his captive requirements would be offered electricity duty exemption for a period of 10 years. The units coming up in the Zone are also exempt from the levy of

stamp duty or registration fees on transfer of land, loan agreement, credit deeds, mortgage documents or any other contracts. Sales tax, purchase tax, motor spirit tax, luxury tax, entertainment tax and other taxes are also exempted for the units set up in the Zone. The Government has also exempted the tax on the supply of raw materials from the domestic tariff area to the units located in the Zone. In Gujarat, at present, Special Economic Zones at Kandla and Surat are already in place. The State Government also plans to set up such SEZs at locations like Dahej, Hazira and Mundra in the near future, of which permissions for SEZs at Dahej and Mundra from Government of India have already been received. The facilities being developed in the Special Economic Zones in Gujarat are going to prove to be paradise for the investors in the times ahead and as a result, a sizeable investment is expected to be materialized. At present, this ordinance has been sent for Presidential assent through Central Government which is expected to be received soon.

Flexibility of Labour Laws: A unique feature of Gujarat

Gujarat is one of a very few states, which has embarked upon the path of labour reforms. The 'flexibility' aspect of labour reforms of Gujarat might strengthen its position as an ideal destination for investment besides other factors, in the coming years. In addition, initiatives like Self-Certification and Single Business Act would leave an indelible mark as one of the best in the contemporary environment. The Government however reiterates its faith in the statement that - Development should not be at the cost of Environment. At the same time, it should not be used as an alibi for stalling the developmental pace. An honest attempt would also be made to organize the agriculture commodities business by inculcating the element of professionalism and by extensive use of modern technology in the processing.

SME Sector : The backbone of economic development in Gujarat

The industrial landscape of the state is comprehensively coloured by small and medium sector enterprises of different hues and shades. It is this sector that has contributed significantly to the state, in wealth creation as well as employment generation all these years. Taking a clue from the winds of change that are sweeping the entire globe, the Government wishes to strengthen the clusters by sensitizing and encouraging them with the issues like use of advanced technologies, importance of patents and quality, virtues of 'collectivism' etc. Efforts will also be directed towards curing and subsequently eradicating Industrial Sickness.

Cluster Development Approach for Small and Medium Enterprises

In Gujarat, there are 76 industrial clusters at 90 different locations. In order to further strengthen the existing clusters, the State Government plans to offer assistance under the policy. Apart from this, the Government would also like to take measures for promoting new clusters in the state so as to enable the member units in the clusters to avail of the common facilities developed. The State Government through the policy, therefore proposes to empower the clusters. In order that the clusters will be in a position to avail of the assistance

from the Government, the definition of the cluster has been spelt out. Accordingly, cluster would be defined as a group of industries manufacturing identical and complimentary products. The Government has decided to recognise a cluster with a critical mass of a minimum of 50 units located within the radius of 10 kms at a particular location. Under the scheme, assistance will be given to Cluster Association for carrying out certain activities leading to further strengthening of the clusters.

Gujarat Synonymous with Quality : Developing a Global Brand Image

In today's world, it is difficult for a product to be sold by itself unless concrete marketing and promotional efforts back it. Going by the concept, the Government would tread on an ambitious path of positioning the image of Gujarat as a producer of quality goods on international platform by extensive and focused marketing through promotional efforts. The realization of the above will be pretty easier given the fact that the industries in Gujarat would be recharged by the cost-benefits accruing due to easy availability of cheaper and cleaner fuel in the form of gas. The gas-based economy of Gujarat will be the differentiating factor from its competing economies. Taxation has always been used as an instrument to correct price disparities and for protecting the interest of customers. A reiteration of various measures taken to benefit the industrial community has been made. As mentioned earlier, the State plans to continue its march towards the path of **Reform Agenda**.

Other Initiatives: Complimentary to Industrialisation

There are some other initiatives, which also need special attention. The issue of promotion of investment from NRIs and FDI would be undertaken in a more focused manner. In order to ensure holistic development, regional imbalances are proposed to be corrected. Studies on special focus sectors like fisheries, tribal area welfare, Development of Kutch etc. would also be undertaken to get a broader perspective.

Effective Policy Monitoring System

Last but not the least, the policy would invariably fail to serve its purpose, if it is not supplemented with an effective policy monitoring system. Thus, an effective and efficient monitoring system would be put in place.

To sum up the above, these steps would position **Gujarat as a state of front-reckoning at global level.**

THE VISION

To be the Asian Leader in Industrial Growth and to transform Gujarat to be a major player in the Global Arena.

THE APPROACH

The Government of Gujarat would achieve this vision through an approach of ensuring a very high standard of business-friendly environment in terms of

providing all systemic support, while limiting its role primarily to that of being a facilitator.

While strongly projecting the achievements of Gujarat in terms of its ongoing exercise of industrial growth, the Government proposes to lay down an overall macro approach on each and every aspect relating to the industrial development in the state.

Good Governance : A way of life for Government in Gujarat

The Government strongly feels that good governance is very essential for achieving the vision that has been conceived. Through this policy, the Government would like to lay down clear principle of good governance in terms of a transparent, focussed and accountable approach.

Information : The Key to Success for any Business Enterprise

The basic approach in formulating the INDUSTRIAL POLICY 2003 is to comprehensively address the requirements of new entrepreneurs right across the entire value chain from initial information needs to marketing of the product covering all intermediate stages right from selection and formulation of project proposal, to acquisition of infrastructure including land, finance, environmental compliances, skilled human resources, raw materials sourcing, technology and process selection, patenting, branding and all other relevant issues.

The State Government would thus strive to support an entrepreneur at every stage of the project implementation – **from conception to commissioning and thereafter.**

Simultaneously, the Government would also propose to address all the issues of the existing industries to create the most conducive environment for the business to flourish. In effect, the Government would encourage increased autonomy and free competitive market operations in all the business functions to assist industries.

CHAPTER-2 OBJECTIVES AND STRATEGY

THE OBJECTIVES

The primary objective of the Industrial Policy 2003 is to achieve global competitiveness for Industries in Gujarat

However, addressing the gamut of all issues relating to Industrial Development to be encompassed in a single sentence would not be complete and thus the objective will have to be viewed in a broader perspective in terms of **ancillary objectives**. With this in mind the ancillary objectives are stated as under:

- To create a conducive environment for the investors who would be inspired to think of Gujarat first for his investment plans thereby enabling Gujarat to emerge as the **most competitive destination** for investment in the 21st century.
- To equip new entrepreneurs as well as existing enterprises with the latest information in relevant field(s).
- To strengthen the facilitation mechanism at the Government level – *both at the state and district levels*.
- To sensitize the administration to the needs of the industries.
- To implement the concept of e-governance in letter and spirit.
- To further strengthen the current mechanism for redressal of legitimate Grievances.
- To develop the best of infrastructure facilities by infusing private sector investment.
- To empower the industrial estates to undertake developmental responsibilities.
- To enhance the quality of life in the state, as viewed by investors.
- To establish strategic linkages between educational institutions including universities and the industries to meet with future requirements of manpower, by introducing appropriate courses.
- To take suitable measures for development of human resources through capacity building and skill upgradation for enhancement of productivity.
- To evolve a conducive business environment by introducing labour reforms
- To bring about simplification of rules, regulations and procedural aspects.
- To arrest environmental degradation
- With Sardar Sarovar Project on Narmada River nearing completion, Gujarat will witness a boom in agriculture sector and the state plans to

capitalize on the increased agro production to process this wealth into profitable venture by developing necessary infrastructure.

- To strengthen the mature manufacturing segments in the state.
- To promote industries which are labour-intensive in nature to create large-scale employment opportunities in the state
- To provide assistance to small-scale industries for healthy growth.
- To strengthen existing industrial clusters and promote new clusters.
- To assist small and medium industries in getting bank finance.
- To inculcate a sense of 'Quality Consciousness' by promoting R & D efforts in the industries.
- To assist industries in adopting technology upgradation programmes.
- To tailor policies to combat any adverse effect on account of the impact of WTO regime on various sectors of industries in the State.
- To equip the industries in Gujarat to meet with the challenges of WTO regime as also exploit the opportunities to their advantages.
- To assist industries in arresting industrial sickness.
- To project and to establish Gujarat as second to none in terms of 'quality' and 'brand image' of products, on international platform
- To ensure adequate supply of natural gas available from Gujarat at competitive tariffs to the industrial units in Gujarat.
- To rationalize tax regime.
- To bridge the gap between self-actualization needs of Non-Resident Indians/Gujaratis and the developmental requirements of the state
- To promote port-driven industrialisation
- To correct regional imbalances
- To address developmental aspect of specific issues like Fisheries Development, empowerment of tribals by creating employment opportunities in their respective regions and accentuating the developmental pace of Kutch district

Fulfillment of objectives of this policy as outlined above, ultimately should lead to achieving sustainable industrial development to create large-scale employment opportunities all across the state, thereby correcting regional imbalances. The policy should also help industries achieving competitiveness not only within the country, but also in the international market by improving industrial productivity. The policy should also aim at inculcating the sense of quality consciousness as also sensitivity among the industries in the state towards preserving environmental standards.

THE STRATEGY

In order to achieve the objectives as enunciated above, the Government of Gujarat has decided to introduce the following broad strategy initiatives:

- Creating and sustaining a Global Brand Image for Gujarat and its products
- Good governance
 - (a) Labour reforms to facilitate industrial investment to generate employment and ensuring productivity.
 - (b) Upgradation of Industrial and Urban Infrastructure
 - (c) Power reforms
 - (d) Port led development and setting up of SEZs
- Focusing on strength of Gujarat – Manufacturing
- Concerted efforts towards innovation, technology upgradation and value-addition
- Development of service sector – around strong manufacturing base
- Export competitiveness
- Consultative approach for policy initiatives (Phase I) and sector-specific strategy approach (Phase II).

CHAPTER-3

INFORMATION AND FACILITATION

The basic aim is to create an atmosphere which should inspire any investor unable to resist to think of Gujarat first for his investment plans.

Information: The Key to Success for any business enterprise

This is the era of information and awareness. The person who has maximum information on the subject he deals with will ultimately win amongst all his competitors. This dictum is true in the case of establishing and managing any business enterprise. The Government realizes this fact and has thus decided to equip the new entrepreneurs as well as the existing enterprises with the latest information available in the relevant fields. A new entrepreneur would require information right from the stage of selection of a project, market potential, availability of infrastructure at different alternative locations, Government assistance and facilitation, economic and social indicators, regulatory framework governing a particular industry/activity, compliance of laws, pollution norms, procedural aspects, etc. At the state level, iNDEXTb has been functioning to act a single point contact for all the information needs of an entrepreneur since last over 25 years. The services of iNDEXTb have been very widely acknowledged by the industrial community not only in India but also in many parts of the world. The Government now plans to make available all the relevant information at the district level by installing information kiosks at important places. In addition, capacity building of the counseling staff is also envisaged by imparting training. For the purpose, the Government of Gujarat would like to make extensive use of information technology at all the levels.

Facilitation: Giving a momentum to the pace Developmental Process

Globally, the role of Government is being redefined from that of a mere regulator/controller to a **facilitator**. Government of Gujarat recognizes and appreciates the fact that it is more than imperative to create an environment wherein an investor views a Government officer as someone who would be eager to empathize with his concerns. The Government considers this quality of being able to 'empathize' to be at the heart of its facilitation initiatives, which in itself encapsulates an array of important issues. Government believes that the process of facilitation should be a bottom-top approach. District Industries Centers are the face of the Government at the district level and in today's era of marketing, the quality of front-end staff will be as important as the reception of any office, ultimately dictating the quality of services to lead the industrialization drive in the state. It is this hospitable outfit that will attract the investors to the state. The present day investors do not want sops in the form of subsidies, but want comfort in dealing with various authorities. Thus, it has been decided to undertake various capacity building measures. Prominent amongst them include converting District Industries Centres (DICs) into regional information hubs by huge capacity building, using latest technology, establishing fast-track clearance mechanism etc. In a nutshell, the Government would endeavor to

create a system wherein an investor would prefer to visit DICs frequently for any help or assistance.

FACILITATION BY GOVERNMENT

The primary aim of this initiative is to facilitate an investor for 'quick' solution to his problems, to give him a feeling of 'comfort' and to create an atmosphere that reduces 'uncertainty'. The Government recognizes these three issues as the main concerns of an investor.

Reincarnation of District Industries Centers

The District Industries Centers (DICs) will be the nerve centers for implementation of Government's facilitation initiatives. Going with the spirit of the initiative, it has been decided to rename the District Industries Center as **District Industries Development Center (DIDC)**.

As mentioned earlier, Information Technology has eased the process of communication by way of convenient accessibility to an array of information. Thus, in order to facilitate easy dissemination of information, Government of Gujarat would be setting up kiosks at all the DIDCs so that for an entrepreneur, the desired information access would be just a button click away. The kiosk would contain exhaustive information to cater to any kind of needs of a visitor. The kiosks, besides DIDC will be placed at important places like all the offices of Industries Department in the state including that of Boards and Corporations, regional offices of Government in other states, Office of the Resident Commissioner and iNDEXTb office at New Delhi, etc. The DIDCs would also be networked so that there can be useful exchange of information. The DIDC through information kiosks would be fully equipped with all the information relating to economy, commerce and industry for all the districts so as to enable it to serve as the **single point contact** for all the information needs of any investor. All the operations of DIDCs would be fully computerized. They will have to treat the entrepreneur/visitor not as **an applicant, but a valuable client**. Extensive human resource capacity building exercises would be undertaken with the help of professional agencies to bring about attitudinal changes in the lower staff.

The District Industries Development Centers will also work as **escort organizations** to assist investors as friends, philosophers and guides by addressing to all issues and concerns pertaining to industrial development of the district covering all the concerned departments. Necessary amendments to various legal provisions will be made to ensure a pivotal status to this organization.

Percolation of facilitation mechanisms from top to bottom is one of the yardsticks for measuring the efficacy of a system in terms of its ability to service the entrepreneurs. The Government would therefore strive to ensure that the present mechanism of **Gujarat Industrial Promotion Board** that is operational

for large projects at the state level is made workable at the district level for small and medium projects. Needless to say that the assistance of GPCB, GEB, GIDC, GIIC, GSFC, Labour Department, Energy Department, Environment Department, Revenue Department and others would be more than important to enable a DIDC to work as a **single window clearance agency** more in spirit and less in letter. The concept of deemed approval may also be made operational at the lower level institutionalizing the fast-track mechanism at the district level under District Collector through an Inter-Departmental Committee.

The Government is thus committed to bring about this **quality change** in its administration as the success of this experiment will send positive signals to the entrepreneurial community all across the country in establishing their faith in a system at the regional level to become the harbingers of industrial development in the state

Facilitation at the state level

Many medium and large projects have to deal with the officers at the head office levels in different departments and Corporations. The State Industries Administration acknowledges the fact that mere 'satisfactory experience' for investors/entrepreneurs while interfacing/interacting with Government officials at the apex level will not suffice and that the element of 'delight' vis-à-vis 'satisfaction' is of more importance. The State would thus strive to provide a **pleasant experience** i.e. a memorable experience unthought of, to the investors/entrepreneurs by embarking on the following steps:

- At the state level, while iNDEXTb has been functioning as a nodal agency to facilitate investors in implementing their projects expeditiously. The organization would be strengthened by equipping it with necessary teeth to discharge these functions effectively. The role of iNDEXTb will be recognized by all the departments of the Government and due weightage will be given to the recommendations of the iNDEXTb in processing the proposals. Even the facilitation mechanism in iNDEXTb will also be further strengthened by inducting professionals in the organization. A programme of capacity building for existing staff by imparting training through professional institutions will also be undertaken. The Government will also provide adequate funds to iNDEXTb to carry out all the promotional activities to continue to project the image of Gujarat as the most ideal investment destination in India. In addition, Government will take all steps to ensure that iNDEXTb will work as the functional and visible face of Gujarat Industrial Promotion Board. The Government realizes the necessity of granting all necessary clearances promptly and therefore, has put in place a high powered body GIPB under the Chairmanship of Hon'ble Chief Minister with Hon'ble Minister for Industry as the Vice-Chairman and Industries Commissioner as the Member Secretary for large projects. All the departments concerned with the industrial development in the state are the Members on the Board. iNDEXTb has been assigned with the responsibility to work as the

Secretariat of this Board. For the purpose, a Common Application Form has been designed and the promoter(s) of the project is required to submit his project details through this form to iNDEXTb which, in turn, will prepare and submit the proposal to the Board after ascertaining the views of all the concerned departments to take decisions. All inter-departmental views are discussed in the Board meeting and a final decision is taken. This step is expected to prove to be a unique initiative for Gujarat in the coming years. The Government plans to replicate the model of GIPB now at the district level for small and medium projects.

- The set up of the Industries Commissionerate will be thoroughly revamped through o capacity building to act as facilitators and develop expertise in industrial intelligence by studying the change in behavior and health of specific sectors of industry in terms of internal and external factors.
- Corporations like GIDC, GSFC and GIIC will also be restructured along with re-defining of their role. An exercise of proper assessment of the workload of the officers will be carried out and based on the same, they will be entrusted more of promotional work and escort assistance to large projects under implementation.
- The Government will direct all the Boards and Corporations to undertake massive capacity building programmes through professional training.
- The on going process of E-Governance would be completed in a definite time frame to ensure availability of information, effective monitoring of project implementation, file tracking and disposal to ensure speedy decision making etc.
- In order to respond sensitively to the needs of industrial investments in an expeditious manner and to effectively monitor the progress of implementation of the projects, it is felt necessary to reiterate the following mechanisms which are already in place:

For industrial projects

- o Less than Rs. 5 crore - District Industries Development Centre (DIDC)
- o Rs.5-50 crore - Industries Commissionerate
- o Rs.50-100 crore - Inter Departmental Committee headed by Chief Secretary
- o More than Rs.100 crore - Gujarat Industrial Promotion Board (GIPB) headed by Hon'ble Chief Minister

For infrastructure projects

- o For giving fast track clearances to the Infrastructure projects, a special organization - Gujarat Infrastructure Development Board (GIDB) is already in operation.
- Government of Gujarat has taken initiatives to make **E-governance** a norm in its everyday activity. This initiative is considered to help the Government officials to respond promptly to the queries/problems of general public. In addition, it is also used to ease the process of faster

inter-departmental communication. This concept of e-governance through electronic devices will be used extensively and made more effective in its true sense, in the times ahead.

- Also, the Government appreciates the necessity of keeping the channels of communication with the industries as well as their associations live. With this objective in mind, the Government has decided to strengthen the effective **Grievance Redressal Mechanism** on the lines of SWAGAT programme initiated by Hon'ble Chief Minister, on-line for entrepreneurs and Industries Associations. The Government of Gujarat is fully committed to redress legitimate grievances of investors/entrepreneurs by enabling them to file their complaints at the state level with Industries Commissioner and at the district level with DICs. Once in a month, video conferencing exercise would be taken up with all the functionaries of DIDC and Industries Commissionerate as well as other organizations to resolve the issues on-line.

CHAPTER-4 INFRASTRUCTURE AND EMPOWERMENT OF INDUSTRIAL ESTATES

INFRASTRUCTURE DEVELOPMENT - A PRIORITY ON THE STATE AGENDA

Sound physical infrastructure with easy availability of key utilities is a dream scenario for any investor. The state is aware of the fact that at present, the investment in industry overshoots the investment in infrastructure. While this may offer faster economic growth in the short run, it might ultimately prove to be unsustainable. Therefore, both industry and infrastructure should keep pace with each other so that the balance of regional development is not affected. Although Gujarat boasts of a State with one of the best infrastructure facilities, it is realized that since last a few years, other states in India have also speeded up the activity to augment their infrastructure facilities. The state has therefore, decided to benchmark itself with the quality of infrastructure available in developed countries and would also ensure that this infrastructure would be made available to both the industries and citizens at reasonable tariffs. Thus, to hasten the pace of infrastructure development, the Government would consider revisiting the existing Vision 2010 document and tailor the infrastructure projects by adding lucrative features, so as to attract private sector investment, more specifically the global players. In addition, projects with smaller financial magnitude may be identified and implemented with the help of private sector investment immediately. The state would also commission a study to identify the deterrents if any, coming in the way of private sector investment in infrastructure projects and remove them immediately. Development of infrastructure is the **top priority** on the state agenda.

Strengthening road network

Though Gujarat has relatively a good network of roads, it plans to strengthen this network further by converting existing roads into multi-lane roads and expressways depending upon the traffic requirements.

Pipeline for bulk supply of water

The Government also is in the process of laying pipeline all across the state for bulk supply of water for drinking and industrial purposes from the network of Narmada canals especially in the areas of Saurashtra, Kutch and North Gujarat. This will ease the perennial shortage of water in these areas and it should be possible to promote industries requiring substantial quantities of water in these areas.

Gauge conversion of railway tracks

The State Government will pursue the Ministry of Railways to complete the gauge conversion of all the rail tracks in the state as early as possible. The Government is also considering implementing metro rail project between Ahmedabad and Gandhinagar to ease the load of traffic congestion.

Establishment of SEZs and Industrial Parks

Recently, the Government came out with ordinances to encourage private developers to set up SEZs and Industrial Parks. Both these ordinances will be converted into Acts very soon. The Government will also continue to offer financial assistance for employment-oriented parks, high-tech parks and investment-oriented parks under the present scheme.

Upgradation of GIDC and private Estates

Good infrastructure is the crucial requirement of the industries. The Government is committed to bring about qualitative change in the conditions of existing GIDC estates. Some of the estates were set up in the decades of 60s and 70s and the infrastructure was designed and developed with the requirements of the time then. The Government has planned to convert the existing land allotted on leasehold basis to freehold basis to the allottees by charging appropriate premium. A portion of the premium so collected would form an integral part of a special fund to be created for upgradation of GIDC and other industrial estates, known as Industrial Estate Development Fund (IEDF). This issue is dealt in more detail in subsequent part of the chapter. The Government also plans to facilitate broadband access in major industrial estates. The new industrial estates being set up by GIDC now will have all modern amenities

Greater emphasis for upgradation of urban infrastructure

Again, keeping in mind the need to provide better quality of life to the citizens in the State, greater emphasis will now be paid to upgrade the urban infrastructure including civic amenities. For the purpose, the local bodies would be strengthened by way of greater autonomy, expertise and funding not only to maintain the existing infrastructure and systems but also to upgrade the same on a continuous basis.

Establishment of Trade Centres

Setting up of new trade centres with private investment will be encouraged and for the purpose, the existing scheme of providing subsidy for such trade centres will be continued. Looking to the present status of developments, it is felt that there is a good scope for setting up international trade centres for textiles and diamond at various places in general and more particularly in Ahmedabad and Surat. For the purpose, the state will provide all necessary facilitation services to the developers.

EMPOWERMENT OF INDUSTRIAL ESTATES

The process of facilitation would be incomplete without an active involvement and support from the representative bodies of trade and industry. For the purpose, the industrial estates will be empowered to undertake developmental activities. The Industrial Estates will aggressively take up the issues of development, maintenance and upgradation of infrastructure in their respective estates. Various innovative measures have been devised to be implemented through representative bodies of industries by redefining their role by way of

developing physical, social and service infrastructure as also strengthening the member units in terms of their capacity to compete at international levels. A special fund, Industrial Estate Development Fund (IEDF) would be created for the purpose. A portion of the premium received from the conversion from leasehold land to freehold land would constitute a part of IEDF, besides the fund available through other schemes as well as market borrowings. The quantum of this fund to be made available to the individual industrial estates would depend upon their performance rating by private accredited agencies in terms of various quantitative and qualitative parameters, including managerial competence and financial management acumen. At the industrial estate level, a committee would be constituted to take decisions on the use of the funds with a representative each of GIDC and Government.

Performance rating and appraisal

As outlined above, the Government plans to empower the industrial estates by placing funds for implementation of various developmental projects in respective estates/clusters at their disposal. Each estate/cluster may have varying capacities to handle the nature and size of the projects. Before therefore deciding the quantum and nature of assistance, the Government would arrange for performance appraisal of the industrial estates from the viewpoint of technical and managerial competence as well as acumen of financial management. Past record would also be taken into account, while deciding the grading of individual estates. This rating will be carried out with the help of accredited private agencies every year and on the basis of the grading, the Government will decide the quantum of financial assistance. The rating system would infuse a culture of competition among the industrial estates, which would ultimately result into the development of member units.

ISSUES PERTAINING TO ALLOTMENT OF LAND

Making the land available in time for industrial use at a reasonable and competitive price without any hassle is the main concern of every investor to ensure that the project goes on stream without undue delay and the policy therefore has rightly given due weightage to this issue. The important issues involved are: easy availability of private land/Government land, clearing of NA permission, land acquisition and evaluation of land. Keeping in view the objective to promote industrialization in Gujarat, the Revenue Dept has so far taken following steps vide different GRs to facilitate allocation of land to industries.

- (a) A provision of Deemed NA has been made which allows a bonafide industrialist to acquire agricultural land and commence activity without prior NA permission, as per the provisions under Sections 63 & 65 (as amended) of Land Acquisition Act. At the executive level of local administration as well as for the knowledge of industries, this provision will be reiterated.
- (b) Land under restricted tenure is now easily convertible to old tenure for industrial purposes.

- (c) Section 63AA of Gujarat Tenancy Act which came into effect from 6th March 77 enables a bonafide industrialist to possess agricultural land for setting up industrial undertaking without prior approval of the District Collector.
- (d) For valuation of Government land, the value upto Rs.50 lakhs is decided by the District Level Pricing Committee. In case of value exceeding Rs.50 lakhs is decided by the State Level Pricing Committee. This mechanism facilitates appropriate and quick evaluation of land.
- (e) As regards land acquisition, urgency clause is also invoked in deserving cases of public or private limited companies to facilitate quicker possession of land for industrial purposes.

The Government however, proposes further simplification in these matters.

Government/private land

- (i) The valuation procedure of Government land is being simplified further to help quicker disposal of proposals of allotment of land.
- (ii) Jantry rationalization currently used in stamp registration is also being taken up to help speed up the valuation procedure.
- (iii) Geographical Information System (GIS) will be developed in due course along with updating and upgradation of land records to identify parcels of Government land available for potential development. The object is to have a decentralized approach to enable an entrepreneur to get all the information at one point at the district level. The Government also plans to make available this information on-line in due course. This will also help to reduce the time of processing drastically.
- (iv) The Government also proposes to dispense with the necessity to obtain NA permission in case of areas marked under Town Planning Schemes.
- (v) The Government proposes to consider the concept of allotment of Government land initially at full price to be neutralized over a period of time commensurate with the progress of project implementation.

GIDC Land

- (i) In case of allotment of land within the GIDC estate, the present policy of fixing the cost of land at "cost plus price" principle will be changed and the cost shall now be fixed on "**Average Pricing**" principle so as to generate demand for development of the estate at a price less than the actual cost. Subsequently, on development of estate, the price could be raised depending upon the demand.
- (ii) In order to minimise the payment of NA assessment charges, GIDC would identify and earmark the land and acquire the same only before the actual allotment. In other words, the time between the allotment and acquisition would be minimised.
- (iii) To reduce the hassles for the transfer, subletting and mortgaging the lease-hold interests in favour of financial institutions and to generate funds for the Exchequer and for providing support to strengthen the

clusters including GIDC estates, the Government, as approved in principle earlier, would constitute a Committee under the Chairmanship of Hon'ble Minister of State for Industries to **decide the "premium" to be charged on conversion of lease-hold land to freehold land in GIDC estates.**

- (iv) It is further decided that a portion of this premium would constitute **"Industrial Estate Development Fund"** which shall be administered by a committee headed by the Industries Commissioner.
- (v) From the Industrial Estate Development Fund, the Government would consider sanctioning the assistance in the form of grant to existing industrial estates for upgradation of infrastructure facilities. The quantum of the fund will be decided on the basis of the rating of performance and capacity of the respective industrial estates. This would help them to tie up market borrowings for such developmental projects.
- (vi) For the purpose, infrastructure is defined as the facilities of physical, social and service infrastructure. Physical infrastructure includes internal roads, CETPs, water pipelines, sewage disposal system, effluent disposal system and landfilled sites, street lightings, desalination plants, captive power plants, water recycling plants etc. The social sector of infrastructure includes such facilities as health (e.g. clinics, trauma centres, emergency wards and hospitals), education (e.g. primary school, colleges and technical training institutes) and sports (e.g. swimming pools, tennis courts, badminton courts, gymkhana, etc), housing development, entertainment and shopping complexes. The service infrastructure would include the facilities of library, testing laboratories, centres of excellence, creativity centres, training centres etc.
- (vii) The Government would consider offering financial assistance for development and upgradation of infrastructure in the industrial estates/clusters only towards **capital cost** from the Industrial Estate Development Fund. The recurring cost for maintenance of the facilities will have to be raised by the member units/beneficiary units of the estates/clusters.
- (viii) The Government would lay down detailed guidelines for funding the industrial estates out of the Industrial Estate Development Fund. Both GIDC and private estates would be assisted through this fund for infrastructure development, as per the norms laid down by the Government. The estates desiring to seek assistance for an infrastructural project, should prepare a Detailed Project Report indicating the funding pattern and returns on the project to ensure viable operations. Other schemes like Critical Infrastructure Fund, Industrial Estate Development, etc. of the Government will also be used for financing infrastructure projects.
- (ix) The eligibility and the extent of financial assistance from Industrial Estate Development Fund shall depend upon the rating of the estate in terms of needs, technical and managerial competence, acumen of

financial management, past track record, etc. This rating will be carried out through private accredited agencies.

- (x) Towards privatisation, the Government has decided to encourage the estate agencies/association to convert the present system of power and water supply on a co-operative basis by setting up Common Power Plants and Common Desalination Plants. Such activities would be encouraged by the Government through funding from the Industrial Estate Development Fund.
- (xi) Government would also encourage the replacement of present street light systems by a solar street light system in large Industrial estates/parks. Such activities would be entitled to funding from Industrial Estate Development Fund.
- (xii) The Government would also encourage the industrial estates to set up cooperative banks to help member units to avail of finances. The Government help would come in the form of proper monitoring and regulation of the banks, development of necessary manpower and arrangement of fund from other sources. The credit rating agency will also consider the efficiency of management of the bank as an important factor to rank the industrial estate for the purpose of Government assistance.
- (xiii) At present many industrial estates and clusters have been declared as Notified Areas under the GID Act, 1962 and an officer of the GIDC is appointed to act as Notified Area Authority. To make the member units, the Associations and the Presidents of such clusters/estates more involved and responsible towards the upkeep and upgradation of the estates/clusters, the Government is considering through a provision in GID Act, the appointment of a Legal Committee viz: Board of Management in place of Notified Area Authority. Such a Committee would be provided with autonomy and independence in the estate management. Efficient functioning of such Board of Management, would be considered by the private accredited agencies as one of the key factors while rating and according the grading. The estates would be entitled to funds from IEDF for betterment of the estate. In addition, they would also be entitled to borrow funds through instruments available in the markets for developmental projects.
- (xiv) The Committee may also decide to privatise all aspects relating to execution of services including collection of taxes and funds, maintenance and upkeep of infrastructure and all other such activities, falling within its purview.

CHAPTER-5

QUALITY OF LIFE

Providing better quality of life in cities

It is universally recognized, the important role that quality of life indicators play in attracting investments and retaining talents in a state. Several recent state comparisons have also highlighted the urgent need to integrate industrial development with aspects of urban development that ensure a good living experience of both professionals and investors as an important criterion for determination of investment locations. For this, it is proposed that a series of quality of life indicators will be identified for regular monitoring to ensure that development takes place in this area concurrent to the needs of advanced industrial infrastructure.

Parameters for urban upgradation : From the viewpoint of Investors

Suggested parameters for monitoring and urban upgradation are:

- Quality of education facilities in all major cities
- Daily commute experience within the city and the adjoining areas
- Green ambience and pollution free environment
- Entertainment, amusement, golf course, local tourist spots and picnic facilities
- Quality healthcare facilities, health clubs, resorts & joggers' parks
- Cosmopolitan and liberal atmosphere
- Overall competitive cost of living index
- Intellectual stimulus for professionals
- Facilities for short term advanced courses in specialized areas available in cities for professionals
- Broadband connectivity in line with global standards
- Modern airports and railway stations

Develop model cities in Gujarat

The Government plans to develop model cities in the state comparable to other good cities in the world, in the coming years with consideration of the above factors. The Government attaches greater importance to this initiative, which will result in multi-dimensional benefits.

CHAPTER-6

HUMAN RESOURCE DEVELOPMENT

Preamble

A sound educational system is quintessential when the question of strengthening the social fabric of a region arises. It is a known fact that Gujarat is the house of many internationally reputed institutions, which provide the trained manpower to the industries. This includes both the general education and higher education in knowledge and technology disciplines. Today with the world shrinking its identity to a 'global village', the industrial sector is seeking a variety of skills. The Government of Gujarat firmly believes that *quality* has to be the buzzword for any industrial enterprise planning to strengthen its base in international market and therefore, would require the manpower of the same quality as is the international quality of its products. The basic approach is subsumed in the following caption - ***From 'school' to 'skill' to contribution to 'society'***. The ultimate result should be to enable an individual to give increased contribution to the society.

Apart from some prestigious educational institutions like IIM, NID, NIFT, EDI, Nirma Institute of Management, CEPT, DAIICT, the state is also the home of 26 engineering colleges, 61 polytechnics, 26 management study institutions, 25 colleges for computer applications, 219 Industrial Training Centres and other vocational training institutes.

R&D activities assuming paramount importance

In the coming years research and development activities would be of paramount importance and with the onset of World Trade Organization (WTO) regime, the new adage for industries would be "innovate or perish". The industries thus would be encouraged to exploit the vast reservoir of experience and knowledge of universities to gain a cutting edge in terms of quality in the market getting increasingly characterized by commoditization. The industry on their part would assist the educational institutions in developing quality infrastructure and by sensitizing the universities with their manpower requirements.

Establishing synergy between educational institutions and the industries

The following initiatives would however, be taken up by Government to strengthen the linkages between Educational Institutions and Industries:

- Tailoring the courses in line with the requirements of the industry that would enable a person to make useful contribution to the society.
- Specialized courses would be introduced for specific sectors over a period of time. Prominent-ones under consideration are:
 - Port Development and Management
 - Urban Planning and Development
 - Marine Engineering
 - Water Management
 - Mining Management

- Hospital Management
 - Education Management
 - Tourism-related courses
 - Disaster Management
 - Event Management
 - Bio-Pharma
 - Product design Management
- ... and other globally important areas.

Involving Industrial Houses

In recent times, privatisation has established itself as the harbinger in the 'efficiency of operations'. The Government of Gujarat appreciates this fact and hence has initiated certain measures to facilitate private investment in education sector as Government alone cannot create the quality infrastructure and that the involvement of Industrial Houses is imperative.

To promote the concept of Educational Complexes

On the lines of Industrial Estates and going by the philosophy of efficient allocation of resources for the use by many, the Government has decided to encourage setting up of educational complexes all over the state. The complexes will have common facilities like Laboratories, Library, Engineering Workshops, Drawing Halls, Computer Laboratories, Video Conferencing facilities, Creativity centres, Exhibition halls, Auditoria, Mini Theatres, Hostels, Restaurants, Gymkhana, Residential quarters for staff, transportation facilities, so on and so forth. For the purpose, one location in each region of the State would be identified.

Capacity building and skill upgradation measures for enhancement of productivity

As mentioned earlier, there are 219 ITIs and other vocational institutes with a total intake capacity of 56,000 seats. In addition, there are four advanced vocational training centres for upgradation of skills for workers employed in industrial units as per the requirements of the industries. One high-tech training centre for IT, Autocad, instrumentation and electronics skill sets as a resource centre is also functioning.

Currently, most of the ITIs in Gujarat however, are running courses in the traditional trades which were required by industries in the decades of 60s and 70s. Since then, Gujarat had successfully diversified its industrial base and a need is now felt to do away with certain redundant courses and introduce courses in new trades as per the requirements of the present industries. Again, these ITIs impart training in single trade which restricts the job prospects. It is therefore considered to introduce training in **multi-skilling courses** such as Mechatronics, Diamond Cutting and Polishing, Gemology, Operator in Advanced Precision Machine Tools, etc. which were recently introduced by DGET. The industry however, should come forward to help the Government identifying such

new courses based on their requirements and also associate them both technically and financially in running these courses.

The Government policy also provides to set up ITIs exclusively for industrial clusters on demand. The Government also seeks partnership with industry in the management of ITIs through Institute Management Committees to be chaired by the Presidents of the local industries associations.

These are a few initiatives and objectives. In order to realize them to their fullest potential, committees would be formed at the regional level which would comprise the Vice Chancellors of the universities and prominent industrialists from that particular region as also a representative each from Directorate of Technical Education and Directorate of Training & Employment. The committee would specifically address the following issues :

- To assess the manpower requirements of industries at various levels including the lower level and middle level for technical and managerial staff.
- Design the training schedules depending on the requirements of the manpower at various levels.
- The educational institutions at the regional level will be motivated in the task of solving technical and managerial problems of the industries. It will also provide Research & Development assistance to the industries.
- The industries will arrange for on the job training of students and a stipend commensurate with the job requirements will be paid. Suitable training modules will be devised by the Committees for the purpose.

At the state level, a Committee under the chairmanship of Hon'ble Minister for Education comprising Secretary (Education), Secretary (Industries) and Vice Chancellors of the Universities will overlook the functioning of the committees at the regional level and would intervene whenever required.

Overall, it is felt that this initiative in strengthening the bonds of linkages between universities and industries would usher the state in a new era to ultimately culminate an important role into creation of a more prosperous and vibrant generation for future.

CHAPTER -7

LABOUR REFORMS

The Government strongly feels that conducive labour environment both in terms of availability of skilled labour force at various levels and also a favorable legislative framework will be very essential for the achievement of the vision.

Government of Gujarat also appreciates and acknowledges the fact that rules, regulations and procedures serve as guidelines for channelising efforts appropriately in the right direction and that it by no means should become an instrument for hindering the industrial growth. Thus, an effort would be mobilized in the direction of reviewing and simplifying the existing rules. With a view to increasing transparency in the system of inspection and to enable the entrepreneurs to focus on the core issues of business, a bold step by advocating the system of self-certification has been contemplated. Labour reform process would be incomplete without addressing the issue of unemployment. Hence, the Government plans to encourage private labour exchanges also.

Simplification of Rules and Procedures

The Government is committed to bring about reforms in the matter of labour laws. As far as the state labour laws such as BRU Act, BIR Act, Bombay Shops and Establishments Act, etc. are concerned, a committee will be formed to reassess the relevance of these Acts in the changing environment. The Labour Dept. itself is already considering amendments suo-moto in many provisions.

Development Visits

The Labour Dept has already initiated an exercise of rationalizing all the inspections carried out by inspectors under its control, e.g. Labour Officer, Factory Inspector, Boiler Inspector, Employment Officer, Apprenticeship Adviser, etc. The Labour and Employment Dept also held a series of seminars on the activities of all the wings under its control to explore ways of synergising within its overall resources. Instead of each wing operating in isolation to enforce various laws within its sphere of responsibility, it has been decided to form joint teams representing members from all the regulatory and non-regulatory wings to represent the department as a whole. The visits by these teams are called **Development Visits** wherein a combined team of officers from all the wings would visit various units. The participating officers will be Principal of local ITI, Employment Officer, Apprenticeship Advisor, Factory Inspector, Labour Officer and Boiler Inspector. This would reduce the inconvenience caused to the industrial units in dealing with each of them separately. The plan of the visit which will take place only once a year will be decided by the regional heads of Labour Commissionerate and the Directorate of Employment & Training in consultation with the local Chamber of Commerce and Industry for transparency. The purpose of the visit is not to aggressively inspect but to exchange information about what the local ITI has to offer to the industry, popularise free access to online database of jobseekers available, persuading the units to use apprenticeship seats allotted, offering advanced training to the

workers of the units in AVTC as well as HTTC, arranging in-plant training for ITI trainees, offering guidance about compliance of labour laws, etc. The department would also offer them to comply if violations of labour laws have taken place unintentionally, and would recommend stricter action in case of deliberate violations. Enforcement of industrial safety related laws would however continue to be strict as there cannot be any flexibility to mitigate any possible industrial disasters. *The officers of Labour & Employment Dept would thus visit the units as friends and guides.*

Annual Consolidated Return

One of the often-repeated complaints received from the industries is the need for compliance of a plethora of legal provisions and filling of returns. The Labour Dept. had prescribed an Annual Consolidated Return to be filed. This is in place since last one year or so. The Government has agreed to rationalise the approach to inspection. Very large units have necessary resources to bear the cost of implementation of labour laws. Such large units therefore may be visited only once a year and their Annual Consolidated Return should suffice. So far as the small and medium enterprises are concerned, the GoI has already circulated a bill with a clause of Self-Certification. The Government also plans to introduce inspection once a year in respect of small and medium enterprises also.

Flexibility in Labour Laws in the SEZs/Industrial Parks

The Government of Gujarat has recently promulgated an ordinance for setting up SEZs and Industrial Parks. As per the provision of this ordinance, certain flexibilities in the compliance of labour laws under sections V(a), V(b), V(c) and V(d) of Industrial Disputes Act have been offered. The industrial units and parks which would create necessary amenities and facilities for their workers as also taking care of other provisions of these sections will be exempted from filing the returns as per the requirements of Labour Dept on the basis of self-certification.

Other Innovative Steps Proposed

The Government also plans to initiate certain innovative steps like:

- In each estate, a panel will be placed on which the units can paste their requirements for labourers. A unit desirous of pasting its requirement on the board will be allowed a maximum period of seven days presence on the board. This initiative will help in bringing closer a pool of labourers with a variety of skills and the units desirous of engaging laborers with specific type of skill.
- The Directorate of Employment & Training is collecting the information from the industries about their requirements of manpower and the same is placed on their website. A system of online registration by the unemployed youth is also in place.
- The Boiler's Act will be modified in order to reduce the frequency of inspection from once in a year to once in four years depending upon the technical specifications of the boiler.
- The Government appreciates that outsourcing has come to stay as an integral part of global business activity. In order to facilitate cost effective

management, outsourcing through liberal enforcement of Contract Act would be considered.

Self-Certification: A step in the direction of abolition of Inspector Raj

The concept of self-certification would be put in place for all technical parameters, by individual industrial units as required under various laws and statutes. In order to save an industrialist from having to go through various types of inspections for different provisions of law, a **Single Business Act** would be considered for introduction. The Single Business Act is intended to encompass the essence of almost all the basic laws of relevance to industries under one umbrella. For the purpose, a pool of private agencies with experts in the relevant fields would be accredited to carry out the task of inspecting particular units and issue necessary certificates as required by law. A joint team of Government inspectors from different departments however, will inspect the unit once in a year only. Stiffer penalties would be imposed for the abusers as well as accredited agencies issuing fake certificates including cancellation of licences. The system of self-certification would be a win-win situation for Government as well as the industries, as for the former it will ensure more transparency in the system and for the latter, it would be a case of professional inspection practices at reasonable intervals of time. An Inter-departmental Committee under the chairmanship of Hon'ble Minister for Labour will be constituted to implement this concept, in a time bound manner.

Summarizing the above, following initiatives are under consideration of the Government to provide necessary comfort to the industries.

- (a) Introduction of **Single Business Act** to simplify rules and procedures
- (b) Introducing the concept of **self-certification** and audit principle by accredited consultants and severe penalties for willful defaulters.
- (c) Confining to only one comprehensive visit annually, by Government official(s) who are identified on the basis of the scale of operation of the unit.

CHAPTER-8

ENVIRONMENT

Industrial Development is a pre-requisite for the prosperity of any region. However, the pursuit for progress should not be at the cost of Mother Nature because ultimately as responsible citizens of the state, it behooves on us to leave an environment good enough to be relished, by our future generation. Any developmental activity would bring pressure on environmental resources if not carried out in a planned and organized manner. Having realized this fact, the Government of Gujarat from time to time has taken several pro-active measures to ensure that the industries adhere to the stipulated norms pertaining to environment. Gujarat would boast of having the highest number of common effluent treatment plants for treatment of effluents generated in different estates. The state also scores over other states in the matter of Technically Safe Disposal Facilities (TSDFs) for disposal of solid and hazardous wastes and Common Conveyance Facilities for safe disposal of treated effluents. These initiatives could be attributed to the proactive role of the state Government in the Forests and Env. Dept as well as the Gujarat Pollution Control Board, as far as environmental management and pollution control leading to sustainable development is concerned. However, in the recent years, a need is felt that with environmental issues gaining a relatively significant weightage in all international fora, it is necessary to fine-tune the current policy in line with the global requirements. The Government of Gujarat also appreciates and accepts the fact that industries are mature enough to shoulder some part of the responsibility for maintaining a cleaner environment. Before however considering the proposed policy initiatives, it would be worthwhile to recapitulate some of the initiatives taken in the recent past and the achievements thereof.

Common Consent/Authorisation

GPCB issues statutory clearances in the form of consents and authorization under the provision of the Water Act 1974 and the Air Act 1981 as well as Hazardous Waste (Management and Handling) Rules, 1989. The industries are required to make separate applications at different points of time to obtain these clearances and they were issued for a period of one year. The GPCB has now taken an initiative and devised a mechanism under which a common form both for consents and authorization will have to be submitted and the consents and authorization will be issued for a period of five years instead of one year as at present.

Expanded list of industries exempted for NOC from GPCB

Normally all the industries before being set up are required to obtain a NOC from the GPCB, unless otherwise they are exempted. There are certain categories of industries having very low or no potential for causing any kind of pollution and therefore, they could be exempted from obtaining the NOC from the Board. The list of industries having been exempt for the NOC from the Board has been expanded from time to time more specifically during last two years and

as on date, there are 100 such categories of industries/activities which do not require NOC from GPCB.

Delegation of powers at the Regional level

The powers for granting NOC, consents etc. were earlier vested with the Head Office of the Board. In order to ensure expeditious decision making and promoting decentralization, the Board has now delegated the power for certain categories of industries to the Environmental Engineers in the Head Office as well as at the Regional Offices, especially for SSI units and the units falling in the Green Category. The powers have also been delegated to the Regional Offices for the units coming up in SEZs.

Environmental Zoning and Mapping of all the districts of the State

The Government through Gujarat Pollution Control Board has undertaken environmental zoning and mapping exercise for all the districts, thereby clearly demarcating environmental zones in different categories and defining the pollution control measures required to be undertaken for locating industrial units in different zones. This will help the industries to select the potential location(s) for their projects without any apprehension. Apart from this, processing of applications for NOC/consent will also be faster and the overall cost of compliance to environmental norms will be lower, on account of reduced cost of conveyance and other rehabilitation efforts such as plantation of trees etc. However Gujarat being a border state, approval of Ministry of Defence, Government of India and Surveyor General of India will be required. At present, such exercise in respect of five districts of Junagadh, Jamnagar, Porbandar, Panchmahals and Dahod is complete and GPCB has also received the approval from the Ministry of Defence through CPCB. The zoning exercise is also complete for the districts of Kutch, Amreli, Kheda and Anand and the maps have been sent for approval to Central Pollution Control Board (CPCB). Work for districts of Valsad, Navsari, Surat, Bharuch, Narmada, Vadodara, Ahmedabad, Surendranagar and Rajkot is in progress and is expected to be completed by the end of September 2003. The maps will thereafter be sent for approval of CPCB. By December 2004, the Government plans to complete zoning and mapping exercise of all the districts. This information will be widely disseminated through websites and printed literature.

Fast Track Clearance Mechanism for projects in Kutch

Considering the special nature and need to promote faster industrialization in the district of Kutch in view of the liberal incentives offered both by the Central and State Governments for a limited period of time due to the devastating earthquake of 26th Jan 01 causing large scale destruction of properties leading to the depressed economic activities, the GPCB has introduced a Fast Track Clearance Mechanism for the new projects coming up in the district of Kutch under which the decisions on the applications seeking clearances from GPCB are taken within a period of 15 days.

Gold Pass System

Gujarat Pollution Control Board has introduced a system of Gold Pass for the existing units having followed the pollution norms satisfactorily in the past, for expeditious processing of their future applications.

Guidelines for Statutory Clearances

To facilitate project proponents, various guidelines are issued by the Forests & Env. Dept as well as the GPCB, indicating the checklist of documents required along with the application seeking statutory clearances.

Cleaner Production promotion and propagation in the state

The Forests & Environment Dept has taken up various activities for promotion and propagation of 'cleaner production' in the state. The State Government organizes training programmes, demo projects and many other activities in different parts of the state for the benefit of the local entrepreneurs, consultants, Government officers, NGOs and academicians. There has been overwhelming response to these activities of the state.

Proposed initiatives

Apart from the conventional initiatives like CETPs for treatment of liquid effluents etc, several other measures have been planned as under:

- (i) An effort will be mobilized in the direction of controlling the air pollution as well. Government also encourages efforts like plantation of trees and other environment protection initiatives.
- (ii) A system of periodic monitoring of water and air quality at various locations would be made more rigorous and in case, the quality of atmospheric air or water in any area will be found below permissible levels, further investigations will be made and punitive actions against the erring units will be taken. At the same time to ensure that industries are not put to any kind of discomfort by the pollution control authorities, Government plans to introduce a system of self-certification to be endorsed by private accredited agencies.
- (iii) In all the new estates, the Government would plan for integrated collection, treatment and disposal facilities for effluents generated from industries as well as common TSDFs for disposal of solid and hazardous wastes.
- (iv) Once the zoning/mapping exercise is over, the Government would explore the possibilities with Ministry of Environment & Forest, Government of India to do away with the requirements of Environmental Impact Assessment study. More specifically, the Government plans to undertake environmental impact assessment studies for group of industries at the regional level. The modalities for the same will be worked out by Dept. of Forests and Environment, Government of Gujarat and GPCB in conjunction with representative bodies of industries.

- (v) The Government would develop new industrial estates based on the regional environmental impact assessment/carrying capacity study of the region to avoid any possible conflicts and litigations in future as also to ensure sustainable development. This would also facilitate planned and organized development of various industrial estates.
- (vi) The Government will encourage industries to use cleaner technologies.
- (vii) The Government is committed to ensure adherence to all the environmental norms by the industries. At the same time, in order to avoid any possible penal action, the Government expects the industries to comply with the provisions of law. However, in case of defaulters, the Government would also impose penalties. System of progressive penalties for repeat defaulters as well as graded penalties in relation to the level of environmental abuses will be introduced in line with the guidelines of Ministry of Environment and Forest, Government of India.
- (viii) The Government also would like to explore the possibility of introducing a system of compliance of environmental norms collectively for a group of industries at the discharge point. For the purpose, State would represent before the Government of India to recognize common effluent treatment plant as an entity.
- (ix) In order to reduce the cost of compliance to environmental norms, the Government has accepted the concept of sewage dilution in principle. Accordingly, the pollutants/effluents will be released in the urban sewage system passing in the nearby areas. The modalities for the same will be worked out separately in consultation with civic authorities. The cost however will have to be born by the local industries associations.
- (x) Ministry of Env. & Forest, GoI and Central Pollution Control Board have agreed to permit recycling of waste in respect of hitherto banned items both at the level of industries, industries associations and municipal corporations through accredited recycling agencies. The state would identify and accredit such agencies and provide facilitation for the same. This also would open up the possibilities of setting up recycling parks. In fact, the Government would like to plan all the new estates with well-organized recycling park for ensuring recycling of plastics, containers, glass, steel etc. This would not only ensure conservation of resources but also reduce the burden on environment.
- (xi) As a long term measure, the Government would like to promote reuse/recycle of industrial effluents as water is a scarce resource in the state. The treated effluents thus could be reused/recycled in a substantial manner rather than being discharged into rivers/sea/estuaries. Government will therefore, encourage use of treated effluents for irrigation - non-edible purposes and other commercial applications. Commercial plantation on the basis of the treated effluents could also be promoted to put a check on illegal cutting of forests and trees.
- (xii) Special Task Force will be constituted involving representatives of Industries Dept., Env. Dept. and industries associations to look at the

issues of reclamation land, lakes, streams and other water bodies which had been damaged due to environmental degradation. A special initiative will be considered specifically for energy based on bagasse and groundnut shells in South Gujarat and Saurashtra regions.

- (xiii) The Government also proposes to introduce a system of all technical inspections through a pool of private accredited consulting agencies.
- (xiv) Role of Gujarat Cleaner Production Centre will be expanded with enough autonomy to serve as a direct interface between SSIs and GPCB to create awareness to adopt environmental management system and ISO 14000 Certification.
- (xv) Government also encourages the industrial units to go for ISO 14000 Certification through a scheme of providing financial assistance as mentioned in earlier chapter and expects many more units to take benefit of the scheme, which will eliminate many of the monitoring requirements.
- (xvi) The Government will also permit sample testing of effluents through private accredited laboratories.

Compensation through Carbon Credit Exchange Programme

It is proposed that a coordinating nodal agency will be created under Industries Commissionerate to help trading of the carbon credits announced under the Kyoto Protocol for the benefit of Gujarat industries and utilities that are desirous of upgrading their equipment under this programme. This initiative will bring international funding programmes effectively for local entrepreneurs in Gujarat. Details and modalities will be worked out jointly by the Government and industries in conjunction with international agencies in due course.

CHAPTER-9

AGRO PROCESSING INDUSTRIES

It is an obvious and unanimous submission that the State of Gujarat is one of the most industrialized states in the country. In case of agriculture production and management of farm produces also, the state is accelerating its pace to maintain its position as a front-runner in the country. The sector has strong base with highly diversified cropping and farming community, which is responsive to changes in agricultural technologies and practices. The state also has other strengths like decent logistical infrastructure like airports, seaports and extensive road and rail network.

The state appreciates the fact that a large cross-section of people from our society earns their livelihood from this sector and although it plays a tertiary role in the State's Gross Domestic Product, it offers tremendous potential for exploitation.. The major crops produced in the state include rice, wheat, maize, oilseeds, cotton, vegetables and spices. On horticulture side, Banana, Mango, Sapota and Papaya are being cultivated in abundance. In fact, Gujarat ranks third in the production of Banana, sixth in the production of Mango, second in Papaya and Sapota production.

Government has decided that by adopting a holistic approach, the existing agriculture base of Gujarat would be strengthened using modern techniques and equipment, by upgrading the existing logistical framework and by ensuring that more and more farm produces make their way into the processing chain. The Government would also strive to create a world class supply-chain, to promote infrastructure important for agro-industrial development, to ensure close interface between research, extension and industry as well as farmers in agriculture sector, providing assistance to small-scale agro based units to improve their competitiveness in global markets and increasing exports of value added agriculture products. This assumes greater importance especially in the light of the fact that Sardar Sarovar Narmada Project is nearing completion and that the waters of the Narmada started flowing in different parts of the state including Kutch through the extensive network of canals, pipelines and rivers. On completion, the project will irrigate 1.8 million hectares of land, which would trigger the growth of agriculture sector to usher in a new era of **Prosperity through Green Wealth.**

Role of Government

An array of financial and non-financial schemes enunciated in the Gujarat Agro Industrial Policy 2000, listed as under, would be continued.

- Interest subsidy to Agro Industrial units and Agri Infrastructure projects
- Assistance for preparation of project report
- Assistance for setting up of centre of excellence/specific crop development institute.

- Assistance for quality certification and patent registration
- Airfreight subsidy
- Assistance for research & development
- Equity participation in joint sector projects

Land

The State Government will provide government land, including agriculture farms, on long-term lease basis at concessional rates to agro industries and agri-infrastructure projects including centres of excellence.

Venture capital fund

Having recognized the need for a venture fund to cater to the needs of prospective entrepreneurs who have developed or acquired unique technologies in agro & food processing, horticulture, aquaculture, sericulture, hi-tech agriculture and such other agro-related projects, the State Government shall create a venture fund for agro-industries in association with financial institutions/ banks etc.

IMPORTANT INITIATIVES

- **Doubling the processing of Agro Products in next five years:** With the global markets including the market for agriculture produces getting increasingly professionalized in terms of consistence in quality of agriculture products, an urgent need is being felt to ensure that more and more agriculture products pass through the processing chain. This will ensure longevity of products, which is imperative especially for perishable foods. Thus, the state would strive to double the number of current level of foods passing through the processing chain against the current level of around 1%, in next five years time.
- **Establishing Food Parks of International Standards by utilizing Cool Energy of LNG at Dahej and Hazira:** The Government is in the process of exploring the possibility of utilizing the 'chill' being generated out of re-gasification of LNG at Dahej and Hazira for the benefit of Food Park units in particular and for the wide spread benefits to the farmer community of the region. It is therefore proposed to set up Food Parks at both these locations.
- **Declaration of AEZs: Agro Export for 12 products including onion, mangoes and other vegetables as sanctioned by APEDA for perishable cargo project:** In order to give a boost to the agriculture produces of Gujarat to be able to compete at international level, the State proposes to declare Agriculture Exports Zones (AEZs). Initially, the thrust will be given on 12 products as sanctioned by APEDA for perishable cargo project including onion, mangoes and a few other vegetables.

- **Backward and Forward Linkages:** The Government acknowledges that an effective and efficient backward and forward linkage could be an important differentiating factor for competing in the international market. The State would thus encourage activities like certified seed distribution, pre and post harvest management practices, post harvest facilities including cold-chain linkages etc. Such measures would give benefits to an organization in terms of reduction in costs, consistency in delivery schedule and maintaining quality of products.
- **Introduction of Quality systems:** As mentioned in the earlier part of the policy, quality would be of paramount importance to compete at international level. Good Agriculture practices, good hygiene and sanitation practices and important initiatives like Hazard Analysis and Critical Control Points (HACCP) would be encouraged.
- **Organic farming** of products like groundnut, sugar, rice and other horticulture products would be encouraged.
- **Bio fuel:** On account of the industrialization drive in Gujarat, there has been a marked increase in the demand for fuel. In view of the shortage experienced in the availability of non-renewable fuel as also the rising cost, the Government plans to encourage the use of agro-base renewable sources of energy in the form of bio fuel.
- **Participation in Exhibitions abroad and creating a brand image for agriculture products of Gujarat:** Marketing and Promotion has become an important aspect in today's world since the international market brings together a broad spectrum of buyers and sellers. The point has been dealt with in detail in the subsequent chapter of Market Development and Promotion.
- **Revamping of Agriculture Producers' Marketing Committee (APMC) :** The APMCs would be made more effective as an interface between Market and Farmers. For the purpose, it is proposed to make extensive use of modern technology together with the use of good management practices. The following initiatives are planned:
 - The present system will be upgraded by establishing linkages with multi-commodity exchanges.
 - The Future's market for Agriculture Commodities will be further strengthened
 - In order to enable a farmer to get better price of his products, good management practices would be introduced to eliminate intermediaries by making the transfer chain direct
 - Transaction through E-commerce will be encouraged
 - E-commerce facilitation centers will be put in place for primary producers

- The Government would strive to create model APMCs, that would serve as a source of inspiration for other APMCs in the state.
- **Effective and Continuous linkages between Agriculture Universities, R&D institutions and farmers:** Research and Development will invariably play a major role in shaping the destiny of agriculture sector of the State in the years to come. The state would intervene at all possible levels to ensure that the bonds of linkages between Agriculture Universities, R & D institutions and farmers are strengthened and that they work in consonance in the interest of profitable use of the green wealth in the State.

Thrust on special sectors

The Government has decided to immediately focus on two specific agro products in view of their strategic comparative advantages in the global context as far as Gujarat is concerned. For the purpose, the Government proposes to adopt a **Mission Mode Approach**. A Core Group on each of the products will be set up to operationalise this project. The following products would be taken up for the purpose:

✓ **Castor Seeds**

Gujarat contributes almost 67% of the production of castor seeds in the world and in India, the contribution of Gujarat is as high as over 82%. All over the world, a large number of derivatives numbering around 140 are developed based on castor seeds. It has been decided to target the development of at least 50 such derivatives in Gujarat in next five years time.

✓ **Psyllium Husk**

As far as Psyllium Husk is concerned, Gujarat contributes 35% of world production. In case of this product, it has been discovered that a large number of patents on its uses in pharmaceutical/drug composition, treatment of constipation related ailments, in food and beverage preparations etc. are being claimed by foreign companies. It is being felt that large number of these products (developed by foreign companies through minor changes) can easily be developed in Gujarat and in some cases, the patents already granted must be contested on account of existing prior art i.e., knowledge and practices already in public domain. An appropriate research strategy/mechanism would also be developed so that a specific portion of funds generated through export of psyllium is invested in creating and protecting intellectual property rights.

The agro processing industries associated with hi-tech agriculture will also be encouraged.

CHAPTER - 10

SMALL AND MEDIUM ENTERPRISES

Gujarat, since many years has been known as the land of entrepreneurs. It is this entrepreneurial spirit that ushered the process of emergence of a sector characterized by many small and medium scale industries in the state. Small-scale industries are the major contributors to the economy of any region. Looking to the nature of investment and technology adopted by them, they offer wide scope for employment opportunities thus helping to alleviate the core problem of unemployment in our country. The sector has matured over a period of time driven by the business acumen of the entrepreneurs in terms of their technical skills and capability to run units with lower overheads. However, with the Indian economy steadily aligning with the global environment, a need is now felt to strengthen small and medium sector units in terms of an array of needs like capacity building, infrastructural support, financing, technology upgradation, research and development activities, quality improvement, market access and many more ... so as to enable them to have competitive advantages in the international market.

Cluster Development Approach

The strong presence of 76 identified manufacturing sectors consisting of a large number of small and medium scale industries provides a very **vibrant manufacturing base** for the state. Each of these sectors is located in clusters spread throughout the state. With increasing extent of globalization and liberalization, when economies of scale and quality would play predominant role in the international trade, empowering industries of the state to meet with such challenges is an imperative need of the present time. The cluster development approach is therefore an important initiative for empowering the clusters to face the challenges.

The Government therefore, plans to strengthen existing clusters in the state to provide necessary support to meet with the challenges ahead. A cluster would be defined as a group of industries manufacturing identical and complimentary products. The Government has decided to recognise a cluster with a **critical mass of a minimum of 50 units located within the radius of 10 kms at a particular location**. The number of 50 units could be relaxed by the Government in respect of certain sectors having regard to the managerial and technical competence, size and the nature of the industry. The Government aims to empower the clusters by providing need-based financial assistance for taking up strengthening activities. For the purpose, individual clusters will be rated by accredited rating agencies in terms of technical and managerial competence, level of maturity, administrative set up, past track record, transparency of operations, etc. Based on the grading, quantum of financial assistance will be decided. The assistance will be provided for the purpose of helping the clusters in upgradation of both product design and technology, quality improvement, R&D activities, common branding and marketing facilities, development of common facilities such as library, testing and certification

laboratories, tool room, soft skill development, capacity building for workers and supervisors in terms of skill upgradation and productivity, etc besides the upgradation/creation of common infrastructure facilities . Assistance to the identified clusters will be from existing schemes of the government. Detailed guidelines for assistance will be laid down separately.

The Government also has decided to offer concessions in the form of **electricity duty exemption for a period of first five years** to the cluster associations if they set up either common power plants or common effluent treatment plants or waste recycling plants.

Develop common facility centres in clusters

Small-scale industries have proved to be a major contributor to the economy of the state, both in terms of value addition and employment generation and therefore, their importance cannot be understated. However, in the coming years, Government feels that for small units to survive and prosper, 'consolidation' would be the key. The existing clusters need to be strengthened so as to enable them to convert adversities into opportunities. The role of the respective cluster associations would therefore, be crucial in this context. The associations would be encouraged to take up the following activities.

- Creation of common facilities like Research and Development laboratories, the fruits of which can be reaped by all the participants. Improved technology and quality product designs would be the password for the small scale units for entry in the international market and the associations would make a periodic review of their member units on this aspect.
- The cluster associations will also help the member units by involving R&D institutions in upgradation of technology with the help of Government fund
- The associations will assist their member units to tie up bank finance and at the same time will also help the banks to recover their dues.
- The Government will also encourage cluster associations to set up cooperative banks to enable members units to avail of finances at competitive cost. For the purpose, the Government would provide necessary interventions in terms of ensuring proper monitoring and regulating operations, human resource development and arrangement of funds.
- The associations will also help the units to find new markets. For the purpose, they will maintain an extensive information bank of the opportunities available for their cluster products in other markets, as also they will strive to devise strategies for strengthening existing markets of their member units. They would make representations to the Government, if the latter's intervention is required.
- The associations will encourage common branding and marketing through the brand development and marketing fund. Government considers this to be a very important aspect, as it will enable the units to channelize their

efforts in a focused direction as also it would initiate a process of projecting image of Gujarat as a leading producer of quality goods.

- The cluster associations will launch a campaign for the use of cleaner technologies. For the purpose, arrangement would be made to provide information on advice and guidance as well as training on pollution control norms.
- The cluster associations will also arrange for the capacity enhancement programmes including productivity improvement for the workforce engaged in the member units.
- The cluster associations will also motivate the member units to go for review of energy and water consumptions for the purpose of conservation of these resources. For the purpose, they will also be encouraged to use energy efficient devices as well as minor modifications in the process design to change the operating conditions.
- The cluster associations may arrange for a collective participation in national as well as international fairs.

SME Sector

Apart from the approach of cluster development as outlined above, the need for strengthening the existing SME units also assumes importance. However, such assistance should be done in a manner that good and healthy unit with managerial and financial strengths would feel encouraged by the recognition of performance. Yet genuine sick and weak units should also be extended a helping hand. A concept of credit and performance rating would enable Government to assist such units. This concept should also enable the unit to approach money market for borrowing at reasonable rates of interest. This will be very useful because of a feeling of general neglect of SSIs by banking institutions and ailing SFCs.

Assistance for Technology Upgradation

In the times to come, technology would dictate the manufacturing sector in any industry. The industries with superior technology will ultimately have a cutting edge by being equipped with the ability to provide quality products and services in a cost effective manner. In today's world, when the process of 'technology change' has become an unbridled phenomenon, it is very essential that the industries try to keep pace with the rapid changes in the technology, identify and adopt ones, which fit the best in their set-up. Government appreciates this fact and therefore, plans to encourage industries thinking in the direction of upgrading their existing technology. For the purpose, Government plans to introduce a scheme to provide **an interest subsidy @ 3% on purchase of all capital equipments necessary to be installed for technology upgradation for a period of 5 years** subject to a maximum of Rs.3 lakhs per year, to the small and medium sector units.

Technology Acquisition and Patent Tracking Fund

Technology Acquisition: Acquisition of technology is also a complex process. It may perhaps not be possible for individual small units to acquire technology on their own. The Government therefore plans to create an administrative set up in the Industries Commissionerate comprising technology experts, to source, assess and acquire appropriate technologies. For the purpose, the Government has decided to create **an initial revolving fund**. The administrative set up will procure the technology and in turn will transfer it to individual units at reasonable price. This will also include the technologies, which are generic in nature and useful to the whole cluster in the form of drawings and designs mainly for SSI units. The technology transfer will also include the training component. This benefit could be extended to recognised clusters as well.

Patent Tracking: In the changing business environment which is likely to impact the export drive from Gujarat, it is necessary to keep a close track on the details of patent registrations taking place globally. This fund therefore will also be utilised towards appointing professional agencies **to monitor and make available periodic tracking reports on patent registrations and their profiles** for catering to the information needs of the industry in Gujarat. The benefit could be extended to recognised clusters as well. The details will be worked out and notified separately.

Quality Upgradation Scheme

In the new emerging scenario, quality upgradation is a must for every industry to survive, be it in the small or medium or large sector. The Government of Gujarat also realises the importance of this critical factor and therefore, has decided to **continue to extend its current scheme of quality upgradation to reimburse the expenses** incurred which will include cost of acquiring equipments required for testing and R&D connected with quality upgradation and acquisition of quality marks as well as consultancy fees required if any, to be paid to recognised R&D institutions/firms. This assistance is also **extended for obtaining ISO 9000 and ISO 14000**. Assistance will also be offered for various other schemes including **GMP, Six Sigma, HACCP, cleaner technology, Total Productivity Maintenance/Management (TPM), Just in Time (JIT), CRM/SCM/BPR packages and other sectoral programmes**, which will be notified from time to time. The scheme provides for a **maximum of Rs.25,000/- per scheme** as grant from the Government on a matching fund basis with the contribution from the individual units with **an overall ceiling of Rs.1 lakh per SSI unit, once in every five years**. The identified cluster would also avail of the benefit for its units.

Industrial Sickness

Industrial sickness has become a critical but unpleasant feature of the Indian economy. In order to ensure rapid growth of industrial economy, the sickness should be cured and subsequently to be eradicated. The Government plans to set up a mechanism to detect the reasons for possible sickness of a particular

industrial sector as a whole over a period of time through studies so that these reports could serve as whistle-blowing exercises in advance to enable appropriate Government interventions to be made in time to prevent the sector falling sick.

Cash Subsidy for common R&D activities

In order to survive and to thrive in the years ahead, activities of research and development would become an integral part of any industry. Government realises the importance of R&D in the industry and have therefore, decided to promote the same in a big way, more so in the small and medium sectors. The Government has therefore, decided to continue the present scheme of providing assistance in the form of cash subsidy at the rate of 50% subject to a maximum of Rs.5 lakhs for the necessary expenditure incurred towards R&D activities. Identified clusters could also take up collective R&D work under the scheme.

Conservation of Energy and need for Energy Review

The Government plans to encourage energy review in a big way by providing subsidy to conduct energy review to SMEs. This will help in conservation of precious energy in general and the unit also to be benefited in terms of cost of operations. For the purpose, the Government has decided to offer the **Energy Review Subsidy** This subsidy will however be disbursed only after the unit introduces the energy conservation measures as suggested in the study report. For the purpose, the Government will appoint a large pool of accredited review agencies.

Assessment of Water Consumption

In the recent years, water is also considered to be one of the important resources, more so in the context of Gujarat. The Government therefore, wants to encourage proper assessment of water requirements of the industries to enable them to conserve water, which could be utilised for other purposes. The Government has therefore, decided to offer **cash subsidy for assessment of water consumption in the existing industries**. This subsidy will however be disbursed only after the unit introduces water conservation measures as per the recommendation of the assessment agency. For the purpose, the Government will appoint accredited agencies.

Interest subsidy

The existing scheme of providing interest subsidy to small scale units will also be continued with modification in view of fluctuating interest rates. Under the scheme, a new small scale unit will be offered an interest subsidy @ 5% per annum or Rs.5 lakhs whichever is less subject to a condition that the unit will have to pay a minimum of 5% of interest per annum. This benefit will be extended for a period of five years, subject to an overall ceiling of Rs 25 lakhs.

CHAPTER - 11

INVESTMENT FOR EMPLOYMENT

Manufacturing Sector - The backbone of economic development

Manufacturing sector has been the backbone of economic development in Gujarat all these years. Over a period of time as mentioned earlier, the state could successfully diversify its manufacturing base from a lone sector of textile industry. Today the state manufactures a wide spectrum of products with a substantial share in country's production. In fact, it is this mature manufacturing base that has enabled Gujarat to earn the distinction of a **leading industrialized state** in the country. Development of such a strong manufacturing base could be attributed largely to the available resources, technological skills, reasonably well-developed infrastructure, good institutional network, people having strong business acumen with enterprising nature and pragmatic policies adopted by the successive Governments.

Need to strengthen manufacturing sector

In the quest of attracting new investments, the state however, realizes not to ignore the existing manufacturing sectors. In fact, the state perceives that the emerging areas of investments should also depend upon the successful survival of the existing manufacturing segments and Gujarat would therefore strive to strengthen them, as these very segments have been largely responsible for the industrialization drive all these years in the state. The Government would therefore, provide effective interventions to ensure that they not only survive but, thrive in the times ahead.

Till the decade of 80s, the operating environment in India was under the shadow of closed economy. Though in the beginning of the decade of 90s, the Government of India started the process of economic reforms, but in most of the states, the operations at the state level more or less were confined under the principles of closed economy. During the initial phase of economic reforms, leading industrialised states like Gujarat could derive maximum advantages in terms of attracting investment as the erstwhile regime of controlled economies had placed certain locational restrictions which were removed from 1991 onwards and the state therefore, could attract reasonably a large chunk of investments. But with the beginning of the phase of liberalisation and globalisation in the true sense sometime in the end of the last decade, the industrialised states did not get any specific advantages in terms of growth of economy and investment, as by then many other states also started catching up with them in terms of economic development. Again, by 2000 AD most of the states agreed to withdraw the incentives given in the form of subsidies and sales tax and Gujarat was also one of them.

Strategise for a paradigm shift

The New Industrial Policy thus has an essential element of paradigm shift and willingness to address the requirements on long-term basis. It is felt that this is the right time for the state to bring about qualitative change in its thinking and

strategy. We in India in general and Gujarat in particular realise that we must build upon our strength and not replicate the models developed in other countries... the models which can not be translated into our system. Gujarat therefore, would promote skill-based industries and would not go for mass production items. It was again in the backdrop of this reality, the state would immediately address the concern in respect of the weaknesses of manufacturing sector and then lay down a path for evolution of research and development, design innovations, cost efficiency, capacity building through skill upgradation and productivity. For the purpose, the Government would provide interventions by way of introducing certain schemes, which would strengthen its core manufacturing sectors. While doing so, the state would also take steps for the growth of such service sector activities, which would ride on the top of the manufacturing sectors, in order to harness the benefits to their optimum potential.

GOVERNMENT INTERVENTIONS

In order to strengthen the manufacturing sector, the Government has decided to provide interventions in following manner:

Sectors under focus

The Government therefore has decided to immediately focus on specific sectors in view of strategic comparative advantages enjoyed by the state in the global context. For the purpose, the Government proposes to adopt a **Mission Mode Approach**.

Textiles

In case of textiles, the areas that could be concentrated are: improving the productivity of cotton, doubling the current consumption of cotton and manmade fibre in next five years' time, increased production of garments, promotion of spinning and weaving activities in a big way, etc. A Core Group to study all the relevant issues will be formed and based on the recommendations; the Government will provide effective interventions.

Apparel Parks

Apparel parks will be set up in Surat and Ahmedabad in order to increase the production of apparels both for exports and domestic consumption. Interventions in terms of setting up of the parks, laying down guidelines for setting accredited private training institutes etc will be taken up in a time bound manner.

Gems and Jewellery Parks

Gems and Jewellery parks will be set up at Surat, Ahmedabad, Bhavnagar, Rajkot and Bhuj. In addition, the Government would also encourage setting up such parks in the private sector. Accredited private training institutions will be set up to impart training.

R&D Institutions and Centres of Excellence

The 21st century belongs to the age of innovation, research and development where the products of the mind will generate more wealth than the products of factories. Areas of design, product development, continuing innovation, development of new technologies and their commercialisation through global network of outsourced manufacturing would hold the promise for future development. It is in this context that the importance of R&D in areas of comparative advantages for Gujarat becomes imperative. The Government, in conjunction with industry, would like to support the creation of **Centres of Excellence** in areas as diverse as engineering, chemicals, textiles, garments, pharmaceuticals, plastics, agro food and so on, either afresh with matching funds from industry or create special centres for research in existing laboratories/institutions. It is important that industry takes the lead in conceptualising the activity and setting the agenda for their future technological development. The Government solicits proposals from various industries and their associations in this regard.

State Awards for Excellence

Government would also like to recognise merit amongst institutions that take up the challenge successfully for development of products and new technologies. For this, the Government would institutionalise **state awards for excellence** for such institutions in due course with the support of industries in Gujarat.

CHAPTER - 12

MARKET DEVELOPMENT AND PROMOTION

For the success of any business entity, marketing assumes a critical business function and therefore, could be rated as a pre-requisite. Today, when the restrictions and trade barriers are being progressively removed across the globe, the importance of effective communication between an array of sellers and a wide galaxy of buyers has reached new heights. Government of Gujarat believes in streamlining its policy initiatives with global realities. Thus, various schemes for the industries to enable them to enter into a fruitful business relationship with buyer/consumer community both within and outside the country have been evolved.

MARKET DEVELOPMENT SCHEMES

In the present time of fierce competition, the industries will have to explore all the avenues for the promotion of their products in the market, which will include the export markets. The Government realises the difficulties of small and medium enterprises to reach to the international arena, as this calls for participation in trade fairs and exhibitions abroad which is perceived as an expensive proposition. The Government has therefore, decided to adopt multi-pronged approach to tackle this issue as under:

Common Branding and Marketing Fund

In order to promote the products manufactured by specific clusters, the Government would like to create a **Common Branding and Marketing Fund** under which all the products manufactured by the clusters would be promoted and marketed under a Common Brand name. For promoting the brand name, the Government would provide financial assistance on a matching basis in the prescribed proportion to the clusters. This assistance will however be provided **once to promote the brand/market the product**. The cluster associations will however have to lay down clear disciplinary guidelines for the member units to meet with the quality specifications. For the purpose, member units will have to arrange for self-certification through accredited agencies, ultimately leading to brand image. This scheme will be operationalised as a part of cluster development programme.

The State Government also considers it to be the most important aspect to market and position the image of Gujarat as a **state synonymous with producer of quality goods**. For the purpose, initially **10 products** will be chosen on an experimental basis and funds under this scheme will be given to those clusters/individual manufacturers who would be promoting their products as manufactured in Gujarat. The manufacturers will have to adhere to stringent quality norms as required in the market. The Government from time to time will also arrange for testing of products from quality point of view and on finding inferior quality of products, their manufacturers will be severely dealt with.

Developing Virtual Exhibition Portals for products of Gujarat

iNDEXTb has recently developed and launched a Virtual Exhibition Portal (www.gujexim.com) to facilitate boundary-less and barrier-less trade between the buyers all across the world and sellers from Gujarat. The basic aim is to make communication easy by local traders with their customers, business partners, associates and other users spread all over the globe. Such portals offer various kinds of services online like promoting brand, creating product catalogues, legal services, buy/sell exchange, etc. The portal also enables a trader to create business presentation online. This portal launched in August 2003 received a tremendous response in terms of number of hits as well as business inquiries.

Developing Product-Country Matrix

'Product-Country' matrix will be prepared for products having export potential and the countries, which offer maximum advantages in terms of prospective markets and tariffs. The concerned industries will be encouraged to export their production in those countries.

Participation in International Trade Fairs in Gujarat Pavilion

The Government will book space in certain famous product-specific international trade fairs through its agencies and in turn offer space to Gujarat industries in the small and medium sectors in the Gujarat pavilion at **concessional rentals**. This will enable them to approach the international buyers in a **cost-effective manner**. This will also afford opportunities to industries to have exposure to the developments in their respective fields in other countries.

Participation in Exhibitions abroad

For participation in other trade fairs, the Government will offer a cash subsidy on the lines of assistance offered by Government of India.

Assistance for sending product samples abroad

The Government also will provide cash assistance for sending product samples abroad to the prospective buyers for approval, upto a maximum of Rs.50,000/- per year.

Participation in seminars abroad

The Government will also assist the owners/directors having permanent stake in industrial units in the small and medium sectors for participation in training programmes and seminars abroad in their relevant technical fields which will help them in technology upgradation or quality improvement. This assistance will be given @ 50% of the cost of participation fees, subject to a maximum of Rs 50,000/- limited for a duration of two months. This assistance will however, be offered for participation in a recognised foreign university/institution programme. This subsidy would be disbursed only after the owner produces evidences of satisfactory completion of training or participation in the seminar/programme.

Setting up permanent exhibition-cum-convention centers

The Government will also support setting up of permanent exhibition cum convention centers in major cities. For the purpose, the Government will offer land at concessional cost.

Patent Registration

Quite a few entrepreneurs in the state are developing new products or designs ingeniously but, their interests are not guarded and as a result, they fail to protect their rights on the product or design, they have developed. This is especially true in the case of small and medium enterprises. Government is quite concerned about such happenings. In case of drugs, product registration is required especially with the introduction of WTO regime. Government will therefore, continue to extend assistance to such units for patent registration under the current scheme, the scope of which will be broadened by including product registration as well. Under the scheme a cash subsidy @ 50% of the expenditure incurred subject to a maximum of Rs.5 lakhs would be offered once per product/process per institution/individual.

CHAPTER - 13

ENERGY: POWER AND GAS

In the current scenario, when new discoveries in energy sector are waiting to be commercially exploited by industrial sector and when Gujarat is forging ahead towards a gas-based economy, the Government has resolved to take rapid strides towards enabling the industries with competitive, cleaner and efficient energy resources. For the purpose, some steps have been enunciated in the later part of this chapter to ensure availability of quality power. As per the provisions in the recently introduced Central Electricity Bill 2003, in order to augment the overall power generation, the system of power generation by a group of industries/associations for their member units would be encouraged. In order to ensure optimum utilization of availability of gas and pipeline infrastructure being developed all across the state, gas based power generation as well as adoption of gas as feedstock to be used by individual industries as fuel would be encouraged. This will serve the dual purpose of supplying efficient and reliable source of energy to industries, at the same time promoting a cleaner environment. The Government believes that the process of innovation in the energy sector should not encounter any roadblocks in the way of non-conventional sources of energy. Thus, the non-conventional sources of energy like wind energy, solar energy etc. would also be encouraged in a big way.

In the direction of power sector reforms

The Energy and Petrochemicals Dept has also taken certain initiatives to provide comfort to the industries. It is worthwhile to recapitulate the details of the steps taken before discussing the policy initiatives.

- During the 9th Plan, 2108 MW power generation capacity was added in the system and the installed capacity has now reached to 8576 MW at the end of 2002-03. During the 10th Five Year Plan, the state has planned to add more than 4,000 MW generation capacity.
- Special efforts were also made to increase the Plant Load Factor (PLF) of the existing power station by way of taking up measures on renovation and modernization as well as following good maintenance practices for increase in generation and efficiency. GEB attained PLF 69.69% at the end of the year 2002-03 which is the highest ever.
- The State Captive Power Policy, 1998 got tremendous response. At present, the sanctioned captive power capacity is more than 3,500 MW, of which approx. 2200-2500 MW of power is currently generated. GEB avails the surplus power as and when required and the units are also permitted to supply power to their sister concerns.
- In Power Sector Reforms, the state has already set up Gujarat Electricity Regulatory Commission to decide the tariff of electricity. Moreover, the Gujarat Electricity Industry (Reorganization & Regulation) Act, 2003 has also been enacted to provide smoother and speedier reorganization and rationalization of electricity industry. It has also been decided to

reorganize activities of GEB into a Generation Company, a Transmission Company and four Distribution Companies with professional managements. It has also been provided to constitute separate distribution companies for major cities of the state. Various provisions in the Electricity Act 2003 on free generation, open access and third party sale of electricity, regulations by regulatory authority would also further boost the power sector in the state in the near future.

- To rationalize the tax structure on the sale of electricity, it may be worthwhile to note that Gujarat has removed the sales tax on sale of electricity w.e.f. 1st April 2002, thus extending relief to the extent of Rs.260 crore per year to all the categories of consumers.
- Further, the new industrial units are also exempted from payment of ED for a period of 5 years. The industrial units which generates electricity for captive requirements are also exempt from the payment of ED for the initial period of 5 years.
- With a view to providing power supply round the clock in the rural areas, the state has introduced a scheme Jyoti Gram Yojana from the current financial year which would boost the cottage and agro industries in the rural areas.
- The State Electricity Board has also adopted consumer oriented approach in the following manner.
 - (a) Introduction of incentive scheme for HT consumers : Under this scheme the incremental consumption during the period from August 2002 to July 2003 over the same period during the year 2001-02 was eligible for a rebate of 5% to 15% depending upon such increases over the base year. This has benefited 2280 consumers with a total rebate to the industrial consumers exceeding Rs.36 crore.
 - (b) Introduction of concessional tariff under LTP IV for exclusive use of electricity during night to LT consumers
 - (c) Bulk discount scheme to industrial estates for reduction in losses and distribution activities – Approval from GERC has been received.
 - (d) Reduction in process cycle to release connection – From 60/70 days from the date of payment to now 45 days. In high growth areas, like South Gujarat this period is further reduced to 30 days. For release of connection from the date of application, the average time is now reduced from 133 days to 100 days.
 - (e) GEB has also established three 66-KV substations at Laskana and Pal near Surat and Bhat near Ahmedabad at an estimated cost of Rs.8 crore. In addition, four new substations in South Gujarat and two substations in Kutch are planned by March 2004 with a cost of Rs.15 crore.
 - (f) Rationalisation of procedure
- Peak rate of electricity duty at 60% has been reduced to 40% resulting in the reduction of tax burden to the tune of Rs.62 crore per year.

Rationalisation of Electricity Tariffs

International power tariffs are currently fixed at Rs. 3.50/KWH. If the industries in Gujarat will have to be made competitive in the international market, it will have to strive to bring about its cost of production as low as possible. Electric power in the present context is the driver for industrialization and Gujarat is now fortunate to have vast reserves of gas discovered, apart from two LNG terminals coming up in near future in the state which could support cheaper generation of electricity. The Government realizes the fact to supply power to the industries at competitive tariffs and will therefore endeavour to rationalise the power tariffs including electricity duty as much as possible by using natural gas in the power generation in the coming years. On its part, the State Electricity Board will undertake rigorous cost cutting exercise for the purpose.

Role of the Government in distribution of gas

The availability of natural gas in Gujarat is expected to bring about a quantum jump in the industrial economy of the state. Government realizes that use of gas either as the feedstock material or fuel makes the industries competitive through reduction in the cost of production, which is the need of the hour. At this juncture, it is therefore pertinent that Government should clearly spell out its role in terms of distribution vis-à-vis private sector. The Government therefore has come out with an interim gas distribution policy to assist the development of gas distribution network in the state. This will ensure adequate availability of gas for power projects to arrive at competitive cost of power generation as also as the feedstock material to the industries to improve quality of products and to promote cleaner environment. With the availability of natural gas, the Government has embarked upon an ambitious project to lay a gas grid all across the state. While the Government would restrict its role to lay the mother pipe line, the distribution of gas would be left to private sector. In fact, the availability of gas would prove to be a **Unique Selling Proposition (USP)** for Gujarat distinguishing it as the most competitive location compared to many other destinations both in India and abroad. The Government therefore has decided to capture this advantage in favour of Gujarat to promote industrialization in the times ahead.

Government to notify schedule for supply of gas

The availability of gas through the gas grid in Gujarat is expected to commence from April 2004 and the project is likely to be over by April 2007 covering most parts of the state. The Government will very soon come out with a concrete plan for supply of piped gas scheduled for distribution to industries in different regions of the state with the definite quantity of gas to be made available and the details of the locations so that the industries can prepare their energy management plans accordingly.

Aligning State Policies with the Central Electricity Act, 2003

A notable feature of the Central Electricity Act 2003 is the "open access system" under which a set of customers can get together as bulk consumers and purchase power either directly from the generating company or through intermediaries such as traders and distribution companies. Pursuant to the passage of Central Electricity Act, 2003 the state has decided to follow such policies as are conducive to the industrial growth and the development of power sector in the state.

Reduction of tax on natural gas

Natural gas being energy efficient and pollution free fuel and the availability in Gujarat in abundance in the years to come will certainly increase the demand of natural gas in Gujarat in the times ahead. Other states have to bear transportation charges besides the burden of sales tax which is more than 10% and they do not have LNG terminal. In order therefore, to promote the use of natural gas available in the state extensively in the coming years for optimum benefits, the Government may consider reduction in the **sales tax tariff on the natural gas** at the appropriate time and in a revenue neutral way depending on the increase in volume and the price of natural gas.

Encouragement of non-conventional sources of energy

The Government at the same time desires to encourage more and more use of non-conventional sources of energy such as wind, solar and tidal waves. The Government will facilitate setting up all such projects and will evolve appropriate sectoral policies.

CHAPTER - 14

TAXATION

Government committed to Tax Reforms

The State Government is committed to bring about reforms in the regime of taxation and in fact, had already initiated an agenda in this direction. In order to have the right perspective, the details of the reforms agenda and results thereof are given briefly hereunder.

- (i) Tax reforms with emphasis on rationalisation, simplification, transparency and harmonization in rate structure.
- (ii) Reduction in input taxation under the State Sales Tax regime.
- (iii) Removal of cascading and multiplicity of commodity taxes.
- (iv) During last six years, conscious effort has been made to ensure that resource mobilization does not result in unbearable burden on industry. To the extent possible, tax burden on industry has been reduced. Consequently, weighted average rate of sales tax in Gujarat is now 12% as against higher rates in other states. Barring 16 commodities, input taxation in Gujarat is 2% as against the rate of input taxation of 3-4%.
- (v) Consistency in the approach based on the above policy –
 - has been appreciated by local trade and industry,
 - has provided stability to rate regime as against unpredictability of tax burden in many other states,
 - has enabled the state to understand revenue trends, and
 - has resulted in the decline in the overall burden of taxation on industrial sector.
- (vi) Reforms in sales tax structure so far carried out are in tune and harmony with Value Added Tax (VAT). Most other states have been taken steps, which are not in tune with VAT. The State of Gujarat has taken necessary preparatory steps for introduction of VAT.

Highlights of Sales tax reforms since 1997-98

- (i) Element of turnover tax subsumed in basic rate of sales tax.
- (ii) Numbers of sales tax (main) slabs have been reduced from 17 to 6.
- (iii) Levy of additional tax (surcharge) has been abolished from 1st March 03. Industries have benefited by 10% reduction in their tax burden.
- (iv) Input taxation and prohibited list: In respect of 73 commodities set off of the tax paid on the purchase was not available prior to April 1997. This resulted in cascading of tax for industries. Number of such commodities in the list of prohibited goods has been reduced to sixteen by April 2002. Out of these 16 commodities, four commodities carry the rate of sales tax at 4%, which is the rate of purchase tax/input tax in most other states. Barring these 16 commodities, input taxation on other commodities is just 2% as against the average rate of input tax of 4% in other states.

The reforms listed at (i) to (iv) above have resulted in reduction in the burden of sales tax on industry and trade to the extent of Rs.590 crore per year.

Competitive Taxation Environment

It is important to offer a level playing field in the matter of taxation to the industries in Gujarat to become globally competitive. The Government therefore will strive to reform the tax regime further by rationalizing the structure in the times ahead. This would help promoting scale of manufacturing, which ultimately leads to the development of technological and marketing capabilities in our manufacturing companies in their efforts to becoming global Indian MNCs.

Stamp Duty

Advalorem rates of stamp duty applicable for commercial transactions and industrial activities are subjected to maximum amount on concessional basis.

- (i) In respect of industrial loans, maximum stamp duty payable is only Rs. 2 lakh irrespective of the loan amount.
- (ii) In respect of documents relating to amalgamations and merger, securitisation, pledge and hypothecation, etc., maximum amount of stamp duty is subject to suitable ceiling limits.

CHAPTER - 15

OTHER INITIATIVES

Creating a conducive environment for investment

Prospective investors today have many alternatives to choose from amongst various locations, while contemplating on investment proposals. With sales tax incentives no longer a weapon available to attract investment, it is imperative that the State should strive to create the most conducive environment by offering what the investor wants. In the present time, the industries go to a state, which offer them the most competitive advantages in global terms and the comfort level. Every state will have different USPs and Gujarat would therefore, identify its unique features and formulate the marketing strategy around them. In addition, the state will identify the pockets where quality investment could be attracted for sustained progress. The state will aggressively undertake marketing campaigns. Again, since the subject of industrial development is multi-disciplinary in nature, the State would sensitise all the concerned departments to positively respond to the genuine needs of the industries. As far as the comfort level is concerned, Gujarat has already constituted a high-powered Gujarat Industrial Promotion Board under the Chairmanship of Hon'ble Chief Minister to grant clearances in the form of a single window mechanism to large projects. This mechanism will further be strengthened with the cooperation of all the departments of the Government and eventually single window clearance mechanism would be introduced for all the projects. Gujarat is famous for facilitating assistance to new investors coming for investment in the State. This handholding approach will continue to be vigorously followed to ensure smooth and hassle-free fructification of project proposals in the times to come.

Promotion of investment from NRIs and Foreign Direct Investment

The state realizes the importance of attracting investments from non-resident Indians as well as multinational companies. This would help the state in improving the technological standards in the industry through technology transfer, enhancing exports, introduction of latest manufacturing practices, development of infrastructure and generation of employment opportunities.

At the same time, the Government also appreciates the problems and concerns of the NRIs when they invest in the state. Basically, they expect the state to provide them additional comfort. For the purpose, the Government is exploring various options that would meet the aspirations of the NRIs and the needs of the state. In order to bridge the gap between the self-actualisation needs of NRIs and the development requirements of the state, the Government is considering to set up an Non-Resident Investment Trust Bank after obtaining necessary approvals from Government of India and Reserve Bank of India.

Keeping in view the competitive advantages the state of Gujarat enjoys and based on the analysis of the product-country matrix, the Government of Gujarat for attracting the investment will make concerted efforts including organizing

conventions and sponsoring visits of high level delegations of Government officers abroad from time to time.

Port-led Development

Gujarat offers longest coastline of 1600 kms in the country, currently dotted with 41 ports, of which Kandla is a major port. The State Government is developing 10 ports at Greenfield locations. In order to harness the potential of such a long maritime border to effectively establish international trade linkages, Government have decided to assist the process of port-driven industrialization in the state. For the purpose, infrastructure facilities in the form of road connectivity, rail connectivity, airport connectivity etc. with ports are planned to be developed, apart from upgradation of port infrastructure at the existing port locations. Plans are also afoot to develop product specific jetties at some locations for the products, which are manufactured in abundance in the State and enjoy good export potential. Further, the state will also undertake exercise to study the requirements of port development on regional basis to cater to the requirements of hinterland traffic. In addition, industrial estates and SEZs are also planned at some of the important port locations.

Regional Development

In order to fulfill the aspirations of the people and to spread the benefits of industrialization in the far-flung areas of the state especially when the waters of Narmada started flowing in various parts of the state, the Government has decided to **develop three economic corridors** in the state. These corridors include the areas falling along Bharuch-Dahej-Umbergaon, Vadodara-Mehsana-Palanpur and Surendranagar-Rajkot-Morbi-Kandla. For the purpose, the Government plans to commission reputed consultants to compile potentiality study reports very soon. The broad objectives of the studies include: the assessment of natural resources, existing infrastructure available, present status of industrialization, additional infrastructure facilities required for further development, identification of new sectors for industrial investment, policy interventions required in accordance with the potential of each corridor and an action plan to attract industrial investment in the regions along these corridors. The Government plans to aggressively market the potential of these corridors to the investors all over the world, which in turn, will raise the economy of the areas covered.

Other Studies

Apart from this, the Government will also commission studies for the following:

1. Study on Fisheries Development
2. Study on Tribal Areas from the point view of empowerment of tribals in increasing employment opportunities in their respective areas.
3. Comprehensive study on Kutch for development.

CHAPTER - 16

MONITORING OF IMPLEMENTATION

Implementation – The Key

The crux of any well-meaning policy lies in the effective implementation of the commitments. Gujarat perhaps scores over many others in this area, in spite of constraints. It is however, thought appropriate to ensure the implementation of this policy in a time bound manner so that Gujarat **tops** the list of industrialized states in the country, right in the **first decade** of the 21st century.

PHASE-I

Monitoring Committee

For the purpose, a Monitoring Committee under the Chairmanship of Hon'ble Minister of State for Industry with Industries Commissioner as Member Secretary, will be constituted which will review the implementation of the policy at regular intervals and strive to remove all the possible bottlenecks coming in the way of speedy implementation of the policy. The other members of this Committee will include representatives of all the concerned departments and industry representatives.

PHASE-II

Laying down Sectoral Roadmap

As mentioned earlier, the Government plans to strengthen the existing manufacturing sectors in such a way that they guide the course of the process of industrialisation of the state in future. For the purpose, all such manufacturing sectors which bear strong foundation in the state will be identified with the help of experts and Development Councils comprising mainly the experts from the industry will be constituted to prepare strategic blue prints for growth of these sectors over next 15-20 years. The suggestive sectoral councils include: engineering, chemicals, petrochemicals, drugs and pharmaceuticals, textiles, agro and food processing, mineral-based industries, knowledge-based industries, trade and service sector, etc. The Councils will compile the reports in their respective sectors with concrete recommendations for growth within a period six months from the time they are constituted.
