

CHAPTER 4

POLICY FRAMEWORK

INTRODUCTION

Kutch faces several factors that stunt growth, in the form of unreliable rainfall, poor soils over large areas, unkind topography and highly skewed distribution of water resources. Despite this, Kutch has exploited its limited advantages of a long coastline and occurrence of mineral wealth to propel itself to a prominent position of industrial growth through the entrepreneurial skills of its people aided by the proactive industrial promotion policy of the state.

The policy of industrial promotion with liberal incentives did not discriminate enough about the type of industries depending on their demand, on life supporting system or the absorbing capacity of the environment. This led to many type of industries like dye and intermediate dye stuff, refining, cement, industry etc.

This chapter will focus on policies adopted by the Government of Gujarat for the industrial development of this area as also on policies of Government of India. This chapter is divided into two parts; one deals with policies for industrial development and other stresses on policies for saving the fragile ecosystem.

POLICIES OF INDUSTRIAL DEVELOPMENT

Gujarat had less than one acre per capita of cultivable land, when it was formed as a separate state in the Union of India. The policy planners at the time decided to bring rapid economic growth by accelerating the pace of industrialization. The industrial activities then were centered on the textile and its auxiliaries and furthermore confined to only four cities of Ahmedabad, Vadodara, Surat and Rajkot. Following the path of industrialization vigorously, today the industrial base of Gujarat is not only well diversified but is evenly spread all over the state.

Thanks largely to the pragmatic policies implemented by the Government and the enterprising nature of its people, Gujarat today accounts for a substantial share in the manufacture of various products in India, contributing almost 100% of Cyanide Salts, Melamine, Sodium BI Carbonate, Phosporous and 80% of Soda Ash etc.

Thirsty as ever for progress, the state government is constantly in the process of identifying new avenues of investment opportunities not only in the industrial sector, but in other related sectors as well including the infrastructure and service sector. Whereas in 1960, Gujarat ranked 8th in industrial development, it is now vying for the top slot. From its traditional textile base, it has diversified into fields like Chemicals, Petrochemicals, Engineering, Pharmaceuticals, Dyes & Dye Intermediates, Food Processing, Agro-based Industries, Dairy, Edible Oils and a host of other sectors. The economic reform process has provided a boost to the efforts of the state towards rapid industrialization. In 1994, Gujarat topped the states in terms of the new investments. Through the successive incentive policies and other investor-friendly measures, the State has been striving not only to accelerate the total flow of investment into industrial sector, but also to channelise it to the backward regions with the aim of achieving equitable development of the State. The policies pursued by the State have resulted in increasing employment opportunities, promotion of entrepreneurship among weaker sections of the society and also in improving the export performance of the State. Besides visible and notable success in promoting investment in general, dispersal of growth to neglected regions and removal of regional imbalances is also noteworthy. The diversified base of industry in the State has the capability to sustain long term growth. Industrial development in the state has also resulted in a structural change in the occupational pattern with share of primary sector in State Domestic Product going down and the contribution of secondary and tertiary sector growing substantially. Another heartening development in this regard is that those who started small ventures in the 60s and 70s, capitalizing on the support provided by the State, have grown very fast, entering into the big league and thereby widening the entrepreneurial base of the State.

At the dawn of 21st century, while the State is banking on the fact that the foundation laid in the past will play a crucial role in our passage to the next century, it becomes clear that the industrial policy of the State has to adequately deal with all factors which have a symbiotic relationship with the industrial development. To pinpoint these factors, it is necessary to identify the areas of concerns emerging as a sequel to the process carried on so far, and take appropriate corrective and curative measures, lest they hinder growth in future. Briefly, the areas of concern are as follows:

- ♦ The State has been able to attract substantial flow of investment to the industrial sector during last couple of decades. Although a significant part of this investment has gone to backward talukas, quite a few of them have also been left out.
- ♦ As a result of massive investments in the petrochemical, chemical and pharmaceutical industries, the State is facing problem of pollution in the major industrial growth centers. The problem is mainly confined to the older industrial estates, which were set up prior to the enactment of various pollution control and environmental protection legislations.
- ♦ The State Governments efforts at Human Resources Development, particularly in imparting vocational and technical education to its youth, are proving inadequate to meet the requirement of rapid industrialization of the state. Unless corrective action is taken in time, there may be shortages of skilled and professional manpower in the State.
- ♦ Gujarat enjoys comparatively better infrastructure facilities amongst the States. However, the existing facilities are proving to be inadequate to meet the requirement of new investments. Significant investment has to take place for improving infrastructure including social infrastructure.
- ♦ One of the main objectives of the New Industrial Policy introduced by Government of India is to make Indian industry globally competitive. Existing sectors of industry will have to undergo substantial restructuring through technological upgradation and modernization in order to improve productivity, quality of products, designs, consumer satisfaction and cost-effectiveness in order to survive.
- ♦ The State enjoys an enviable record of industrial peace and harmony in industrial relations. However, overall productivity and quality consciousness needs significant improvement in order to ensure that the local industry not only survives international competition but also gets established in markets abroad.
- ♦ In order to ensure competitiveness of the local industry, the gestation period of a project going into commercial production should be minimized. To achieve this, statutory provisions, rules, regulations and procedures relating to the grant of approvals at the State level for setting up and running of industrial units should be comprehensively reviewed. Routine and irrelevant restrictions should be removed to ensure grant of necessary clearances without any delay.
- ♦ The Organizations set up by the State Government to promote and facilitate the process of industrialization of the State have played a significant role in the rapid

industrialization of the State. However, their objectives and functioning need to be reoriented to conform to the requirements of the era of liberalization.

OBJECTIVES

While determining the objectives of the new industrial policy of the State, employment generation and balanced regional development will continue to be important objectives. At the same time, it is necessary to have wider focus in view of the concerns expressed. Investment in industry has a multiplier effect on employment generation as rapid industrialization can create large-scale employment directly and indirectly and this can absorb the under - employed from the primary sector as also the educated unemployed. Parameters of sustainable development should underscore our efforts of industrialization in future. Environmental protection and pollution mitigation is most important in this regard. Priorities in investment should be guided by the goal of achieving equity in development. To achieve this, there has to be a profound bias in favor of the backward regions and people. With these considerations, the proposed objectives of the new industrial policy are enumerated below:

- ♦ Accelerating the development of infrastructure and human resources in the state to sustain the long-term growth.
- ♦ Promote development of the backward areas of the State.
- ♦ Creation of large-scale employment opportunities to absorb the swelling ranks of unemployed.
- ♦ Increase the total flow of investment to industrial sector.
- ♦ Achieving sustainable development.
- ♦ Encouraging entrepreneurship and developing technology to promote local Spirit.

APPROACH

In the present climate of economic liberalization and globalization, the states' approach needs to be radically different from what it has been till now. The license regime imposed certain limitations in the approach and this resulted in states competing with each other for attracting more investments to that State. The globalization process has radically transformed the scenario. Multinationals are willing to make large investments by setting up their production facilities in the country and the Indian companies are trying to upgrade their processes and products to become internationally competitive. Parameters of World Trade Organization, norms pertaining to Intellectual Property Rights, insistence by foreign

countries upon prohibition of environmentally unfriendly processes and products and the need to provide a level playing field to strengthen the Swadeshi spirit are other factors that call for change in our approach. International investment flows to areas, which are perceived to be most investment-friendly. Therefore, the states' approach should help in successfully competing with the newly emerging high growth regions of South-East and East Asian countries. Gujarat should try to benchmark itself vis-a-vis those regions and not merely be content in competing with the other Indian states for attracting investments. With this approach, Gujarat should be able to take the lead in rapid economic change in the country.

STRATEGY

Incentives (1995-2000)

The State Government has been following a policy of incentives for diverting industries to the backward regions of the State. While this may continue, increased emphasis should be given to industrialization of backward and neglected regions of the State with priority to employment intensive industries. In the Incentive Policy 1986, Taluka was considered as the unit of backwardness for promoting new industries for the first time. The evaluation of impact of incentives offered so far by the State indicates that large numbers of talukas are still to witness adequate industrialization. The relative backwardness of talukas was graded by Dr.I.G.Patel Committee giving due weightage to different parameters of development viz., Industry, Infrastructure, Education, Health Facilities and so on. The approach of the State Government for incentive policy should be to provide relatively more incentives to the more backward taluka's, as determined by the Committee.

While promoting industrial development, the challenge is to create appropriate balance between the financial incentives and provision of infrastructure. It is observed that there is a competition amongst states in offering incentive packages. It has been argued that provision of infrastructure facilities should be given more stress than financial incentives. In the new Incentive Policy, the State Government has offered incentives to industries located in more backward talukas while also offering incentives for investment in specific infrastructure industries. Though infrastructure is most crucial for industrial development, the State has limited resources to develop all infrastructural facilities in immediate future.

The State Government should offer cash subsidy for tiny industries, to encourage entrepreneurs belonging to backward class, women and unemployed educated youth, who

normally set up tiny projects initially. In addition, cash subsidy on investments made in the small-scale units should be continued to sustain the growth of the sector as also to encourage local entrepreneurs. Also, additional subsidy to Scheduled Castes/ Scheduled Tribes entrepreneurs setting up small scale units should be continued. As regards regional spread, the state government should offer higher incentives in more backward taluka's, as per Dr.I.G.Patel Committee recommendations. Incentives may also be offered for setting up Premier Unit in each taluka with a view to spreading industrialization. Besides, setting up of Mother Unit should be encouraged to promote exploitation of natural resources and use of local skills. Incentives may be offered to identify thrust industries like Ready-made Garments, Electronics, etc. as also for setting up large projects, to promote more employment opportunities and increase total flow of investment.

INFRASTRUCTURE DEVELOPMENT

It is well known that no amount of subsidies or incentives can compensate for lack of infrastructure development in a particular area. The experience world over has amply proved that infrastructure development holds the key in promoting industrial development of an area. In order to emphasise infrastructure development, particularly in backward areas, the State has set up Gujarat Infrastructure Development Board, which will facilitate single point expeditious clearance of infrastructure development projects with private sector participation. The Board would lay down guidelines and norms for identification of such projects and their clearances. Investments in specified infrastructure should be provided due weightage in determining the quantum of incentive.

LAND LAWS

Easy availability of the right type of land is a crucial factor in the location of an industrial unit. The laws governing grant of land for industry are rather cumbersome. The State Government should introduce suitable amendments in the land laws to make land available for setting up industry without protracted paper work and delays.

Procedure for the grant of permissions under various land reform laws should be simplified and time-bound clearances assured. For instance, non-agriculturists cannot purchase agricultural land without the prior approval of the Government. Such provisions cause undue delay in acquiring land for industrial use. Amendments should be carried out in the Bombay Tenancy and Agricultural Lands act so those bonafide entrepreneurs could purchase

land for setting up industrial projects without any delay. Conversion of agricultural land for Non-Agricultural (NA) use for industrial purposes should also be simplified by the introduction of the concept of Deemed NA. Government may stipulate precautionary conditions so that there is no misuse of these facilities and that lands acquired under these provisions are utilized for industrial use within a specified time period. To reduce delay in grant of permission for acquiring land for industrial use, Government should also consider further delegation of powers to the Collectors.

Government has identified Agro and Food Processing Industries as one of the Thrust industries so that the farmers in the State could get better returns for their products in addition to generation of employment in rural areas. In order to ensure that Agrobased projects can be set up with necessary linkages to ensure easy availability of raw material and increase productivity of agriculture in local areas, the Government should make necessary arrangements like contractual marketing agreement with farmers.

Land Use planning and Zoning

With rapid industrialization and urbanization of Gujarat, in order to ensure easy availability of land, the Government should introduce the concept of land use planning to ensure optimum utilization of land, while ensuring that rich agricultural land is not diverted for the purpose of industry. For this, specific sites in backward regions of the State may be identified and developed for the setting up of industrial estates/zones with necessary infrastructural facilities. One of the main objectives of zoning on the basis of land use planning should be the location of industries in clusters so that the environmental protection measures can be adopted through setting up of common effluent treatment plants, disposal of treated effluents etc. Government should try to prevent haphazard growth of industries, which may make pollution control measures as well as optimum utilization of land difficult.

Industrial Townships and Urban Development

Urbanization is the concomitant to industrialization process. Experience in the State, one of the most urbanized States in the country, shows that this is creating a severe burden on the existing urban infrastructure and services which are stretched far beyond their designed capacity for a long time. In designing industrial growth centers and clusters, therefore, instead of adopting an estate development approach, Industrial Township approach should

be adopted. Creating industrial parks with all urban facilities added on, and also promoting new townships to act as focal point in urbanization are some of the aspects which the State should promote. Development of such township would decelerate, to some extent, the haphazard growth being experienced by the cities and towns in the State. The state should also encourage private sector initiatives in setting up industrial parks and the new townships, to attract investments from not only within the country but also from abroad.

Establishing new ventures is not merely confined to setting up of factories and production facilities. When the State wants to reap the full advantage of flow of investment, it is necessary that facilities like Trade and Finance Centers, Corporate Headquarters, Exhibition Centers, Convention Centers and other facilities of international standard are created for smooth and rapid execution of trade and business dealings. The State is experiencing serious inadequacy in this regard. It is therefore, intended to take up projects for creating such complexes in and around metropolitan center. The State would be seeking the cooperation and help from well-known designers, planners and developers in undertaking such ventures.

POWER

Gujarat has been fortunate enough to be in a reasonably comfortable position as far as availability of power is concerned. Demand for power has been growing at a rate of 8-10% per annum. Apart from the requirement of power in the industrial sector, energy consumption has been growing at a rapid rate in domestic, commercial and agricultural sectors. The State Government has promoted new generating capacities with projects totaling 3000 MW at various stages of implementation. However, looking to the rapid rate of industrialization and urbanization in the State, the expected requirement for power by 2000 AD is over 15000 MW. Thus, massive investment is required in the sector and the government should encourage private sector participation.

Major investments by the private sector in generation and distribution of power would also require comprehensive review of the existing statutory provisions, policies and procedures relating to the power sector. The role of Gujarat Electricity Board vis-a-vis the private sector entrants into power sector will also have to be set out in clear terms.

The State Government should encourage modernization in industrial units to adopt energy conservation and use of non-conventional sources of energy as well.

PORT DEVELOPMENT

Gujarat has over 1600 kms. of coastline and 40 minor and intermediate ports which could be the base for tremendous development. The ports offer excellent potential for promoting hinterland industrialization and globalization. To encourage port based industrialization, infrastructural facilities like tank terminals, warehouses, customs houses and social infrastructure should be undertaken. More potential sites should be identified and prioritized for development by Gujarat Maritime Board, Gujarat Industrial Investment Corporation for joint sector or for privatization. These ports when operated on commercial basis, can generate own resources for maintenance and future growth. Optimum utilization of this inelastic resource is critical. Systematic development of the coast has the potential of making Gujarat the window to the world, as well as the major entry point for investments flowing into the country.

ROAD DEVELOPMENT

The importance of road development for providing efficient transportation and communication network cannot be over-emphasized. Economic viability of several major projects depends upon the existence of road linkages of the right kind. Road privatization is getting more and more importance in developing countries. Gujarat has also initiated this process by making amendments in the Motor Vehicles Act. A number of road projects with private sector participation have become operational in the recent past.

HUMAN RESOURCES DEVELOPMENT

The rapid industrialization of Gujarat has highlighted the need for human resources development, which holds the key to all round improvement in technology, innovation and productivity. Human resource development will have to cover the entire gamut from basic education, vocational and technical education to professional qualification. Providing skill-specific vocational educational facilities to meet the requirement of industry in a specific area is the best way of generating employment opportunities in local areas. Local industry should be involved to project the area-specific requirement of various skills, and also in finalizing the curriculum in ITIs and Polytechnics so that the local youth could acquire the necessary skills to get absorbed in the industries coming up in the area. At another end of the spectrum of human resource development is the manpower with professional

qualifications. With the rapid industrial development and consequential faster growth in the service sectors, a large number of professionals would be required in Gujarat. The State has been fortunate enough to have national level institutes of excellence such as Indian Institute of Management (IIM), National Institute of Design (NID) and Institute of Rural Management (IRMA). However, students from the State have not been able to take full advantage of these institutes. The State Government should initiate efforts to enable the students from Gujarat to successfully compete for admission into these institutes so that they are available to sustain the rapid growth of economy in the State. The State Government should promote the setting up of management, professional and engineering institutes in different parts, with the active participation of the private sector. The State Government may pursue with Government of India the setting up of an institute of highest standard like IIT in Gujarat to provide suitable opportunities to the students in the State and the Region to meet the requirement of the industries. The State Government should also set up a separate University for technical education and encourage satellite education.

POLLUTION CONTROL AND ENVIRONMENTAL DEGRADATION

Sustainable development entails the need for effective pollution control measures and environmental safety in the State. The chemical and petrochemical industry along with dyes, dye intermediates and pharmaceuticals triggered the industrial transformation of the State in the 70s and the 80s. Since most of the laws relating to pollution control and environment safety came into force in the 80s, there has been some laxity in adhering to the stipulated parameters by the industrial units which had been set up prior to that. In order to comply with the legal provisions as also the standards prescribed by Gujarat Pollution Control Board, the State has contemplated a number of measures like supporting the setting up of common effluent treatment plants in industrial clusters, facilities for collection and disposal of effluents and hazardous wastes in such clusters, tightening the implementation of the laws, strengthening the machinery of Gujarat Pollution Control Board and also supporting the industries in their pollution control efforts. Industrial development cannot be at the cost of the environment. Along with strictly implementing the pollution and environment protection measures, the State should set right the irregularities, which have taken place in some industrial clusters. The State should also confine the development of highly polluting industries to the zones and designated estates specifically set up for industries so that the pollution control measures can be managed economically and the standards met adequately.

Mineral-based Industries

Gujarat has several valuable minerals which if properly explored and exploited can go a long way not only in accelerating development of the industry, but also in correcting regional imbalances in the industrial development as many of these minerals are found in relatively backward areas of the State. A fine example of this is Lignite. Exploration carried out in the past one decade or so has resulted in identification of good deposits in Kutch and Saurashtra. Lignite based power projects are being set up in these areas. Large limestone deposits are helping in setting up of several cement plants in the State. Other minerals like Bauxite, Bentonite, Marble, Graphite, Granite, Flourspar, etc. are attracting industrial ventures all over the State. The State intends to systematize the exploration and exploitation of the mineral resources and, value addition would be one of the basic considerations in doing so. Application of latest tools like satellite remote sensing technology should be encouraged for exploration of minerals. The mineral based activities should be organized on scientific basis and present policies simplified and streamlined in addition to encouraging the setting up of mineral-based industries.

Agro-based Industries

The State Government should emphasize the development of Agro and Food Processing Industries with the specific objective of ensuring better returns to the farmers for their products as well as creating employment opportunities in the rural areas. The strategy should be to promote industries based on specific farm products in particular areas with priority given to items having export potential. Infrastructural facilities for this purpose in the form of chain of cold storage, post-harvest storage facilities, cargo complex and facility of air freighting of fresh fruits and vegetables and cut flowers at Ahmedabad airport, etc. needs to be developed. Government should undertake measures to disseminate latest technologies in all land-based activities covering agriculture, horticulture, animal husbandry and aquaculture, so that the farmers in specific areas are able to provide the inputs to sustain Agro-industry complexes. Private sector may be encouraged to set up such complexes with specific extension measures to compliment the Governments efforts at increasing agricultural yields.

Thrust Areas

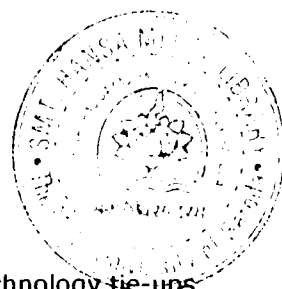
Rapid industrialization by itself does not really generate significant growth in employment opportunities in the organized sector. In the liberalized environment when Indian industry is striving to be globally competitive, it cannot be burdened with surplus manpower.

Employment quotient per unit of capital is comparatively higher in specific industrial sectors and service sector. Thrust areas should be identified and promoted in order to create adequate employment opportunities to absorb the youth entering the job market every year. The following areas are important:

- ♦ Electronics
- ♦ Ancillary Development
- ♦ Garments
- ♦ Gems and Jewelleries
- ♦ Food and Agro Processing Industry
- ♦ Handlooms and Handicrafts.
- ♦ Leather goods
- ♦ Other labor-intensive industries

EXPORTS

Gujarat contributes as much as 16% of the total export from the country. However, looking to its present rapid rate of industrial development, there is scope for a quantum jump in exports from the State and higher value addition of its exportable products. Government should adopt a specific policy of promoting exports from the State with higher value addition, in tune with other schemes such as promotion of Agro and food processing industries, development of aquaculture, etc. The main thrust should be on providing infrastructural facilities such as development of ports with bulk handling facilities, setting up of container depots near major industrial growth centers, facilities for product testing and development, particularly for small scale units, encouragement of quality upgradation by adoption of total quality management and ISO series certification, etc.



FOREIGN INVESTMENT

The State Government should welcome foreign investment and foreign technology tie-ups particularly in high-tech and high priority industries. Foreign direct investments should also be encouraged in the infrastructure sector, especially for power generation, port development, construction of roads and bridges as well as social infrastructure such as education facilities, health care facilities and tourism projects. It should promote flow of foreign technologies for the technological upgradation and modernization of different industrial sectors including infrastructure projects in the State.

Non-Resident Indians

A large number of expatriates Gujaratis have settled in various countries abroad. These NRIs have, through their enterprise and hard work, established themselves in trade and industry in their adopted countries. They not only have investable resources but also high level of skills and managerial capabilities, which can be utilized in setting up world class enterprises in this country. Non-resident Indians have become the second highest source of foreign investment in terms of actual inflow into the country in the post-liberalization period. The Government of Gujarat should use its unique advantage to create an atmosphere for attracting significant NRI investment to the State.

The State has earlier pioneered the concept of promoting NRI investment through the Industrial Extension Bureau. The flow so far has not been very significant considering the potential mainly owing to certain procedural irritants, which they are not accustomed to abroad. Certain facilities comparable to those found abroad like easy and effective dissemination of information, priority/reservation in allotment of plots/sheds in industrial estates or reservation of plots in industrial townships, scheme of construction of luxurious houses for NRIs near major towns and cities, etc, should be made available.

RESEARCH & DEVELOPMENT AND MODERNIZATION OF EXISTING UNITS

Technological upgradation and modernization of existing units are crucial to the survival of Indian industry in the liberalized era. It requires investments in R&D facilities, a neglected area of Indian industry and crucial for Indian industries for acquiring a competitive edge.

Government should encourage and facilitate adequate investment in R & D facilities. Small and medium scale units may not be able to invest in R & D beyond certain minimum testing facilities. In specific industrial sectors, therefore, Government should take the initiative in setting up common R & D facilities servicing a large number of units in a specific sector, with financial participation of different industries associations. The management of such establishments will be left to the industries associations or subsidiary companies/societies set up by them so that these are run on professional and commercially viable lines.

In addition to facilitating the setting up of common R & D establishments, Government should encourage industries to sponsor dedicated research efforts in the Universities and technical educational institutions in the State. This will benefit both the industry as well as the educational institutions. Government may also consider the setting up of Science Parks attached to Universities/R & D establishments so that the benefits of technology flow to small and medium enterprises.

The existing industrial establishments will have to upgrade its technological levels on a priority basis in order to survive in the increasingly competitive market place. Investment in R & D facilities can be a long-term solution to meet the technological requirements of the industries in the State. Small scale industries in particular will have to source the required technologies from established national R & D establishments in the country as well as from sources abroad. While the medium and large industrial units have the capability of providing such technologies, the small scale units will definitely require assistance in locating such sources, adapting the available technology to their requirements and for getting such technologies on reasonable terms. Government will assist the small-scale sector in this area. For this purpose, Government should strengthen the Industrial Extension Bureau to play a catalytic.

Small Scale Sector

The Government is committed to promote the healthy growth of small-scale sector. Government could support the SSI units in such areas as source of technology for technological upgradation and modernization, improvement in quality of the products of such units through adoption of ISI or ISO 9000 certification. Small-scale industries also need assistance towards supply of raw materials and marketing. For this purpose, the existing government organizations such as Gujarat State Financial Corporation, Gujarat Small Industries Corporation and District Industries Centers could be strengthened and

reoriented. Assistance, in identifying different products through market research should also be provided.

Entrepreneurship Development

The restructuring of the financial sector as a part of liberalization has led to reduction of emphasis on priority sector lending by the nationalized banks. This has adversely affected the chances of first generation entrepreneurs and those from disadvantaged groups in obtaining finance from banks and financial institutions to set up industrial units. The state government should promote alternative means of entrepreneurship development in the state. Setting up more centres like Center for Entrepreneurship Development, would enable training of first generation entrepreneurs, particularly those belonging to the category of women, Scheduled Castes/Scheduled Tribes and other backward classes and technically qualified unemployed youth. In order to make this training effective and result oriented; it should ensure close and regular coordination with banks and financial institutions so that the persons trained get financial assistance for setting up of industrial units without delay.

Simplification of Rules & Procedures

Most of the statutory provisions, rules, regulations and procedures relating to the industrial as well as other sectors in the whole country as well as in Gujarat have their genesis in the License Permit Raj. Some of the statutes currently in force pre-date the independence of the country and were relevant to the war time requirements of the British India. There is an imperative need for comprehensive review of all the statutes, rules and regulations so that they are brought in tune with the reforms and the requirements of the liberalized era. The State Government should set up Task Forces to undertake such reviews with the specific objective of doing away with redundant and irrelevant restrictions and requirements and to simplify the rules and procedures in the remaining areas to facilitate grant of various clearances in an objective and transparent manner.

In undertaking this review, the State Government should also emphasise present concerns like safety in the work place and labor welfare measures, by making the provisions more effective in their administration. An atmosphere of trust should be created so that industries understand their responsibilities for compliance.

Single Window Clearance System

The State Government should make available the facility of single window clearance system at the district level so that entrepreneurs do not have to visit different government offices to obtain the required clearances for setting up industrial units in the State.

Industrial Data Bank

A weak point of the present Industries Administration is the lack of reliable data relating to industrial investments, production, sickness, etc. Under the earlier regime, Director General of Technical Development (DGTD) in the Ministry of Industry, Government of India used to collect and maintain production data of different industrial sectors. Most of the industries are no longer under compulsory licensing and this has affected the availability of reliable data on industrial production. The State Industries Administration had no system for collecting production data on a regular basis. Similarly, in the small-scale sector, data relating to investment, employment, etc. are simply not available. Data relating to sickness and closure are entirely historical based on survey carried out at a particular time. This has limited the ability of the State Industries Administration to fix targets for production in different sectors, project and plan for infrastructural facilities, raw material supplies, service back up, etc. The state government should set up an Industrial Data Bank in the Industrial Extension Bureau, to be run on a commercial basis, if required.

Administration

Even the best policy will have limited impact unless it is implemented effectively. Government should strengthen the Industries Administration through computerization of District Industries Centers and the Industries Commissioners Office and by introducing office automation and modernization. The scheme of Government of India for the computerization of district Industries Centers could be complimented by linking these to the State headquarters. This would enable not only the flow of data for the proposed Industrial Data Bank, but also allow for effective monitoring of the implementation of all industrial approvals in the State as well as for the operation of the single window clearance system at the district level.

Public Undertakings

The State Government undertakings and organizations operating in the industrial sector were set up during the License Permit Raj. Their functioning has been influenced by operating in a protected environment. They should be reorganized and reoriented to contribute to the efforts of the State Government towards balanced industrial development of the State, by functioning at a professional level with full accountability to the Government for complying with the objectives of the States industrial policy. A system of Memorandum of Understanding between the undertakings and the State Government should be implemented.

Disinvestment in Public Sector Enterprises

In its April 1994 report, Gujarat State Finance Commission made recommendations regarding disinvestment in and privatization of State Undertakings. Government should decide on either winding-up the loss-making Public Sector Undertakings (PSUs) or disinvested either partially or fully in favor of the general public and to be run by a professional management. At the same time, Government may continue to have dominant stake in only those Public Sector Undertakings, which play a critical role in the States development.

Industrial Rehabilitation

While the Government of India has set up Board For Industrial and Financial Reconstruction under Sick Industrial Companies Act, 1985 (SICA) to decide the revival or the winding up of sick industrial units falling under the purview of the Act, there is no such statutory mechanism at the state level to deal with sick units which do not fall within the purview of Sick Industrial Companies Act, 1985. The State Government had introduced a scheme of revival of non-BIFR and small-scale sector units, which provides specific relief and incentives as part of package of revival to be decided by a state level committee headed by the Industries Commissioner. The scheme has not had much impact in dealing with sickness in the small-scale sector. The Government should review the scheme comprehensively and modify its main provisions so that it plays an effective role in combating sickness in the small-scale sector. Since revival of sick units is not possible without the active and full cooperation of financial institutions and banks, the government should ensure that the

scheme is implemented with their full involvement and participation. It would also take up this matter with the Government of India and the Reserve Bank of India to ensure that the fullest cooperation is received from Financial Institutions and Banks for this purpose.

A long term solution to tackle sickness in non-BIFR small-scale units should be found through an effective mechanism at the State level. Those units, which are not considered revivable, should be wound up by setting up of Gujarat Bureau of Industrial and Financial Reconstruction (GIFR).

As far as the sickness of textile mills is concerned, experience in the past has shown that neither nationalization nor measures aimed at continuing running of these mills through heavy doses of relief and concessions have helped their revival. It is getting established now that nothing short of complete modernization, often-involving total replacement of the old machinery can make these units viable. Policy should comprise such measures as can ensure total modernization either by the same management or by taking over of the sick mills by other healthy units.

COTTAGE INDUSTRY SECTOR

The importance of the cottage industry sector from the point of view of employment cannot be over-emphasized. Besides employment, this sector has also been responsible for nearly one-third of the country's exports and for continuing traditional skills and cultural heritage of the country in the field of handlooms, handicrafts and other rural based cottage industries. With low level of capital investment, this sector is able to employ a large number of artisans in the rural areas, a large number of whom are women and other weaker sections of society.

The objectives of the industrial policy are:

To enhance the opportunities of the employment and income in the traditional economic activities of cottage industry.

To strengthen the marketing infrastructure in this sector to ensure adequate returns to artisans engaged in the production and manufacture of large range of articles.

To preserve the traditional skill and cultural heritage associated with production in this sector.

Strategy

The strategy for this sector should be two pronged; covering the production and marketing requirements of artisans engaged in this sector.

The activities in this sector being highly diverse and dispersed in remote areas, it has not been possible to service the sector successfully. Certain pockets or areas of concentration where a number of artisans are engaged in similar or different crafts could be identified and clustered together for common servicing by way of design assistance, raw materials, common facilities, etc. This could be achieved through setting up of Rural Industrial Center to be run either by designated Corporations already working in this sector or by voluntary organizations. This Center will be a nodal serving the artisans in a need-based manner to help production and improvement in design and technology. It could also have an outlet for marketing, where the exporter or the dealer can get in contact with the artisans.

On the marketing side, the role at present played by the Corporations working in this sector should be strengthened. Since, the strategy of depending purely on retail outlets or emporia run by these Corporations has touched upon a very limited segment; the private sector may be involved. The Corporations could promote common brand names, with standardization and control in quality and collective effort for publicity and advertising. The private marketing network of distributors and wholesalers could be roped in for the marketing of products in the cottage industries sector to make an impact in terms of adequate returns to the artisans engaged in this sector.

Policy Measures

The following specific policy measures are proposed as part of this industrial policy.

The limit of investment of Bankable Scheme and projects in this sector for assistance from Government and financial institutions should be raised. Beneficiaries could form groups/cooperatives and the ceiling can be clubbed for higher collective investment. Villagers/ Group of Villagers or artisans engaged in similar or different crafts or activities related to cottage industry could be identified as pockets for integrated supply of inputs required for production, such as design assistance, processed raw materials, common

facilities for finishing and packaging, etc. as well as providing marketing outlets. This may be achieved through setting up of Rural Industrial Center, which could be run by Corporations, Cooperatives or Voluntary Agencies depending on the nature of the activity and the competence of the organization in relation to that specific area.

The scope of activities and organization of the existing Corporations will be strengthened and these organizations will act mainly as marketing organizations for maintenance of quality and launching of products through common brand names with adequate marketing and publicity efforts.

While it is necessary to preserve the traditionality and artistry of many products produced in this sector, it is also necessary to remove drudgery and low productivity by upgrading the technology in a selective manner. The Rural Technology Institute and similar other organizations engaged in this area could take up all crafts/ rural industries of the State in a comprehensive manner to achieve upgradation in technology by integrating the activities of the technology-related institutes such as Rural Technology Institute, Institute of Handloom Technology and State Design Center and imparting training and reorientation in craft design and rural technology.

Since Women play a crucial role in the cottage industries sector, the Women Economic Development Corporation could undertake marketing of goods produced by women's organizations.

Skilled women should be given priority in bankable and self-employment schemes, while providing training to unskilled women.

Self employed persons like vegetable vendors, handcart pullers, etc. will be offered Interest Free Loan upto Rs.2000/-, of which Rs.1000/- will be offered by way of subsidy.

Though workers engaged in handloom sector possess traditional skill and knowledge, large-scale employment can be generated through modern techniques in handloom sector with a view to meeting market demand for handloom products. Efforts should be made to improve implementation of Central schemes in this sector. Besides, the State schemes will be reoriented in tune with the requirements of Central schemes. In addition, project based finance should be made available rather than limiting schematic assistance to Industrial Cooperatives alone, by strengthening the Revolving Fund.

Khadi and related activities have witnessed impressive development in the State. These activities have been instrumental in creating large-scale employment in rural areas in association with number of institutions. There is a need to strengthen marketing facilities in coordination with all such institutions. In this context, efforts to improve quality of products through upgradation of technology as also involving the experts should be initiated.

Rural artisans, engaged in cottage sector are unable to represent their difficulties to the administration. Open Houses should be organized in order to make them aware of various incentive schemes available for cottage sector.

GUJARAT INDUSTRIAL POLICY 2000

Introduction

The economic reform process introduced by Government of India in July 1991 has removed bottlenecks for establishing industrial projects. The industrial units are facing global competition. Besides, Government of Gujarat has discontinued sales tax incentives from January 1,00 as per consensus arrived by states. The state Government is therefore required to play a proactive role of Facilitator for industrial development. In this context, the new industrial policy of the State incorporates various facets of industrial development, giving importance to technology upgradation, quality improvement and productivity besides infrastructure development so that the industrial units of the state meet with global competitiveness.

The main objective of Gujarat Industrial Policy-2000 is to achieve sustainable industrial development. The policy objective includes making the state more attractive to improve flow of investment in industrial sector; promoting IT, Hi-tech and knowledge based industries; improving exports from industrial units of the State; encouraging development of small scale industries and service sector industries; environment protection and promoting industries in backward areas.

Approach

The approach in the industrial policy is to make industries globally competitive and make Gujarat attractive for both internal as well as foreign investment. The industrial policy of the state covers following strategies and provides incentives they are given in short in following lines and important policy of Industrial Policy 2000 is also given in detail.

Interest Subsidy to Small Scale Industry

The State Government has accorded priority for development of small-scale industries. A new scheme has been introduced to provide interest subsidy at the rate of 5% per annum for 5 years period upto a maximum of Rs.25 lakhs to all industrial units coming up in the State. Existing units carrying out expansion, diversification will be offered interest subsidy at a rate of 3% per annum upto a maximum of Rs.15 lakhs. Alternatively, self-financed new units will be offered subsidy at a rate of 10% of fixed capital investment upto a maximum of Rs. 10 lakhs.

Cluster Approach

The State Government intends to strengthen the industrial clusters developed at different locations with the involvement at different locations with the involvement of Industrial Association of the area and R&D institutions. Assistance will be provided for establishing common facilities covering quality improvement, technology upgradation, market promotion and technical skill. Financial assistance upto Rs.5 crores will be considered per cluster.

Assistance for Quality Certification

The State Government accords high priority for quality improvement. Assistance will be provided to industrial units obtaining quality certification from approved institutions/research laboratories, at the rate of 50% of the expenditure upto a maximum of Rs.2 lakhs.

Market Promotion

Market promotion activities like Buyer Seller Meets, Trade Fair etc. will be encouraged. Common purchase policy will be introduced for purchase of items manufactured by small-

scale units of the State. A booklet incorporating items required by State Government Corporation/Boards and large companies will be published for the benefit of small-scale industries.

Consultancy Assistance

Consultancy Cells will be established by CED in coordination with Management Institutions in cities covering Ahmedabad, Vadodara, Bhavnagar, Rajkot and Surat, with a view to providing guidance and assistance to small scale industrial units for expansion, modernization, diversification marketing of products, etc.

Interest Subsidy to Educated Unemployed in Service Sector

The Service sector industries will be encouraged as part of industrial activities. An elaborate list will be published covering like technical consultancy, port-related activities like technical consultancy, port-related, IT related activities, tourism activities and similar other activities. Assistance will be provided by way of interest subsidy at the rate of 5% for first 3 years upto a maximum limit of Rs.5 lakhs to educated unemployed youth for establishing service industry.

Infrastructure Assistance to Medium and Large Industries

A scheme will be introduced to provide assistance to meet partly the cost of infrastructure like land, power connection, water facilities, environment protection, construction of approach road etc. to medium and large industrial projects coming up in the state in rural areas. The assistance will be considered at the rate of 25% of the infrastructure cost upto a maximum of Rs.100 lakhs. The financial assistance will be enhanced upto Rs.250 lakhs, in case of linkage facilities extending to rural; areas. The medium and large industries will also be offered incentives for obtaining quality certification.

Sales Tax Incentives to Existing Industrial units for diversification/modernization

The State will consider extending sales-tax benefits to existing eligible industrial units enjoying incentives approved in earlier schemes, for new products because of diversification or modernization in their existing plant.

Technology Upgradation

The State Government has accorded high priority for upgradation of technology and modernization by industrial units. The Research and Development Institutions set up in the State will be strengthened and will be encouraged for taking up technology upgradation program in specific industrial clusters. Encouragement will be given to get accreditation with International reputed. Innovations from small enterprises and individuals will be supported. The Technology Cell (TBIIP) set up in DEXTb with the help of UNIDO will be strengthened.

Assistance for Patent Registration

A Facilitation Cell will be opened to assist entrepreneurs for Patent and Intellectual Property Right (IPR) provisions. The industrial as well as R&D institutions will be encouraged for filing patent on their research. Assistance will be provided at the rate of 50% of expenses in this regard upto a maximum of Rs.5 lakhs.

Promotion of Specific Industrial Sectors

The State Government will encourage development of specific industrial sectors like Agro and food processing industries, mineral based industries, electronics and information technology, engineering ancillary industries, textile including garments, gems and jewellery, pharmaceuticals and petrochemical downstream and plastic processing industries. Assistance will be provided for creating necessary infrastructure facilities as well as research and development activities.

Rehabilitation of Sick Industrial Units

The state government has introduced Gujarat Board for Industrial finance and Reconstruction (GBIFR) in 1998 to rehabilitate potentially viable small-scale industrial units. The State Government has liberalized the existing provisions in order to make the scheme more effective and provide timely assistance for rehabilitation of viable small scale units. Assistance for medium and large units is considered in consultation with financial institutions to prevent them becoming sick.

Entrepreneurship Development

So far, the first generation entrepreneurs, including the category of women, scheduled castes and tribes and other backward classes and unemployed youth, were offered entrepreneurship training by CED. The training programs will be reoriented to upgrade entrepreneurs to face new developments. New schemes will be introduced to impart entrepreneurship training to management graduated, women taking training of specialized skill in professional institutions and workers possessing traditional skills.

Infrastructure Development

Vision 2010 enlists 389 infrastructure projects for implementation with private sector participation. An Action Plan is prepared for timely completion of these projects. An Asset Management Fund has been introduced in GIIC covering Debt Fund and Equity Fund to provide financial assistance for implementation these projects.

Priority Allocation Land

The State Government has accorded priority for allocation of required land to industrial units. The "Deemed NA" concept will be made effective.

Upgradation of GIDC Estates

The industrial estates set up by Gujarat Industrial Development Corporation (GIDC) will be upgraded. Land will be made available at affordable prices to industrial units. GIDC Notified Areas will be given more autonomy and empowerment. Assistance will be provided for development of infrastructure facilities in industrial areas developed in the periphery of cities and Industrial Parks coming up near port locations.

Assistance for setting up Industrial Parks

The State Government will encourage setting up of Industrial Parks through private sector investment. Assistance will be offered as under in table 4.1 which shows that government is giving large subsidies to employment park, to change the scenario and making place

attractive by providing given incentives, and even trade center, hi-tech park will get encouraging help through subsidies.

TABLE 4.1 INDUSTRIAL PARK

Employment Park 100 units or more than 2500 employment	Subsidy at the rate of 10% of eligible Capital Investment maximum Rs.1 crore
Employment Park 200 units or more then 5000 employment	Subsidy at the rate of 10% of eligible Capital Investment maximum Rs.2 crore
Hi-Tech Park	Subsidy at the rate of 50% of eligible Capital Investment maximum Rs.2.5 crore
Investment Park Investment of more then Rs.500 crore	Subsidy at the rate of 10% of eligible Capital Investment maximum Rs.2.5 crore
Trade Center More then 5000 sq.mt. construction	Subsidy at the rate of 10% of eligible Capital Investment maximum Rs.50 lakhs
More than 10000 sq.mt construction	Subsidy at the rate of 10% of eligible Capital Investment maximum Rs.100 lakhs

Source : Industries And Mines Department, Government of Gujarat.

Assistance for desalination plants

A new scheme will be introduced for providing assistance to desalination plants set up by industrial units and as common facilities.

Training Institutes in Hi-Tech areas

The State will promote training institutions of international repute to be set up by large industrial houses in the areas like IT, biotechnology, marine engineering etc.

Critical Infrastructure Fund

The State Government has introduced Critical Infrastructure Fund, in order to provide assistance to specific infrastructure requirements of large industrial estates/large industrial projects. Financial assistance will be offered on a case to case basis after taking the infrastructure requirements in the industrial area into consideration. The proposals will be approved by High Level Committee headed by Minister for industry for quick start and expeditious implementation. The project may be provided assistance upto 50% of investment on a case to case basis.

Environment Protection

Pollution control and environment protection has been accorded priority. A scheme has been introduced for assistance in the form of cash subsidy to Common Effluent Treatment Plant, disposal of treated effluents, developments of sites for solid waste disposal, clean production center, etc. at the rate of 25% of the investment made. A new scheme of interest subsidy is introduced for providing assistance to industrial units undertaking environment protection measures. Procedures for environment clearances will be simplified.

Backward Area Development

The State Government intends to introduce new strategy for backward area development. Detailed studies will be carried out on each of industrial backward talukas. A specific industrial development program will be planned. Besides, industrial units coming up in identified backward taluks will get additional incentives at the rate of 25% under all the schemes.

Foreign Direct Investment (FDI)

The State Government will introduce specific investment programs to promote FDI including NRE investment.

Export Promotion

The State Government will encourage export of products manufactured by industrial units in the State. Setting up of Export Park, 100% EOUs, Inspection Agencies for export products etc. will be encouraged. Air Cargo Complex at Ahmedabad will be strengthened and new

such complexes will be opened. Setting up of Common Facilities Center at World Trade Centers will be encouraged.

Trade and Market Development

Trade and Market Development will be given specific importance as it helps industrial growth. Setting up of Trade Centers will be encouraged as part of industrial promotion policy.

Industrial Finances

Availability of industrial finance is important for growth industries in the state. The financial assistance schemes introduced by GSFC and GIIC will be reoriented as per the requirement. A new approach of providing financial guarantee from consortia will be encouraged. One such scheme has been introduced by SIDBI. Concerted efforts will be made to pursue commercial banks, cooperative banks and SIDBI to further activate their lending operations.

Responsive Administration

Gujarat is known for better response mechanism and monitoring of projects under implementation. These efforts will be further strengthened. The computerization program introduced in District Commissionerate will be further accelerated. A coordination mechanism will be introduced between State and Central Government to address any adverse impact of Central Policies in industrial growth.

Industrial Promotion

The industrial Promotion Activities will be reoriented to accelerate the process of industrial development in the State.

Implementation

There will be continuous coordination between various departments of the State Government to implement schemes under industrial policy.

A committee under the Chairmanship of Honorable Minister of Industry will periodically review implementation of industrial policy. The committee will also sanction projects under Critical Infrastructure Fund.

An Empowered Committee under the Chairmanship of Honorable Chief Minister will periodically review the policy and make modification as may be required from time to time.

INTEREST OF SUBSIDY FOR SMALL SCALE INDUSTRY:INDUSTRIAL POLICY 2000

The present environment of globalization, when a challenge to stand in the international competition arose for small scale industries, an emphasis is laid in the New Industrial Policy – 2000 on making small scale industries healthy, to enable them to stand in the competition by achieving world class productivity and quality and to extend assistance for developing facilities for balanced growth and to create employment opportunities in rural and under-developed areas of the state. With the efforts of the Central Government, all the States have accepted the decision to discontinue sales tax incentives with effect from 1.1.2000, to avoid the situation arisen out of inter-state competition of sales tax incentives.

Govt. of Gujarat is committed to create more employment opportunities with the purpose of involving unemployed youths in advantageous economic activities. Further, there is a good scope for the level of employment in small-scale industries. Keeping this in view, with a view to attracting investment in small scale industries, an approach is adopted to give interest subsidy to industries which have taken loan or to give investment subsidy to industries which have invested their own capital. In order that the small scale industries are established throughout state and to make balanced development of small scale industries in the state, the state Govt. has decided to implement following scheme of providing incentives under New Industrial Policy – 2000.

The scheme shall come into force from 15-11-2000.

Small Scale Industrial Unit

As currently decided by the Govt. of India, a small scale unit shall be defined as an industrial unit whose fixed capital investment in plant and machinery does not exceed Rs. 1 crore (acquired either in the form of ownership or by way of lease or higher purchase basis).

Amendments that will be made if any, in the definition by Govt. of India, from time to time, shall be made applicable here also.

New Small Scale Industrial Unit

'New Small Scale Industrial Unit' means a new unit established during the validity period of the scheme and registered as a small scale unit with the District Industrial Center. If an entrepreneur of an existing unit establishes a new unit in that local area by taking separate registration number and no change in the production of a thing or article is proposed in the new project, it shall not be treated as expansion or diversification. Moreover, if an entrepreneur closes his existing unit and applies for benefit as a new unit by starting a unit under new name or by taking new registration number on the same site, he shall not be given the benefits under the scheme. However, if any existing unit registered as a small industrial undertaking establishes a new unit in other local area, then it shall be considered as a new Small Industrial Unit. But the name of the new location is required to be added in the certificate of permanent small-scale industry.

Local Area

'Local Area' means an area prescribed as revenue boundary of the concerned Municipal Corporation, Municipality, Nagar Panchayat or Gram Panchayat.

Expansion or Diversification

If an existing small-scale industrial unit makes an addition of more than 50% in its existing fixed capital investment for any one of the following purposes, it shall be considered as expansion or diversification. (If however, due to such additional investment, a small-scale industrial unit exceeds the investment limit of small-scale industry, as prescribed from time to time, by Govt. of India, it shall not be considered eligible for the incentives under the scheme).

For the addition of existing installed capacity.

For starting production of additional new item(s).

Backward Integration of the production of the raw material for captive consumption.

Forward Integration for the production of new items using existing production.

Modernization

If an existing small-scale unit makes an addition of 25% or more in its existing fixed investment for one or all of the following purposes, it shall be considered as modernization. (If however, due to such additional investment, a small-scale industrial unit exceeds the investment limit of small-scale industry, as prescribed from time to time, by Govt. of India, it shall not be considered eligible for the incentives under the scheme).

Adoption of new and improved production process, which results in energy saving, decreasing pollution and increasing production.

Making changes in the existing plant and machinery or adding modern plant and machinery in the production process for the adoption of new technology

Making changes in production process or existing plant and machinery or plant layout, for improvement of quality.

Note: On account of the change in the old plant and machinery or addition of modern plant and machinery of the unit, if the old machinery is required to be scrapped or put aside as of non-use, the amount equivalent to the value of such machinery shall be deducted from the investment considered for modernization. The benefits of the scheme shall however, not be extended for the replacement of the existing machinery. .

Eligibility of Interest Subsidy and its Rate

The small scale industrial unit eligible for interest subsidy shall be offered subsidy, subject to the following terms and conditions:

This interest subsidy shall be provided for the establishment of new unit or for modernization, expansion and diversification of existing unit.

The loan for the project should have been sanctioned by the financial institution recognized by Reserve Bank of India. This loan should have been obtained only for the establishment of new assets. The assets used earlier for production, shall be treated as second hand assets. The loan should have been disbursed during the validity period of the scheme. The subsidy shall be given, subject to the Resolution (as amended) in force, on the date of sanction of loan to the unit.

The unit shall start commercial production during the period of the scheme or during the period prescribed by the Govt. from time to time.

Interest subsidy shall be given on the rate of interest as applicable to the term loan, as under:

5% interest subsidy shall be given on total rate of interest imposed on term finance taken by the new small industrial unit or existing small industrial unit for its modernization.

3% interest subsidy shall be given on total rate of interest as applicable on term loan taken by the existing small industrial unit for its expansion/diversification.

The criteria for the interest subsidy shall be as under:

a. Maximum limits of Rs. 5 lakhs per annum upto a total maximum limit of Rs. 25 lakhs for a new unit or existing unit for modernization.

b. Maximum limit of Rs. 3 lakhs per annum upto a total maximum limit of Rs. 15 lakhs to small industries for expansion / diversification.

If any unit obtains finance from more than one bank or financial institution, the limits and provision of interest subsidy shall be applied to all such loans.

Interest subsidy shall be given for the period, the loan is fully repaid or five years whichever is earlier.

The period of interest subsidy shall be counted from the date of commencement of production. The interest subsidy however, shall be given for that portion of interest which the beneficiary unit makes timely payment to the bank, out of the total interest liability arising from the date of commencement of production.

The interest subsidy shall be admissible to a unit paying instalments and interest regularly.

If any unit becomes defaulter for interim period (for more than three installments continuously), the benefit of interest subsidy shall not be extended for that period and such defaulting period shall be deducted from the eligibility of five years. The interest subsidy shall not be provided till such time, the default for the payment of loan continues.

The interest subsidy shall be available only on original interest. Penal interest and interest on interest shall not be considered.

The maximum limit of amount of interest subsidy shall not be changed, even if the maximum limit of Rs. 1 crore of investment in plant/machinery for small-scale industry is changed in future.

The procedure for the disbursement of the interest subsidy shall be decided by the Industries Commissioner.

Scheme of Investment Subsidy

For the establishment of self-financed new unit, a cash subsidy at the rate of 10% of the eligible fixed capital investment up to a maximum limit of Rs. 10 lakhs shall be available. If the cost of the project of such units exceeds Rs. 50 lakhs, they have to get an appraisal report prepared by the Gujarat Industrial Technical Consultancy Organization or Financial Institutions or private agencies recognized by them and submit the same. The amount of cash subsidy on eligible investment shall be paid in three equal annual installments, after the commencement of the production.

Self Finance

The unit established with its own resources without any help of financial institutions and whose eligible investment is free from any type of financial burden, such investment is considered as self-financed investment.

Backward Areas

The rate of interest subsidy or cash subsidy shall be provided 25 Percent more than the rate prescribed above, in the backward areas declared by the state Government hereinafter. The maximum limit will also be raised correspondingly, up to another 25 Percent.

Industries entitled for subsidy

Tiny and small industries entitled for registration as per the definition given in Industries (Development and Regulation) Act, 1951, as modified from time to time. However, whenever the central Government or state Government may announce the list of banned industries from time to time, such industries shall not be entitled for the subsidy.

Procedure for the approval of interest subsidy

A small scale industrial unit entitled for interest subsidy under the scheme, shall have, after getting the sanction of loan from the financial institution,

to apply to the District Industries Center, along with a copy of the letter of sanction of loan, and to register itself for interest subsidy. Such a registered unit after commencement of production has to make an application for the sanction of interest subsidy along with the letter of disbursement of loan.

Procedure for the approval of cash subsidy

Under the scheme, the small-scale industrial unit, after having registered as a small-scale industry, has to apply to District Industries Center in a prescribed application form and to get it registered for cash subsidy. Such a registered unit, after commencement of production and completion of the project, shall have to apply to the concerned District Industries Center in a prescribed form for getting sanction of subsidy. After scrutinizing the application, the General Manager, of the District Industries Center, shall present the application before the District Level Cash Subsidy Committee for approval. The detailed procedure for approval and payment of interest subsidy and cash subsidy shall be prescribed by the Industries Commissioner.

Other Conditions

The interest subsidy / cash subsidy sanctioned and disbursed under the scheme shall be subject to the following terms and conditions. In case of infringement of any of the conditions, the amount paid as subsidy shall be recovered as arrears of land revenue.

The industrial unit, availing of subsidy under the scheme, shall have to install effectively use and maintain the pollution control equipment's as per the standards prescribed and approved by the concerned competent authority.

The unit availing of subsidy shall have to continue production up to a minimum of five years or in the case of interest subsidy, till the repayment of full loan, whichever is longer.

The industrial unit shall have to provide information about production, employment and any other matter as, required by the state Government from time to time.

The units availing of incentives under the scheme shall have to recruit local persons for a minimum of 85% of the total posts and on a minimum of 60% of the managerial and supervisory posts. The same will be scrutinized by the General Manager, District Industries Center and Employment Officer, jointly. The percentage of local employment shall be maintained permanently. If a unit fails in giving employment to local persons as per the

employment policy, the amount of subsidy will be recovered from it, as arrears of land revenue .

If a unit is entitled for interest subsidy or cash subsidy under any other scheme of the state Government, central Government or other agency and it has accepted that alternative, the unit shall not be entitled for benefits under the scheme.

If expansion or diversification or modernization is required to be made for rehabilitation of closed or sick units, the benefits of the scheme of G.B.F.I.R shall be given to these units and benefits under this scheme will not be given.

The benefit for expansion or diversification or modernization shall be given to the concerned small-scale unit only once during its existence.

The units which have got subsidy or sale tax incentives under the previous schemes, shall not get the benefit of interest subsidy or cash subsidy for next three years, under the schemes.

In case where the bank or financial institution has sanctioned the project report and reviewed investment of the unit, the benefits of the schemes shall be availed of for that investment or the investment actually made by the unit, whichever is less.

If any taxes or debts of the state Government is due with the unit, it shall not be offered interest subsidy or cash subsidy till all the dues are repaid to the Government by the unit.

In case of interpretation, for any quarrel or dispute under the scheme, the final authority of decision shall remain with the state level committee. The decision of the committee shall be final and binding to the applicant unit applying under the scheme.

INDUSTRIAL PARK SCHEME- GUJARAT INDUSTRIAL POLICY 2000

In the new industrial policy announced by the Government of Gujarat, emphasis is laid on requirements of creating more employment opportunities in industrial, commercial and service sectors to accelerate the flow of industrial investment. The state Government intends to develop infrastructure and social amenities on a large scale to make the state a center of attraction for industrialists and entrepreneurs. When the sale tax incentive schemes have come to an end, the industries will get adequate investment opportunities, if

adequate and qualitative facilities are made available at one place. The Industrial Development Corporation of the state Government is already establishing such estates. But alongside, the need of the hour is to encourage private sector for investment in this sector. In view of these, it was under the consideration of Government for quite some time to introduce a specific scheme for establishment of Industrial Parks by private sector.

Keeping this in view, Government has decided to implement an incentive scheme for setting up of Industrial parks by private sector and creating employment opportunities, apart from the industrial estates being set up by Gujarat Industrial Development Corporation. With this approach, the Government has decided to implement a scheme of giving incentives as mentioned below for setting up employment-oriented industrial parks, high-tech parks, investment -oriented parks and trade centers.

The scheme will come into force from 15/11/2000, as other schemes given.

DEFINATION

Private Agencies

Private agencies would mean an association of industrialists and co-operative societies registered under Society Act, Federation or Chamber of Commerce and Industries, partnership firm, registered trust or a company registered under Companies Act, 1956

Industrial Park

Industrial park means an industrial estate where infrastructure facilities required for industries and service sector activities like land, water, sewerage, roads, electricity, communication network, effluent treatment and disposal facilities for treated effluents, etc. are to be developed.

Trade Center

Trade centers means arrangement for trading and where following facilities also have been developed.

- ♦ Convention Hall (Air-conditioned)

- ♦ Multi-media Center (Air-conditioned)
- ♦ Facilities for exhibition
- ♦ Telecommunication network
- ♦ Facility for recreation and entertainment
- ♦ Marketing Guidance
- ♦ Vocational Guidance

Eligible Fixed Capital Investment

Land

Cost of land means an amount actually paid for land necessary for industrial park. The expenditure includes the amount spent legally for acquisition, purchase and transfer.

New Building

New building means buildings built for providing facilities in industrial park, buildings built or given on rent or lease for Government/Semi Government organizations as well as the office building for running the organizations. The cost of the building shall be considered, as per the standards determined by the State Level Committee or the price actually given, whichever is less.

Other Construction

Other constructions consist of compound wall, internal roads, well, water tanks, internal pipeline, sewerage and the constructions that are approved by the State Level Committee as per the requirement of project, shall be taken into account.

Infrastructure Facilities

Infrastructure facilities commonly required for industries in industrial park – e.g. electric line, testing center, communication network, pipeline from water/gas source to park, pipeline from park to the disposal point for the disposal of effluents and such other facilities in regard to the industrial park that may be approved by the State Level Committee. The actual expenditure incurred for developing these facilities shall be considered as eligible investment.

Technical know-how

The expenditure incurred towards the fees for technology/consultancy/ engineering etc. shall be considered admissible at a maximum rate up to 5 % of the other items of eligible expenditure for Industrial Park.

Non-admissible Investment

The following investment shall not be considered admissible for the purpose of subsidy.

- ♦ Working Capital
- ♦ Goodwill Fee
- ♦ 3. Commissioning Fee
- ♦ 4. Royalty
- ♦ 5. Pre-operative Expenses
- ♦ 6. Any type of plant and machinery
- ♦ 7. Interest transferred to capital account
- ♦ 8. Transport-vehicles for any type of movement of materials
- ♦ 9. Immovable assets.
- ♦ 10. Consumable goods.

Scheme of Employment-oriented Park

Under this scheme, a Park being established for one or more of the following activities shall be considered as employment-oriented park.

- ♦ Readymade Garment and Hosiery.
- ♦ Diamond Cutting and Polishing.
- ♦ Gems and Jewellery.
- ♦ Handloom and Handicraft.
- ♦ Leather- based products
- ♦ Mineral Industries.
- ♦ Other industries like Brass Parts, Engineering Industry etc.

Hi-Tech Park Scheme

Under this scheme, a Park being set up for one or more of the following activities shall be considered as Hi-Tech Park.

- ♦ Biotechnology Park.
- ♦ Pharmaceutical Park.
- ♦ Information Technology Park.
- ♦ Clinical Testing.

Scheme of Investment-oriented Park

An industrial park which is not included under the scheme of employment-oriented park or hi-tech park, and in which the total fixed capital investment in industrial units being established shall be Rs 500 crore or more, including the investment made for setting up of industrial park.

Financial Assistance

Table 4.2 Employment Oriented Park

Condition	Criteria for assistance
To develop facilities for setting up a minimum of 100 units or more or creating more than 2,500 employment opportunities in the Industrial Park	Subsidy at the rate of 10 % of capital investment up to a maximum of Rs. 1 crore
200 units or more than 5,000 employment opportunities	Subsidy at the rate of 10 % of capital investment up to a maximum of Rs. 2 crore

Hi-tech park

Subsidy at the rate of 50 % of capital investment, subject to a maximum of Rs. 250 lakhs will be admissible.

Investment park

Subsidy at the rate of 10 % of capital investment, subject to a maximum of Rs. 250 lakhs will be admissible.

Table 4.3 Subsidy for setting up of trade center

Condition	Incentive
Trade center having a built-up area of 5,000 sq. Mt or more for use	Subsidy at the rate of 10. % of the eligible capital investment – maximum cash subsidy of Rs. 50/- lakhs.
Trade-center having a built-up area of 10,000 sq. Mt or more for use	Subsidy at the rate of 10 % of the eligible capital investment-maximum cash subsidy of Rs. 100 lakhs

Common terms and conditions for setting up of Industrial parks

- ◆ Such parks shall be set up by private parties.
- ◆ Priority will be given to the land of closed mills for such park. Similarly, priority will be given to the park established in the estates of Gujarat Industrial Development Corporation. The subsidy shall be given to the parks set up on private as well as Government land.
- ◆ Management and security arrangement in the complex shall have to be made facilities of bank, branch of post office, restaurant etc shall be created as per the requirement in the park.
- ◆ Industrial park /Trade center shall have to be operated for a minimum of five years. Otherwise, the cash subsidy disbursed shall be recovered with interest at the rate of 18 % as arrears of land revenue. This cash subsidy shall be disbursed after the industrial park commences functioning.
- ◆ The benefit under any one scheme of the state Government shall be available. A person or a unit availing of benefit under one scheme shall not be eligible to receive benefits under any other scheme of the state Government.
- ◆ The agency setting up such industrial park shall get these benefits, but the units to be set up in the industrial park shall not get benefits under the scheme on individual basis. Moreover, if an industrialist-establishing unit in industrial park has paid any amount to

the agency setting up industrial park, shall not be eligible to receive benefit under any of the schemes of the state Government against such a payment.

ASSISTANCE TO INDUSTRIAL UNITS AFFECTED BY EARTHQUAKE

Large-scale damage is caused to the industrial units along with other private properties due to the earthquake on 26th January 2001 in certain districts of Gujarat including Kutch. In this context, the State Government received requests from different associations and industrial units to offer interest subsidy on the loan sanctioned for working capital as well as for the investment made for rehabilitation of the affected units, by the nationalized banks, co-operative banks etc. This matter was under consideration of the Government.

Now the State Government has announced relief in respect of the following:

Cash subsidy on the investment made by small, medium and large industrial units and interest subsidy on the working capital. To operationalise the relief's granted, total exemption from the prescribed stamp duty payable on the legal documents.

Recovery of the electricity bill on the actual consumption of electricity instead of the minimum electricity bill, for a period of one year from the affected units (this will be implemented after receiving necessary permission from Gujarat Electricity Regulatory Commission).

A cash subsidy at the rate of 60 percent of the new eligible investment made either for repairing or replacement of building and plant and machinery of the damaged industrial units, upto a maximum of Rs.60 lakhs.

Government will pay full interest per annum upto a maximum limit of Rs.10 lakhs within an overall limit of Rs.20 lakhs over a period of first two years to the financial institutions for the loans sanctioned as per the requirements of the above units by nationalized banks/scheduled banks/ cooperative banks/urban cooperative banks and state or national level designated financial institutions.

CONDITION FOR THE ASSISTANCE OF STATE CASH SUBSIDY

Conditions

The investments made in the damaged industrial units for the following purposes will only be considered as eligible investment.

- (a) Investment made for necessary repairing of the existing building so damaged or for construction of new building.
- (b) Investment made for repairing of the damaged plant and machinery as per the requirements. In case of replacement of the machinery if required, total expenditure which would include electrification, foundation, transport etc. will be considered.
- (c) In case of the replacement of machinery as indicated at (b) above, the expenditure of any auxiliary machinery required to be installed with the original machinery if any, which would include electrification, foundation, transport etc. for the purpose would be considered.
- (d) In case of repairing of the building, a certificate from a Chartered Civil Engineer giving estimate of the expenditure will have to be obtained.
- (e) Estimates of the expenditure for repairing or replacement of the machinery will have to be obtained from a Chartered Engineer (Mechanical).
- (f) Any amount if received, as compensation from the insurance company to the affected units will have to be deducted from the eligible investment.

Procedure

The eligible units desiring to avail the relief shall have to submit an application to the District Industries Center along with the estimates of the damage by 31st March 2001. District Industries Center will carry out a preliminary survey of the damages and will issue a certificate of the damages. For the purpose of the claim of the relief, District Industries Center shall obtain application in the prescribed format from the concerned industrial unit .

Others

In the cases of rehabilitation through loans, the project cost in the context of eligible investment will have to be considered as per the appraisal of bank/ financial institutions. In case of self-financed cases, following procedure will be followed.

(a) The officer of District Industries Center will carry out technical appraisal for the project cost upto Rs.2 lakhs.

(b) Appraisal covering technical scrutiny and the cost estimates will be got done through SISI for the project cost above Rs.2 lakhs and upto Rs.10 lakhs.

(c) Appraisal covering technical scrutiny and the cost estimates will be got done through GITCO for the project cost above Rs.10 lakhs.

(d) For the purpose of repairing, replacement etc. the certificate of Chartered Engineer will be considered authentic.

Mode of Payment

1. In the case where the loan will have to be availed from the financial institutions, the eligible amount of subsidy if not exceeding Rs.10 lakhs, will be deposited in the bank account and arrangement will be made for disbursement of the amount of assistance in proportion to the disbursement of bank loan. In the case when the amount of assistance sanctioned exceeded Rs.10 lakhs, an advance @ 75% towards the first installment will be deposited in the bank account. Withdrawal of this amount will be made in proportion to the disbursement of the loan. Thereafter, on receipt of a CA certificate indicating the total expenditure in excess of 75%, the second installment of 25% of the amount will be deposited in the bank account.

2. In the case of self financed investment, the unit after incurring total expenditure will have to approach District Industries Center along with CA certificate giving details of the expenditure, for the disbursement of the subsidy. The amount of subsidy will be disbursed after scrutiny of the application.

Interest Subsidy

Conditions

Interest subsidy will be available for the working capital sanctioned by banks/ financial institutions as mentioned under paragraph 1.2. Bank/financial institutions shall sanction the working capital in accordance with their prevailing/general norms.

Bank/ financial institutions shall make the assessment of interest as per the circular of Reserve Bank of India dated 12/2/2001 and interest so calculated only will be eligible for assistance.

Interest subsidy will be directly disbursed to the bank/ financial institutions. Financial institution will not be required to recover the amount of interest subsidy under this resolution from the industrial units.

Interest subsidy will be made available to the quake-affected industrial units having obtained finance by way of cash credit/overdraft facility from the bank// financial institutions and also on the additional/fresh finance obtained thereafter.

Interest subsidy will be available only on the original interest. Penal interest or interest on interest will not be considered. Similarly, no subsidy will be offered for the amount of interest on the overdue if any, prior to the earthquake.

Procedure

In the context of the damage, the unit shall have to submit an application in the prescribed Performa along with a copy of the sanction letter for working capital, in duplicate to District Industries Center. On the basis of the said sanction letter, District Industries Center will sanction the eligible amount of interest subsidy and issue a sanction letter, a copy of which will also be sent to the institution sanctioning such finances. On the basis of this sanction letter, sanctioning institute will calculate the interest on the finance and forward the claim for interest subsidy to District Industries Center in the form of half-yearly instalments and the District Industries Center will make direct disbursement to the sanctioning institution after due verification of the claim. The sanctioning institute shall have to submit a statement certifying the expenditure made by the unit along with the first claim of interest subsidy to District Industries Center.

General Conditions

This scheme will be applicable to the damaged units, going for rehabilitation at the same location in the affected areas declared under seismic zone IV and V by the Revenue Department.

The industrial units availing assistance under the scheme may have to install and operate effectively the pollution control equipments as prescribed by the concerned competent authority.

The industrial units availing of assistance under the scheme shall have to recruit local persons for a minimum of 85% of the total posts and on a minimum of 60% of the managerial and supervisory posts. This will be scrutinized by a joint team of the General

Manager, District Industries Center and Employment Officer. The percentage of local employment shall be maintained permanently.

The industrial unit availing such assistance may have to continue its operation at least for a period of 5 years.

The industrial units may have to furnish the information pertaining to production, employment or any other as required by the State Government from time to time.

The industrial unit may have to undertake new construction in accordance with the norms and standards as laid down by the Government/local authority/ local self-government for seismic zones IV and V.

The concerned industrial unit will have to insure against the earthquake for the purpose of protection on the properties developed through fixed investment and to be renewed from time to time.

If the unit is eligible to receive interest subsidy or cash subsidy from State Government, central Government or any other institution(s) under any other scheme and if the unit has accepted that option, it will not be eligible to receive the benefit under this scheme.

Under the scheme, the state level committee will be empowered to take all decisions pertaining to the interpretation; dispute or controversy and the decision of the committee shall be final and binding to the applicant unit under the scheme.

If the unit breaches any of the conditions of this resolution, the amount of assistance will be recovered from it as arrears of land revenue.

SCHEME OF INTEREST SUBSIDY TO SERVICE SECTOR GUJARAT INDUSTRIAL POLICY 2000

Introduction

With the globalization and liberalization, new horizons of growth have opened up in different fields e.g. Information Technology, Telecommunication, port-based activities, consulting services regarding industrial development and other types of Industrial and allied services. In this context, the state Government has considered it necessary to declare an incentive scheme for the development of this type of service sector under New Industrial Policy – 2000 with the objective of providing large scale employment opportunities to the

unemployed youth in the service sector and the existing units engaged in service industry may become self-reliant through expansion and thus this sector may develop more and more as also the industries of the state may get requisite ancillary services easily. In this context, the state Government is pleased to implement the following scheme.

A. Service Industries include following:

- ♦ Auto Repairing
- ♦ Computerized design and graphics
- ♦ Testing laboratories
- ♦ Weigh-bridge
- ♦ Information Technology enabled services for industries like ISD/STD booth, teleprinter, fax service etc.
- ♦ Port-based services like ship-repairing transport on port, stockyard godown, refrigeration vehicles, and different types of engineering services, testing lab, offshore platform, and cargo consulting services for industries.

In addition to this, in view of the list of Service Industries declared by the Government of India, the services that are recognized as service activities by the implementation committee from time to time, shall be treated as service industries.

B. Unemployed

Local young man or woman, having age between 18 and 35 years and who has passed minimum standard X and producing an affidavit of being unemployed shall be considered as an unemployed person.

C. Local

A local unemployed person means a candidate born in Gujarat State or holding domicile certificate for a continuous stay of a minimum of 15 years in Gujarat.

D. Eligible Fixed Investment

Fixed investment required for project e.g.

Land

New Building

New machinery or second hand imported machinery

Other new assets

Conditions

The amount of subsidy approved and paid under the scheme shall be subject to following terms and condition and if any of the conditions is violated, the amount of subsidy shall be recovered as arrears of land revenue. A unit availing of the benefit of subsidy shall provide information as required by the state Government from time to time.

The service activity of the unit shall be continued during the period of subsidy.

Service sector unit shall give information as regard to service activity, employment and any other issue as required by the State Government

Under the scheme, units availing incentives shall recruit local persons on a minimum of 85 Percent of all the posts and on a minimum Percent of the managerial and supervisory posts.

If found necessary, its scrutiny shall be made by the General Manager, District Industries Center and Employment Officer jointly. The percentage of local employment shall be maintained permanently. If a unit fails in giving employment to local persons as per the Employment Policy, the amount of subsidy shall be recovered as arrears of land revenue.

A person availing benefits under any other scheme or bankable scheme of the state Government, shall not be extended benefits under the scheme and a person who gets benefits under the scheme shall not be extended benefits of any other scheme of the state government.

Commissioner of Industrial shall issue instruction for administration and implementation of the scheme.

Under the scheme, a representation in regard to all the matters of interpretation, quarrel or dispute shall be made to the commissioner for Industries. An applicant officer shall be Additional Chief Secretary (Industry) and their decision shall be considered as final and binding to an applicant unit.

AGRO INDUSTRIAL POLICY

Introduction

Agro industrial sector has been one of the identified thrust areas in the successive State Industrial Policies. However, sizeable investments have not flowed in this sector. Currently, less than one percent of the agricultural produce is processed in the State against nearly 2 percent in the country. This is despite the fact that agriculture in the state is highly

diversified and the farming community is extremely responsive to the changes taking place in this sector.

The state has many other advantages too. It has the highest number of airports (10), the highest number of Ports (41) in India and also the largest coastline. Amongst a variety of agricultural and horticultural products, the state enjoys competitive advantages in several items: castor, fennel, cotton, tobacco, groundnut, sesame, banana, chikoo, onion, cumin etc. has potential to develop similar advantage in mango, potato, guava, garlic, rapeseed and mustard. The potential in this sector has, however, remained untapped due to a variety of reasons. Agro industries are perceptibly low margin high risk industries mainly because of unsuitable and inconsistent supply of raw materials; Infrastructure both in form of supply has been lacking. Consequently, the desired integration of farmers with the entrepreneurs has not taken place owing to which middlemen have continued to hold sway.

The objective of the policy is creation of a world class supply-chain, promotion of infrastructure important for Agro industrial development, close interface between research, extension and industry and farmers in agri-sector, providing assistance to small scale Agro based units to improve their competitiveness in global markets and increasing exports of value added agriculture products.

'Agro industry' means a unit which adds value to agriculture products/intermediate/residues; both food and non-food; by processing into products which are marketable or usable or edible, or by improving storability; or by providing the link from farm to the market or a part thereof. Agro industry also includes hitech agriculture and biotechnology based agriculture.

'Agriculture Product' means produce of Agriculture-Horticulture-Sericulture-Floriculture-Fisheries and includes minor forest produce and live stock based products, except dairy and dairy products.

Financial Incentives

Interest subsidy to Agro Industrial Units-Tiny, small, medium and large industrial units shall be given 6% back ended subsidy for 5 years on the interest on term loan, subject to ceiling of Rs 100 lakhs.

Interest subsidy to Agro- infrastructure Projects-Agri infrastructure projects shall be given 6%back ended subsidy for 5 years on the interest on term loan, subject to a ceiling of Rs400 lakh on term loan.

Assistance for setting up of center of Excellence/Specific Crop Development Institute-The specific crop development institute/center of excellence shall be given 50%of the initial capital investment as assistance, subject to a ceiling of Rs 500 lakh.If such an institute is established under the company law, the assistance shall be provided in the form of equity.

Assistance for Preparation of Project report-Individuals/institution shall be reimbursed 50 percent expenditure of the cost of preparation of a project report for setting up an Agro industrial unit, subject to ceiling of Rs 5.00 lakhs.

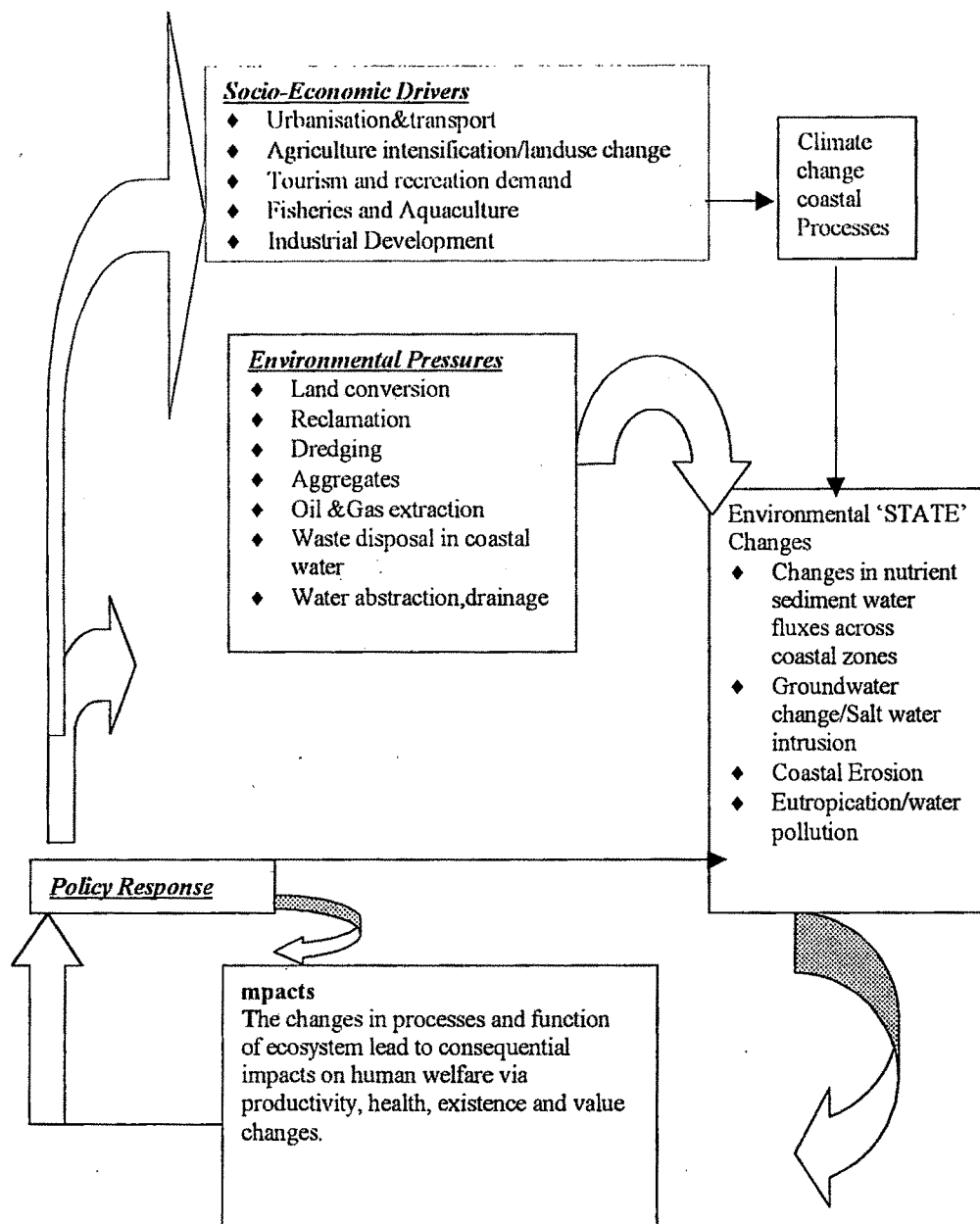
Eligibility Criteria

Incentives shall be available to new units as well as existing units undertaking upgradation, modernization, expansion or diversification. Incentives units shall be available to the units in the entire State except areas covered under jurisdiction of Municipal Corporation like Vadodara, Surat, Rajkot, Jamnagar and Bhavnagar.

ENVIRONMENTAL POLICY

The coastal area of Gujarat are currently experiencing intense and sustained environmental pressures from a range of driving forces which have been increasing in their intensity over many decades. There has been a continuous search by responsible agencies for seeking better ways of managing the causes and consequences of environmental change process in coastal zones. The pace and extent of change in coastal areas is controlled by an increasingly complex set of biogeochemical and socio-economic interrelationships and feedbacks. These are integrated in the framework proposed by Turner 1997* in terms of Pressure-State-Impact-Response(PSIR) approach. The **PSIR framework** is depicted below: in Fig 4.1 which shows continuous feedback in coastal areas.

FIGURE 4.1 PSIR Framework



* Gujarat Ecology Commission, March 2000, *State Environmental Action programme: Coastal and Marine Environment, Vadodara.*

Environmental

pressure builds up through socio-economic driving forces from demographic, economic, institutional and technological domains which cause changes in environmental systems or 'stakes'. These changes include increased nutrient, sediment and water fluxes across drainage basins and into the marine environment; land cover and land use changes, fragmentation and degradation of habitats; pollution or impaired quality of soil, water and atmosphere; and climate changes. The severity of some of the resulting damages is increased because of the variability (due to natural and induced) of coastal processes.

In situations where the processing and functioning capabilities of ecosystems are affected, human welfare consequences are felt. Social welfare losses occur because of productivity, health and amenity and other value changes. These impacts impose welfare losses and gains across a spectrum of different stakeholders depending on the spatial, socio-economic, political and cultural setting. Policy response mechanisms will then be triggered within this continuous feedback process.

The coastal area interface between the continent and the ocean is comprised of a continuous of aquatic systems including the network of rivers, estuaries, coastal fringe of the sea, the continental shelf and its slope. These interdependent systems are characterized by very significant biogeochemical process, primary productivity generation, organic matter and nutrient sinks etc. The major flux of nutrient from land to sea occurs through river transport via the drainage basin network. The network contains various "filters" (e.g. wetlands) retaining or eliminating nutrients during their downstream passage to the sea. The effectiveness or selectivity of these filters depend on the strong biogeochemical coupling between carbon, nitrogen, phosphorus and silica circulation and they are also affected by hydrology and land use/ landcover.

Thus the organization like Integrated Coastal Zone Management (ICZM) whose central theme is to better describe and understand the functioning of the ecosystems forming the coastal interface and in particular, the filter effect, it exerts for nutrient in response to environmental pressure, both anthropogenic and non-anthropogenic, climate change, landuse/ cover change, urbanization and effluent treatment from both point and non point

sources. PSIR framework offers a generalized and broad analytical framework for integration of spatial distribution of socio-economic activities and related land-uses with bio-geo-chemical processes of coastal ecology.

GLOBAL INITIATIVES

Globally, the most serious problems confronting coastal and marine environment, apart from the threats arising from predicted climate change, are:

- ◆ The destruction of habitats, and their physical alteration;
- ◆ The decline of fisheries and other renewable resources;
- ◆ The affect of sewage and chemicals on human health:
- ◆ Widespread and increasing eutrophication;
- ◆ Changes of hydrology and the flow of sediments.

The growing awareness of these problems has lead to a remarkable number of global initiatives during the last decade. The salient major Global initiatives are given in following lines:

- ◆ 1972 - Stockholm, First world environment conference.
- ◆ 1992 - Rio de Janeiro, The Earth Summit-the United Nations conference on Environment and Development (UNCED)-adopted Agenda 21(the programme of Action for Sustainable Development).Chapter 17 is devoted to "protection of the oceans, all kinds of seas, and coastal areas, and the protection of the oceans, all kinds of seas, including enclosed and semi-enclosed seas, and coastal areas, and the protection, rational use and development of their living resources".
- ◆ 1993 - The Basel convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal, the Convention on Biological Diversity, and the United Nations Framework Convention on Climate Change entered into force.
- ◆ 1994 - The United Nations Convention on the Law of the Sea came into force. It was recognized by UNCED as "the international basis upon which to pursue the protection and sustainable development of the marine and coastal environment and its resources".
- ◆ 1995 - The Global Programme of Action for the Protection of the Marine Environment from Land Based Activities was adopted.
- ◆ 1995 - The code of Conduct for Responsible Fisheries and the Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of December 1982.Relating to the Conservation and Management of Stradding Fish Stocks and Highly Migratory Fish Stocks were adopted.

- ♦ 1996 - The Protocol to London Convention was adopted. Once in force it will replace the 1972 Convention on the Protection of Marine Pollution by Dumping of Wastes and other matter, and will ban the dumping of most wastes, except dredged material.
- ♦ 1998 - Designated by the UN General Assembly as the Year of the Ocean.
- ♦ 2002 - World Summit on Sustainable Development (WSSD) in Johannesburg.
- ♦ Government of India Initiatives
- ♦ Industrial pollution in our country is on increase and is creating a high risk environment. Various legislations viz. the Water (Prevention & Control of Pollution) Act, 1974, the Air (Prevention & Control of Pollution) Act, 1986 have come into force and organizations created to combat pollution. Gone are the days when industrialization meant profit-making and environment was grossly neglected. It is being realised that industry and environment should go hand-in-hand so as to achieve sustainable development. Also over the years awareness has brought in realisation to consider environmental protection a bare necessity. Yet, the investments for such a protection are still considered a liability by many industrialists mainly due to lack of up to date scientific practices of environmental management. Consideration of environmental factors at par with production helps in minimising material losses and also in reduction of liabilities in the long run.

The growing environmental pollution and the complexity of this problem with increasing risks from the regulatory controls needs an effective management tool so as to prevent pollution and to make pollution control programmes cost-effective and feasible.

'Environmental Audit' is a technique being introduced for integrating the interest of the industry and the environment so that these could be mutually supportive. This technique is basically a part of industry's internal procedures in meeting their responsibilities towards better environment. Also the policy statement for abatement of pollution by the Government of India provides for submission of environmental statement by all concerned industries, which would subsequently evolve into an environmental audit. A notification under the Environment (Protection) Rules, 1986 has been issued on April 22, 1993, requiring industries to submit an environmental statement for the financial year ending on March 31 in Form V to the concerned State Pollution Control Boards on or before September 30 every year beginning 1993. The department of company Affairs also agreed to include this requirement as a part of the Director's Annual Report. The submission of an environmental statement is applicable to the following:

- ◆ Those who require consent under the Water(Prevention & Control of Pollution)Act,1974:
- ◆ Those who require consent under the Air(Prevention & Control of Pollution)Act,1981;and
- ◆ Those who require authorization under Hazardous wastes (Management & Handling)Rules, 1989.

Role of the State Government

On the industrial front, the overwhelming predominance of chemicals, petrochemicals, pharmaceuticals, dyes and dye intermediates would continue to tax the environment management capacity of the state for years to come. Most of the industrial investment in the pipeline is of the chemical and petrochemical group. Hence, the new industrial policy (2000-2005) is unlikely to alter the situation in the immediate future. The pressure on the carrying capacity of the golden corridor is immense. Heavy concentration of fast depleting and deteriorating. (?) The existing and potential dangers to the rural economy and the farm lands through salinity ingress in the coastal belt, water logging in the command areas, degradation of soils, through application of saline underground water, wind and water erosion are staggering.

In the face of continuing diversion of common pastures to other development needs, degradation of the remaining areas through neglect (gaucher land) and invasion of exotic species (Banni grass lands) livestock management has become a vexed issue particularly due to the sharp increase in cattle population.

Marine fish landings have exceeded the maximum sustainable levels. The percentage share of the commercially important varieties has fallen consistently over the years. Pollution of estuaries and downstream rivers has affected the livelihood of local fishermen. Conversion of forestlands to agriculture, unauthorized cultivation and the huge demand-supply gap in timber reduction, both in area and density of the forest cover. Both, the mangrove and coral ecosystems are under severe threat due to anthropogenic influences. Mangroves have virtually disappeared from the gulf of Khambhat and areas of gulf of Kutch. Over the years the species diversity of mangroves also was lost.

Because if it will continue man's own creations will devastate him, if he is not cautious, that is why not only central government but state government is keenly keeping the eye on

present scenario and taking timely action through Gujarat pollution control Board and Ministry of Environment & Forest helping them for implementation of given acts.

GUJARAT POLLUTION CONTROL BOARD

This Board was constituted on October 15, 1974 under the Water (Prevention & Control of Pollution) Act, 1974 which came into force on March 23, 1974. With the legislation of the Air (Prevention & Control of Pollution) Act, 1981, the Board was renamed as the Gujarat Pollution Control Board in 1985. With the enforcement of Environment (Protection) Act, 1986, the Board has been assigned the responsibilities for the enforcement of some of the provision under this Act pertaining to the water and air pollution and management of hazardous waste. The Board was reconstituted on April 23, 1982, October 26, 1982, May 26, 1986 and in August, 1989 respectively.

Objectives

The major objectives of the Board are centered around pollution control and the protection of the environmental quality. These are outlined as under-

Control of pollution at source to the maximum extent possible with due regard to technological achievability and economic viability as well as sensitivity of the receiving environment. This objective is being fulfilled through laying down the disposal standards as well as gaseous emission standards.

Maximisation of re-use and re-cycle of sewage and trade effluent on land for irrigation and for industrial purpose after giving appropriate treatment and thereby economising and saving on the use of water. This practice also helps in stopping pollution of water due to reduction in discharge of waste water due to reduction in discharge of waste water into water bodies.

Minimisation of adverse effect of pollution by selecting suitable locations for the establishment of new industrial projects.

Co-ordination with other agencies of State Government and local authorities to encourage the common effluent treatment and disposal facilities.

Functions

The main function of the board is enforcement of provisions of the following Acts:

The Water (Prevention & Control of Pollution) Act, 1974

The Water (Prevention & Control of Pollution) Cess Act, 1977

The Air (Prevention & Control of Pollution) Act, 1981

The relevant sections/ provisions of the environment (Protection) Act, 1986 (Hazardous Waste Management and Handling) Rules; Hazardous Chemicals (Import, Export and Storage) Rules.

In accordance with the provision of the above Acts, the Board is carrying out the following activities:

- ◆ Prevention, control and abatement of air pollution in the state and improvement in the ambient air quality.
- ◆ Issuing directives for pollution control measures to the polluting agencies.
- ◆ Providing technical assistance and guidance to the polluting agencies.
- ◆ Advising the State Government on any matter concerning prevention and control of water and air pollution.
- ◆ Approving judicious location of new industries from pollution control requirement.
- ◆ Promotion of re-use/re-cycle of sewage and trade effluent on land for irrigation.
- ◆ Collection and compilation of technical and statistical data relating to water and air pollution.
- ◆ Laying down standards for the discharge of liquid effluent and air pollution control equipment.
- ◆ Creating awareness in the public regarding environmental pollution control.

CONCLUSION

All the acute environmental problems discussed in the foregoing chapters are caused by a multiplicity of bio-climatic and socio-economic factors. These factors need to be analyzed in detail before formulating concrete action plans. But it is possible to identify certain key factors, which underlie most of these problems and play a critical role in aggravating them

Undervaluation or zero valuation of scarce natural resources is one of the key factors that has led to the abuse and wastage of these resources. Near free supply of irrigation water in command areas, free access to groundwater and cheap electricity to farmers, encourage overuse.

Absence of Environment Accounting

While the State has an elaborate system for reporting key indicators of economic growth in terms of increase in state domestic product, per capita income and related parameters, it has no means of measuring the state of health or depletion of its natural resource stock and hence the true costs of development. The below table* 4.4 shows that costing of many things have not been estimated which will not give the true picture as lack of data give blank picture which result in misrepresentation

Table 4.4 Lack of Environmental Costing

Problem	Impact on health and/or production	Low estimate (millions US\$)	Higher estimate (millions US\$)
Urban air pollution	Urban health impacts	\$517	\$2.102
Water pollution(health impacts)	Urban and rural health impacts, esp. diarrheal diseases	\$3.076	\$8.344
Water Pollution (production impacts)	Higher incremental costs for clean water supply	Not estimated	Not estimated
Industrial hazardous waste	Long-term health impacts, esp. cancer	Not estimated	Not estimated
Soil degradation	Loss of agricultural output	\$ 1.516	\$ 2.368
Rangeland degradation	Loss of Livestock carrying capacity	\$ 238	\$ 417
Deforestation	Loss of sustainable timber supply	\$183	\$244
Coastal and marine resources	Unsustainable harvesting of marine resources	Not estimated	Not estimated
Loss of biodiversity	Loss of use, option and existence values	Not estimated	Not estimated
Tourism	Decline in tourism revenues	\$142	\$283
Total Costs of Environmental Degradation		\$5,672	\$13,758
Total Costs % of GDP		2.64%	6.41%

Tragedy of commons

Most of the severe environmental degradation is found on what are known as common property resources, like pasture lands, forests, rivers, oceans, air, etc. These common resources are free for all and thus belong to no one. The users of these resources have no incentives for conservation and sustainable use. This inevitably leads to over-exploitation and degradation of these resources - 'tragedy of commons'.

With increasing population and industrialization, pressures on the common resources have increased tremendously. Absence of well-defined individual or communal rights on these resources is a stumbling block in their sustainable management.

Centralized management

The present centralized approach to environment management is difficult to implement. There is, thus, an urgent need to build environment management capabilities and responsibilities from bottom up with more powers and responsibilities for local, on-the-spot functionaries and institutions.

Source :The Cost of Inaction : Valuing the Economy-wide Cost of Environmental Degradation in India (World Bank) 1995.

Government departments at cross-purposes

Environmental management and protection should be the business of all the government departments, which is not the present case. Rather than treating environment as a sector, decision-making in all major departments must consider the environmental implications.

Ill-equipped Pollution Control Board

The capability of the Gujarat Pollution Control Board, both in terms of skilled manpower and equipment is unequal to the complex and gigantic task it is called upon to perform. Absence of emission standards for a large number of pollutants, absence of standards for receiving

bodies and monitoring facilities for many toxic and hazardous elements further weaken enforcement.

Absence of statutory body

While there is a statutory regulatory body dealing with the problems of industrial pollution in the form of Gujarat State Pollution Control Board (GPCB), no such body or institution exists in the State to deal with the issues of degradation of ecosystems and environmental impacts of natural resource use in other sectors.

Absence of adequate number of NGOs and CBO

It is well established that ecological security of the State cannot be left to the overburdened State agencies only. Nor can it be left to sporadic judicial interventions, despite the fact that the environmental consciousness of the State got a boost in recent years due to judicial intervention.

The best safeguard against environmental degradation is an informed population and grassroots-level organizations of the local communities. Widespread network of Non Government Organizations (NGO's) and Community Based Organizations (CBOs) can be the watchdog against environmental ravages and also environmental fundamentalism that looks suspiciously at all forms of development.

While the State is fortunate in having a strong and vibrant NGO sector, it is found that only some of the better known ones based in the metro cities have some professional expertise at their command while most others have only peripheral interest in overall environmental issues and limited knowledge. Many districts do not have strong NGO's despite the fact that some of these districts do have acute environmental concerns arising from various sources.

Poor environmental awareness and education

There is an urgent need for increasing the awareness and knowledge on environmental issues, of the general public, community leaders, administrators and policy makers. This would go a long way in generating informed discussions on environmental issues, which are

free from alarmist attitude towards development and indifference to ecological issues elsewhere.

Ill-informed industrial siting and promotion policies

The State has acquired the distinction of having the largest concentration of environmentally hazardous industries. The industrial policy of the State needs to be reviewed with a view to promote environment friendly industries.

Absence of policies regarding use of scarce resources

The State needs to formulate a comprehensive water policy with clear guidelines and framework for use of surface and ground water in different parts of the State. With recurring water scarcity in large parts of the State, there can be no delay in undertaking this crucial task.

Similarly, there is a need for a comprehensive review of policies regarding use of other scarce resources like forests, fisheries, grasslands, village common lands etc., from the point of view of promoting sound local management of these resources.

Constraints in enforcement

In the area of forest and wildlife conservation, the enforcement machinery is functioning under severe limitations. Lack of manpower, mobility and communication facilities hampers the forest department from offering the degree of protection that is envisaged for the protected areas. For instance, in Nalsarovar lake there is only one boat to guard the entire area of 115 sq. km. In the Marine National Park, five boats have to cover an area of 457.8 km.

Failure to involve communities in environment management

Environment management works when it is done with the active participation of the communities. Gujarat has a long way to go in this direction.

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