Growth Pole Programme

For

Unorganised Sector Enterprise Development

NATIONAL COMMISSION FOR ENTERPRISES
IN THE UNORGANISED SECTOR

19th Floor, Jawahar Vyapar Bhawan,
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www.nceus.gov.in

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Previous reports of National Commission for Enterprises in the Unorganised Sector

1. Social Security for Unorganised Workers, May 2006
2. National policy on Urban Street Vendors, May 2006
3. Comprehensive Legislation for Minimum Conditions of Work and Social Security for Unorganised Workers, July 2007
4. Conditions of Work and Promotion of Livelihood in the Unorganised Sector, August 2007
5. Financing of Enterprises in the Unorganised Sector, November 2007
6. Creation of a National Fund for the Unorganised Sector (NAFUS), November 2007
7. Report on Definitional and Statistical Issues relating to Informal Economy, November 2008
8. A Special Programme for Marginal and Small Farmers, December 2008

Previous Working Papers of the National Commission for Enterprises in the Unorganised Sector

1. Measure of Labour Force Participation and Utilization, January 2008
2. Contribution of the Unorganised Sector to GDP Report of the Sub Committee of a NCEUS Task Force, March 2008
3. Definitional and Statistical Issues Relating to Workers in Informal Employment, January 2009.

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सत्यमेव जयते

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Dated the 24th April, 2009

Dear Prime Minister,

The National Commission for Enterprises in the Unorganised Sector had proposed pilot projects for "Growth Poles" for the unorganised sector with the objective of expanding production and employment around existing clusters of industrial activity and services as well as to encourage the formation of new clusters. The Finance Minister in his budget speech of 2005 had given a commitment to pilot these "Growth Poles" once the relevant proposals were firmed up.

The Commission has subsequently developed proposals for the pilot Growth Poles. Detailed Project Reports have since been prepared for the states of Rajasthan, West Bengal, Kerala, Chhattisgarh, Uttarakhand and Assam and have led the Commission to recommend the adoption of the 'Growth Pole' model for promotion and strengthening of unorganised sector enterprises.

The Commission's recommendation of Growth Poles involves an upscaling of cluster development efforts through provision of common infrastructure, service centres, etc., designed to take the existing cluster development approach to the next level. This recommendation of the Commission is based on the assumption that clusters once developed would lead to a multiplier effect on production and employment as also a spread effect in rural areas. The NCEUS proposes that an SPV may be formed for the Growth Pole consisting of stakeholders from within and outside the area to enable focused development in the region. This is proposed to be initiated under a strong public private partnership approach where the stakeholders are participants from the inception of the programme.

The Commission believes that a quick implementation of pilot Growth Poles and a subsequent upscaling of this strategy would make a visible impact on improving the lot of unorganised sector enterprises especially in the rural areas.

Yours sincerely,

Arjun Sengupta

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Member

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Acknowledgements

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The members of the Technical Expert Group contributed to the making of the Draft Project Reports of six pilot Growth Pole Projects and also of this Report in a significant manner through discussions, suggestions and written inputs.

The officials of the Government of India, especially the Ministry of Micro, Small and Medium Enterprises and Planning Commission, the representatives of trade unions, other organisations and the workers in the unorganised sector, academics, experts and social activists participated in discussions with the Commission in New Delhi and in the States visited by the Commission. The Commission also benefited from the discussions on the Report in a number of regional consultative meetings arranged by the organisations of the unorganized workers.

The Commission takes this opportunity to thank the above organizations that have contributed towards the preparation of this Report.

We place on record our appreciations of the advice, support and guidance given by Dr. Manisha Shridhar, ex-Joint Secretary of the Commission (presently working as a Principal Secretary to the Government of Himachal Pradesh), Shri Ravi Kapoor, and Dr. C.S. Prasad, Consultant in the Commission in preparation of this Report

It is our pleasant duty to place on record our deep appreciation of the valuable services rendered by the staff of the Commission. Shri Savitur Prasad, Joint Secretary and Shri Ashutosh Mishra, Director, shouldered the main responsibility for coordinating all the activities related to the preparation of this Report and the functioning of the Task Force on Growth Pole. Dr. G. Raveendran, Consultant and Shri S.V. Ramana Murthy, Director provided excellent assistance on statistical issues. Shri D.P. Singh, Under Secretary besides providing overall administrative support, assisted the Commission in its visits to selected States as well as in discussions with various stakeholders. Shri J.D.Hajela, Director, Shri Suresh Kumar, Under Secretary, Shri H.S. Chhabra, Section Officer and Ms. Anila Sancheti, Investigator provided excellent services in the functioning of the Commission in general and the preparation of this Report in particular.

The Commission also acknowledges the editorial support provided by Dr. N.K. Nair.

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ABBREVIATIONS

CFC	:	Common Facility Centre
CII	:	Confederation of Indian Industry
CMP	:	Common Minimum Programme
DC (MSME)	:	Development Commissioner Micro, Small and Medium Enterprises
DLMIC	:	District Level Monitoring and Implementation Committee
DM	:	District Magistrate
DPR	:	Detailed Project Report
EDI	:	Entrepreneurship Development Institute, Ahmedabad
GDP	:	Gross Domestic Product
GP	:	Growth Pole
GPCL	:	Growth Pole Company Limited
GPSC	:	Growth Pole Steering Committee
GPIA	:	Growth Pole Implementing Agency
ICICI Foundation	:	Industrial Credit and Investment Corporation of India Foundation
ILO	:	International Labour Organisation
KVI	:	Khadi and Village Industries
KVIC	:	Khadi and Village Industries Commission
LDCs	:	Least Developed Countries
MSME	:	Micro, Small and Medium Enterprises
NABARD	:	National Bank for Agriculture and Rural Development
NCEUS	:	National Commission for Enterprises in the Unorganised Sector
NGOs	:	Non-governmental Organisations
NPRI	:	National Programme for Rural Industrialisation
NSIC	:	National Small Industries Corporation
NSS	:	National Sample Survey
OECD	:	Organisation for Economic Co-operation & Development
PMRY	:	Prime Ministers' Rojgar Yojana
PPP	:	Public-Private Partnership
PURA	:	Provision of Urban Amenities in Rural Areas
REGP	:	Rural Employment Generation Programme

RMG	:	Ready Made Garment
PrIA	:	Project Implementation Agency
RUDA	:	Rajasthan Urban Development Authority
SC	:	Scheduled Caste
SEZ	:	Special Economic Zone
SGSY	:	Swarnjayanti Gram Swarozgar Yojana
SIDBI	:	Small Industries Development Bank of India
SIDC	:	State Industries Development Corporation
SIDO	:	Small Industrial Development Organisation
SITP	:	Scheme for Integrated Textile Park
SPV	:	Special Purpose Vehicle
SSGPC	:	State Stake holders Development Organisation
SSI	:	Small Scale Industry
ST	:	Scheduled Tribe
TEG	:	Technical Expert Group
UNIDO	:	United Nations Industrial Development Organisation
UPA	:	United Progressive Alliance
UT	:	Union Territory
VSE	:	Village and Small Enterprises

Executive Summary

Background

1. The Common Minimum Programme (CMP) of the United Progressive Alliance (UPA) has identified the need to enhance the welfare and well being of farmers, farm labour and workers, particularly those in the unorganised sector, and assure a secure future for their families in every respect.

2. As a follow up, Government of India constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) in September 2004 as an advisory body and a watchdog for the informal sector to bring about improvement in the productivity of these enterprises for generation of large scale employment on a sustainable basis, particularly in the informal/unorganised sector. The Commission is to recommend appropriate measures to enhance the competitiveness of the sector and provide institutional support and linkages to facilitate easy access to credit, raw material, infrastructure, technology up-gradation and marketing.

3. The NCEUS, since its inception, has submitted various reports to the Government of India for its consideration and action, apart from the academic and technical papers on relevant and related subjects. These studies and reports bring out vividly the scale and complexity of the issues confronting the unorganised sector.

4. Up-scaling cluster development through Growth Poles was a key recommendation by the NCEUS in its August 2007 report on "The Conditions of Work and Promotion of Livelihood in the Unorganised Sector". It is in the above context that the present report, covering the concept of Growth Pole and also an overview of the DPRs of the pilot growth pole projects in six states, has been prepared.

5. Unorganised sector enterprises face several problems, all linked to the asymmetries of the markets. There are information related problems of product markets, which can be described as demand-side problems. More seriously, there are distortions in input markets, linked to supply-side problems. Similarly, there are financial problems linked to asymmetries in credit and capital markets, labour market problems linked to inadequate skills, and technology related problems linked to its access and adaptation, and so on.

6. There, thus, arise issues of providing adequate economic and social security to the unorganised sector enterprises and unorganised sector workers, who constitute an overwhelming 92 per cent of the total workforce.

7. Over the years, the Government has devised a large set of policies and programmes that provide subsidies, margin money, skill development, credit guarantee, cluster development, marketing, etc., for the development of micro and small enterprises.

8. Synchronising with these policies the NCEUS has proposed up-scaling of cluster development as a potent instrument for improving the lot of the people engaged in micro enterprises across the length and breadth of the country.

Clusters in India

9. Broadly a cluster of enterprises may be defined as a typical geographical concentration of micro, small, medium and large firms producing same or similar range of products or services. Clusters represent a kind of new spatial organisational form, in between arm's length markets on the one hand and hierarchies or vertical

integration on the other. Clusters mitigate the problems inherent in arm's length relationships, without imposing the rigidities of vertical integration or the management challenges of creating and maintaining formal linkages such as networks, alliances and partnerships.

10. A cluster of independent and informally linked companies and institutions represents a robust organisational form that offers advantages in efficiency, effectiveness and flexibility. A cluster, thus, is an alternative way of organising the value chain.

11. There are a large number of spatial industrial clusters in India, consisting of a high percentage of tiny and small enterprises, belonging to the unorganised/informal sector. Over the years, these units have grown in their spread and reach in terms of the volume of production, product groups and domestic and export markets while simultaneously providing employment and dispersal of economic activities throughout the country.

12. Presently these small, micro and tiny enterprises constitute a vastly diversified and vibrant sector producing a variety of products in chemicals, drugs and pharmaceuticals, apparels, leather and food processing, electrical and electronics, auto components and other similar products and services, catering to the needs of defence, ordnance factories, railways, power, information technology and telecom, construction, marine and aircraft industries, etc., in public and private sectors. Similarly, cottage/village industries, artisan units, etc., are engaged in production of handloom products, handicrafts, khadi, silk, coir, wool and a variety of agro-based goods.

13. Majority of these enterprises have been in existence at the same or in related industrial concentrations close to one another in the form of clusters. They have commonalities in the method of production, equipment and machines, quality control and testing, etc., and are confronted with similar issues and concerns.

14. As per current estimates, there are over 6400 clusters in India. The Third SSI Census 2001-02 revealed over 1200 SSI clusters consisting of about 2, 80,500 units employing over 13.75 lakhs persons with an estimated output of Rs. 32,800 crores per year. The Development Commissioner (MSME) has a figure of 2042 clusters of small scale industries. The Entrepreneurship Development Institute (EDI), Ahmedabad, estimates 3511 clusters (1422 urban and 1820 rural). Besides these SME clusters, there are 3332 identified artisan clusters and 372 handloom clusters. UNIDO has separately published a list of 388 SME clusters in the country covering 4, 90,000 SME units with an estimated annual output of Rs. 1, 57,000 crores and employment of 75, 00,000.

15. During the two decades of cluster development initiatives in India, around twenty four schemes/ programmes have been supported or continue to be supported under one or the other initiative of central ministries, state governments and other organisations.

16. The experience from these cluster development initiatives, however, also brings out some limitations of the approach, such as, impact on a small geographical area and limited number of artisans engaged in the cluster typically ranging between 20 to 500 artisan families, uni-product approach involving development of one specific sector/product, limited impact on improvement in income, employment and productivity of units and the workers within the clusters, no extension of multiplier effect from the units in the cluster to the region as a whole, etc.

17. The NCEUS is of the view that these deficiencies could be successfully overcome by adopting the approach of "Growth Pole", which could also be termed as 'Cluster of Clusters'.

Growth Pole Concept & Strategy

18. Introduced by the French economist François Perroux in 1949 and developed by other writers since then, the concept of economic growth pole is based on the notion of external economies, agglomeration and linkages. It was believed that beneficial "spread effects" from growth poles would eventually induce development in the remaining peripheral areas, and that they would have a significant relay function in the process of innovation diffusion through the urban hierarchy.

19. The Italian economist, Becattini (1989, 1990) used the concept of Growth Pole to capture the success of agglomeration of small firms in some areas of his country. The Italian experience had given impetus to research on industrial districts in a number of developed countries. A review of the case material on the industrial districts leads to the conclusion that the government and/or government-sponsored institutions cannot create an industrial organisation which competes on the basis of collective efficiency. However, if a minimum concentration of industrial activity has been privately initiated the governmental institutions can play an important part in helping the industry to innovate and expand.

20. Growth pole as a strategy of development contains many solutions since it involves investment in infrastructure in growing/potential and surrounding areas. Attention on nearby regions for development of agriculture will ensure adequate food to the people. The growth pole area must have at least one leading sector with potential to work as a propulsive industry to boost the economic growth in the region. Apart from the measures intended to improve the productivity and efficiency of individual clusters the development of infrastructure and in-built programmes of connectivity help to link the clusters with other potential points of economic growth.

21. The growth pole strategy involves comprehensive regional planning aimed at linking rural areas with the urban/business centres. The development of regions through growth poles assumes superiority over other approaches as it increases productivity by realising external economies of agglomeration. International experience reveals that adoption of this approach enables reduction in cost of production through product/area specific research and that it is possible to direct public policies to these growth centres instead of diffusing the impact over a large area.

22. A large number of cluster development programmes have been initiated in India in the past. In order to realise a larger socio-economic impact, it would be appropriate that if at this stage the cluster development programmes are modified and brought within the ambit of a growth pole programme.

23. The growth pole programme can provide the right ambience to implement the best workplace practices, and also become the laboratory for entrepreneurs and start-ups. The growth poles can also combine effectively the various infrastructural development activities for providing urban amenities in rural areas as conceptualised under PURA. Different activities in a number of clusters within the growth pole area would enjoy not only the external economies of interdependence but also the substantial lowering of transaction costs from using common facilities of physical and social infrastructure.The increased efficiency of all the activities will reduce the unit cost of production and as the demand for the output of the activities expands, it will be met by increased supplies from a proliferation of units and expansion of employment in the growth pole region. The growth pole project is a new initiative being advanced primarily to expand production and employment in the unorganised enterprises in and around the existing clusters of industrial activities and services as well as to induce new clusters.

24. The concept of growth pole as adopted by the Commission is best put forward in the following extract of the Finance Minister's Budget Speech of 2005-06:

> *"The unorganised or informal sector accounts for 92 percent of the employment and absorbs the bulk of the annual accretion to the labour force. PURA or Provision of Urban Amenities in Rural Areas is an idea that contains within itself possible solutions to a number of problems that afflict rural India such as unemployment, isolation from markets, lack of connectivity and migration to cities. The National Commission for Enterprises in the Unorganised/Informal Sector has proposed pilot projects for 'growth poles' applying the PURA principles. The objectives are to expand production and employment in the unorganised enterprises around existing clusters of industrial activities and services as well as encourage the formation of new clusters. Once the proposals are firmed up, Government will take up the creation of a few growth poles, as pilot projects, in 2005-06. The above commitment was made in the backdrop of related statistics which point towards sizeable parts of our population being in the unorganised sector." (Paragraph 78)*

25. The Commission's recommendation for adopting growth pole model for up-scaling cluster development is based on the assumption that once developed, they would lead to multiplier effects on production and employment as also spread effects in rural areas. The primary objective of the growth pole project is to create a growth magnet with significant economic multiplier effects based on the available natural and human resources, and potential strengths in a given geographic area. While deriving its root from the cluster development theory, the concept expands to include a variety of service sectors that can contribute to all round economic development of the project area by integrating various growth points. The Government needs to make a concerted effort to integrate different initiatives pursued by different ministries and agencies and build on their inter-dependence.

Growth Pole Project Formulation & DPRs

26. NCEUS wrote to the state governments to identify multi-product industrial/artisan /handloom and handicraft clusters that have the potential to evolve into growth poles. Formats and guidelines for identification and selection of growth pole areas were also circulated.

27. To facilitate the state governments to identify a well established, capable and competent agency to undertake the field survey and prepare a comprehensive DPR after consultations with the stakeholders, a draft tender document was prepared by NCEUS. The consultant's charges were fully met by the Central Government. The preparation of DPR involved survey of growth pole area, mapping and collection of village-wise and sector-wise data, field visits, interactions with the stakeholders, consultation with state government and preparation of an Inception Report followed by the DPR.

28. The NCEUS constituted a 'Technical Expert Group' (TEG) to examine the proposals submitted by the state governments and suggest appropriate modifications to maximise the benefits from the interventions proposed by the consultants. The reports prepared by the agency were appraised and approved by State Level Stakeholders' Growth Pole Committee and subsequently by the TEG.

Administrative Structure & Implementation Mechanism

29. Ministry of MSME (Government of India) will be the designated Administrative Ministry for this project/ scheme and could be coordinated/monitored by the office of DC (MSME). A Growth Pole Steering Committee (GPSC) under the Chairmanship of Secretary (MSME), Ministry of MSME (Government of India) with

representatives from Planning Commission, Ministry of Finance, and Experts appropriate to the sectors covered in each project, members drawn from concerned ministries/financial institutions, banks, state government representatives could be constituted for overseeing the policy, identification of growth pole projects/schemes, implementation, etc.

30. At the state level a State Stakeholders Growth Pole Committee (SSGPC) under the chairmanship of the state chief secretary is to be constituted with members drawn from concerned ministries/departments of the state government, nodal agency, district magistrate (DM) of the area covered, financial institutions, banks, representatives of the public and industry. Agencies with operations in the growth pole area could be involved for close coordination, monitoring and effective and timely implementation of the project/scheme.

31. A PPP-based Special Purpose Vehicle (SPV), which will embody the sprit of public private partnership, is proposed to help in making the project/scheme self-sustaining in its succeeding phases and public intervention is only to act as a catalyst through awareness generation, creation of common facilities, training and skill up-gradation, etc. The proposed SPV is to be a legal entity empowered with decision-making structure to undertake implementation of the approved institutional strengthening and capacity building project and DPR.

Financial Support

32. The finance for the growth pole will be provided by the Central and the concerned state government and other partners in the ratio of 60:40. The Central share may go up to 80 per cent if the growth pole area happens to be one of the backward areas of the state/UT.

33. The average size of the project could be about Rs. 250 crores with funding being sourced from three components, viz., (i) existing Central/State Schemes, (ii) private sector partners, and (iii) under the growth pole project scheme for additional requirement of funds to be provided by the Central Government. Higher outlays could be approved by the Central Government Scheme Steering Committee depending on the needs and requirements of a project.

The Six Pilot GP Projects

34. Based on the objectives and the guidelines forwarded to the state governments, six pilot growth pole projects, viz. Sikandra in Rajasthan, Domjur and Panchla in West Bengal, Kollam in Kerala, Chamoli in Uttarakhand, Champa and Janjgir in Chhattisgarh, South-Western Kamrup in Assam, were proposed by the respective State Governments.

Financial Outlays

35. The funding proposals of the 6 projects reveal that 31 per cent of the cost would be met out of the existing Central and state governments' schemes. Another 31 per cent is from the private sector participation, while the Central Government contribution towards the growth poles will be 38 per cent. The combined project cost of these 6 projects is about Rs.1, 475 crores, of which about Rs.460 crores would be from the existing schemes of the Government of India and the state governments, Rs.457 crores from the private sector (contribution from the beneficiaries/users) and a total of Rs.558 crores as additional requirement for the project to be provided by the Central Government in 5 years. The Central Government contribution for the first year has been placed at Rs. 225 crores.

Impact Assessment

36. All the projects, besides promoting the existing sectors/activities, aim at adding new areas of growth within the growth pole region. All the projects envisage addition to employment opportunity after the project intervention. Highest growth in employment is in the case of Howrah (74975 persons) and lowest in the case of South-West Kamrup (24608 persons). The average addition to employment per growth pole is 42549 persons.

37. Investment per person of additional employment is the highest in the case of South-West Kamrup at Rs.1.25 lakhs and the lowest at Rs. 24 thousand in the case Champa. The average cost per additional employment comes to Rs.64 thousand. This is in tune with the average investment per unit of employment in the micro and small enterprise sector. As per Eleventh Five Year Plan 2007-12 the employment intensity of the registered units indicates an investment of Rs. 0.72 lakhs for one employment in MSME sector as against Rs. 5.56 lakhs in the large organised sector.

38. All the six projects show increase in income per person, the highest growth being 230 per cent in the case of Chamoli Project and the lowest growth being 69 per cent in Sikandra Project. The average growth in income is 145 per cent during the project period of 5 years. Similarly, the projects indicate likely growth in productivity, the highest being 71 per cent in the case of Howrah and the lowest being 8 per cent in the case of Champa. The average increase in productivity per project is estimated at 46 per cent during the period of five years.

39. The GDP of all the growth pole project areas is estimated to rise, as high as Rs.922 crores per annum in Champa and as low as Rs.69 crores per annum in Kollam. The average addition to GDP per project is estimated at Rs.320 crores per year.

40. All the projects envisage several social benefits to the growth pole regions in terms of improved work force participation arising out of skill development, reduced disguised unemployment, migration of workers from low wage areas to the growth pole areas, improved literacy, health conditions, increased market size, improved infrastructure, etc. The most important social impact is in the form of empowerment of women and bringing the neglected and backward segments of the society such as SC and ST into the mainstream. In fact, the entire impacts of growth pole projects are not quantifiable or measurable since it consists of both economic (direct & indirect) and social, cultural as well as environmental benefits.

Recommendations

41. The growth pole is a step further to cluster development in that it focuses efforts in a contiguous geographical area on all clusters and activities with potential to create sustainable employment and incomes for the in situ population with accompanying socio-economic gains.

42. The growth pole model as articulated in this report:

- Is an inclusive one especially for the weaker and marginalised segments of society.
- Builds upon inherent strengths and opportunities in an area.
- Focuses on assisting the transition of unorganised sector enterprises into competitive organised sector.
- Is not based on provision of land.
- Is geared towards long term sustainability.

- Builds upon and cements the gains that can accrue through all existing programmes and schemes of the government.
- Proposes a robust and pro-active implementation structure that will depend on success of the programme for its continuance.
- Gradually shifts segments that are viable, away from dependence on grants and government schemes.

It emerges that the Growth Pole is a model, which could accelerate the pace of development of micro and small enterprises sector and should, thus, be adopted.

43. In the light of the foregoing, the Commission recommends adoption of growth pole model as the strategy for the development and strengthening of unorganised sector enterprises in India.

1 Introduction

Background

1.1 The Common Minimum Programme (CMP) of the United Progressive Alliance (UPA) Government has identified the need to "enhance the welfare and well being of farmers, farm labour and workers, particularly those in the unorganised sector and assure a secure future for their families in every respect" as one of the six basic principles for governance. The CMP promised to initiate measures for welfare and well-being of all those workers, including those in the unorganised sector. The UPA Government also promised to establish a National Commission to examine the problems being faced by the enterprises in the unorganised/ informal sector. As a follow up to these promises, the Government of India constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) in September 2004.

1.2 The NCEUS has been set up as an advisory body and a watchdog for the informal sector to bring about improvement in the productivity of these enterprises for generation of large scale employment opportunities on a sustainable basis, particularly in the informal/unorganised sector. It is to recommend appropriate measures to enhance the competitiveness of the sector and provide institutional support and linkages to facilitate easy access to credit, raw material, infrastructure, technology up-gradation and marketing.

1.3 The terms of reference of the Commission are as follows:

i) Review of the status of unorganised/ informal sector in India including the nature of enterprises, their size, spread and scope, and magnitude of employment.

ii) Identify constraints faced by small enterprises with regard to freedom of carrying out the enterprise, access to raw materials, finance, skills, entrepreneurship development, infrastructure, technology and markets and suggest measures to provide institutional support and linkages to facilitate easy access to them.

iii) Suggest the legal and policy environment that should govern the informal/ unorganised sector for growth, employment, exports and promotion.

iv) Examine the range of existing programs that relate to employment generation in the informal/unorganised sector and suggest improvement for their redesign.

v) Identify innovative legal and financing instruments to promote the growth of the informal sector.

vi) Review the existing arrangements for estimating employment and unemployment in the informal sector, and examine why the rate of growth in employment has stagnated in the 1990s.

vii) Suggest elements of an employment strategy focusing on the informal sector.

viii) Review Indian labour laws, consistent with labour rights, and with the requirements of expanding growth of industry and services, particularly in the informal sector, and improving productivity and competitiveness.

ix) Review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage.

1.4 The constitution of the Commission is given in **Annexure 1.**

1.5 In executing its mandate the NCEUS has, apart from various academic and technical papers on the aforesaid subjects, submitted following reports to the Government of India for its consideration and action:

i) National Policy on Urban Street Vendors (May 2006)

ii) Social Security for Unorganised Workers (May 2006) and Draft Unorganised Workers Social Security Bill, 2006

iii) Comprehensive Legislation for Minimum Conditions of Work and Social Security of Unorganised Workers (July 2007). This incorporated two draft bills, viz., (i)"Agriculture Workers' Conditions of Work and Social Security Bill, 2007 and (ii) Unorganised Non-Agricultural Workers Conditions of Work and Social Security Bill, 2007.

iv) Conditions of Work and Promotion of Livelihood in the Unorganised Sector (August 2007).

v) Financing of Enterprises in the Unorganised Sector (November 2007)

vi) Creation of a National Fund for the Unorganised Sector (NAFUS) (November, 2007).

vii) Report on Definitional and Statistical Issues Relating to Informal Economy (November 2008).

viii) A Special Programme for Marginal and Small Farmers (December 2008).

The above studies and reports bring out vividly the scale and complexity of the issues confronting the Government in its efforts to promote the unorganised sector.

1.6 The Report on the "Conditions of Work and Promotion of Livelihood in the Unorganised Sector (August 2007) recommended a 13 point action plan for the development and growth of the unorganised sector in a holistic manner consisting of:

I. Protective Measures for the Unorganised Workers.

II. A Package of Measures for the Marginal and Small Farmers.

III. Measures to improve Growth of the Non-Agricultural Sector.

IV. Measures to Expand Employment and Improve Employability.

Up-scaling Cluster Development through Growth Poles was a key recommendation under "Measures to Improve Growth of the Non-Agricultural Sector" (Paragraphs 14.27 to 14.38 in the above Report).

1.7 It is in the above context that the present report, covering the concept of Growth Pole and also an overview of the DPRs of the pilot Growth Pole projects in six states, has been prepared.

Framework of the Report

1.8 The second chapter of the report provides the size of the unorganised sector in the country and also the concept of cluster and its growth as it obtains today. This is necessary as the Growth Pole essentially up-scales the concept of cluster. The third chapter attempts to sketch the concept of Growth Pole as it obtains in the relevant literature and in practice. The chapter also brings out international experience in this regard. Chapter four provides the methodology followed by the Commission in the preparation of DPRs including the selection criteria, implementation and funding mechanism as well as assessments of the impacts thereof. Chapter five provides the nature of clusters and the action plan for the development of the clusters and the area covered by each Growth Pole. The last chapter makes out a case for the concerned authorities for continuing with the concept of Growth Poles not only as one of the more effective instruments to improve the income levels of the Unorganised Sector and Unorganised Workers but also as an instrument for "regional approach" to development.

2 The Unorganised Sector & Cluster Development as Building Blocks of Growth Pole

Definition of "Unorganised" Sector in India

2.1 The Commission after substantive deliberations and consultations has recommended the following definition of the unorganised sector:

"The unorganised/informal sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers".

Similarly the Commission has recommended the following definition of the unorganised sector workers:

"The unorganised/informal workers consist of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employers, and the workers in the formal sector without any employment and social security benefits provided by the employers."

2.2 On the basis of 2004-05 NSS data, the Commission has estimated that 15 per cent (67 million) of the country's workforce is employed in the organised sector while the remaining 85 per cent (390 million) is in the unorganised sector. About 7 per cent of those employed in the organised sector have been identified as informal workers without any job, income or social security. Thus, about 92 per cent (422 million) workers are in the informal/unorganised economy. The Commission has further estimated that more than 55 per cent of India's workforce reports itself as self-employed. Indeed, enterprises comprising 1-6 persons virtually cover the entire workforce in the unorganised sector.

2.3 The Third All India Census of SSI 2001-02 conducted by the Ministry of Small Scale Industries (now MSME) has revealed that there were about 10.5 million SSI units, both registered (with District Industries Centres) and unregistered, in the country providing employment to about 25 million persons. It has also revealed that about 94 per cent of these units were below an investment (in Plant & Machinery) of Rs. 5 lakhs per unit, and that 85 per cent of the registered units and 97 per cent of un-registered units had no access to institutional credit and other services. The Commission's analysis has revealed that there were approximately 58 million such enterprises in the country in 2006-07. These consisted of DC - MSME (12.6 million), PMRY (2.8 million), SGSY (7.5 million), KVI/REGP

(0.5 million), SJSRY (0.6 million), Agro-related (8.2 million), Handloom/ Handicraft/ Sericulture/ Coir/ Wool & Residuary and those engaged in Retail Trade and Business (25.8 million). A large number of these enterprises consisted of micro enterprises and artisan-based industries and exist in the form of clusters spread in rural and urban areas as well.

2.4 It may also be mentioned that employment generation has been a major concern since 1990s. NSS data on employment and unemployment in the last decade beginning 1991-92 reveal that bulk of the employment generation during the period has been in the unorganised/ informal sector. This will continue to be so, as the latest trend suggests a decline in the rate of employment growth in the organised sector. At the same time it needs to be appreciated that the unorganised sector enterprises themselves face several problems, all linked to the asymmetries of the markets. There are information related problems of product markets, which can be described as demand-side problems. More seriously, there are distortions in input markets, linked to supply-side problems. Similarly there are financial problems linked to asymmetries in credit and capital markets, labour market problems linked to inadequate skills, and technology related problems linked to its access and adaptation, and so on. Faced with all these asymmetries and problems and also the threat from competition arising out of an open and liberalised economy, exit of uncompetitive enterprises and the related workforce is inevitable. The major brunt of these asymmetries is going to be borne by the unorganised sector, particularly the unorganised workers, which constitute as high as 92 per cent of the workforce because of their unorganised nature, weak capital base and almost non-existent bargaining power. There, thus, arise issues of providing adequate economic and social security to such unorganised sector enterprises and unorganised sector workers.

2.5 The aforesaid facts speak for themselves about where the focus should be while formulating policies for socio-economic development of the country, which would provide the much needed inclusive growth.

2.6 The Government has, over a period of time, devised a large set of policies and programs that provide subsidies, margin money, skill development, credit guarantee, cluster development, marketing, etc., for the development of micro and small enterprises. Synchronising with these policies the Commission has proposed up-scaling of cluster development as a potent instrument for improving the lot of the people engaged in micro enterprises across the length and breadth of the country.

Cluster Concept

2.7 Cluster as a strategy of area-based development approach, particularly for the development of small and micro enterprises, is gaining currency in both developed and developing worlds. Currently, large numbers of area-based industrial development strategies are in vogue such as General Industrial Parks, Product Specific Industrial Parks such as Textiles, Food Processing, Information Technology, Industrial Estates, Special Economic Zones (SEZs) and Cluster Development.

2.8 Clusters have been defined/conceptualised differently by different scholars/practitioners. An idea about the variety can be obtained from the compilation of some recent literature (Box 1.1).

2.9 Broadly a cluster of enterprises may be defined as a typical geographical concentration of micro, small, medium and large firms producing same or similar range of products (goods or services). Clusters represent a kind of new spatial organisational form, in between arm's length markets on the one hand and hierarchies or vertical integration on the other. Compared with market transactions among dispersed and random buyers and sellers, the proximity of companies and institutions in one location – and the repeated exchanges among them – fosters better coordination and trust. Thus, clusters mitigate the problems inherent in arm's length relationships, without imposing the rigidities of vertical integration or the management challenges of creating and

Source: OECD 2007, Cluster Policies Whitebook 2004 & Enright (1998)

BOX 1.1- Clusters: Some Definitions

- "Clusters are a geographically proximate group of interconnected companies and associated institutions in a particular field linked by commonalities and complementarities. Clusters encompass an array of linked industries and other entities important to competition…. including governmental and other institutions – such as universities, standard setting agencies, think tanks, vocational training providers and trade associations" Porter (1998).
- "…. Geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialised infrastructure, labor markets and services, and that are faced with common opportunities and threats." Rosebfeld (1997).
- Regional clustering has been used to describe industrial districts of small crafts firms, high technology centres, agglomerations of financial and business service firms in cities, company towns, and large branch plants and their supply chains." "… clusters at least must be characterised along relevant dimensions if appropriate policies are to be devised….. (these include)… destiny…breadth…depth…activity base…growth potential…innovative capacity…." Enright (1998).

maintaining formal linkages such as networks, alliances and partnerships. A cluster of independent and informally linked companies and institutions represents a robust organisational form that offers advantages in efficiency, effectiveness and flexibility. A cluster, thus, is an alternative way of organising the value chain.

2.10 The idea of cluster formation is not new in India. Ever since the First Industrial Policy Resolution of 1948, the successive five year plans and promotional schemes have tried to follow the cluster approach. More recently, various budget speeches of the Central Government have highlighted the importance of cluster-based development. For instance, the Finance Minister in his budget speech in 1999-2000 on rural industrialisation said "Accordingly, I propose a National Programme for Rural Industrialisation (NPRI) with the mission to set up 100 rural clusters every year to give a boost to rural industrialisation". Similar lines of support were given to rural handloom sector in the Union Budget 2005-06: "The Government proposes to adopt the cluster development approach for the production and marketing of handloom products." The significance of the cluster is also well highlighted in the Union Budget 2006-07, "….the Prime Minister has decided to constitute an Empowered Group of Ministers who will lay down the policy for cluster development and oversee the implementation…"

2.11 The Approach Paper to the 11th Five Year Plan document stated that "A cluster approach can help increase viability by providing these units with infrastructure, information, credit and support services of better quality at lower costs, while also promoting their capacity for effective management of their own collectives….." (Planning Commission 2006)[1]. Similar emphases on achieving industrial progress through clusters have been expressed in budget papers and official documents of various state governments.

Clusters in India

2.12 There are a large number of spatial industrial clusters in India, consisting of a high percentage of tiny and small enterprises, classified as belonging to the unorganised/ informal sector. These have evolved over a period of time and have withstood domestic and global competition. It is observed that most clusters have an autonomous origin and, by and large, have not been induced, such as handloom cluster in Kanchipuram, brass works in Moradabad, pottery in Mirzapur, bell metal industry in

[1] Chapter 3: Sectoral Policies for the Eleventh Plan, Para 3.2: Industrial Growth, (b) Village & Small Enterprises.

West Bengal and Assam, glass bangles in Firozabad, leather saddlery products in Kanpur, etc. They have emerged around a local skill base or resource base. The artisan clusters in Sikandra of stone articles, carpet and leather products represent such a cluster. But there are also instances of product specific industrial estates subsequently emerging as clusters. These are in the nature of induced clusters. The auto-ancillary concentration around Chennai and Gurgaon are the direct results of major automobile manufacturers establishing their production units in these areas. These ancillary units have gradually transitioned from being a supplier to a single unit to global sourcing hubs for auto manufacturers around the world and not just the units within the country. There are also instances of cluster emergence following the setting up of some kind of lead industry i.e. brass, hosiery, readymade garments, leather, food processing, wood products, sports goods, glass and ceramics, etc.

2.13 Over the years, these units have grown in their spread and reach in terms of the volume of production, product groups and domestic and export markets while simultaneously providing employment and dispersal of economic activities throughout the country. Presently these small micro and tiny enterprises have provided a vastly diversified and vibrant sector producing variety of products in chemicals, drugs and pharmaceuticals, apparels, leather and food processing, electrical and electronics, auto components and other similar engineering and non-engineering products and services, catering to the needs of defence, ordnance factories, railways, power, information technology and telecom, construction, marine and aircraft industries, etc., both in public and private sectors. Similarly, cottage industries, village industries, artisanal units, etc., are engaged in production of handloom products, handicrafts, khadi, silk, coir, wool and a variety of agro-based goods. They also directly meet the needs of a wide spectrum of consumers. Majority of these enterprises have been in existence at the same or in related industrial concentrations close to one another in the form of clusters. They have commonalities in the method of production, equipment and machines, quality control and testing, etc. and are confronted with similar issues and concerns.

2.14 As per current estimates, there are over 6400 clusters in India. Agencies have come up with a range of definition of clusters by specifying a minimum number of units in a given measured location. However, from a policy perspective, it makes sense to typify clusters by broad challenges being faced by them relevant for policy interventions. Accordingly, clusters in India can be classified into three broad categories, viz. (i) the high-tech clusters (very few at present) targeting innovation for existence, (ii) the traditional manufacturing clusters (around 400 plus) targeting competitiveness and consequent employment responsibility and (iii) the low-tech micro enterprise 'poverty intensive' clusters (around 6000) that have both employment as well as poverty implications.

2.15 There have also been attempts to identify manufacturing and service clusters following different approaches. Thus, the Third SSI Census 2001-02 revealed that there are over 1200 SSI clusters consisting of about 2, 80,500 registered SSI units employing over 13.75 lakhs persons with an estimated output of Rs. 32,800 crores per year. The Development Commissioner (MSME) now has a figure of 2042 clusters of small scale industries. The Entrepreneurship Development Institute (EDI), Ahmedabad, estimates 3511 clusters (1422 urban and 1820 rural). Besides these SME clusters, there are 3332 identified artisan clusters and 372 handloom clusters. UNIDO has separately published a list of 388 SME clusters in the country covering 4, 90,000 SME units with an estimated annual output of Rs. 1, 57,000 crores and employment of 75, 00,000. UNIDO had also compiled a list of 1657 handloom and handicraft clusters in the year 2000.[2] Further the Development Commissioner (Handicraft) has separately prepared a database of 3000 handicraft clusters and the Development Commissioner (Handloom) has compiled a list of 415

[2] Website: web5.laghu-udyog.com/clusters/clus/ovrclus.htm, accessed on 9th February 2009. Also visit website www.unido.org.in for further details on Cluster Development Initiatives by UNIDO in India.

handloom clusters. Clusters have also been classified on the basis of technology and a majority of them are low technology clusters. Thus, the Department of Industrial Policy and Promotion has a list of 100 clusters identified for growth and development.[3]

2.16 In India, a large number of central ministries, state governments and various other organisations are implementing cluster development schemes. During the two decades of cluster development initiatives, around twenty four schemes/programmes have been supported or continue to be supported under one or the other initiative. Out of these listed schemes, nine have been part of three Central Government ministries, viz., the Ministry of Textiles, Ministry of MSME, and Ministry of Commerce and Industry. A state-wise list of clusters taken up for development by Ministry of MSME through Small Industries Development Organisation (SIDO) is given on the website of DC (MSME)[4]. Cluster development programmes have also been taken up by organisations like KVIC, SIDBI and NABARD. The state governments of Gujarat, Orissa, Kerala, Rajasthan and Madhya Pradesh have also initiated schemes/programmes at the state level covering clusters across sub-sectors. Additionally, international institutions like UNIDO and ILO and technological and commercial institutions at the national and state level (e.g. CII, RUDA, etc.) are also involved in several cluster-based developmental activities.

2.17 Cluster development is, no doubt, a sound strategy for area based industrial development. However, this approach suffers from some limitations, viz,

(i) Cluster development has impacts on a small geographical area and limited number of artisans engaged in the cluster typically ranging between 20 and 500 artisan families.

(ii) Cluster development is a uni-product approach and as such involves development of one specific sector/product.

(iii) Though the cluster approach leads to improvement in income, employment and productivity of units and the workers within the clusters, the impact has been observed to be limited.

(iv) Clusters do not lead to extension of multiplier effect from the units in the cluster to the region as a whole.

2.18 NCEUS is of the view that the deficiencies experienced in cluster development approach could be overcome by adopting the approach of "Growth Pole", which could also be termed as 'Cluster of Clusters'. The implementation of Growth Pole concept will not only address the weaknesses of cluster development approach, but also bring additional micro and macro benefits. It will also help in making clusters more vibrant and a dynamic tool of backward area development and is considered more appropriate for the development of unorganised sector enterprises. At a conceptual level, one can visualise three kinds of clusters, viz., (i) relatively modern small firms dominated industrial clusters that often tend to be located in urban areas, (ii) artisan and rural industry based clusters, and (iii) clusters that are based on agro-economy. The last two, particularly the last, tend to be natural resource based. While most policy interventions have focused on the first, the Commission's proposed growth pole projects attempt to focus more on last two cluster categories.

[3] Website: www.msmefoundation.org/Cluster_India.aspx, accessed on 9th February, 2009.

[4] Website: www.smallindustryindia.com/schemes/clusters.pdf, accessed on 9th February, 2009.

3 Growth Pole Theory & Approach

Growth Pole Concept

3.1 François Perroux, a French economist, introduced the idea of economic *Growth Poles* in 1949.[5] Perroux defined growth poles in terms of what he called *abstract economic space*.[6] According to him "growth does not appear everywhere at the same time; it becomes manifest at points or poles of growth with variable intensity and spreads through different channels with variable terminal effects on the whole of the economy". Perroux and other writers on Growth Pole tried to base the concept on the notion of external economies[7], agglomeration and linkages. It was believed that beneficial "spread effects" from growth poles would eventually induce development in the remaining peripheral areas, and that they would have a significant relay function in the process of innovation diffusion through the urban hierarchy.

3.2 The neoclassical regional growth model primarily focuses on the long-run potential growth path of the economies. Further to this is the 'Circular and Cumulative Growth Model' enunciated by Gunnar Myrdal and expanded by Allen Prede. This model advocates a regional growth approach, which is sought to be "self-equilibrating". It is assumed that the expansion of a business or industry would create a multiplier effect, which would lead to more jobs and business as money flows through the economy. This growth would increase the likelihood of new inventions or innovations, thus creating another round of expansion. However, this model, although generates ample opportunities for technical advancements, creates disparities in production and competition (Meardon 2001).

3.3 In the U.S., the concept of growth poles has usually emphasised geographic locations, which are called *Growth Centres*. Growth centres are

5 English translation of the Article published by MIT Press (1950).

6 Perroux conceived of abstract economic space to be of three types: an economic plan; a field of force or influences; a homogeneous aggregate. Perroux specifically denied that abstract economic space could correspond to a geographic area such as a city or region. For Perroux the aspect of dominance was important for Growth Poles. A firm or industry A is said to be dominant over B if the flow of goods and services from A to B is a greater proportion of A's output than the flow from B to A is of B's output. A large firm or industry that has a high degree of interaction with others and is dominant in that interaction is said to be propulsive. The process of development of a propulsive firm or industry is called polarization.

7 An external economy exists if a change in the output of one firm or one industry affects the costs in other firms. External economies of scale may be negative, as in the case of pollution costs, or they may be positive, as in the case of the development of integrated circuit technology in the electronic industry.

related to the concept of agglomeration.[8] Altogether, the concept of Growth Poles has been of only marginal importance in analysing regional economic problems. Nevertheless, the idea of Growth Pole had a major role in formulating regional policy (Darwent 1969).

3.4 The Italian economist, Becattini (1989, 1990) used the concept of Growth Pole to capture the success of agglomeration of small firms in some areas of his country. The Italian experience had given impetus to research on industrial districts in a number of developed countries during the last decade. A review of the case material on the industrial districts however lead to the conclusion that none of the industrial districts emerged from planned action or regional industrial development strategy. They all happened to develop spontaneously. Although public and private sector institutions played a significant role in their growth process, they were not created by these institutions. The government and/or government-sponsored institutions cannot create an industrial organisation which competes on the basis of collective efficiency. However, if a minimum concentration of industrial activity has been privately initiated the governmental institutions were found to play an important part in helping the industry to innovate and expand.[9]

3.5 Alfred Marshall used the term industrial districts for the "concentration of specialised industries in particular localities". The main attributes of the industrial districts are: geographical proximity, sectoral specialisation, pre-dominance of small and medium sized firms, close inter-firm collaboration, inter-firm competition based on innovation rather than lowering of wages, socio-cultural identity which facilitates trust between firms, employers and workers, active self-help organisations and regional and municipal governments, which strengthens the innovative capacity of local industry. It is, however, emphasised that these attributes vary a great deal among the industrial districts in terms of their weightages.[10]

3.6 Further, to the extent their relevance could be ascertained, real services in the industrial districts were rarely provided by the public sector itself. It seems that successful interventions were carried out by private sector institutions or were joint private/public sector initiatives. Public bodies by themselves can become the catalyst in support programs for small scale industry or can make important financial and infrastructure contributions, but on their own, can rarely carry or operate such schemes.[11] A feature of the Italian industrial districts that has attracted a great deal of attention is the tendency of public support to focus on the supply of business development services that are highly customised to the specific industrial tradition of each area, also termed as 'real services' in the literature.[12] These centres are invariably publicly-owned (by producers' associations, local governments, SME support agencies or partnerships

[8] In many ways, the American work on Growth Centers is virtually independent of Perroux and the French literature on Growth Poles. Albert Hirschman uses the term polarization to refer to the negative impact of a Growth Pole on surrounding regions. Trickling down is the term he uses for the positive impact of a Growth Pole or Growth Center on adjacent regions. Gunnar Myrdal, the Swedish economist, used the terms backwash and spread for the same concepts as Hirschman's polarization and trickling down. The American economist, John R. Friedman, has developed a concept that is related to, but distinct from, the ideas of growth poles and growth centers. This is called the center versus the periphery. Friedman developed this idea in analysing the relationship of the interior regions of Venezuela to the coastal regions. Others have extended the concept to the relationship of the North Atlantic Center of Western Europe and North America to Latin America, Africa and Southeast Asia.

[9] Website: www.ilo.org/public/english/bureau/inst/download/pyke.pdf, accessed on 12th February, 2009. Pyke, Becattini, & Sengenberger (1990) ; Clark, Feldman, & Gertler (2003).

[10] Website: www.ilo.org/public/english/bureau/inst/download/pyke.pdf, accessed on 12th February, 2009. Pyke, Becattini, & Sengenberger (1990) ; Clark, Feldman, & Gertler (2003).

[11] Among the main reasons are expertise and finance. A great deal of sector and, sometimes, even product specific expertise is required for the effective delivery of real services. In addition, financial sustainability of such programs require that the private sectors itself make themselves major and generally growing contributions to their existence.

[12] Over 130 real service centres were identified in 56 industrial districts. Such centres offered a wide array of services including; credit guarantee, export insurance and/or promotion, organisation of fairs, access to information on the evolution of markets/technology; client rating consultancy, training, waste management, pollution control, quality certification and award of trademarks, product promotion, support to innovation, bulk purchase of inputs, and product testing.

among them). Successful service centres display four features, which are highly inter-dependent and characterised by progression, and links the first to the last. First, the success of an initiative whose aim is to catalyse the collaboration among entrepreneurs, policy makers, civil servants, technicians, etc., depends upon the identification of a platform that balances long-term developmental objectives with the realistic prospect to impact upon the profitability of the cluster producers.[13] Second, the definition of a platform does not indicate a top-down (i.e. supply-led) approach to the delivery of business development services. On the contrary, the value of such a starting point resides in the opportunity to set an agenda within the district and thus to 'frame' the requests of the various local actors.[14] Third, there is the issue of embedded autonomy.[15] Fourth, the embedded autonomy of the real service centres contributes to the effective supply of business development services and thus to the competitiveness of the district producers. In the medium term, it also contributes to strengthen the capacity of the district to act as a coherent entity with respect to the challenges faced by its entrepreneurs, and thus to favour an enhancement of the governance potential of the local economy.[16]

[13] The platform is neither an all-comprehensive 'plan for action' nor a clear description of the rights and duties of the participants to the initiative. It rather provides the opportunity to initiate a dialogue within the district and to set its tone. From the very start, such a platform enshrines all the crucial elements of the SME support initiative: it identifies an area for intervention (thus putting forward a vision for the future of the district, as well as a strategy to realise it). It discloses the opportunity for the district producers to strengthen the viability of their own businesses; lists the priorities for public support; and sets an agenda for a public-private dialogue.

[14] The lesson, which clearly emerges from various case studies, is that ample scope is left to the district entrepreneurs to allow an adequate 'customisation' of the business development services. At that level, there appears to be no substitute to the in-depth knowledge of the market as well as of the production process held by the district entrepreneurs. Rarely is, however, the supply of real services the consequence of a univocal demand from the local producers. In spite of their spatial proximity, the district producers habitually operate on a highly individualistic basis. At the same time, however, the knowledge dispersed within the district can only be grasped as a result of the willing participation of the local producers. As a result, the SME support initiative should be neither predominantly 'supply-based' nor uniquely 'demand-led'. They should rather present a careful mix of the two. Customisation involves three interdependent tasks for the (will-be) managers of the real service centres, namely: uncovering the latent needs of the cluster SMEs, re-interpreting such needs in light of the original platform, and rallying a consensus within the district about the opportunity to tackle them through a collective initiative.

[15] The term refers to the capacity of a public institution to successfully balance the need to retain a developmental character (thus being able to hold a vision encompassing wide-ranging structural changes) and the need to maintain a dialogue with its private counterparts (who are the beneficiaries of the initiative but also the main actors behind its implementation). Within the context of the industrial districts, embedded autonomy is the basis for the real service centres to trigger a radical redefinition of the internal structure of the local SMEs. Indeed, the managers of the real service centres rarely are able to "force" their decisions upon the district entrepreneurs. On the contrary, the autonomy of the real service centres (in terms of the capacity of its managers to identify the challenges faced by the district and to put forward proposals to address them) is systematically balanced by its embeddedness within the local economy, a feature that tames the most far reaching projects, but that certainly contributes to the disclosure of the otherwise tacit knowledge dispersed within the district.

[16] The management board of a real service centre provides, in many ways, an ideal opportunity to facilitate the emergence of a consensus among the various district players, because most such players are represented on such a body and these meetings are often the only opportunity to look beyond immediate needs. The autonomy gained by the managers of the centre allows the latter to put forward proposals as 'impartial' referees who can credibly claim to act in the interests of the district and provide the opportunity to reward actors who are most likely to be negatively affected in anticipation of their welfare losses (for example granting privileged access to the services provided by the centres).

Growth Pole Strategy for National Economic Development

3.7 Worldwide the concept of Growth Pole has had a major role in the formulation of a regional economic development policy. The Growth Pole strategies, proposed and implemented in widely diverse ways in various settings, have a set of general characteristics among them and:

i. "Involve increasing the growth of employment and population within a region at particular locations or planned poles over some specified period.

ii. Require a limitation on the number of locations or centres which are designated as planned poles.

iii. Necessarily require spatial discrimination or selectivity among locations.

iv. Inevitably involve modifications of spatial structure of employment and population within a region" (Parr, 1999).

3.8 A growth pole strategy for national economic growth is what a country pursues unconsciously in practice. All capital cities have some form of a leading sector, not only the industries, but also the tertiary sectors.[17] In the early stages of economic growth, governments tend to invest first in its capital city. This rationale can be quite right from an economic point of view, since the capital has more of the population and potential to bring about rapid economic growth, and it is easier to invest in infrastructure in the growing capital city. In addition to investment in the capital city, the industrialised region, which has already grown by itself, can also be attractive for the government to invest in infrastructure or new projects for the reasons stated above and thus promote the objective of national economic growth. Actually, this case can be observed in most countries in the early stages of development. Where the government concentrates its investment only on the growing area, it can be argued that the government has implemented a growth pole policy for national economic growth, whether or not they conceived the idea of growth pole. In order to achieve this objective, the growth pole strategy must involve investment in infrastructure (housing, hospitals, water supply, transportation within the area, etc.) in the growing area, surrounding such area with some power stations, enabling an adequate supply of food to the growth poles by setting up nearby regions for agriculture or by importing agricultural products, providing new and efficient transport linkages and so on.[18]

3.9 If a region is to be developed with a regional policy, it must have a leading sector or a propulsive industry to boost the economic growth in it. Basically, the strategy to develop a region seems to be similar to the one for national economic growth as mentioned above, since the proposed policy is to choose the leading sector to be intensively invested in. It is, however, a critical point as to whether this development has a purely economic objective or contains some egalitarian objectives within the region. If the strategy attempts to pursue egalitarian objectives for the whole population within the region, an investment concentrated on the growth pole will lead to the reverse result. Even with the construction of a transport system linking the growth poles and other hinterlands, it is common that migration tends to be from rural to urban, rather than leading to a spread effect of the population, as a response to the establishment of new transportation linkages with urban growth centres (Gilbert & Goodman, 1976). Thus, in order to achieve intra-regional equality, it is necessary to consider comprehensive regional planning with multiple growth poles in backward areas co-operating well with the leading sector in the growth centre.[19]

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[17] There is no example where another city outside the capital (except of the planned capitals like Brasilia) grew first.

[18] After reaching a peak, however, such strategies will be faced with a physical limitation of the city size. This is due to the diseconomies of a large city, such as expensive public services, over-stretched infrastructure, over-population, traffic congestion, pollution, etc. Moreover, there could be new regional problems, such as urban-rural inequalities, intra and inter- regional inequalities, vast immigration to the urban areas, and so on.

[19] For instance, if the growth pole is a highly industrialised urban city, it is possible to set up agricultural centres around the city and link them with transportation, or perhaps recreation centres might be possible to be considered for such hinterlands. It may be possible to argue that economic growth and egalitarian objectives in regional planning can be complementary rather than competitive. However, in most cases, these two objectives do not move in the same direction. For an extension of the above example, regional planning which considers the agricultural development in the lagging areas will be faced with a severe choice between equality and efficiency, when imported agricultural products are relatively cheap for that region.

3.10 Rural areas have tended to be forgotten in development strategies in the past. However, their development has now become the main objective and this has also been linked to growth pole strategies.[20]

Scope for Adoption of Growth Pole Strategy in India

3.11 From the foregoing discussion on the concept of growth pole, it emerges that its focus is not on any one or a number of industries or enterprises but on linking industries within particular economic space/area i.e. the geographical location (para 3.1). In the initial stage of development the focus is on capital cities resulting into neglect of remote areas and thus causing migration of people from rural and backward areas to urban and more developed areas. To take care of the neglected areas, growth pole as a strategy of development contains many solutions since it involves investment in infrastructure in growing/potential and surrounding areas (para 3.8). However the growth pole concept, as it obtains in the literature, shows that the area which is selected for development must have at least one leading sector with potential to work as a propulsive industry to boost the economic growth in the region. Under the growth pole concept, apart from the measures intended to improve the productivity and efficiency of individual clusters, the development of infrastructure and in-built programmes of connectivity help to link the clusters with other potential points of economic growth. The objective is to make the facilities and services critical to robust economic growth, accessible to each and every individual residing within the growth pole area (para 3.9). In fact, the growth pole strategy involves comprehensive regional planning aimed at linking rural areas with the urban/business centres (para 3.10). The development of regions through growth poles assumes superiority over other approaches as it embraces the concept that productivity can be increased by realising external economies of agglomeration that could be gained by clustering, infrastructure and directly productive activities in promising locations rather than dispersing them thinly over wide areas. International experiences reveal that adoption of this approach enables reduction in cost of production through product/area specific research. It is possible to direct public policies to these growth centres instead of diffusing the impact over a large area. Thus, the growth pole theory, as described by Francois Perroux has been the subject of evolution from a purely manufacturing industry oriented intervention to a tool to be used for regional economic development.

3.12 From the previous chapter it emerges that a large number of cluster development programmes have been initiated in India in the past. In order to realise a larger socio-economic impact, it would be appropriate that if at this stage the cluster development programmes are

[20] Stohr and Taylor (1981) discussed different types of development strategies, and grouped them into the "from above" and "from below" types. The "from above" is top-down, centre-outward development, while the "from below" is bottom-up, periphery-inward development. They concluded that "from below" was especially appropriate for LDCs, where most of the poorer population lived in the periphery areas and migrated to the urban areas, but were still in poverty. In this context, there has been an argument about 'agropolitan' development in rural areas. Friedmann and Douglas (1978) studied the development processes of Asian countries and argued that the traditional top-down policy based on the industrialisation paradigm was "inoperative as a guideline to the future" because of the situation LDCs have been facing, such as rising import prices, declining export markets, and a deterioration in the terms of trade. Besides agropolitan development, it is possible to establish small market towns in rural areas, as Johnson (1970) advocated. He argued that "the countryside is inadequately provided with accessible market centres" and favoured the establishment of more small-scale industries and less concentrated urban strategies. Although he was against urban-biased growth pole strategies based on the development of large industrial complexes, he still followed the growth pole concepts and suggested that "a well-dispersed network of promising 'growth points' should be selected in different regions of a country" to establish "agro-urban community". Moreover, Johnson acknowledged the value of industrial growth poles in a limited sense in that they should have some positive linkages with small towns and rural growth centres.

modified and brought within the ambit of a growth pole (cluster of clusters) programme, as being put forward by the Commission. It is felt that for development of the unorganised sector, an experiment may be initiated that would enable the simultaneous development of a broad spectrum of sectors and services in the unorganised sector. This is a step further from the traditional cluster development approach, which focuses generally on a single sector, is relatively small in scale and where the numerous small interventions would take considerable time to effect the economic transformation that is desirable to upgrade the unorganised sector. The growth pole concept translates into a programme that acts in scale and with the objective of a sustainable growth momentum. However, before launching a full scale scheme, it was felt that the concept be adapted on a pilot basis and if successful, then could be later replicated in scale towards transformation of the unorganised sector in the Indian context, thereby creating a platform for inclusive growth.

4 NCEUS Approach to Growth Poles

Definition &Rationale

4.1 The concept of growth pole as adopted by the Commission is best put forward in the following extract of the Finance Minister's Budget Speech of 2005-06:

"The unorganised or informal sector accounts for 92 percent of the employment and absorbs the bulk of the annual accretion to the labour force. PURA or Provision of Urban Amenities in Rural Areas is an idea that contains within itself possible solutions to a number of problems that afflict rural India such as unemployment, isolation from markets, lack of connectivity and migration to cities. The National Commission for Enterprises in the Unorganised/ Informal Sector has proposed pilot projects for 'growth poles' applying the PURA principles. The objectives are to expand production and employment in the unorganised enterprises around existing clusters of industrial activities and services as well as encourage the formation of new clusters. Once the proposals are firmed up, Government will take up the creation of a few growth poles, as pilot projects, in 2005-06" (Paragraph 78).

The above commitment was made in the backdrop of related statistics which point towards sizeable parts of our population being in the unorganised sector.

4.2 While fine tuning the concept of Growth Pole as it obtains in the relevant literature (chapter 3), the Commission had in view the scale and scope of greater benefits accruing to the group of clusters from their simultaneous and complimentary functioning. Such positive externalities are expected to be derived from:

a) Forward and backward linkages in productive activities such as units using each other's demands for inputs and production of output, both within and outside the area.

b) Use of common facilities for social overhead capital like road, other forms of transport, communications and marketing connections, both within the country and for exports.

c) Utilising common services of education, health, sanitation, housing, water, power, etc.

d) Allowing inter-linkages of different services to develop a network with the clusters of activities.

4.3 The unorganised sector in India has had no such enabling environment so far but the growth pole can provide it by concentrating the

facilities for more efficient use by the cluster of enterprises. That is perhaps the best way to bring the kind of dynamism in the sector that has so far remained backward from both the owner's and employee's perspective. Various studies have shown productivity levels in the unorganised sector to be far from optimal, with the rural-based enterprises being worse off than those in urban areas. Even in rural manufacturing enterprises that account for a large share of employment, labour productivity has been declining. From the labour's point of view, the conditions in the unorganised sector leave much to be desired. The growth pole programme can provide the right ambience to implement the best workplace practices, and also become the laboratory for entrepreneurs and start-ups. While the climate for entry-level firms is changing for the better, it is not yet conducive for the kind of enterprise creation that an economy on the roll should foster. Organising the unorganised sector into spatial clusters with time-bound incentives can change all that for the better (Hindu Business Line 2007).[21] These growth poles can also combine effectively the various infrastructural development activities for providing urban amenities in rural areas as conceptualised under PURA[22]. As a result, different activities in a number of clusters within the growth pole area would enjoy not only the external economies of interdependence but also the substantial lowering of transaction costs from using common facilities of physical and social infrastructure.

4.4 While some of the external economies and cost effective use of common services are related to the specific characteristics of a cluster, many of them are derived from co-existence and operations together of a number of existing and potential clusters within geographical proximity. For instance, the units engaged in similar activities in an industrial or service cluster would not only benefit from linkages within these units but also between them and outside sources of demand for their products and supply of their inputs. This would facilitate streamlining of production and greater ancillarisation. The increased efficiency of all the activities will reduce the unit cost of production and as the demand for the output of the activities expands, it will be met by increased supplies from a proliferation of units and expansion of employment in the growth pole region.

4.5 It may be noted that not all industrial activities are amenable to such ancillarisation or expansion of output through horizontal expansion of production units. Indeed, only those activities whose technology permits such unbundling of production and ancillarisation would succeed in the formation of effective linkages between the clusters, which in turn would internalise several of the economies of common infrastructural facilities and services and provide connectivities within those clusters. These common facilities and infrastructural services, which develop as a result of increased economic activities in the growth pole region and which need not to be cluster specific, would reduce the transaction costs and increase the efficiency of production units operating in the clusters in a growth pole. Such infrastructural services become viable because of the larger demand for their services from the aggregate of the units in the growth pole region than from the industrial units operating in isolation. What needs to be noted here is that even if the clusters are not engaged in similar activities, viability of the units in those clusters would improve due to the development of cost-effective infrastructures in the growth pole area providing several services.

4.6 An obvious example of such infrastructure services is power. When there is a substantial and stable demand for power with assured payment for the services, private sector units would come up with projects of generation and distribution with power plants of optimal size. Expansion of demand for power through multiplication of clusters and production units in the growth pole region would be supported by commercially viable power

[21] Website: www.thehindubusinessline.com/2007/08/14/stories/2007081450090800.htm, accessed on 17th February, 2009.

[22] PURA stands for the concept of the Scheme of Provision of Urban Amenities in Rural Areas, as advocated by the former President of India Dr. A. P. J. Abdul Kalam. The PURA concept envisages four forms of connectivity - road transport and power, electronic, knowledge and market within an area circumscribed by a perimeter of 30 kilometers.

supplies without any government subvention. Similar would be the case for other physical and social infrastructure services, such as roads, transport, communication, water, sanitation and health services, education, training, housing and urban development. For many of these services, government support may become necessary as if they are public goods at least in the initial phase when clusters have not been fully expanded. When the clusters develop into growth poles with expanding demand for the inter-related services, they can be appropriately priced rendering it feasible for the private sector to take up the supply.

4.7 The growth pole project is a new initiative being advanced primarily to expand production and employment in the unorganised enterprises in and around the existing clusters of industrial activities and services as well as to induce new clusters. The Commission's recommendation for adopting growth pole model for up-scaling cluster development is based on the assumption that once developed, they would lead to multiplier effects on production and employment as also spread effects in rural areas.

4.8 While growth poles would enable more effective and focused targeting of resource-constrained public expenditure, public intervention would perform the role of a catalyst, through awareness generation, creation of common facilities and common branding/marketing. This will facilitate formation of networks, demonstration projects and improved capacities. With public intervention as a trigger in the first phase, the growth pole would become self-sustaining and can be taken up by private and non-governmental organisations (NGOs) in subsequent phases.

4.9 Conceptually, growth pole is a model being viewed as a step further to cluster development initiatives and has been conceptualised as a cluster of clusters in a specified geographical location and focuses on the total area development taking the existing clusters as the centre of economic activities on which further development is based. This, when pursued, shall lead to increase in the production base and employment generation in the unorganised sector besides augmenting incomes of unorganised workers.

Objective of Growth Pole Strategy

4.10 As mentioned earlier, the primary objective of the growth pole project is to create a growth magnet with significant economic multiplier effects based on the available natural and human resources, and potential strengths in a given geographic area. While deriving its root from the cluster development theory, the concept expands to include a variety of service sectors that can contribute to all round economic development of the project area by integrating various growth points.

4.11 The objectives and the strategy of the growth pole programme can be summarised as follows:

i. Expand the production and employment in the unorganised enterprises in clusters around select existing clusters of micro enterprises and services.

ii. Encourage formation of new clusters of micro enterprises based on potential economic activities in the region.

iii. Integrate these unorganised units with the mainstream of the process of economic growth through the creation of markets and the use of market-related incentives with promotional assistance of the government.

iv. Spread enhanced economic activities and industrialisation throughout the country, outside the large industrial areas/clusters.

Since the unorganised sector accounts for more than 90% per cent of the country's workforce, the proposed programme with the objectives and strategies like those above would ensure the highest possible employment generation in the country in the next few years.

4.12 In the growth poles, the government needs to make a concerted effort to integrate different initiatives pursued by different ministries and agencies and build on their inter-dependence. They can start with the existing clusters of different activities within a proximate geographical location, develop their strengths and interdependence, and build up connectivities of road,

transport and power, as well as knowledge, information technology, etc. The growth poles would then, induce new clusters of different activities, including those of artisans, handicrafts, food processing, horticulture, export products and village industries around the existing clusters. These growth poles need to effectively integrate the new initiative of infrastructure development in rural areas, build up interconnected activities within a periphery of say 30 kilometres and provide urban facilities, possibly by new clusters of social service activities, such as health and education and other urban amenities.

Process of Growth Pole Project Formulation

4.13 On the basis of the objectives referred to earlier, proposals for pilot projects of growth poles were sought by NCEUS from different parts of the country. The Commission wrote to the state governments to identify number of multi-product industrial/ artisan /handloom and handicraft clusters that have the potential to evolve into growth poles**.** Formats and guidelines for identification and selection of growth pole areas were also circulated **(Annexure 2).** Based on the objectives and the guidelines, six pilot growth pole projects, viz., Sikandra in Rajasthan, Domjur and Panchla in West Bengal, Kollam in Kerala, Chamoli in Uttarakhand, Champa and Janjgir in Chhattisgarh, South-Western Kamrup in Assam, were proposed by the respective state governments.

Identification of Growth Pole Projects & Preparation of DPRs

4.14 The detailed guidelines, as circulated by the NCEUS, for formulation of the proposals for Growth Pole projects are summarised below:

I Selection Criteria

i. The exact identification of the locations of the clusters would be worked out through intensive consultations by the state governments in consultation with the concerned ministries and various stakeholders.

ii. Existing informal clusters with the highest potential may be chosen to create linkages among themselves within the area chosen. Clusters may be selected by taking into account the existence of critical gaps (in respect of technology, networking, quality, common facilities, etc), viability, promotability, socio-environmental conditions, replicablity and scope for synergy.

iii. Existing clusters that come under one or other of the on-going cluster development programmes run by different ministries/ state government could be taken up, so as to initiate concerted efforts. Multi-product, multi-service clusters could be considered on priority to synergise effects in the growth poles.

A revised format for seeking information from the State Governments for selection of growth pole projects is given at **Annexure 3** and **Annexure 3A** respectively.

II Nodal Agency for the Study& Preparation of Detailed Project Report (DPR)

To facilitate the state governments to identify a well established, capable and competent agency to undertake the field survey of the growth pole area and prepare a comprehensive DPR after consultations with the stakeholders and with a roll-out plan, a draft tender document was prepared by NCEUS. The consultant's charges were fully met by the Central Government.

III Study and preparation of DPR by the State Government

The preparation of DPR involved survey of growth pole area, mapping and collection of village-wise and sector-wise data, field visits, interactions with the stakeholders, consultation with state government and preparation of an Inception Report followed by the DPR.

IV Growth Pole Project DPR

DPR was required to cover the mapping of the growth pole area in terms of its location, demographic features, physical infrastructure, social infrastructure, institutional framework, industries in the vicinity, major vocations and their linkages, approach and methodology, development strategy, implementation mechanism, developmental

interventions and cost estimates along with the outcome analysis, and year-wise roll-out plan for implementation.

V Inception Report

This covered a broad outline of the growth pole area, available potentials and outlines of the proposed strategy for study and preparation of the DPR with appropriate time schedules for each of the proposed activities.

VI Discussion in the Technical Expert Group (TEG)

The NCEUS had constituted a 'Technical Expert Group' (TEG) in November 2006 to examine the proposals submitted by the state governments and suggest appropriate modifications to maximise the benefits from the interventions proposed by the consultants. The composition of the TEG and its main suggestions are given at **Annexure 4** and **Annexure 5** respectively. Each of the reports submitted by the state governments was discussed at length in the TEG meetings and suggestions given for better outcome from the project.

VII Appraisal of DPR at State Level

The reports prepared by the agency were appraised and approved by State Level Stakeholders' Growth Pole Committee and subsequently by the Technical Experts' Group (TEG) constituted by the NCEUS.

VIII Financial Sanctions

The next step was submission of the Detailed Project Report (DPR) to Ministry of MSME for allocation of funds and issue of sanction by it in respect of each growth pole project.

Administrative Structure & Implementation Mechanism

4.15 Growth pole project/schemes, as envisaged by the NCEUS, is a multi-agency approach in which important players are to be Government of India, state governments, banks and financial institutions, autonomous bodies, industries associations, private sectors and hence requires a close co-ordination and monitoring at various levels for effective implementation. The following administrative structure and implementation mechanism was agreed to by the states:

Administrative Structure

4.16 At Central Level: As the growth pole project/scheme has been conceived for the promotion and development of small and micro units in the unorganised sector, the concerned Ministry, viz., Ministry of MSME (Govt. of India) will be the designated Administrative Ministry for this project/scheme and could be coordinated/monitored by the office of DC (MSME), Ministry of MSME.

4.17 A Growth Pole Steering Committee (GPSC) under the Chairmanship of Secretary (MSME), Ministry of MSME, Government of India with representatives from Planning Commission, Ministry of Finance, and Experts appropriate to the sectors covered in each project, members drawn from concerned ministries/financial institutions, banks, state government representatives could be constituted for overseeing the policy, identification of growth pole projects/schemes, implementation, etc. The frequency of the committee meetings could be quarterly or as considered necessary by the Chairman.

4.18 At State Level: As the growth pole projects/schemes are to be actually implemented at the state level, a vibrant and sensitive coordination of the project/scheme is required at the appropriate level of the state government. A State Stakeholders Growth Pole Committee (SSGPC) and an Apex Committee, under the chairmanship of the state chief secretary, was constituted with members drawn from concerned ministries/departments of the state government, nodal agency, district magistrate (DM) of the area covered by the growth pole, financial institutions, banks, representatives of the public and industry. Agencies with operations in the growth pole area could also be involved for close coordination, monitoring and effective and timely implementation of the project/scheme. The committee could meet quarterly or as considered necessary by the committee chairman.

The main functions of the apex committee are as under:

- Appoint the Growth Pole Implementation Agency (GPIA).

- Identify and legally sanction the Special Purpose Vehicle (SPV) as may be required for implementation of the programme.
- Approve all state schemes relevant to the programme.
- Provide policy and regulatory approvals as required for the programme.
- Monitor the progress of the growth pole programme.
- Ensure compliance of any other pre-conditions set by the GPSC when approving the DPRs and sanctioning funds.
- Constitute the District Level Implementation and Monitoring Committee (DLIMC) chaired by the District Magistrate with representatives of relevant departments at district level as members for smooth co-ordination and implementation of the project by SPV at ground level.

Implementation Mechanism

4.19 The growth pole project/ scheme needs a sensitive and vibrant implementation mechanism for its effective and time bound roll-out of the initiatives, interventions and programmes at the grass root level in the growth pole area for the coverage and impacts as per DPR. Contrary to "stand alone" cluster initiatives being presently pursued, the growth pole focuses on to enable the growth of clusters using each other's synergies and the on going schemes/projects of the state/Central governments in the area and also for building-up the physical and social infrastructure, improving thereby the livelihood, working and living conditions and expansion of production and employment in the group of clusters. It calls for professional project management with the proven capability and competence to conceive, conceptualise and manage large scale programmes in the area of planning, infrastructure, project coordination and softer interventions such as training and skill development, etc.

4.20 It may not be practically feasible for the identified nodal agency for the growth pole to provide the desired implementation mechanism in view of their inherent working constraints thus a Special Purpose Vehicle (SPV), which will embody the sprit of public private partnership, is proposed. The PPP initiative, right from the initial phases of growth pole project/ scheme is to help in making the project/scheme self-sustaining in the succeeding phases of the project/scheme and the public intervention is only as a catalyst through awareness generation, creation of common facilities, training and skill up-gradation, etc. For example, the Scheme for Integrated Textile Parks (SITP) of the Ministry of Textiles (Government of India) has been successfully implemented in a relatively smaller time period due to the appointment of a professional agency to roll out the programme and creation of special purpose vehicles from within the industry to structure management and operations of the assets created. It is thus necessary that, for the successful programme implementation, an autonomous professional agency be appointed who will also have the responsibility of investing in various commercially sustainable projects identified under the growth pole programme through a special purpose vehicle focussed on the programme delivery.

4.21 The proposed SPV would be a legal entity empowered with decision-making structure to undertake implementation of the approved institutional strengthening and capacity building project and DPR. It shall periodically report the progress to the State Level Stakeholders Growth Pole Committee. The government's share of equity could be routed through autonomous institutions and the PPP mode SPV could be proposed by the nodal agency identified by the state government for the growth pole project/ scheme in line with government prescribed guidelines for the PPP mode and the same being approved by the Steering Committee on Growth Pole. In case the formation of the proposed SPV takes time in its finalisation and the growth pole project is ready for its roll-out, it is suggested that the identified nodal agency should take the lead and formulate a Working Group comprising of stakeholders who are likely to be part of the proposed SPV.

Financial Support

4.22 The finance for the growth pole will be provided by the Central and the concerned state government and other partners in the ratio of 60:40. However, the Central

share may go up to 80 per cent if the growth pole area happens to be one of the backward areas of the state/UT. The state governments may however involve local private partners for better efficiency and financing of the various stages of the growth pole project at their discretion. The average size of the project could be about Rs. 250 crore with funding being sourced from three components, viz., (i) existing Central/State Schemes, (ii) private sector partners, and (iii) under the growth pole project scheme for additional requirement of funds to be provided by the Central Government. However, higher outlays could be approved by the Central Government Scheme Steering Committee depending on the needs and requirements of a project.

4.23 It is recommended that under the scheme the following financial support be provided for the growth pole programmes by the Central Government:

- Provision of up to Rs 1 crore per growth pole project for preparation of DPR by a professional agency to be commissioned by the state government on a competitive bidding basis.
- Provision of up to 40 per cent of the funds required for the approved project cost as per the DPR towards programme interventions per growth pole.
- Provision of up to 7.5 per cent of the project cost towards meeting the costs of project implementation of the DPR subject to 25 per cent contribution from the state government.

Monitoring & Review

4.24 Following mechanism is suggested for monitoring and review of the growth pole project:

- The GPSC to review the progress of the project on an annual basis and release of funds to state governments for the project.
- The SSGPC to review the project on a bi-annual basis and submit a written progress report to the GPSC.
- The DLIMC to quarterly meet implementation agency to review the progress of the project. In addition, the DLIMC will meet as often as is required to facilitate the timely progress of the project.

Planning Commission Approval

4.25 The growth pole proposal was also brought to the notice of Planning Commission during the meeting held on 31st December 2006, on the Working Group on Micro and Small Enterprises and Agro and Rural Industries for the Eleventh Five Year Plan (2007-2012). The six pilot project proposals were considered by the Planning Commission in December, 2008. The proposals received 'in-principle' approval of the Planning Commission in January, 2009.

5 Overview of the Pilot Growth Pole Projects

5.1 As has been stated in the previous chapter, state governments were provided detailed guidelines for identification of the growth pole projects besides a suitable structure for formulation and implementation of the project and meeting the financial needs of the project. Based on the proposals received from the state governments, six pilot growth pole projects were identified. These are:

- **Panchala** and adjoining area of **Domjur** blocks of Howrah District in **West Bengal.**
- **Sikandra** and adjoining areas of Dausa District in **Rajasthan.**
- Perinad (Kadavoor) Perumon, Eravipuram and Sasthamcotta of **Kollam** District in **Kerala.**
- Dasholi, Karnaprayag, Ghat, Naryanbagar, Tharali and Dewal of **Chamoli** District in **Uttaranchal.**
- **Champa and Janjgir** in **Chhattisgarh**
- Rampur, Chayani – Bardur; Chhaygaon; Bangaon; Boko-Bangaon; Goroimari and Hajo **South-Western Kamrup** District in **Assam**.

5.2 Summaries of the six DPRs submitted by the state governments of Rajasthan, Uttarakhand, Kerala, Chhattisgarh, West Bengal and Assam are given at **Annexure 6 to Annexure 11**. A brief account of the identified areas and the proposed interventions is given below.

Sikandra Growth Pole (Rajasthan)

5.3 The growth pole area is in Dausa district of Rajasthan and covers approximately 1250 sq. km in 361 villages within the area. Of the 5 tehsils in the district, the growth pole area covers three tehsils of Sikrai, Baswa and Dausa. The growth pole area has a population of about 5.1 lakhs. Nearly 45 per cent of the population comprise SC/ST communities. There is high seasonal migration of population-semi skilled and unskilled people who move to the cities and other locations including in the middle-east for employment in the construction sector. Stone-cutting and carving, and carpet weaving are the significant sectors in the project area with leather (primarily making of juttis), saw mills and dairying being the other activities that exist to some extent. The growth of existing activities is constrained due to lack of organisation to undertake large scale work, lack of linkages with the market and on non-availability of basic tools with the workers because of lack of resources. The growth pole intervention is expected to bring structured development of the area in terms of:

- Development of existing enterprise clusters such as stone carving, carpet, leather, woods, pickle making, etc.

- Developing other areas of local potential such as, dairying and tourism and making linkages & synergies.
- Attracting new enterprises/industries through industrial plans.
- Provision of enabling infrastructure and policy support for overall long term sustainability.

5.4 The main components of intervention are in stone-cutting and carving, carpet, leather, tourism, dairy, agro-food, brassware, pickle, and wood product sectors.

5.5 Total estimated cost of the project is Rs. 287.22 crores which will be met out of the existing schemes and programs of the Central and State Governments to the tune of Rs 71.14 crores, private sector contribution of Rs 125.95 crores and Central Government intervention of Rs 89.13 crores as the growth pole project outlay. The project will generate additional employment opportunities for 37,900 persons after five years.

Chamoli Growth Pole (Uttarakhand)

5.6 The growth pole area is in Chamoli district of Uttarakhand. The project covers 3 blocks, Joshimath, Dasholi and Karnaprayag out of the district's 9 blocks, covering an area of 4783 sq. kms. The total population of the project area is 1, 03,224, constituting about 28 per cent of the districts population. About 27.2 per cent of the population of the project area is represented by SC/ ST communities. Livelihoods in the district are largely dependent on agriculture, 66 per cent workers being engaged in agriculture and allied sectors. About 1.8 % of the workers are engaged in household industries. The remaining 32.4 percent is engaged in other activities. Women participation in workforce is higher than men.

Religious tourism is primarily the driver of the local economy with traffic in excess of 1.5 million visiting the Badrinath and Hemkunt Sahib Route within the project area. The approach towards the evolution of the growth pole project has been on two fronts:

- Expand tourism from a purely seasonal and low per-capita spending activity to an extended season and high value activity.
- Develop the production base in the region to garner a large share of tourism supply chain through increased production and up-graded service delivery and to achieve commercial scale market supplies. The emphasis is on 'connectivity' as a cross-cutting theme as it connects the entire economy. Tourisim will be diversified to adventure and nature besides religious and rural hubs are proposal to be integrated through agriculture, horticulture, livestock, non-timber forest produce and handicrafts.

5.7 Chamoli growth pole would involve intervention in tourism, agriculture, horticulture, livestock, handicrafts, wool and physical infrastructure.

5.8 Total estimated cost of the project is Rs 178.30 crores to be met through existing schemes and programmes of the Central and State governments (Rs. 62.58 crores), private sector (Rs. 45.51 crores), and growth pole project outlay (Rs. 70.21 crores) from the Central Government. The project will generate additional employment opportunities for 31517 persons.

Kollam Growth Pole (Kerala)

5.9 Kollam Growth Pole is located in Kerala's Kollam district. The growth pole area consists of 7 village panchayats and Kollam town, spread in to an area of 290.63 sq. kms with a population of 7.97 lakhs covering 177024 households. The main activities of the growth pole area are: fisheries, cashew and coir. A wide variety of gaps exists at present. The growth pole intervention, apart from bridging these gaps, would lead to the development of new potential sectors, particularly tourism. Kollam is synonymous with cashew processing and 60 per cent of the country's exports are from the clusters within the growth pole area. Known for traditional drum roasting process the sector has not invested in up-gradation in terms of technology, work environment and good practices. Similarly fisheries sector is important in the area, marine fisheries being a significant economic activity, given the long cost line in the district. About 70 per cent of the population in the growth pole area is dependent upon the fishing industry for livelihood and has a total turnover of about Rs. 1439 crores of which exports account for about Rs. 920 crores. The major problem of the sector is its unorganised nature, poor and

unhygienic conditions of landing and auction centres, poor sanitation, dumping of wastes and lack of post-harvest infrastructure. Third in importance in the Kollam growth pole area is the coir cluster which has a turn over of Rs. 58 crores and export of Rs 9.8 crores. The problems faced by the sector relate to poor husk collection facilities, informal sector enterprises operating in the lower end of the value chain, inadequate de-freezing capacity, limited access to institutional finance, etc.

5.10 The key interventions in the growth pole area include processing, value addition, packaging, etc., in cashew sector, catching, auction, vending, pre-processing and ancillary activities, etc., for marine and inland fisheries, pith and shell-based products for coir, backwaters, cultural, religious, handicrafts-straw picture, lace making, screw pine, bamboo products, lake management, beautification, plotting, mapping of lake area, soil and water conservation, etc. The new areas of development with potentials are tourism, handicrafts, lake development, etc.

5.11 The total cost of the project is Rs. 164.62 crores of which, Rs 37.64 crores would be met from the existing Central and State Government schemes, Rs.87.59 crores from the private sector and Rs. 39.39 crores by way of growth pole project outlay from the Central Government. The project will create additional employment opportunities for 32212 persons in a five-year time frame.

Champa Growth Pole (Chhattisgarh)

5.12 Champa Growth Pole area is part of Janjgir–Champa district of Chhattisgarh and covers 100873 out of the 226803 families of the district. Project area covers 4 blocks of the Champa district covering a population of 5.42 lakhs. Historically Champa has been one of the major centres of craft-based industries generating significant employment. The district is known for three 'K' industry clusters, viz., Kosa (Tussar Silk), Kansa (brass and bronze) and Kanchan (jewellery) related enterprises. Over the years, a new rice milling industry has shown a rising trend in the area. Both the old and the new industries face several problems and barriers to healthy and sustainable growth. Janjgir–Champa is one of the smallest districts of Chattisgarh with a total geographical area of 4468 sq. kms and with a higher proportion of SC/ST population (33%) and high incidence of poverty. This district is also the states major producer of food grains. The major source of income of the people in growth pole area is agriculture, agriculture labour, weaving, animal husbandry, daily wage labour in industrial units and household industries particularly jewellery and brass.

Tussar industry faces the problems in marketing, design, fabrics processing, raw material supply (cocoon), skill, credit, etc. With regard to rice milling, problems relate to plant capacity under-utilisation, poor technology, lack of sustained supply of paddy, etc. Jewellery industry problems are related to design, credit, tools and market. Key issues with regard to brass and bronze are related to social security, credit, skill, raw material, tools and technology, marketing and lack of institutional support. Thus, in spite of potentials in the artisan clusters, people are dependent mostly on agriculture for livelihood. The areas with potentials of development are dairy, skill and entrepreneurship development in the existing and new activities like electrical, automobile, construction, etc.

5.13 The total cost of Growth Pole has been estimated at Rs. 136.37 crores: Rs.52.36 crores from the existing Central and State governments' schemes, Rs.33.51 crores from the private sector and the remaining Rs.50.49 crores as the growth pole project outlay from the Central Government. The project will create additional employment opportunities for 53684 persons at the end of the project period.

Howrah Growth Pole (West Bengal)

5.14 Domjur and Panchla blocks, in Howrah district, West Bengal, have been proposed as Howrah Growth Pole area. Significant proportion of population in the area is engaged in the unorganised sector. The population of the project area is 5.25 lakhs of which 41 per cent resides in Panchla and 59 per cent in Domjur. While Panchla is predominantly rural, Domjur is relatively semi-urban. Panchla is known for sari and wig whereas Domjur is known all over India for gold jewellery and also for ready-made garments, imitation jewellery and ornamental fish. A small number of units are engaged in tertiary activities such as shop-keeping, transport, petty business, sales and distribution. A significant proportion of the population is below the poverty line (80 per cent of the households). The problems faced in the manufacturing activities relate

to high degree of intermediation (without value addition), inability to connect to markets, inadequate skills, limited access to institutional credit and lack of bargaining power across all professions as the workers are disaggregated and at the mercy of credit and job providers. The project interventions aim at removing these constraints through skill, linkages, empowerment, credit availability, etc.

5.15 The Howrah Growth Pole involves intervention in gold and imitation jewellery, zari work, readymade garments, ornamental fish and agriculture.

5.16 The total estimated cost of the project is Rs 401.88 crores: Rs 158.65 crores to be met from Central and State government's schemes, Rs 164.73 crores from the private sector and Rs 78.50 crores from growth pole project outlay from the Central Government. The project will create additional employment opportunities for 74975 persons at the end of the project period.

South-West Kamrup Growth Pole (Assam)

5.17 South-West Kamrup Growth Pole area is located in Kamrup district consisting of six blocks of Chhaygaon, Rampur, Chayari, Bordnar, Boko, Bongaon and Goroimar and covers a geographical area of 920 sq. kms. The project area with 5.28 lakhs population (2008) shares 19 per cent of the total population of the district. About 57 per cent of the workers in the project area are engaged mainly in primary activities and the rest in household processing units and tertiary activities such as trade, merchandising, etc. The incidence of poverty in the project area is significantly higher than the state average. Poverty accounts for 42 per cent of the total households in the project area. Besides agriculture, the activities being pursued are sericulture, forest products, medicinal plants, tourism and manufacturing.

5.18 The project interventions have been proposed for agriculture, horticulture (banana, pineapple, betel nut and areca nut), sericulture and bamboo. The project also involves interventions in the cross-cutting infrastructure,

5.19 The total estimated cost of the project is Rs 306.42 crores to be met by existing Central and State governments' schemes and financial institutions (Rs 76.61 crores) and growth pole project outlay of Rs 229.84 crores. The project will create additional employment opportunities for 32212 persons after three years.

Financing of the Pilot Growth Pole Projects

5.20 The estimated cost of 6 pilot growth pole projects with break up of financing from various sources is summarised in **Table 5.1:**

Table 5.1 Summary Financials - Growth Poles Projects (Rs. crore)

Name of the Project	Total Project cost	Central/State Govt. Contribution from On-going Schemes	Private Sector Contribution	Central Govt. Contribution under Growth Pole Scheme
Sikandra, Rajasthan	287.21	72.14 (25%)	125.95 (44%)	89.13 (31%)
Chamoli, Uttarakhand	178.30	62.58 (35%)	45.51 (26%)	70.21 (39%)
Kollam, Kerala	164.62	37.64 (23%)	87.58 (53%)	39.39 (24%)
Champa, Chhattisgarh	136.37	52.36 (38%)	33.51 (25%)	50.49 (37%)
Howrah, West Bengal	401.88	158.65 (39%)	164.73 (41%)	78.50 (20%)
South-West Kamrup, Assam	306.42 *	76.61 ** (25%)		229.84 (75%)
Total	**1474.80**	**459.98 (31%)**	**457.29 (31%)**	**557.56 (38%)**

* Intervention period is 5 years for all projects except South-West Kamrup where it is three years.
** Includes some private sector contribution also.

5.21 The funding proposals of the 6 projects reveal that about 31 per cent of the cost would be met out of the existing Central and state governments' schemes. Another 31 per cent is expected to be met from the private sector participation, while the Central Government contribution towards the growth poles will be 38 per cent. The combined project cost of these 6 projects is about Rs.1, 475 crores of which about Rs.460 crores would be from the existing schemes of the Government of India and the state governments, Rs.457 crores from the private sector (contribution from the beneficiaries/users) and a total of Rs.558 crores as additional requirement for the project to be provided by the Central Government in 5 years (3 years in the case of South-West Kamrup, Assam Growth Pole project) under the growth pole scheme. The requirement of Central Government contribution for the first year has been placed at Rs. 225 crores.

Impact Assessment

5.22 The impact of the growth pole pilot projects in terms of increase in employment, both direct and indirect, increase in income, impact on the GDP of the region and other socio-economic benefits have been detailed in the DPRs submitted by the state governments. The overall impacts of the six projects in terms of the parameters mentioned above have also been given below.

5.23 Impact of Pilot Growth Pole Projects

The likely employment impacts of the six pilot projects are given in table 5.2

Table 5.2 Employment Impacts of the Six Pilot Projects

(Persons in Nos.)

Name Project,	Activities	Population/ Project Area/ Blocks	Employment (Direct) Existing	Additional Without GP Intervention	With GP Intervention	Investment per Employment (Rs. lakh)
Sikandra, Rajasthan	Existing Stone, Carpet, Leather New Tourism, Dairy, Agro, Brassware Wood.	Population 5.10 lakhs. 45% SC/ST Project Area- 1250 sq. kms. No. of blocks-3 Villages-361	16900	1940	38300	0.75
Chamoli, Uttarakhand	Existing Tourism, Horticulture. New Livestock, Handicrafts	Population 1.03 lakhs Project area- 4783 sq kms No. of blocks-3 Villages-441	10,000	Status quo	31517	0.57
Kollam, Kerala	Existing Cashew, Fisheries, Coir New Tourism, Lake Development, Craft Development, Small Enterprise Development	Population 7.96 lakh. Project area- 2741 sq kms No. of blocks-8	236139	11396	32212	0.51

Name Project,	Activities	Population/ Project Area/ Blocks	Existing	Employment (Direct) Additional Without GP Intervention	With GP Intervention	Investment per Employment (Rs. lakh)
Champa, Chhattisgarh	Existing Craft based industry-Kosa (Tussar)Kansa (Brass) Kanchan (Jewellery) Rice milling New Dairy, Skill Development	Population 5.42 lakh16% Sc/St Area- sq km Blocks-4	13495	5450	53684	0.24
Howrah, West Bengal	Existing Gold jewellery, Zari, RMG, Imitation jewellery, Wig, Ornamental fish. New Related service sector, Physical and social development	Population 5.25 lakh Area- sq km Blocks-2	113203	8852	74975	0.54
South-West Kamrup. Kamrup, Assam	Existing Paddy, Horticulture, Banana, Pine, Apple process, Bamboo, Beatlenut, Sericulture	Population4.7 lakh Area 920 sq km Blocks-6	63600	Status quo	24608	1.25

Average population per growth pole is 5.01 lakhs and average investment per employment is Rs.0.64 lakh.

5.24 All the projects, besides promoting the existing sectors/activities, aim at adding new areas of growth within the growth pole region. For example, Sikandra Growth Pole, in addition to promoting the existing cluster-based activities of stone, carpet and leather will also lead to the development of tourism, dairy, agro-processing, brass ware and wood. Similarly Chamoli Growth Pole will add new activities like livestock and handicrafts development besides promoting existing tourism and horticulture. Kollam Project of Kerala envisages promotion of new activities like tourism, lake development and crafts over and above the existing sectors of cashew, fisheries, coir. So is the case with other projects. The population of the growth pole regions is about 5 lakhs except in the case of Chamoli where it is only over a lakh.

5.25 The total cost of the project is as low as Rs. 127 crores in the case of Champa- Chhattisgarh and as high as Rs. 401 crores in Howrah in West Bengal. The average cost of the project comes to Rs.242 crores. All the projects envisage addition to employment opportunities after the project intervention. Highest growth in employment is in the case of Howrah (74975 persons) and lowest in the case of South-West Kamrup (24608 persons). The average addition to employment per growth pole is 42549 persons. Investment per person of additional employment is highest in the case of South-West Kamrup at Rs.1.25 lakhs and the lowest at Rs. 24 thousand in the case of

Champa project. The average cost per additional employment comes to Rs.64 thousand. This is in tune with the average investment per unit of employment in the micro and small enterprise sector. As per Eleventh Five Year Plan 2007-12,[23] the employment intensity of the registered units indicates an investment of Rs. 0.72 lakhs for one employment in MSME sector as against Rs. 5.56 lakhs in the large organised sector.

5.26 Income & Productivity Impacts of Six Pilot projects is given in Table 5.3

Table 5.3 Impacts on Income & Productivity

Name of the Project & State	Average Monthly Income per Person(Rs.)			Productivity (Value)	
	Existing	After GP Intervention	% Increase	Existing (%)	After GP Intervention (%)
Sikandra, Rajasthan	2339	3937	68.7	100	160
Chamoli, Uttarakhand	2083	6835	230	100	150
Kollam, Kerala	2333	4135	77.2	100	130
Champa, Chhattisgarh	1652 (Artisan activities)33000 (Rice Milling)	4770 1,00,000	189 203	100	125 108
Howrah, West Bengal	271	880	224	100	171
South-West Kamrup. Assam	1263	3824	203	100	139
Average	Average 1655 (excluding rice milling)	4063	145	100	146

5.27 All the six projects show increase in income per person, the highest being 230 per cent in the case of Chamoli Project and the lowest being 69 per cent in Sikandra Project. The average growth in income is 145 per cent during the project period of 5 years. The projects also indicate likely growth in productivity, the highest being 71 per cent in the case of Howrah Project and the lowest being 8 per cent in the case of Champa Project. The average increase in productivity in the project areas is estimated at 46 per cent during the period of five years.

5.28 Likely GDP and the social impacts of the six pilot projects is given in Table 5.4

5.29 As a result of growth pole interventions the GDP of all the project areas is estimated to rise, as high as Rs.922 crores in the case Champa Project and as low as Rs.69 crores in the case of Kollam Project. The average addition to GDP per project is estimated at Rs.320 crores per year after a lapse of 5 years. All the projects envisage several social benefits to the growth pole regions in terms of improved work force participation arising out of skill development, reduced disguised unemployment, migration of workers from low wage areas to the growth pole areas, improvement in literacy, health conditions, increased size of the market, improved infrastructure etc. The most important social impact is envisaged in the form of empowerment of women and bringing the neglected and backward segments of the society such as SC and ST into the mainstream. In fact, the entire impacts of growth pole projects are not quantifiable or measurable since it consists of both economic (direct & indirect) and social, cultural as well as environmental benefits.

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Table 5.4 Impacts on GDP & Society

Name of the Project, and State	Additional Contribution to GDP in the Project Area (After 5 years)	Social Benefits
Sikandra, Rajasthan	Rs 211 crores per annum	• Improved workforce participation, particularly women. • Reduced unemployment and disguised unemployment. • Migration of workers from surrounding areas to Growth Pole areas. • Improvement in: o Education- literacy (63- 100%), o Health including of women and children. o Improved infrastructure.
Chamoli, Uttarakhand	Rs 178 crores per annum	1. Gender initiative- education, capacity building, reduced drudgery 2. Community development- better delivery of services, trained healthcare workers, community radio, training 3. Improved infrastructure.
Kollam, Kerala	Rs 69 crores per annum	1. Increased efficiency of the workforce. 2. Wastage reduction 3. Market expansion- number of enterprises to go up from 10,000 to 15,000. 4. Greater opportunity for absorption of the educated, unemployed, women workers, diversification of skill base. 5. Improvement in work environment leading to increased industrial production. 6. Migration to GP area from the local area, increased employability among youth. 7. Improved infrastructure.
Champa, Chhattisgarh	Rs 922 crores per annum	1. Welfare- Increased health facility, economic empowerment of women, and inclusion of tribals in mainstream. 2. Infrastructure Development-common facility park. 3. Skill Development. 4. Market Power.

Name of the Project, and State	Additional Contribution to GDP in the Project Area (After 5 years)	Social Benefits
Howrah, West Bengal	Rs. 387 crores per annum	1. Welfare-Increased health facilities, and improvement in education, literacy to go up. Class 10 passed to go up from 7 % to 30%, increased educational infrastructure. 2. Improved infrastructure, drinking water, drainage, electricity. 3. Skill Development 4. Improved access to market.
South-West Kamrup*Assam	Rs 157 crores per annum	1. Welfare- Increased empowerment of women, increased employment opportunity. 2. Skill Development. 3. Market Development
Total	Average addition to GDP per project per annumRs 320 crores	1. Social Empowerment 2. Skill Development 3. Educational Development 4. Health Development 5. Infrastructure Development 6. Market Development

*Note: Project Period-3 years, others 5 years

5.29 As a result of growth pole interventions the GDP of all the project areas is estimated to rise, as high as Rs.922 crores in the case Champa Project and as low as Rs.69 crores in the case of Kollam Project. The average addition to GDP per project is estimated at Rs.320 crores per year after a lapse of 5 years. All the projects envisage several social benefits to the growth pole regions in terms of improved work force participation arising out of skill development, reduced disguised unemployment, migration of workers from low wage areas to the growth pole areas, improvement in literacy, health conditions, increased size of the market, improved infrastructure etc. The most important social impact is envisaged in the form of empowerment of women and bringing the neglected and backward segments of the society such as SC and ST into the mainstream. In fact, the entire impacts of growth pole projects are not quantifiable or measurable since it consists of both economic (direct & indirect) and social, cultural as well as environmental benefits.

Some Observations

5.30 The pilot growth pole projects are at various geographical locations with a wide range of economic activities. These locations have operating clusters of small, micro and tiny enterprises. The nature and extent of the cluster formation in each of these geographical locations are different in terms of products, people and physical infrastructures with their varying social and cultural background and also in terms of the maturity or growth cycle of the specific sector or cluster. For example, Kollam in Kerala is a relatively developed region in socio-economic terms with well developed clusters, while Chamoli in Uttarakhand has virtually no clusters. Further, in these growth pole regions there is not a single lead

industry/activity, instead each has 3 - 6 activities in terms of employment and all of them suffer on account of low productivity and inefficiency.

5.31 Examination of the DPRs in various states reveal certain commonalities in the problems and issues facing them. These are certain core issues and concerns, which would be addressed for enhancing incomes and employment in the micro and small enterprises in the identified pilot growth pole areas. The core concern areas are described in following paragraphs.

Marketing

5.32 Marketing has been the major concern for all the units in the small, micro and tiny enterprises in the unorganised sector. This is true for the artisan clusters in Sikandra (Rajasthan), the Kosa cluster in Champa (Chhattisgarh), the agri-based production in Chamoli (Uttarakhand) and the artisan groups in Kerala to cite a few examples from the DPRs. Looking into the sizes and locations of these units it is difficult for them to market their products at a reasonable price and are under compulsion to sell the products through middle men/ agents. In view of the low volume of production it is difficult for a single unit to directly make the supplies to the larger markets/buyers.

Marketing related constraints which have come to focus are:

a) Market related information
b) Capacity including the financial capacity to exploit emerging markets
c) Volume of production
d) Developing marketing linkages
e) Competitive pricing
f) Developing product design and product diversification

The market support expected to be extended to these units by institutions like National Small Industries Corporation (NSIC), State Industries Development Corporation (SIDC) and other similar public institutions such as the state KVICs, or sector specific boards such as Coir Board, etc., is also not available widely and sufficiently.

Input & Raw Materials

5.33 A wide variety of input materials is required by the units in the clusters in the growth pole areas. Thus, availability of raw materials is a constraint for the Kosa cluster in Champa despite the presence of a large artisan community. Moreover, the availability of working capital with the units being scarce, their capacity to buy the required input material is limited, particularly at times when the material is most needed by them. They have to depend on the middle-men or agents to fulfil their requirements. The co-operative societies, State Industries Development Corporation (SIDC), and other state agencies, which are expected to facilitate the small, micro and tiny units in the procurement of raw materials are not being able to do so. These enterprises are vulnerable to sudden supply scarcities of input materials and volatility in their prices and make it difficult for them to be competitive.

Technology

5.34 Majority of these small, micro and tiny enterprises have been operating with traditional and conventional technology. The cashew and coir enterprises in Kollam (Kerala) have not up-graded their technology for decades resulting in declining competitiveness compared to other locations in India and international competition. The obsolescence in this sector has been a major concern and a handicap for the growth of these sectors. The lower productivity is directly linked to the issue of traditional and inefficient technology in use.

Credit &Finance

5.35 Credit and availability of finance constitute yet another issue, voiced by the artisans, weavers and small enterprises at different points of time and at various levels. In spite of the guidelines from Government of India and Reserve Bank of India for priority credit to the small, micro and tiny sector, the non-availability of adequate and timely credit is a major anxiety for all concerned. Several existing schemes of the Government are also not

tapped by these producer groups. For example, the estimated 15,000 weavers in the Sikandra area (Rajasthan) function as the home-based producers who are thus paid a daily rate or piece rate for work undertaken for middlemen. Confederation of these weavers into an SPV or a legal entity will enable them to also access finance and tap government schemes towards their upliftment.

Organisational Structure & Institutional Support

5.36 The existing co-operative societies and the local associations have become inactive, poorly managed, non-functional and even a few of them have become defunct over a period of time. This has been observed in the case of coir industry in Kollam (Kerala) where the sector is performing poorly despite the presence of cooperatives. There is strong dependence on the governmental system of support as opposed to creating robust market linkages. In the Champa project, formation of Self Help Groups (SHGs) is recommended as a key step towards enabling small producers to benefit even from the existing institutions that support their trade.

Thus, there is an urgent need to reactivate and to establish a sustainable, effective and efficient organisational structure, which is participatory and sensitive to the needs of these micro units in the form of consortiums of Self-Help Groups to achieve this objective. Moreover, these consortia should be partnered by robust market players on equitable terms in order to ensure that a fair share of the benefits of growth goes back to the producer community. Innovative Public Private Community Partnerships (PPCP) are required for successful plough back of gains to these communities. These have been proposed in the DPRs. Such structures have been described in detail for specific sub-projects to be undertaken in all the Growth Pole project areas – e.g. tourism interventions in Kerala and Uttarakhand, artisan producer's associations in Champa and Sikandra and so on.

5.37 There are already multiplicity of schemes and programs for credit, technology, marketing and welfare. There are also multiple governmental and non-governmental agencies for their delivery to this sector but the outreach, coverage and impacts are well evident by their absence at the grass root level. These agencies need to synergise to extend a collaborative institutional support mechanism for effective delivery. A mechanism to facilitate synergised support of multiple developmental schemes to sectors within a growth pole is critical to achieving the "growth magnet" effect. Thus, an innovative institutional structure is needed for sector/service specific programs to achieve financial sustainability and equity in the growth pole programme. Such a mechanism needs to factor in the commercial orientation of the private sector with the developmental objectives that government institutions have in a robust framework. Specific PPP structures for a robust implementation mechanism with strategic partners have been proposed in the DPRs towards this end.

Infrastructure

5.38 Physical and social infrastructure is essential for any economic activity to establish and flourish. Basic minimum physical infrastructure in terms of road, water, power, telecommunications are required to be provided for the people to facilitate them in their ventures. In almost all growth poles, the DPRs have identified critical gaps in infrastructure, particularly the link roads, water supply, power supply, health and maternity facilities, educational and skill development institutions, and common service facilities.

5.39 The DPRs have budgeted the infrastructure requirements that are specific to the project areas and supporting the sectors identified for interventions. For example, solid waste management has been proposed in Chamoli Growth Pole as it is a specific imperative to the area, while support to water, power, roads, telecommunication, education, etc., have been proposed in almost all the growth pole projects. Both these interventions provide critical support to the overall developmental plans for the areas.

Capacity Building

5.40 Most of the units in the growth pole areas are with low levels of capital and skills and are operating on conventional lines. Inputs in terms of design, equipment and machinery, tooling, testing facilities, process and production techniques, etc., are urgently required to enhance their production base. As these small, micro and tiny units, by themselves, are not capable enough to access these inputs support in terms of Common Facilities Centres (CFCs), Design Cells, Service Centres, Testing Facilities, etc., are needed to be provided or extended. Moreover, as the product groups are diversified, nature and extent of the support required would be different in various clusters. The services of R&D and technical institutions associated with the product groups are required to study the respective clusters in terms of better equipment and tools, production techniques, energy efficiency and for improving the productivity. Each pilot growth pole area has been surveyed and on the basis of interactions with stakeholders, focused interventions to build-up the production capacities incorporated in the DPRs.

5.41 The existing schemes of government and present institutions have been factored in to the overall programme. For example, the Centre for Development of Stone has been identified as the partner for capacity building in the stone sector in Sikandra Growth Pole. Capacity building initiatives have identified existing institutions and program to be dovetailed into each of the growth pole projects.

Social Harmonisation

5.42 Growth pole areas of the unorganised sector enterprises are inhabited by people from different social and cultural background engaged in various economic activities. In many instances, specific communities undertake given economic activities. For example, the fisheries in Kollam are undertaken by the most backward socio-economic groups; similarly leather work in Sikandra is mostly within a specific community. The interventions proposed aim at ensuring the inclusion of the disadvantaged groups within the area even while offering opportunities for other communities to participate and benefit from the interventions suggested.

Employability & Self-Employment Opportunities

5.43 The Government's focus is also on generating self-employment opportunities for the youth. This is to promote and inculcate entrepreneurship so that they could establish their own small enterprises in manufacturing, trade and services and could become "employment givers" rather than "employment seekers". Each growth pole project has identified opportunities for employment based either on the inherent strengths of the area, e.g. artisans in stone, carpet and leather in Sikandra; opportunities within the area that can be tapped, e.g. proposed vocational services units in Kollam (Kerala); or the opportunities in the vicinity of the growth pole project area, e.g., the multi-skill development centre in Champa (Chhattisgarh) that aims at tapping opportunities in the adjoining districts.

Emerging Themes

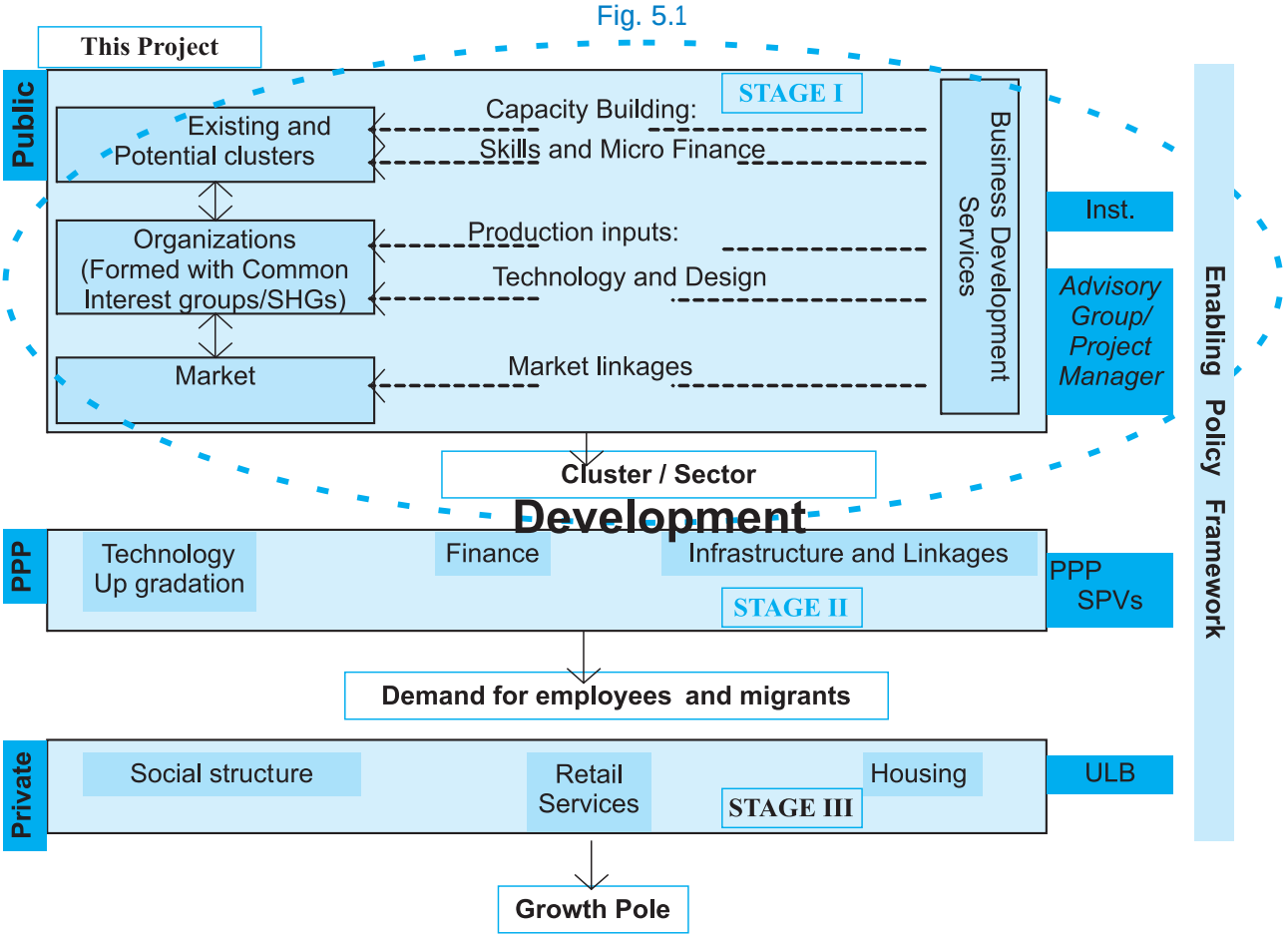
5.44 This section describes the analytical framework for the assessment of growth pole project areas in more specific detail based on the learning from the DPRs prepared for the six pilot projects. This analytical framework has then been combined with the parallel evolution of innovative institutional structures and mechanisms that can achieve a "Growth" momentum with accompanying multiplier effects to the economy of that region. The analytical framework and implementation mechanisms concluded upon will enable development of an overall vision, a program of intervention and implementation structure for the selected growth pole project area regardless of the nature of the local economy to enable sustainable solutions.

Stages of Growth Pole Evolution

5.45 The growth pole approach to development of the regions with multiple industry sectors/clusters envisages three broad stages of evolution. The conceptual framework within which the interventions and projects

are being proposed is represented in fig.5.1 and can be described as under:

Fig. 5.1



5.46 ***Stage1– Confederation*:** The framework within which the proposed interventions have been recommended for any sector across the DPRs envisages the transition of the self-employed entrepreneurs/job workers into larger enterprises. Such larger enterprises will have greater ability to absorb inputs of human development and technology, better access to finance and ability to access and cater to markets. There may be low ability to pay for inputs required at this stage. This stage will have to be facilitated with larger proportion of public funding in partnership with the targeted sectors. This process of confederation will help rapid business growth, which will initially increase incomes and subsequently increase employment across the identified sectors. It will also pave the way for the next stage of development. Some growth pole areas selected are largely in this stage, viz, Chamoli (Uttarakhand) and Champa (Chhattisgarh).

5.47 ***Stage 2 – Industry***: The rapidly growing confederations or clusters in each sector will start focusing on the constraints that inhibit efficient functioning such as infrastructure, technology, inputs sourcing, financial availability and product portfolio innovation. The sector reaches a stage of an industry with common issues impacting the enterprises in the industry. The confederations simultaneously will attempt positioning and "branding"– e.g. association of specific designer stoneware in Sikandra. There will be enhanced ability to pay for the infrastructure and services demanded and there is ample scope for PPP. The textile parks reflect this stage of development, for instance. Similar developments are envisaged for the target sectors in the areas like Kollam, where already activity in cashew and coir occur in scale

but overall technology up-gradation and infrastructure are required with paying ability.

5.48 ***Stage 3 – Development:*** The growth of a competitive industry through strong inter-linkages and external linkages will increase employment opportunities within the industry and create demand for related services "close to home". These services will include:

- Social infrastructure such as education and healthcare facilities
- Retail services – groceries to higher-end consumer products and services
- Residential – up-gradation of homes and demand for more residential spaces close to the work place.

All of the above will require migrants to fulfil the market demand, as availability of relevant skills within the area is limited.

At this stage, no external support is required as there is sufficient "ability to pay" in the project area for a variety of services and goods. Entrepreneurs will respond to these market needs as and when they will evolve. The sectors have thus evolved into a growth magnet for employment in the growth pole area. It is important at this stage, that growth be regulated to ensure best use of land, natural resources and the environment in general.

The Institutional Framework for Implementation

5.49 ***Stage 1–Project Management*****:** The interventions at this stage require the following types of institutions:

- Grass root organisations who can communicate to sector workers to convince them to organise for mutual gain.
- Expert institutions that need to be motivated to work in the project area in different aspects of business and enterprise development.
- Technical training institutes that will create specialised training packages with related facilities to work with sector workers in imparting skill up-gradation and exposure and utilisation of the latest tools of the trade.
- An institution capable of motivating and integrating the efforts of the above types of institutions.

This is the high risk stage of the "Growth Pole" project intervention. It is necessary that the institution entrusted with implementation of interventions has a reward system and tenure linked to the success of the project interventions, i.e., project management.

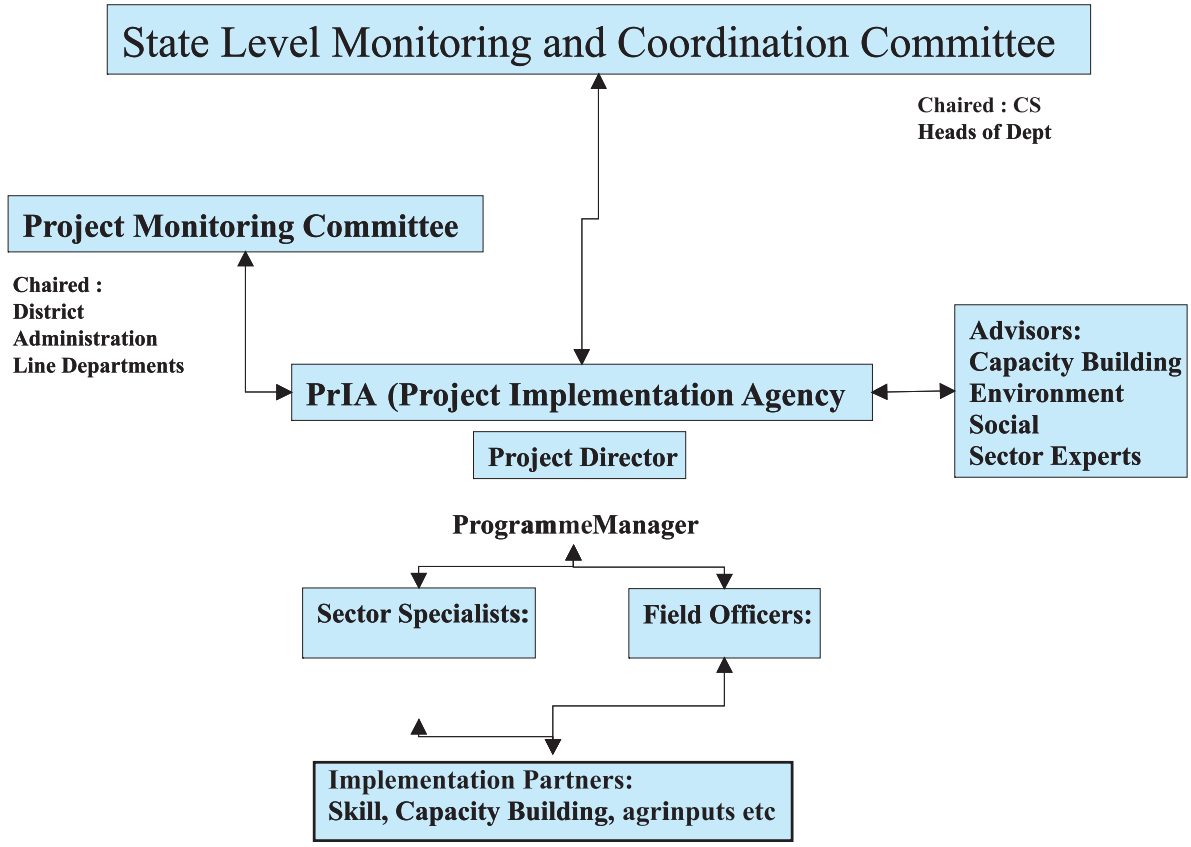
The Public Private Partnerships at this stage are largely "technical support" services with some elements of common production and marketing facilities.

5.50 The proposed implementation structure at this stage will look like as in the fig 5.2.

5.51 The Project Implementation Agency (PrIA) will need to appoint senior managers – one to coordinate field activities at the district/project area level and another to coordinate with state government and Central agencies to ensure timely approvals and coordinated delivery of the existing schemes and programs. Sector specific experts can assist with the interventions program. The commercial viability of the projects undertaken at this stage may not be very viable and it is unlikely that the "organised" private sector would be willing to co-invest at this stage.

5.52 ***Stage 2–Project Area SPV*****:** At the second stage, demand for a variety of infrastructure and business support vehicles in the project area will emerge. The transition from the status of a "sector" activity to a robust "industry" will create some ability to pay. However, some amount of public funding support will be necessary. In order to serve as an anchor to the development, these projects are best facilitated through a Special Purpose Vehicle such as a public/private limited company with participation

Fig 5.2



of the state government with independent private management. Individual project components could be implemented through partnerships of this SPV with specific "expert" partners. Precedents exist in Rajasthan and other states of such umbrella SPVs for investments and projects in specific sectors such as road development, tourism, etc.

5.53 In order for the growth pole concept for the project area to bind, it is necessary that all these SPVs come under a common umbrella. This could be an overall holding company for the growth pole called the Growth Pole Company Limited (GPCL). The GPCL will be a joint venture between the state government and its institutions, developmental finance institutions (NABARD, ICICI Foundation, etc.) and a strategic private sector player. GPCL will be a downstream version of the PrIA (described at Stage I) and will have the following responsibilities in addition to investment in the different SPVs created in the project area:

- Project development – ongoing project development for the area.
- Marketing and promotion of the project area
- Investment promotion
- Management of private contracts

It will additionally:

- Coordinate with the State Implementation and Coordination Committee for ensuring creation of certain assets that will essentially be publicly owned, e.g., roads.
- Bid out contracts to private sector, where appropriate.
- Manage all skill and capacity building initiatives through specialist training partners.

- Award PPP projects to private sector specialists for individual SPVs.

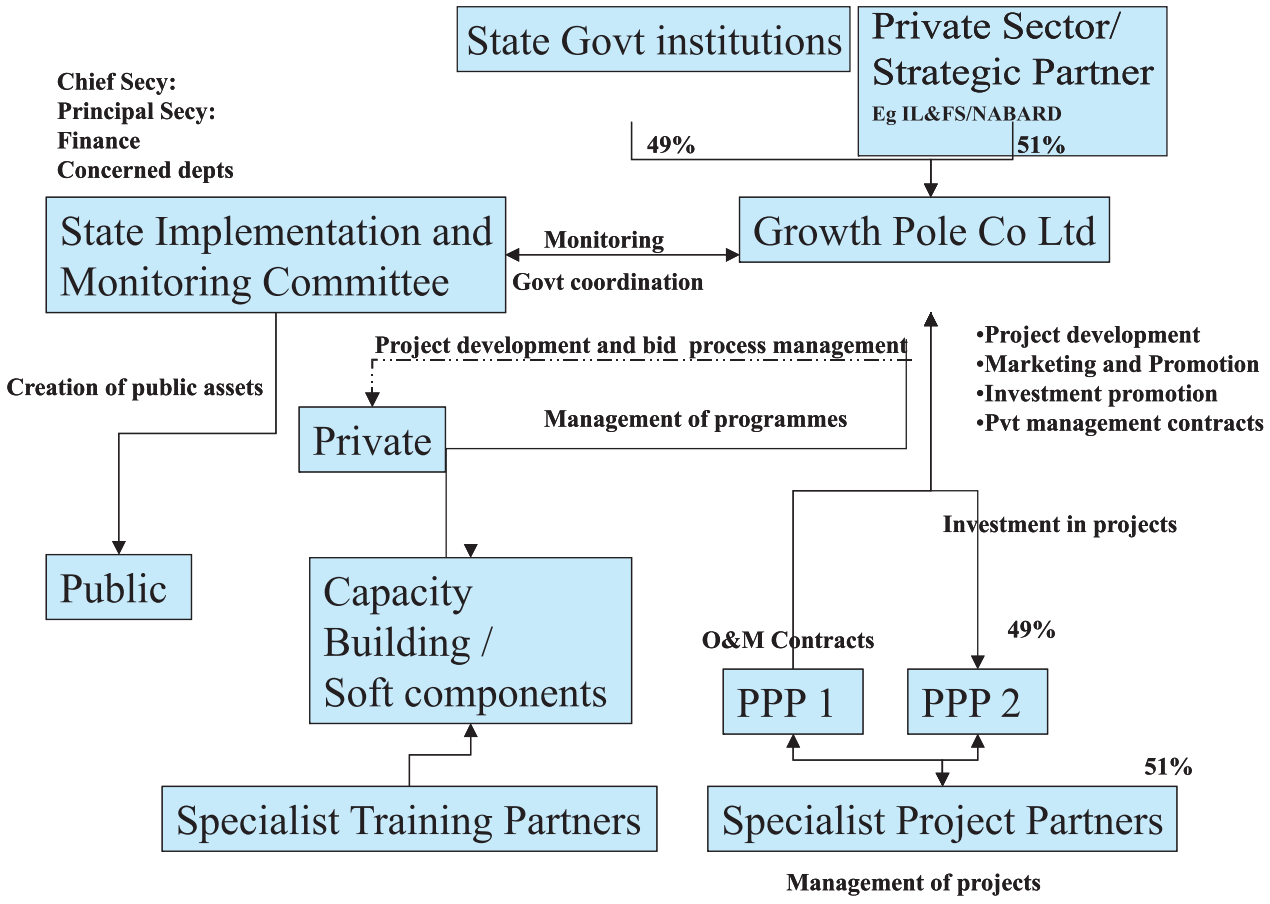
5.54 GPCL will also hold a minority stake in the SPVs that will emerge from the program. Community groups will be co-owners with the private sector specialist who may be given majority stake in the operating level SPV. This achieves the objective of equitable returns to the beneficiary community even while bringing in strong commercially focussed players to enhance success of the projects. The GPCL interest in specific sectors ensures that an overall coordinated program of development is achieved with the government presence being a source of in-built regulation.

5.55 The above arrangement can also be presented as in the Fig 5.3 given below.

5.56 It is necessary to highlight the merits of this proposed long term structure:

1. GPCL will operate on a self-financing mode as the success of the SPVs and ongoing project development will increase its revenues and, thus, will not be dependent on state budgetary support, except for newer initiatives.
2. GPCL will be autonomous and, thus, have the freedom to operate like a private sector entity even while remaining accountable to the government as a key shareholder and through the state level monitoring committee.
3. GPCL's mandate is around the development of sustainable enterprises that will benefit the project area and not a geographical mandate. This avoids another layer of government institutions while

Fig 5.3



giving the freedom for GPCL to invest in assets and resources outside the project area if it benefits the project area. Land availability and other commercial factors may favour creation of the facilities outside the project area, which GPCL will then be able to pursue.

4. It is conceivable that the expertise vested within the state institutions through its boards can be accessed by GPCL as a service provider to projects, thus integrating all available expertise into its on-going efforts.

5.57 Stage 3 - Urban Development Authority: The creation of 50,000 or more jobs in a defined project area will lead to a quasi-urban context with a population of about 2.5 lakhs (given average household size of 5) in a defined geography. The demand for a variety of services described earlier will have to be met in a regulated manner to avoid the ills of rapid urbanisation. The project area SPV will expand to provide a wider array of services that can be classified as "Urban Amenities" such as waste management, sewerage, water supply, public transportation, etc. The project area SPV will continue to promote the area for economic activity and be financially self-sustaining. Simultaneously, it is necessary to have a regulatory body for managed growth of the area and "Master Planning". This could be done through up-gradation of the project area SPV with a mandatory Advisory Board that approves "Master Plans".

6 Case for Growth Pole

6.1 The foregoing chapters have attempted to give an overview of the unorganised sector, the issues which need to be addressed for sustaining the sector, the concept of cluster and of up-scaling them through the growth pole. Chapter 5 also mentions the guidelines for the growth poles as formulated by the NCEUS, provides a picture of how they would function on the ground and an assessment of their impact on the area chosen by the state governments.

6.2 As would be seen in this report, large number of area based industrial development strategies are currently under implementation in India and elsewhere. Notable among them are the Industrial Estates, Industrial Parks both general and product specific such as leather, textile, food processing, information technology, SEZs, cluster development, etc. Among these, cluster development seems to have emerged as one of the important strategies for the development of small, micro and artisan based industries as is evident from the number of such programs being implemented by various ministries/departments of the Central Government and also by the state governments. The cluster development approach has the advantage of benefiting large number of people engaged in the clusters and up-scaling them into competitive enterprises through economies of scale. The cluster development strategy has, however, certain limitations as it does not provide inter-connectivity within the region and hence fails to reap the potential of the growth that exists outside the clusters but within the region. The NCEUS is of the view that greater benefits will emerge to both the cluster(s) and the region if the strategy of growth pole is adopted for the development of small, micro and other unorganised enterprises.

Cluster Development v/s Growth Pole

6. 3 In order to appreciate the superiority of 'growth pole approach' over the 'cluster development approach,' it is essential to look into the differences between the two approaches:

(i) Cluster development has impact on a small geographic area and limited number of artisans/enterprises engaged in the cluster typically ranging from 20 to 500 artisan families, whereas growth pole involves a much bigger area. While the cluster brings out improvement in the products manufactured by homogenous units, the growth pole brings out improvement in all the clusters located in the specified region as well as in the overall economy of the region by linking and up-scaling all the existing points of economic activities.

(ii) The cluster approach leads to improvement in income, employment and productivity of the units and the workers within the clusters. The growth pole approach will lead to improvement in income, employment, infrastructure not only within the clusters but also within the growth pole area.

(iii) Cluster development is generally a uni-product approach and involves development of one specific sector/product, whereas growth pole lays emphasis on multi-sector/product development.

(iv) Clusters may not lead to extension of multiplier effect from the units in the cluster to the region as a whole. Growth pole brings a chain of inter-related developments in the region.

(v) In-addition, the growth pole approach aims at inclusive growth of all unorganised workers within the region in all segments/activities. In fact, the focus of the growth pole is on the unorganised sector, a dominant theme of the Indian economy.

(vi) Growth Pole is based on *in situ* strengths and not on transplantable investments.

6.4 Further, the growth pole approach could be differentiated from other schemes of the government in the following way:

- The growth pole builds on the existing resources and strengths – natural resources, human resources, ongoing schemes – and sectors with potential in a given area, rather than seeking any external interventions.
- It does not involve acquisition of land as in the case of SEZs, industrial parks, industrial estates, etc.
- The focus of growth pole is on outcomes, viz., employment and income gains.
- It integrates all the existing and potential points of growth in the region.
- The growth pole approach attempts to move projects that can be financially sustainable into an innovative PPP framework that links the financial sustainability of the SPV to the success of the growth pole programme.

6.5 The foregoing differentiation in approach is evident from the ground situation of growth poles **(Annexure 6 to Annexure 11)** from where it would be noted that all the projects, besides promoting the existing sectors/ activities, aim at adding new areas of growth within the growth pole region. For example, Sikandra Growth Pole in addition to promoting the existing cluster based activities of stone, carpet and leather will also lead to development of tourism, dairy, agro-processing, brass ware and wood. Similarly Chamoli Growth Pole will add to new activities like livestock and handicraft development, besides promoting existing tourism and horticulture. Kollam Project of Kerala envisages promotion of new activities like tourism, lake development, and craft over and above the existing sectors of cashew, fisheries, and coir. So is the case with the other projects. The population of the growth pole regions is about 5 lakhs except in the case of Chamoli where it is only over a lakh.

6.6 The growth pole concept aims at bringing improvement both at micro and macro levels, brings out better convergence among developmental programs and agencies in the region and also development of infrastructure in the region at a much bigger scale than in a cluster. The approach has the added advantage of bigger market network and brings into fore a host of social and cultural changes in the area and bridges the gaps which exist in the cluster development program. Thus, the concept of growth pole is definitely an improvement over the cluster development approach. In fact, it enhances the benefits of the cluster manifold as it focuses on the total area development taking the existing clusters as a centre of economic activities on which the further development is based. This, when pursued, shall lead to increase in the production base and employment generation in the unorganised sector besides augmenting incomes of unorganised workers and artisans.

Recommendations

6.7 Eleventh Five Year Plan (2007–2012) has sought a 12 per cent industrial growth rate to achieve the projected GDP growth rate of 9 per cent per year during the Plan period. This will be possible only by strengthening the production base of the small, micro, tiny and artisan units, diversifying their products and services and enlarging the domestic and export market segments.

6.8 The growth pole is a step further to cluster development in that it focuses efforts in a contiguous geographical area on all clusters and activities with potential to create sustainable employment and incomes for the *in situ* population with accompanying socio-economic gains. Implementation of the program takes in to account pro-active participation of the government, the private sector and the beneficiary groups as opposed to passive provision of funds through schemes. These have been articulated in the DPRs and have been summarised in the earlier chapters.

6.9 The growth pole model as articulated in this report:

- Is an inclusive one especially for the weaker and marginalised segments of society.
- Builds upon the inherent strengths and opportunities in an area.
- Focuses on assisting the transition of unorganised sector enterprises into a competitive organised sector.
- Is not based on provision of land.
- Is geared towards long term sustainability.
- Builds upon and cements the gains that can accrue through all existing programmes and schemes of the government.
- Proposes a robust and pro-active implementation structure that will facilitatethe success of the program for its continuance.
- Gradually shifts segments that are viable, away from dependence on grants and government schemes.

It emerges that the growth pole is a model, which could accelerate the pace of development of micro and small enterprises sector and should, thus, be adopted.

6.10 In the light of the foregoing, the Commission recommends adoption of growth pole model as the strategy for the development and strengthening of the unorganised sector enterprises in India. The Commission's recommendation on growth poles is based on the assumption that the clusters, once developed, would unleash the multiplier effects, expand production and employment, help tap positive externalities (production linkages, common social overhead capital, and different service delivery networks) and tackle negative externalities.

6.11 The Commission recommends that twenty five growth poles (one in each state) be supported during the Eleventh Plan. It may be mentioned that this recommendation also formed part of the Commission's Report on "Condition of Work and Promotion of Livelihood in the Unorganised Sector' as one of the Action Plans for the development of Unorganised Sector.

6.12 The Commission proposes that an SPV may be formed for the Growth Pole consisting of stakeholders from within and outside the area to enable focused development in the project region. This is proposed to be initiated under a public private partnership approach where the stakeholders are participants from the inception of the programme.

6.13 The Commission also recommends that "Growth Pole should be given the same incentives currently being offered to Special Economic Zones (SEZs). This will facilitate the unorganised sector infant enterprises and thus have a stimulating multiplier effect on the economy. A detailed note on 'Growth Pole: A Case for Special Economic Zone (SEZ) for Clusters of Micro and Tiny Enterprises' already submitted to the Government (2008) is at **Annexure 12**.

6.14 However, for the successful implementation of the growth pole projects, following issues must be addressed:

a. A new implementation mechanism be evolved on a PPP mode for the timely, effective and beneficiary-oriented roll-out at the grass root level.

b. The approach and strategy to be adopted in growth pole projects should be multi-sector, multi-disciplinary, linkage-oriented, participatory, consultative and outcome-oriented and should build-up on the need-based physical and social infrastructure.

c. The DPR should be so structured that it works like a hand book and leading to an action plan so that the implementing agency clearly understands from the report the whats and hows of the doables, sector-wise. It should provide a do-able year-wise roll-out plan. The DPR should also provide demonstrative models for the proposed programmes and activities.

d. A comprehensive policy package/scheme should be prepared with physical and financial participation of the Central and state governments, banks, financial institutions, etc., with clear demarcation of roles and activities of users/private sector stakeholders.

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Annexures

Annexure 1

No. 5(2)/2004-ICC
Government of India
Ministry of Small Scale Industries

New Delhi, the 20th September, 2004

RESOLUTION

Subject : Constitution of a National Commission on Enterprises in the Unorganised/ Informal Sector.

United Progressive Alliance Government had committed in its Common Minimum Programme to set up a National Commission on Enterprises in the Unorganized/Informal Sector, accordingly the Government has decided to set up the National Commission on Enterprises in the Unorganized/Informal Sector as an advisory body and a watchdog for the informal sector. The Commission will recommend measures considered necessary for bringing about improvement in the productivity of these enterprises, generation of large scale employment opportunities on a sustainable basis, particularly in the rural areas, enhancing the competitiveness of the sector in the emerging global environment, linkage of the sector with institutional framework in areas such as credit, raw material, infrastructure, technology up-gradation, marketing and formulation of suitable arrangements for skill development.

2. The Commission will have the following composition:

Dr. Arjun Sengupta	-	Chairman in the rank of Cabinet Minister.
Dr. K. Jaishankar, Former Vice Chancellor, Warangal University	-	Full time Member in the rank of Secretary to the Government of India.

Another full time Member and a Member Secretary in the rank of Secretary to the Government of India will be appointed later. In addition, some part time members would be included later on.

3. The terms of reference of the Commission will be as follows:

i. Review of the status of unorganized/informal sector in India including the nature of enterprises, their size, spread and scope, and magnitude of employment;

ii. Identify constraints faced by small enterprises with regard to freedom of carrying out the enterprise, access to raw materials, finance, skills, entrepreneurship development, infrastructure, technology and markets and suggest measures to provide institutional support and linkages to facilitate easy access to them;

iii. Suggest the legal and policy environment that should govern the informal/unorganized sector for growth, employment, exports and promotion;

iv. Examine the range of existing programmes that relate to employment generation in the informal/ unorganized sector and suggest improvement for their redesign;

v. Identify innovative legal and financing instruments to promote the growth of the informal sector;

vi. Review the existing arrangements for estimating employment and unemployment in the informal sector, and examine why the rate of growth in employment has stagnated in the 1990s;

vii. Suggest elements of an employment strategy focussing on the informal sector;

viii. Review Indian labour laws, consistent with labour rights, and with the requirements of expanding growth of industry and services, particularly in the informal sector, and improving productivity and competitiveness; and

ix. Review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage.

4. The Commission will devise its own procedures and may consult such officers as it may consider necessary. It may commission studies as may be required from time to time. It may also call for such information and take such evidence as it may consider necessary. The Ministries/Departments of the Government of India and of States/UTs will furnish such information, documents and other assistance as may be required by the Commission.

5. The term of the Commission will be for a period of one year. The Commission will submit periodic reports to the Government.

Sd/-

(Stuti Kacker)
Joint Secretary to the Government of India

ORDER

Ordered that the Resolution be published in the Gazette of India.

Ordered also that a copy of the Resolution be communicated to the Ministries/ Departments of the Government of India, State Governments / Administration of Union Territories and all other concerned.

Sd/-

(Stuti Kacker)
Joint Secretary to the Government of India

Annexure 2

NCEUS Chairman's letter to State Chief Ministers on Growth Pole

D.O. No. A - 25024(4)/2005/NCE June 02, 2005

Dear

The Government of India has constituted the National commission for Enterprises in the Unorganized Sector (NCEUS) pursuant to a commitment made by the United Progress Alliance in its National Common Minimum Program to establish a National Commission to examine the problems confronting the enterprise in the unorganized/ informal sector and make appropriate recommendations to provide technical, marketing and credit support to these enterprises.

The National Commission for Enterprises in the Unorganized Sector is proposing the formation of Growth Poles in different parts of the country with a view to integrating within a geographical location a number of cluster of production units engaged in manufacturing services and non-farm activities and facilitating the expansion of production and employment in small and micro enterprises. The Growth Poles would incorporate the concept of the Scheme of Provision of Urban Amenities in Rural Areas (PURA) that has been advocated by Dr. A.P.J. Abdul Kalam, President of India.

In the first instance, the Commission is proposing a few pilot Growth Poles for consideration by the Government as mentioned in the Finance Minister's Budget Speech, 2005-06.

For the conduct of the proposed pilots, it is essential to identify a number of multi-product industrial/artisan/ handloom and handicrafts clusters that have the potential to evolve into Growth Pole. In order to facilitate the identification of these prospective Growth Poles, it is requested that your State Government may provide a list of up to three such multi-product cluster having the requisite potential. The Commission would thereafter forward a shortlist of possible Growth Poles to the Government and it is expected that some of these would be taken up for conducting pilots in the current financial year. In this regard, Member Secretary of the Commission has written to your Chief Secretary for providing information to the Commission. A copy of the letter that has been sent is enclosed.

We shall be grateful if you could send your recommendations along with reasons therefore in two weeks time to enable this Commission to formulate its recommendation to the Government. I would also welcome any further information that may be furnished by your State that would facilitate selection of clusters for pilot projects for Growth Poles.

Yours sincerely,

Sd/-
(Arjun K Sengupta)
Chairman

To,
Chief Ministers of all the states.

Annexure 2A

Member Secretary's Letter to Chief Secretaries

D.O. No. A-25024(4)/2005/NCE June 01, 2005

Dear

The Government of India has constituted the National Commission for Enterprises in the Unorganized Sector (NCEUS) pursuant to a commitment made by the United Progressive Alliance in its National Common Minimum Program to establish a National Commission to examine the problems confronting the enterprises in the unorganized/ informal sector and make appropriate recommendations to provide technical, marketing and credit support to these enterprises.

The National Commission for Enterprises in the Unorganized Sector is proposing the formation of Growth Poles in different parts of the country with a view to integrating within a geographical location a number of clusters of production units engaged in manufacturing services and non-farm activities and facilitating the expansion of production and employment in small and micro enterprises. The Growth Poles would incorporate the concept of the Scheme of Provision of Urban Amenities in Rural Areas (PURA) that has been advocated by Dr. A.P.J. Abdul Kalam, President of India.

The idea of Growth Poles is an extension of the idea of clusters based on the economics of inter-dependence of different producing units in a particular geographical concentration, creating the scope for duplication and extension of those activities in larger contiguous areas that would eventually cover the whole of the country. These Growth Poles would also combine effectively the essential features of the proposed scheme of PURA of providing urban amenities in rural areas. The inter-dependence of these units allows them to enjoy external economies from their simultaneous and complementary functioning. Such positive externalities are derived from (a) forward and backward linkages in productive activities, such as units using each other's demands for inputs and production of output, both within and outside the area; (b) use of common facilities for social overhead capital like road, other forms of transport, communications and marketing connections, both within the country and for exports; (c) utilizing common services of education, health, sanitation, housing, water etc.; (d) allowing inter-linkages of different services to develop a network with the clusters of activities. The main idea is that if the units were to function in isolation from each other, the costs of these units would be much higher than when they are acting together. If nothing else, the fixed costs are spread over a broader base. Indeed, the issue is not only one of exploiting positive externalities; it also becomes more cost effective to cope with negative externalities, like generation of waste and other forms of pollution.

In the first instance, the Commission is proposing a few pilot Growth Poles for consideration by the Government. This proposal has also found mention in the Finance Minister's Budget Speech, 2005-06. The relevant passage of the Budget Speech is reproduced below.

"78. The unorganized or informal sector accounts for 92 percent of the employment and absorbs the bulk of the annual accretion to the labor force. PURA or Provision of Urban Amenities in Rural Areas is an idea that contains within itself possible solutions to a number of problems that afflict rural India such as unemployment, isolation from markets, lack of connectivity and migration to cities. The National Commission on Enterprises in the Unorganized/ Informal Sector has proposed pilot projects for 'growth poles' applying the PURA principles. The objectives are to expand production and employment in the unorganized enterprises around existing clusters of industrial activities

and services as well as encourage the formation of new clusters. Once the proposals are firmed up, Government will take up the creation of a few growth poles, as pilot projects, in 2005-06".

For the conduct of the proposed pilots, it is essential to identify a number of multi-product industrial/artisan/ handloom and handicrafts clusters that have the potential to evolve into Growth Poles. In order to facilitate the identification of these prospective Growth Poles, it is requested that your State Government may provide a list of up to three such multi-product clusters having the requisite potential.

The Commission would thereafter forward a shortlist of possible Growth Poles to the Government and it is expected that some of these would be taken up for conducting pilots in the current financial year. We shall be grateful if you could send your recommendations along with reasons therefore in two weeks time to enable this Commission to formulate its recommendation to the Government. The Commission would also welcome any further information that would facilitate selection of clusters for pilot projects for Growth Poles.

Yours sincerely,
Sd/-

(Kamal Kant Jaswal)
Member Secretary

To,
Chief Secretaries of the States & UTs

Annexure 2B

Program of Growth Pole

Information Required from State Government for Growth Pole Project Proposal

I Structure of the Cluster-based Growth Pole Program Proposal

S.N.	Particulars
1.	Preface
2.	General information on identified location of Growth Pole, including distance from State/District Headquarters, geographical features, demography, socio- economic profile, etc.
3.	District map showing location of the proposed Growth Pole.
4.	• List of manufacturing and service sector clusters dominated by small firms. • [Provide cluster wise details in table below]
5.	Assessment of the capacity of existing/incipient institutions, including credit institutions, industry /artisan associations & NGOs, extension & training infrastructure.
6.	Objectives of Growth Pole Program
7.	Identification of the gaps in relation to the proposed Growth Pole objectives
8.	Social infrastructure in position / proposed e.g. - institutions of education, health-care, housing and sanitation, industrial training institutes/engineering colleges, working women's hostels, etc.
9.	Status of physical infrastructure - roads, power, water, pollution treatment plants, nearest railway station, airport, sea port, air cargo, container depot / raw material depots.
10	Scope of work - outline the elements/ tasks to be performed under the program.
11.	Estimated costs and proposed mode of funding (scope for public - private partnership)
12.	Overall implementation agency e.g. state SIDC / industry association, new special purpose vehicle
13.	Methodology for bringing about convergence in the activities of different development agencies.
14.	Year wise activity schedule

Cluster-wise Details

1.	Location of the cluster
2.	Product mix (manufacturing as well as services)
3.	Number of units
4.	Average investment in plant & machinery
5.	Total employment
6.	Total production/turnover
7.	Total exports
8.	Raw materials, inputs & services used
9.	Percentage of 8 above procured locally
10.	Level of technology currently employed
11.	Availability of skills
12.	Availability of credit
13.	Marketing arrangements
14.	Existing common facilities
15.	Brief SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the cluster.
16.	Activities to be undertaken under Growth Pole program in regard to: · Physical infrastructure · Skill up-gradation · Technology infusion · Credit supply · Marketing support · Extension, networking capacity building
17	Projected incremental investment, production and employment in the cluster.
18.	Lead institution / agency identified

Annexure 3

FORMAT FOR SEEKING INFORMATION FOR SELECTION OF GROWTH POLE PROJECTS

State :

Coordinating Ministry/Department :

Name of Coordinating Officer :

Designation

Contact Address :

Contact Number :

E-Mail :

Fax Number :

General Information :

Location of the proposed Growth Pole :

District :

Distance from State HQ/District HQ :

Geographical & Social Indicators :

District map (showing the location of the proposed Growth Pole) :

Demography & socio-economic aspects :

Total population :

Percentage of SC & ST :

Density :

No. of villages :

Average village size :

Average no. of households per village :

Average family size :

No. of households living below poverty line :

Sex ratio :

Literacy :

Social Infrastructure	:	**In position**	**Proposed**
Education	:		
Health	:		
Sanitation	:		
Housing	:		

Physical Infrastructure	:	**In position**	**Proposed**
Power	:		
Water	:		
Roads	:		
Nearest Railway Station	:		
Nearest Airport	:		
Seaport	:		
Air cargo facility	:		

List of Clusters dominated by small firms in GP Area
(Provide the cluster-wise details as in the enclosed **Annexure 2A**) :

Institutional Set-up	:	**In position**	**Proposed**
(Name, address, contact no. of existing governmental & non-governmental institutions, banks, professional bodies, associations, training institutions etc.):	:		

Scope of the work
(outline the proposed programs & activities to be performed under the program) :

Estimated Cost
(with proposed mode of funding with contributions from the state government, Central Government/banks/financial institutions & private) :

Identifying the Nodal Agency
for the overall coordination & implementation of the project :

Year-wise Schedule of Proposed Activities
with their coverage, objectives & impacts :

Any Other Salient Features
in respect of the proposed Growth Pole Area :

Signature
Designation
(Designated Authority)

Date :
Place :

Annexure 3A

Cluster-Wise Details for Consideration of Growth Pole Project

(Please photocopy this format and fill-up separately in respect of each cluster)

Cluster Name :

Location :

Product-mix (manufacturing as well as services) :

Number & Nature of Units :

Total Employment :

Plant & Machinery (major equipment & machinery used with average investment per unit) :

Input Materials
(major input material & services used. Indicate the average requirements, quantity & values per year & their sourcing) :

Total Production (in terms of quantity & value per year) :

Marketing :

Domestic :

Export :

Credit (credit needs of the units & its availability) :

Existing Common Facilities :

Technical Skills (availability of skilled, semi-skilled & un-skilled manpower) :

Brief SWOT Analysis of the Cluster
(highlighting the strengths, weaknesses, opportunities & threats) :

Interventions Proposed under the Growth Pole Project in the Cluster in respect of :

- Physical Infrastructure :
- Social Infrastructure :
- Technical Skills & Training :
- Technology Up-gradation :
- Institutional Support :
- Standardization & Quality :
- Marketing Support :
- Facilitating Credit Needs :
- Any Other Relevant to the Cluster :

Projected Incremental Investment, Production, Employment, Income Generation & Other Likely Impacts :

Annexure 4

National Commission for Enterprises in the Unorganised Sector

F. No. A-25024/4/2005-NCEUS
Government of India

16th /19th Floor, Jawahar Vyapar Bhawan
1 Tolstoy Marg, New Delhi 110001
Dated the 10.11.2006

ORDER

Subject: Constitution of Technical Experts Group on Growth Pole.

It has been decided to set up a Technical Experts Group to take their inputs on Growth Pole proposals and other relevant issues.

2. The composition of the Group shall be as follows:
   1. Dr. Dinesh N. Awasthi, Director, Entrepreneurship Development Institute of India, Gandhi Nagar.
   2. Dr. Sarita Nagpal, Confederation of Indian Industry (CII), New Delhi.
   3. Shri Mukesh Gulati, Focal Point Manager, New Delhi.
   4. DC SSI and / or his representative.
   5. Secretary, Department of Industrial Policy and Promotion (DIPP) or his Representative.
   6. CMD, HUDCO or his representative.

3. The Terms of Reference of the Group shall be as follows:
   - 3.1 Identify the constraints, characteristics and specificities faced by the Unorganized Sector within the concept of Growth Pole and its utility to solve the problems of this sector.
   - 3.2 To examine the proposals submitted by the state governments for Growth Pole before the Commission and to suggest innovative mechanisms for formulation of the Growth Poles.
   - 3.3 Expanding the employment and production of the enterprises in the selected multi-product industrial clusters or groups of clusters and encourage the formation of new clusters in a Growth Pole;
   - 3.4 Integrating the unorganized units with the mainstream process of economic growth through the creation of markets and the use of market-related incentives with promotional assistance of the government;
   - 3.5 Expanding industrialization in the country, through the growth in the productivity and efficiency of the unorganized sector through small and micro enterprises and rural industrialization keeping in view the principles of provision of Providing Urban Amenities in Rural Area (PURA).

4. The expenses towards TA/DA of the official members of the Group shall be met by the government departments/ institutions to which they belong. The TA/DA of non-official members and invitees to meetings will be paid by NCEUS as admissible to Grade I officers of the Government of India

(D.P. Singh)
Under Secretary, NCEUS
Ph: 23701131

To,

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Annexure 5

Suggestions & Observations of Technical Expert Group (TEG) on Growth Pole made in Various Meetings while Considering Inception Reports and DPRs

- Growth Pole area under consideration to have clusters and critical mass for viable economic interventions following the concept of the Growth Pole being cluster of clusters. Map economic size of the place accordingly.
- Growth Pole concept not just limited to rural areas alone but also to include towns owing to tourism related aspects
- Include farm-based sectors also in the Growth Pole area in view of the limited clusters of Handicrafts and other industrial activities and agriculture being the major source of livelihood..
- Collect various socio-economic data related to the area covered under Growth Pole project.
- While mapping existing clusters, focus on analysing potential that exists in those areas. The ones with no or little economic future need to be supported for issues such as relocation, diversification of options of livelihood, etc.
- Undertake mapping of local community based organisations such as NGOs, cooperatives, industry associations / guilds, social institutions, etc., for community driven interventions and build on existing social capital and areas of cooperation.
- Organising people into groups/cooperatives should be one of the key objectives for ensuring community participation for various developmental activities in the Growth Pole area.
- Look beyond what is already going on in the Growth Pole area for suggesting intervention, ascertain viability of proposed activities and provide justifiable outputs.
- Inter-relate sector-wise interventions and establish linkages to bring about the overall impact in the Growth Pole area.
- Suggested interventions to also take into account multiple economic livelihood options as multiple sources of livelihood are common in the case of artisans in traditional activities.
- Additional employment generation, creation of sustainable livelihood and substantial income generation including those for artisans to be the guiding factor for all interventions in the project area.
- Interventions for various identified clusters to relate to soft inputs as well as to physical interventions such as road, water, etc., with specific details for common benefit in all economic activities in the Growth Pole area.
- Consider proportionate cost of infrastructure projects, such as water supply, only to the extent it has critical bearing on the growth of the enterprises/ sectors/ clusters in the Growth Pole.
- Prioritise suggested activities and project expected outcomes from each of the prioritised interventions in the short, medium and long term. Identify few focus activities for immediate interventions and visible impacts in the Growth Pole area.
- Make suggested interventions community and market-based for long-term sustainability as excessive focus on formal public institutions with reliance on subsidy and pressures for credit mobilisation through banks may not lead to sustained development.
- Project micro credit requirements based on value chain maps of each of the clusters and those that may exist across different value chains and identify institutions that may provide micro-credits in the Growth Pole area.
- Study prevalent structure of credit market for formal and informal sector and also the role and reach of SHGs in the Growth Pole area for providing appropriate credit support.

- Provide need analysis of specific interventions in terms of value addition, dis-intermediation, access to broader markets, sample size of households, subsidiary occupation of artisans, inputs regarding organisational structure - co-operatives and SHGs, etc.
- Initially the focus in the Growth Pole project should be on primary sectors (cultivation of pulses, poultry farming, etc.) and areas in secondary sectors (production of silver art wares, etc.,) could be taken up subsequently.
- Explore utilisation of the available wasteland in the Growth Pole area for identified economic activities.
- Potential of Non-Timber Forest Produce (NTFP), horticulture, handicrafts and other activities should be explored and incorporated in the Growth Pole projects in view of the number of NTFP activities in rural areas engaging a large number of local people for their income and food.
- Prepare and provide national and international standards for NTFP and agro & food products for local processing for improved marketability and building up trust among consumers.
- Work out the Growth Pole Project in an area in totality with specific areas/projects, like leather goods, apparels, food processing, etc., for private sector investments and to help private investors to understand and appreciate nature of possible projects in the Growth Pole area.
- State government or its agencies should basically provide facilitating/ mentoring services. Industry associations should also be involved for implementing softer interventions. For interventions like setting up of CFCs, it is important to have SPVs with PPP options to address matters relating to their operation and maintenance.
- Form a Growth Pole Company Limited (GPCL) to implement the Growth Pole project. GPCL to also explore partnership with state corporations.
- Explore funding options for common cluster infrastructure through fiscal incentives & tax breaks instead of a one-time capital expenditure subsidy.
- Explore scope for product innovation, diversification and strengthening of linkages amongst various sectors in the Growth Pole project.
- Explore induction of technology into different sectors in the Growth Pole area such as yarn processing (e.g. from thigh reeling practices to mechanised reeling), coir, cashew, etc.
- Individual units in Growth Pole area doing good business can also take benefit of technology up-gradation schemes of M/MSME and DIPP if it substantially increases productivity, profitability etc., but the comprehensive interventions under Growth Pole projects can have better demonstrative effect on the sector.
- Give preference to projects related to product diversification over projects related to unit level technology up-gradation.
- Consider setting up Technical Service Units for demonstration purposes by Industry Associations/ Export Promotion Councils/ Polytechnics/ Engineering Colleges etc.
- Incorporate training and provision of IT related services in the Growth Pole area across all sectors.
- Study and analyse organizational structure of vocations inside communities along with their future prospects, quantify income in each vocation, suggest alternatives for less potent vocations, find possibility of inter-connect and correlation of vocations, and also the extent of market for each vocation.
- Explore reliable user-identified skill trainings in view of the limited vocational training facilities available and looking into the present and prospective economic activities in the proposed Growth Pole area. Make tailored courses for skill development an integral part of the project.
- Strengthen / upgrade the existing skill development institutions, EDP centers and ITIs, preferably on PPP model, instead of proposing such new institutions for undertaking skill up-gradation and training activities in the Growth Pole area.

- Also some more need-based vocations be identified for training the youths. Industries located in the Growth Pole area should also be mapped for the product and services commonly needed and outsourced by them.
- Develop set of indicators to analyse success of intervention. The cost of generating employment should be projected.
- Indicate overall impact of the project and undertake social cost-benefit analysis of interventions needed in the Growth Pole area.

Annexure 6

Executive Summary of the Sikandra Growth Pole Project

Introduction

Government of Rajasthan has proposed the development of the Sikandra Area as a Growth Pole and appointed IL&FS (Cluster Development Initiative) to undertake preparation of a Detailed Project Report (DPR) for rolling out the Growth Pole Strategy for Sikandra Area, in Dausa district of Rajasthan, in line with the recommendations of the NCEUS. The methodology adopted to undertake the assignment has been participatory and consultative with collection of both primary and secondary level data, analysis of the gaps and issues, stakeholder identification and interaction to propose intermediate and long term strategies for development. Arising from these, the primary objectives of the Sikandra Growth Pole have been set as:

- Sustainable local job creation by adding another 50,000 jobs in the program area, over the next 5 years, spread across all the sectors being targeted in the project area, including local trade and commerce.
- Overall area development

Growth Pole Area: Location & Status

The Growth Pole area is in Dausa district of Rajasthan. The focal point is located on National Highway 11 between Jaipur and Agra; 78 kms from Jaipur, 145 km from Agra and 180 km from Delhi. Dausa, one of the smallest districts of Rajasthan has Jaipur district to its west, Alwar district to it immediate north, Bharatpur district to its east and Sawai Madhopur and Karauli districts to its south. The Growth Pole area covers approximately 1250 sq. km in area and includes 361 villages within the area. Of the five tehsils in the district, the Growth Pole area spans the following tehsils (coverage in terms of number of villages and population under Growth Pole area to the total for the tehsil has also been indicated):

Name of the Tehsil	No. of Villages	Growth Pole coverage	
		Villages (Nos.)	Population (%)
Sikrai	139	139	100
Baswa	213	178	81
Dausa	233	44	21

The area is largely flat with an elevation between 150 and 300m above mean sea level and falls in agro-climatic zone VIII-Central Plateau and Hills Region. The average slope in the flatter areas is less than 80 m per km. There are, however, some stretches of hillocks to the south and southeast of the project area that are part of the Lalsot Range (Aravalli). Temperatures range from a summer high of 44°C and winter lows of 3°C with annual rainfall of about 583 mm, predominantly between July and September.

Demographics & Socio-economic Characteristics

Sikandra Growth Pole area has better human development indicators: lower birth rates, longer life expectancy lower infant mortality, etc. It has better averages than the state in terms of drinking water supply, irrigation, and road density and teacher student ratios in schools. However, the area lags behind the state averages in terms of communication, education and health infrastructure, even though the performance indicators for these sectors (health and education), are better than the state averages. The Growth Pole area has a population of about 5.1 lakhs with nearly 45 per cent of them comprising SC/ST communities. There is a high seasonal migration of population-semi-skilled and unskilled people who move to the cities and other locations including the middle-east for employment in the construction sector. About 77 per cent of the population is agriculture-dependent while the balance is employed in other sectors including manufacturing and services. Agriculture and animal husbandry are the primary sources of livelihood in the area which has a poverty ratio of less than 13 per cent, (lower than the state average and compares

favorably with the national average). Uncultivable land comprises less than 10 per cent of the total land area in the GP region. That the groundwater resources in the project area are overexploited is a cause for concern in the medium/long term. However, physical connectivity through roads, rail and proximity to airports is good. While banking service is on par or better than the state average of 5 lakh per branch credit off-take is considerably lower than the state average. Micro-credit activity through formation of self-help groups and common interest groups has just commenced with organizations like BASIX active in the area over the past two years.

Enterprise Sectors & Their Development

Stone cutting and carving and carpet weaving are significant sectors with leather (primarily making of "juttis"), saw mills and dairying being the other activities that exist, to some extent, in the project area. Diagnostic studies in the sectors reveal the following constraints to the growth of these sectors:

1. Lack of organisation to undertake larger scale work
2. Lack of linkages to the market in terms of:
    - Ability to generate more business
    - Development of products that are customer "pull" based designs as opposed to age-old, traditional products and designs
    - Enhancement of skill sets that could produce customer-friendly products
3. Availability of basic tools of the trade with resource-constrained workers

The GP approach envisages the following stages of sector development to evolve vibrant enterprise clusters:

Stage I involves organisation and confederation of the artisans/workers in a manner that they can absorb key inputs such as skill up-gradation, design/technology improvements and utilise micro-credit to develop their capacities as economic units. Providing linkages with the market will enable these artisans to become small enterprises. These small enterprises can confederate further to accelerate growth of the area.

Stage II involves the creation of common infrastructure and/or facilities to cater to the fast growing needs of the specific sector that is rapidly approaching industrial scale.

Stage III envisages that the sectors/clusters, now acting in coordination create the surplus and demand that translates into a growth magnet. This in turn generates increased demand for a range of retail services; social infrastructure and housing that is serviced increasingly through migration from neighboring regions. Thus, the GP is actualised and, in turn, begets further growth. The sector specific interventions recommended are based on this conceptual framework.

A four-point strategy is proposed to undertake the structured development of the area.

- Development of the existing enterprise clusters such as stone carving, carpet, leather, wood, pickle-making etc.
- Developing other areas of local potential, making linkages, synergies such as dairying, tourism
- Attracting new enterprises/industries such as industrial parks
- Provision of enabling infrastructure and policy support for overall long-term sustainability

(a) Stone Cutting & Carving

Around 12,000 artisans are currently engaged in stone cutting, carving, turning and finishing of household/ decorative stone items. The turnover of the sector is around Rs. 75 crores. A shift towards value addition, new products and new markets is envisaged. The existing export market for stone products could be escalated to Rs. 150 crores after providing for an investment in agglomeration, technology provision, skill enhancement, product designs, product promotion, market development, setting up of a common facility centre, stone park, etc. The interventions would facilitate employment of an additional 8,000 people, over a 5-year period.

(b) Carpet Weaving

There are currently around 500 families in the hand-knotting carpet industry, who mostly undertake job-work for exporters based in Jaipur. The cluster has a turnover of around Rs. 13.5 crores. The proposed interventions aim at up-scaling the activity (based on the huge assessed unmet demand) and introduction of skill diversification: hand-tufting and Sumak-making and also assisting the cluster/weavers move up the value chain with forward-linkage operations like washing and finishing, etc. An Integrated Carpet Development Program with a Central Processing Facility and decentralised weaving operations is also proposed which would give employment to around 15,000 new weavers. In five years, the cluster is envisaged to have a turnover of around Rs. 225 crores.

Potential Sectors

(a) *Tourism :* With its strategic location and attractions such as Abhaneri stepped-well, Kalakho lake, Madhosagar Dam, forts in the vicinity (Bhangarh, Ajabgarh), etc, the project area has the capacity to become a weekend destination driven by highway tourism and eco-tourism activities, which would act as a springboard for local growth as well. It is proposed to retain the through-traffic of tourists traveling between Jaipur and Agra by providing them with experience of a rural (pastoral/agrarian and crafts-based) environment. This envisages interventions related to capacity building (training of villagers/tourist guides), development of village cultural themes, up-gradation/ restoration of selected villages, installation/provision of signages and public amenities and setting up handicrafts kiosks. Around 2,500 new jobs are expected to be created through these interventions.

(b) *Dairy Development :* Dairying has emerged as an important activity in the project area with great potential for supplementing family incomes. It is proposed to create micro enterprises in the sector, reaching out to 4400 households directly through the provision of animals, enhancing the chilling plants' capacity, developing milk-routes, training, linkage provision, etc. This is expected to have a cascading effect in the local area with the entry of private dairies, in a couple of years, increasing the coverage of the interventions to many more households.

Support Infrastructure- PURA Linkages

Water : Availability of water is a key requirement for the new investments envisaged in the GP area. A water transmission line from Isarda Dam to Sikandra area with an average diameter of 1200 mm (designed for 315 MLD for domestic and industrial demand) along with a treatment plant and booster pumping stations, are suggested as one possible augmentation strategy. An expensive and large project, this has not been included in the project budget. However, some immediate, low-investment options to address current shortfalls have been included.

Roads : Up-gradation of important road connections such as Sikandra-Geejgarh State Highway, National Highway 11 stretch and construction of bridge on river Banganga, etc., would augment the up-gradations already being done of NH11, the State Highways and roads under the PMGSY.

Power : There are four Grid sub-stations at Dausa, Hindaun, Bandikui & Sikandra. Power supply from these sub-stations will be transmitted and distributed to meet the power requirement of the envisaged projects in the project area. Augmentation, down the years, is also outlined, depending on the requirements generated. A bio-mass based unit is also proposed for captive power generation for some enterprise clusters.

Village Knowledge Centers : 60 IT enabled information kiosks to come up in the project area or 1 for every six villages as per the scheme under implementation of the Dept. of Information Technology to connect 100,000 villages in India by 2007 end. These would integrate with the GP interventions and assist in activities such as marketing and promotion of stone, carpet and leather clusters, promoting linkages with suppliers and buyers of products. These centers will provide educational and training software as needed, access and support for agri-processing and dairying activities, promotion of tourism including access to bookings on-line, etc, and banking and financial services. It is envisaged that significant private investment would flow into the project in terms of educational, housing and medical infrastructure which would cater to the evolving local development requirements in the coming years.

Implementation Mechanism

A **State Level Monitoring Committee** with representatives from key Government departments, M/MSME Government of India, project implementation agency, Growth Pole Company Limited, etc., chaired by Chief Secretary of the State could monitor the implementation of the whole project.

Project Implementing Agency (PrIA), with experience in cluster development, structuring of PPP projects, financing and infrastructure would be identified to implement the project as an intermediate and immediate measure. PrIA with adequate inputs and support will form a **Joint venture company to be called GPCL (Growth Pole Company Limited)** which would be a holding company having stakes in all the projects being implemented in the area.

All commercially viable projects would be implemented through **Special Purpose Vehicle (SPV)** mode on public private partnership (PPP) basis. There would be separate SPVs for specific projects and GPCL would have stake in all these SPVs.

A **Cluster Development Cell** would be formed under PrIA which would implement the capacity building part of the project which would subsequently form part of the structure of the GPCL.

There would be some infrastructure projects, which could be directly implemented by the State Government or its agencies such as road development, etc.

Funding Mechanism

The projects would be funded through the following sources, though the percentage contribution could vary depending on the nature of projects and availability of support under announced schemes:

- Assistance from Government of India through M/MSME under GP scheme.
- Other Government of India ongoing schemes such as SICDP of Ministry of SSI, AHVY of DC (Handicrafts), SGSY of Ministry of Rural Development, etc.
- Ongoing schemes/ programmes of Government of Rajasthan
- User contribution/ private investment
- Financial institutions

Project Outlay

Financial Outlay

(Rs. Lakh)

	Contribution by/ thro' GOI/State Govt. Scheme	Pvt. Sector contribution	Total outlay under Growth Pole Scheme	TOTAL
Year 1	1283.06	2240.16	1585.25	5108.49
Year 2	1660.71	2899.51	2051.85	6612.08
Year 3	1408.49	2459.15	1740.22	5607.86
Year 4	1680.73	2934.47	2076.58	6691.79
Year 5	1180.88	2061.77	1459.01	4701.67
TOTAL	**7213.87**	**12595.07**	**8912.92**	**28721.89**

Year- wise Activity-wise Financial Outlay of the Proposed /Programme (Rs. lakh)

SECTOR	(in Lakhs)	Hard**	Soft*	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Stone	8808.57	6772	2037	1761.71	2466.40	2025.97	1585.54	968.94
Carpet	8117.25	6989	1129	1217.59	1136.41	1461.10	2272.83	2029.31
Leather	745.91	0	746	186.48	208.86	134.26	104.43	111.89
Tourism	2014.63	1973	42	302.19	362.63	564.10	503.66	282.05
Dairy	8136.00	150	7986	1464.48	2278.08	1220.40	2034.00	1139.04
Agro Food/ Pickle	181.75	113	69	32.72	39.99	41.80	38.17	29.08
Brassware	474.56	370	105	104.40	75.93	109.15	99.66	85.42
Wood	243.23	69	174	38.92	43.78	51.08	53.51	55.94
Sectors Total (rounded off)	28721.89	16436	12287	5108.49	6612.08	5607.86	6691.79	4701.67

Note : ** Soft intervention – Expenditure incurred on various capacity building majors like group formation, trainings, etc.*
*** Hard intervention - Expenditure incurred on creation for various physical Infrastructure / assets like road, equipment, machinery, etc.*

Land required for stone and carpet sector CFCs have been budgeted as part of state government's contribution to overall project costs.

Impact Assessment

a. Employment (Nos.)

Sector	Project Cost (Rs Lakhs)	Existing Employment	Addl. Employment Generated		Cost of Addl. Employment Generated per Person (Rs.)
			Without GP Interventions	With GP Interventions	
Stone	8808.57	12000	1440	8,000	110107.1
Carpet	8117.25	2400	150	15,000	54114.97
Leather	745.91	2500	100	2,000	37295.54
Tourism	2014.63	New Sector	50	1250	161170.4
Dairy	8136.00	New Sector	200	8800	92454.55
Agro Food/ Pickle	181.75	New Sector	-	500	36350.2
Brassware	474.56	New Sector	-	350	135588
Wood	243.23	New Sector	-	2000	12161.28
Total (rounded off)	**28721.89**	**16,900**	**1,940**	**37,900**	

b. Income (Rs.)

Sector	Existing Income (per person/month)	Increase in Income (per person/month)	
		Without GP Interventions	With GP Interventions
Stone	3000	3500	4500
Carpet	2500	2700	4000
Leather	1500	1500	2500
Tourism	New Sector	-	4000
Dairy	New Sector	-	5000
Agro Food/ Pickle	New Sector	-	3500
Brassware	New Sector	-	4000
Wood	New Sector	-	4000

c. Turnover

(Rs crore)

Sector	Existing Turnover (in Rs Cr.)	Increase in Turnover	
		Without GP Interventions	With GP Interventions
Stone	75.00	95.72	150.00
Carpet	13.50	17.23	225.00
Leather	2.25	2.87	4.50
Tourism	New Sector	-	4.56
Dairy	New Sector	-	.45
Agro Food/ Pickle	New Sector	-	.60
Brassware	New Sector	-	.72
Wood	New Sector	-	.18
Sectors Total (rounded off)	90.75	115.82	386.01

d. Improvement in Productivity in Key Existing Sectors*

STONE SECTOR	Current	With Growth Pole Interventions
Value Addition	200-300%	400%

* *Note: Change from underemployment to full employment in carpet and leather sectors for employees covered. Other sectors are new in the project area without comparators.*

Economic Cost - Benefit Analysis

Direct contribution to GDP in the Project area through interventions-	Rs 211 Cr Per annum
Overall Project Cost:	Rs 287.21 Cr
Per capita Income impact per annum:	Rs 4121/-

Expenditure Profile

EXPENDITURE PROFILE	Rs. lakhs	%
Govt of India / State schemes	7,214	25%
Private Sector	12,595	44%
Proposed Growth Pole Scheme	8,913	31%
TOTAL	**28,722**	

Social Cost-Benefit Analysis

It is estimated that an additional 68,220 (indirect employment) will be generated as a result of the interventions. This will not be confined only to the GP Area.

As mentioned previously, several strategies would come into play to address the demand-supply of opportunities. Some possible wys are:

1. Improved work-force participation, especially among women
2. Reduced unemployment and disguised unemployment, particularly in the primary sector
3. Migration to the area by workers from the surrounding areas or later, even other places

Other Qualitative Impacts within the Sectors

These impacts will emerge within the span of the program and their impacts are likely to influence the way in which the sectors operate today and in the years to come.

Institutional Aspects

Stakeholder Participation in Development: With increased interaction with sectors and across sectors on several fronts, group formation on the lines of interest and sector, envisaged user participation and an increased environment of dialogue with government institutions, there is a likely increase in local participation of the community at large and specifically within sectors, with related institutions. An increased participation results in better representation of aspirations and concerns at the grassroots level and application of a participatory approach for various issues of local development.

Institutional structures & associations: An increase is envisaged in the formation of associations or institutions that represent a particular industry group. Such a group for the stone sector is already partly functional and held their first elections in November 2006. With the emergence of such representative groups, a new space for lobbying and addressing industry-specific issues is created that, in turn, fuels the growth and development of sectors.

User participation: Inclusion of users in sector development and direct participation in the form of contributions (financial, labor, intellectual) ensures a higher level of involvement, and greater sustainability of the jobs and the sector.

Other Qualitative Impacts in the Area

These impacts are likely to be observed over the next 6-10 years in the area.

Education

Literacy: 63% at present but likely to go up to 100% in 10 years as a result of cumulative efforts on the GP Project and the Sarva Sikhsa Abhiyan (SSA) program aimed at ensuring 100% primary education for all. It has additionally been observed that with better income prospects, in addition to the enrolments going up, the retention rates are

higher and drop-outs considerably lower. Demand for parallel systems of education delivery, viz., private schools, will also increase and will be supplied through the private market.

Educational Attainment: Even as it is difficult to put a value or rate of increase to this, it is likely to be observed in a 10 year time frame as:

- Improvement in attainment of upper primary education (up to class VIII), visible in a 10year time frame.
- Improvement in attainment of secondary and higher secondary education (class X and XII), observed across a 15 year time frame.

Gender Ratios: There is a likelihood of highly improved gender ratios at primary and secondary levels of education.

Health

Reproductive & Child Health: Improvement on a number of fronts under this head, including but not limited to better ante-natal care, assisted delivery, neo-natal survival and care, reduced infant, child and maternal mortality rates.

Overall Health: Improvement in the overall health of the area.

Services Availability & Delivery: Improvement in health and related infrastructure would lead to a better service delivery and availability in terms of (quality) envisaged to be supplemented by supply of services through the private sector as well, as affordability goes up.

Cost Expenditure Ratios (Rs. lakhs)

Interventions Expenditure by Central Govt./ State Govt./ PPP =19808.93

Total Cost 28721.89 = 69%

Land Requirement

No.	Project	Area Acres	Cost (Rs. lakhs)	
1	Stone Park	100	980	*
2	Carpet Park	65	650	*
3	Tourism	25	250	**
4	CFCs			
	Pickle -making	1	10	*
	Wood -carving	1	10	*
	Brass	1	10	*
*State Government contribution to project with user contributions				
** Will be borne entirely by private sector investor				

Annexure 7

Executive Summary of Chamoli Growth Pole Project

Project Area Status

The region covered by Chamoli district occupies the north-eastern corner of Garhwal Hills of Uttarakhand State and forms part of the middle Himalayas. It is a border hill district having international border with China in the north, districts of Uttarkashi in the North-West, Rudraprayag in the West, Pithoragarh in the East and Almora in the Southeast. The area of the district is around 7,520 sq. kms with a population of 3, 70,359. Gopeshwar is the district headquarters of Chamoli. The district comprises 9 blocks of which 3 major blocks of Joshimath, Dasholi and Karnaprayag comprise the proposed project area.

Population

The total population of the project area is 1, 03,224, which constitute about 28% of the district's population. The table below compares the population profile of the three administrative blocks, viz., Dasholi, Joshimath, and Karnaprayag vis-à-vis the district and state.

Population Indicators

	Joshimath	Dasholi	Karnaprayag	GP Region	Chamoli District	Uttarakhand
Total Area (sq. Km.)	3635	795	353	4783	2519.5	53,483
Households (No)?	5,262	7,563	8807	21,632	76,121	11,96,157
Villages (No)	98	122	221	441	1,244	16,805
HouseholdsPer Village (Average)	53.7	62	39.9	49.1	61.2	71.2
Population per village (No.)	254	302	188	248	298	505
Average family size	4.7	4.9	4.7	4.8	4.87	7.1
Total Population	24,869	36,826	41,529	1,03,224	3,70,359	84,79,562
Male	13, 120	18,219	19,587	50,926	1,83,745	43,16,401
Female	11,749	18,607	21,942	52,298	1,86,614	41,63,161
Density	7	46	118	57	49	159
Sex Ratio	895	1,021	1,120	1,012	1,016	964
% SC Population	14.9	24.7	17.6	19.1	18.2	17.9
% ST Population	17.8	5.3	1.1	8.1	2.8	3
Decadal Population Growth Rate					-18.58	19.20

Source : Census of India, 2001

- The GP region shows lower population densities than Uttarakhand as a whole. Within the region the density per sq. km. is as low as 7 in Joshimath and as high as 118 in Karnaprayag. Joshimath block has a low density of population given alpine conditions and the Nanda Devi Biosphere Reserve (NDBR) which forms part of the block.
- Barring Joshimath the sex ratio in the region is higher than that of the state in favour of women. This is suggestive of out-migration that is an acknowledged feature of the region with women workers forming majority of the work-force.
- The region also has a higher proportion of SC/ST population as compared to the state as a whole. Dasholi block has the highest proportion of scheduled caste population.
- The region has shown a negative decadal population growth rate of 18.58% during 1991-2001 as against 19.20% for the state, another pointer towards out-migration taking place from the region.

Employment

Livelihoods in the district are largely dependent on agriculture with 66% workers engaged in it and allied sectors. A small proportion (1.8%) of workers is engaged in household industries with the remaining 32.4% being in other activities.

- Women participate in work more than men.
- While 48% of male main workers are agriculturists, corresponding figures for women at 84% stand nearly twice as much. This clearly shows that the agro-based economy of the region is largely driven by women.
- Almost half the male main workers are engaged in non-agricultural work. Women's participation in non-agricultural activity is less than 15%.

Category	Joshimath	Dasholi	Karnaprayag
Total Workers	11,942	16,419	19,032
Main Workers	7,535	6,303	9,053
Cultivators	4,202 (55.8%)	3,225 (51.2%)	5,758 (63.6%)
Household Industries	580 (7.7%)	538 (8.5%)	179 (2.0%)
Others*	2,753 (36.5%)	2,540 (40.3%)	3,116 (34.4%)
Marginal Workers**	4,407	10,116	9,979

Source: Census of India, 2001

* "Others" constitutes people involved with govt., defence, unskilled labor, construction, petty workers

** "Marginal Workers" are largely involved in agriculture

Other features of occupation and employment in the GP region are as follows:

- Employment data for the decade 1981-1991 for the region indicates that employment scenario has changed in terms of growth in non-farm and service sectors, although sectoral range in terms of sources of employment has not diversified significantly.
- Earnings come from subsistence level pursuit in agriculture, livestock, or Non-timber forest produce (NTFP) gathering.
- The typical budget of an average household in the GP area includes money order remittance received from migrant males who have taken up jobs in the armed forces or government. Average income from this source is Rs. 1,269 as revealed during the Primary Household Survey conducted as part of the DPR study.

Education

Education Facilities: Project Area-vs.-District

Indicator	Joshimath	Dasholi	Karnaprayag	Chamoli	Uttarakhand
Literacy Rate (%)	73.8	75.91	77	75.43	72.28
Male (%)	86.8	90.25	91.7	89.66	84.01
Female (%)	59.1	62.2	64.2	61.6	60.26
Junior Basic School (per lakh)	426	307	407	289.41	
Senior Basic School (per lakh)	117	79	84	67.03	
Higher Secondary School (per lakh)	28	33	55	36.33	

Though literacy rates in the GP region for both males and females are marginally better than in Uttarakhand, female literacy needs to improve given that they form the primary workforce in the region.

Health

- In the GP area, the number of allopathic health facilities is marginally better at 12 per lakh population as against 11 per lakh for the entire district, though access may be an issue in places, given the low population densities and difficult terrain.
- Approximately 14 villages (or 3,200 population) to one health institution. However, lack of awareness regarding available services and facilities reduces utilisation of facilities provided. There is low utilisation of public health services as private options are preferred.

Connectivity

Considering its terrain and altitude, physical connectivity is one of the main constraints within the district. Haridwar, which is 245 kms from district headquarters, Gopeshwar, is the closest rail link to Chamoli. The nearest airport is located at Jolly Grant, Dehradun that is 257 km. away. Though there is an airstrip at Gaucher it is suited for small planes only with no scope for extending the airstrip. Road is the most used option with two wheelers, cars and medium size buses being the norm. These roads cannot support large vehicles at present, e.g., Volvo buses. Some of the features of road connectivity in the region are as follows:

- 63% villages in Chamoli district are connected to all weather roads comparable to 60% of villages for Uttarakhand as a whole.
- Almost 28% of villages in Chamoli district are more than 5 kms away from road heads.
- Mule packs are used to link upper reaches in many parts, though in an unorganised manner. Goods movement costs an average of Rs 2/kg to the road head.

Summary of Project Area Status

- Land holdings are small and fragmented with households owning multiple plots that are spread across a steep terrain.
- Agriculture and livestock rearing are for subsistence and only some surpluses enter the market place.
- The primary transportation connectivity is by road in the region. However, last mile connectivity is an issue due to the steep terrain. Animals are the primary form of last mile transportation.

- Telecommunications connectivity is largely by mobile phones with patchy coverage off the National Highway.
- Water and electricity does not seem to be a problem at the household level but farming is still rain-fed with very little irrigation being practiced.
- The weather conditions during the monsoon and winter months combined with the steep terrain restrict accessibility within the region.
- Thus commercial scale activities tend to be centered around clusters of human settlements that are at road heads. This has to be borne in mind when devising a strategy for creating growth magnets in the region.

The diagnostics has thrown up a few key issues that directly affect development of any economic activity:

1. The sparse population of the project area of about 0.1 million is concentrated in a few zones typically where there is greater availability of land for agriculture, horticulture or even livestock activity.
2. Every household earns its income through a combination of the above activities and largely not from a single activity. This was reaffirmed through the primary survey covering 80 of the 441 villages in the project area.
3. Infrastructure of road connectivity is concentrated around population clusters at main towns in the area.
4. Subsistence farming and livestock rearing constitute a critical element of food security for the region. So land for commercial activity will have to be found keeping in mind these constraints.
5. Land availability must be within a reasonably proximate distance of human habitation given the steep terrain and problems of accessibility.
6. The DPR has proposed interventions based on the above status.

Economy

Tourism, notably, religious tourism, is a primary and large driver of the local economy with traffic in excess of 1.5 million visiting the Badrinath and Hemkunt Sahib routes in the project area. However, the linkages of tourism to the local economy are minimal and large supplies of food - milk, eggs, meat and other items - are still being imported in to the region to cater to tourist and local needs. With little industrial activity in the area, almost all non-food items are imported into the region. There is immense potential to increase the share of the local produce to cater to this tourism traffic. On the other hand, given the multiple involvement of households in different economic activities it is unrealistic to expect households to abandon one or more tried and tested means of livelihood to specialise in one activity alone. These multiple activities, however, have the potential to cater to the tourism traffic and increase the share of local production in it. This includes the food related activities as well as the handicraft activities.

The sector diagnostics have thus been divided into two main sections:

- Tourism that exists in scale and has been registering steady double digit growth.
- Natural resource-based producer activities that encompass all land-based, livestock and forest-based activities.

The approach taken towards the evolution of the GP project has been on two fronts:

- Expand tourism from a purely seasonal and low per capita spending activity to an extended season and higher value activity.
- Develop the production base in the region to garner a large share of the tourism supply chain through increased production and up-graded service delivery and to achieve commercial scale. Consequent on the region's failed history of initiatives to scale up commercially to the extent envisaged the shift in usage of natural resources for the alternative market will only be a gradual one. It is envisaged that the complete shift to a robust tourism led economic growth will take place over a 5 -7 year period.

The natural and economic dynamics of the area have made it necessary to adopt an approach that entails the following:

- Tourism as the key driver and link for the mountain economy.
- Natural resource-based production to be viewed in an integrated manner given the nature of the livelihoods in the region.
- Location choice being determined by the concentration of population around natural resources.
- Emphasis on "connectivity" as a cross-cutting theme including physical transportation to and within the region, telecommunications and market connectivity.

Proposed Activities

Tourism Interventions

Uttarakhand has been a tourism-led state, with tourism being a significant contributor to the state's economy. The dominant sector in the economy of the state is services (43.5%) of which over half the contribution is from tourism and related services. Uttarakhand is endowed with abundant nature and is a destination suitable for tourism. The Himalayas with its accompanying lakes, valleys and terrain are a natural attraction for tourists from within India and outside. Uttarakhand is home to pilgrimage destinations (e.g. Kedarnath, Badrinath, Hemkunt Sahib, Haridwar and Rishikesh) and is the source of rivers Ganga and Yamuna. Domestic tourists constitute bulk of the traffic with almost 20 million tourists visiting the state as per estimates for 2006. International tourists however represent less than 0.5% of this traffic. This number is considerable for a state with a population of about 8.5 million (as per 2001 Census) with resultant pressures on infrastructure and natural resources. Though the efforts of the state have been to make tourism attractive to higher spending international and domestic tourists, Uttarakhand has to this day remained a destination for domestic tourists, especially pilgrimage visitors and those with low spending potential and short average stay duration. The primary drivers of tourism traffic in the GP project area are the pilgrimage destinations of Badrinath and Hemkunt Sahib. Both the destinations are accessible through the NH 58 route that goes up to Joshimath from where pilgrims can branch off to Badrinath and Hemkund Sahib.

The recorded tourist flow is over 2 million in an area where the population is slightly in excess of 0.1 million. The actual throughput is likely to be closer to half of this figure due to double counting of visitors. The traffic growth has been at par or better than the state's average growth rate of 15%. About 3,000 international tourists visited the project area out of a total of 96,000 visitors to the state, most being adventure tourists.

The typical tourist is a low spending pilgrim who stays for short periods, 60-70% of them comes before and after the monsoon period (June -July). Facilities on the Yatra route are basic. The important findings of the survey of the most larger hotel establishments on the Yatra route are as under:

1. There are 33 hotels of some quality operating on the route.
2. Most of these hotels also have restaurant facilities.
3. Hotel rates in the range of about Rs 1,500-2,500 per night during peak seasons and Rs 500-1000 during off peak seasons.
4. Hotels predominantly serve north Indian food.
5. No entertainment facilities other than cable television in these hotels.
6. No linkage with the local economy in terms of retail space for local produce, handicrafts and culture
7. The hotels employ untrained staff, most of whom work during the peak season months.
8. Almost all hotel owners would be willing to contribute to a scheme of up-gradation of services and training of staff.

One of the main hindrances to the development of high value tourism traffic to the GP region has been the poor accessibility of the project area. There is no air connectivity into the area, the nearest airport being Jolly Grant near Dehradun. Haridwar is the nearest railway head about 253 kms away. NH 58 is the main access point. This makes it very difficult for even high quality resorts to effectively attract traffic.

Short-term Interventions

- Generation of in-situ spending by tourists through up-graded services and facilities
- Diversifying the basket of tourism products away from traditional and purely pilgrimage route to locations rapidly accessible from NH 58.

Medium-term Interventions

- Development of a world class tourism network around an anchor location with high quality tourist facilities and emergency and safety services.
- Creation of an avenue of air accessibility to the project area through helicopter based services within the area

Long-term Interventions

- Creating rapid access to the region through affordable air connectivity by small passenger aircrafts connected with helicopter based travel options within the district / project area to create high value tourist traffic with manageable volumes.

The Project Level Interventions:

Food Services Up-gradation & Certification Plan: 30 restaurants across the three blocks to be taken up for up-gradation skill development and training (5 persons per restaurant) for better management of facilities, presentation of food, cuisine development, hygienic practices. The restaurants will also be up-graded in terms of its infrastructure - kitchen, service areas, and amenities. These "model" restaurants will be awarded a certificate by the Tourism Department classifying the restaurant based on established set of parameters

***Tourism Hubs* comprising a combination of:**

- Amenities - Restrooms and washrooms.
- Food Courts - Multiple cuisines including local
- Retail Spaces - Modular spaces that will primarily be for sale of local produce - herbal products, processed foods, handicrafts.
- Tourism information and Communication Centre.
- Parking bay for tourist vehicles.

The above will be allocated in an area of I acre that may be in two or three parcels that are proximate enough for pedestrian commuting. 5 locations on route have been identified for these hubs. The Uttarakhand Organics Commodity Board is actively considering launch of an "Organics" branded restaurant chain, which can be integrated with this plan. It is proposed that these Tourism Hubs be bundled under a single corporate entity in a public private community partnership. The community can contribute the land required for the hub as equity, while the state government through the Organics Board may own a share that adds up to less than 50%.

Eco-tourism : The development of tourist destinations for leisure around the main Yatra route is to tap a small proportion of the traffic for an extended stay in the project area. The key features of such locations as tourism friendly are:

- Proximity to the NH 58 road with a maximum of 60-90 minute travel time .
- Tourism themes at each location based on nature, rivers, village life.
- Focus on local cuisine and culture.
- Facilitate a 3-4 day stay

An initial network of 7 locations is being planned under a common ownership structure. Each mode of the network will have a 10 room facility for tourists.

The community will participate through provision of land. 50 persons from the community will be trained for each location on service provision and facility management. A component of documentation of local history for productized development of tourist experiences has been provided for. Locals will be trained as guides. Handicraft demonstration activities will be established.

Global Adventure Tourism Hub: An area of about 5 hectares has been identified on the confluence of the Alaknanda and Ramganga rivers. It is proposed that the area be utilized to create a trekking hub that will function as a base camp and terminal point for trekkers to the region. About 9 trekking routes have been identified for initial development. Each route should be serviced by a combination of camp sites for overnight stay and sub-camps, resting and refreshments. It is proposed that the hub at Birahi (or any alternative Central location) will have:

- Hotel facilities (30-50 rooms)
- An equipment bank and related stores for registered trekking agencies to hire their requirements for a fee
- A training center that could be utilised even off-season for training on mountaineering and trekking
- An infirmary/hospital facility
- Retail space for general use
- Helipad

The proposed projects will be implemented through partnership with the community. The community contributes land towards the project and gains from it either through concession agreement or lease to the private operator, or conversion of this into an equity stake at each location. The entire route and hub project will be bid out to a single private sector player with sufficient safeguards to ensure that the project is geared towards the "adventure" tourism slot. This will create the critical mass required for promotional activity for the Global Hub.

Integrated Rural Hubs

Conventional agriculture in Uttarakhand is largely unviable because of factors like land fragmentation, lack of credit, non-availability of inputs, and water for irrigation, high cost of transportation and unorganised markets. Major crops currently growing in the region are wheat, paddy, mandua, sava, barley, ramdana, buckwheat, pulses, off-season vegetables and potato. The production contributes to food security needs and surplus being sold in the market. Conventional agriculture as practiced is beset by low productivity with crops being rotated regularly to make full use of land.

It is proposed to establish an Integrated Agriculture/ Horticulture Production hub in the area. The hub will integrate 8 primary collection centres located in the 8 clusters identified with two pack houses to be established at Pipalkoti and Karnaprayag. The network of collection centers will be serviced through collection vehicles that will take the produce to the two pack houses where sorting, grading, packing and storage facilities are planned. Modular storage facilities would be created for fruits and vegetables, potatoes and food crops to be sourced from the project area. The pack houses will also have reefer vans to transport fresh fruits and vegetables to markets and processing centers in the plains.

A program to bring about 8000 ha of land under the project across the three blocks into the integrated production system is proposed. About 8000 households will become part of this program in 5 years, commencing

with about 2000 households in the first year. There will be 8 primary collection centers one at each of the 8 identified clusters and will be linked through daily collection vans to the two packs houses proposed in the project area. These facilities will be expanded in 100 ton capacity modules to cater to the marketable produce that is expected to increase from about 11,000 tons in first year to over 65,000 tons in the sixth year. It is expected that through this program, farm gate value realization would increase by over 50% over five years. Over half of this increased realisation could be through reduction of waste in handling, storage and transportation. It is expected that through improved productivity and price realizations the surplus, after meeting cost of production, will increase from Rs 0.51 lakhs in the first year to Rs 1.26 lakhs by the sixth year or nearly 150% increase in household income

Livestock

Supply of various livestock products to hotels and tourists is an important activity especially during the peak tourist season that lasts 6 months. The proposed expansion of the tourist season will generate additional demand for such products, some of which are being imported into the area. Dairy, Poultry and Fresh Water Aquaculture initiatives have been proposed under Chamoli GP Project. Sheep and goat are reared in Karnaprayag and Dasholi block in small numbers, and to a larger extent in Joshimath. Considering the ecological sensitivity of the Chamoli region sheep and goat rearing has been avoided under the project.

Dairy: Cows /Buffaloes will be provisioned for 2,000 SHG members at the rate of one animal per family to replace unproductive cows with high productivity milch cattle. SHG members who have saved a prescribed amount and are regular in SHG activities will be given priority in the provision of single cow/ buffalo demonstration as grant. Feed needs and availability will be studied and a plan drawn up to ensure that livestock activity and feed availability complements each other. Linkages will be made with fodder programs already underway in the region and to existing government agencies and programmes for veterinary services and provision of fodder. The collection mechanisms will operate through the 8 cluster collection centres.

Backyard Poultry activity will be prompted under GP project after initial awareness and capacity building among the people about financial benefits from backyard poultry. Capacity building of the stakeholders will be taken up with members of 600 SHGs related to backyard Kroiler poultry production and marketing. Uttaranchal Pashudhan Sathis and trained youth will provide extension services and health cover for all poultry.

Aquaculture activity will cover 1,500 women organised into 100 SHGs. It is also proposed to train youth to take up extension work for popularising aquaculture in ponds, lakes and river water and work on self-employed basis. Hundred demonstration ponds for Trout fish aquaculture will be established with market linkages to main markets such as Dehra Dun and Delhi in co-operation with government hatcheries. The Fisheries Department is already popularising Trout production in private ponds. In hill environs like Chamoli, environmental pollution and chances of diseases in fish is very low rendering it viable for pursuing this activity within the project region.

Non-Timber Forest Produce (NTFP)

Medicinal Plants/aromatics: In Chamoli, and across the Indian Himalayas, there is very little credible data on harvesting NTFP from the forests. Estimates on the value of NTFP trade in select products like Jhula, Honey, Kut and Kutki based on responses to the primary survey suggest about Rs 45 lakhs worth is traded. These figures would be highly understated given the hesitancy on the part of respondents to reveal real extraction figures and are basically estimates. A two pronged strategy has been suggested to (a) develop sustainable forestry and (b) cultivate plants on common land governed by Van Panchayats

Honey; The project will work primarily to create capacity and infrastructure for production of honey. The project will also undertake to initiate a process of converting the 800 clients into certified organic farmers. This process is expected to be completed in a period of three years. Implementation is planned in 40 villages of the 3 block project area. The project in a five-year implementation period will target approximately 1,000 beekeepers and will facilitate the creation of 15-18 business service providers who provide a variety of services to beekeepers including

training, sale of boxes and wall hives, honey extraction, collection and transportation of honey to the processing facility.

Handicrafts

Handicraft related efforts within the GP project will focus on the following sub-sector interventions:

1. Developing and finding a market for Ringal utilitarian products
2. Raising the bar on wool weaving and spinning activity
3. Understanding and developing fibre potential and linkages for widespread household based pursuits.

Ringal products with suitable design interventions and market linkages will be targeted at tourists of whom a large influx exists and will be further supplemented under efforts planned as part of the GP tourism promotion sector. The wool initiative is largely being looked as a job-work arrangement directed at employment generation with KVIB initiating work of wool spinning and weaving as a backward link for its existing range of products developed and marketed. The fibre initiative is focused at better understanding the resource and its potential to tap markets in the future context.

Infrastructure

Transportation: More than 40% of the villages in the GP area are more than 3 km. from the road. It is proposed to strengthen the transportation network in the project area in the clusters that have been identified as hubs. Ropeways would be constructed for transportation of goods - primarily agricultural and horticultural produce. 11 such routes have been identified.

Knowledge Connectivity

The Department of Information Technology Government of India is funding the connectivity of 100,000 villages (one in six) across the country. IL&FS is the project management agency to implement this programme by 2008. Uttarakhand will have about 2600 village level Community Service Centres (CSCs). Each CSC will cover a 3 km. radius and service about 6 villages.

Telecommunications

In order to ensure that the cluster activities become efficient, it is proposed that a budgetary provision of Rs 5 crore be made towards provision of towers for wireless telecommunications in the region. This can be used to augment and subsidise creation of the network infrastructure in the area to the extent of 50% of the costs, the balance being brought in by the private sector/telecom services company.

Solid Waste Management

The GP project area witnesses an influx of 1.5-2 million tourists. This is a very significant number for a district with a population of only 0.36 million. The Growth Pole area accounts for about 0.1 million only. Waste Management is a significant and visible area of deficiency in the project area, especially on the Yatra route.

While it is necessary to evaluate waste processing and recycling facilities, the first step would be to establish a system of collection and disposal in a proper manner. It is estimated that the influx of tourists alone will contribute waste handling of about nearly 5,000 tons of waste in a period of about 4 months. The waste management system will require landfills at reasonable distances to manage the residual wastes after recycling. It is proposed that a collection system be established along the Yatra route. The system will dispose off waste at 8 landfill sites, given the distances in the region and trucks to transport the waste at an estimated cost of less than Rs 2 per kg. The entire system can be funded through the collection of a small fee of say Rs 5 per visitor on the Yatra route.

Budget Outlays

(Rs. lakh)

Sector	Total Budget	GoUK	GoI	Users	Pvt / Bank	GP outlay
Tourism	3,685	40	252	39	2,903	451
Agri/Horticulture	4,490	298	3,648	66	67	411
Livestock	2,386	107	109	371	482	1,316
NTFP	366	122	160	34	1	50
Handicrafts	1,044	80	709	27	27	202
Infrastructure	1,983	678	55	-	555	695
Institutional & Cross Cutting	3,876	-	-	-	-	3,876
GP PROJECT GRAND TOTAL	**17,830**	**1,325**	**4,932**	**537**	**4,034**	**7,001**
% to total		7%	28%	3%	23%	39%

The key investment via the GP project is the sectors of tourism, agriculture/ horticulture and livestock. While the tourism investments will primarily be driven by private sector partners, the viability of the sector is greatly enhanced by way of community contributing land and services. The sectoral percentage by way of overall investments is summarised below:

Sectoral Outlays (Rs. lakh)

Sector	Total Budget	% total
Tourism	3,685	21%
Agri/Horticulture	4,490	25%
Livestock	2,386	13%
NTFP	366	2%
Handicrafts	1,044	6%
Infrastructure	1,983	11%
Institutional & Cross Cutting	3,876	22%
GP PROJECT GRAND TOTAL	**17,830**	

The overall impact envisaged by year 5 of the project vs investments per person /household is summarised in the table below:

Income Impact v/s Investment

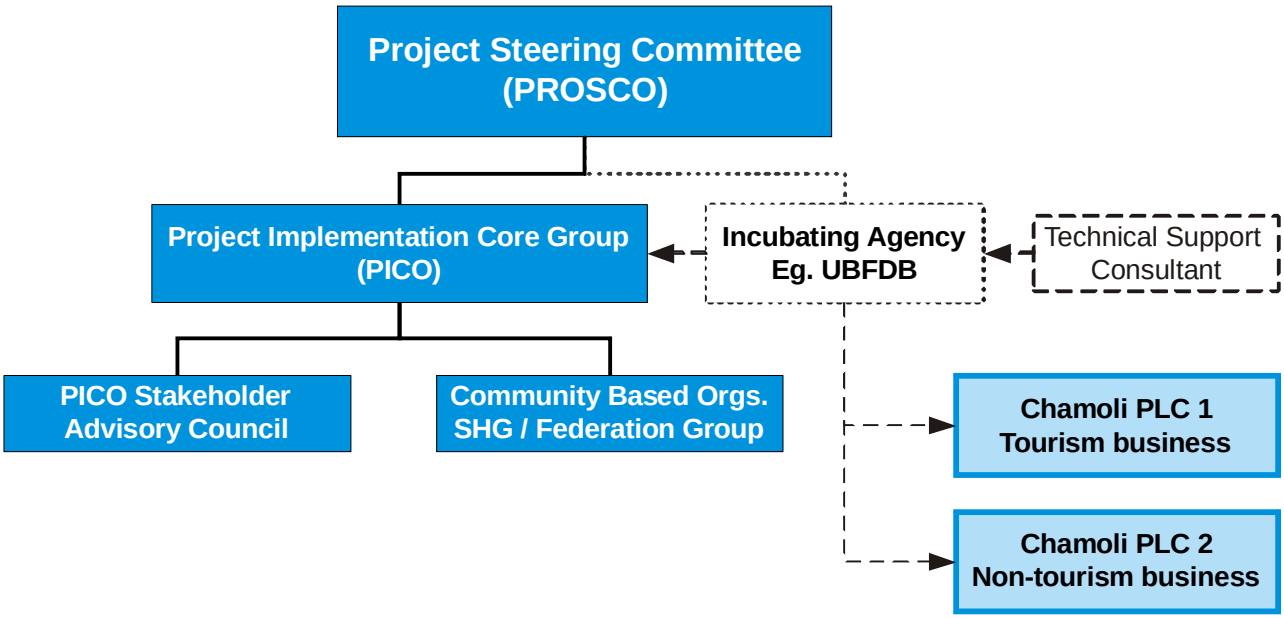
Sector	HH / Persons affected	Income*	Investment**
Tourism	2,867	34,318	1.29
Agri/Horticulture	8000	75,000	0.56
Livestock	8000	4,815	0.30
NTFP	1400	2550	0.26
Wool	1000	36,000	0.49
Ringaal	1850	3718	0.21
Fibre	8400	1250	0.02

* income in Rs per annum

** Investment in Rs. lakh per person direct or /HH direct

Institutional Mechanism

The interventions proposed in the Chamoli GP are not commercially profitable and entail a developmental cycle. The significant commercial scale interventions are primarily the Tourism sector projects that entail a lead time of 1 year (Yatra up-gradation) to 3 years (Trekking Hub); and the agri-horti interventions involving 8000 households. It is suggested that an interim structure of an implementing agency be created as under:



The Project Steering Committee will be an apex body at state level headed by the Chief Secretary with concerned Principal Secretaries of different departments. This will be needed to ensure inter-departmental coordination at the highest level. The Project Implementation Core Group will be headed by the District Magistrate and oversee the day to day functioning by the implementing Agency. A nodal agency of the state government can be nominated by the Implementing Agency, which in turn can do the following:

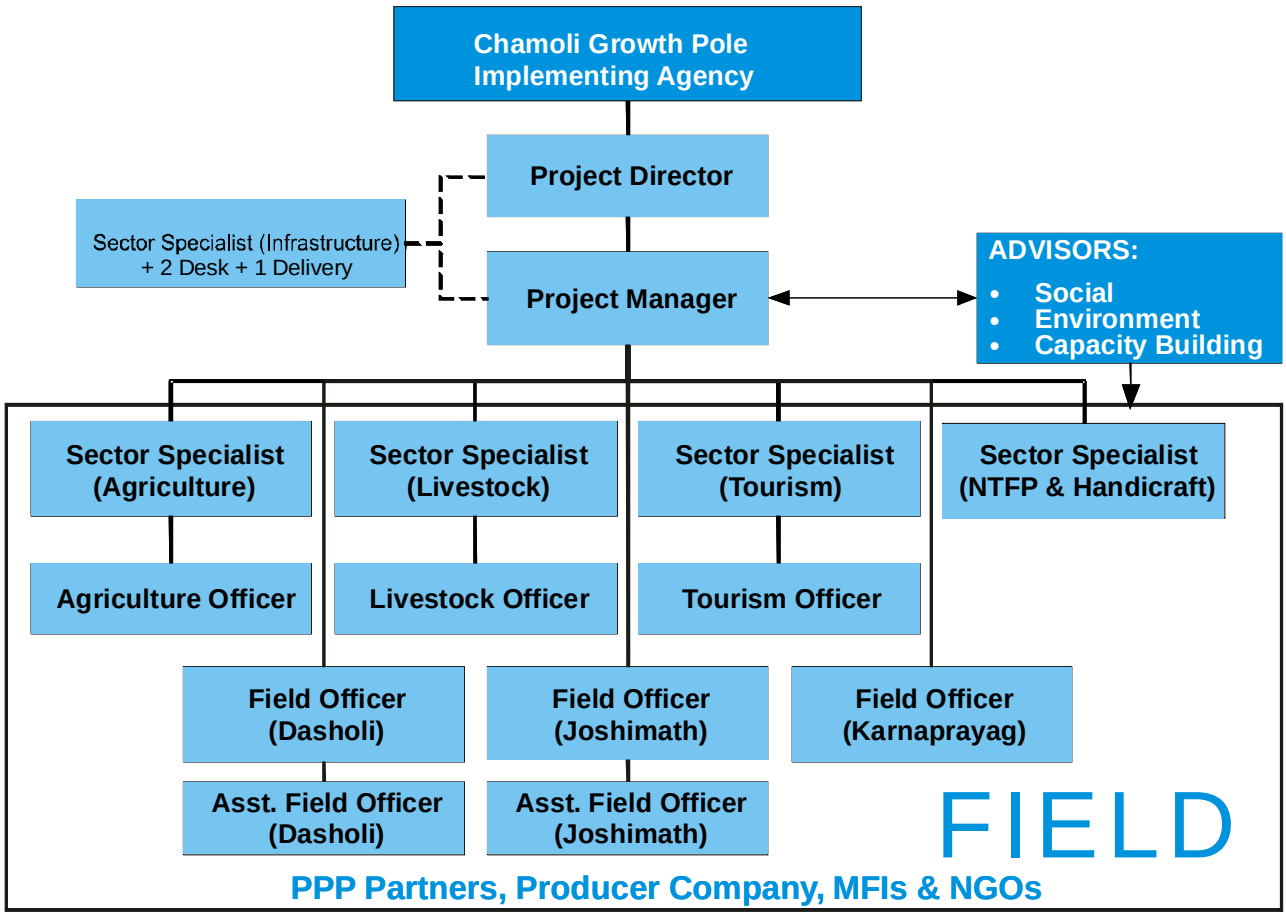
- Outsource the work to a private sector agency; or
- Undertake the implementation itself

The implementing agency will have to have the following competencies:

- A Project Director to interact at the state level and with central ministries for coordination of various existing schemes of government.
- A Project Manager who will be at the District to implement the program and coordinate efforts of the different line departments with the GP Program
- Experts in the following fields:
  - Tourism
  - Agriculture/horticulture
  - Livestock
  - Handicrafts
  - NTFP

In addition to sector specific personnel, operations personnel will be required to work in the field with the SHGs and community based organisations in coordinating the program.

The competency set is presented as below:



Several of these competencies exist within the various boards such as Livestock Board, Organics Commodity Board, etc. The implementation agency of the Government can either seek deputed officers from these Boards or contract the work out to these agencies. This will also assist in integrating the ongoing programs and schemes of the Government for the GP project.

Once the commercial viability of projects has been established a Growth Pole Company (GPCL) can be created. The GPCL can have up to 49% equity of State Government through its various agencies along with strategic partners for the project that could include agencies like NABARD, ICICI, IL&FS, etc. GPCL can in turn take stakes in downstream projects in tourism and agri-horticulture along with specialised private sector partners. A proportion of community holding is envisaged through the community based groups and / or producers' groups. Downstream projects can thus be created in a Public Private Community Partnership mode.

The following table presents the financial outlay and impacts of the GP in Chamoli.

Annual Outlay for the Project Classified by Key Sectors

Sector wise Break up of Soft and Hard Components of Proposed Interventions (Figures : in Rs. lakh)

Year		1	2	3	4	5 Total		% to total
Tourism								
	Soft	148	219	416	(132)	-	652	18%
	Hard	-	60	-	2,973	-	3,033	82%
	Sub-total	**148**	**279**	**416**	**2,841**	**-**	**3,685**	**100%**
Agriculture								
	Soft	163	264	90	55	4	576	13%
	Hard	461	743	1,521	675	514	3,914	87%
	Sub-total	**625**	**1,006**	**1,611**	**730**	**518**	**4,490**	**100%**
Livestock								
	Soft	135	165	111	87	40	537	23%
	Hard	319	760	770	-	-	1,849	77%
	Sub-total	**453**	**925**	**880**	**87**	**40**	**2,386**	**100%**
NTFP								
	Soft	17	40	54	15	8	134	37%
	Hard	53	83	64	8	25	232	63%
	Sub-total	**70**	**123**	**118**	**23**	**33**	**366**	**100%**
HANDICRAFTS								
	Soft	114	68	51	28	20	280	27%
	Hard	477	181	38	36	32	764	73%
	Sub-total	**591**	**249**	**89**	**64**	**52**	**1,044**	**100%**
INFRASTRUCTURE								
	Soft	-	-	-	-	-	-	0%
	Hard	427	942	615	-	-	1,983	100%
	Sub-total	**427**	**942**	**615**	**-**	**-**	**1,983**	**100%**
INSTITUTIONAL AND CROSS CUTTING								
	Soft	586	746	758	752	567	3,409	88%
	Hard	326	31	34	37	40	468	12%
	Sub-total	**912**	**777**	**792**	**789**	**607**	**3,876**	**100%**
OVERALL GROWTH POLE								
Year		1	2	3	4	5 Total		%
	Soft	1,163	1,501	1,480	805	638	5,587	31%
	Hard	2,062	2,800	3,041	3,728	612	12,243	69%
	Sub-total	**3,225**	**4,301**	**4,521**	**4,534**	**1,250**	**17,830**	**100%**

Note: "Hard" interventions refer to assets created and "soft" interventions refer to awareness, capacity building, training etc.

1. Tourism sector projects will recover a project development fee from the successful bidder @5% of estimated project cost. This is reflected as inflow (or negative cash flow) in the table above.

2. Land needed for tourism sector projects will be by way of permissions granted by Forest Dept. of the State Government for specific use and without transfer of property, as clarified by State Government representatives.

Financial Outlay Classified by Sources of Funds

(Figures : Rs. lakh)

Consolidated Financials for Interventions							
Year	1	2	3	4	5	Total	% to total
Existing schemes of Govt of India / State	1450	1638	1932	715	523	6258	35%
Private Sector	239	693	628	2959	32	4551	26%
Proposed Growth Pole Programme	1537	1908	1961	921	694	7021	39%
TOTAL	3225	4239	4521	4595	1250	17830	

Note:

- Existing schemes of Govt. State - Central and state schemes
- Private Sector contribution - this includes equity and debt with a small component (1-2%) of user contributions
- Funding Proposed Under the Growth Pole Scheme

Economic & Financial Impact Indicators

A. Employment Impact

Employment Impact (Nos)	Existing	Without GP	Coverage/ Employment	Investment per HH / person in Rs. lakh
Tourism	1200-2000*	status quo	2867	1.29
Agri/Horticulture	8000**	out-migration	8000	0.56
Livestock	**	status quo	8000	0.3
NTFP	**	status quo	1400	0.26
Wool	**	status quo	1000	0.49
Ringaal	**	status quo	1850	0.21
Fibre	**	status quo	8400	0.02
Total Employment			31517	0.57

* part time and seasonal activity for tourism and agriculture
** part time activity for the households with little market linkage

1. Chamoli Households involved in multiple activities. The primary cash Income is from agriculture. Livestock along with income from all other sources adding up to Rs 10-12,000 per year. This is based on the primary Household Survey conducted in the villages

2. Employment impact will be to turn part-time activity into full time employment in some instances such as Tourism and Wool sectors. Other sectors will have increased income from the activity which will continue to supplement HH income.

Note:

1. Above figures denote direct employment gains from the GP Project and do not include indirect employment generated.
2. Increased employment will be from 20,000 people in part-time employment to 31,517 full time employment from across the sectors.

B. Income Impact

(Figures : Rs. p.a.)

Income Impact	Existing p.a.	Income Without GP	With GP	Coverage/ Employment (No.)
Tourism			34318	2867
Agri/Horticulture	15000	18000	75000	8000
Livestock			4815	8000
NTFP			2550	1400
Wool	10-12000	12000	36000	1000
Ringaal			3718	1850
Fibre			1250	8400
Average Household Income	25000	30000	75000-90000	31517
% increase in income		20%	230%	

Note:

1. Households are involved in multiple activities. The primary cash income is from agriculture and live-stock. Livestock and other activities account for about Rs 10000-12000 p.a. based on the primary house-hold survey conducted in the project area villages.
2. Employment impact will be to turn part-time activity into full time employment in sectors like tourism and wool. Other sectors will have increased income from supplementary occupations at the household level.

C. Economic Impact

Economic Impact		
Growth Pole Project Cost	Rs Crores	**178**
GDP Impact of GP Project (per annum)	Rs Crores	157
Per Capita Incremental Income (per annum)	Rs	10817

Note:

- Incremental GDP impact without GP Program Rs 43 crore.
- Per Capita incremental income without GP program Rs 295 per annum.
- There is no benchmark data available for the GDP of the project area. Hence, only incremental direct incomes for the project area can be estimated.

D. Investment v/s Income Returns of the Project

Investment per beneficiary vs Annual Income Generated		(Rs.lakh)
	Investment	Annual Income
Tourism	1.29	34,318
Agri/Horticulture	0.56	75,000
Livestock	0.3	4,815
NTFP	0.26	2,550
Wool	0.49	36,000
Ringaal	0.21	3,718
Fibre	0.02	1,250

E. Expenditure Profile of the Total Project Cost

Expenditure Profile	(Rs. lakh)	% to total
Govt schemes	6,258	35%
Private Sector	4,551	26%
Growth Pole Project	7,021	39%
TOTAL	17,830	

F. Improvement in Productivity

Agriculture Year 1 3000 kg / ha/ per annum
Year 6 4392 kg/ ha / per annum

Value Realisation Rs./ kg produce
Year 1 Rs 10 / kg
Year 6 Rs 15 / kg

Note:

1. Improvement in productivity based on average yield figures for fruits/vegetables in the district.
2. Improved value realisation includes reduction of losses in handling/transportation supported by the pack house / reefer transportation estimated currently up to 30%.
3. Apart from agriculture all other sectors are of part-time activity for the households. Such part-time activities reflect the lack of market and the prevailing underemployment. The growth pole project will increase livelihoods/incomes from these part-time activities while the major focus is on agriculture/ horticulture and value realisation in tourism.

Social & Environmental Benefits of the Project

The Chamoli Growth Pole Project will create the critical mass required for sustained commercial activities linked to livelihoods. The project will also generate several social benefits for the region and for women in particular.

Gender Initiatives

Special attention will be paid to women who constitute a major part of the workforce in the region as identified below:

- Education enablers like supplementary education, rural libraries and scholarships for women, women's awareness and access to information.
- Building professional skills and technology-orientation to women, enhancing capacity of women's groups and grassroots organisations, women enterprises. Skill development for buying and selling of agricultural/ livestock produce, transportation of produce to the market/mandi for further distribution are important components to enable women to improve their earnings and have a say in trade related decisions.
- There is need to provide for availability of fodder, fuel wood and education facilities if women are to become an effective workforce. Among other efforts, providing fodder cutting machines to chop the fodder in smaller lengths is likely to reduce the wastage of fodder and thus reduce the time spent on fodder collection. Also, the tools used to plough the field after the harvest can be improvised. This will also reduce the time and the energy taken to make the field ready for the next crop.

Community Development

The difficulty of access presents a serious problem for delivery of a variety of services. Community interaction also needs to be enhanced as a route to addressing common issues and effecting all round development. The proposed initiatives to foster greater community based development are:

- Each of the 441 villages in the project area will have a trained health care worker, half of whom will be male.
- Each village to be provided with a community radio to serve the following roles:
    - A training facilitator for healthcare workers
    - Improve inter-village communication
    - A means to foster community interaction through radio-based competitions, entertainment and discussions.

Training will also be imparted to one person in maintaining the community radio.

It is expected that a combination of these benefits will result in better health and education indicators and the status of women in the region.

Detailed Sector-wise Break up

Tourism

TOURISM INTERVENTION PROGRAMME						(Figures : Rs. Lakh)
Year	1	2	3	4	5 Total	
Yatra Upgradation Plan						
Soft	62.00	17.00	-	(34.00)	-	45.00
Hard		60.00		575.00		635.00
sub-total	62.00	77.00	-	541.00	-	680.00
Eco-Tourism Project						
Soft	9.92	55.23	139.92	(33.08)	-	172.00
Hard				490.00		490.00
sub-total	9.92	55.23	139.92	456.93	-	662.00
Global Trekking /Adv Hub						
Soft	32.52	103.36	232.52	(108.39)	-	260.00
Hard				1,907.75		1,907.75
sub-total	32.52	103.36	232.52	1,799.36	-	2,167.75
Project Development Fund	43.75	43.75	43.75	43.75		175.00
Soft						

OVERALL TOURISM INTERVENTIONS						(Figures : Rs. Lakh)
Year	1	2	3	4	5	Total
Soft	148.19	219.34	416.19	(131.71)	-	652.00
Hard	-	60.00	-	2,972.75	-	3,032.75
TOTAL	**148.19**	**279.34**	**416.19**	**2,841.04**	**-**	**3,684.75**
Source						
Existing Govt Scheme/state	58.24	70.00	163.56			292.00
Private Sector		39.00		2,902.75		2,941.75
Proposed GP programme	89.95	108.00	252.63			451.00
TOTAL	148.19	217.00	416.19	2,902.75	-	3,684.75

Agriculture

	AGRICULTURE INTERVENTIONS						(Figures : Rs. lakh)
	Year	1	2	3	4	5	Total
	Soft Interventions						
1	Awareness Generation	51.00	51.00	51.00	51.00		204.00
2	Group Formation and Capacity Building	104.25	208.50	34.75			347.50
3	Consultants's visit	8.00	4.00	4.00	4.00	4.00	24.00
A	sub total	163.25	263.50	89.75	55.00	4.00	575.50
	Hard Interventions						
1	Land Development & Soil Improvement	139.00	182.84	140.00	35.00		496.84
2	Market Linkages (hard component)	75.00	121.00	42.00	-	-	238.00
3	Water Harvesting	98.56	159.03	54.36	10.00	-	321.95
4	Farm Inputs	99.80	136.20	48.80	28.80	14.40	328.00
5	Agri Infrastructure	49.00	58.00	49.00	-	-	156.00
6	Value Addition Facilities	-	85.80	1,142.80	557.00	500.00	2,285.60
7	Contingencies			44.02	44.02		88.04
B	sub-total	461.36	742.87	1520.98	674.82	514.40	3914.43
	Total (A=B)	**624.61**	**1006.37**	**1610.73**	**729.82**	**518.40**	**4489.93**
	Year	1	2	3	4	5	Total
	Source						
	Govt Schemes	548.93	884.44	1,415.57	641.39	455.59	3,945.91
	Private Sector Contribution	18.52	29.84	47.75	21.64	15.37	133.11
	Growth Pole Scheme	57.16	92.10	147.41	66.79	47.44	410.91
	TOTAL	**624.61**	**1006.37**	**1610.73**	**729.82**	**518.40**	**4489.93**

Livestock

	LIVESTOCK INTERVENTIONS						(Figures: Rs. lakh)
	Year	1	2	3	4	5	Total
A	**Dairy**						
	Soft	104.03	104.03	104.03	80.86	33.06	426.00
	Hard Interventions	244.49	342.50	468.32	-	-	1,055.31
	sub-total	348.51	446.53	572.34	80.86	33.06	1,481.31
B	**Poultry**						
	Soft	12.00	24.00	-	-	-	36.00
	Hard Interventions	-	184.62	270.00	-	-	454.62
	sub-total	12.00	208.62	270.00	-	-	490.62
C	**Aquaculture**						
	SOft	12.00	30.00	-	-	-	42.00
	Hard Interventions	59.54	198.58	31.50	-	-	289.62
	sub-total	71.54	228.58	31.50	-	-	331.62
D	**Fodder**						
	Soft	6.63	6.63	6.63	6.63	6.63	33.14
	Hard Interventions	14.76	34.44				49.20
	sub-total	21.39	41.07	6.63	6.63	6.63	82.34
	Livestock						
	Soft	134.65	164.65	110.65	87.49	39.69	537.14
	Hard	318.79	760.14	769.82	-	-	1,848.75
	GRAND TOTAL	**453.44**	**924.80**	**880.47**	**87.49**	**39.69**	**2,385.88**
	SOURCES						
	Existing GOI/State Schemes	41.17	83.96	79.94	7.94	3.60	216.61
	Private Sector Contribution	162.08	330.56	314.71	31.27	14.19	852.80
	Growth Pole Scheme	250.20	510.28	485.82	48.27	21.90	1,316.47
	Total	**453.44**	**924.80**	**880.47**	**87.49**	**39.69**	**2,385.88**

Handicrafts, NTFP

	NTPF						(Figures : Rs. lakh)
	Year	1	2	3	4	5	Total
	Soft	17	40	54	15	8	134.00
	Hard	53.00	83.00	63.87	7.58	25.00	232.45
	Total	**70**	**123**	**117.87**	**22.58**	**33**	**366.45**
	Existing GOI/State Schemes	53.83	94.58	90.64	17.36	25.38	281.79
	Private Sector Contribution	-	3.70	11.10	-	-	14.80
	Growth Pole Scheme	16.17	24.72	16.13	5.22	7.62	69.86
	Total	**70**	**123**	**117.87**	**22.58**	**33**	**366.45**

	HANDICRAFTS SECTOR						(Figures : Rs. lakh)
	Year	1	2	3	4	5	Total
	Ringaal						
	Soft	43	29	21	12	12	117.00
	Hard	90.72	82.79	34.08	32.88	30.84	271.31
A	sub total	133.72	111.79	55.08	44.88	42.84	388.31
	Wool						
	Soft	33	7	5	7	1	53.00
	Hard	362.96	73.99	0.10	0.14	0.02	437.21
B	sub total	395.96	80.99	5.10	7.14	1.02	490.21
	Fibre						
	Soft	38	32	25	8.5	6.5	110.00
	Hard	23.2	24.1	3.56	3.23	1.15	55.24
C	sub total	61.20	56.10	28.56	11.73	7.65	165.24
	Handicrafts						
	Soft	114.00	68.00	51.00	27.50	19.50	280.00
	Hard	476.89	180.88	37.74	36.25	32.01	763.77
A+B+C	**GRAND TOTAL**	**590.89**	**248.88**	**88.74**	**63.75**	**51.51**	**1,043.77**
	Sources						
	Existing GOI/State Schemes	446.29	187.97	67.02	48.15	38.90	788.34
	Private Sector	30.44	12.82	4.57	3.28	2.65	53.77
	Proposed Growth Pole Scheme	114.16	48.08	17.14	12.32	9.95	201.65
	TOTAL	**590.89**	**248.88**	**88.74**	**63.75**	**51.51**	**1,043.77**

Infrastructure & Institutional

INFRASTRUCTURE						Figures in Rupees Lacs
Year	1	2	3	4	5	Total
Hard	426.69	941.72	615.03	-	-	1,983.44
Sources						
Existing Schemes	301.69	316.72	115.03	-	-	733.44
Private Sector	27.50	277.50	250.00	-	-	555.00
Proposed GP Scheme	97.50	347.50	250.00	-	-	695.00
Total	**426.69**	**941.72**	**615.03**	**-**	**-**	**1,983.44**

	Institutional & Cross Cutting Efforts						Figures in Rs lacs
1	Year	1	2	3	4	5	Total
	Soft	586.16	745.83	757.98	751.96	566.83	3,408.75
	Hard	325.50	31.00	33.80	36.90	40.30	467.50
	Total	**911.66**	**776.83**	**791.78**	**788.86**	**607.13**	**3,876.25**
	Sources						
	Existing Schemes of GOI/State	-	-	-	-	-	-
	Private Sector	-	-	-	-	-	-
	Proposed Growth Pole Project	911.66	776.83	791.78	788.86	607.13	3,876.25
	Total	**911.66**	**776.826**	**791.7836**	**788.85696**	**607.1277**	**3,876.25**

Land Requirement

No.	Project	Area	Cost (Rs lakhs)	
1	Tourism	acres		
	Tourism hubs	5	*	
	Eco Tourism	7	*	
	Trekking	7	*	
2	Agri-hubs	4	*	
	Pack Houses	2	*	

* State Government to permit use of forest department land for temporary structures. Land cannot be sold.

Annexure 8

Executive Summary of Kollam Growth Pole Project

Introduction

The GP Project is proposed as a set of strategies with a 5-year implementation period that will cover multi-sector interventions to address the following objectives:

- To develop a sustainable growth model for Kollam GP area by:
  - Focusing on the unorganised/informal sector within the geographical area
  - Adopting cluster model development of enterprises
  - Integrating the various schemes applicable
  - Developing complementary clusters
  - Aiming to enhance the income generation of the workforce in these sectors
- To expand the production and employment in the unorganised enterprises through clusters around selected existing clusters of industrial activities and services and encourage the formation of new clusters.
- To conduct a benchmark study on required technology interventions, entrepreneurship and latest trends in major sectors in Kollam which has declined over a period of time and to implement the facilities required for improvement.
- To provide assistance to lagging areas and to improve their entrepreneurial skills.
- For uplifting the socially backward groups in the area; mostly women artisans/ workers below poverty level (BPL).
- To integrate these unorganised units with the mainstream of the process of economic growth through the creation of markets and the use of market-related incentives.
- To spread industrialisation throughout the country, outside the large industrial areas, through the growth in productivity and efficiency in the unorganised sector through small and micro enterprises and rural industrialisation.
- To promote the GP concept along with the incorporation of PURA principles for sustainable and accelerated economic growth through enterprise development in the project area.

The GP Program

IL&FS undertook an assessment of the status of the program area to arrive at the gaps and potentials, in terms of both the general development in the area and in the key clusters within the GP region that are proposed to be covered in the intermediate and longer term interventions. The GP strategy is to synergize the interventions with the existing programs and initiatives and include them into the overall strategy for the GP area.

Sectors

A comparison of the figures for employment and total annual turnover in the focus sectors brings out the existing disparities in terms of performance. In addition, the orientation towards export is also of significance. Assessments within these existing and well-established sectors brought out a wide variety of gaps and issues of concern regarding the present functioning and future prospects, given the changing contexts and the limits on resources available for the various sectors.

In addition to the existing sectors in the Kollam area, new sectors (tourism) were assessed for their potential and plans were made to support and develop them over the 5-yr period. Cross-cutting issues like infrastructure,

resource management (lake resources), service and skills development, etc., were also included in the development of the area as a whole.

GROWTH POLE	Employment	Units	Turnover	Exports
			Rs Cr	Rs Cr
FISHERIES	36,186	NA	928	212
CASHEW	176,632	614	2,007	1,544
COIR	34,218	9,390	58	10

Cashew Sector

Kollam is synonymous with cashew processing and 60 per cent of the country's cashew exports are from the clusters within the GP area. Known for its traditional drum-roasting process and unique flavor, the sector has not invested much in up-gradation in terms of technology, work environment and good practices. As a result, the sector today faces several issues such as:

- Development of innovative processing technologies needed for process improvement and reduction in cost of production.
- Specialised training of labor particularly when the cluster enterprises move towards manufacturing value added products.
- Improvement of working conditions of cashew processing centers to maximise productivity from workers, with special attention on women workers' issues.
- R&D initiatives to explore the means of retaining the original taste/flavor of cashew.
- Protecting and promoting the brand of Kollam Cashew in terms of drum-roasting and de-shelling.

Proposed Interventions

Model Units

- Improved process efficiencies in different unit types:
  - Traditional drum-roasting -4 units in the SSI sector and 2 in the unorganised sector
  - Steam boiling (newer method) - 2 units from the organised sector.
  - Shelling and peeling (processing - in the roasting system)- this would be covered in the 2 organised units (drum-roasting) and in addition, 2 units from the unorganized sector will also be taken up to concentrate on this activity.
  - Grading, re-grading and packing- this would be covered in the 2 units in the organised sector (drum-roasting), 2 units in the organised sector (steam boiling), mentioned earlier. In addition, 2 units from the unorganised sector will also be taken up to concentrate on this activity.
- Research and development (processes & management systems): This includes an overall systems approach to resource and process optimisation including interventions in the management practices followed to ensure all-round efficiency
- Improved safety, health and environment with particular focus on worker health and safety. This would further draw from a number of other proposed interventions, like the module on work methods improvement to address specific issues of posture-change and tooling; mechanisation; food safety standards, etc.
- Improved hygiene for Food Safety Standards compliance: Demonstration, system up-gradation and training (including training of trainers)
- Work methods improvement (R&D & capacity building): Sector-wide, multi-level dissemination of improved practices in terms of technology up-gradation, worker-environment and safety improvement, efficiency improvement, management systems up-gradation, etc., to encourage wider up-take.

EDP & Capacity Building

This would cover 500 units with 4 persons per unit for 4 types of training:

1. Process efficiencies
2. Worker health and safety (supervisor training)
3. Worker health and safety (women workers)
4. Cleaner practices and standards

With continuing refresher courses in the following:

1. Efficiencies training
2. Health and safety-

Fisheries (Marine & Inland)

The fisheries sector in Kollam, specially the marine fisheries, is a significant economic activity given the length of coast line available to the district. Inland fisheries, practiced largely in the Ashtamudi Lake (saline water) and canal is a less intense practice in the Shastamkota Lake as that is the source of fresh water supply to Kollam Town (drinking water source). About 70% of the population in the area is dependent on the fishing industry for livelihood with a total turnover of about Rs. 1,439 crores and exports of Rs 920 crores. There are more than 36,000 persons from the GP area directly involved with the marine fisheries sector, a large proportion of them being fishermen. Women are involved mostly in the pre-processing and processing and vending operations. Some of the observations on the fishing sector are as under:

- The fisheries sector, though has the critical numbers, is still unorganised and has no bargaining power.
- The poor and un-hygiene condition of landing and auction centers.
- Unavailability of potable water and quality ice at the landing centers.
- Poor sanitation and allied issues.
- Dumping of wastes including plastics in the sea shore.
- Lack of post-harvest infrastructure such as cold storages ice plants, peeling centers, fish curing centers and processing plants.
- Inspite of heavy fish landing, the area has very limited centres for value addition.
- Lack of Quality Control Laboratories in the GP area.
- Limited exposure to organised market.
- No collective effort to boost aquaculture activities.
- Lack of proper training-cum-product development centre in the area.

Proposed Interventions

- Value addition by improving hygiene in storage and cleaning practices.
- Inculcating standard processes in handling to ensure compliance with food safety and hygiene standards
- Improvement in working conditions through improvements in living and working environment, better facilities, training and availability of amenities at the landing centres.
- Cross-cutting intervention on overall environment improvement along the shore line for:
    - Improved fish catch (value, quality and quantity)
    - Food safety (value, quality)
    - Community health and environment

Landing Centre, Pre-Processing Integration

Project components include the following:

- Thangasarry Landing center up-gradation:
  - Shed improvement
  - Refrigerated (temperature controlled) sub-section for high value fish products
  - Access road development
- Multi-utility space and waiting area (including for communication, training)
- Access amenities for local fish retailing
  - Sheltered waiting area (multi-utility space) for fish salespersons
  - Multi-media communications/training in waiting space (hygiene and cleanliness issues, health, women and child development, waste management, tourism etc)
  - Sea-food kiosk/canteen for fisher-folk and also general public
  - Waiting amenities.
- Waste management initiative in the harbor for fish waste:
  - Collection system
  - Awareness and sensitisation
- Infrastructure for value addition
  - Pre-processing centre/training - Wadi Moothukarra
  - Solar fish drying demo Wadi-Moothukarra
  - Drying unit (with solar back-up)
- Ice making unit -Moothukarra
- Solid waste management, sewerage treatment (components already included in the Urban Improvement Project of the Government of Kerala pending approval of funding from the ADB)
  - Address municipal solid waste dumping issue
  - Sewerage outfall- technical channeling and treatment

Coir

The Coir cluster in the Kollam GP Area has a turnover of about Rs.58 crores of which exports account for about Rs. 9.8 crores (16.9%). A very important traditional industry, it employs about 3.75 lakhs of workers, nearly 76% of them being women. Exports comprise coir yarn and relatively more value added products such as geo-textiles manufactured in the cluster. These are exported via Alleppy-based agents. Enterprises largely operate at the lower end of the value chain - manufacturing only coir yarn. There are about 2000 cottage and 20 tiny yarn spinning units in the cluster operating in the private, largely informal sector. There are about 90 units functioning co-operative societies, involved in similar activity. The GP Area has 2 de-fibering units. The cluster provides employment to about 51,683 workers, with direct employment to 34,218 persons. In addition, some people also engage in coir related activity on a part-time basis.

Key Issues

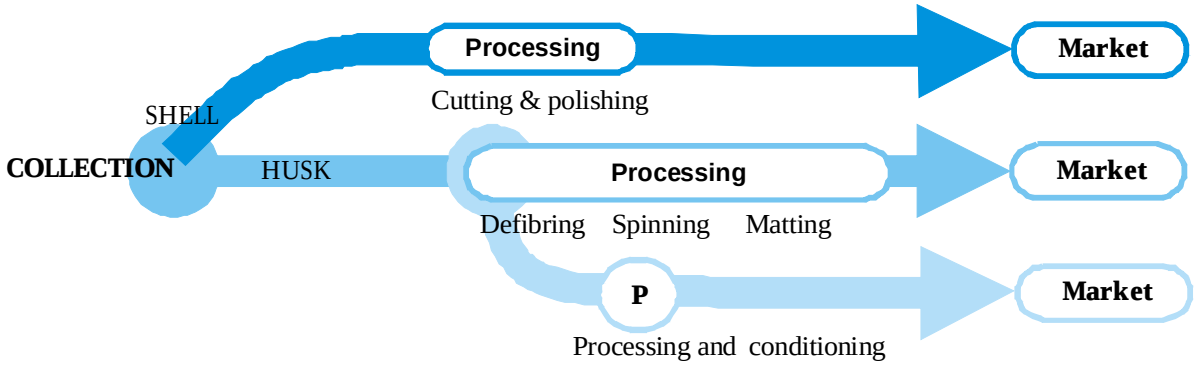
- Poor husk collection facilities/systems affecting competitive availability of husk.
- The variety, "Mangadan" coir has limited application in the matting sector.
- Informal sector enterprises operating in the lower end of the value chain with scant resources to invest in technology or value added production with out fiscal assistance.
- Inadequate de-fibering capacity.

- Limited access to institutional finance.
- Un-attractive work methods and conditions.
- Supply constraints of husk affecting capacity utilisation of cluster enterprises and hence competitiveness.
- Competitive threats from spinning units employing automatic ratts in other states such as Tamil Nadu.
- Inadequate profit margin leading to exit of labor force from the spinning sector

Proposed Interventions

The initial interventions in this sector are designed to address the early part of the process: collection, de-fibring and risk-offsetting through skill diversification. Efficiencies in collection are likely to be achieved in the model project period (1- 1.5 years) with greater value being obtained from the resource through product diversification. The subsequent parts of the coir processing value chain are addressed in the following years of the GP Program with a parallel scaling up of this initiative.

The overarching objective is to revive Kollam as a preferred production centre with a concurrent strategy of skill diversification to reduce dependence on a single source. Along with this, the aim is to achieve improved incomes through resource maximisation (from the collected nuts, using the husk towards yarn and making shell-based products from the discarded shell, ensuring two or more sets of value addition). The following diagram represents the phases of the process in the proposed integrated and diversified model.



- Improved collection of locally available husk: Setting up groups and systems with adequate supply of materials (collection bins), and transport facilities.
- Up-gradation and installation of a new de-fibering unit and linking it to existing cooperatives to demonstrate efficiencies along the value chain.
- Expanding to shell-based products: Re-skilling coir workers to work with coconut shell product manufacture as a strategy to diversify risk, and an additional source of income, and reduce dependence on one industry.
    - In addition to linking the existing R&D on shell-based products, training will be provided to interested groups. This is intended to focus on coir workers but others may also join, after forming groups.
    - Forward links to markets willing to procure the shell-based products through buyer-seller meets, participation in fairs and direct interactions.

Tourism, Handicrafts & Related Local Enterprises

Kollam is among the least developed districts in Kerala's tourism and accounts for less than 2% of Kerala's tourists, whether domestic or international, though it has all the advantages as a tourism destination that Kerala has become famous for.- backwaters, health, beaches, heritage. It has a poor record in terms of both development of tourism destinations as well as actual throughput of tourists. Very few linkages exist with local culture, handicrafts and cuisine - as a concerted and thematic effort in the project area, to boost tourism. The state's medium term goal

for tourism in Kollam has not resulted in significant footfalls thus far compared to other locations in Kerala. The plan under the GP Project has been developed to reverse this trend during the five-year period.

Integrated Tourism Development

Part i: This includes a number of sub-projects and project-propositions that, as part of the GP exercise, may be developed or explored. It is possible that some of these projects will be formulated as a separate exercise with its own budget and funding arrangements. Whilst the initial and essential exercise will require the involvement of the Government, to a small degree, in terms of finance and support, to set the tone for the development, subsequent projects, identified and formulate as part of this integrated planning, may be developed and implemented separately.

Part ii: These supporting sets of initiatives are thematically, part of the Integrated Tourism Development Plan, and also have complementary objectives for their individual sectors/clusters. This part covers the development of sites and areas (precincts and whole villages), crafts (lace-making, screw-pine, bamboo, temple handicrafts etc) and traditional artisan work like black-smithy, dairying, fishing, etc. These are presented in the table below, with areas flagged for the locations of development- this preliminary identification has been done in consultation with the local communities and Gram Panchayats.

	Components of the Plan	Location
	PART I	
1	Integrated Tourism Development Zone	Kollam to Paravoor
	Hotels	
	Catering and restaurants	
	Tourism Complexes	
	Theme Parks	
	PART II	
	Integration of local economy with Tourism	
2	Model Fishing Village	Allapad
3	Nature tourism (Aqua)	Vellimon
4	Village Tourism Project	Thekkumbagam
5	Crafts/Cultural based tourism	
	Performing arts centre	Sooranadu
	Temple Handicrafts	Poruvazhy and Kottankulangara
	Blacksmiths	Kottarakkara
	Screw Pine / lace	Eravipuram
	Bamboo	Mannakarra
	Festivals	Malanada in Poruvazhi
		Anayadi in Soornadu North
		Kottakulangara in Karunagappally
6	Activity-Based Tourism	
	Dairy	Kundara & Mulavana
	Agriculture	Muthuvilakadu, Neduvathoor, Puthur
	Coir	Perumon
	Cashew food court	Killikollure

Cross-Cutting Themes

For achieving and supporting growth and development across the sectors in GP region, following infrastructure initiatives are required:

- Common infrastructure like roads, bridges, cleaning maintaining and dredging of harbour.
- Town level infrastructure in Kollam city, like sewerage and drainage, waste treatment and disposal, currently causing pollution in the water-bodies.

Infrastructure

Large scale reconstruction and repair works have been recently completed in the Kollam GP area, as a result of rehabilitation works under the state's Tsunami Rehabilitation Program (TRP). Several others are being implemented or will soon be undertaken under the ADB component - Tsunami Emergency Assistance Programme (TEAP). These, in addition to restoring the old infrastructure, have been planned taking into account present and future requirements and have been designed to be technically more sound (bridges). Consequently, these will be most beneficial to the community at large and fishermen and those associated with the sector, in particular. Most of these are planned to be completed within the next few years. Some of the components that are useful for the Kollam GP project are:

Road Bridges & Harbour Links

A	**Construction of Roads and Bridges**
1	Construction of bridge across TS Canal connecting Ayiramthengu and Azheekal (ownership PWD)-retroactive work- ongoing
2	Construction of Kallummoottil Kadavu bridge (ownership PWD)-new work
3	Improvements to coastal road from Pozhikkara to Kappil (13/850 to 18/300). (ownership PWD)-new work
4	Improvements to Lalaji Junction- TS Canal (Panickerkadavu) Rd. (ownership PWD)-new work
5	Improvements to Oachira-Ayiramthengu (ownership PWD)-new work
B	**Ports/Harbour development, Fishery development**
1	Neendakara Port and Fishery Harbour: Repair of Roads and Protection Works
2	Neendakara Port and Fishery Harbour: Dredging
3	Thangasarry Fishery Harbour: Rectification of Breakwater, repair of road and protection work

Town Level Infrastructure Development

The most urgent areas requiring attention and considerable investment in the GP area are solid waste management, sewerage and drainage. These account for almost 60% of the total proposed budget for infrastructure.

Further to physical infrastructure and management issues, two other cross-cutting themes require attention in the GP Area. These are:

(i) A module on management of the lake systems in the GP Area, the benefits from which will be felt across the resident community, and key sectors like fishing, tourism and the lake ecology, and

(ii) Introduction and support of a service-delivery based local enterprise model.

Lake Management Plan

1. Identification and plotting/mapping of Lake Area and a "command area" based on the watershed, to be housed in an appropriate government agency, that may take the effort forward and be responsible for subsequent and regular monitoring exercises:
   a. Mapping of boundary, existing and previous, on a GIS platform
   b. Identification of present ownership and status of tenure
   c. Land use along the lake shore
2. Soil and water conservation measures to be put into motion, based on a ground truthing and available data to reduce the silt load on the lake. This load is influenced by several factors in the command area that also need to be monitored, like cropping pattern based on topography, digging silt pits, to be mobilised through a community initiative driven by awareness campaigns and supported and monitored by Gram Panchayat bodies (PRIs).

   Monitoring of Channels feeding the lake for water quality, pollutants and source. These will then be incorporated into the lake management strategy.

   Measure, assess and report pollutant load in lake on a regular format with the participation of the community and concerned stakeholders. This also helps to establish a credible cause-effect scenario that the community awareness drives may plug into their efforts, and also involve the PRIs.

   Identify and assess Household level pollution- inflow of untreated domestic waste: sewerage, kitchen/washing wastewater, etc. The awareness campaign would include the introduction of appropriate technologies for preventing this and support the monitoring bodies to help assess and deal with the issue.

   Community involvement and support will be the most crucial ingredient to this strategy, especially the ones dwelling along the lake perimeter. PRIs, from the relevant Gram Panchayats taking up the implementation of this programme after due consultation with the community and building consensus on tough issues, would be the most effective way forward. The other significant stakeholder group is fisher folks who fish in the lake systems. This category overlaps with the lakeside-dwellers but have a different set of interests in the lake resource. Reconciling their interests with the requirement of ecological rejuvenation and conservation of the lake will be the lane key challenge

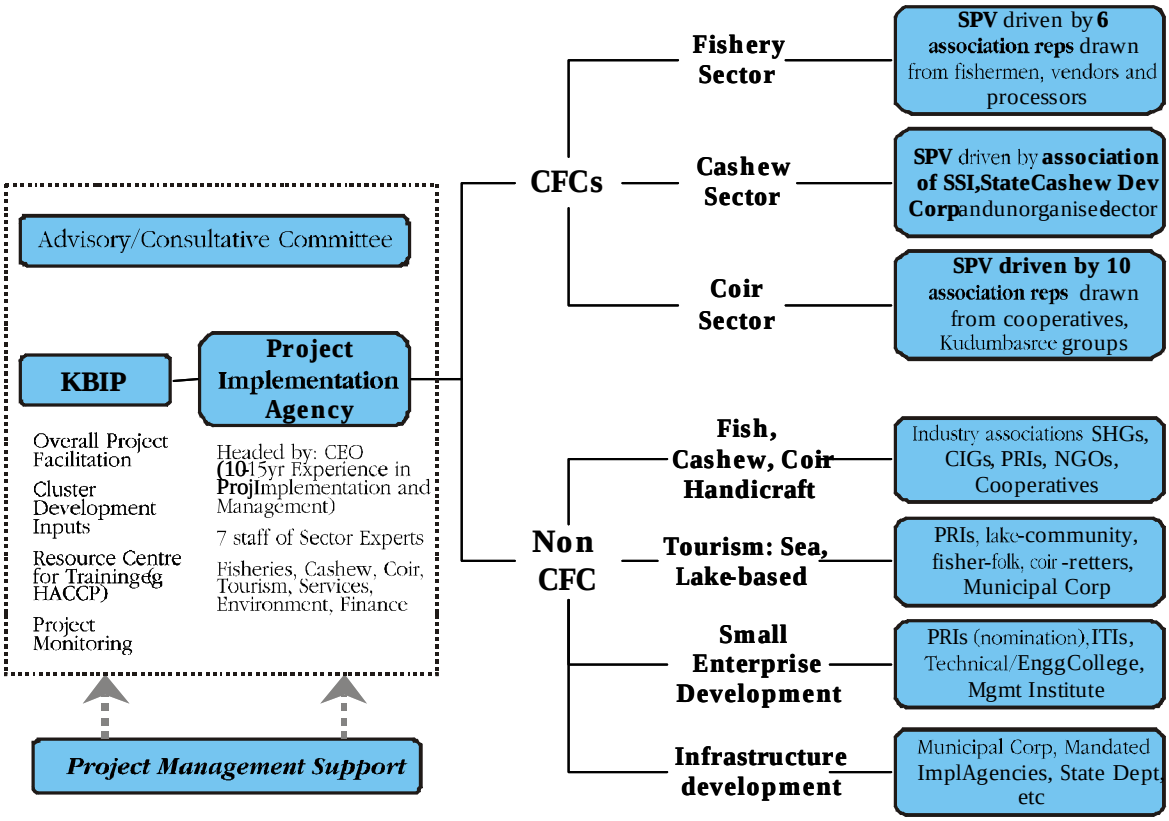
Services & Small Enterprises Development

Another area of employment generation that is fast emerging, given Kollam's development context, is the provision of small household and office-level support services like plumbing, electrical and electronic works, general property maintenance, etc. Even as the old courses set up at ITIs have traditionally addressed this sector in a limited way, there is tremendous opportunity to look at provision of training to enterprising educated youth in both rural and urban areas for supply to this growing market. These are services that are cross-cutting in their application and can be run on a small enterprise-based model with low capital investment.

Key to the growth of Kollam GP area is linkages: Physical-road, Communication-phone, and Knowledge-skills. A small pilot project to organise this set of linkage-based services would be taken up in the first phase and would be suitably tailored and rolled-out on a larger scale in the subsequent stages of the program. Tentatively, this scaling up has been with the introduction of 3-5 newer courses at the end of two years, based on the response to the pilot. Further scaling up may be based on this, as also the selection of the new courses.

Implementation Structure

The following diagram represents the proposed implementation structure for the GP program:



The Project Implementation Agency should have the following experience:

- Cluster development
- Infrastructure development
- Financial structuring
- Structuring and implementation of Public Private Partnerships
- Project management
- Ability to take stakes in SPVs created for ownership, management and operations of assets created as part of larger GP program

A key facet to the timely roll-out of the project is the access to various complementary schemes of the Central Government. The State Government through its nodal institution can facilitate and expedite the approvals for such proposals that will be prepared and presented by the implementation agency.

Summary of Financials for the Five-Year Program

	Sector	Rs lakh	% of sub-total	% of Program Total
	Cashew	2258	16.07	15.46
	Fisheries (Marine & Inland)	4406	31.36	30.16
	Coir	397	2.82	2.72
	Tourism	6230	44.34	42.65
	Local Economy & Crafts Development	761	5.42	5.21
I	**SUB-TOTAL (Sectors)**	**14052**	**100**	
	Cross-Cutting Interventions			
	Lake Management	495	88.93	3.39
	Small Enterprises/Services	62	11.07	0.42
II	**SUB-TOTAL (Cross-cutting)**	**557**	**100**	
	Sub Totals I+II	**14608**		
	*Project Management***	*1172*		
III	****PROGRAM TOTAL (Growth Pole Programme)**	**15780**		**58.42%**
	** @12.5% for the Overall Program and 2% for the Tourism component			
	Infrastructure *(Proposed/approved under other funded projects/programs)*	**Rs Lakhs**	**% of sub-total**	**% of Grand Total**
	Roads & Bridges	3033	27.00	11.23
	Ports/Harbour & Fishery Development	837	7.45	3.10
	Sanitation, STPs & Drainage	6620	58.93	24.51
	Solid waste management	742	6.61	2.75
IV	**INFRASTRUCTURE TOTAL**	**11232**	**100.00**	**41.58**
	GRAND TOTAL (III+IV)	**27012**		
	Kollam Growth Pole: Consolidated Financials (Rs Cr)			**270.12**

Funding & Sources

The following table gives the total costs and envisaged sources of funding for the key sectors. The funds under Government of India and Kerala Government are based on the schemes available and the outlined eligibility criteria. This is, of course, contingent on the qualification of the initiatives under the outlined criteria, at the time of availing.

Summary of Costs:Sectors	Rs. Lakh	% eligible under various heads				
Sector	Total	GOI	GOK	Users	Pvt sector/ banks	NCEUS
Cashew	2,258.00	5%	0%	33%	24%	38%
Fisheries	4,406.00	30%	29%	29%	1%	10%
Coir	396.80	66%	3%	9%	12%	10%
Tourism	6,230.06	0%	5%	0%	90%	5%
Local Economy and Crafts based interventions	761.00	16%	28%	15%	29%	12%
Lake Management Plan	495.00	0%	10%	5%	0%	85%
Small Enterprise Development	61.60	45%	0%	3%	0%	51%
TOTAL	**14,608.46**	**13%**	**13%**	**15%**	**44%**	**15%**

Financial Outlay & Impact

The following table presents the financial outlay and impacts of the GP Project:

Financial Outlay by Sources of Funds

KOLLAM

(Figures: Rs lakh)

KOLLAM				
Year	Contribution by/ thro' GOI/State Govt. Scheme	Pvt. Sector contribution	Total outlay under Growth Pole Scheme	Total
-1	-2	-3	-4	(2+3+4)=5
I	644.27	1499.07	710.38	2853.71
II	804.72	1872.39	824.76	3501.86
III	805.91	1875.17	825.62	3506.70
IV	732.50	1704.35	773.27	3210.11
V	776.86	1807.57	804.90	3389.32
Grand Total (A)	**3764.25**	**8758.54**	**3938.93**	**16461.72**

Note:

1. Contribution though GOI/ State Government Schemes from the existing schemes that can be channeled to these interventions.
2. Private sector contributions include a small proportion of user contributions, equity and commercial loans

Year-wise Activity-wise Financial Outlays of the Proposed Program

	Summary of Costs:Sectors	Rs lakh						Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	Sector	Total	Hard*	Soft*	GoI/GoK	Prvt	GP outlay					
1	Cashew	2,258.00	827	1,431	105	1,304	849	259.8	173.2	730.0	550.0	545.0
2	Fisheries	4,406.00	4,247	159	2,601	1,347	458	786	1267	724	724	905
3	Coir	1,076.80	268	809	405	114	559	85.25	75	229.14	320.79	366.62
4a	Tourism	6,148.06	6,148		260	5,629	260	1229.61	1229.61	1229.61	1229.61	1229.61
4b	Local Economy and Crafts based interventions	761.00	605	156	317	339	106	150	366	245.00	0	0
5	Lake Management Plan	495.00	260	235	50	25	421	72	130	87.9	123.06	82.04
6	Small Enterprise Development	61.60	20	42	28	2	32	20	10	10	11.60	10
	TOTAL	**15,206.46**	**12,375**	**2,832**	**3,764**	**8,759**	**2,684**	**2602.66**	**3250.81**	**3255.65**	**2959.1**	**3138.2726**
					24.75%	**57.60%**	**17.65%**					
	Project Management^^	1255					1255	251.05	251.05	251.05	251.05	251.05
	**PROGRAM TOTAL (Growth Pole)	16462						**2853.71**	**3501.86**	**3506.70**	**3210.11**	**3389.32**
								17.34%	**21.27%**	**21.30%**	**19.50%**	**20.59%**

Note:

* Soft intervention - Expenditure incurred on various capacity building majors like group formation, trainings, etc.

** Hard intervention - Expenditure incurred on creation for various physical Infrastructure / assets like road, equipment, machinery, etc.

1. Land required for Tourism Development Zone factored into overall project costs at Rs 18.53 crores and will be a private transaction. No state govt. support is envisaged.

Impact Assessment

A. Employment (Nos.)

Sector	(Rs. lakh)	Existing Employment	Without GP interventions	With GP interventions
Cashew	2258	176632	8,832	17,663
Fisheries	4406	38976	1,949	5,846
Coir	1077	20531	616	1,642
Tourism	6148	*		5760
Local Economy and Crafts Dev	761	**		1300
TOTAL			11,396	32,212

Note:

* An estimated 1500 people are involved in the hotel business with an equal number in related trades during the tourist season (Nov-Feb). This will convert to more full-time employment with GP interventions.

** Existing artisans at present are underemployed and work on a part-time basis. This will be converted into full-time occupation through the linkage of the artisans with the tourism traffic and as such would not constitute additional employment but additional realized incomes.

B. *Income (Rs.)*

Sector	Existing Income (per person/month)	Increase in Income (per person/month)	
		Without GP interventions	With GP interventions
Cashew	3,000	3150	5,315
Fisheries	2,500	2625	4,429
Coir	1,500	1575	2,657
Tourism	new sector	*	36,000
Local Economy and Crafts Dev	new sector	**	

Note:

* Tourism is a part-time and seasonal activity. Development of the Tourism zone in Kollam will create 36,160 jobs (direct + indirect) over a 10 year period. Each job is estimated at providing at least Rs 36,000 per annum income

** As explained above

C. *Turnover* *(Rs. lakh)*

Fisheries	928	974.4	1020.8
Coir	58	60.32	78.3
Tourism and Local Economy and Crafts Dev	*	**	602.2

Note:

*&**Estimates not available for GP area as activity is large unorganised and home based. However, Income post-GP interventions will accrue to handicrafts, local cuisine, services including transport and other indirect tourist support infrastructure.

Economic Cost-Benefit Analysis

Incremental contribution to GDP in the GP area -

Rs 69.24 Crores per annum from year 5 increasing potentially to Rs 345 crores by year 15.

Total Project Cost: Rs 164. 62 crores

Investment per direct employment created - Rs. 0.51 lakhs

Incremental per capita income per GP area population: Rs 870 per capita in year 5 increasing to Rs 4333 in year 10.

Productivity

PRODUCTIVITY INCREASES

Cashew	20-25%	increases in efficiency
Fisheries	30-50%	Wastage reduction and value realisation
Coir	20-30%	increases in efficiency
Tourism and Local Economy and Crafts Dev		Expansion of market

Expenditure Profile

EXPENDITURE PROFILE	Rs lakh	%
Govt of India /state govtSchemes	3,764	23%
Private Sector	8,759	53%
Proposed GP project	3,939	24%
Total	16,462	

Social Cost-Benefit Analysis

Overall Impacts	STATUS : Year 0	PROJECTED : Year 5	Year 10
Units	Some 10,000 units in key sectors.	With increase of enterprise based work and initiatives, increased opportunities in alternative sectors, value chain integration and altered formats of association (co-operatives, companies, societies), the number likely to go up to 15,000 profit-oriented units.	Increase in mid-size units and sustainable number of small size units, with overall numbers also stabilising with an orientation to greater profits and better worker quality and conditions. Increase in Service sector units as well in areas like tourism (tour operators, travel based services, other services)
Employment	Current employment base of 2.36 lakhs workers in the three key sectors	Moderate increase in total numbers but more sensitive to income and worker environment improvement (significant).Greater opportunity for absorption of the educated unemployed, women workers, greater diversification of skill base and opportunity for various levels and types of employment.7-9 % increase.[Note: With stagnant population growth rates, that also threaten to become negative in some parts, conscious efforts have been made to emphasise the quality of employment, rather than numbers.]	10-12 % increase over base year with greater retention of older workers and diversified employment opportunities. [Note: Projected population growth rates, that may become negative in some parts, with an increasing population of older employees. Conscious efforts have been made to emphasise the worker environment, length of employment, occupational health- quality of employment rather than numbers.]

Overall Impacts	STATUS : Year 0	PROJECTED : Year 5	Year 10
Average Income/ Employment opportunitiesmid-level jobs. employability	Good record of minimum wages being honored in the cashew sector and better wage rates than the rest of the country in fisheries, though more compromised in the case of coir sector. Women make lower cuts compared to men in the same sector. Few mid-level job opportunities. Rs 3300-1600 per month, (base wages) depending on sector	Combination of sector specific measures (including branding, worker environment improvement, diversified skills, training for better efficiencies, etc.) are geared to increase industry performance to enable a parallel increase in wage rates, and economic opportunities across the board. Likely to improve to a minimum of Rs 5,000- 2,500/- per month and a greater increase in mid-level jobs with monthly incomes of Rs 10,000-15,000/- as well	Diversified increase in the key sectors, combined with new industry, and service sector development and increase will lead to a greater jump across this longer period. Expected swell in mid-level job opportunities for the educated (depending on level of qualification) and greater opportunity for skill based training for employability will result in improved wages and job opportunities, including opportunity for self-employment (diversified and integrated value chain) 15-25% increase in base wages in key sectors. Base wages in key sectors at Rs 8,000-4,000/-

Proposed infrastructure development activities (construction etc) will also generate local jobs. That number has not been included in the estimate of direct employment generated. It is estimated that apart from some additional direct employment, indirect employment will be generated as a result of the interventions and will not be confined to the GP Area alone..

Several strategies would come into play to address the demand-supply of opportunities. Some possible ways are:

1. Improved work-force participation, especially among women and the educated unemployed youth who are intended targets of some interventions.
2. Reduced unemployment and disguised unemployment, particularly from the cooperative sector.
3. Migration to the area by workers from the surrounding areas or even other places, as has been the case with the cashew sector, in the recent past.
4. The improved employability among the trained youth in various sectors may also lead to greater mobility (vertical and geographic) of the local workforce.

Land Requirement

No.	Project	Area (acres)	Cost (Rs lacs)
1	Integrated Tourism Zone	25	1853*

* Private sector tourism player will fund any acquisition required.

Annexure 9

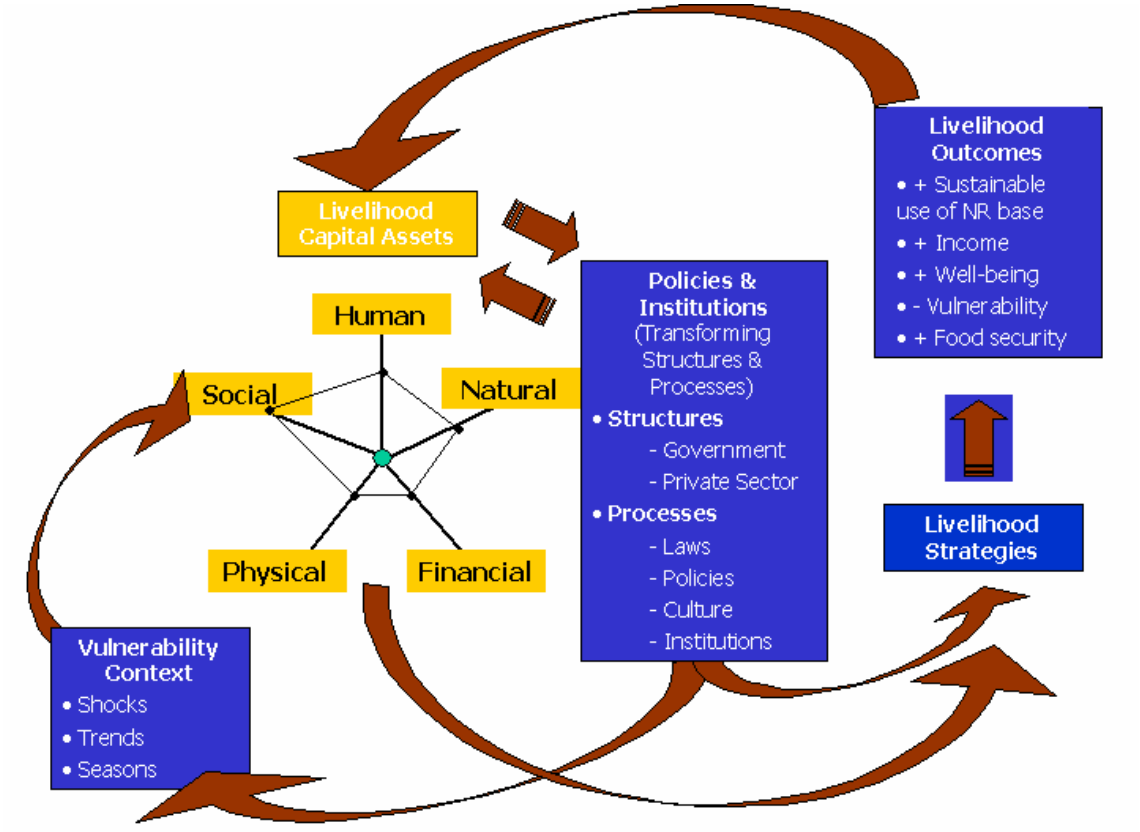
Executive Summary of Champa Growth Pole Project

Approach, Objectives & Methodology

A part of Janjgir-Champa District has been selected by the Government of Chhattisgarh to be developed according to the Growth Pole approach. Historically, Champa has been one of the major centres of the craft-based industries generating significant employment. Known for the traditional three 'K' industry clusters (Kosa Tussar Silk, Kansa brass and bronze and Kanchan Jewellery) related enterprises, it is most well-known for Kosa. Over the years, a new industry of rice milling has shown a rising trend in this area. However, both the old and the new industries face several problems and barriers to healthy and sustainable growth.

Approach

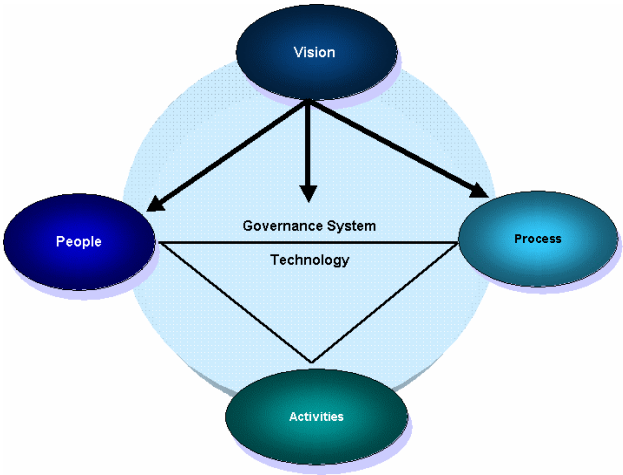
IL&FS has used Sustainable Livelihoods Framework (figure below) for undertaking the diagnostic assessment to understand the context and factors affecting the growth and sustainability of the economic institutions (clusters and its actors) that cause problems or create opportunities. It also aims to understand how different factors relate to each other. It also helps set the objectives, scope and priorities for development and its planning. The approach puts people at the centre of development work, and attempts to understand the socio-economic and resource management issues from the human perspective.



The sustainable livelihood approach:

- Analyses the current livelihood strategies and their changes over time.
- Involves stakeholders and makes them own the proposed development interventions.
- Identifies the factors that influence stakeholder participation in the proposed interventions.
- Highlights the impact of policy and institutional arrangements.
- Stresses the importance of the influencing policies and institutional arrangements to support sustainable growth and development.

The development plans and activities have been arrived at using the development planning framework illustrated alongside.



District Profile

Situated in the center of Chhattisgarh, Janjgir-Champa is one of the smallest districts of the state with a total geographical area of 4,464.7 sq km. It is also the State's major producer of food grains and is considered the heart of the State.

Demography of the district is characterised by:

- Higher proportion of SC population
- Higher incidence of poverty

The district is situated between the industrial belts of Korba, Raigarh and Bilaspur. There are only five big industries located here. There are major industries in the neighbouring Korba and Raigarh districts. Janjgir-Champa district compares unfavorably with the State averages for most of the human development indicators. Some positives however are that the incidence of poverty is lower, overall literacy is higher (though the provision of government schools is much lower). Janjgir-Champa is ahead of State averages in most physical infrastructure indicators.

GP Profile

The GP area comprises four of the nine development blocks of the district, namely: Baloda, Bamnidih, Nawagarh, and Shakti. The study area covers 100,873 of the 226,803 families of the district. The population of the proposed GP area is 5, 41,669 (as per census 2001). Scheduled Castes (SC) and Scheduled Tribes (ST) comprise 20.01 per cent and 12.44 per cent of the population respectively. Percentage of SC population in Janjgir-Champa district is highest among all the districts of Chhattisgarh.

The major sources of income in the proposed GP area currently are:

- Agriculture
- Agricultural labour
- Weaving
- Animal Husbandry
- Daily wage labour in industrial units
- Household industries including:
  - Jewellery
  - Brass and bronze utensils making

Out of these the major contributors to the local economy are:

- Agriculture
- Weaving
- Jewellery, brass and bronze utensils making
- Rice milling

Though the region is well-endowed with natural resources, certain social issues in terms of underdevelopment of human resources is observed, these are:

- Higher incidence of poverty
- Poor quality of education

Janjgir-Champa is well-connected in terms of road and railway network. However, the connectivity to interior areas needs to be improved. Status of utilities such as water and electricity in the GP region is good. The status of social infrastructure including for education and health need to be improved.

Analysis of the financial infrastructure in the region suggests that more credit inflow is required in the GP region with simultaneous improvement in the recovery rate.

Key sectors in the GP area are:

- Kosa (Tussar)
- Kanchan (Gold ornaments)
- Rice milling
- Kansa (Brass & Bronze utensils)

Out of them two clusters viz. Kosa and Rice milling have taken the shape of industries, whereas the other two are traditional artisan based clusters.

KOSA (TUSSAR)

The Kosa cloth industry, which dates back to 1800, is today the second most important economic activity in the GP area after agriculture. The cluster employs nearly 3000 families, produces more than 30 lakh meters of silk cloth every year with an approximate market value of Rs. 80 crores. The cluster also earns nearly Rs. 10 crores from exports.

The cluster largely produces the following three products

- Sarees
- Plain cloth
- Drapes

Several issues need to be addressed to improve the current status. These are listed below in order of their stated priority (based on consultations with key stakeholders):

- Marketing
- Contemporary design
- Processing facilities
- Raw material (Cocoon)
- Advanced tools and technology
- Skill training for new products
- Social security
- Credit

The vision for the Kosa cluster can be spelt out as "Transforming Champa from a production-centric cluster in to a market-driven centre for Kosa through optimal resource usage, customised to cater to multiple market segments, ensuring higher income to all stakeholders".

To realise the above vision a three-pronged strategy is suggested:

- Sustained raw material supply by increasing plantations
- Creation of a handloom park
- Creation of an institution to take forward the intervention

While the Kosa cluster of Champa shows promise, it suffers from the absence of critical linkages. It is important to adopt an integrated Tussar Cluster Development Program in the region with the long term objective of developing Champa as a world class Kosa garment manufacturing center. The cluster development program aims at:

- Ensuring availability of raw material (Kosa cocoons)
- Providing common facilities
- Providing avenues for continuous skill up-gradation and design development
- Improving efficiency and reducing wastages
- Providing social security

Key components of the project are:

- Arjun Plantations
- Reeling Centres
- Handloom Park
- Training on various aspects of weaving

Total investment in the programme will be around Rs. 70 crores and will be able to increase the turnover by about Rs. 500 crores and will be able to generate about 30,000 employments in 10 years.

Rice Milling

There are 113 rice mills in the district with a total milling capacity of 131.5 tons per hour. The majority of these have 1 ton per hour milling capacity. The rice milling activity is concentrated more in Akaltara and Nawagarh blocks of the district, with some rice mills also located in Bamnidih, Shakti and Pamgarh blocks.

There are nearly 80 rice mills in the GP area, with the highest concentration in Nawagarh block. The cluster produces more than 1.6 lakh tons of rice worth more than Rs. 180 crores. It also produces by-products such as bran,

husk and animal feed worth another Rs. 120 crores. It provides employment to more than 900 persons, and generates daily wage labour for a period of 4-6 months for another 1500 people.

Most of the units have installed indigenous and non-standard locally fabricated plants. The methods adopted by most of the units are traditional and unscientific. Quality of the rice produced is inconsistent and broken percentage is on the higher side. These plants are not energy efficient and suffer from poor maintenance and productivity and lead to higher cost of production.

There is scope for improvement in various processes like parboiling, storage, paddy drying, polishing and grading, sorting, packing etc. Besides, there is the need to employ scientific energy conservation, pollution control and safety methods.

Key issues in the cluster in terms of priority are:

- Plant capacity utilisation throughout the year
- Technology to use by-products
- Sustained supply of paddy
- Better quality of paddy

The vision and action plan developed for the cluster envisages the revaluation of the traditional form of production and improvement of the living standards of the workers by:

- Reducing the lack of linkages among the different cluster actors.
- Enhancing the production and marketing capacity of the firms.
- Developing a product image (including a common brand) in line with current market demand.
- Improving and increasing the types of business support services available in the cluster.

The areas of interventions will include technology up-gradation, quality enhancement, diversification of products and creation of strong marketing linkages and development of a common brand.

This will be achieved through the following interventions:

Technology up-gradation for improvement in efficiency, product quality and standards initially in 5 units, to be extended to the entire cluster.

Common Facilities & Infrastructure

- Engineering and maintenance services for the cluster
- Automated Sorting and packaging to enable product differentiation and consistency
- Downstream value added products
- Quality labs and testing facilities

Market and brand development through exposure visits and linkage with successful rice cluster development programme at Kalady, Kerala. The proposed programme of interventions is similar to the Rice Cluster Development at Kalady, Kerala that has emerged as a competitive cluster with diversified products and common brands.

Total investment in the rice cluster development programme will be around Rs. 11.50 crores. This programme will be able to increase the cluster turnover to about Rs. 345 crores and the employment level to about 3000.

Jewellery

Champa is famous throughout Chhattisgarh for its jewelry. The major centers of production in the GP area are Champa, Baloda and Sheorinarayan. Most of the ornaments produced in the cluster are for the local market. Consequently, there is greater emphasis on weight than design.

Key issues of the cluster in terms of their priorities are:

- Contemporary design
- Credit
- Advanced tools and technology
- Market interface

Keeping in mind the high level of traditional skill and resources available, the vision for the Champa jewellery cluster is "Developing Champa as a modern-day quality-ornament producing centre while maintaining the traditional Chhattisgarhi art intact".

To realise the above vision a three-pronged strategy is proposed be adopted as follows:

- Continuous skill up-gradation and design development
- Development of new skill sets (Gems cutting, polishing and grading)
- Brand building

Though Champa cluster is well equipped to produce traditional Chhattisgarhi jewelry it is not quite able to cater to the demand in the contemporary market. It looses out to other developed clusters like Rajkot. Also, with the potential of diamond mines under exploration in the state the cluster can, eventually try to move into the new direction of diamond cutting. Hence at this point, it is important to provide inputs, which can increase the competitiveness of the Champa cluster while keeping the traditional Chhattisgarhi style in tact. The components of the program will be:

- Design development and product development
- Productivity enhancement arrangements
- Marketing and brand building arrangements
- Skill building in diamond cutting, grading and polishing

Total investment in the Jewelry Cluster Development Program will be around Rs. 1.75 crores. This will increase the turnover up to Rs. 200 crores and employment up to 2500.

Brass & Bronze

Champa's reputation for traditional bronze and brass utensil production was earned in the later part of the nineteenth century, when artisans from Orissa, known locally as kansars migrated here and established utensil production units. There was a time when nearly 500 families were involved in this cluster but nowadays only about 200 families are engaged in this occupation.

There are about 20 workshops in the entire GP region, of which 17 are into brassware and the rest work with bronze. The products of the cluster are traditional utensils which are used mainly during marriages or festivals. They are heavier than machine-produced utensils though their market is limited only to rural areas in the neighbourhood.

Key issues in the cluster in terms of priority are:

- Social security
- Credit

- Skill training for new products
- Raw material
- Advanced tools and technology
- Marketing
- Institution

Keeping in mind the present status of the brass and bronze cluster, the potential and the ruling constraints, the vision for the cluster is "Improving the socio-economic status of the present artisans by improving the current income level and through provision of social security measures".

The proposed strategy targets the revival of the cluster through:

- Product diversification
- Introduction of new products to cater to the growing world Art Metal ware market
- Provision of social security for artisans
- Reduction of human drudgery

The brass and bronze utensil art is dying in the area. The number of artisans is decreasing with the passage of time. Given that the livelihoods of 200 families are dependent on this sector, it is considered important to adopt an urgent revival programme with the long-term objective of improving the socio-economic status of the present artisans by increasing the current income level and through provision of social security measures. The cluster development programme will include the following components:

- Product development and diversification for better value realisation
- Marketing linkages
- Institutional development and structuring

Total investment in the Brass and Bronze Cluster Development Programme will be around Rs. 1.40 crores. This will increase the turnover up to Rs. 15 crores and employment up to 250.

Dairying

Though the district of Janjgir-Champa falls under the operation flood area, milk production in the district is not sufficient even to cater to local needs. There is no district level milk union in Janjgir-Champa.

Key issues in promoting dairy are:

- Lack of processing units
- Lack of quality feed
- Lack of extension services

Interventions to develop dairy can be geared towards:

- Development of dairy based micro-enterprises with proper support services
- Establishment of processing units

Total investment in the dairy sector will be around Rs. 22 crores. This is expected to generate full-time employment for more than 2000 persons.

Skill & Entrepreneurship Development Program

Currently, the availability of trained persons to cater to these needs is inadequate in situ. There is only one ITI in the entire GP area. Thus, a huge potential for employment exists in trades that people can rapidly skill themselves in and secure employment. These areas are adjoining the GP Project area and present an opportunity to generate employment within the state.

The following trades have been proposed to be selected where skill development can be done and trainees can be placed with the industries on successful completion of the trainings:

- Construction
- Gems and jewellery
- Electrical
- Automobile

A training center is proposed in Champa for providing skill trainings. Investment in the training center will be around Rs. 30 crores and it is expected to generate around 28,000 jobs.

Micro-finance

There is greater degree of dependence on traditional sources of credit in the GP Region. Hence, an intervention in micro credit is proposed as a cross-cutting theme across all the interventions.

In order to institutionalise micro-finance in the GP area it is proposed to establish a Non-Banking Finance Company (NBFC) in the region within 5 years of the Program. In order to ensure community ownership, the proposed NBFC will have at least 51% shareholding. The community will invest in the NBFC through Mutual Benefit Trusts, which will act as second tier institutions. These Mutual Benefit Trusts, in turn, will be formed by Self Help Groups of the producers. Experiences of other community owned MFIs mobilising equity only from the community is not enough to scale up. To overcome this limitation it is proposed to mobilise the rest of the equity (up to 49%) from the mainstream financial institutions such as ICICI Bank and from other Venture Capitalists/institutions like Avishkar or IFC, etc.

Institutional Strengthening

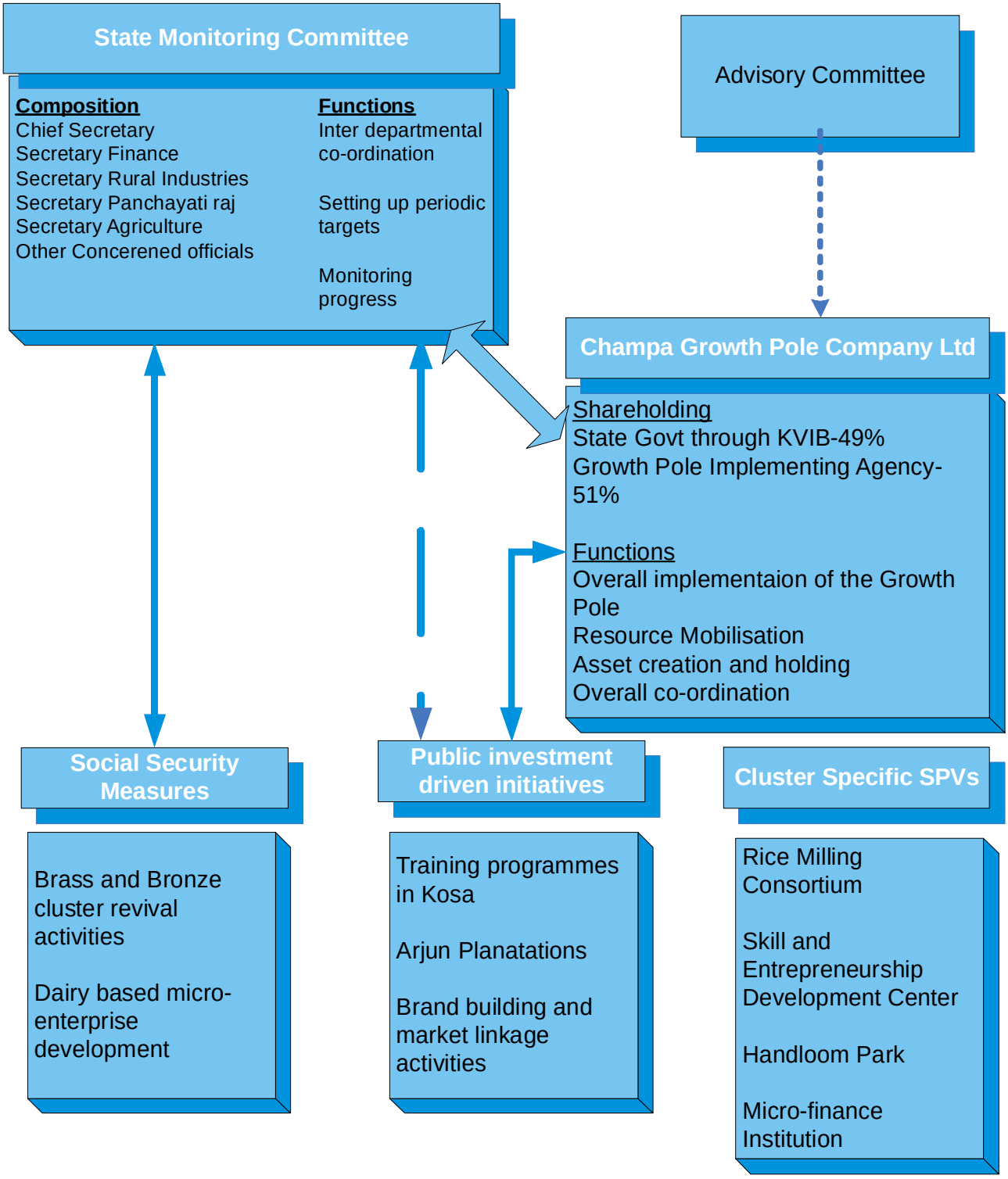
Successful intervention by the GP project will depend to a great extent on the strengthening of the existing institutions like Institute of Handloom Technology and State KVIB. It will also depend on the orientation of the key government departments involved in the project. Hence the following interventions are suggested to strengthen the key institutions/government departments.

PURA Linkages

Under the GP project establishment of village knowledge centres needs to be taken up in 50 villages during the project period. Preference will be given to villages where there is greater concentration of economic activities. The exact locations may be decided based upon the requirement of the entrepreneurs.

Implementation Mechanism

The GP Program entails implementation of a variety of interventions requiring coordination between several government departments. The following implementation structure is proposed.



Growth Pole Financial Outlay

Annual Outlay for the Project Classified by Key Sectors (Rs. lakh)

	Year	1	2	3	4	5	Total	% of the total
Kosa	Soft	335.01	310.01	310.01	305.61	305.61	1566.3	22.8
	Hard	133.875	524.78	474.78	1277.97	2884.34	5295.7	77.2
Sub-total		468.9	834.8	784.8	1583.6	3190.0	6862.0	100
Jewelry	Soft	25	5	20	15	15	80	45.7
	Hard	75	20	-	-	-	95	54.3
Sub Total		100	25	20	15	15	175	100
Rice milling	Soft	5.5	3	3	3	3	17.5	1.5
	Hard	319.8	710.7	45	59	-	1134.5	98.5
Sub-total		325.3	713.7	48.0	62.0	3.0	1152.0	100
Brass &Bronze	Soft	20.6	10.10	25.10	10.10	10.10	76	53.5
	Hard	66	-	-	-	-	66	46.5
Sub total		86.6	10.1	25.1	10.1	10.1	142.0	100
Dairy	Soft	35	-	-	-	-	35	1.6
	Hard	1710	120	120	240	-	2190	98.4
Sub-total		1745.0	120.0	120.0	240.0	0.0	2225.0	100
Skill	Soft	525.48	525.48	525.48	525.48	525.48	2627.4	86.5
	Hard	410.62	-	-	-	-	410.62	13.5
Sub-total		936.1	525.5	525.5	525.5	525.5	3038.0	100
PURA	Soft	-	-	-	-	-	-	-
	Hard	7.51	7.51	7.51	7.51	7.51	37.6	100
Sub-total		7.51	7.51	7.51	7.51	7.51	37.6	100
Orient.	Soft	5	-	-	-	-	5	100
	Hard	-	-	-	-	-	-	-
Sub-total		5	-	-	-	-	5	100
Overall Growth pole	Soft	951.59	853.59	883.59	859.19	859.19	4407.15	32.3
	Hard	2722.81	1382.99	647.29	1584.48	2891.85	9229.42	67.7
Total		3674.40	2236.58	1530.88	2443.67	3751.04	13636.57	100

Notes:

1. Percentage outlay in soft interventions is higher as lot of efforts is being put in to developing employable skills among GP population.
2. "Hard" interventions refer to assets created and "soft" interventions refer to awareness creation, capacity building, training etc.

Activity wise fund requirement for various interventions & Sources of fund

(Rs. lakh)

	Total	GoCG	GoI	Users	Banks	GP outlay
Kosa	6,862.01	863.71	3,124.64	524.96	915.06	1,433.64
Rice	1,152.00	-	-	335.15	52.00	764.85
Jewellery	175.00	10.00	50.00	5.00	-	110.00
Brass	140.02	9.62	23.60	20.70	-	88.70
Dairy	2,225.00	-	460.00	545.00	665.00	555.00
Skill Development	3,038.12	10.00	656.88	269.50	-	1,684.37
Cross-Cutting	5.00	-	-	-	-	5.00
PURA	37.55	-	18.78	7.50	11.27	-
Total	13,634.70	893.33	4,333.90	1,707.81	1,643.33	4,641.56
Share%	100	7	32	13	12	34

Year wise Financial Outlay Classified by Sources of Funds

(Rs. lakh)

Year (1)	Contributions by/ thro' GOI/State Govt. Scheme* (2)	Pvt. Sector Contributions** (3)	Total Outlay under Growth Pole Scheme@ (4)	Total (2+3+4) (5)
I	874.75	1082.62	1717	3674.38
II	748.06	451.70	1041.82	2241.57
III	726.56	254.74	544.58	1525.87
IV	1072.66	620.45	750.55	2443.66
V	1814.45	941.64	994.95	3751.04
Grand Total (A)	5236.48	3351.15	5048.9	13636.52

Notes:

* Existing Govt Schemes - Cover Central and State schemes

** Private Sector Contribution - Includes equity and debt with a small component of user contributions

@ Funding proposed under the GP scheme

Land for projects has been factored in as State's contribution for Multi-activity Skill Development Centre (Rs 0.40 crores) and Integrated Park (Kosa) (Rs 3 crores).

Economic &Financial Impact Indicators

A. Employment Impact (Nos)

Sector	Project Cost (Rs. Lakhs)	Existing Employment	Addl. Employment Generated		Cost of Addl. Employment Generation per Person (Rs. lakh)
			Without GP Interventions	With GP Interventions	
Kosa	6862.01	9385	3000	21365	3.11
Rice milling	1152	2400	500	2100	1.82
Jewelry	175	1500	300	1000	5.71
Brass & bronze	142	210	-100	140	0.99
Dairying	2225	-	1000	2179	0.98
Skill development	3038.12	-	750	26850	8.84
PURA	37.55	-	0	50	1.33
Total	13631.68	13495	5450	53684	3.94*

* Average cost of additional employment generalised per person

B. Income Impact (Rs. per Person/annum)

Sector	Existing Income		Increase in Income	
			Without GP Interventions	With GP Interventions
Kosa	Cocoon farming	Rs. 5000	Rs. 8000	Rs. 13,000
	Reeling/yarn processing	Rs. 8750	Rs. 12500	Rs.1 9,500
	Weaving	Rs. 19,500	Rs. 30250	Rs. 46,250
	Value addition	-	Rs. 36000	Rs. 60,000
Rice milling*	Rs. 400,000		Rs. 600,000	Rs. 1 2,00,000
Jewelry	Rs. 36,000		Rs. 72000	Rs. 150,000
Brass & bronze	Rs. 29,920		Rs. 35000	Rs. 66,000
Dairying	-		-	Rs. 36,000
Skill development	-		-	Rs .48,000
PURA	-		-	Rs .36,000

* Income of rice millers

C. Economic Impact

Growth Pole Project Cost = Rs 136. crores

Incremental GDP =Rs.922 crores

Note : GDP has been calculated on the basis of incremental income arising due to increment in employment and increase in income over a period of five years.

D. Investment v/s Income the Project

Sector	Employment Created per Rs lakh Investment	Incremental Income per Job Created
Kosa	3.11	Rs. 13,805/annum
Rice milling	1.82	Rs. 12,00,000/annum
Jewelry	5.71	Rs. 150,000/annum
Brass & bronze	0.99	Rs. 66,000/annum
Dairying	0.98	Rs. 36,000/annum
Skill development	8.84	Rs. 48,000/annum
PURA	1.33	Rs. 36,000/annum

E. Productivity Improvements

Sector	Parameter	Pre-project	3 years	5 years	10 years
Kosa	Productivity	As low as 2 meters of silk cloth production per day approximately 150-200 grams of yarn production per day	3 meters of cloth production per day 1 kg yarn production per day through introduction of multi-end reeling machines	5 meters of cloth production per day 1.5 to 2 kg of yarn production per reeler per day	Likely to go up to 8-10 meters of cloth production per day
	Value addition	Limited and negligible value addition	Value addition through new product development		
Rice Milling	Productivity	**62% RICE REALISATION**	65% rice realisation	67% rice realisation	72% rice realisation
	Value addition	**NO VALUE ADDITION**	Value addition in rice through production of rice powder and puffed rice	Value addition in other by products like bran oil from Bran	
Brass and Bronze	Productivity	Production of 28Kg of material after involvement of approximately 112 man hours (8 persons working 14 hrs a day)	Productivity increased by 25% due to mechanizstion of certain processes		

F. Employment impact

(Figures in Nos)

(a) Parameter	Pre-project Status	3 yrs	5 yrs	10 yrs
Employment (direct)	9760	21835	28895	44700
Employment (indirect)	2235	6710	14550	21900
(b) Total turnover (Rs. crore)	195	367	700	1100
(c) Institutional Arrangement	Absent	1-Cluster Specific SPVs o Weavers producer company o Consortium of rice millers o Consortium of jewellery artisans o Co-operative of brass and bronze artisans 2-Skill and entrepreneurship development centre		

G. Socio-Cost-Benefit Analysis

Welfare:

- Improved access to health facilities through introduction of health insurance
- Economic empowerment of women and other weaker sections including tribal through assured income
- Reduced financial vulnerability due to enhanced income
- Mixing or breaking of cast, class, creed structure through inclusion of tribal in mainstream commercial activities (cocoon farming and reeling)

Infrastructure:

- Common Facility Park and reeling centers to take forward the Kosa Cluster
- Market research center to improve the status of the Jewelry Cluster
- Value addition units in rice milling industry

Skill:

- A comprehensive multi skill development center providing training in construction, automobile, jewelry designing and electronics goods repairing
- Large number of cluster specific training programmes

Market:

- Continuous effort towards market development through workshops, participation in fairs, etc.

H. Expenditure Profile

EXPENDITURE PROFILE	Rs lacs	%
Govt of India / State schemes	5,236	38%
Private Sector	3,351	25%
Proposed Growth Pole Scheme	5,049	37%
TOTAL	**13,637**	

Land Requirement

No.	Project	Area (acres)	Cost (Rs lakh)	
1	Multi Skill Development Centre	5	40	*
2	Integrated Kosa Park	15	300	*
*State government contribution to project.				

Annexure 10

Executive Summary of Howrah Growth Pole Project

Project Area

The GP area consists of two blocks, Domjur and Panchla, in Howrah district in West Bengal. A significant percentage of population in the area are engaged in the unorganised sector, and characterised by relatively poor socio-economic condition of the people. The area has potential for income augmentation given the demand in market of the various items being produced/manufactured in GP area and scope for value addition.

Demographic Features

The population of the project area is 525,278 as per Census of 2001of which about 40.7 % reside in Panchla and 59.3 % in Domjur. While Panchla is predominantly rural, Domjur is relatively semi-urban. The population is relatively young, 36 % of them being below the age of 14 years, while 73 % is below the age of 35. Of the working age population only 35.47 % participate in productive activities. This indicates the need for exploring possibilities for creation of additional employment opportunities and also training. Literacy is 78 % and 64 % for male and female respectively for the project area. This compares favorably with those of the state as a whole. Again within the project area, Domjur fares better compared to Panchla. Birth rate, death rate and child (and maternal) mortality rate for the district of Howrah is representative of the project area, and compares favorably with the state average.

Economic Features

Panchla and Domjur have their distinct identities. For example, Panchla is known for Zari and Wig and Domjur for Gold Jewelry and Readymade Garments, Imitation Jewelry and Ornamental Fish. A small number is engaged in furniture making as well. Besides, in Domjur, many are engaged in assorted occupations like small shop-keeping, transport, petty business, sales and distribution, etc.

Vocation-wise incomes in the region range from Rs. 11979 per annum per household for Imitation Jewelry to Rs. 22243 per annum per household for Gold Jewelry. Some people are engaged in agriculture too. In Panchla and Domjur while 1.6% and 2.63% of population respectively are cultivators, 2.44% and 2.97% respectively are agricultural laborers. On the other hand, the employment percentage in the household industry sector is very high in the project area (around 25% in Domjur and around 42% in Panchla) while that is comparatively low at district level of 11.52% and state level of 7.37%. This brings out the relative importance of the household industry in the area.

Credit

The project area is about 168 sq. km. and is well serviced by an institutional structure for rural credit comprising four types of institutions, viz., the Nationalised Commercial Banks (16 branches), Gramin Banks (7 branches), District Central Cooperative Banks (4 branches) and Primary Agricultural Credit Societies (36 Nos). The credit deposit ratio for Howrah district, which may be taken to be indicative of the Project Area, is around 25% (rural - 19%, urban - 30%). This shows that there is a scope for improving the credit off-take in the project area.

Infrastructure

The sectors considered under physical infrastructure are roads, electricity, water, sanitation, drainage, and market centers. Some of these are either reasonably provided for or are due for development under various schemes of Government of India.

- *Roads:* National Highway (NH) -6, which is part of the golden triangle, is the main conduit passing through the project area and connecting the two blocks. Due to its proximity and very good connectivity with Kolkata,

there is substantial economic potential in the area. Apart from NH, there are 3 State Highways (SH) and a number of Major District Roads (MDR) passing through the area. Also, some more roads are being developed or planned under PMGSY (Pradhanmantri Gram Sadak Yojana) which criss-cross the project area. A few cross-links between the blocks need to be created or improved to give the total area good connectivity. Road density in the area is higher than State and India averages.

- *Electricity:* There are three sub-stations in Domjur and two in Panchla. Availability of power is not an issue as demand is only about 70% of rated capacity. In Domjur, supply has reached the entire block except for 3 mouzas. In Panchla, there are 2 mouzas where supply has not yet reached. In Domjur, 26,352 households are without connection whereas in Panchla the corresponding number is 3,545. However, per capita usage is low, a reflection of the poor economic conditions of the population.

- *Drinking Water Supply:* Water is available mainly from the ground water source across the project area, through shallow and deep tube wells. However, for year round supply 700 deep tube wells are more reliable. About 181,000 population in Domjur and 90,000 in Panchla respectively are yet to be covered for assured drinking water supply. This needs special attention.

- *Sanitation:* Domjur block is 100% sanitised and has applied for the Nirmal Gram Purashkar. The same percentage for Panchla is 75-78.

- *Drainage:* A canal passing through the area is one of the main sources of water for agriculture in both the blocks and also the key drainage outlet. The total length of the canal running across 2 blocks is about 30.5 Kms. But now it is choked in most of the segments. So dredging of the canal and its branches is urgently required.

- *Markets:* While there are a few market outlets, they should be improved upon and augmented. There are 5 markets in the project area: 4 in Domjur and 1 in Panchla of which one each in Salap and Ranihati are for general goods with a few zari raw material outlets in the latter. There is another general goods market in makardaha with a few imitation jewelry outlets. Besides there are two markets, one in Domjur town, focused entirely on Gold Jewelry and another in Bankura with focus on raw material and accessories for Readymade Garments. Bankra market is the only one which is housed in a building. Apart from the above, there are other small markets across the two blocks which are typical rural mandis.

Social Infrastructure

Considered under social infrastructure are education, health, environment and gender equality. Most of these are taken care of by the respective blocks and panchayats under various schemes of Government of West Bengal and Government of India. Still, there is scope for improvement in these sectors, especially in education and health.

Education: There are 254 primary schools, 62 middle, secondary and higher secondary schools in the area. But student teacher ratio in 72% of the primary schools is above 40, and this varies from 41 to 70 in some cases. In the case of secondary and higher secondary schools too, the student teacher ratio is over 40 in all cases, some cases being as high as 200. Further, there are limited higher education facilities and no vocational training institute in the GP area.

Health: Health indicators like infant mortality rate, birth rate, death rate, are at par with the state average. In the case of general morbidity, the available infrastructure needs to be improved. Population per bed and population per doctor in the project area is 7,958 and 1,805 respectively which is considerably above the state average of 4,733 (population per bed) and 1,147 (population per doctor).

Institutional Framework

The area being effectively rural, the major components of the institutional framework are the Panchayati Raj Institutions, banks and the NGOs.

Industries in the Vicinity:

Of late, Howrah has seen massive industrialisation especially in and around the GP area, mostly in the form of Industrial Parks built or being built based on the industry cluster concept. These parks are attracting large investments, which are expected to generate substantial employment. The operational parks within or in the fringe areas of GP are: 1) Food Processing Parks, 2) Poly Park and a 3) General Engineering Park. The upcoming parks include: 1) Rubber Park, 2) Hosiery Park, 3) Foundry Park and 4) Chemical Park. They are expected to generate employment of around 1 lakh in the next five years and on a conservative estimate 20% of these will be semi-skilled. However, all except one (the proposed Hosiery Park) are in sectors where local population is not trained to work in. Workers for these units come from outside the area leading to further social discontent. Thus, there is a need for providing relevant training to people in the GP area so that at least 25 per cent of the un-skilled and some skilled workers can be from the local area. Discussions were held with the existing industrial units to assess the actual number and skill sets required, sector-wise, to get a comprehensive view to create the training programs that match industry requirements. Additionally, there is a need to set up manufacturing units/ centers for the vocations available in the area.

Major Vocations & Linkages

People in Howrah GP are engaged in seven principal vocations: Gold Jewelry, Zari, Ready Made Garment, Wig, Imitation Jewelry, Ornamental Fish and Agriculture. Much of the population is below the poverty line or hovering around the same in the GP area (80% of the households). The purposive sampling survey done in the project area has brought out the average income of the area at Rs. 1695 per household per month. This figure is low because the survey was focused on the target groups, who are more disadvantaged than the others. Since this income is not enough to sustain a family, sometimes additional family members (women & children) or subsidiary vocations are squeezed in to ensure sustenance. An analysis of the vocations brought to the fore the deficiencies of the system, generalised into three kinds of linkage inadequacies across the sectors: (i) High degree of intermediation (without even value addition at some of the stages) and consequent inability to connect to markets for higher realization or to access raw material on reasonable terms. (ii) Inadequate skill of the people necessitating training in tune with market imperatives. (iii) The artisans/target beneficiaries have limited access to institutional credit. Finally there is lack of bargaining power across all professions because the workers are a disaggregated lot and at the mercy of the credit and job-work provider.

Development Strategy

The people in the GP region are by and large engaged in seven principal vocations (including agriculture) and other assorted fields like furniture making, petty shop keeping, transport etc. Since about 1, 69,000 are engaged in six principal trades they constitute the single largest vocational group. Any attempt at income augmentation must centre around them. Within this group, there is significant underemployment. And there are many beyond these numbers, who are unemployed. These people may be accommodated in the growth that is happening very close to the project area and in Kolkata which also is close by. Some of the identified new sectors of growth in and around the GP area, apart from the seven in the nearby industrial clusters identified are: 1) Construction Industry 2) Electrical & Electronics 3) Automobile Industry 4) Hospitality Industry 5) Retail Trading, etc. This is apart from the growth possible in the traditional vocations which have high potential. However people do not have the adequate skills in the traditional vocations and none in the newer ones in terms of market requirements. Therefore, the people would have to be trained in various existing and new trades.

The training programs will be monitored and implemented through the multi-tiered structure as below:

- State level GP Monitoring Committee
- State Level Implementation Committee
- District Level Implementation Committee

A major emphasis in the report is on the formation of a large number of Self Help Groups in the area. For various reasons, the number of SHGs in the area is low today in comparison to the norms in other areas of the state. In this effort, the role of the Anganwadi workers would be critical. They are expected to first educate the people so that they can be persuaded to take help of NGOs to form SHGs. The desired end result would be formation and active engagement of SHGs and increased income through creation of social capital.

The training would basically be of two kinds: artisan based and trade (emerging industry /vocation) based. The delivery of training is planned through various channels employing a mix of private service providers as well as government organisations like ITIs, specialised institutions in fisheries, agriculture, etc., with the task of ensuring market relevance of the courses entrusted to the Implementing Agency. The critical issue is post training deployment in productive work leading to income augmentation. This implies that the artisans or the trade apprentices would need a handholding for a minimum period. What is needed is guidance to the trainee to bridge across the three linkage deficiencies at least for a threshold period to start with. The problems with all rural delivery models in India, specifically for the trade based training, are the high transaction cost and non-participation both of which may be obviated with the help of Self Help Group model of delivery.

One of the major impediments for the economic development of GP region is the absence of market outlet which translates into lack of access to final consumers. To bridge this gap at the local level, market linkages are proposed by way of:

1. Gems and Jewellery Park in Domjur
2. A Garment Park in Domjur
3. "KARIGORI"-A permanent Haat (having retail centers also) for the Local Rural Artisans in Panchla
4. Retail Outlet in Kolkata city

To tackle the issue of credit linkage the solution envisaged is formation of social capital through (SHG) and accessing institutional finance through them. There would also be the need for social infrastructure to improve the education and health facilities in the area. These are proposed by way of a science college, a polytechnic, a hospital and a nursing school.

Developmental Interventions & Cost Estimates

In essence three kinds of interventions have been suggested across the sectors, knowledge, market and credit. To affect these linkages interventions have been proposed. The total cost towards these interventions is Rs. 401.87 crores out of which MSME contribution in the form of GP outlay is expected to be around Rs. 77.37 crores. Balance is expected from Government of West Bengal (Rs. 42.75 crores, Existing schemes of Government of India (Rs. 120.20 crores), private sector (Rs. 123.00 crores) and beneficiaries (Rs 38.55 crores).

62,910 families have been chosen for intervention excluding the reasonably well off people. However, before any intervention is carried out all the stakeholders have to be convinced about the GP concept, the training schemes, SHG formation and the likely benefits to be accrued.

Accordingly the program is expected to be in the following sequence: (a) Informing the people of the GP about the concept, (b) Counselling the GP region people about the training programs and SHG formation through publicity camps and through Anganwadi workers. The cost towards this awareness build-up, including newspaper insertions and industry seminars, is estimated to be Rs 9.65 crores.

To build market linkages at the local level, manufacturing-cum -market centers are proposed where the artisans/workers may occupy retail spaces and directly interact with the end-users. The proposed market centers are already mentioned above. The total cost for these works out is Rs 75.49 crores.

Awareness about the GP and the products thereof would be carried out through newspapers and magazines, as mentioned earlier. Thereafter it is proposed that the artisans participate in buyer-seller meets across the country, The participation will be phased over 3 years after the initial counseling and skill enhancement. The aim would be to get bulk business orders rather than individual retail sales. The cost for the same (along with International Trade Fair participation for Ornamental Fish) is estimated at Rs 8.26 crores.

Global market linkage is proposed through building 4 websites: one each for Zari, Gold Jewellery, Imitation Jewellery and ornamental fish (where there is maximum global potential). Further there will be 11 access points where people will man the websites and act as the interface between the artisans and the global market. The total cost for this works out to Rs 44 lakhs and the same has been proposed to be converged through the Common Service Center Scheme.

As regards knowledge linkage, extensive training modules were designed by industry and training experts, to ensure prospect for subsequent employment and income augmentation in varied vocations or trades. The total cost for such training is estimated at Rs 65.68 crores.

The afore-mentioned skill up-gradation may be in any of the following areas:

1. a) Up-gradation of existing skill sets in principal vocations
   b) Training in automation to suit the needs of the industry
2. Linkage with training institutes for: a) creation of semi-skilled labor for organised industry (as alternative employment) & b) for creating semi-skilled labor in areas like construction industry, driving, etc., as mentioned before
3. Linkage with the institutes for training in new agricultural practices such as organic farming, exotic produce, green-malls etc.
4. Training of women

Credit linkage

Compared to national average, the project area is well endowed with credit infrastructure, in terms of banks and other institutions. Yet the credit deposit ratio for the area is significantly low. To improve the access of artisans to the existing banks, the solution lies in group (SHG) approach to the banking network. The aim is to create 2405 SHGs over a period of 5 years. Assuming a project cost of Rs 1.67 lakh per SHG, total cost works out to Rs 40.32 crores. This cost can be met through convergence under SGSY scheme.

Project Cost (Rs. crores)	Govt. WB	GOI	Beneficiary
	5.04	15.12	20.16

The SHGs would need the assistance in preparing project report initially. As per market rates, consultants charge 1% of the total project cost for preparation of the report. We may consider project report preparation assistance cost at Rs 2500/- per report (app 1.5%) and the cost could be treated as part of project cost.

To help develop micro-entrepreneurs another credit intervention of Rs 13.75 crores is proposed to be supported by activating the Credit Guarantee Fund Scheme for Small Industries which would insure the loans from the banks.

Strategy of Implementation

State Level Growth Pole Monitoring Committee would be a policy making body headed by the Chief Secretary of Government of West Bengal, which would set directions for the project. The body would serve a regulator's role and would also act as a facilitator, should there be any imperative for interfacing with the Central Government.

State Level Implementation Committee will mainly be responsible for implementation of the project and for providing periodic reports and utilisation certificates. The Committee would be headed by the Principal Secretary, Micro & Small Scale Enterprises and Textiles Department, Government of West Bengal.

District Level Implementation Committee will be headed by the Director, Micro & Small Scale Enterprises and Textiles Department, Government of West Bengal and will be responsible for implementation of the project in the field level.

An Action Plan phasing the key activities has also been structured so that the Implementing Agency clearly understands what is required to be done within specific time frame. The time horizon envisaged for the implementation is 5 years. However, the bulk of the activities are expected to be completed in 2nd, 3rd and 1st years, in that order.

Outcome Analysis

The outcome of the GP project has been quantified in terms of:

- Employment opportunities,
- Income- household and area,
- Turnover of the traditional vocations
- Improvement of productivity of the artisans as well as the target population living in the GP area.

The results are:

- Total additional employment is expected to be 69,763 (estimated) which may have been limited to 8,852 without the project.
- Average household annual income is estimated to reach Rs 69053/- which may have been limited to Rs 37,078/- without the project.
- The area GDP resulting from increase in economic activities is estimated to increase to Rs. 600 crores from the present Rs. 213 crores

The outcome analysis with sector-wise proposed interventions, objectives, coverage and likely tangible/intangible impacts are given in the tables given below:

Financial Outlays

Financial Outlay **(Rs. crore)**

Year (1)	Contribution by/ through GOI/ State Govt. Scheme (2)	Pvt. Sector Contribution in PPP mode (3)	Outlay under Growth pole scheme (4)	Total (2+3+4) (5)
1	39.57	38.56	17.00	95.13
2	67.31	66.47	27.71	161.49
3	44.67	44.15	20.78	109.60
4	7.07	13.55	10.15	30.77
5	0.03	2.00	2.86	4.89
Grand Total (A)	**158.65**	**164.73**	**78.50**	**401.88**
% of column	**39.48**	**40.99**	**19.54**	

1. Year-wise Activity-wise Financial Outlay (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention *(A)	Sub Total of Hard Intervention ** (B)	Total f (A+B)
Zari	**35.84**	**29.28**	**20.01**	**3.49**	**0.63**	**32.61**	**56.63**	**89.24**
RMG	8.80	13.56	10.55	2.93	0.46	11.55	24.74	36.29
Gold Jewellery	8.09	10.66	8.59	4.05	0.66	15.59	16.46	32.05
Ornamental Fish	2.45	5.21	3.87	0.12	0.02	0.43	11.23	11.66
Imitation Jewellery	4.11	6.92	4.87	0.81	0.25	2.98	13.98	16.96
Wig	1.65	2.93	1.97	0.02	0.00	**0.09**	6.47	6.56
Agriculture	7.65	17.97	11.25	0.77	0.12	3.01	34.75	37.76
Secondary Vocation	13.37	17.51	13.89	7.99	2.54	30.24	25.05	55.29
Physical and Social well-being	13.21	57.39	34.82	10.64	0.00	0.00	116.06	116.06
	95.17	161.43	109.82	30.82	4.68	93.96	273.63	401.87

Note:

Soft Intervention*- Skill Up gradation, Awareness Counseling, SHG formation and Capacity building

Hard Intervention**-Market outlay & Trade fair, Credit linkage, Website linkage, Social & Physical infrastructure, Energy saving lamp for workers and Hospital and Nursing School

Sector wise Financial Outlays

Zari (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Zari								
Skill up-gradation	2.51	3.14	3.14	3.14	0.63	12.55		
Awareness, Counseling	0.76	0.76	0.28	0.09	0.00	1.89		
Market outlet & Trade Fair	9.15	16.46	10.97	0.00	0.00		36.58	
Credit Linkage	3.36	8.41	5.05	0.00	0.00		16.82	
Website linkage	0.24	0.00	0.00	0.00	0.00		0.24	
Social Infrastructure	0.13	0.26	0.26	0.00	0.00		0.65	
SHG formation	0.20	0.26	0.31	0.26	0.00	1.02		
Capacity building	17.15	0.00	0.00	0.00	0.00	17.15		
Energy savings lamp for zari workers	2.34	0.00	0.00	0.00	0.00		2.34	
Total	**35.84**	**29.28**	**20.01**	**3.49**	**0.63**	**32.61**	**56.63**	**89.24**

RMG (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
RMG								
Skill upgradation	1.83	1.83	2.29	2.75	0.46	9.16		
Awareness, Counselling	0.44	0.44	0.17	0.06	0.00	1.10		
Market outlet & Trade Fair	3.48	6.26	4.17	0.00	0.00		13.90	
Credit Linkage	2.17	4.88	3.79	0.00	0.00		10.84	
SHG formation	0.10	0.15	0.13	0.13	0.00	0.51		
Capacity building	0.78	0.00	0.00	0.00	0.00	0.78		
Total	**8.80**	**13.56**	**10.55**	**2.93**	**0.46**	**11.55**	**24.74**	**36.29**

Gold Jewellery (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Skill upgradation	2.65	2.65	3.31	3.97	0.66	13.24		
Awareness, Counselling	0.62	0.62	0.23	0.08	0.00	1.56		
Market outlet & Trade Fair	3.50	6.30	4.20	0.00	0.00		13.99	
Credit Linkage	0.49	1.09	0.85	0.00	0.00		2.43	
Website linkage	0.04	0.00	0.00	0.00	0.00		0.04	
Capacity building	0.79	0.00	0.00	0.00	0.00	0.79		
Total	**8.09**	**10.66**	**8.59**	**4.05**	**0.66**	**15.59**	**16.46**	**32.05**

Ornamental Fish (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Ornamental Fish								
Skill up gradation	0.08	0.08	0.10	0.11	0.02	0.38		
Awareness, Counseling	0.02	0.02	0.01	0.00	0.00	0.05		
Market outlet & Trade Fair	0.37	0.74	0.37	0.00	0.00		1.47	
Credit Linkage	1.94	4.37	3.40	0.00	0.00		9.72	
Website linkage	0.04	0.00	0.00	0.00	0.00		0.04	
Total	**2.45**	**5.21**	**3.87**	**0.12**	**0.02**	**0.43**	**11.23**	**11.66**

Imitation Jewellery (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Imitation Jewellery								
Skill up-gradation	0.50	0.50	0.50	0.76	0.25	2.52		
Awareness, Counseling	0.12	0.12	0.05	0.02	0.00	0.31		
Market outlet & Trade Fair	2.86	5.14	3.43	0.00	0.00		11.42	
Credit Linkage	0.49	1.10	0.85	0.00	0.00		2.44	
Website linkage	0.12	0.00	0.00	0.00	0.00		0.12	
SHG formation	0.02	0.05	0.04	0.04	0.00	0.15		
Total	**4.11**	**6.92**	**4.87**	**0.81**	**0.25**	**2.98**	**13.98**	**16.96**

Wig (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Wig								
Skill up gradation	0.01	0.01	0.02	0.02	0.00	0.07		
Awareness, Counselling	0.01	0.00	0.00	0.00	0.00	0.01		
Market outlet & Trade Fair	1.60	2.88	1.92	0.00	0.00		6.39	
Credit Linkage	0.02	0.04	0.03	0.00	0.00		0.08	
SHG formation	0.01	0.00	0.00	0.00	0.00	0.01		
Total	**1.65**	**2.93**	**1.97**	**0.02**	**0.00**	**0.09**	**6.47**	**6.56**

Agriculture (Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Agriculture								
Skill up gradation	0.47	0.47	0.59	0.71	0.12	2.36		
Awareness, Counselling	0.20	0.20	0.08	0.03	0.00	0.50		
Physical Infrastructure	6.45	16.12	9.67	0.00	0.00		32.23	
Credit Linkage	0.50	1.13	0.88	0.00	0.00		2.52	
SHG formation	0.03	0.05	0.04	0.04	0.00	0.15		
Total	**7.65**	**17.97**	**11.25**	**0.77**	**0.12**	**3.01**	**34.75**	**37.76**

Secondary Vocation

(Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Secondary Vocation								
Skill Up-gradation	5.08	5.08	5.08	7.62	2.54	25.41		
Awareness, Counseling	1.69	1.69	0.63	0.21	0.00	4.22		
Credit Linkage	2.02	4.54	3.53	0.00	0.00		10.09	
Social Infrastructure	4.49	5.98	4.49	0.00	0.00		14.96	
SHG formation	0.09	0.21	0.15	0.15	0.00	0.61		
Total	**13.37**	**17.51**	**13.89**	**7.99**	**2.54**	**30.24**	**25.05**	**55.29**

Physical & Social Well-being

(Rs. crore)

Year	I	II	III	IV	V	Sub Total of Soft Intervention	Sub Total of Hard Intervention	Total
Physical and Social well-being								
Hospital & Nursing School	4.82	15.42	9.64	2.25	0.00		32.13	
Infrastructure	8.39	41.97	25.18	8.39	0.00		83.93	
	13.21	**57.39**	**34.82**	**10.64**	**0.00**	**0.00**	**116.06**	**116.06**

Impact Assessment

• *Employment:*

		Existing Employment (Nos.)		Additional employment Generation (Nos.)		
Sector	Project Cost (Rs. crore)	Full Employment	Under Employment	Without GP Intervention	With GP Intervention	Cost of Additional Employment Generation per Person (Rs. lakh)
Gold Jewellery	32.05	45840	8030	3717	8430	0.38
Zari	89.24	36542	5119	2636	15000	0.59
RMG	36.29	23086	3234	1872	9020	0.40
Imitation Jewellery	16.96	1237	643	100	1013	1.67
Wig	6.56	1286	218	104	(-)1036	
Ornamental Fish	11.66	500	0	41	900	1.30
Agriculture	37.76	4712	2808	382	6962	0.54
Other related service sector	55.29	0	0		33650	0.16
Physical and Social well being	116.06	--	--	--	--	
Total	**401.87**	**113203**	**20052**	**8852**	**74975**	**5.05**
% growth in employment (cumulative)		1.12	1.12	1.12	--	

Note: Full Employment = work more then 180 day in a year
Under Employment = work less then 180 day in a year

- ***Income*** (Figures : Rs.)

Sector	Existing income Per HH per Year	Existing Income per Person	Increase in Income (Per Person)	
			Without GP Intervention	With GP Intervention
Gold Jewellery	22243	4449	5678	13331
Zari	12286	2457	3136	10101
RMG	12992	2598	3316	10681
Imitation Jewellery	11979	2396	3058	8896
Wig	16300	3260	4161	8724
Ornamental Fish	26220	5244	6693	15715
Agriculture	12000	2400	3063	6422
Average income	16288.58	3258	4158	10553

% increase in income:

In the first Year: 5% in all the sectors

In the second year: 16% in all the sectors

In the third to five years

a. Gold and Ornament : 35%
b. Wig and Agriculture : 30%
c. Zari & RMG :50%
d. Imitation Jewellery : 52%

- ***Turnover:*** *(Rs. lakhs)*

	Existing Turnover	Increase in Turnover	
		Without GP Intervention	With GP Intervention)
Gold Jewellery	50981	65066	152777
Zari	17958	22920	66821
RMG	5999	7656	22321
Imitation Jewellery	370	473	1245
Wig	419	535	1015
Ornamental Fish	262	335	711
Agriculture	754	962	1826
Total	**76744**	**97946**	**246716**

- *Improvement in Productivity:*

Sector	Increased in Productivity (on a 10 point scale)
Gold Jewellery	6.5
Zari	6.5
RMG	7
Imitation Jewellery	8
Wig	10
Ornamental Fish	7
Agriculture	5

- *Economic Cost –Benefit Analysis*

Sectors	Total Cost (Rs. crore)	Proposed Enhanced Output in terms of Per Capita Income (Rs.crore) after 5 yrs.	Ratio
Gold Jewellery	32.05	131.83	4.11
Zari	89.25	69.83	0.78
RMG	36.28	46.65	1.29
Imitation Jewellery	16.97	4.02	0.24
Wig	6.56	1.76	0.27
Ornamental Fish	11.66	2.62	0.22
Agriculture	37.76	9.48	0.25
Total	230.53	266.18	1.15

Additional Contibution to GDP in the GP area. (Rs. crore)

Existing GDP	Expected GDP	Additional contribution to GDP
213	600	387

Socio-Cost Benefit Analysis:

Welfare **Cost of Hospital:** **Rs. 30.88 crore.**	Social welfare of the area will increase with the betterment of general health and education of the people. Health: A 500 bed hospital with outpatient department covering treatment in ENT, Orthopedics, Ophthalmology, Cardiology, Neurology, Pediatrics, Gynecology etc and a nursing school catering to around 100 students per year Other determinants of social welfare are: • Difference in per capita income • Rate of growth of the income Existing Situation: Top 10% household has a 68% share in the area GDP. Rate of growth of Income: 5 % per annum After Intervention: Share of top 10% household income in the area GDP would be reduced to 55%. Difference in Rate of growth of Income: Growth of income would be more (varies from 30-52%) than growth rate of the national economy.
Mixing or breaking of cast, class, creed structure	Presently there is no problem related to cast, class, creed in the Growth Pole area. Major problem of the area is in low house hold income.
Infrastructure: **Cost: Rs. 83.93 crore**	• Roads- Building all weather road (45.8 km) to connect 32 habitations in HGP area. • Drinking Water- Ensuring potable water supply through pipeline to cover 270,449 people • Drainage- Creation of 25.5 km drainage network within the project area to avoid water logging in the area. Excavation of South Saraswati River to bring more land under irrigation. • Electricity- To provide connection to 29,897 households in the GP area who do not have electricity at present
Education: **Cost: Rs. 15.15 crore**	• Literacy rate is 73.25 % but 1. Only 7% of the population passed 10th level of education. 2. After project intervention, this percentage will go above 30%. • Proposed educational infrastructure 1. Polytechnic (700 seats) to deliver Diploma courses on Mechanical, Civil, electronics, Computer Science, Automobile, Electrical, Chemical Engineering 2. A Science College (650 seats) offering courses in Physics, Chemistry, Mathematics, Statistics, Botany, Zoology, Bio Technology, BCA, etc.

Skill **Cost: Rs. 68.12 crore.**	Existing: Skill development facility offered for only 2% of the artisan under various government programmes. After intervention: 42 % of the artisan may get the direct skill development facilities and the rest may get the indirect skill development facility.
Market **Cost: Rs. 84.19 crore.**	Existing: 20% of the total artisan access direct market facility. After intervention: 65 % of the artisan may get the direct market facilities. 100% of the off farm artisan may get the direct virtual marketing facility.

Cost Expenditure Ratio: (Rs. crore)

Sources	Intervention Expenditure	Total cost	Ratio
Central Government	195.59	401.88	0.49
State Government	41.56	401.88	0.10
Public Private Partnership	164.73	401.88	0.41

Annexure 11

Executive Summary of South-West Kamrup Growth Pole Project

Background

Government of Assam has proposed to develop six blocks of Kamrup district as a GP Area. The DPR for the GP Area aims to mainstream the unorganised units of production and services by maximising their productivity, employment and income. The underpinning ideology behind the DPR is to formulate a detailed strategic projects and their implementation strategy based on a comprehensive diagnostic study across the economic spectrum of the region.

Methodology

The DPR provides a distinctive thrust for introducing interventions and mechanisms to co-ordinate the developmental requirements with a focus on the needs of the project area. Identification of the needs and issues were based on the two phases of study, viz. Reconnaissance Survey and Diagnostic Study. Thereafter, business plans comprising implementation schedule, role of key stakeholders, and institutional strengthening were formulated with special emphasis on building a dynamic and flexible mechanism to accommodate future decisions. The development proposals were designed within the context of the existing policies and regulatory framework. The stages of execution for this part of the study involved: Vision and Goal Setting, Identification of Projects, and Action plan. The overall study framework ensures participation of all stakeholders and beneficiaries across targeted economic segments.

GP Area Profile

Located along NH-37, the GPArea of Kamrup is a rural space comprising six blocks - Chaygaon, Rampur, Chayani Borduar, Boko, Bongaon, and Goroimari. It covers a geographical area of 920 sq.kms. and is strategically located midway between three major markets in the region - Guwahati, Shillong and Golpara. The region is 5kms away from the international airport and 25kms from the railway station. The GP Area is a relatively flat land traversed by Brahmaputra and its numerous tributaries. Most of these rivers have perennial water flow throughout the year and overflow during monsoons causing flood hazard in the blocks. Severely affected blocks are: Goroimari, part of Rampur and Chaygaon. GP Area enjoys a plethora of advantages associated with factors of production, especially land, raw material and labor. Government land is available in surplus and at cheaper rate. At present, majority of the land is utilised either for pasture or is lying as cultivable waste and fallow. So the possibility of unrest due to land acquisition is negligible. The region has copious reserves of varied types of natural resources by virtue of favorable climatic and topographical conditions. This is most evident in the agricultural produce of the region. Paddy, banana, pineapple and arecanut are among the most cultivated crops with surplus production. These crops have demand not only in the Indian bazaars but also in the international market. The area is also known for its non-mulberry silk i.e. Eri and Muga. Sericulture is the pride of Assam for the indigenous people as Muga and Eri varieties of silks are produced nowhere else in the world. Muga is the costliest fabric after pashmina. Muga yarn is sold at Rs.5000-7000 per kg. In the GP Area, both the silks are cultured by almost all the households as part of their traditional practice. There is also a large reserve of bamboo and medicinal plants (5% of the geographical area under forest cover) where potential is still unexplored.

Demography

As per 2001 census, GP Area accounts for a population of 4.7 lakhs, which has increased to 5.28 lakhs by 2008. The area shares 18.93% of total Kamrup district population with a growth rate of 1.33%. Average household size is 5.56, higher than the national average of 5. Density is only 520 persons per sq. km. 56% of the population falls under the age group of 15-59 years, maximum concentration being in the age group of 7-14 years. There is a potential for the population within this tender age group to be groomed, with proper training for skilled work force in future. Literacy rate in the area is 63.95% which is less than the district average of 74%. Almost 50% of the populations have education below primary level and another 30% have education below matriculation.

Economy

Current Gross Domestic Product of the GP Area is Rs. 746.06 crores at current prices. Since 2000-01, GDP has been increasing at 8.02% per annum at current prices (at constant prices it has been estimated at 4%). Agriculture and allied activities contribute 46.03% of the GDP (Rs. 343.40 crores), while the rest is contributed by both secondary and tertiary sectors. In the GP Area, 57% of the main workers are engaged in primary activities. The rest is involved in household processing and tertiary activities such as trade, merchandising etc. The economy of the GP Area has not been able to absorb the available working population. The incidence of unemployment is increasing, and is higher than in the rest of the country. By 1999-2000, while the country's unemployment rate rose marginally to 2.3%, that in GP Area escalated to 4.6%. Current earning per person is Rs. 1300 per month. Through the field survey, it was found that per capita income per family ranged from Rs. 1500 to Rs. 2000 per month. The income range in the district is Rs. 1600 per month, significantly below the national average of Rs. 2500 per month. In agriculture, a family earned Rs. 1000 -1500 per month whereas in sericulture the monthly income ranges from Rs. 2000 to Rs. 3000. In the GP Area incidence of poverty is much higher than the state average. Poverty accounts for 42% of the total households. Maximum concentration is in Goroimari Block where 62% of the households are in the BPL category.

Infrastructure

The road density in the six blocks ranges from 0.8 to 1.62. Although the study area has favorable road density, it fail in terms of quality. Only 64.2% (312) of the villages have paved approach roads. As high as 92.8% (451) of the villages are connected via mud roads, which turn non-motorable during monsoons. Accessibility to the market areas is also inadequate.

Out of the three circles or electrical sub-divisions, the Rampur-Chayani Borduar and Chaygaon-Garoimari circles have one 132 KV sub-station each and 33KV lines. Power supply is available only for 5-6 hours a day. This affects the power intensive units like rice mills, food processing units, etc., and hinders the establishment of large scale industries. Lack of power supply has become the bottleneck for development of the GP Area. The intermittent domestic supply also needs to be regularised with allocation of more power during the daytime to promote household industries.

GP area is endowed with abundant supply of water. At present households are dependant on ground water source for their daily needs. During field survey households showed no discernable dissatisfaction regarding water supply. The main problem faced is the inadequacy in regularised water supply connections at the household level. Hardly, 258 villages have water supply and that is also partially covered. In terms of safe drinking water, only 48 villages have access to tap water supply. Further, the quality of water supply does not seem to be good since no water treatment process is being followed in the area.

Educational facilities in the area are not up to the standards required for proper development of the people. There are insufficient numbers of schools in the area. The student teacher ratio is very poor as there are more than 30 students per teacher whereas ideally it should have been 20. The school structures are dilapidated and have poor in-house facilities. There are no vocational institutes/ITIs in the area to train the youth and provide opportunities for gainful employment. Facilities for higher education is lacking in the area since there are only 6 senior secondary schools and 4 colleges. Most of the villages are at a distance of more than 10 kms from the education facilities. People have to go to Guwahati for higher education.

Healthcare facilities in the area need to be up-graded and augmented. There is shortage of primary health centers (PHCs). As per the standard of 5 beds per 1000 population, Boko and Chaygaon Circles have only 0.39 and 0.85 respectively. There are only 4 hospitals in the area which is not sufficient to cater to the needs of the population. There is lack of basic infrastructure in the existing healthcare facilities. The medical facilities in the area are mostly maternity centers; other types of specialty centers are missing. Most of the villagers from the GP Area have to go to Guwahati for better medical facilities. Certain blocks do not have sufficient health centers in the area; people of Rampur and Chayani-Borduar have to travel more than 10 kms. to avail medical facility.

Specialised Infrastructure

Presently there are no common facility centers in the study area and the MSMEs are in disarray. There is no organisation of the MSMEs, which can take up the common cause. MSMEs have grown on their own as per the availability of land on rent. The absence of own land for MSMEs does not lend a long-term perspective to the MSMEs and they do not feel encouraged to think about amenities like common facilities. Banking facilities in the study area are insufficient. Major banks are located in Guwahati. Villagers in the study area borrow from money lenders at high interest rates. Besides, household industries such as bamboo and weaving related activities are not encouraged to take loans. There is a general perception among bankers that lending money to household units is not safe. According to them people lack entrepreneurial skills and fails to run the business as profitable ventures. Other infrastructural facilities, such as postal services and newspaper/magazines are found only in limited areas; mostly on the main roads and close to the state capital.

Agriculture

Total work force in agriculture sector is 95,760 of which 66,280 are cultivators, 22,170 are agriculture labor and 7310 are in animal husbandry. Each block has a potential to expand agriculture land by 1000-2000 ha, currently laying fallow or culturable waste land. There is 84,823 ha of cultivable land of which only 25,897 ha is under cultivation at present. Paddy, banana, pineapple and arecanut are the four most cultivated crops. Productivity and production of paddy is 1500 kg/ha and 19063 tons respectively. For banana it is 12000 kg/ha and 1128.4 tons and for pineapple it is 17700 kg/ha and 838.7tons. Productivity of crop is below the state as well as the national averages due to low technological inputs. These crops have good demand in the international market and India is one of the leading exporters. Intervention in these sectors will ensure significant share for the study area in the total export basket. The potential in agriculture sector includes paddy amongst agricultural crops and banana, pineapple and arecanut in horticulture crops.

Joha is a unique variety of rice primarily available in Assam. The aroma of this rice has drawn the attention of foreign buyers, especially in European and Gulf markets. In the domestic market, Joha rice can easily replace the Basmati variety due to its fragrance and cheaper rates. The rice is certified by the SGS, a leading world agency. The GP Area produces maximum varieties of banana. There is good demand for Chenichampa, Malbhog, etc., in the neighboring states of Assam. In addition, Asia's largest banana market, Golpara, is only 25 kms. from the GP area. Processed banana has large domestic and international markets. Products of maximum demand are chips, mixed jam, baby food, fibers, papers, etc. Kerala has large number of villages thriving on processing of banana goods. Same practices can be adopted provided there are coherent efforts to increase the crop productivity to national average and developing infrastructure which can facilitate micro-processing units. GP Area falls within the pineapple growing belt. If commercially explored the crop has beckoning avenues for export. Pineapples produced in the state are generally organic as the farmers do not use fertilisers. Further, multiple value added goods can be processed, such as juice, slices, paper, fiber, etc., which has demand both in national and international markets. Arecanut is also one of the potential crops in the area with the utilisation option of immature nut as raw material for dye industry. Dry arecanut can also be used in post-harvest processing units in other states. Areca leaf sheath has potential to be developed as export variety goods like biodegradable plates, etc. Issues related to agriculture and horticulture needs to be addressed while exploring the potentials of the above mentioned crops.

Operational land holding size in the GP area is small, about 1.4 ha only. Productivity of crops is below the national average. Seeds, fertilisers and pesticides is supplied by local dealers and middle men; therefore, their quality questionable. There is lack of support infrastructure (only 1 cold storage, and 2 go-downs of 1000 tons each). Moreover, adoption of modern technology is low. Therefore, actual net return on crops is low as compared to the estimated net return (gap of Rs. 9000-10000 per ha), making farmers more dependent on the credit system. Market is of traditional haat system and rather unorganised. The agriculture and horticulture sectors face marketing bottlenecks due to the informal nature. Networking across value chain to help farmers reap the benefits of ongoing market demand is missing. Middlemen play a significant role in linking farmers to the urban market. Consequently, farmers sell the produce at un-regulated rates. Result is palpable in their monthly income which makes them more dependent on the credit system.

Credit system is beset with stringent procedures. Farmers, not aware of the market dynamics (demand-supply mechanics) and the possibility of product diversification, do not venture into value addition. At present value addition in agriculture is limited to 44 rice mills, 1 food processing unit and 700 betel nut processing household units. The produce from these units are either consumed locally or sent to far off Guwahati market. Farmers are ignorant of the benefits they can avail through different schemes to improve the crop production system. This ignorance is felt in the available skill sets also.

Sericulture

Sericulture is the second most significant economic sector in terms of employment and income generated. In fact, it is a parallel means of livelihood for majority of the people in the GP Area. Today, around 12,858 persons are employed in silk worm rearing and another 40,732 in weaving and spinning. Rearing earns them an average income of Rs. 1500-2000 monthly per family and weaving fetches Rs. 2000-3000 per family per month. In the GP Area, there are ten defined clusters for sericulture; six clusters for rearing (4 for Muga in Boko block and 2 for Eri in Chayani Borduar block) and four for spinning and weaving (3 for Eri in Rampur block and 1 for Muga in Chayani Borduar block). Muga and Eri silks are unique to Assam and contribute 95% of the total produce of the country. There is immense export potential for eco-friendly Muga and Eri silk products. The demand of silk is around 26,000 tons per annum, but the domestic production is only around 17300 tons. The gap of 8700 tons can be met by Muga and Eri silks.

If uniform productivity is achieved in the GP Area, Eri production could increase by 138% from present 4916 kg, and Muga production by 38%, from present level of 1740996 numbers. Further, there is a large unemployed youth population that can be harnessed for developing micro-entrepreneurship in various trades of silk sector. Untapped potential for product diversification provides opportunity to develop wide range of products for national and international markets. Certain issues also surface in the sericulture sector that should be heeded to. There is unsystematic plantation in the GP Area since it is done at a household level. There is a lack of infrastructure (no rearing house, no storage facility) in the area. These clusters lack even the basic infrastructure such as all-weather roads, water supply system, sanitation and regular power supply. In addition, the units in these clusters are running on traditional technology inputs. Reeling is still done through Bhir reels and fly shuttle loom is the preferred facility for weaving. Only 5% of the families have CSTRI reels and looms provided to them under different schemes. Besides technology and infrastructure, the cluster lacks networking along the value chain. The producing clusters are working independent of the processing clusters. Middlemen are benefiting out of it, as cocoon from producing clusters are sold at rates much lower than the regulated market price. This is later sold to the reelers and weavers at higher rates. This leads to loses on agglomeration benefits. There are SHGs and NGOs working in these clusters to facilitate the Seri-culturist to accrue benefits under different governmental schemes. But none of them has been completely successful. There are no regulated markets for sericulture in rural areas. 56% of the total cocoon output is sold outside the production zone. Production of high-end products is also inadequate. A household earns an annual income in a range of Rs. 10,000-Rs. 20,000. Farmers' average net return is lower than the potential net return per annum (gap of Rs. 25,000-Rs. 36,000).

Forest Products

Forest is an intrinsic part of Assam's socio-cultural-economic dynamics. Since time immemorial, the people of Assam, across different tribes, castes, ethnic groups, etc., have remained dependent on forest products for their day to day needs. Whether it is food or customs, forest goods have their significant place. GP Area is popular for two of its forest goods, bamboo and medicinal plants. Importance of bamboo is more imposing than that of medicinal plants as the later is more extensively produced in Nagaland and Manipur. Only 7% of the total bamboo stock in the GP Area is being used for value added production. Rest is sold to paper mills in Guwahati. Bamboo is a potential sector of the GP Area that needs to be explored. It can act as a replacement for wood. 1848 ha in the G P Area is covered with growing stock of 27721 tons. Yield of bamboo is higher than the state and the national averages. Diversity of various bamboo species can be exploited for commercial purpose. Local farmers/tribals possess the basic skills required for processing bamboo. Bamboo is highly labor intensive. Currently, 7,686 persons are earning their

livelihood through bamboo processing, especially Murha making and selling raw bamboo. There are 525 families spread across five clusters in the Bongaon block, utilising only 7% of the total stock in handicraft sector i.e. murha, baskets and mats.

Like the sericulture clusters, the bamboo clusters also lack the basic infrastructure and necessary technology inputs. Artisans of these clusters use traditional type of tool (hacksaw), as compared to better types of tools used in China. Lack of adequate tools and equipments has restricted the industry to rudimentary form of handicrafts and furniture. The impact is clearly felt on their monthly income, each family earns Rs. 1800-Rs. 2500. Market analysts have projected a growth rate of only 30% by 2028 provided high-end bamboo goods are manufactured. Therefore, the sector looks towards skill up-gradation, entrepreneurship development, and product diversification to manufacture high-end processed goods and target the infrastructure and urban retail market.

Other Sectors

Medicinal plants, tourism and manufacturing sectors are the other economic activities that can fetch employment to the people. However, its potential is less as compared to agriculture, horticulture, sericulture and bamboo sectors. Therefore, development interventions have been proposed for agriculture (paddy), horticulture (banana, pineapple, and arecanut), sericulture and bamboo.

Development Interventions

Paddy: Organic cultivation of Joha rice is proposed in the GP Area to increase agricultural productivity and enhance economic conditions of the farmers. Farmers cultivating Sali variety of rice can replace with Joha rice during the four months of paddy cultivation and reap more benefits. Joha rice is already being cultivated in Bongaon and Chaygaon blocks of the area. A cluster of 6 villages from these blocks is proposed to be covered for the pilot project. 13-25 families/farmers from each of the 6 villages will be identified to become a member of the "SHG group". Assuming 20 families/farmers from each village, the model has been worked out for 320 families. This project aims to educate the members of the SHGs about the development model and train them with the required technical skills. Infrastructure oriented growth will also be promoted for sustainable benefits under the SPV through PPP approach while incorporating the dynamism of entrepreneur development and market element. The implementation of this project will also be on a "SHG federation" basis, where the members would be families from each of the villages. Representatives, referred to as "Incubators", will be appointed who can also interact and take the lead to organise the SHGs. 2 Incubators, from among the 20 families of each village, will be selected by the members to undergo the training sessions and exposure visits. The intervention is designed to increase the net return of the farmers. It is expected that the productivity of Joha rice will increase with years. The socio-economic conditions of the rice cultivators will also be uplifted. With proper marketing, there will be high demand of the established brands of the produced Joha rice in the foreign as well as the domestic markets. The Project Cost is estimated at Rs. 174.31 lakh.

Banana-Pineapple & Arecanut: Horticulture projects are being proposed looking into the commercial prospects of banana, pineapple and arecanut. It is aimed to promote infrastructure oriented growth for sustainable benefits and create an environment conducive for setting up processing units for the horticulture projects. The scope of the horticulture projects cover all aspects of production and setting up of processing units; i.e. confirming availability of various raw materials, plant & machinery, analysing the market, forecasting financial requirements of the project, etc.

For banana and pineapple, the project aims to boost the current productivity and create an environment for setting-up processing units. These units can process and make by-products to cater to the growing export market. By-products from banana, such as pudding, bread, chips, ketchup, cream pie, etc. and products from pineapple, such as juice, jam, squash and syrup, could be manufactured. Pineapple and banana are already being cultivated in Bongaon, Boko and Rampur blocks of the study area. A cluster of 16 villages from Boko block, 5 villages from Rampur block, and 6 villages from Bongaon is proposed to be covered for the project. A total of 1000 families is targeted, 800 families for banana and 200 families for pineapple. The farmers will be organised as Self Help Groups for managing the cottage level food processing units.

Arecanut: In case of arecanut, the project is being proposed considering the prospects of arecanut commercially by manufacturing diverse products like scented supari units, areca leaf sheath products, etc. The existing 769 units in the blocks of Rampur, Chaygaon, Boko and Bongaon will be covered under the project. The existing betel-nut unit owners will be trained for setting up the scented supari units and storage facilities. The NGO called Dhriti will be involved in setting up of the areca leaf sheath units. A master facility centre is also proposed which will provide specialised services such as R&D, training etc. The centre will also have large scale commercial units to ensure market presence for betel nut products of the growth pole area. The project Cost is placed at Rs. 48.47 crore for banana-pineapple and Rs. 15.09 crore for arecanut.

Sericulture

The development of this sector is intrinsically linked to entrepreneurship development, branding and marketing. Guldasta, a local NGO, has been able to integrate these three components in the seri-producing system and has earned substantial profit. If the business model of Guldasta is followed the current production can increase 4 times with 10 times increase in employment in a period of ten years. The idea is to develop an intrinsically linked sericulture production and processing zone across the GP Area with adequate branding/marketing avenues. The existing 10 clusters would be upgraded with necessary infrastructure and technology inputs. The prime focus of the zone would be to establish a network among stakeholders across the value chain. The target beneficiaries are:

- 1397 Muga rearers and 3261 Eri rearers from Boko and Chayani Borduar Block respectively.
- 1000 Muga reelers and 7000 Eri reelers from Chayani Borduar and Rampur Block
- 210 muga weavers and 6600 Eri weavers from Chayani Borduar and Rampur

A mechanism to ensure continuous input-output system will also be established through this intervention. Products will be developed on a demand-driven approach. Bottlenecks due to lack of technology and skill availability will be eliminated by up-grading skills and introducing new technology. Project cost is Rs. 73.36 crore.

Bamboo

An integrated bamboo cluster would be developed wherein a continuous exchange would be ensured in the input-output system of bamboo-utilising units. The cluster will have three core areas - common facility centre, village level units and bamboo processing park. The village level units are the existing clusters which are involved in production of handmade goods. These units will be up-graded to facilitate the primary processing of bamboo and production of ethnic goods. They will act as a feeder unit for the proposed Bamboo Park along with CFCs. The CFC will act as a 'raw material bank' where bamboo strips, slivers, tools, machineries, and other infrastructure would be available. It would provide these facilities to the units irrespective of its size - cottage units or large scale industrial establishments in the Bamboo Park. The Park in turn will target the demand of high-end commercial sectors such as infrastructure, construction, consumer retail, etc.

Village level cluster would be run as SHGs whilst the Bamboo Park and CFCs would be operated and managed through private players. Integration of all the three units would be an outcome of their interdependency under a functioning 'system'. The target beneficiaries are:

- Primary Beneficiaries: 700 Families currently engaged in bamboo based cottage units.
- Secondary beneficiaries: Entrepreneurs of bamboo-based industry

Through this intervention, productivity of bamboo and diversification of bamboo products will increase. With commercialisation of the bamboo products, more jobs will be created up-grading the socio-economic status of the people in the sector. Linkage in the value chain will be created to optimise production to develop an economic zone of high return. Project will cost Rs. 27.76 crore.

Financial Outlays

GP Financial Outlay

(Rs. lakh)

Year	Govt/Semi Govt/Banks/FIs/Private	GP Scheme	Total (2+3+4)
I	3047.67 25.00%	9143.23 75.00%	12190.90
II	2338.22 25.00%	7015.06 75.00%	9353.27
III	2274.49 25.00%	6823.47 75.00%	9097.97
Grand Total	7661.12	22984.01	30642.14
%	25.0%	75.0%	100.0%

(ii) Year- wise Activity-wise Financial Outlays

(Figures : Rs. lakh)

Sector-wise Activity	Sub-total					
	I	II	III	Soft-Intervention	Hard Intervention	Total
Paddy	**71.86**	**47.48**	**54.98**			
Soft	*11.11*	*17.78*	*25.28*	54.16		
Hard	*60.75*	*29.70*	*29.70*		120.15	174.31
Horticulture	**1028.08**	**1325.54**	**2493.30**			
Soft	*65.53*	*314.86*	*370.88*	751.27		
Hard	*962.55*	*1010.68*	*2122.42*		4095.65	4846.92
Bamboo	**1123.40**	**985.00**	**668.06**			
Soft	*26.96*	*28.30*	*29.72*	84.98		
Hard	*1096.45*	*956.70*	*638.35*		2691.49	2776.47
Beatlle Nut	**582.31**	**714.26**	**212.13**			
Soft	*7.29*	*10.72*	*8.68*	26.69		
Hard	*575.03*	*703.54*	*203.45*		1482.02	1508.71
Sericulture	**2642.51**	**2741.14**	**1952.51**			
Soft	*92.95*	*106.02*	*78.65*	277.62		
Hard	*2549.56*	*2635.12*	*1873.86*		7058.55	7336.17
Cross Cutting Infrastructure	**6742.82**	**3539.98**	**3716.98**			
Soft	832.70	437.17	459.03	1728.89		
Hard	5910.12	3102.81	3257.95		12270.88	13999.77
Grand Total	**5448.16**	**5813.43**	**5380.99**	**2923.62**	**27718.74**	**30642.35**
%	17.78%	18.97%	17.56%	9.54%	90.46%	100.00%

Impact Assessment

a. Employment (Nos.)

	Existing Employment	Additional Employment Generated	
		Without GP Intervention	With GP Intervention
Paddy			
Horticulture	15	15	250
Bamboo	7688	7688	2554
Beatlle Nut	2307	2307	1804
Sericulture	53590	53590	20000
	63600	**63600**	**24608**

b. Income (Rs.)

	Existing	Increase in Income (per Person per Day)				
		With GP Intervention				
		I	II	III	IV	V
Paddy	51.48	69.51	65.27	73.41	82.39	92.37
Horticulture			0.91	2.00	3.01	4.36
Banana	45.62	45.62	48.58	51.46	54.18	56.72
Pineapple	114.24	114.24	126.27	143.13	161.52	181.57
Processing	50.00	50.00	52.50	55.13	57.88	60.78
Bamboo	17.65	17.65	48.76	136.26	287.31	539.58
Beatlle Nut	57.60	57.60	63.50	69.62	76.01	82.73
Sericulture	0.26	0.26	0.78	1.05	1.38	1.82
Average	42.11	44.36	50.82	66.51	90.46	127.49
Percentage Increase in Income		5.35	20.70	57.95	114.84	202.78

c. Turnover (Rs. lakh)

	Increase in Turnover					
	Without GP Intervention	With GP Intervention				
		I	II	III	IV	V
Paddy	132.72	168.92	305.38	471.16	670.50	908.91
Horticulture	116.71	386.32	739.71	1158.17	1550.35	2071.89
Bamboo	443.36	443.36	1133.61	2958.04	5885.58	10538.54
Beatle Nut	873.13	873.13	964.90	1061.91	1164.83	1274.34
Sericulture	367.07	424.35	525.08	649.49	788.47	974.17
Total	1932.99	2296.08	3668.68	6298.77	10059.72	15767.86
Percentage of Existing Total Income		18.78	89.79	225.86	420.42	715.72

d. Improvement in Productivity (on a 10 point scale)

		Existing	With Intervention				
			I	II	III	IV	V
Paddy	Kg/ha	1400	1400	1511	1631	1760	1900
Horticulture							
Banana	Kg/ha	13000	13000	13390	13791	14204	14630
Pineapple	Kg/ha	17770	18000	18434	18879	19334	19800
Bamboo							
Beatlle Nut	Kg/ha	1900					
Sericulture							
Muga	Kg/ha	30	30	33	37	38	41
Eri	Kg/ha	125	150	175	200	225	250

Economic Cost-Benefit Analysis

Total Cost (Rs. lakh)	30642.14
Proposed Enhanced Output (Rs. lakh)	15767.86
Additional Output Generated / Total Cost	0.51
Additional Contribution to GDP in GP area (Rs. lakh)	15767.86

Cost Expenditure Ratios

Intervention Expenditure by Central Govt, State Govt, PPP / Total Cost	1

Social- Cost Benefit Analysis

Welfare

- They will be empowered to have informed opinions, to take initiatives, make independent choices and influence change. Empowerment is vital to create the real, lasting and sustainable change. It will also help to integrate socially-excluded and marginalised groups into communities, and to build the capacity of these communities and the people within them.
- Employment opportunities will be created for unemployed youths.
- In due course, rural people will be self-sustained and ventured into their own business.

A comparison of pre-and post-intervention periods in the bamboo and sericulture sector, reveals the following developments:

- Skills of the artisans will be enhanced and they will produce finer outputs by semi-mechanised process.
- Income level of the artisans will improve.
- Innovative product designs will be evolved by the artisans.
- Common problems will be addressed collectively.
- Contractual trade practice eliminated by giving more financial benefit to the artisans.
- Social security for all sects of the community will be enhanced due to the enhanced economic freedom.
- Vulnerability of the artisan community significantly decreased.

Skills

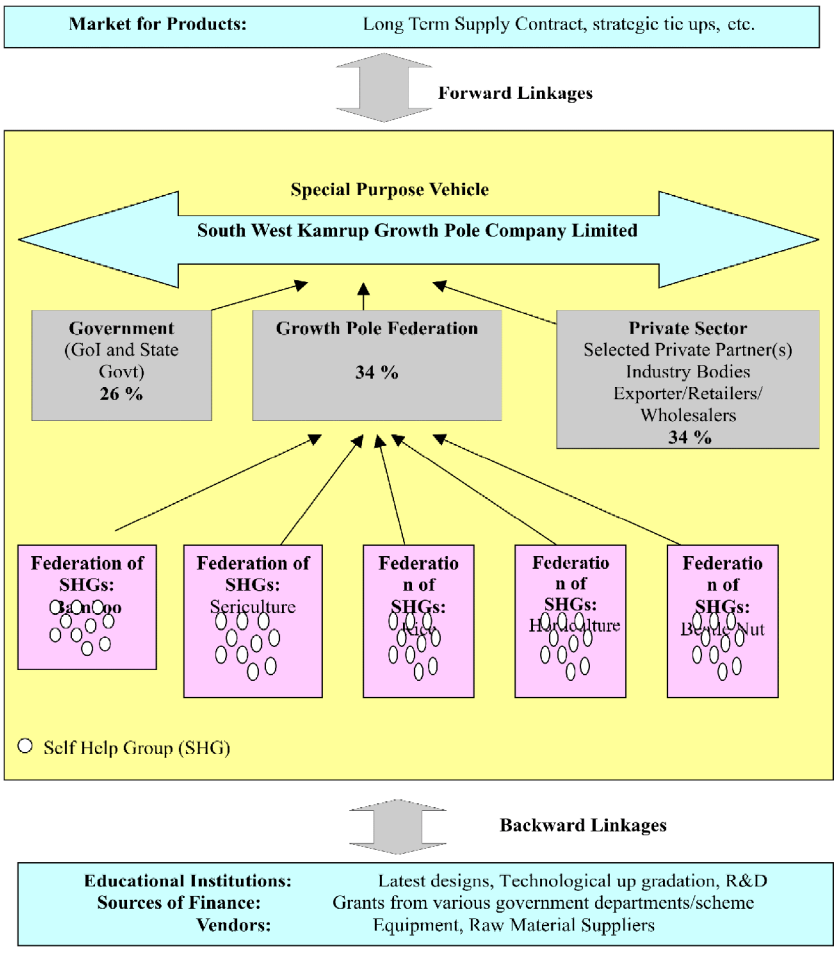
- Technical skills will allow the rural people familiarise with new equipments and their operation for effective production.
- Development of new skills will help the farmers find new opportunities in agriculture and add value to their own or other rural businesses. There will be increase in family income through improved farm practices or increased off-farm income.
- Capacity building of the beneficiaries with the skills they need will be helpful to influence and create change.
- The rural population will be motivated through confidence building, recognising achievements and practical experience.

Market

Proper branding and marketing will create an identity for the products in the domestic as well as the global markets. Once the brand identity is created in the market, there will be demand for the product. To cater the demand, the rural cluster would become more proactive in production and supply in the market.

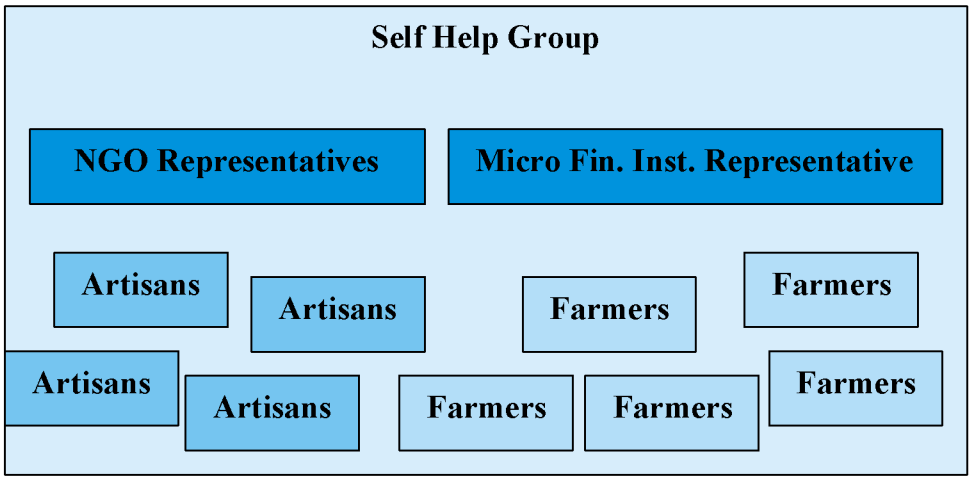
Implementation Strategy

Implementation strategy will involve a participatory approach of the stakeholders as



Self Help Groups : At the grass root level, SHGs would be formed for each product. The groups would be assisted by representatives/volunteers from NGO active in the similar product/field. Also each SHG will have a member from the Micro Finance Institution. Such presence would ensure:

1. Professional advise to members
2. Update on latest happenings in the GP region
3. Co-ordination with higher levels in the structure
4. Capacity building at the grass root levels.
5. Professional fund management
6. Enhancement of credit score of each SHG.



SHG Federation : For each product/value chain segment, a separate federation of the SHGs would be formed. Each federation would comprise one senior representative from the local NGO and representatives from each SHG till such time that it is able to gather its own professional secretariat. Such federation would help in:

1. Institutionalising the learning from within and from outside the particular product,
2. Coordinating with other federation to draw synergies,
3. Coordinating with the capacity building personnel for program structuring, and
4. Providing monthly reports to the project monitoring committee of the SPV.

Monitoring Mechanism:

1. A high level monitoring committee, headed by the State Chief Secretary, will be constituted for monitoring timely and proper implementation of the project.
2. A state government agency would continue to act as the State Nodal Agency for the GP project and its functions would be as follows:
   a. Co-ordinating with the concerned State Government departments and other stake holders of the GP area for timely and proper implementation.
   b. Periodical reporting to the High Level Committee on the progress.
   c. Act as a fund manager as envisaged under the GP scheme.
   d. Oversee the process of formation and functioning of the proposed Self Help Groups (SHGss) and the federations of the SHGs.
3. Concerned State Government departments will appoint Nodal Officers / Field Officers who would work with the SHGs/ federations and would periodically report to the State Nodal Agency.

At the SPV level, a three tier monitoring mechanism would be followed which would be for internal operations and progress of the SPV. However, the SPV would in turn be reporting to the High Level Committee through the nodal agency / office.

At the SPV Level following structure would be followed for monitoring:

Task Force: A task force would be formed with SHG federation to do the monthly analysis of the operations and providing reports to the higher levels. By co-coordinating with both levels, above and below, it would ensure that the plan given by the Project Monitoring Committee is implemented in proper manner. Such a task force would be lead by block level officers to ensure that the funds sourced are utilised for the intended purpose only. The selected private partner would have the option to have his representation in the task force. The activities of the committee would be:

a. Production Monitoring (Implementation of the production plan given by the PMC)
b. Quality Control
c. Cash Flow Management

Project Monitoring Committee(PMC) would be formed to do the planning level activities on a quarterly basis. The PMC would have representation from each stakeholder i.e. Government, Private and SHGs. An external independent consultant would also form part of the Committee. District Collector would chair the Committee. The Committee would meet every month. They would report to the Board of Directors on a quarterly basis. The various activities of this Committee would be:

a. Production Planning
b. Sales Planning
c. Budgeting
d. Utilisation of Funds
e. Quarterly Financial Review

Board of Directors (BoD) of the SPV would be represented by each stakeholder. The BoD would be taking a strategic view for long term survival of the GP project. It would also do the long term brand management for the umbrella brand of the GP project and also for the sub brands for each product. Various major activities of the board would be:

a. Demand Analysis
b. Brand Management
c. Marketing Tie Ups
d. Annual Financial Review
e. Sourcing of Funds

State Level Empowered Committee shall be constituted with the Chief Secretary, Government of Assam as the ex-officio Chairman and Principal Secretaries of Industries, Finance, Revenue, Agriculture and Rural Development Departments, in addition to CEO & Managing Director of the GP Company as well as Directors (Marketing, Finance and Administration) as the members representing the GP project. Nominees from the Ministry of Micro, Small & Medium Enterprises (MSME) shall also be co-opted as members of the Committee

The Committee shall be responsible for overseeing the project and such functions as may be specified which could include:

- Coordination between various departments and schemes
- Coordination of land allocation to the Growth Pole Company
- Coordinate flow of resources from state and Central governments

- Coordinate award of community based PPP projects to NGOs and identification of a PPP partner for the Growth Pole Company
- Identify and implement synergistic interventions in the development blocks of South West Kamrup GP Area
- Coordinate all government schemes in the region with GP interventions

Activities	Stake Holders	Monitoring
Strategic Demand Analysis Brand Management Marketing Tie Ups Annual Financial Review Sourcing of Funds	· Industry Association · Government Nominee · Beneficiaries Representatives	Board of Directors Annual Review
Planning Production Planning Sales Plannning Budgeting Utilisation of Funds Quarterly Financial Review	· SHG Federation · District Collector · Private Partner Representatives · Consultant	Monitoring Committee Quarterly
Operational Production Monitoring Quality Control Cash Flow Management	· SHG Leaders · NGO Representatives · Block Development Officer · Micro Finance Institution Representatives	Task Force Monthly

Benefits achieved from the proposed structure:

1. Strategic marketing tie ups would:
   a. Ensure Best prices to the producers
   b. Ensure assured demand
   Hence reduce the market risk to the producers.
2. Backward linkages
   a. Assured supply of raw material, technology and R&D inputs.
   Hence products would be up to date in time with market changes.

3. Share ownership to SHG federations in the SPV
   a. Each member in-directly becomes owner of the SPV without actually paying for the share acquisition.
   b. Through its members it can have say in the decision making.
4. Making buyers (exporters/wholesalers/big retail) owners of SPV
   a. Conflict of interest removed (since now more benefit accrued to the SPV which in turn would entail appreciation of their shareholding.)

Roll-out of the Scheme

The scheme roll out would involve lot of ground work for formation of SHGs, SHG federation and SPV. It being a critical phase for the successful outcome of the entire exercise, it is recommended, as also mentioned in the of the government level monitoring, that, if there a need felt by the State Nodal Agency, services of a specialised agency be engaged by it, which would be responsible for the roll out of the programme in a phased manner, spread over a period of 3 years.

Annexure 12

Growth pole: A case for Special Economic Zone for Clusters of Micro and tiny Enterprises

1. Background

Special Economic Zones have played an important role in the economic development of many countries (including China) and they can play an equally important role in the development of our economy. The current debate about Special Economic Zones' (SEZ) policies are not about the role that SEZ can play, in principle, in any process of development, but about the way such policies are practiced in India in the recent period. It is, therefore, necessary to re-examine our SEZ policy and orient to a justifiable economic programme, based on agglomeration and infrastructure development. The National Commission for Enterprises in the Unorganised Sector suggests Growthpoles as an alternative form of SEZs utilising their potential benefits but avoiding the pit falls into which unrestricted expansion of SEZs may fall in our country.

2 The Logic of SEZ

The logic of SEZ is based on two propositions. First, agglomerations of industrial activities, or units which have forward and backward linkages among themselves, yield external economies that improve the viability of each of the activities by reducing their unit costs, increasing markets for each other and promoting specialisation. Second, that potential of improved viability would allow infrastructure services used by them to develop, capitalising the potential returns on those services to pay for investment in them. As these infrastructure services would reduce the unit costs of these activities, it would further improve their viability.

These dynamic relations between agglomeration and infrastructure development make SEZs, where these activities and infrastructures are located, an attractive method of promoting economic development. What will be required is providing a "big push" to such industrial activities through a policy of forming such SEZs and giving an initial incentive to industrial units to start their operation and increase sufficiently their scale of production reducing their unit costs. They could then be sustained and expanded by market forces alone, without any subsidy, leading to widespread industrialisation.

3. Development of SEZs

Initially, these SEZs function as extended EPZ, (Export Processing Zones) producing for exports, which have elastic demand in the world market that can absorb any quantity produced, if unit costs are lowered than international prices. However, if rupee, the domestic currency, is overvalued, foreign exchange returns from exports converted to rupees may not reflect the value in international prices, and then production subsidies in the early phase of their development may have to be complemented by export subsidies.

However, with economic growth and expanding domestic market, the viability of these activities can be ensured also by domestic demand, and if the overvaluation of the rupee is eliminated, there would be no need for export subsidy, except may be for market and product development of some non-traditional items. In fact, logically this process can be entirely market-dependent with public support necessary only in the initial stages, where due to market imperfection and inadequate information, market players, investors and producers, cannot assess the potential market demands and commercial returns, and therefore do not invest or extend production sufficiently to reap the economies.

The public support usually takes the form of tax concessions, fiscal benefits, trade arrangements, and risk sharing. They also can take the form of creating and providing infrastructural services as "public goods" at subsidised prices, until the units become viable and fully pay for those services.

For the model of SEZs to be successful, it will be important first to identify the industrial units, which would benefit from their mutual interaction utilising their inter-linkages and also selling their final products in the markets outside the SEZs at profitable prices with sustainable demand. The forward and backward linkages among themselves would allow them to buy their outputs and inputs from each other, lowering their costs and allowing specialisation, all of which would contribute to the viability if they operate together. But most importantly they have to qualify as **"infant industry"**, for which the unit costs of production will be a decreasing function of the scale of output, either because the technology of the production is subject to increasing returns to scale or because their productivity increases with their expanding operations through a process of learning by doing. If an initial "big push" to these units, working together, can expand their production, their decreasing unit costs will make them fully viable to meet the market demand.

If the production units are not qualified as infant industries, subsidising their activities will often be counterproductive. If there are companies with enough capital to increase their scale of production to the minimum cost, at which they can supply a market with an elastic demand such as exports, then they would not need any subsidy for reaching such a scale of activity. Nor would they need any **support for agglomeration,** which they could achieve among themselves without any help. Additional subsidy to them would only let them have windfall profits unrelated to efficiency. From that point of view, many of the production units which are enjoying the benefits of SEZ may be enjoying excess profits, even if they do not invest these funds in any other activity. In many cases this may also have a harmful effect by distorting market prices and the structure of production. For example, if exports in general continue to be subsidised, even when the rupee is not overvalued, the production structure would be distorted and become overly dependent on export, in the manner in which "dependencia industrialisation" developed in Latin America in the 60's and 70's.

4. The Indian SEZ Policies

The Indian SEZ policies today and the SEZ Act of 2006 offers an exceptionally high incentive package to all the stakeholders involved in SEZs, the developer, the operator, the occupant enterprise and out zone supplier.

Incentives for SEZ

The incentive packages for industrial units operating in SEZ include:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ unites upto US $ 500 million in a year without any maturity restriction through recognised banking channels.
- Exemption from Central Sales Tax.
- Exemption from Service Tax
- Single window clearance for Central and State level approvals
- Exemption from State sales tax and other levies as extended by the respective State Governments.

The incentives available to **SEZ developer** include:

- Exemption from customs/excise duties for development of SEZs for authorised operations approved by the Board of Approval (BOA).
- Income Tax exemption on export income for a block of 10 years in 15 years under Section 80-1AB of the Income Tax Act.
- Exemption from minimum alternate tax under Sector 115 JB of the Income Tax Act.
- Exemption from dividend distribution tax under Section 115O of the Income Tax Act.
- Exemption from Central Sales Tax (CST)
- Exemption from Service Tax (Sector 7, 26 and Second Schedule of the SEZ Act).

Need for Incentives

There has been no attempt to assess the need for these incentives, based on the economics of production and marketing of these units. The emphasis on single window clearance for central and State level approval, is a reflection of our tardy economic reforms, which should be applicable to all industrial activities, inside and outside of SEZ. India has made a lot of progress in eliminating the License Permit Raj and bureaucratic red tape and administrative procedure and the way ahead on that should be to make these reforms more effective through out the country, and not to limit them to the Special Economic Zones only.

Moreover, most of the 63 SEZs that have been notified between 19 April 2006, and 15 January 2007 can hardly be described as based on infant industry. For example, Reliance Infrastructure, Flextronics, Wipro, Tata Consultancy Services, Ansal, ITCT Parks and Satyam Computers, should have no problem in securing capital from the market and expand their operation. Additionally, some of the State industrial development corporations which have been notified for operating in SEZ, have no explicit policy of confining themselves to infant industry. In most of the SEZ establishments, the economics of agglomeration or the backward and forwarded linkages of multi-products units has not been demonstrated. Without their ability to create external economy among themselves, and reduce their unit costs the reason for their being promoted through substantial subsidies can not be justified.

The Question of Exports

The attempts to justify SEZs for promoting exports are also misplaced, as the Indian rupee is no longer overvalued and there is no foreign exchange shortage. There is very little difference in terms of output and employment, whether the units produced for domestic or external markets. The only case for any export subsidy would be if the developers are promoting non-traditional items for export for which the markets are not established and the quality and design of the products are not properly developed. For these units, subsidising the activities in their initial phase may be necessary, specially if these units are small and micro-enterprises, without sufficient capital to support such activities themselves. The export products which are being encouraged in the SEZ are mostly already well-established (for example, the IT products, garments, automobile components or pharmaceuticals or gems and jewellery). They would hardly need any additional export subsidy.

Justifying Township Development

The most difficult point in the Indian SEZ policy to justify is its encouraging township development and allowing the rental income from that, based on acquisition and sale of vast tracks of land, to be used for developing infrastructural facility in the SEZ. As mentioned above, if viable industries can develop in an area, capable for paying the infrastructural services used by them, the infrastructural services provided should be able to establish their operation by capitalising on their future return and borrowing from the capital market. They would therefore need very little fiscal support from the government. There may be some cases where the viability of these production activities is not clearly demonstrable, and some amount of public support in sharing the risk of these activities may be called for. There are many schemes of **public private partnership** for infrastructural areas that have been launched by the government. Those schemes can also be applicable for developing these activities. In any case, the amount of such support that would really be needed in excess of the package of fiscal incentives that have now been provided to the developers would be limited. There will hardly be any requirement for additional subsidies in the form of profits from the land and township development that is provided in the Indian SEZ policies.

The argument for township development should be separated from the development of production activities in SEZs. In planning for such township development the issue of the opportunity cost of land, whether they are farmland or undeveloped non-fertile area or waste land would become very important. A case can definitely be made against excessive acquisition of land or including farmland in these zones. But these arguments are external to and not relevant for creating SEZ for productive activity. Indeed the amount of land that would be required for providing infrastructural services would be hardly more than 10 or 20 acres, whether they are for power supply or for warehouse or other facilities. There is no need to relate them to any township development, which may or may not be supported by separate plans for land and urban development.

5. The NCEUS Proposal for Growth Poles

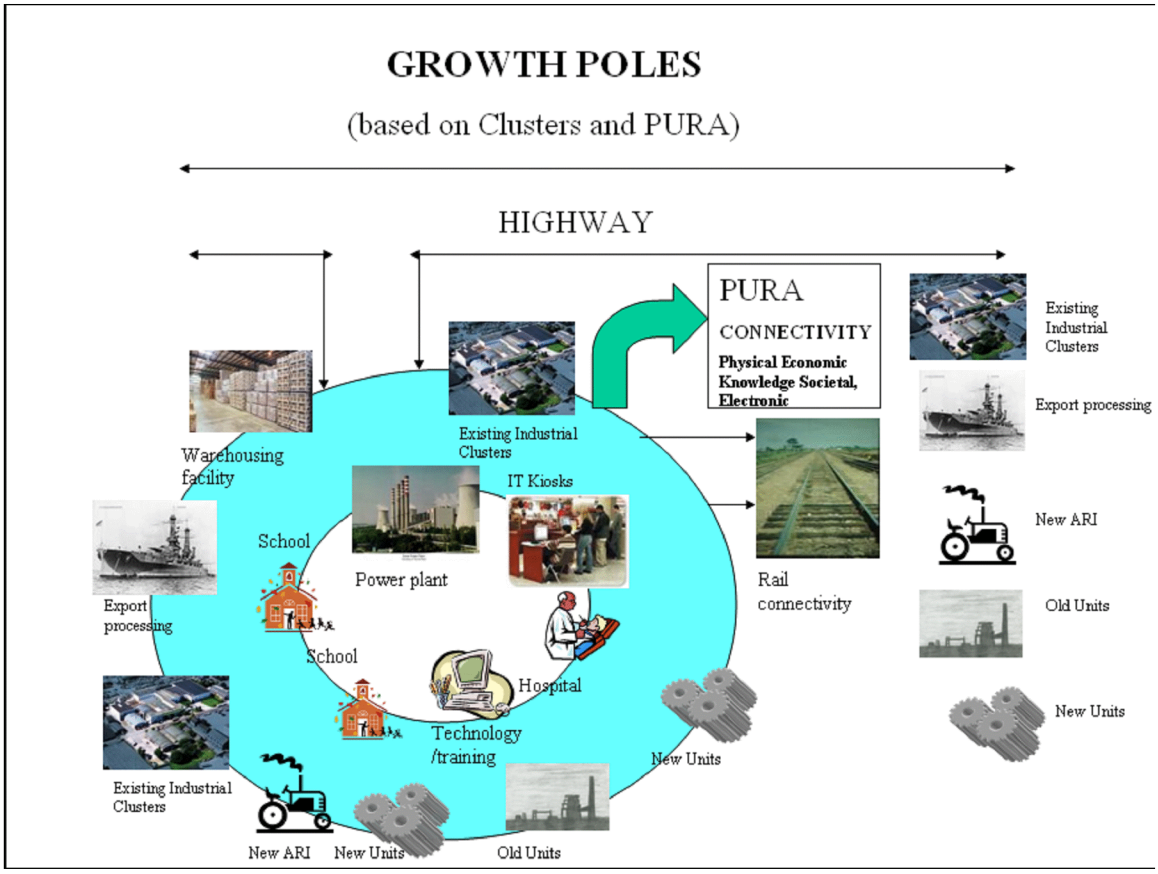
The National Commission for Enterprises in the Unorganised Sector (NCEUS) has proposed a plan for development of Growth Poles in different parts of our country, based on clusters of small, micro and tiny enterprises, most of which belong to the unorganized and informal sector. This sector account for more than 92% of our labour force and to which most of our poor people belong. The records of employment generation in our economy especially in the post reforms period, shows very little increase of employment in the organised, manufacturing sector. Any programme for increasing employment in our country will necessarily have to depend upon the ways of expanding the activities in the unorganised sector.

The Growth Poles are supposed to be an agglomeration of clusters of small and micro units of interdependent activities, generating external economies for each other and creating demand for common infrastructural services, such as power, transport, communication, warehouse and the other facilities.

The inter-dependence of these units allows them to enjoy external economies from their simultaneous and complementary functioning. Such positive externalities are derived from (a) forward and backward linkages in productive activities, such as units using each other's demands for inputs and production of output, both within and outside the area; (b) use of common facilities for social overhead capital like road, other forms of transport, communications and marketing connections, both within the country and for exports; (c) allowing inter-linkages of different services to develop a network with the clusters of activities. The main idea is that if the units were to function in isolation from each other, the costs of these units would be much higher than when they are acting together. If nothing else, the fixed costs are spread over a broader base. Indeed, the issue is not only one of exploiting positive externalities; it also becomes more cost effective to cope with negative externalities, like generation of waste and other forms of pollution.

These Growth Poles could also incorporate the concept of PURA a recent initiative of the Government to provide urban facilities in the rural areas. In that case they could utilise common services of education, health, sanitation, housing, water etc. all of which would improve the viability and productivity of all these actions together. However, the decision to incorporate PURA has to be based on a national policy of urban development and use of land where the social opportunity cost of land has to be fully taken into account. However, it needs to be noted that the case for Growth Pole is not dependent as their association within PURA. They can be viable on their own, based on their agglomeration economies and incentives for development of infant industries.

Growth Poles may be graphically depicted as follows:



The units in the Growth Poles are necessarily **"infant"** with little capital in their command and using technologies that invariably are subject to increasing returns to scale of production. If clusters of such units with forward and backward linkages are located together, their viability will improve and will attract the common infrastructure service providers to establish and create facilities, for generating power, providing transport and communication services, as well as warehousing, cold storage facilities and supplying IT, credit and banking and training facilities, at commercial cost. As such infrastructural services are made available, the viability of these units will further improve and more and more clusters of similar and multi-product activities will come about using their production inter-linkages and reaping the benefits of common services from the infrastructures. The Growth Poles will then continuously expand, increasing output and employment.

Once the Growth Poles are developed, the units operating there will be fully sustainable by market forces. However, at the initial phase, like all infant industries, they will need public support. In that stage, if these Growth Poles receive SEZ treatment, it will make a significant contribution.

6. Incentives for Growth Poles

First, the units operating in these Growth Poles of cluster of small, micro and tiny units should receive the same fiscal incentives as those operating in SEZ. The developers and infrastructure service providers should also get similar benefits. Such support would be much more justifiable than the support received by the bigger units in SEZ.

Secondly, the actual fiscal cost of such support will not be very large, because most of these small, micro and tiny units do not pay much tax or duties now and may be liable to pay such taxes only after they reach a certain stage of development. A promise that they will receive such benefits after that for an extensive period, will improve the attractiveness of setting up such operations in the Growth Poles. The developers and the infrastructure providers will be playing a promotional role and a promise of fiscal incentive will help to persuade them to operate in these areas, may be with some public sharing of the risks, through joint venture or public private partnership. In the NCEUS model, the Growth Poles are supposed to be promoted and developed by **Independent Authorities.** Such authorities could be corporations, or private-public partnership organisations with a responsibility of attracting the small, micro and tiny units into the Growth Poles and organising their activities with the help of supporting services. Even when they do not themselves supply infrastructural services of power, transport, communication, IT and marketing, warehousing and other facilities, they can attract other providers, public or private, to operate in these areas. If the SEZ benefits are available to all these stakeholders, it will significantly help this process of the formation of Growth Poles.

Further, if the developers can promote export of these products, they should get all the **benefits of exports available to SEZ.** Such exports can be supplied from the Growth Poles themselves. But it should be possible to extend this facility to other exporting companies, operating anywhere in India, outside the Growth Poles, provided they use a substantial amount of the products generated in these Growth Poles, say 75%, of the value of exports. A subsidy or fiscal concession for export in this area would be fully justified, because their products will be non-traditional, requiring both marketing and designing development in initial phase of their entry into the export markets. In addition to this, the **social value of the export** would be much larger than foreign exchange earning, because of their impact on employment and poverty reduction.

Indeed, the operating units in the Growth Poles should receive **"deemed exports treatment",** for their products, even if these products are sold in the domestic market. This is because in India, today, the social value of foreign exchange is no different from the market value of the rupee earned in the domestic tariff area, especially when these products have a large impact on employment and poverty reduction. To neutralise the revenue loss and transfer of units from the domestic tariff areas to Growth Poles for getting the export benefits, it may be necessary to impose a duty equivalent to the import duties on the products of Growth Poles, sold in the domestic market. But there is no need to put any cap on that and the unit should be allowed to sell 100% of the products outside the Growth Poles by paying their import-equivalent duties.

Finally, regarding the **issues of land acquisition,** it must be noted, as we argued above, the additional land required for the purpose of Growth Poles will not be large because initially the Growth Poles will have to be located within the already existing of production places of the small, micro and tiny units, supplemented by small plots of lands to locate additional units for forming the clusters. Similarly, the provision of infrastructural services will require few acres of land, especially if the Growth Poles are located near some power plants or highways.

7. Prototype of Growth Pole

Based on the above concept of Growth Pole, NCEUS has initiated Pilot Growth Pole Projects in six states namely, Chhattisgarh, Kerala, Rajasthan, Uttaranchal, West Bengal and Assam. Comprehensive reports are being initiated to arrive at a prototype of Growth Pole that may then be converted into a model to be replicated elsewhere. While the core industrial units in these areas are the foundation on which other parameters are woven, each Growth Pole has a minimum standard requirement of both soft and physical infrastructure. To put these in place financial and human resources are to be accounted for.

The values computed for the different pilot Growth Poles has revealed certain base parameters that may be taken up as an archetype for the concept. Taking the funding distribution pattern emerging from the pilot proposals, Growth Pole may be funded from the resources under various schemes of the Govt. of India, State Governments and public- private participation with Users/Private agencies and Banks. An illustrative funding plan emerging from our preliminary feasibility studies would be (a) Government of India contribution: 49%, as an initial funding for basic infrastructure to 'kick start' the Growth Pole that includes equipment and machinery and technology upgradation with training and skill development (b) the contribution by the Users/ Private agencies may be 25% for matching contribution in common facility centers and market sensitization. Banks set up for credit expansion, initiation of technology upgradation, IT facilities and common facility centers together with the State Government contribution for general social infrastructure development could account for the remaining 26%.

As mentioned above it should be possible to develop small townships around the Growth Poles, following the principle of PURA and initial Government inputs. However, the development of such townships and using the profits generating from them will not be necessary to promote the development of such Growth Poles. The units operating there will be viable on their own if they are properly organized and developed after an initial phase of development. If at that initial phase, the fiscal incentives of SEZ are made available to these units and the different stakeholders, including developers and infrastructural suppliers, these Growth Poles should be able to develop and stand on their own and face market competition.