

PROGRESS HARMONY DEVELOPMENT

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PROGRESSIVE UTTAR PRADESH

Building Uttar Pradesh of Tomorrow

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PHD Research Bureau
PHD CHAMBER OF COMMERCE AND INDUSTRY



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Building Uttar Pradesh of Tomorrow

August 2015



PHD CHAMBER OF COMMERCE AND INDUSTRY

Head Office:

PHD House, 4/2 , Siri Institutional Area
August Kranti Marg, New Delhi-110 016
Tel : +91 11 26863801-04, 49545454;
Fax : +91 11 26855450; E-mail: phdcci@phdcci.in

State Office:

PHD House, Plot- B, Phase II, Near Apna Bazar
Vibhuti Khand, Gomti Nagar, Lucknow - 226010
Tel: +91-522-2728940; Fax: +91-522-2728996
E-mail: phdlucknow@phdcci.in

From President's Desk



Mr. Alok B Shriram

At the outset we congratulate the state government's efforts for enhancing and improving the condition of infrastructure in the state. The state government has been announcing various reform measures to provide state of the art infrastructure to the people.

Uttar Pradesh has been an agrarian economy but during the recent years industry and services have contributed significantly to the economic growth of the state. Though the state has been witnessing growing services sector in the recent times, industry nevertheless contributes appreciably to the gross state domestic product of Uttar Pradesh.

Uttar Pradesh is one of the most attractive destinations for investors and entrepreneurs. The state has set up several industrial estates. The key industries are IT, textile, cement, vegetable oils, sugar, cotton yarn, jute, carpet, brassware, glassware and bangles. The state has emerged as a hub for IT and ITES industries including software, BPOs and electronics.

The economy of Uttar Pradesh has undergone several changes which have come about with collaborative efforts of the government and other stakeholders. It is all set to scale new heights to emerge as a strong economy with sustainable and inclusive growth.

Going ahead, I believe, there exist tremendous potential to re-embark on the path of accelerated infrastructure growth supported with effective and strong reforms in the state.

I am sure the 'Next Generation - Infrastructure Summit 2015' will be a useful platform for industry stakeholders to tap the emerging investment avenues in the infrastructure sector and at the same time coming out with innovative solutions to push economic growth trajectory.

My best wishes for the grand success of 'Next Generation - Infrastructure Summit 2015' which will be a useful platform for different stakeholders including corporate, government officials, administrators, researchers, policy planners, businessmen and business leaders.



From Senior Vice President's Desk



Mr. Mahesh Gupta

Uttar Pradesh, the land of opportunities is widely acknowledged for its multi-hued culture, religion, natural resources and variety of geographical land. The state has shown a decent average growth rate of more than 6% during the last five years, with a rapidly growing industry sector and services sector which has made it an attractive state for trade and investments.

The state government is making efforts to attract investments in the state and facilitate ease of doing business so as to attract not only domestic but foreign investors as well.

The government has incorporated industrial services in the Janhit Guarantee Act which not only sets deadlines for delivery of services but also set up an appellate system in cases deadlines are not met. The state government is also in the process of modification of its 'single window' clearance system for large sized investment proposals.

The scenario of industrial investments in the state is quite encouraging. With availability of large skilled and semi-skilled workforce coupled with good infrastructure, conducive policy framework and a favourable environment for private investments, Uttar Pradesh has become one of the most attractive destinations for investors and entrepreneurs.

I wish all the best to distinguished participants at the Summit.



From Vice President's Desk



Mr. Gopal Jiwrajka

With half the world's population living in cities, increasing the strain on energy, transportation, water, building and public spaces, there is an increasing need for “smart” city solutions which are both efficient and sustainable on one hand and can generate economic prosperity and social wellbeing on the other.

With this view in mind, the central government has realised the need for cities that can cope with the challenges of urban living and also attract investment and has recently launched three mega urban schemes viz., 100 Smart Cities Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Housing for All in urban area.

Uttar Pradesh has the highest share of number of cities to be transformed into smart cities as around 13 out of the 100 smart cities are from Uttar Pradesh. The smart cities mission would promote adoption of smart solutions for efficient use of available assets, resources and infrastructure in the coming times. This initiative would certainly make the state of Uttar Pradesh a world class state in the coming times.

I am sanguine that this Summit would touch upon issues of topical importance to be highlighted to the state government that will ensure smooth and speedy infrastructure development in the state.

I wish all the very best to all stakeholders of this Summit.



From Chairman's Desk Uttar Pradesh Committee



Dr. Lalit Khaitan

Quality infrastructure is a prerequisite for the development of all sectors of economy. Uttar Pradesh has taken significant steps in order to provide better and modernised infrastructural facilities for the overall economic development of the state. The state boasts of having better infrastructure in terms of road, railways and transport network in the country in the coming times.

Uttar Pradesh has a well-developed telecom infrastructure, with all the major players providing services in the state. The state has excellent civil aviation infrastructure with six domestic airports and two international airports.

The state has undertaken various steps to boost investment opportunities in infrastructure sector. The UP government is all set to tackle the problem of power deficit in the state and is taking various measures for the same.

The state budget for 2015-16 has accorded high priority to roads, irrigation and power sector. Public Private Partnership mode is also being encouraged by the state to tap the vast potential of this sector. The UP Housing and Development Board has unveiled plans of the ambitious affordable housing schemes for the middle and lower income group.

I wish the Summit a great success which would be a platform for great minds to come ahead and take up issues to upscale infrastructure development in the state thereby pushing growth to high road.



Acknowledgements



Mr. Saurabh Sanyal
Secretary General

PHD Chamber has come up with a report on 'Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow'. This study includes infrastructural developments in the state and various reform measures announced by the state government in the recent times. The study highlights an important fact that the infrastructure and growth go hand in hand. Infrastructure development not only attracts investments in the economy but also leads to the facilitation of ease of doing business, thereby leading to creation of jobs and improvement in the standard of living of people.

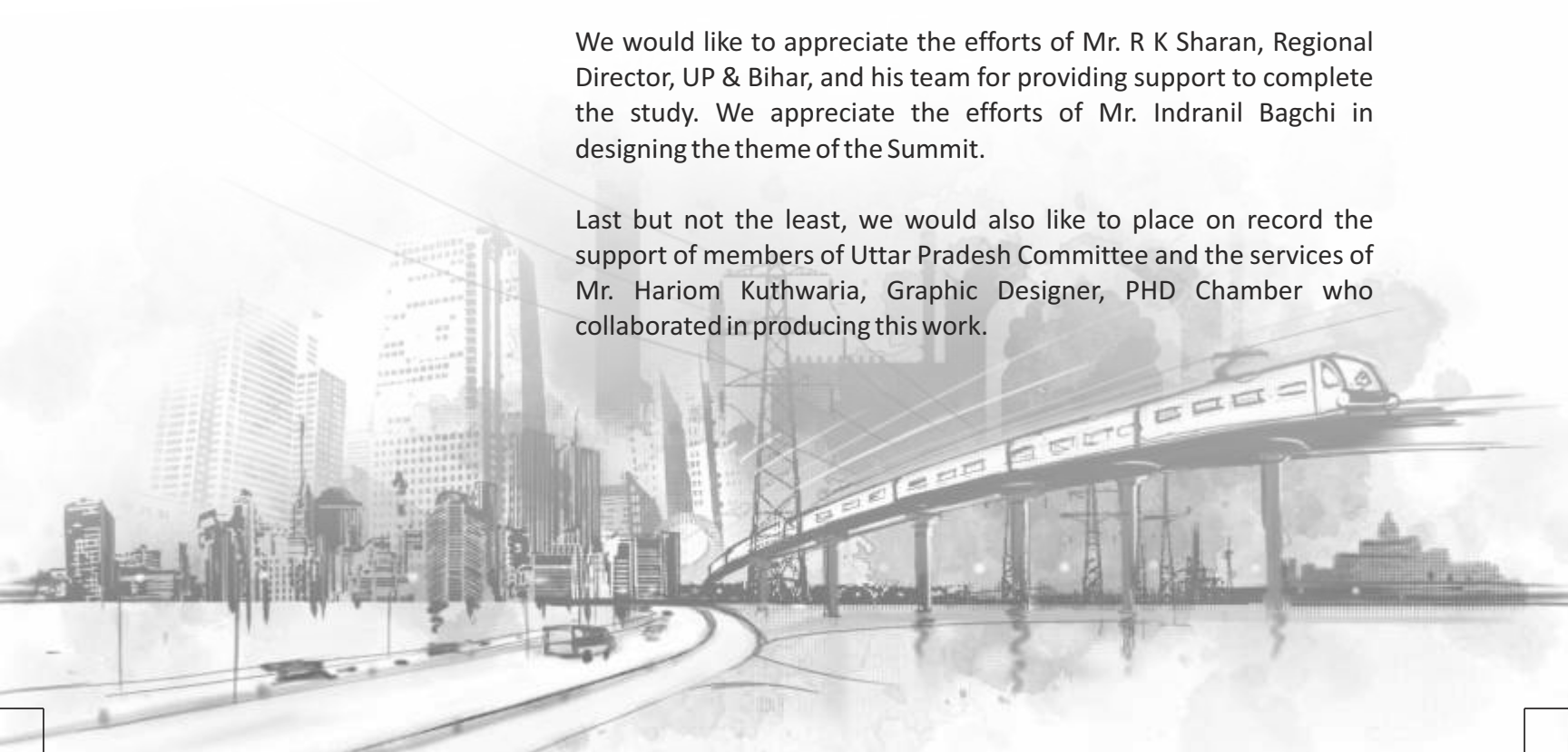
We take this opportunity to express our gratitude and respect to our office bearers Shri Alok B Shriram, President, Shri Mahesh Gupta, Senior Vice President and Shri Gopal Jiwrajka, Vice President for their constant support.

We express our sincere thanks to Dr. Lalit Khaitan, Chairman of Uttar Pradesh Committee, PHD Chamber, Shri Rajnish Chopra, Co-Chairman of Uttar Pradesh Committee, PHD Chamber and Mr Saurabh Pandey, Co-Chairman of Uttar Pradesh Committee, PHD Chamber for their profound suggestions.

I commend and appreciate the tireless efforts of PHD Research Bureau team led by Dr. S P Sharma, Chief Economist & Director-Research and Ms. Megha Kaul, Associate Economist & Ms. Huma Saif Qazi, Research Assistant for producing this study of analytical value.

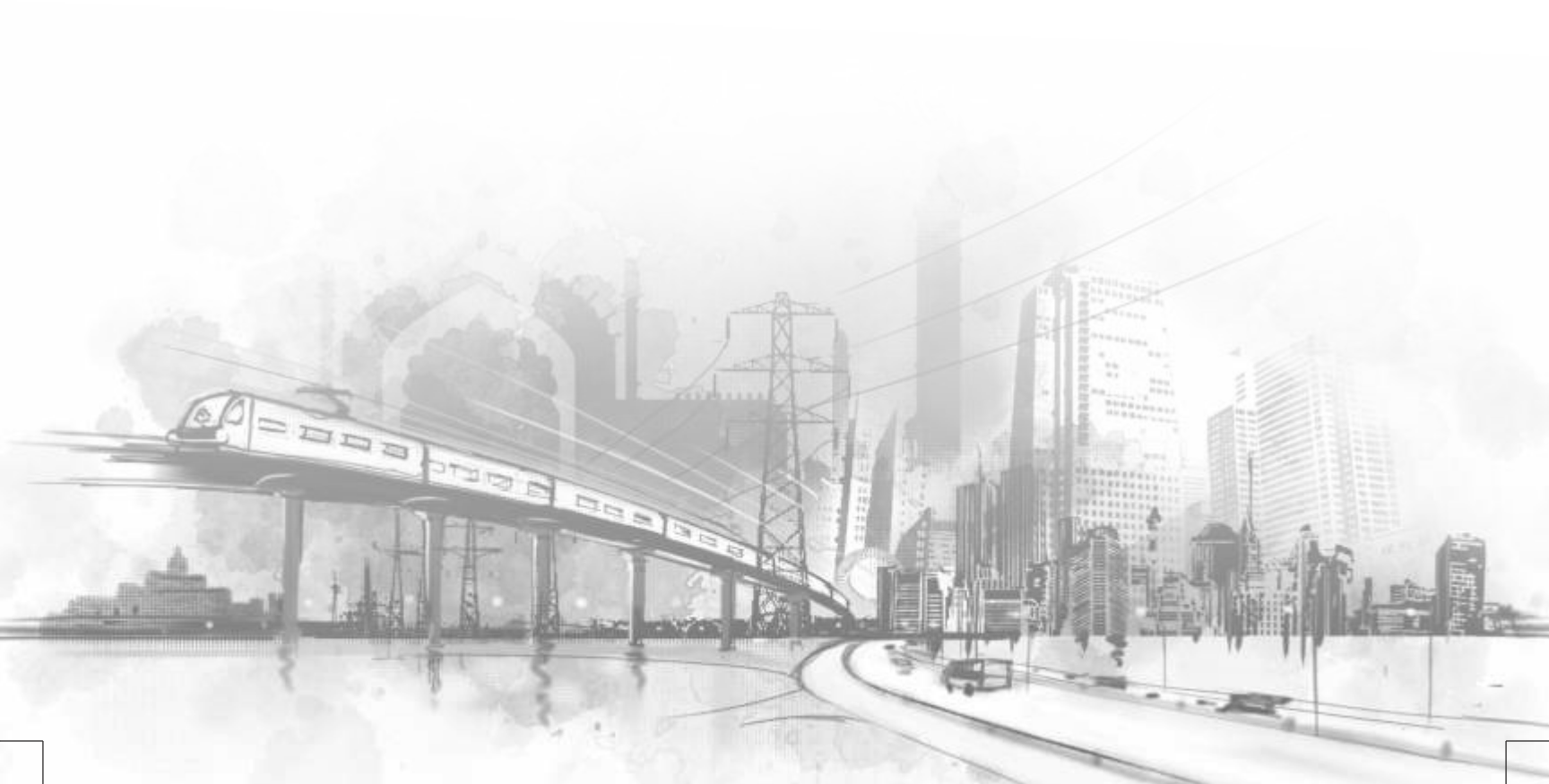
We would like to appreciate the efforts of Mr. R K Sharan, Regional Director, UP & Bihar, and his team for providing support to complete the study. We appreciate the efforts of Mr. Indranil Bagchi in designing the theme of the Summit.

Last but not the least, we would also like to place on record the support of members of Uttar Pradesh Committee and the services of Mr. Hariom Kuthwaria, Graphic Designer, PHD Chamber who collaborated in producing this work.



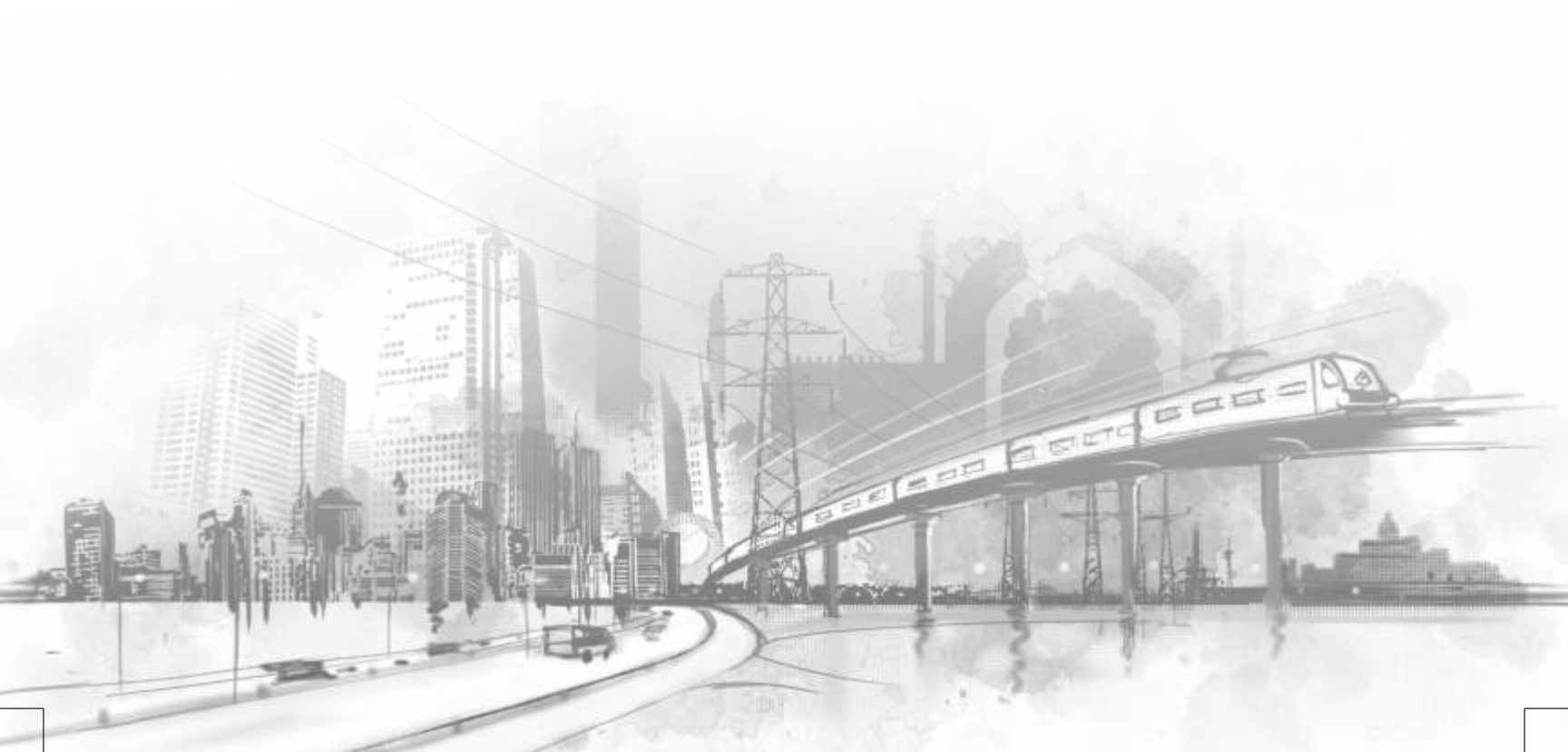
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Executive Summary

The state government of Uttar Pradesh has announced several reform measures in the recent past to push economy on a high growth trajectory.

The state government has recently launched the Lucknow Metro Rail which is scheduled to get completed by 2017 which would provide better connectivity to the residents of the city. The launch of metro in other cities would help in providing better infrastructure facilities to other cities thereby pushing growth of the state on high road.

The state government has laid foundation stone for Trans-Ganga Project in the Unnao district which is expected to generate investments of around Rs. 10,000 crore with creation of more than 1 lakh jobs.

Further, the central government has recently launched 100 Smart Cities Mission in which Uttar

Pradesh has the highest share (13) of number of cities to be transformed into smart cities which will give a major boost to realty sector in the state.

Going ahead, these reforms are expected to bring out strong outcomes which would pave the way for high and sustainable economic growth of the state in the coming times.

Considering the conducive policy environment and the scope for infrastructural development in various segments including roads, railways, energy, aviation, rural infrastructure, urban infrastructure, water and sanitation and social infrastructure, the state has every potential to attract US\$ 100 billion investments in the next three to five years.

We believe investments in infrastructure sector will push state's economic growth trajectory year after year and state has potential to attain double digit growth rate by 2020.

1. Uttar Pradesh: A Vibrant Economy



Uttar Pradesh, the most populous state of India is well known for its multi-hued culture, religion and variety of geographical land. It is endowed with natural wealth in abundance such as minerals, forests, flora and fauna. The state has to its credit the magnificent architectures and known for its rich arts and crafts. Uttar Pradesh is located in the Northern part of India and is surrounded by Bihar in the East, Madhya Pradesh in the South, Rajasthan, Delhi, Himachal Pradesh and Haryana in the West and Uttarakhand in the North and Nepal touches its Northern borders.

The state possesses numerous golden chapters of Indian history and has contributed to rich Indian

mythology and tradition. The state is one of the most favoured tourism destinations as the Taj Mahal, one of the Eight Wonders of the World, is located in Agra.

It is garlanded by two pious rivers of Indian mythologies -Ganga and Yamuna. Uttar Pradesh is exquisite land of monuments of historic significance, renowned forts, museums, enchanting scenes of natural beauty, wildlife sanctuaries and inspiring religious sites. Consequently, the state ranks 2nd in terms of domestic tourists visit among all states and ranks 3rd among all states in terms of number of foreign tourists received in 2014.



Uttar Pradesh is primarily an agrarian economy with more than 60% of the population depending on agriculture for their livelihood. The state is the largest producer of food grain in India and offers a diverse agro climatic condition which is conducive

for agricultural production. Uttar Pradesh is known for its highest contribution to nation's sugarcane basket. The state also offers excellent investment opportunities for industrial development.

2. Uttar Pradesh: The Knowledge Hub

Uttar Pradesh, over the last five years (FY11-FY15), has shown a decent rate of growth of more than 6%, with a rapidly growing industry sector and services sector which has made it an attractive state for trade and investments. Agriculture and service industries form the largest parts of the state's economy.

The service sector comprises travel and tourism, hotel industry, real estate, insurance and financial consultancies. The state is the second largest producer of sugarcane in the country. Uttar Pradesh is one of the most favoured tourism destinations and was ranked second and fourth in terms of domestic and foreign tourists, respectively, in 2013.

The state has the third highest number of Micro, Medium and Small Enterprises (MSMEs) in the country. With an investment of over US\$ 4 billion, over 1,75,000 MSME units were set up during the 11th Five Year Plan. It has emerged as a key hub for IT and ITeS industries, including software, captive business process outsourcing (BPO) and electronics.

The per capita income of the state is increasing steadily, leading to the origin of the biggest markets for industrial houses. Tremendous opportunities exist in the areas of software and electronics fields as the state is attracting foreign direct investment.

Uttar Pradesh provides a large resource base of skilled labour which makes it an ideal destination for knowledge-based sectors. The state offers a wide range of subsidies, policy and fiscal incentives as well as assistance for businesses under the Industrial and Service Sector Investment Policy, 2004 and Infrastructure & Industrial Investment Policy, 2012. The state has conducive sector-specific policies for IT and biotechnology.

Over the last five years (FY11-FY15), the real GSDP of the state has increased significantly from about Rs. 396309 crores in FY11 to about Rs. 492384 crores in FY15. The agriculture sector's share in Uttar Pradesh's GSDP is about 29%, the industrial sector's share is about 19% while services sector's share in the state's GSDP has been recorded at 52% (Exhibit 1.1).

Exhibit 1.1: Gross State Domestic Product and its Composition

Components	FY2009	FY2012	FY2015
GSDP at current prices (Rs. crore)	444685	685496	976296
NSDP at current prices (Rs. crore)	392771	608926	861054
Economic Growth % (GSDP at constant prices)	7%	5.5%	6%
Sectoral Share in GSDP at current prices (%)			
Agriculture	27%	29%	29%
Industry	23%	22%	19%
Services	48%	50%	52%

Source: PHD Research Bureau, compiled from CSO

A silhouette illustration of a business meeting. In the foreground, a man in a suit stands on the left, pointing towards a group of people seated around a long table. Several other people are seated at the table, some looking towards the standing man. The background shows more silhouettes of people standing and talking. The entire scene is set against a light yellow background.

3. Fast-track reforms to refuel growth

The state government of Uttar Pradesh has taken various initiatives to create an environment that is conducive to development of infrastructure, industry and trade and commerce.

To bolster manufacturing sector, the state government has simplified the land acquisition process under which land could be sold through a simple agreement between the seller and the buyer. The move would certainly pave the way for the development of infrastructure projects which were stalled due to stringent laws.

The state government has been striving to attract investments in the state. Accordingly, the state government recently announced a special incentive package for units investing more than Rs. 200 crore and a rebate of 25% on prevailing sector rates to investors. The Agra-Lucknow expressway which is under construction is

expected to provide vast opportunities for food processing industry. The state government has been developing clusters in Noida and Greater Noida for electronics manufacturing.

The central government, on the other hand, under its National Highway Development Programme (NHDP) has approved highway projects worth Rs 3,873.6 crore in the states of Odisha, Uttarakhand and Uttar Pradesh.

Rs 1325.09 crore expenditure will be incurred for four-laning of the Lucknow-Sultanpur section of National Highway-56 under NHDP phase-IV including the cost of land acquisition, resettlement and rehabilitation and other pre-construction activities.

The project will accelerate the improvement of infrastructure in Uttar Pradesh. The development

of this stretch will also help in uplifting the socio-economic conditions of the concerned regions of the state and would also increase employment potential for local labourers for project activities.

The 302 km long Lucknow to Agra Expressway would be the country longest access controlled six lane expressway. The project would cost nearly Rs 15,000 crore of which Rs 11,526 crore would be for construction of the expressway and the rest for purchasing land at market rates.

To facilitate ease of doing business in the state, the state government has launched a website on IT policy. The government has incorporated industrial services in the Janhit Gaurantee Act which not only sets deadlines for delivery of services but also set up an appellate system in cases deadlines are not met. The state government is also in the process of modifying its 'single window' clearance system for large sized investment proposals.

The State government has simplified procedures, Speedy on line approvals through Web based application- NIVESH MITRA, high level committees to monitor the implementation of projects and Helpdesk from Uttar Pradesh Udyog Bandhu.

Uttar Pradesh is one of the first states to introduce Single Table System and formulating its own Special Economic Zone policy along with other industry- friendly policies as well as clearly defined guidelines for PPP projects for transparent bidding process with promise of profits and gains.

For the conservation of environment, the government has launched the Green Belt Development Scheme under which initiatives will be taken to increase the total forest cover in the state.

The UP government has prepared an action plan to boost solar energy and a policy has been implemented in this direction with efforts being made to add 13,000 MW to state capacity of 10,000 MW.

Going ahead, these reforms are expected to bring out desired outcomes which would pave the way for high and sustainable economic growth of the state in the coming times.

The state budget for 2015-16 has accorded high priority to roads, irrigation and power sectors. Rs. 51,516 crore has been allocated for strengthening and development schemes of energy, irrigation, roads and bridges. Rs. 17,871 crore has been allocated for roads and bridges, Rs. 25,764 crore for the power systems, Rs. 9388.79 crore for new schemes.

Further, on the socio-economic front, a provision of Rs. 26,231 crore in the budget for Scheduled Tribes, Scheduled Castes, OBC's, physically challenged and poor people of the general category has been announced which would benefit them directly.

Rs. 2,776 crore has been sanctioned for minority welfare and Rs. 300 crore for eight thousand homeless families. Provision for Rs. 250 crore has been made for a new sugar mill of 3500 TCD capacity at Azamgarh, co-generation and 'Aswaani' plant in place of the closed cooperative mill at Sathiaon which would uplift the economic status of the cane growers.



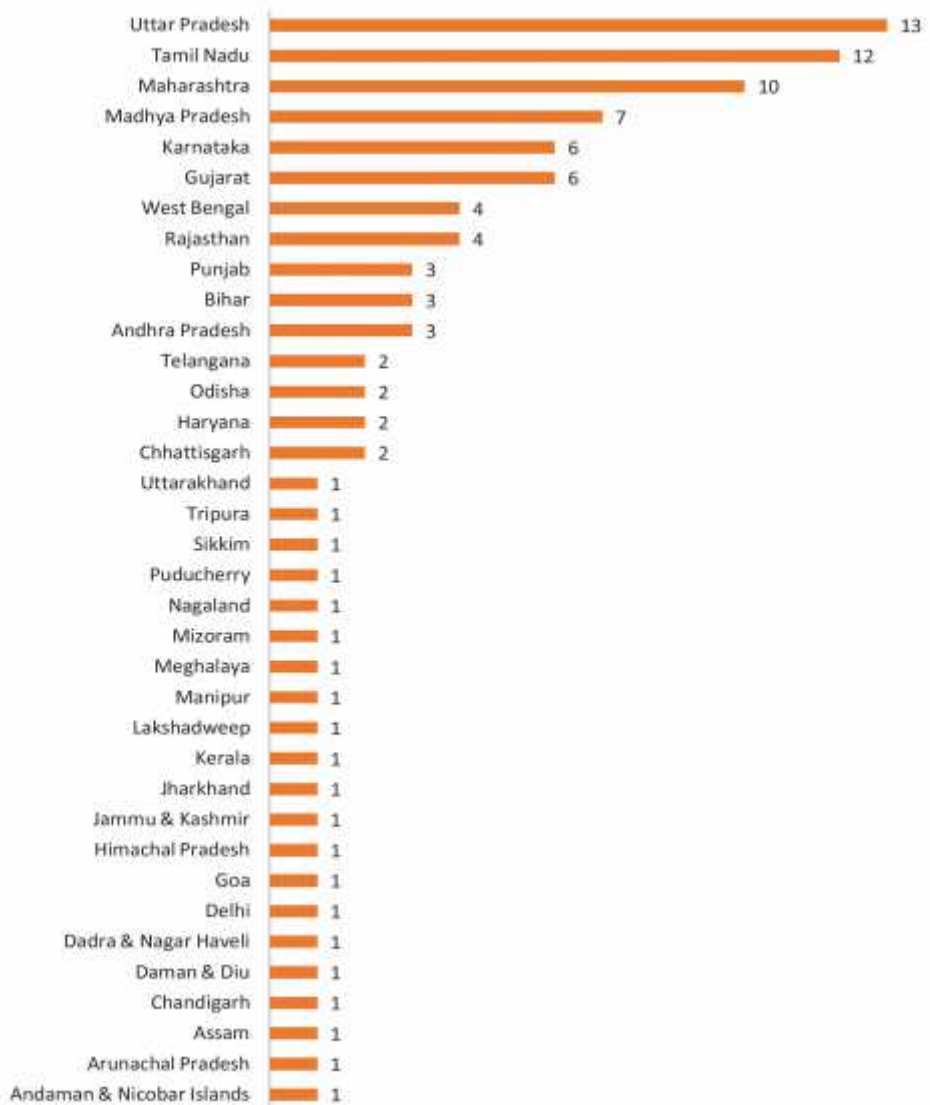
3.1 Stage set for Smart Cities

The central government has recently launched three mega urban schemes viz., 100 Smart Cities Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Housing for All in urban area.

Uttar Pradesh has the highest share of number of cities to be transformed into smart cities as

around 13 out of the 100 smart cities are from Uttar Pradesh. Under the Smart Cities Mission, cities which qualified to be developed as Smart city would get a Central assistance of Rs. 500 crore over a period of five years with Rs. 100 crore to be given each year for the development of public and civic amenities and to plan their growth.

Number of cities selected from states for transformation into Smart Cities



Source: PHD Research Bureau, compiled from Ministry of Urban Development, Government of India



4. Infrastructure and growth go hand in hand

Infrastructure plays a vital role in driving industrial, economic and social growth. To develop a strong economy, Uttar Pradesh has been making serious and conscious efforts in the development of infrastructure and inviting private participation on a large scale.

The state of Uttar Pradesh has a well developed physical and industrial infrastructure. It also has a good connectivity to its neighbouring states and

other parts of the country through 48 national highways, 6 airports and rail links to all major cities.

The state has a robust industrial infrastructure, including 15 industrial areas, 12 specialised parks, four growth centres and Industrial Infrastructure Development Centres (IIDC). As of September 2014, the state had 22 notified Special Economic Zones (SEZs).

A tall, red metal telecom tower stands against a clear blue sky. The tower is densely packed with various antennas and satellite dishes, some of which are large and white. The structure is complex, with many cross-braces and smaller antennas interspersed among the larger ones.

Telecom: connecting millions of people

The state has a well-developed telecom infrastructure, with all the major players providing services in the state. The state has a tele-density of 60% as on February 2015. According to Telecom Regulatory Authority of India (TRAI), Uttar Pradesh has nearly 132.3 million wireless subscribers and 1.0 million wire-line subscribers base.

A silhouette of a large commercial airplane is shown in flight against a dramatic sunset sky. The sun is low on the horizon, creating a bright orange and yellow glow that transitions into a darker blue at the top. The airplane's wings, tail, and engines are clearly visible against the bright background.

Aviation: flying high

The state has excellent civil aviation infrastructure with six domestic airports located at Agra, Allahabad, Gorakhpur, Kanpur, Lucknow and Varanasi including two international airports, Chaudhary Charan Singh international airport, Lucknow and Lal Bahadur Shastri Airport, Varanasi. The state has also proposed to set up Taj international airport in the Delhi-NCR region.

Road to prosperity

The state offers an extensive road network which plays a significant role in the economic development and helps in encouraging trade thereby promoting wide markets of various products and enable exploitation of economies of scale. Uttar Pradesh is a land locked territory and road connectivity to all major commercial centers is well-developed.

The state has set up Uttar Pradesh State Road Transport Corporation (UPSRTC) to provide an economical, reliable and comfortable transport in the state. The central government has approved four-laning of the Lucknow-Sultanpur section of NH-56 (under NHDP phase-IV) on a cost of US\$ 218.9 million including the cost of land

acquisition, resettlement and rehabilitation and other pre-construction activities.

It may be mentioned that the two most important industrial corridors, the DMIC and ADKIC meet in Uttar Pradesh and provide connectivity of the landlocked state to vital ports of the country (Mumbai and Kolkata). The superior connectivity of the industrial corridors will give high mileage to the industrial development in the state.

The state government is taking active steps in speeding the overall development of the state. The state government also aims at the proper maintenance of the national highways.

Road Infrastructure

Item	Achievement (in Km)
National Highways	7863*
State Highways	8432
Other district roads	169153
Rural roads	86827

Source: PHD Research Bureau, compiled from various sources

Note- *As on July 2014

Major announcements

- The state government has also allocated a total of Rs. 17871 crore for roads and bridges in Budget 2015-16.
- The Uttar Pradesh government has initiated Agra-Lucknow expressway which is a revolutionary initiative for infrastructure developments in the state. At a cost of Rs. 15,000 crore, it is the largest 6 lane expressway in India stretching 302 Kilometers from Agra to Lucknow.
- To boost infrastructure development, the cabinet gave its nod for the eastern peripheral expressway (EPE) project with an estimated cost of Rs 7558 crore. The expressway would pass through Haryana and Uttar Pradesh. The main object of the project is to expedite improvement of infrastructure in the States of Haryana and Uttar Pradesh. The total length of the road will be approximately 135 kms.
- Uttar Pradesh State Road Transport Corporation (UPSRTC) has become the first State transport corporation to have a vehicle tracking system for inter-city buses
- The Uttar Pradesh government has also flagged off four luxury buses Scania to four different destination including Delhi. It has also inaugurated an IVRS number 149 enquiry facility regarding bus services of UP.
- The state government also laid the foundation stone for up gradation of 25 bus stations where state of the art technology and best passenger and civic facilities will be available.

Economic Outcomes

- The development of the Eastern Peripheral Expressway will help in uplifting the socio-economic condition of the state.
- The Expressway will provide inter-state connectivity which will facilitate in speedy movement of goods thereby providing better connectivity.
- The development of Expressway will also provide employment opportunities to the people of the state.
- Agra Lucknow expressway would go a long way in doubling the speed to triple the economy. The expressway would not only accelerate smooth and fast movement of traffic between Agra and Lucknow but also would pave way for development of industry and agriculture in 10 districts through which the e-way would pass.
- The up-gradation of bus services reiterates state government's focus on improving the quality of infrastructure to ensure quality services to the passengers.
- The vehicle tracking system for inter-city buses has led to a reduction in accidents and deaths as drivers are cautious of crossing the speed limits.

Railways: the way forward

The state has good coverage under railways and it is well connected to other parts of the country. The major sectors and industries served by the railways include agriculture, cement, coal, fertilizer and manufacturing. The capital of the state, Lucknow is the main junction for the

Northern and North Eastern Railways. The state government has launched Metro rail project in Lucknow and the state Cabinet had approved the proposed Metro Rail projects in Kanpur, Varanasi, Agra and Meerut to boost urban mass transport infrastructure in these important cities.

Railway Infrastructure

Item	Achievement (in Km)
Broad Gauge	7851
Meter Gauge	979
Narrow Gauge	2
Total length of railway line	8832

Source: PHD Research Bureau, compiled from Directorate of Economics & Statistics, Govt. of UP
Note: Data pertains to 2012-13

Major announcements

- The Lucknow Metro Rail, launched by the state government in the budget for 2013-14, is scheduled to get completed by 2017. The completion cost of the project is estimated at Rs. 6880 crores.
- The government of the state has also written to the centre seeking desired cooperation for the development of the state and welfare of the people. The government has also sought clearance of the Lucknow Metro rail project from the cabinet and public investment board.
- The state is also planning to launch metro rail in Allahabad, Kanpur, Meerut and Varanasi
- The state government also plans to expand the Charbagh station in Lucknow with four new platforms.

Economic Outcomes

- The realty sector is expected to get a boost in the city of Lucknow after the completion of metro project. It would give a special push to real estate on the Lucknow-Kanpur highway and the adjoining areas.
- The launch of metro in other cities would help in providing better connectivity to the residents of the cities.

Power: illuminating the dark

Perennial supply of power is essential for achieving sustained economic growth. Though, Uttar Pradesh had a power deficit of 15.1%, which is significantly higher than the national power deficit of 3.1% during FY2015, the power deficit is anticipated to reduce to 12.5% in FY2016.

Consequently, the state government is taking various steps to ensure adequate power supply to domestic and industrial users.

Power Generation in Uttar Pradesh

Total installed power generation capacity	15721.80 MW
of which,	
Coal based power	11678MW
Hydro based power	2168 MW
State generated	38%
Centre generated	35%
Private sector generated	27%

Source: PHD Research Bureau, compiled from Central Electricity Authority

Note: Data as on 30th June 2015

Major announcements

- The state is in the process of implementing and testing the public-private partnership model in the power sector with an input-based franchisee system.
- The state government has the vision to ensure 24-hour power supply to all urban areas by October 2016. Accordingly, maximum budget allocations have been made to power sector for generation, transmission and distribution.
- Under Infrastructure & Industrial Investment Policy 2012, besides micro hydro-electric power generation through non-conventional energy, other power generation sectors like solar, biogas, biomass, and garbage will be specially promoted.
- The UP government has prepared an action plan to boost solar energy and a policy has been implemented in this direction with efforts being made to add 13,000 MW to state capacity of 10,000 MW.
- Uttar Pradesh along with other states namely Rajasthan, Gujarat, Madhya Pradesh and Jammu & Kashmir are expected to cumulatively invest Rs 50,000 crore for enhancing power evacuation facilities in 2015-16.
- The UP electricity regulatory commission has cleared the rooftop solar photovoltaic regulations which will enable consumers to produce solar power at their roofs and also sell the spare electricity to the licensee through net metering.
- In December 2014, Hon'ble Chief Minister had inaugurated eight new distribution substations to be set up to improve electricity.
- Under Integrated Power Development Scheme (IPDS) of the ministry of Power, total amount Rs 1,067 crore has been sanctioned including Rs 572 crore for Varanasi. The Project aims at converting area overhead lines into underground cabling in the areas around the temples and ghats in Varanasi.

Economic Outcomes

- Expanding Power industry would facilitate development across various sectors of the state's economy, such as manufacturing, agriculture, commercial enterprises and railways.
- Electrical energy is important for the enhancement of rural production and food security through land preparation, fertilization, irrigation, agro-processing and conservation. Uttar Pradesh being an agrarian economy would benefit significantly from such an initiative.
- The operational problems faced by the industry will be reduced as due to power shortage industries are forced to reduce working hours in peak demand season while they have to pay the same price to labour and employees. All these conditions reduce profits which reduces the viability of doing business in the state in comparison to neighbouring states.
- Continuous supply of power will reduce the cost of doing business in the state, thereby making it a preferred investment destination.
- Adequate supply of electricity would also do away with the concerns of the foreign investors thereby attracting foreign investments.
- Adequate power would also accelerate the socio-economic development in the state.

Affordable Housing-Housing for all

The state's economic growth momentum cannot be sustained if urbanisation is not actively facilitated. Nor can poverty be addressed if the needs of the urban poor are isolated from the broader challenges of managing urbanization.

Major announcements

- The state government is highly committed to provide urban infrastructure services in the state as 33 projects costing US\$ 921.4 million have been sanctioned for various cities in Uttar Pradesh, under the Jawaharlal Nehru National Urban Renewal Mission of which four have been completed as of 31st March 2014.
- Uttar Pradesh government announced to launch 'Samajwadi Awas Yojna' and efforts would be made to construct 3,00,000 houses by 2016.
- Most of these projects are approved for Kanpur, Lucknow, Varanasi, Allahabad and Agra. The key areas of development are water supply, solid-waste management, sewerage and drainage/storm water.
- The state government has laid foundation stone for Trans-Ganga Project in the Unnao district, situated strategically between the state capital of Lucknow and industry town of Kanpur. The Unnao project would span 1,156 acres near Ganga Barrage in Kanpur City. It would be 70 km from Lucknow international airport and had been conceptualised for spurring investment, job creation, education, health and industrial development in the region.
- The government also aims at making housing projects on pilot basis at three places commercial complex in Kamta village, two storeyed housing projects in Omaxe city and housing units for LMC employees in Para.
- Further, the UP Housing and Development Board has unveiled plans of the ambitious affordable housing schemes for the middle and lower income group. The board aims at constructing a total of 10000 flats in various townships. The land cost for various building groups have also been reduced.

Economic Outcomes

- The Trans-Ganga Project is expected to generate investments of around Rs. 10,000 crore with creation of more than 1 lakh jobs.
- The Samajwadi Awas Yojna aims to provide affordable housing to medium income group in the state. This would certainly meet the growing demand for housing in the state.
- The economic impact of the central government's housing for all will be felt across all states with Uttar Pradesh being the biggest beneficiary as there is maximum housing demand in the state.
- The state government's investment in affordable housing would support a range of social objectives by improving outcomes for residents, in areas including health and employment.
- It would offer a more affordable, often better quality alternative to renting privately, both through the quality of homes and the services that housing associations deliver to support tenants.

Development of Smart Cities for a better tomorrow

The central government has recently launched three mega urban schemes viz., 100 Smart Cities Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Housing for All in urban area. Uttar Pradesh has the highest share of number of cities to be transformed into smart cities as around 13 out of the 100 smart cities are from Uttar Pradesh.

Economic Outcomes

- Smart cities, which aim to use digital technology would enhance performance and well being, reduce costs and resource consumption, and engage more effectively with its citizens.
- In a smart city, economic development and activity is sustainable and rationally planned and based on success-oriented market drivers such as supply and demand.
- With increasing urbanisation and the load on rural land, the government has now realised the need for cities that can cope with the challenges of urban living and also attract investment.
- Development of smart cities will create immense employment opportunities for the people residing in the state.



5. Infrastructure and Industrial Investment Policy 2012

The Uttar Pradesh Government has initiated several incentives in the form of various policies formulated for the development and promotion of industries by the State. In view of major transformation of industrial environment globally and within the country, Government of Uttar Pradesh has approved and announced new Infrastructure and Industrial Investment Policy-

2012 with an objective of attaining the target of 11.2% industrial growth in Uttar Pradesh.

Main features of new policy are infrastructural development, promotion of MSMEs, industrial environment and fiscal incentive conducive for the growth of industries in the area.

MSMEs to bolster industrialization

Encouragement to industrial associations of MSMEs sector to set up industry specific clusters through Special Purpose Vehicles (SPVs) for the development of infrastructure to facilitate MSMEs.

- Better implementation of MSMEs development schemes of the Government of India.
- Special steps to be taken to develop export and artifact specific clusters in towns to promote development of exports of handicrafts.
- Development of infrastructure, marketing, branding, design and packaging under ASIDE.
- Constitution of special cell in Directorate of Industry to undertake various studies for improving overall environment for MSMEs growth.
- Based on the demand of micro and small industries, UPSIDC to identify land level to develop mini industrial areas for such units.
- Small enterprises cluster development to aid the MSMEs.
- Non-polluting units to be allowed to be set up in residential areas and multi storey apartments.
- Rehabilitation Policy for sick units which are economically viable.
- New Exit Policy for unviable closed units.



Infrastructure Breakthrough to Push Growth on High Road

- Encouragement to Public Private Partnership (PPP) for infrastructure development.
- Setting up one National Manufacturing Investment Zone, each in Bundelkhand, Eastern and Central Uttar Pradesh.
- Expansion & improvement in water supply and drainage system.
- Setting up of IT Parks, Mega Food Parks, Logistic hubs, Plastic city, Biotech Industrial parks and Integrated Industrial Townships.
- Creation and expansion of land banks by U.P. State Industrial Development Authority through utilisation of barren, unused and un-irrigated public land.
- Permission to foreign direct investment in infrastructure development.
- Compilation and dissemination of land bank information to investors
- Simplification of land allotment procedures.
- Encouragement and facilitation to private sector for development of Industrial areas and estates
- Development of roads, expressways, eco-friendly metro or rapid transit systems, and development of new industrial areas along these roads and expressways.
- Full cooperation in implementation of Delhi Mumbai Industrial Corridor (DMIC) & Dedicated Freight Corridor (DFC).
- Development of industrial areas and zones in 250 kms on both sides of DMIC.
- Multi-modal logistics hubs, investment zones and early bird projects have been proposed on 1483 km DMIC and 1011 km of DFC connecting Uttar Pradesh to sea-port at Mumbai.
- Development of Airports on PPP model – near Agra in the vicinity of DMIC to provide facility of dry-cargo transport along with aircraft maintenance hub and at Kushinagar in eastern Uttar Pradesh to promote industrial development and tourism.
- Strengthening and augmenting energy infrastructure, viz. Generation, Distribution and Transmission Expansion of CNG/PNG network along the industrial hubs for clean energy supply to industries.
- Dedicated power feeders built by industrial units at their expense shall not be tapped and used for other purposes.
- Industrial units getting power supply from 220/132 kv substations will be exempted from rostering except to save national power grid.
- Encouragement to non-conventional energy resources. Solar power generation plants shall be granted status of 'Industry' and will be entitled to all incentives specified in this policy.
- 33/11 KV feeders with more than 75% industrial load will be exempted from load shedding and separated from other consumers.

Considering the conducive policy environment and the scope for infrastructural development in various segments including roads, railways, energy, aviation, rural infrastructure, urban infrastructure, water and sanitation and social infrastructure, the state has every potential to attract US\$ 100 billion investments in the next three to five years.

We believe investments in infrastructure sector will push state's economic growth trajectory year after year and state has potential to attain double digit growth rate by 2020.

Fiscal Incentives to MSMEs

- 100% exemption in stamp duty on purchase, lease or acquisition of land by industrial units proposed to be set up in Eastern U.P., Central U.P. and Bundelkhand region.
- Reimbursement of 25% of stamp duty, if a private developer completes development of industrial estate or area within 3 years after purchase of land and a minimum of 50% land is sold, reimbursement of stamp duty on land transfer to such subsidiary company which starts production within 3 years of the said land transfer from its parent company having 51% share in it.
- Exemption from land transfer fee, sub-divisional charges, and levy charges to such manufacturing units that make available their additional land for industrial purpose after 5 years to any other company or agency in which they have at least 51% equity.
- Eligibility criteria under Investment Promotion Scheme, has been brought down from Rs. 10 crore to Rs. 5 crore for new industrial units set up in Poorvanchal, Madhyanchal, Bundelkhand and all food processing units, livestock based units & IT units while, it has been reduced to Rs. 12.5 crore from Rs. 25 crore for the rest of State.
- Interest-free loan equivalent to VAT and Central Sales Tax paid by industrial units or 10% of the annual turnover whichever is less will be provided for a period of 10 years repayable after 7 years from the date of first disbursement.
- Under New Capital Subsidy Scheme, new industrial units to be set up in Poorvanchal, Madhyanchal and Bundelkhand shall get reimbursement at the rate of 5% on interest rate of loan taken for plant and machinery, maximum upto Rs. 50 lakhs per annum for a period of 5 years.
- Under Infrastructure interest subsidy scheme, industrial units take loan for developing infrastructure facilities for self-use, such as – road, sewer, water drainage, power line etc., will get reimbursement at the rate of 5% on interest rate of loan taken for this purpose, maximum upto Rs. 1 crore for a period of 5 years.
- Under Industrial Quality Development Subsidy Scheme, reimbursement will be provided to the industrial association, group of industrial units at the rate of 5% on interest rate of loan taken for establishing testing labs, quality certification lab, tool-rooms, etc. maximum upto Rs 1 crore for a period of 5 years.



Industrial Environment to attract investors

- Simplification of procedures and processes related to departments of Labour, Energy, Environment, Commercial Tax, Registration, etc.
- Web-based Single Window system in investment will be introduced to provide single-stop shop for all kinds of departmental services, clearances, etc.
- Creation of IT enabled interactive information mechanisms for making available important investment opportunities to MSMEs sector
- Strengthening and improvement in working of Udyog Bandhu (a State government agency for facilitating Industries) and U.P. Investment Centre.
- Speedy redressal of problems and complaints of entrepreneurs.
- Emphasis on Skill and Management development
- Bar-coding in classified industries, such as Food processing, Leather, Textile, Hosiery to be done.
- Nomination of Nodal officers of the rank of Principal Secretary to Special Secretary to hand-hold large industrial investment projects.
- Rewarding Entrepreneurs contributing significantly to industrial growth of the State.

Others

- Public-Private partnership (PPP) will be encouraged on priority basis in the development of infrastructure.
- Apart from Viability Gap Funding, PPP projects through Annuity based model and other models will also be encouraged and State government will make available grant of 20% of project cost from central government and a maximum of 20% from its own resources to make the project viable.
- Exemption from Electricity Duty for 10 years to new industrial units and 15 years to Pioneer units and to captive power generation for self-consumption by unit.
- New units will have to pay only for the actual power consumption for first 5 years instead of minimum monthly load and demand.
- Entrepreneur Memorandum Part-1 and 2 of Industries will be issued online on the basis of self declaration. Under the Micro, Small and Medium Enterprises Act, arrangements will be made for District Industries Centers to deliver receipts with auto generated number, for forms submitted online.

6. Conclusions

The state of Uttar Pradesh is endowed with natural wealth in abundance such as minerals, forests, flora and fauna. The state has to its credit the magnificent architectures and known for its rich arts and crafts. Uttar Pradesh is primarily an agrarian economy with more than 60% of the population depending on agriculture for their livelihood. The state is the largest producer of food grain in India and offers a diverse agro climatic condition which is conducive for agricultural production. Uttar Pradesh is known for its highest contribution to nation's sugarcane basket.

The state of Uttar Pradesh has the third highest number of Micro, Medium and Small Enterprises (MSMEs) in the country. With an investment of over US\$ 4 billion, over 1,75,000 MSME units were set up during the 11th Five Year Plan. It has emerged as a key hub for IT and ITeS industries, including software, captive business process outsourcing (BPO) and electronics.

The state government of Uttar Pradesh has taken various initiatives to create an environment that is conducive to development of infrastructure, industry, trade and commerce. To facilitate ease of doing business in the state, the government has been making serious efforts in upscaling infrastructure development. The development of the Eastern Peripheral Expressway will help in uplifting the socio-economic condition of the state. The development of Lucknow-Agra Expressway would help in accelerating industrial and agriculture growth in the districts of the state through which it passes. The state government is taking active steps in speeding the overall development of the state. The state government also aims at the proper maintenance of the national highways.

To develop a strong economy, Uttar Pradesh has been making serious and conscious efforts in the development of infrastructure and inviting private participation on a large scale.

In view of major transformation of industrial environment globally and within the country, Government of Uttar Pradesh has approved and announced new Infrastructure and Industrial Investment Policy-2012 with an objective of attaining the target of 11.2% industrial growth in Uttar Pradesh. Going ahead, these reforms are expected to bring out desired strong outcomes which would pave the way for high and sustainable economic growth of the state in the coming times.

Uttar Pradesh has the highest share of number of cities to be transformed into smart cities as around 13 out of the 100 smart cities are from the state.

The state government has the vision to ensure 24-hour power supply to all urban areas by October 2016. Consequently, the state is in the process of implementing and testing the public-private partnership model in the power sector with an input-based franchisee system.

The Uttar Pradesh Government has initiated several incentives in the form of various policies formulated for the development and promotion of industries by the State. All these measures will facilitate greater investment inflows in the state which would push economic growth on high road.

Considering the conducive policy environment and the scope for infrastructural development in various segments including roads, railways, energy, aviation, rural infrastructure, urban infrastructure, water and sanitation and social infrastructure, the state has every potential to attract US\$ 100 billion investments in the next three to five years.

We believe investments in infrastructure sector will push state's economic growth trajectory year after year and state has potential to attain double digit growth rate by 2020.

7. Suggestions to put growth on high road

- Speedy approvals of power projects, project management techniques, rapid upskilling of manpower, strengthening transmission and distribution system to reduce the transmission and distribution power loss.
- Identifying alternative sources of energy such as wind, bio gas, agricultural biomass and hydro projects to meet the rising demand and supply gap of electricity.
- Power concessions to be provided to foster development manufacturing sector in the state.
- Speed up the development of Lucknow-Agra Expressway to accelerate industry and agriculture in the 10 districts through which the Expressway passes.
- The development of 13 Smart cities in the state will give a major impetus to all-inclusive growth in the state. However, there is an urgent need to foster skill development in the state in various sectors, particularly the construction sector so that more and more labour is absorbed in the sector.
- The IT Infrastructure should be improved so that the state becomes an IT hub for the whole country in the coming times.
- Set up an expert group committee in order to monitor the expansion and improvement of road networks in the state.
- Road infrastructure should be strengthened by making it more efficient as per growing traffic requirements, upgradation of existing road network, construction of bye passes, bridges/Railway Over Bridges (ROBs).
- Air connectivity of the state should be enhanced through establishment of airports.
- Effective implementation of the state road safety policy should be done so as to control the recurring road accidents.
- The delayed projects should be cleared on priority which would help in attracting investors to the state.
- Development of townships along the Lucknow-Agra Expressway would step up urbanization in the state.
- The infrastructure of the region should be improved further with proper road connectivity and decongestion of traffic at National Highways to facilitate smooth flow of raw materials and finished goods to and from the industrial area.

Key Contacts

Sector/Area	Key Contacts
Agriculture	Agriculture Production Commissioner, Government of Uttar Pradesh Bahukhandi Bhawan, Lucknow Ph: 0522-2238145, 2238082
Power	UP Power Corporation Limited Shakti Bhawan, 14, Ashok Marg, Lucknow, UP, India. Ph : 91-522-2287701-03
Transport	Transport Commissioner UP, Tehri Kothi, MG Marg, Lucknow - 226001 (UP) Phone: (0522) 2613978, Fax: (0522) 2629235
Tourism	Directorate of Tourism, UP Rajarshi Purshottam Das Tandon Paryatan Bhavan, C-13, Vipin Khand, Gomti Nagar, Lucknow, Uttar Pradesh. Ph: 91-522-2307037 Fax: 91-522-2308937 Email: upstdc@up-tourism.com
Industry	Directorate of Industries U.P.G.T. Road, Kanpur Ph.0512-2218401, 2234956, 2219166 Fax No. 0512- 2297481 Email: dikanpur@up.nic.in
	Udyog Bandhu 12-C, Mall Avenue, Lucknow-226001 Phone No:- 91-522-2237582,/2237583 Fax No. +91-522-2237345 Email :- info@udyogbandhu.com
PHD Chamber, Uttar Pradesh PHD House, Plot- B, Phase II, Near Apna Bazar Vibhuti Khand, Gomti Nagar, Lucknow - 226010 Phone: 91-522-2728940 Fax: 91-522-2728996 E-mail: phdlucknow@phdcci.in	Dr. Lalit Khaitan , Chairman, Uttar Pradesh Committee Mr. Rajnish Chopra , Co-Chairman, Uttar Pradesh Committee Mr. Saurabh Pandey , Co-Chairman, Uttar Pradesh Committee Mr. R K Sharan , Regional Director

Study/Project Team

Dr. SP Sharma

Chief Economist & Director of Research

Ms. Megha Kaul
Associate Economist

Ms. Huma Saif Qazi
Research Assistant

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Dr. S P Sharma

Chief Economist & Director of Research

Economic Affairs & Infrastructure

Ms. Megha Kaul
Associate Economist

Ms. Ekta Goel
Research Associate

States & Socio Economy

Ms. Huma Saif Qazi
Research Assistant

Ms. Sunita Gosain
Secretarial Assistant

Foreign Trade & Investments

Ms. Rashmi Taneja
Sr. Research Officer

Ms. Apurva Munjal
Research Assistant

Financial Markets & Taxation

Ms. Surbhi Sharma
Sr. Research Officer

Economy & Business Dynamics

Ms. Pallavi Mehta
Research Associate

Notes

