

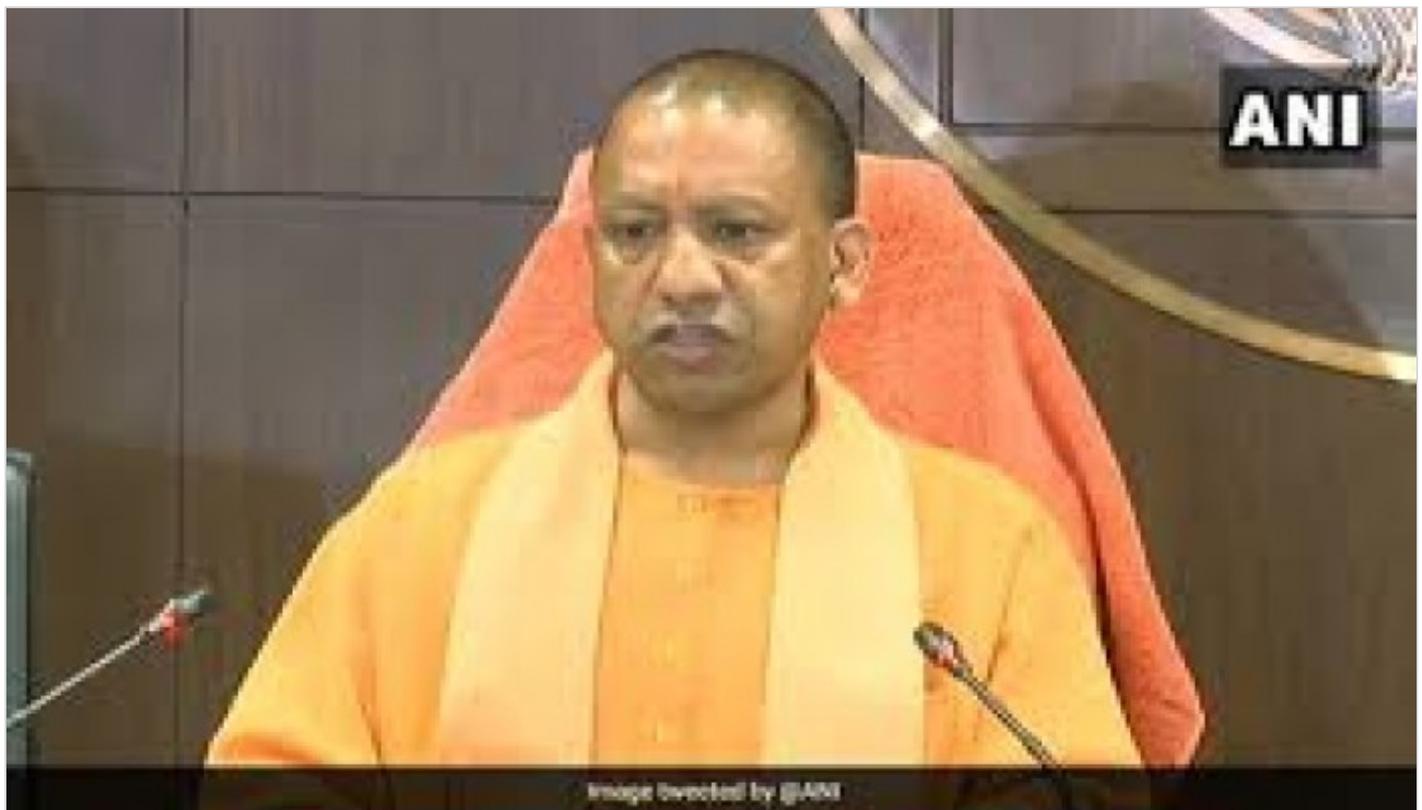
ECONOMICS

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Uttar Pradesh State Emerging as a Key Growth Node

 In article  10:29 PM, Nov 08, 2020

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Theme

There is an increasing recognition that individual states in India have considerable leeway, especially if they operate in a constructive and cooperative mindset, to improve household welfare and help progress the state to a higher level of development.

In recent years, especially since Covid-19 Pandemic, the Uttar Pradesh government, led by Yogi Adityanath, has taken several initiatives which have the potential to turn the state into a key diversified growth node for India. The state has a population of about 240 million, about 17% of India's population.

In 2020-21, the GSDP (Gross State domestic product) of the Uttar Pradesh state is projected to be INR 17.9trillion (equivalent to USD 256 billion)¹.

The State has an ambitious vision to raise its GSDP to USD 1 trillion by 2025, when India aims to become USD 5 trillion economy.

This represents a quantum leap in the State's contribution to 20% of India's GDP from about 8.5% in 2020-21.

The above very ambitious goal in turn requires transformative changes in the State's economic, social, and political management.

Even if the State achieves good progress towards its ambitious goal, the State would help facilitate India's broader geo-economic and geo-strategic goals.

This column discusses some of the major initiatives undertaken by the Uttar Pradesh government, and their implications.

A Growth Diagnostics Framework: An Overview

The initiatives taken by the Uttar Pradesh government have been consistent with a framework to increase outcome and income per household as suggested in a growth diagnostics framework in Figure 1.

It should be noted that a framework is designed to aid thinking and focus on key areas. It is not a blue print to be followed as would be the case for building a bridge or a building.

The column is not intended to suggest that the Uttar Pradesh has taken initiatives with the framework in Figure 1 in mind.

The column argues that the initiatives are consistent with what the framework suggests in the context of conditions in Uttar Pradesh state.

There are five key elements in the Framework, which need to be integrated. These are:

- Physical Investment
- Knowledge application and productivity
- Productive Livelihoods
- Skill-sets
- Cooperative Federalism

In each of these areas, it is essential to calibrate demand and supply factors, avoiding large imbalances between the two.

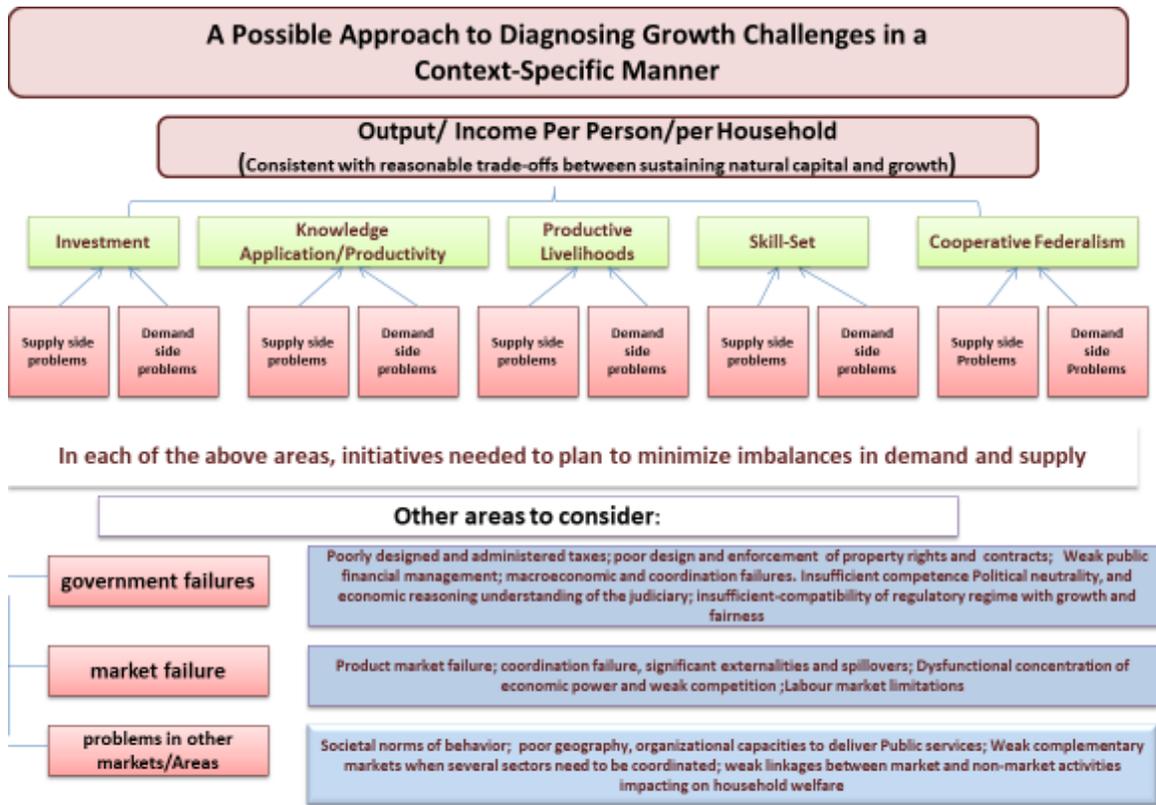
Thus, initiatives, which expand demand for healthcare, or skills development, but without commensurate increases in the supply of these services, create considerable distortions, adversely impacting on the desired outcomes.

The Framework suggests that besides addressing relevant market and government failures, complementary markets also need to be addressed, especially for large infrastructure projects.

Among the government failures, improving numerical skills, legal and regulatory skills, economic literacy levels, and technocratic rather than partisan political orientation of the government institutions, and officials, including the judiciary are essential for the country and individual states to progress.

The Framework envisages a coordinated use of market, state, not-for-profit sectors, social enterprises, and others to help the state (and country) progress towards desired outcomes.

Figure 1: A Growth Diagnostic Framework



Source: Adapted and modified in November 2020 by Mukul Asher based on Dani Rodrik (2010) Diagnostics before Prescription. *Journal of Economic Perspectives*, Vol. 24(3). Pp. 33-44

Initiatives of the Uttar Pradesh state

Each of the elements of the Framework is discussed separately for expositional convenience. In fact, they are interrelated. Thus, investment initiatives, have major implication for productive livelihoods generation, skills set, and introduction of new knowledge and ideas.

Investments

The State is undertaking major public infrastructure projects, while facilitating investments by the private sector in the State.

- There have been major investment proposals from several foreign companies involving about ten countries, in infrastructure and industrial development projects.

These companies are reportedly planning to invest INR 450 Billion (USD 6 Billion), and are likely to generate around 0.13 million livelihoods across the State. These companies have already been allotted 426-acre land. The investors are being provided 166 services through 'Nivesh Mitra' portal, which is a single-window system of the Uttar Pradesh government²

According to Zurich Airport International Asia, winner of the airport project, phase-I of the Jawar airport project is expected to be completed by early 2024. On completion, the airport, under phase-I, will cater to 12 million passengers³.

The airport is expected to lead to substantial crowding-in of other investments, especially in the real estate sector.

- Uttar Pradesh State has announced plans to build a full-fledged Film City in India near Hastinapur area on the Yamuna Expressway. The location is around 6 km from the proposed Noida International Airport in Jawar, and is well connected with the rail. It is also close to the Eastern Peripheral Expressway and is nearby India's only Formula One track, the Gautam Buddha International Circuit. Services and creative industries expand livelihood opportunities and skillsets as well⁴.

Competition for film production and related activities in different cities augurs well for the industry, as competition is a single most important factor in improving efficiency, and in better utilization of resources.

- The State is also planning to establish a Financial City in the western region of the state near a proposed Film City.

The intention is to make it a financial hub, where facilities exist for different financial institutions and services so that they can make it their headquarters. The aim is to provide a single platform for all financial services and requirements⁵.

Learning financial skills will augment skills sets available in the State, and help provide livelihood opportunities, while attracting talent to the State.

- The State government is planning to develop an Electronics City spread over 1,000 acres in the National Capital Region (NCR). The facility would come under the jurisdiction of the Yamuna Expressway Authority and showcase UP as the emerging electronics manufacturing hub of India.

Under ESDM (Electronic System Design & Manufacturing), the government had targeted investment of about INR 200 billion and 0.3 million new job opportunities over the next few years⁶.

- The process of land acquisition has begun for the ambitious project of developing Ayodhya as a global pilgrimage city. This could assist in employment generation, and in enhancing India's civilizational ethos⁷.

In 2018, domestic tourist arrivals in the State were 285 million and it stood second in the country. Foreign tourist arrivals were 3.8 million and it ranked third⁸.

- Uttar Pradesh government has received a total of 92 applications from domestic toy manufacturers to set up units at the toy manufacturing industrial hub which is being developed near the upcoming international airport at Jewar. A total of 100 acres of land spread across 155 plots of different sizes is to be awarded to toy manufacturers, with projected investment of INR 30 Billion⁹.
- Uttar Pradesh government plans to construct about 5,000 warehouses to allow farmers to store their produce safely and get a fair price for their efforts. According to reports, at least one warehouse will be constructed for every 10 villages.

The scheme is expected to cost INR 25 Billion, and expected to increase the storage capacity of the state by 8.60 lakh tons. This will help farmers protect their produce during natural calamities like rain and fire, and help them obtain better rates as storing food grains properly will preserve their quality¹⁰.

- The State intends to develop defence and aerospace industry with aim of generating 0.25 million jobs and expects an investment of INR 500 Billion (USD 7.46 billion) over the next five years.

Knowledge Application and productivity

- Uttar Pradesh is the fastest growing states in terms of green building projects. It has more than 570 such projects (nearly 10 percent of total such projects in India), covering over 1,400 million sq ft area, according to the Indian Green Building Council (IGBC). are adopting its "green rating" programs¹¹.
- In reviving 19 rivers in the State, a Chennai-based company has been partnered to clear the Pandu river through bioremediation technology, which involves using living organisms like microbes and bacteria to remove contaminants, pollutants and toxins from water.

At the same time, four drains carrying industrial and domestic waste are being tapped. The company is to start treating the water at the origin point from November 2020 before it gets into the river¹².

Productive livelihoods

- As a part of the 'One Village One Pond' initiative, Jhansi district in Uttar Pradesh has revived 406 ponds by early October 2020.

The initiative has provided employment to about 11,000 migrant workers who had returned to their villages during the pandemic. The work on remaining 90 ponds is likely to be completed by the end of October 2020.

The revival of water bodies would help in improving the ground water level in drought-hit Bundelkhand. Thus, this initiative will help broaden economic and livelihood choices of the people, facilitating their rootedness in the district¹³.

- One of the requirements for facilitating productive livelihoods is to ensure safety of girls and of women. It is widely accepted that this requires societal change. It is therefore essential to reach the people at all levels of urban and rural society.

Among the major initiatives in this direction is the Mission Shakti Program.

In the first phase awareness concerning women safety is the focus. In the second, legal action is contemplated. In the third phase, action against people who are a threat to the security of women and against those who are promoting wide scale corruption in the schemes meant for the welfare of women.

Shakti Program envisages a two-fold effort to ensure women's safety. First is to build a defence system for women's safety over policing efforts. The second is for endeavours through campaigns, the involvement of teachers and self-help groups, and most importantly, the village chiefs¹⁴.

- The State has had a major success in controlling the encephalitis disease. This is indicated by significant decline in deaths due to encephalitis in the State. The death in 2014: 661, in 2015: 521, in 2016: 694, 2017: 747, (CM Adityanath Yogi became Chief Minister of the state in March 2017), 2018: 255, 2019: 147, and 2020 (Till September): 31. Back in 2011, the encephalitis during monsoons in the state used to be called "season of death"¹⁵. This health achievement implies potential to lead more productive lives.

Skills Sets

- Application of new techniques in agriculture is likely to improve skills sets, help provide productive livelihoods, improve soil health, and generate other environment benefits.

One such initiative is promotion of cattle-based Zero Budget Natural Farming. The state is planning to develop destitute cowherd shelters into cow-based natural agriculture and other cow products training centres in the state.

Bundelkhand is to be developed as the main centre of Zero Budget Natural Farming so that the economic development of the entire region will be possible through agriculture.

To encourage natural farming, the state is also planning to include it in the curriculum of agricultural universities. This will enhance the skills sets of the agriculturalists.

Under Namami Gange project on both sides of the Ganges, natural farming is being encouraged widely. In the first phase, master trainers are being prepared in 1038-gram panchayats, who will go to the villages and give training to farmers on cow-based farming.

Ganga Plain, Ganga Udyan (Garden), Ganga Forest, and Ganga Talab are also being developed along the Ganga river to facilitate natural farming¹⁶.

Cooperative Federalism

The State government is working on the revival of as many as 19 rivers that were almost dead and could well have been termed as endangered. Two of the rivers, Mandakini and Tamsa, that have mythological significance, have already been revived while work is on for the remaining 17 rivers.

The Rural Development Department of the State has been working in close coordination with the Union Jal Shakti Ministry for reviving the rivers, a good example of Cooperative Federalism¹⁷.

As the State government has been cooperating and implementing various infrastructure and social sector schemes of the centre in a constructive and competent manner, no separate examples are given.

Most of the initiatives of the State noted in this column require cooperation and support of the Centre, which has been forthcoming.

The State government is however strongly urged to leverage the Centre's Karmayogi Scheme to help significantly enhance competencies and skill-sets of its public sector organizations and officials, and of the political party operatives, including officials. This also applies to state judiciary.

Briefly, the main features of the Karmayogi schemes are:

1. **Tech-Aided:** The capacity building will be delivered through iGOT Karmayogi digital platform, with content drawn from global best practices. The platform will act as a launchpad for the National Programme for Civil Services Capacity Building (NPCSCB).
2. **Coverage:** The scheme will cover 46 lakh central government employees, at all levels, and involve an outlay of Rs. 510 crores over a five-year period.
3. **Shift from Rules to Roles:** The programme will support a transition from "rules-based to roles-based" Human Resource Management (HRM) so that work allocations can be done by matching an official's competencies to the requirements of the post¹⁸.

Administrative reforms at the Centre and in the States are long overdue. Without leveraging on the scheme such as karmayogi, whose goals are of medium-term nature, Uttar Pradesh State will find it difficult to achieve its ambitions.

Concluding Remarks

This column has provided selected examples how the initiatives of the Yogi Adityanath -led government in Uttar Pradesh is consistent with the Growth diagnostic Framework presented in Figure 1. The analysis suggests initiatives to broad-base the economy of the State, and to enhance opportunities for productive livelihoods and skill sets.

The State is emerging as a key growth node, and this is helping India's aim to become a major global power.

Other states could adopt the framework and structure their initiatives to be consistent with the above Framework.

Prime Minister Narendra Modi in his address to IIT Delhi, made profound but succinct observations for being relevant in the 21st century, which are relevant not just for Uttar Pradesh state but also all other states, for India, and for private, public sector organizations, and social enterprises. These are also relevant to individuals, particularly those in whom society has put trust.

- Focus on quality
- Ensure scalability
- Make innovations work on a mass scale and on needs of common people
- Assure reliability
- Build long term trust in the market (and for government, among citizens and stakeholders)
- Bring in adaptability
- Be open to change and expect uncertainty as a way of life.

Remarks of the Prime Minister Modi rightly suggest that intangible factors, such as trust and reliability, are as critical as the tangible factors, something that the current leadership of Uttar Pradesh has recognised.

Sustaining the current initiatives and other reform efforts will continue to be a challenge for the State policymakers and test their skills in political economy management.

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