



Introduction

The Planning Commission, along with a number of specialist agencies, began work on the Uttar Pradesh Development Report during 2000-01 with an objective to create comprehensive information base for the state and bring out implementable strategies. From 2000-01 onwards, 12 consulting agencies worked separately on 17 topics conceived originally.

In April 2003, the National Council of Applied Economic Research, New Delhi was given the task of assembling the report and collating the key findings. NCAER obtained most of the chapters through Planning Commission either in hard copy or both hard and soft copies in May 2003, while few chapters were received later, one on handlooms in January 2004. One chapter, on State Public Sector Enterprises was received much later, while another on Overview could not be made available. Due to elapse of long period between the time of preparation of individual chapters and the compilation of the draft report, it was a difficult job to coordinate the report in a coherent framework of theme, information and time. Many of the original authors had changed place of work, while several others expressed inability in updating the content. However, the individual chapter authors did extremely valuable work, and compiled significant quantities of data. Therefore, NCAER has attempted to preserve the original work of the authors, while ensuring a consistent overall theme. In order to provide latest information on key aspects of economic growth and the regional macroeconomics of Uttar Pradesh, NCAER contacted Department of Economics and Statistics of the Uttar Pradesh Government in July 2003 but the information could be released only in December 2003 for want of legislative compliance. Thus, the draft report was finally submitted to the Planning Commission in February 2004 in two volumes, which was widely circulated for comments.

The comments on the draft report were received in November 2004. The Planning Commission also pointed out that the chapters be updated as far as possible. Accordingly, the edited chapters along with comments were sent to the respective authors with a request to update the information. This has helped in revising the draft with up-to-date data on critical variables such as those related to state finances, macroeconomic indicators and reforms, which make basis for providing timely recommendations on important issues related to the development of the state of Uttar Pradesh.

A final workshop was organised in September 2005 in Lucknow to finalise the report. The comments received during the discussions have been incorporated in the report and the final report is organised in two volumes.

Volume I covers macroeconomic analysis and development perspective of the state. It discusses the general trends of the Uttar Pradesh economy, conducts a SWOT analysis for the same in Chapter 1, and a diagnostic analysis in Chapter 2 to bring out the key issues in the manufacturing, tertiary and agriculture sectors. Based on this, Chapter 3 provides a path forward for the economic development of the state both in way of suggesting macroeconomic strategies for overall development and attracting private investment. Volume I also carries the executive summaries of both the volumes.

Volume II, which is divided in four broad sections, elaborates on the status of 16 identified sectors and details policy initiatives and strategic options to overcome constraints to growth. Section I of the Volume-II deals with Basic Sectors of agriculture, industry, handloom, handicrafts and tourism. Section II presents the status and strategies for Physical Infrastructure Development with respect to Power,

Roads, Telecom & IT, Urban Water and Water Resource Management. Section III covers Social Infrastructure including Governance, Environment and Social Development and Section IV deals with the State Public Sector Undertakings and State Finances. A summary of strategies and recommendations of all these topics is presented as Sector specific Summary Recommendations in Volume I.

The theme of macroeconomic analysis and development perspective evolves around following issues:

- (1) relative decline of Uttar Pradesh in national economy,
- (2) available resources and endowments, and
- (3) investment climate.

The analysis indicates Uttar Pradesh is a low growth low productivity economy, threatened by unsustainable debt, wide-ranging regional disparity and over-dependence on rainfed agriculture. The economy appears to be trapped in low level equilibrium arising out of low farm holding, lower capacity of farmers to raise resources; and an industrial sector, which is fragmented and operates at small scales unable to face competition from imports, particularly imports from countries such as China which work on a very large scale.

Focussed approach is required to address problems associated with industrial and agricultural sectors across different regions of the state. Uttar Pradesh needs rapid industrialisation, and improvement in yields of agriculture products. The solution lies in promoting scientific and market based agriculture, better investment climate, public private-partnerships, involvement of local bodies to a greater degree, a change in attitude of the administration, increasing education and health facilities, rapid urbanisation, modernising the cities, and improving the connectivity, power supply and communication.

A sense of competition with other states must be generated among the bureaucrats and leadership. The dynamism has to percolate from the top. It is tragic to note that Uttar Pradesh was not able to formulate even

those developmental plans that were to be funded by the Centre. The expenditure set out in the Ninth Plan was only partially utilised, in contrast to other states, which bargained for more. Such is the apathy of managers of the state towards new initiatives. The financial condition of the state has been in precarious situation and must be improved by cutting revenue expenditures, while at the same time generating other means of receipts. However, it is heartening to note that there are clear indications of improvements in fiscal indicators during recent years as a result of commitments of the state government towards fiscal responsibility and implementation of low interest rate regime and provisions of debt swapping.

Rapid industrialisation, modernisation of agriculture and improvement in social, physical and financial infrastructure are keys to ensure faster growth. However, this will require huge investments by private sector and therefore, the policy framework needs to be progressive and investor friendly with a definite demonstration of change in style of governance and feeling of competition from other states.

The state has made some progress in this direction during recent years. It has established a UP Development Council (UPDC), which is advising and helping the state government in bringing investments to Uttar Pradesh, it provides a platform for intellectual participation of members from all segments of life including education, health and industry to help in the development process of the state. The high priority areas identified by the state include power sector reforms, high-tech housing schemes and the integrated townships, girl child education, and state health mission. A committee has been formed for identification of resources required for implementation of various such policies. State government has also taken proactive measures to promote contract farming in selected product such as 'basmati rice' even while legislation to allow contract farming is yet to come.

However, much more needs to be done on the ground in order to catch up with other states and become a frontrunner.