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ECONOMIC ACTIVITY AND FISCAL POLICY

5.1 BACKGROUND

5.1.1 Economic Base

The National Capital Region is characterised by a surge of physical and economic growth of Delhi and underdevelopment of the area outside it. This is primarily a problem of relationship rather than a problem of scarcity, leading to a lop-sided development of the region, where part of the economic surplus of the periphery, which is primarily rural and agriculture based, is extracted by the core and whatever development takes place in the periphery mostly reflects the expanding need of the core. On the other hand the economic strength of the core, rather than being shared with the periphery, remains confined to the core itself and keeps on adding to the gravitation of the core. This 'Centre Periphery' relationship has helped to raise the income levels in Delhi with per capita income of Rs.36,515 (at 1999-2000 prices), as compared to the all India (Rs.15,562) and the surrounding States of Haryana (Rs.21,551), Rajasthan (Rs.12,533) and Uttar Pradesh (Rs.9,765).

Delhi, the Capital city of the nation is the focal point of its socio-economic and political life. There are functions-political, cultural and administrative-peculiar to a capital city. These functions have expanded very fast due to a change in status of this metropolis from an almost Government colonial 'law and order' city to that of the capital of a welfare state. The Government functions have expanded rapidly to cope with added essential functions: foreign embassies, research and cultural organisations and foreign missions. In the rest of NCR, the employment in government and semi-government services is mainly centralised in the district towns viz., Meerut, Baghpat, Bulandshahr, Ghaziabad and Gautam Budh Nagar in U.P. Sub-region; Panipat, Rohtak, Sonapat, Jhajjar, Rewari, Gurgaon, Mewat and Faridabad in Haryana Sub-region and Alwar in Rajasthan Sub-region. The level of these services is much lower being limited to district administration or at best to some divisional functions, which have no comparison with the national/international functions being performed by the Capital.

Industrial activities in NCR have been developing over a span of more than three decades during which substantial structural changes have taken place. Industrial development in NCR, to a large extent, is characterised by the 'Scale Factor' i.e., developments could be easily characterised in terms of large and medium units, small scale industries and development in tiny unorganised units. Within NCT-Delhi, while regulatory mechanisms to a considerable extent did not allow expansion/growth of large/medium scale industries but the lack of regulation and powerful market forces created a laissez-faire situation resulting in mushrooming of small and tiny industries anywhere and everywhere in the unorganized sector, on the other hand in large parts of NCR excluding Delhi, the growth of large and medium industries and small scale industries could be ascribed partly to regulatory mechanisms and partly to historical and causal factors.

The organized industrial sector consisting of the large and medium units and SSI in NCR has developed both in terms of number of units as well as in terms of growth of different industries. In terms of number

of units, electrical machinery, textile products, metal and metal products, food products, repair services and paper and printing units show highest percentage distribution in Delhi. In Haryana Sub-region, units manufacturing engineering goods, consisting of metal products and parts, machine tools and electric machinery show highest percentage distribution. Electric machinery, metal products and parts, chemicals and food products constitute the major sectors in the U.P. Sub-region. In Rajasthan Sub-region, metal products and parts, textile products and transport equipment's along with chemicals, non-metallic mineral products and basic metal products constitute the major sectors.

Trade and commerce form another important component of the economic base of the region. Distributive trade is one of the basic activities in Delhi and this factor has been instrumental in large scale employment generation in both formal and informal sectors. This activity has grown manifold in the post-independence era when Lahore, the erstwhile centre for the distributive trade in North India, became a part of West Pakistan and the entire North India started depending exclusively on Delhi. Besides this, the functional specialization of Delhi, being the centre of political and administrative power, has also resulted in the concentration of banking activities, godowns, transport and communication facilities etc. In the rest of NCR, commercial activities are fairly developed in bigger towns like Meerut, Ghaziabad, Hapur, Khurja and Bulandshahr in U.P. Sub-region, Faridabad, Panipat, Rewari, Gurgaon, Sonapat and Rohtak in Haryana Sub-region and Alwar in Rajasthan Sub-region. However, again in terms of scale of operation, they are nowhere close to Delhi, since the former is limited to local needs within the district or a slightly larger area, while the later operate at national or even international levels.

5.1.2 Changing Scenario

In the intervening period, between the preparation of the Regional Plan-2001 and this Plan, the economic reforms undertaken by the Government of India affecting industrial, trade, fiscal and financial policy changes have brought about a considerable change in the economic scenario in the Country (refer Box 5.1). These changes have posed for the Indian economy both challenge and opportunities. The challenges consist in the fact that, for the first time since the 1950s, Indian economy has been deregulated both in respect of allowing domestic competition, and permitting liberal imports. The opportunities consist in the fact that entrepreneurial decision making, which for about four decades was a close preserve of the Government, dependent on licenses and quotas, now by and large being deregulated, rests with the entrepreneurs and market forces.

Box 5.1

MAJOR CHANGES IN THE ECONOMIC POLICY

- i) Reduction of the number of industries or activities reserved for the public sector.
- ii) The abolition of industrial licensing except for selected industries.
- iii) The new policy on small-scale industry allowing SSI units access to overseas technology and also permitting foreign equity investment.
- iv) Automatic approval to foreign direct investment in selected high priority industries.
- v) Announcement that foreign equity proposals need not necessarily be accompanied in future by foreign technology agreement.
- vi) The formation of a specially empowered Foreign Investment Promotions Board (FIPB) for negotiating with large international firms and approving direct foreign investment proposals.
- vii) Simpler and easier procedure for foreign technology agreement.
- viii) Introduction of convertibility.
- ix) Changes in the Foreign Exchange Regulation Act removing restrictions imposed earlier on companies.
- x) Lowering of customs duties, central excise duties and removal of blanket ban on imports.

The process of globalisation relies primarily on private sector initiative, aided by the evolution of the global information network. Central Government has a very important supportive or facilitating role in this connection. It is also necessary to inspire and motivate the State Governments and their agencies to help them transform themselves into a new role of facilitators rather than controllers.

Reversal of the Government of India's approach towards foreign direct and indirect investments has been the most marked reforms introduced in the new economic policy. Recently the Government decided to allow Foreign Direct Investment (FDI) and also issued certain guidelines for developing integrated townships, subject to planning regulations, with all facilities including urban infrastructure, universities, colleges, institutions and commercial centres etc. Foreign investment can be better achieved if the Central and State Governments play a pro-active role in project identification and development (refer Box 5.2). The participating State Governments of NCR could also consider such integrated development with the help of FDI.

The Indians, who are settled in foreign countries have already established their presence and reputation there. They own and control a substantial chunk of the wealth. It would therefore be possible to attract high technology and foreign investments into India by welcoming these Non-resident Indians, and place NRI-sponsored foreign investments on a higher pedestal than other foreign investments.

Besides general performance of the economy at the national level, the other broad considerations which would go towards facilitating foreign investment and deciding their locations would be the availability of physical, economic and social infrastructure in the form of good transport and communication system, power, social infrastructure, banking and financial services etc. In this context, various procedural complexities related to development of such townships/complexes viz., getting land, the procedural complexities in obtaining the permission of Pollution Control Boards, Electricity Boards and other bodies may have to be simplified and Single Window concept may have to be introduced.

In the industrial sector, the process of economic reforms is slowly percolating to the States. Every State Government is entering the race for attracting more investments from within and outside the country. Earlier too, the State Governments were providing fiscal incentives for new investment but now high pressure and active marketing are also being resorted to. The States are also reviewing their procedures for setting up new industrial units and are opening up infrastructure like power and roads to private sector.

<p>Box 5.2</p> <p style="text-align: center;">FDI GUIDELINES</p> <p>Salient Features</p> <p>Government vide Press Note No. 4 (2001 series) permitted FDI up to 100% for development of integrated townships, including housing, commercial premises, hotels, resorts, city and regional level urban infrastructure facilities such as roads and bridges, mass rapid transit systems and manufacture of building materials. Development of land and providing allied infrastructure will form an integrated part of township's development.</p> <p>2. FDI in the development of integrated townships will be subject to the following guidelines:</p> <p>i) The Foreign Company intending to invest, shall be registered as an Indian Company under Companies Act 1956 and will henceforth be allowed to take up land assembly and its development as a part of Integrated Township Development. All such cases would be processed by FIPB on the recommendation of Ministry of Urban Development and Poverty Alleviation and other concerned Ministries/Departments. Ministry of Urban Development and Poverty Alleviation will develop an exclusive cell to deal with such cases.</p> <p>ii) The core business of the Company seeking to make investment, should be integrated township development with a record of successful execution of such projects elsewhere.</p>

- iii) The minimum area to be developed by such a Company should be 100 acres for which norms and standards are to be followed as per local bye-laws/rules. In the absence of such bye-laws/rules, a minimum of two thousand dwelling units for about ten thousand population will need to be developed by the investor.
- iv) The investing Foreign Company should achieve clear milestones once its proposal has been approved.
 - a) The minimum capitalization norm shall be US\$ 10 million for a wholly owned subsidiary and US\$5 million for joint ventures with Indian partner/s. The funds would have to be brought in upfront.
 - b) A minimum lock-in period of three years from completion of minimum capitalization shall apply before repatriation of original investment is permitted.
 - c) A minimum of 50% of the integrated project development must be completed within a period of five years from the date of possession of the first piece of land.

However, if the investor intends to exit earlier due to reasons beyond his control, it shall be decided by FIPB on a case-to-case basis.
- (v) Conditions regarding the use of land for commercial purposes, development charges, external development charges and other charges as laid down in Master Plan/Bye-laws, preparation of layout and building plan, development of internal and peripheral development, development of other infrastructure facilities including the trunk services etc., will be the responsibility of the investor as per planning norms and standards on similar lines as those applicable to local investors. In the absence of such standards and norms, every State Government may decide their own conditions for which the Urban Development Plan Formulation and Implementation guidelines circulated by the Ministry of Urban Development and Poverty Alleviation may serve as a guiding principle.
- (vi) Land with assembled area for peripheral services such as police stations, milk booths will be handed over free of cost to the Government/local authority/agency as the case may be.
- (vii) The Developer will retain the lands for community services such as (i) schools, (ii) shopping complex, (iii) community centres, (iv) ration shop and (v) hospital/dispensary. These services will be developed by developer himself and shall be made operational before the houses are occupied.
- (viii) The developer, after properly developing playgrounds, park, will make it available to the local authorities free of cost.
- (ix) The Developer will ensure the norms and standards as applicable under local laws/rules.
- (x) For companies investing in Special Economic Zones, Foreign Investment Promotion Board may accord exemption to any of the above mentioned conditions on a case-to-case basis. This will, however, be an interim measure till guidelines are evolved in due course in a need based manner.

The changes in economic policy, the process of privatization of PSUs and downsizing of government, elimination of subsidies and tax incentives for industry are going to change the economic structure of the NCR in a significant manner. With the thrust of the government on more open/market driven economy and the consequent changes in the industrial policy, it is likely that there would be a considerable re-shuffling of industries. Small-scale industries will be exposed to intense competition from larger imports and many may even be wiped out.

The downsizing of government offices and privatization of PSUs is likely to change the locational preferences, which have so far been concentrated in the national Capital. Many industries may relocate themselves due to market driven forces. Service sector will expand very fast, particularly in NCT-Delhi and surrounding areas.

5.2 ECONOMIC STRUCTURE

5.2.1 The Region

The region is characterised by fairly well developed rural as well as urban economy. The economic structure in the region has shown diversification from primary to secondary and tertiary activities in the last three decades wherein the participation in the primary sector declined from about 44% in 1971 to

35% in 1991 in favour of the secondary and tertiary sectors (refer Table 5.1). It is expected that with more than about 70% of the population in the NCR living in urban areas by 2021, the share of primary activities would reduce to about 20%.

Table 5.1: Distribution of Workforce in NCR (1971 and 1991)

Year/ Category of workers	1971		1991	
	Workers	%age	Workers	%age
1	2	3	4	5
Cultivators	12,70,942	32.66	17,90,347	23.16
Agricultural Labourers	4,01,725	10.32	8,21,188	10.62
Livestock, Forestry etc.	44,485	1.14	58,378	0.76
Mining and Quarrying	6,457	0.17	13,884	0.18
Sub-total Primary Sector	17,23,609	44.30	26,83,797	34.71
Manufacturing, Processing				
a) Household Industries	1,66,572	4.28	1,28,661	1.66
b) Other than household Industries	4,64,125	11.93	12,81,140	16.57
Construction	1,07,937	2.77	3,54,049	4.58
Sub-total Secondary Sector	7,38,634	18.98	17,63,850	22.81
Trade and Commerce	4,14,000	10.64	11,37,207	14.71
Transport, Storage and Communications	1,84,839	4.75	4,11,842	5.33
Other Services	8,29,850	21.33	17,34,993	22.44
Sub-total Tertiary Sector	14,28,689	36.72	32,84,042	42.48
Total Main Workers	38,90,932	100.00	77,31,689	100.00
Participation Ratio	27.40		29.00	

Source: Census 1971 and 1991, Census of India

Table 5.2: Workforce Participation in NCR

Sub-region	Participation Ratio		
	1971	1981	1991
1	2	3	4
NCT-Delhi	30.20	31.80	31.51
Haryana	25.02	27.70	28.35
Rajasthan	26.40	25.60	28.00
Uttar Pradesh	27.20	27.00	27.20
Total NCR	27.40	28.70	29.00

Source: Census 1971, 1981 and 1991, Census of India

According to the Census 1991, total main workers in NCR were 77,31,689 representing workforce participation rate in the region at 29%, in contrast to 27.40% in 1971 (refer Table 5.2).

5.2.2 NCT-Delhi

The Census 1991 shows that NCT-Delhi remains the largest growth centre in the region in terms of manufacturing, trading/commercial activities and hence there is higher concentration of employment. The number of workers in manufacturing (both household and other than household) in 1991 was 7.31 lakhs constituting about 52% of the manufacturing in the region. Similarly, the workforce engaged in trade and commerce worked out to 7.10 lakhs accounting for as high as 62% of the overall trade and commerce in the region. Delhi's construction activity was considerably high (2.32 lakhs) constituting nearly 65% of the overall construction force in the region (Table 5.3).

In projecting the industrial composition of the labour force it has been assumed that the shares of the primary sector and household industry would continue to fall while the shares of trade and commerce would continue to rise. The shares of the other sectors have been suggested proportionately. The resulting composition of labour force is shown in the Table 5.4.

Table 5.3: Distribution of Workforce in NCR (1991)

Sub-region	Cultivators		Agriculture labourers		Livestock, Forestry etc.		Mining and Quarrying	
	Workers	%	Workers	%	Workers	%	Workers	%
1	2	3	4	5	6	7	8	9
NCT-Delhi	33,296	1.86	25,195	3.07	19,024	32.59	7,042	50.72
Haryana	6,77,117	37.82	2,86,950	34.94	13,605	23.31	4,462	32.14
Rajasthan	2,22,065	12.40	35,158	4.28	4,087	7.00	2,004	14.43
Uttar Pradesh	8,57,869	47.92	4,73,885	57.71	21,662	37.11	376	2.71
NCR Total	17,90,347	100.00	8,21,188	100.00	58,378	100.00	13,884	100.00

Sub-region	Household Industries		Other than household Industries		Construction		Trade and Commerce	
	Workers	%	Workers	%	Workers	%	Workers	%
1	10	11	12	13	14	15	16	17
NCT-Delhi	41,788	32.48	6,89,163	53.79	2,31,571	65.41	7,09,614	62.40
Haryana	26,371	20.50	2,48,635	19.41	52,744	14.90	1,64,767	14.49
Rajasthan	6,524	5.07	34,083	2.66	8,611	2.43	29,796	2.62
Uttar Pradesh	53,978	41.95	3,09,259	24.14	61,123	17.26	2,33,030	20.49
NCR Total	1,28,661	100.00	12,81,140	100.00	3,54,049	100.00	11,37,207	100.00

Sub-region	Transport, Storage and Communications		Other Services		Total Main Workers	
	Workers	%	Workers	%	Workers	%
1	18	19	20	21	22	23
NCT-Delhi	2,46,490	59.85	9,65,194	55.63	29,68,377	38.39
Haryana	71,813	17.44	3,36,704	19.41	18,83,168	24.36
Rajasthan	11,370	2.76	53,142	3.06	4,06,840	5.26
Uttar Pradesh	82,169	19.95	3,79,953	21.90	24,73,304	31.99
NCR Total	4,11,842	100.00	17,34,993	100.00	77,31,689	100.00

Source: Census 1991, Census of India

Table 5.4: Distribution of Workforce in NCT-Delhi (1991-2021)

Categories	Proportion of Workers (%)	
	1991	2021
1	2	3
Primary Sector	2.85	0.75
Industry	24.68	21.00
Construction	7.80	7.25
Trade and Commerce	23.91	30.00
Transport, Storage and Communications	8.30	8.00
Other Services	32.52	33.00
Participation rate	31.51	38.00

Source: Census 1991, Census of India

5.2.3 Sub-regions

i) Haryana

The work force participation ratio in the Haryana Sub-region increased from 25% in 1971 to 27.7% in 1981 and to 28.35% in 1991 (refer Table 5.2). Workers engaged in agricultural activities were 60% of the total workers as per the Census 1971. It declined to 54% in 1981 and to 51% in 1991 showing thereby diversification of occupations from agricultural activities to non-agricultural activities. The sectors, which registered the maximum increase in per cent share of workers were industries other than household from 8.85 in 1971 to 13.20 in 1991, and other services from 14.24 in 1971 to 17.88 in 1991 (refer Table 5.5).

Table 5.5: Distribution of Workforce in Haryana Sub-region (1971-1991)

Category of workers	1971		1991	
	Workers	%	Workers	%
1	2	3	4	5
Cultivators	4,49,747	46.63	6,77,117	35.96
Agriculture labourers	1,32,687	13.76	2,86,950	15.24
Livestock, Forestry etc.	9,447	0.98	13,605	0.72
Mining and Quarrying	2,501	0.26	4,462	0.24
Household Industries	38,723	4.01	26,371	1.40
Other than Household Industries	85,321	8.85	2,48,635	13.20
Construction	19,355	2.01	52,744	2.80
Trade and Commerce	64,931	6.73	1,64,767	8.75
Transport, Storage and Communications	24,512	2.54	71,813	3.81
Other Services	1,37,363	14.24	3,36,704	17.88
Total Main Workers	9,64,587	100.00	18,83,168	100.00
Population	38,55,568		66,43,604	
Participation Ratio	25.02		28.35	

Note: 1971 figures for workers in livestock etc. include workers in mining and quarrying category

Source: Census 1971 and 1991, Census of India

ii) Rajasthan

The total number of workers in the Rajasthan Sub-region stood at 4.07 lakhs in 1991. The workforce participation ratio increased from 26.40% in 1971 to 25.60% in 1981 and 28.33% in 1991 (refer Table 5.2), mainly because of significant development of industrial and economic activities in the Sub-region. The share of the industrial sector other than household industry increased from 2.46% to 8.38% in the period 1971-91 (refer Table 5.6).

Table 5.6: Distribution of Workforce in Rajasthan Sub-region (1971-1991)

Category of workers	1971		1991	
	Workers	%	Workers	%
1	2	3	4	5
Cultivators	1,35,956	63.08	2,22,065	54.58
Agriculture labourers	19,511	9.05	35,158	8.64
Livestock, Forestry etc.	2,347	1.09	4,087	1.00
Mining and Quarrying	432	0.20	2,004	0.49
Household Industries	8,921	4.14	6,524	1.60
Other than Household Industries	5,299	2.46	34,083	8.38
Construction	2,558	1.19	8,611	2.12
Trades and Commerce	10,717	4.97	29,796	7.32
Transport, Storage and Communications	3,156	1.46	11,370	2.79
Other Services	26,624	12.35	53,142	13.06
Total Main Workers	2,15,521	100.00	4,06,840	100.00
Participation Ratio	26.40		28.33	

Note: 1971 figures for workers in livestock etc. include workers in mining and quarrying category

Source: Census 1971 and 1991, Census of India

iii) Uttar Pradesh

In the U.P. Sub-region, the work force participation ratio remained unchanged at 27% during successive Censuses of 1971, 1981 and 1991 (refer Table 5.2). The sectors which showed a significant growth in per cent share of workers between 1971 and 1991 were industries (other than household) and trade and commerce. The share of workers in the agricultural sector showed a decline from 59.85% to 53.85%. The share of household industries also declined from 6.14% to 2.18% (refer Table 5.7).

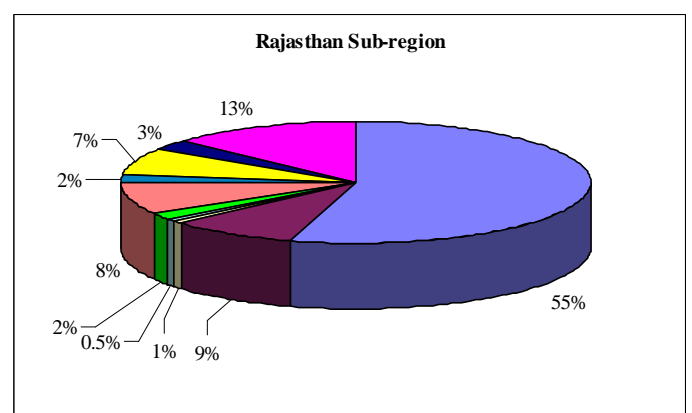
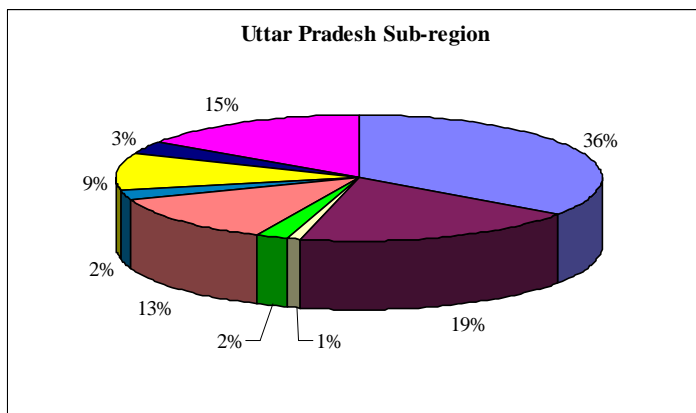
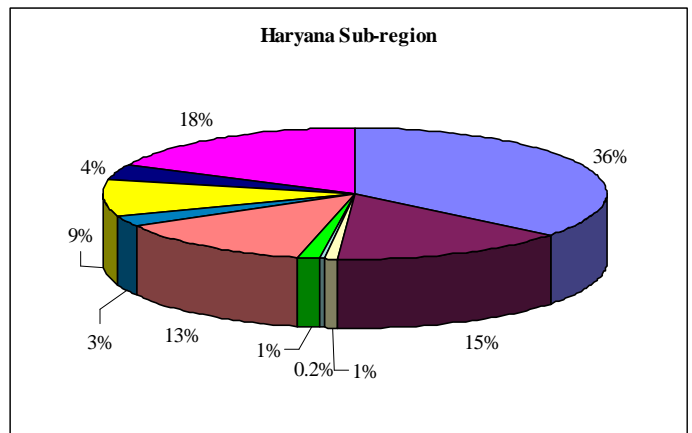
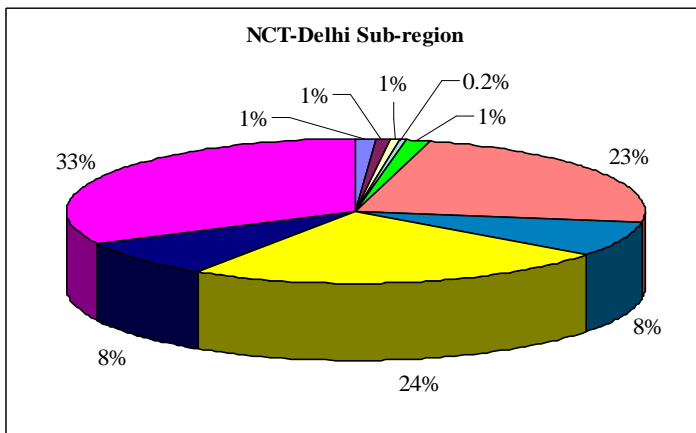
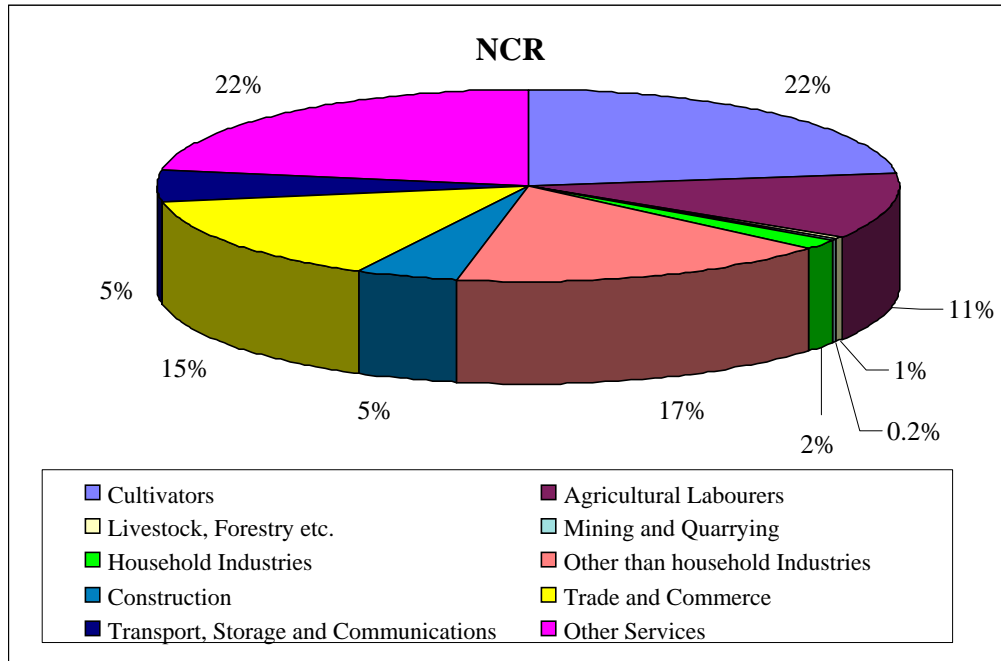


Figure 5.1: Distribution of workforce in the NCR (1991)
 Source: Census 1991, Census of India

Table 5.7: Distribution of Workforce in Uttar Pradesh Sub-region (1971-1991)

Category of workers 1	1971		1991	
	Workers 2	% 3	Workers 4	% 5
Cultivators	6,53,043	44.05	8,57,869	34.69
Agriculture labourers	2,34,258	15.80	4,73,885	19.16
Livestock, Forestry etc.	22,364	1.51	21,662	0.88
Mining and Quarrying	460	0.03	376	0.02
Household Industries	90,998	6.14	53,978	2.18
Other than Household Industries	1,09,850	7.41	3,09,259	12.50
Construction	20,886	1.41	61,123	2.47
Trade and Commerce	93,755	6.32	2,33,030	9.42
Transport, Storage and Communications	42,195	2.85	82,169	3.32
Other Services	214,618	14.48	3,79,953	15.36
Total Main Workers	14,82,427	100.00	24,73,304	100.00
Population	54,40,296		90,01,704	
Participation Ratio	27.25		27.48	

Note: 1971 figures for workers in livestock etc. include workers in mining and quarrying category

Source: Census 1971 and 1991, Census of India

5.2.4 Central NCR Towns

The Central NCR towns, namely, Bahadurgarh, Faridabad, Gurgaon, Ghaziabad, NOIDA, with a workforce participation rate of 29.50% in 1991 had a very low proportion of primary workers (5.16%) a moderately high proportion of secondary workers (37.29%) and a high proportion of tertiary workers (57.55%). Owing to the location of the Central NCR towns close to Delhi, it is expected that they would attract economic activities at a much greater scale and would thus achieve a much higher participation rate. These towns, since they have shown tendency to attract industrial activities, would continue to generate more employment opportunities in this sector. The continued growth in this sector would have to be supplemented and generate more employment in the tertiary sector like trade and commerce and transport, storage, communication and other services. The resulting composition of labour force is shown in the Table 5.8.

Table 5.8: Workers Participation Ratio in Selected Towns of NCR (1981-1991)

Cities /Towns 1	1981 2	1991 3
NCT-Delhi	29.0	31.8
Central NCR (DMA) Towns		
Bahadurgarh	29.7	28.1
Faridabad	33.8	30.4
Ghaziabad	29.0	28.0
Gurgaon	28.0	28.7
NOIDA	--	32.7
Central NCR (DMA) Towns Total	28.2	29.5
Priority Towns		
Alwar	26.7	27.6
Khurja	25.4	25.9
Meerut	28.3	26.9
Rohtak	19.6	27.3
Bulandshahr	26.2	25.2
Palwal	27.4	27.1
Panipat	30.4	30.4
Hapur	26.2	25.3
Rewari	26.9	26.3
Priority Towns Total	26.6	27.1

Source: Census 1981 and 1991, Census of India

Table 5.9: Proposed Occupational Structure in Metro and Regional Centres within Central NCR (2021)

Town/Complex	Participation Ratio	Proportion of Workers (%)					
		Primary Sector	Industry	Construction	Trade and Commerce	Transport Storage and Communications	Services
1	2	3	4	5	6	7	8
Bahadurgarh	35	6.0	30.0	4.0	25.0	10.0	25.0
Faridabad-Ballabgarh	35	2.0	45.0	6.0	16.0	7.0	24.0
Gurgaon-Manesar	35	2.0	40.0	10.0	16.0	10.0	22.0
Ghaziabad-Loni	30	0.5	38.0	6.0	15.0	10.0	30.0
Noida	35	2.0	40.0	6.0	20.0	12.0	20.0
Sonepat-Kundli	35	2.0	40.0	10.0	16.0	10.0	22.0

5.2.5 Regional Centres

The Regional Centres as identified in the Regional Plan-2001 in totality represented a workforce participation rate of 27.10% in 1991 as compared to 26.6% in 1981. The workers participation ratio for CNCR towns and priority towns is shown in Table 5.8. In the context of the policy of deflecting urban population from NCT-Delhi to the Regional Centres beyond the CNCR it may have to be ensured that their participation rate increases. Also, in view of the fact that the manufacturing activities have greater multiplier effect in the expansion of employment opportunities than employment in other sectors, in order to make them more attractive to realise the projected population, these centres may have to have strong industrial content in the workforce. Further these towns would have to have sufficient employment opportunities in the other secondary and tertiary sectors. The resulting composition of labour force in the Metro and Regional Centres as identified in the Regional Plan-2021 is shown in the Table 5.10.

Table 5.10: Proposed Occupational Structure in Metro and Regional Centres outside CNCR (2021)

Town/Complex	Participation Ratio	Proportion of Workers (%)					
		Primary Sector	Industry	Construction	Trade and Commerce	Transport Storage and Communications	Services
1	2	3	4	5	6	7	8
Panipat	32	4.0	40.0	4.0	20.0	12.0	20.0
Rohtak	30	7.0	28.0	4.0	20.0	13.0	28.0
Palwal	30	9.0	15.0	4.0	17.0	21.0	34.0
Rewari	30	9.0	15.0	4.0	21.0	15.0	36.0
Dharuhera	30	5.0	50.0	4.0	16.0	7.0	18.0
Bawal	30	9.0	35.0	4.0	15.0	15.0	22.0
Meerut	32	2.0	29.0	4.0	20.0	9.0	36.0
Hapur-Pilkhua	30	6.0	28.0	4.0	22.0	13.0	27.0
Bulandshahr	30	4.0	40.0	4.0	20.0	12.0	20.0
Khurja	30	4.0	40.0	4.0	20.0	12.0	20.0
Greater NOIDA	35	2.0	40.0	6.0	20.0	12.0	20.0
Baghpat-Baraut	30	4.0	40.0	4.0	20.0	12.0	20.0
Alwar	30	5.0	30.0	4.0	20.0	11.0	30.0
Greater Bhiwadi	30	5.0	50.0	4.0	16.0	7.0	18.0
Shahjahanpur-Neemrana-Behror	30	5.0	50.0	4.0	16.0	7.0	18.0

5.3 ISSUES

5.3.1 Regional Level Issues

The major issue to be resolved for promotion and growth of economic activities in NCR is related to regulation of their location and operation in a manner that will minimise its adverse effects/hypertrophy

of the core on environment both in terms of loss of natural amenities as well as degradation of the natural environment.

Deficiencies in basic infrastructure like power, water, transport linkages, telecommunication etc., which are the pre-requisite for faster economic growth, are evident in most of the towns in NCR. To make these towns self-sustainable and attractive enough for future economic development, concomitant infrastructure needs will have to be met.

NCR being an inter-state region, wide variations exist in the statutory tax rates, as well as tax concessions given to manufacturers on purchase of raw materials and machinery, levy of tariff on various services like power, water and transport etc. This causes diversion of manufacturing activities from one State to another.

Since financial institutions and commercial banks operate within the jurisdiction assigned to them, certain facilities like transfer of loans, commercial transactions etc. are normally not possible or cause delays, which act as hindrance in the relocation and dispersal of the economic activities in the region.

Land being the vital factor for the economic development, the present procedure of acquisition of land through the Land Acquisition Act and the process of transferring it to the development agencies is quite cumbersome. This causes wide gap between demand and supply resulting in location of economic activities in the non-conforming areas and encroachments on private and public land.

5.3.2 Activity Specific Issues

A) Industry

i) NCT-Delhi

In the last four decades preceding 1991, urban Delhi has experienced a significant functional shift in its economic structure in favour of manufacturing and processing activities. In 1951, only about 17% of the workforce was employed in the manufacturing and processing activities, which increased to about 25% in 1991. This happened mainly at the expense of service sector, which declined from 43.66% in 1951 to 33.06% in 1991. There had also been a phenomenal growth of industries in Delhi in the last 2-3 decades, where a sharp increase in the number of units from 26,000 in 1971 to 1,37,000 in 1999 has been recorded and that too largely in unorganized sector, as the planned industrial areas of Delhi have hardly 25,000 plots/industrial sites.

The 1st Master Plan of Delhi recognised the need to put a curb on the industrial activities of Delhi and prohibited certain types of industries, mainly large scale and obnoxious industries from being set up in Delhi. The revised MPD-2001 while recognising the need of restricting the industrial growth of Delhi recommended the growth of only small scale industries. The increase in the industrial employment in the intervening period shows that the curbs prescribed by the Master Plans were not sufficient, nor was there any implementation effort to limit their proliferation.

The phenomenal growth in small scale industries which took place as a result of the prohibition of the large and medium industries is characterised by their continued growth and tendency to concentrate in non-conforming use zones. This had a direct bearing on environmental dimensions of the city. It is mainly because of their limited resources that the SSIs tend to waste material resulting in more pollution per unit of output than other large units. The growing sickness and decline in competitiveness of these units further lend credence to the premise of their low productivity and, therefore, greater pollution potential. In this context the industrial growth needs a major structural correction.

There are more than one lakh unorganised or informal sector units, which are operating in the non-conforming areas. The present factory space in the existing structures in these areas is badly maintained and over utilised. The chemical, plastic, PVC, electroplating units are functioning in excessively insanitary and un-safe conditions. The inadequate availability of the industrial land and in-efficient enforcement of operational and factory regulations are the major causes of the prevailing situation in the informal sector.

Recommendations of shifting of certain heavy and large, hazardous and noxious non-conforming units from Delhi have been made both in the MPD-1962 and MPD-2001. Shifting of industries from Delhi requires decisions on several related issues among various interest groups involved in the process. It is feared that unless all these issues are tied-up it will be difficult to implement these recommendations.

ii) Central NCR (outside NCT-Delhi)

In pursuance to the policies in the MPD-1962 to disperse economic activities in the adjoining towns falling in the Central NCR, the concerned State Governments developed large-scale industrial areas in these towns. This resulted in the concentration of industrial activities in these towns as compared to other parts of the respective sub-regions. This massive built-up of industrial infrastructure in the close proximity of Delhi may pose serious threat to environment in Central NCR including NCT-Delhi, which has now come up as a contiguous mass.

While undertaking industrial development in these towns, matching level of residential, commercial, telecommunications and other facilities have not been developed resulting in sizeable number of workers employed in the industries living in Delhi.

In the above scenario, where on the one hand there is need to upgrade the level of physical and social infrastructure in these towns, on the other, similar controls as proposed for Delhi may have to be made applicable.

iii) Rest of NCR

While taking stringent measures in NCT-Delhi and Central NCR, the search for new industrial areas outside Central NCR may have to be intensified. The NCR hinterland has enough potential to satisfy this urge provided some serious efforts are made to remove bottlenecks, particularly, power, water, telecommunications and transportation.

Specific areas may have to be earmarked for the relocation of polluting and hazardous industries proposed to be shifted outside Delhi, which may be adequately equipped with pollution control and management measures to keep the overall regional environment free from pollution.

B) Wholesale Trade and Commerce

In 1951, urban Delhi had 22.8% of its working force in trade and commerce, which was second to the services sector. Though, by 1981, it maintained more or less the same proportion of workforce (22.26%), it occupied the 3rd position next to services and manufacturing other than household goods. In absolute numbers, however, the workforce increased from 1.17 lakhs to 4.13 lakhs during 1951 to 1981. During 1971-1981 alone, it nearly doubled from 2.4 to 4.13 lakhs. In 1991 the share of trade and commerce rose to 24.97%, again regaining second place after the service sector. The absolute number of workers in this sector rose to 6.73 lakhs.

Most of the wholesale trades in Delhi were established in 19th and 20th centuries and are located in Old Delhi area, in close proximity to one another, and nearer to the railway station. The wholesale activity in

the central city has concentrated in an unplanned manner resulting in congestion, encroachment on public land, traffic bottlenecks and parking problems, besides causing excessive noise in the area.

The major parts of the commodities, which are brought to Delhi, are distributed outside Delhi. The percentage of export items from Delhi were: vegetables and fruits-78%, fuel oil-49%, food grains-47% and iron and steel-44%. Due to the concentration of trade and commerce activities in Delhi, a regional imbalance has been created. The other towns of the region are lacking in economic activities with weak base.

The conventional approach to solve these problems has been the shifting and relocation of wholesale trade activities from the central area, mainly to the peripheral areas of Delhi and, in some cases, even to some regional towns within the NCR. Master Plan for Delhi-2001 has recommended decentralisation on the wholesale trade especially for space extensive materials to be located in the Central NCR towns of Ghaziabad, Faridabad, Gurgaon, Kundli and Loni. In the Master Plan, simultaneous provisions have also been made for markets with the warehouses at Patparganj, Loni Road, Madanpur Khadar, Urban Extension, Najafgarh and northern part of the Urban Extension. In addition, Regional-cum-local district markets have also been suggested in Sub-CBD (Shahdara), Okhla, Rohtak Road District Centre, Shivaji Place District Centre, Wazirpur District Centre, Rohini District Centre and other small markets in the Urban Extension.

Keeping in view the fact that relocation of these activities in Delhi Union Territory would generate more employment opportunities and create congestion in the peripheral areas thereby creating a contiguous expansion, it would be appropriate that alternative additional wholesale markets are developed in the Central NCR towns and the Priority towns in the region and no more such activities are allowed within NCT-Delhi.

C) Government, Public Sector and Commercial/Corporate Offices

In Delhi, the employment in the government offices and PSUs has been increasing rapidly. The setting up of a large number of foreign embassies, foreign missions, research and cultural organisations has also had its distinct impact on the growth of the city. The employment in the various types of the government and quasi-government offices has been constantly increasing ever since 1921.

The employment in Central government offices, which was only 8,000 in 1921, grew to 2.25 lakhs in 1985. During 1941 to 1981, about two lakhs new jobs were added in this sector. The planned attempts to shift certain offices outside Delhi, have not made any dent in the situation. However, there had been a marginal decline in the employment in Central Government offices and it was almost stagnating in the last decade at 2.14 lakhs (1998).

The employment in Government undertakings was only 6,000 in 1961, which leaped to 1.41 lakhs in 1981, adding nearly 1.35 lakhs persons in just two decades. In the decade 1971-1981, about 85 thousand people were provided jobs in these undertakings, which means a total addition of roughly 4.25 lakhs population during the decade 1971-1981 through employment in PSUs alone. During 1981-1991 there has been an addition of 84 thousand jobs in this sector. The employment in this sector, however, declined to 2.05 lakhs in 1998.

The employment in Delhi Administration and local bodies largely grew with the size and enhanced responsibilities of the Administration and the local bodies with increasing overheads of servicing of metropolitan city. In 1921, it had a meagre 3,000 employment, which grew to 1.67 lakhs in 1981 and to 2.06 lakhs in 1998.

Over a period of time there had been a phenomenal growth of the private sector offices, banks, multinational companies (MNCs) etc. in Delhi. With the opening up of the Indian market because of the thrust of the Government on liberalisation and economic reforms the tendency of these private sector institutions to locate in Delhi will also further increase.

The continuous addition of office space in NCT-Delhi through planned commercial/office spaces in community, district, sub-city and city centres, and more institutional areas like CGO Complex/Scope Complex on the one hand and allowing unauthorized conversion of non-commercial buildings for this purpose followed by their regularization by permitting change in land/building use, can in no way stop this invasion.

5.4 POLICIES

5.4.1 Regional Level Policies

For the development of economic activities in the National Capital Region, a balance may have to be achieved by adopting appropriate policy measures in the four identified policy zones taking into account the availability of resources, constraints arising out of the environmental factors, land and physical infrastructure like power, water etc.

The policy of development of economic activities in the region should take into account the impact of various proposals made in the Regional Plan-2021, Sub-regional Plans and the Functional Plans. Moreover, it should be an integrated policy for the region as a whole and should be pursued at the Sub-regional levels so as to effectuate the broader objectives of the Plan. It should have the twin objectives of fostering rapid economic growth and achieving balanced development of the region.

There should be definite attempt to change the basic character of the regional economy from the agricultural and pre-industrial to more diversified one, in order to raise the earning capacity of the people. By 2021, nearly 70% of the population would be living in urban areas. This would entail the creation of more jobs in non-agricultural occupations, mainly in industry, which has a strong multiplier effect. For this purpose there should not only be an injection of additional activities in existing and new centres outside NCT-Delhi but also development of agro-based industries in rural areas in order to support urbanization on the one hand and to stabilize the rural economy on the other.

In the region, land is generally good for agriculture and hence selection of sites for the development of industrial/urban activities should be done judiciously in strict compliance to development plans of the area and local environment laws.

There is a need for streamlining not only the fiscal and other incentives given by the concerned State Governments but also tax and tariff structure in the region. It should also be possible to rationalise the taxes in Delhi and in the various towns for mutual benefits and in the overall interest of the region. This will also enable free flow of goods and encourage economic development.

5.4.2 Activity Specific Policies

Opening of cities like Delhi to the world economy has necessitated planning for their regions in the global context. With the thrust of the Government on more open/market driven economy and the economic reforms undertaken to this effect, a considerable reshuffling in the economic structure of NCR is expected. The process of privatization of PSUs and downsizing of government, elimination of subsidies and tax incentives for industry etc. are some of the related developments which will contribute to a change in the economic structure of NCR in a significant manner.

Delhi, the Capital city of the nation, is the focal point of its socio-economic and political life. There are functions political, cultural and administrative peculiar to a Capital which accord it comparative advantage in terms of availability of skilled manpower, good supporting physical, social and other infrastructures.

Delhi, being a city state and opening up as a global city in the world economy, more stress may have to be laid on market access in services which is largely driving global growth today. While seeing it in the perspective of an emerging global city, the economic structure in Delhi is likely to undergo a considerable change in the coming decades with an emphasis on the service sector, which already contributes 80% to its GDP. Since the trade in services is expected to have an eminent place in its economy, it is expedient to adopt strategies in order to restrict the concentration and proliferation of less desirable economic activities by banning new industrial areas, wholesale markets and office spaces in Delhi.

The following package outlines an important part of what is broadly involved in the management of NCR, in the forms of planning required in the above context.

- i) Emphasis on investment for the growth of modern infrastructure and services to make the city eventually an e-governed, e-citizen and e-services city so that Delhi becomes the model e-city of India and a destination for foreign investment.
- ii) The city is to be seen as essentially a junction in flows of goods, people, finance, information, etc. The efficient functioning of the modes of transport (road, rail, air) and of inter-modal transfers has become increasingly important in the generation of income of the citizens, and as such should be accorded due importance.
- iii) The information revolution is simultaneously transforming several city activities in many ways: changing in some cases non-tradable services into tradable, for example, health, cultural, higher educational services. This necessitates investments in the appropriate sectors.
- iv) Since retail shopping becomes a key sector relating to the junction and distributional role of cities, to finance, to hotels and restaurants and to tourism, strategies for the expansion of these facilities, as done in Singapore and Hong Kong should be evolved to make it an important export industry.
- v) Development/delivery of cultural services like museums, historic sites, antiques, theatres, film making, cinemas etc., as part of the activities underpinning tourism and other international travel.
- vi) Related to Delhi's emergence as a leading global city is its role in hosting international conferences and sports events, amongst others, which will necessitate an infrastructure of global standards.
- vii) Although Delhi may lose manufacturing activity, but will attract services like accountancy, law, advertising, finance, research and development, consultancy etc. for the factories located/relocated in the green field sites in the neighbouring areas. Adequate provisions for these activities need to be provided in the planning process.
- viii) The Central NCR towns, which have emerged as attractive investment destination because of their proximity, may act as complementary to Delhi in performing these functions. These towns and the rest of NCR may go for inducement of the all types of economic activities and green field projects depending on their comparative advantage.

A) Industry

i) NCT-Delhi

A city like Delhi should opt for an industrial policy, which is highly technology intensive, non-polluting, sophisticated, and high value addition generating. In this context, the primary consideration for location of industry in Delhi should not be the fixed investment limit but should be the limited availability of space, industry related large scale immigration, pollution and strain on already deficient civic services. In order to maintain quality of life and to provide its citizens a better living in terms of clean environment and adequate level of civic services, it becomes imperative that all those manufacturing activities which demand consumption of services viz., power, water, etc. higher than what is permissible in the residential areas should not be allowed.

With these considerations, Delhi should follow a policy which has the following elements:

- Only those industries, which are required, either for marketing and market related activities and/or for providing consumer needs of Delhi's population may be allowed to continue in Delhi.
- The requirements on civic services viz., power, water etc. should not exceed the standards and norms permissible for the residential areas.
- The industries should meet the standards laid down by the local pollution control authorities.
- Only hi-tech industries should be allowed in Delhi
- In the existing industrial areas low-tech industries should be transformed into hi-tech and those which are unable to do so within a reasonable time should be phased out.
- No new industrial area to be created in NCT-Delhi.

ii) Central NCR

- Owing to the location of Central NCR towns adjacent to Delhi, no hazardous, polluting industry should be allowed in Central NCR.
- Hi-tech industries should be allowed to flourish in Central NCR.
- The industries existing before 1986 should be made to conform to Environment Protection Act, 1986.

iii) Rest of NCR outside Central NCR

- The towns selected for priority development should have a strong industrial content, and incentives should be given to all types of industries for creation of infrastructure such as power, water, sewage, drainage, CEPT etc.
- Modern industrial townships/estates should be developed in the area outside Central NCR.
- Specific areas should be earmarked in the region outside the Central NCR for relocation of polluting, hazardous, heavy and large and non-conforming industries proposed for shifting out of NCT-Delhi.

B) Wholesale Trade and Commerce

i) NCT-Delhi

There should not be any special advantage in terms of preferential treatment or lower taxes by way of incentives to wholesale trades in Delhi vis-à-vis the adjoining States. Wholesale trading in plastic and PVC goods, chemicals, timber, food grains, iron and steel and building materials which caters to the whole of NCR and beyond and requiring extensive space may be decentralised by developing suitable additional locations outside Delhi for the purpose. No new wholesale market for any of the following purposes should be established in NCT-Delhi.

- Expansion of activities in wholesale markets of NCT-Delhi e.g. fruit and vegetable markets, iron and steel market etc.
- Resettling the oustees from markets required to be shifted from central/congested areas of NCT-Delhi e.g. grain market in old Delhi etc.

All new markets should be located at suitable locations outside NCT-Delhi in NCR and for making them operational proper legislation like the specified commodities marketing act for the entire NCR needs to be enacted with the concurrence of the participating States.

ii) Central NCR

There are certain wholesale trades and storages in Delhi which involve bulk handling of commodities such as PVC goods, chemical, timber, food grains, iron and steel and building material and are hazardous in nature by virtue of their location in congested localities. Facilities for the functioning of these wholesale trades (as well as others) and related activities should be developed in Central NCR.

iii) Rest of NCR

Incentives for provision of infrastructure facilities should be made available in the various regional towns in order to encourage and accelerate the growth of trade centres on a wider scale within NCR.

C) Government, Public Sector and Commercial/Corporate Offices

i) NCT-Delhi

The main criterion for location of offices in the Capital should be that they perform ministerial functions, protocol functions or liaison functions, which, by their nature, cannot be performed anywhere else except in the national Capital. The existing offices, which do not perform any of the above functions, should be identified and shifted from NCT-Delhi. Similarly, the public sector offices should be allowed to retain only very small establishments to cater for ministerial and liaison functions. The rest of the establishments should be shifted out of NCT-Delhi. No new office spaces should be created in newly developed community, district or sub-city and city centres. Their role should be limited to providing all levels of shopping facilities. Strict building control should be exercised over unauthorized change of land/building use. No regularization thereof should be allowed. The Central Government and any other organization, body or authority requiring additional space should be allowed to do so only outside NCT-Delhi in NCR and beyond in Counter Magnet Areas (CMAs).

ii) Central NCR

Relocation or expansion of government offices/PSUs which need to perform such ministerial, protocol or liaison functions which make it incumbent upon them to be located in Delhi, alone should be allowed to be located in the Central NCR towns. The opening of new government offices/PSUs or expanding the existing ones should be encouraged in the rest of NCR/CMAs outside NCR.

iii) Rest of NCR

The Central government offices which are considered for being shifted from NCT-Delhi and the Central NCR towns should be located in other towns of NCR and incentives in the form of CCA, HRA etc., as given to employees working in Delhi, should be given to employees who may be affected by this shifting for a limited period. Other incentives like providing government accommodation, allowances for study of their children etc., should also be given.

5.5 STRATEGIES

5.5.1 Regional Level Strategies

i) NCR as Single Economic Zone

Since NCR is an inter-state region it has been felt time and again that the freedom that the States have exercised in fashioning different structures of tariffs and taxes and levying various rates within their local tax/tariff laws can lead to, and in fact in large number of cases have led to, significant differences in economic opportunities which in turn influences choice of people and causes diversion of trade and manufacturing activities. This situation, therefore, is not in consonance with the objectives of the NCR Plan, which proposes dispersal of economic activities over self-contained regional towns, restructuring of the regional transport network, integrated development of the infrastructure etc.

When one attempts to bring about balanced and dispersed development of the region it is imperative to look at NCR as a unified area in economic terms and to smoothen out/eliminate such differences so as to look at NCR as a unified area in economic terms. In spite of constituent parts belonging to different States, for the proper development of the region, there is a need for achieving uniformity in the fiscal policies to be adopted by the constituent States. What needs to be done is to remove all fiscal/physical barriers in NCR to make it One Economic Zone-One Common Market-One Opportunity Zone with a uniform tax and tariff structure.

Uniformity in fiscal policy alone would not be enough to attain the objectives of achieving the concept of 'Common Economic Zone'. The fundamental principle is to make uniformity in the availability of physical infrastructure in all the constituent parts of NCR. The concept of a single 'Common Economic Zone' shall, therefore, also cover those issues where the disparities in the availability of physical infrastructure within the constituent States of NCR are prominent and are not conducive in pursuing the objective of achieving balanced and harmonised development in NCR (refer Box 5.3).

Box 5.3

SCOPE OF COMMON ECONOMIC ZONE

- § Rationalisation of Tax Structure
- § Extending Uniform Financial/Banking services throughout NCR
- § Integrated Rail and Road Transport Network
- § Removing the restrictions on Inter-State movement of taxis and auto-rickshaws between the NCR States
- § Providing Uniform Telecom Facilities throughout the NCR
- § Uniform Power Supply
- § Developing an Integrated Water Supply and Drainage System for NCR
- § Integrated Education Policy
- § Integrated Health Policy
- § Integrated approach for Pollution Control
- § Integrated Law and Order Machinery
- § Provision of adequate financial Resources in Sub-component Plans of participating States and concerned Central Ministries.

ii) Development of Modern Industrial Estates/Townships

Modern Industrial Estates/Townships with all the necessary infrastructures for industry should be developed in NCR outside Central NCR. Simple streamlined procedure should be adopted for the expeditious allotment of land to entrepreneurs in these Estates/Townships so that there is no delay in commissioning of the projects. Simultaneous efforts to provide necessary housing and other social infrastructure should also be made for the industrial workers in the very beginning so that they are not forced to take shelter in unauthorised colonies which may later grow into slums.

iii) Single Window Facility

Single window system of registration, financing and industrial regulatory measures should be set up.

iv) Liberal Incentives

In order to encourage the industries to be located in NCR, liberal incentives in terms of creating infrastructure should be given to the new units as provided in the industrial policy framework of the States.

v) Rural Industrialisation

The rapid growth of population of Delhi is mainly due to immigration of people in search of employment from the rural areas where the capacity to generate employment is either exhausted or under-utilised. Thus, there is a need to develop agro-based industries in the rural areas in order to support urbanisation in NCR as a whole on the one hand and to stabilise the rural economy on the other. In the long run this will prevent exodus of people from rural areas to Delhi. Studies have shown that the lower order settlements in NCR (service centres and basic villages) have enough localised traditional skills like potteries, handloom weaving, leather work, murtikari, carpet weaving etc., which if properly nurtured can play the role of a vibrant component of the rural economy and provide gainful employment to potential migrants to Delhi.

vi) Training and Skill up-gradation

In view of the demand for diversification and expansion of industrial activities in NCR, there is an immediate need of strengthening and upgrading the training facilities in the region. Introduction of new courses, specially in hi-tech areas, regulatory controls, supervision and maintenance of uniform standards and curricula, particularly in privately run institutions are some of the areas which need consideration.

5.5.2 Area Specific Strategies

A) NCT-Delhi

Thrust Areas

(a) Service Sector

In the process of Delhi emerging as a global/international city, the thrust on the service sector, as highlighted in the foregoing paragraphs, has become a crucial element in determining the income of the city. It could further be justified given the fact that the contribution of the service sector in Delhi's GDP has already touched about 80%, which with the value addition and effective taxation of services, is likely to multiply enormously. The transition of the economic structure of Delhi in favour of the service sector would have an added advantage of utilizing its skilled employment thereby also restricting the entry of unskilled migrant labour. It need not be stressed further that in the changed environment, Delhi would be a hub of a large number of service related activities and accordingly this factor needs to be taken care of by emphasizing a particular endowment of infrastructure which facilitates growth of this sector. The service sector could be suitably allowed to operate in residential areas provided it functions within the norms permissible for the consumption of power, water etc. in these areas.

(b) Hi-tech Industries

Delhi has the following resources and facilities readily available for promotion of hi-tech industries (refer Box 5.4).

- i) Highly qualified manpower because of location of IIT, DCE and other technical institutions.

- ii) A large number of centres of excellence in the field of science & technology like NPL, NIC, C-DOT, CSIR, etc. are located in Delhi and can provide for quick and easy interaction between the industry and the R&D centres.
- iii) Delhi is one of the important hub centres of National Telecom Network.
- iv) Location of all embassies in Delhi will give an edge to the exports/imports of technology.

<p>Box 5.4</p> <p style="text-align: center;">POTENTIAL GROWTH AREAS IN HI-TECH</p> <ul style="list-style-type: none"> i) Computer hardware & software industry and industries doing system integration using computer hardware and software. ii) Packaging iii) Industries integrating & manipulating the interfaces of the computers and telecom facilities. iv) Industries catering to the information needs of users by providing databases or access to databases spread throughout the globe. v) Industries providing the facilities for sophisticated testing of different or all components of the information technology. vi) Electronic goods. vii) Service & repair of TV and other electronic items. viii) Photo composing and Desk Top Publication. ix) TV and Video programme production. x) Textile designing and Fabric Testing etc. xi) Bio-technology xii) Telecommunications and IT enabling services xiii) Gems and Jewellery
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(c) Household Industry

Household industries, since they are required either for providing or servicing the day-to-day needs of Delhi's population, should be allowed to operate in the residential areas provided they are non-polluting and fulfil the prescribed norms.

Setting up of Front Offices to provide linkages

Delhi being the major marketing outlet, the financial capital of north India and the seat of the Central Government, every industry wants to have a front office here, from where all national and international transactions and liaison work can be handled. As such, it is desirable to have split units of industries where the main industry can be located in NCR towns while their front offices can be located within Delhi.

Joint Venture Projects

Delhi, with its experience and expertise, should participate in the industrial development in NCR. The Delhi Administration should take up projects on 'joint venture' basis with the counterpart agencies (UPSIDC, HSIDC and RIICO) of the participating States. For this purpose, the jurisdiction of the Delhi State Industrial Development Corporation (DSIDC) and Delhi Finance Corporation (DFC) should be enlarged to cover their area of operation in these States.

Transforming from low-tech to hi-tech

In the existing industrial areas the low-tech industries should be transformed to hi-tech in a phased manner.

Multi-storeyed flatted factories

Multi-storeyed flatted factory complexes should be constructed to save space and to have better management of services.

Common advertisement for relocating non-conforming units

Common advertisements indicating the sites available in Delhi, along with sites available in NCR towns, should be published for relocating non-conforming units ordered to be shifted by the Supreme Court so as to give entrepreneurs varied options for relocation. Similar concessions as being given for their relocation in Delhi should be given for other towns also.

B) Rest of NCR excluding NCT-Delhi

Suggested locations

Industry

The Central NCR towns and the Regional Centres, selected in the Regional Plan for induced development, have been envisaged to play a significant role and would have a strong industrial content. Besides this, the Sub-regional Centres, which would be identified in the Sub-regional Plans, prepared by the respective State Governments, will also serve as the first stage industrial centres.

The strategy to develop may entail following elements:

- These locations to be developed as model industrial areas/Special Economic Zones (SEZs) [refer Box 5.5] equipped with facilities such as uninterrupted power supply, efficient telecommunications network, transportation and warehousing facilities, common effluent treatment plants and industrial and potable water supply.

It is suggested that the State Governments may consider identifying locations, at least one SEZ in each State.

- The decision of the Government to allow Foreign Direct Investment in the development of integrated townships would go a long way in attracting private sector participation in the development of townships and key industrial infrastructure facilities like power, water supply, telecommunications etc.
- Establishment of a single window system of registration, financing and industrial regulatory measures.
- In order to encourage industries to be located in NCR, liberal incentives for creation of infrastructure facilities be given to new units as provided in the industrial policy framework of the States.

Box 5.5

SPECIAL ECONOMIC ZONES

Salient Features

Special Economic Zone (SEZ) is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.

Goods going into the SEZ area from Domestic Tariff Area (DTA) shall be treated as deemed exports and goods coming from the SEZ area into DTA shall be treated as if the goods are being imported.

SEZ units may be set up for manufacture of goods and rendering of services, production, processing, assembling, trading, repair, remaking, reconditioning, reengineering including making of gold/silver/platinum jewellery and articles thereof or in connection therewith.

SEZ units may export goods and services including agro-products, partly processed jewellery, sub-assemblies and component. It may also export by-products, rejects and waste scrap arising out of the production process.

SEZ unit may import without payment of duty all types of goods, including capital goods, as defined in the Policy, whether new or second hand, required by it for its activities or in connection therewith, provided they are not prohibited items of imports in the ITC (HS). The units shall also be permitted to import goods required for the approved activity, including capital goods, free of cost or on loan from clients.

SEZ units may procure goods required by it without payment of duty, from bonded warehouses in the DTA set up under the Policy.

SEZ units may import, without payment of duty, all types of goods for creating a central facility for software development can also be accessed by units in the DTA for export of software.

Gems & Jewellery and Jewellery units may also source gold/silver/platinum through the nominated agencies.

SEZ units may also import/procure from DTA specified goods without payment of duty and subject to such conditions, as may be notified by the Government, for setting up of units in the Zone.

Wholesale Trade

In a study commissioned by the NCR Planning Board, based on various factors affecting location of wholesale trade such as volume of commodity flow, direction of flow, trade linkages, mode of transport, preferences of traders etc., locations have been suggested for seven major commodity groups being handled in NCT-Delhi (refer Box 5.6).

Box 5.6

WHOLESALE TRADE-SUGGESTED LOCATIONS

Food grains	Panipat, Hapur and Kundli (Sub-regional level)
Fruit and Vegetables	Panipat (for apples and vegetables); Hapur (for potato and onion); Kundli (mango and vegetables)
Textiles and Readymade Garments	Meerut and Rohtak
Iron and Steel	Ghaziabad, Faridabad/Gurgaon
Auto Parts	Faridabad
Fuel Oils	Rewari
Hardware and Building materials	For hardware-Ghaziabad; For building material-Alwar, Dharuhera or Bhiwadi

Alternative wholesale markets for the above commodities could be developed by the concerned agencies of the State Governments as 'joint venture' projects and also declaring these commodities under the 'Specified Commodities Act' as explained under the head 'Institutional Machinery' at various Regional Freight Complexes.

5.6 INFORMAL SECTOR

There is a sizeable presence of informal sector activities and enterprises in various towns in the National Capital Region, which produce comparatively inexpensive wage goods and services while providing abundant opportunities for self-employment to a large section of population. This unorganized sector has come to be recognized as an important segment of urban human activity which is making positive contributions to the growth and economic development of these towns and, through them, to the entire region.

Some of these activities are being carried out since long and are also well recognised from the point of view of specialisation and export potentials (refer Box 5.7).

Box 5.7**INFORMAL SECTOR ACTIVITIES**

Alwar	: Engineering and metal work, leather work, murtikari, carpet weaving and pottery
Meerut	: Handloom, sports goods and scissors and blades industry
Khurja	: Pottery and ceramics
Panipat	: Handloom industry
Rewari	: Brassware
Mewat	: Potteries

It is, therefore, necessary to address the informal sector in all its ramifications and evolve appropriate strategies to cater to the basic needs of its constituents population by way of shelter, workplace, social amenities and financial support so as to facilitate their growth and, at the same time, mobilize their skills and entrepreneurship for the benefit of the society at large.

The traditional type of retail shopping in the form of 'Weekly Market' is quite popular in the towns of NCR and NCT-Delhi. The functioning of these markets need to be improved by providing parking and other open spaces. There is also a need to provide organized informal sector places, to be located strategically near work centres, commercial areas, near schools, colleges, hospitals, transport nodes etc. The role played by the street vendors in the economy as also in the society needs to be given due credit. The policy should be to provide and promote a supportive environment for earning livelihoods, as well as ensure absence of congestion and maintenance of hygiene in public places and streets.

Under the strategy for accelerated development of NCR, the informal sector would be poised to claim a large share of the induced population growth and income generation. An attempt, therefore, is to be made to absorb the informal sector, as far as possible, particularly within the fabric of planned urban development and economic growth of the integrated townships which are at the core of the envisaged development strategy for NCR.

5.7 INSTITUTIONAL MECHANISM

As regards the setting up of institutional mechanism to ensure joint action for timely implementation in each and every case, it is felt that such a mechanism could only be worked out when detailed time-bound functional plans for different sectors of the core economic activities are prepared. This mechanism will, however, differ from case to case.

In general, it was felt that a mechanism consisting of a mix of the following may help to achieve the required objectives:

- i. Guidelines, which establish 'give and take' relationship between the 'exporting authority' (i.e., Delhi Administration) and the receiving authority (i.e., concerned State Government). This will include package of incentives and concessions offered by these authorities and who is to do what. This can be in the form of resolution of the Board in lieu of statutory provisions as done in United Kingdom in the form of the Town Development Act, 1952.
- ii. To ensure optimal linkages with NCT-Delhi in the development of the core economic activities such as industrial estates, wholesale markets, commercial complexes etc., joint venture projects could be set up on partnership basis between the development agencies of NCT-Delhi and their counterpart in the participating States.

- iii. Evolving a common “Specified Commodities Marketing Act” to enable the dispersal of wholesale distributive trades to the NCR towns.

With the fast growth of population and commercial activities, the congestion and consequent traffic and other problems particularly in old Delhi along the outer and inner Ring Roads and the main arteries leading to Delhi, the necessity of relocating wholesale markets is increasingly felt, specially of those that involve bulk handling of commodities such as PVC goods, chemicals, timber, food grains, iron and steel, building material and hazardous in nature, to CNCR and Priority Towns in NCR.

Since NCR is an inter-state region, there is no provision of law available to enable the Government of NCT of Delhi (GNCTD) to take appropriate steps for relocating such markets in NCR towns. It is, therefore, necessary to enact a law to regulate the location of market areas and wholesale markets in respect of commodities specified from time to time under such law and to establish market committees to manage and control different markets established for different commodities in different areas.

The Specified Commodities Market Act would be on the lines of Agricultural Produce Marketing Act, enacted to shift wholesale markets for some of the agricultural produce. This Act will be operative in entire NCR.

- iv. Aggressive marketing by the various development agencies of the State Governments (in the light of benefits accruing out of ‘give and take’ relationship).

5.8 SUPREME COURT ORDERS

A major thrust in this direction came from the Honourable Supreme Court, which has issued orders for the closure of certain industrial units and asked them to move out of the Capital as they are not permitted under the law. In this context, the Supreme Court took note of the provisions of the Delhi Master Plan which asked all such units to give their relocation plan within one year of the notification of the Master Plan in 1991 and shift thereafter in the next two years to NCR. It also took note of the provisions of the NCR Planning Board Act, 1985 and the Regional Plan-2001 (refer Box 5.8).

Box 5.8			
SUPREME COURT ORDERS			
S. No.	Order Dates	Industries to be Shifted/ Closed Down	Closing Date
1.	08.07.96	168 Industries	30.11.96
2.	06.09.96	513 Industries	31.01.97
3.	10.10.96	43 Hotmix Plants	28.02.97
4.	26.11.96	246 Brick Kilns	30.06.97
5.	26.11.96	21 Arc/Induction Furnaces	31.03.97
6.	19.12.96	337 Industries	30.06.97
Directives			
i) The allotment of plots, construction of factory buildings, etc. and issuance of any licenses/permissions etc. shall be expedited and granted on priority basis.			
ii) In order to facilitate shifting of industries from Delhi, all the four States constituting the NCR shall set up a Unified Single Agency consisting of all the participating states to act as a Nodal Agency to sort out all the problems of such industries.			
iii) The single window facility shall be set up by the four states.			

iv) The use of the land which would become available on account of shifting/relocation of the industries shall be permitted in the following manner:

S. No.	Extent	Percentage to be surrendered and dedicated to the DDA for development of greenbelts and other spaces	Percentage to be developed by the owner for his own benefit in accordance with the use permitted under the Master Plan
1.	Upto 2000 square metres. (including the first 2000 square metres of the larger plot)	--	100% to be developed by the owner in accordance with the zoning regulations of the Master Plan.
2.	02. to 5 ha.	57	43
3.	5 ha. to 10 ha.	65	35
4.	Over 10 ha.	68	32

On the percentage of land as shown in Column 4 the owners at S. No. 2, 3 and 4 shall be entitled to one and half time of the permissible FAR under the Master Plan.

v) The shifting industries on their relocation in the new industrial estates shall be given incentives in terms of the provisions of the Master Plan and also the incentives which are normally extended to new industries in new industrial estates.

Besides this the Court also issued directives for the entitlement of the rights and benefits (payment of compensation, gratuity etc.) for the workmen employed in these industries.

As regards non-conforming industries on 12.09.2000, the Court appointed the Ministry of Urban Development to act as a Nodal Agency and directed the Ministry to create a Cell to see to the implementation of various orders passed by this court as well as the implementation of the Master Plan. The Ministry of Urban Development and Poverty Alleviation, as per directions of the Court, created a Cell on 19.09.2000. The Nodal Agency in the process had issued various directions from time to time.

In its judgement dated 07.05.2004, the Hon'ble Supreme Court issued following directions:

1. All the Industrial Units that have come up in Residential/non-confirming areas in Delhi on or after 1st August 1990 shall close down and stop operating as per following schedule:
 - a) Industrial Units pertaining to extensive industries ('F' category) within a period of four months.
 - b) Industrial Units pertaining to light and service industries (category 'B' to 'F') within five months.
 - c) Impermissible household industries (category 'A') within six months.
 - d) 6,000 industrial units on waiting list for allotment of industrial plots within 18 months.
2. The Central Government to finalize the list of permissible household industries falling in category 'A' within a period of three months.
3. 6,000 industrial units on waiting list shall be allotted industrial plots within one year.
4. The Delhi Government may announce a policy within six weeks giving such incentives as it may deem fit and proper to those industrial units which came to be established after 1st August 1990 and may close down on their own before the expiry of the time fixed in this order. The non-announcement of incentives by the Government shall not, however, delay the closure process.
5. The water and electricity connection of the industrial units found operating after due date of closure shall be disconnected forthwith and in any case not later than a month of the date fixed for closure in Direction No. 1 above. If the industrial activity still continues, the premises shall be sealed within a period of not later than another one month.
6. The Central Government to finalise within six months appropriate steps to be taken for making NCR a success for industrial activity by removing the hurdles pointed out by the industry. The Governments of the adjoining States Haryana, Rajasthan and Uttar Pradesh to extend full cooperation.
7. The Municipal Corporation of Delhi shall consider within three months the aspect of withdrawal of exemption notification as suggested in the affidavit of its Town Planner filed on 28th October 2002.
8. The Honourable Court appointed a Monitoring Committee comprising (i) Chief Secretary of Delhi, (ii) Commissioner of Police (Delhi) (iii) Commissioner (Municipal Corporation of Delhi) and (iv) Vice-Chairman (Delhi Development Authority). This Committee would be responsible for stoppage of illegal industrial activity. It would, however, be open to the aforesaid members of the Monitoring Committee to appoint responsible officers subordinate to them to oversee and ensure compliance of the directions contained in the judgement.
9. The first Progress Report by the Committee shall be filed by 31st August 2004 and thereafter it shall be filed at least once in a period of every two months.

5.9 FISCAL POLICY

5.9.1 Issues

One of the main problems confronting the development of NCR is the existing tax structure. The lack of uniformity in tax rates for various commodities and services and incentives like tax holidays etc. in the constituent States has been causing diversion of trade and manufacturing activity from one state to another. It has been strongly argued at various forums that whereas there is a reasonable amount of uniformity in tax among the States, the effective rates of tax is substantially lower in Delhi than in the neighbouring States. It is being argued that these differentials in tax rates, with the added advantage of availability of better social and physical infrastructure and with lower tariff in Delhi, have helped the process of concentration of industry, trade and services etc. in Delhi in the past.

5.9.2 Tax Reforms

A major thrust in this direction has come from the recommendations of the Conference of the Chief Ministers and Finance Ministers held on 16th November 1999 wherein a decision for adoption of minimum floor level of taxes at the national level, for all the States, was taken. Regarding floor rates, there was a broad category of absolute necessities, which were tax exempt; essential commodities with a floor rate of four per cent and luxury items with a floor rate of 12%. Commodities falling in general category were put under a floor rate of eight per cent. There were two special floor rates of one per cent for gold and silver bullion and 20% for liquor and tobacco etc. The rates recommended relate to minimum floor rates-the States have the freedom to adopt higher rates on any of the commodities from the list but they cannot go below these rates. Most States, including the participating States of NCR viz., NCT-Delhi, Haryana, Rajasthan and Uttar Pradesh, have implemented the decision to adopt minimum floor rates. The Conference also unanimously resolved that the offer of grant of any new incentive based on sales tax for industries shall be discontinued.

The introduction of State level VAT by Government of India in the budget 2005-2006 is likely to go a long way in achieving uniformity in NCR.