

CHAPTER TEN

SUMMARY, SCOPE AND PERSPECTIVES OF REGIONAL DEVELOPMENT PLANNING IN GUJARAT

At the outset of the study, it was hypothesised that,

“The development dynamics and dimensions within districts/regions are different depending upon the location, natural resources and population composition, and need special attention in relation to inter-regional and intra-regional socio-economic and political forces”

The hypothesis was found to be true after having a critical analysis of the development processes, causative phenomena and impacts across the various regions of Gujarat. The appraisal of key sectors like, agriculture and industry indicates that these sectors have led to multi-dimensional outcome in the economy of the State. The planning mechanism understood mainly through the study of documents related to National Development Council, revealed the process of planning. The field investigations for the purpose of this research as well as during the period (2005-2012) also led to the understanding of the processes, efforts and outcomes of the State Government efforts. It was also found that there are several note worthy studies conducted on development-induced displacement, changing forest characteristics, deliberations by the National Development Council and events that happened post 2002.

The research would have been completed well in time given the nature of investigation. But due to frequent policy changes and transition of the State from welfare to capitalist oriented framework led to delay in analysis and presentation of the results. Although the above hypothesis has not been tested using specific parameters and statistical tools, and more reliance has been laid on descriptive, logical and exploratory methods, it stands the scrutiny and corroborates with the reality. The study should also stand tested on the fundamental principles of conducting geographical studies particularly in Human Geography.

This chapter is an attempt to summarize and conclude the study. The regional development planning strategies for the State is discussed by linking the perspectives of development in general and regional development in particular.

The Gujarat state by itself presented a case study of intense development changes and issues mainly concerned with urbanisation, industrialization and resource exploitation. In the process, the State could achieve its growth targets, but it also alienated large masses in the backward regions and the backward communities in developed areas including the urban areas. The resource exploitation, including the spatial localization of industries, has resulted in negative impacts of the environment of different regions. This has had serious negative impact on the quality of water, not only for drinking purposes but also for irrigation, affecting the areas under agriculture. The development induced displacements over the years has resulted in large dispossession of people and communities affecting their abilities to come forward to enjoy the fruits of economic growth.

The nature of development in the State brought out through the geographical analysis of its spatial development characteristics indicates that several distortions have been introduced in the process. On the basis of the study on Gujarat's Development Model (post-2002), the following political - economic explanations emerge.

- (a) India's National development efforts emerged from the strategies and policies effectively planned during the various plan periods. Gujarat, like all other state of the country, has been provided with the plan direction and funding from the Ist plan to the XIIth Plan period. The funds were released according to agreed framework set up by the Planning Commission.
- (b) The State was early to adopt industrialization strategies encouraging small and medium enterprises through industrial estates. This boosted the industrial climate of the State with concentration of industries subsequently nearer to urban areas.

- (c) Industrialisation and urbanisation in the State are strongly related to each other due to their spatial co-existence in all the regions. The major economic change in the mainland Gujarat till the 1990s, in Saurashtra after the 1990s and in Kachchh post 2001, resulted in an increase in the per capita income of the State.
- (d) Migration to the metropolitan cities continues unabated, contributing to sprawl of cities like, Ahmedabad, Surat, Vadodara and Rajkot. The de-urbanisation of small and medium towns was also the result of lack of investment in their infrastructure as well as strong 'pull factor' of large cities.
- (e) The location of industries and its growth has also affected the quality of water and land in the State, thereby making much of mainland Gujarat not fit for further industrial investment.
- (f) The mega water resource projects like Dharoi, Ukai, Damanganga, Karjan Mahi and Narmada, have led to the creation of vast reservoir and canal networks inducing agricultural changes in North, Central and South Gujarat plains. But it has also alienated and displaced the backward communities like dalits and tribes from the land which was crucial for their livelihoods.
- (g) Aggressive mining policies have lead to the development of the mineral sector, particularly oil exploration and lignite in the State, but have also lead to the destruction of several habitats in the mining areas.
- (h) Post 2001, the State adopted a distinct model, often named after the current Chief Minister, and kind of politics practiced by the party in power. On the one hand, during 1990-2001, Gujarat had been termed as '*Hindutva*' laboratory by the social analysts, opposition parties and others, but on the other hand, during 2002-2012, Gujarat presented distinct development strategies.

- (i) The so called '*Hindutva*' politics has lead to social transformation in Gujarat, particularly localized in the plains of North and Central Gujarat. The polarization of society on the lines of communities, i.e. caste and religion, had major impacts on the urban areas. The continuity of the policies of the State is more towards assertion of these ideologies through the development programmes.⁴⁴²
- (j) Globalisation of Gujarat was basically as a result of aggressive economic policies and changes in the administration of development programmes. The State has been initiating special institutions, like corporate companies, trusts and societies, all owned by the State institutions. The objective has been to manage the State affairs not only through Government Departments but also through these new Organisations.
- (k) Post 2002, the Gujarat state had strengthened the corporate formation of many companies and institutions such as, split of electricity boards into five different companies (GETCO, UGVCL, MGVCL, SGVCL, PGVCL), Gujarat State Petrochemical Limited, (GSPCL), Gujarat Green Revolution Company Ltd (GGR), Gujarat State Non-Resident Gujarati Foundation (NGT), D-SAG, etc. Thus, increasing the State capital and forging state capitalism as policy directional change.
- (l) These companies and societies are formed to streamline the State investment in the sectors which were opened for private investment after the liberalisation of the economy post 1991.

Thus, it can be said that,

⁴⁴² Section (h) and (i) have not been discussed in the report, Details are available from the works done the Achyut Yagnik and Suchitra Seth, Lancy Lobo, Ghanshyam Shah, and Arvind M Shah during various studies conducted on the social changes in Gujarat during period 1990 to 2012.

“India had adopted a mixed economy, whereas there are two states, West Bengal and Kerala, which had earlier adopted separate development models, based on the socialist framework (also termed leftist), whereas post 2002, the Gujarat state has adopted the capitalist model, a perspective different from the National planning perspective. The aggressive nature of the capitalist perspective of the State is being presented during the various investment summits (Vibrant Gujarat) organized since 2003”.

Regional development planning mostly concerns itself with equitable distribution of resources, and for the purpose, the State agencies provide with appropriate policy framework/formulate appropriate strategies for the development of the constituent units of the region. The following strategies may be of crucial significance in the context of regional development planning in the State.

- a) Regions delimited on the basis of their regional characteristics and provided with specific institutions for focused attention for their development should not be limited only to the backward areas but also should incorporate protection of communities in these regions.
- b) The concept of the agricultural region (may be part of a larger region) may serve the purpose to protect the agricultural areas for ensuring food security.⁴⁴³
- c) The industrial regions, on the other hand, might strengthen the economic investment climate in the State, but would also be crucial for reducing the negative externalities:
- d) The transitional zones, as discussed earlier (see chapter Nine), are the areas left for spatial planning, may not be being used for any specific purpose, but are likely to get urbanised given the pressure of population and development.

⁴⁴³ Also termed as *Green Economic Zone* (GEZ) by a development activist Bhasha Research Center Vadodara (2010).

How to address the development concerns of the backward areas, lagging or poor regions and other regions? It is easier to announce the institutions to begin the regional development planning but most important would be to discuss the concepts, issues and concerns so required not only for proposed institutional mechanism but also for adoption in the present planning mechanism. The conclusions and findings though have been also presented in earlier chapters, it is equally important to relate them with the regional concepts which can be adopted. The following sections present such explanations, not necessarily as an outcome of this research but a collective presentation of the efforts required for general development strategy and also supporting the backward regions.

A. Nature of Regional Development and Potentials

There is a need to develop a coordinated regional development strategy for the backward regions, at least for the following reasons.

- a) Evidence that there are strong “neighbourhood effects”, as explained in subsequent section that, in the backward *talukas* or regions drag down the growth of the State. As a result, these low growth regions tend to get clustered and ‘divided’ from the rest of the Gujarat economy.
- b) The low growth regions of the State have strong growth potential. These are densely populated regions like the Eastern Hills, Saurashtra and North Gujarat, with a large potential market, along with mineral and natural resources. Developing these resources is important not only for the *talukas* or sub-regions but also for overall growth of the State. The regions located between sea ports and urban centers have good potential for growth.
- c) Growth in the backward regions is required for further development of the State. The spill over effects of lower growth in the backward regions will also affect growth of the rest of Gujarat.

Scope for Regional Development

- a) *The priority in a regional development strategy should be to address the dependence of the backward regions on agriculture and other primary occupations with low and subsistence production, which is a constraint on the growth of these regions.*

The challenge for primarily agricultural economies in backward areas such as, northern dry lands, Eastern Hills and Coastal Saurashtra, will be to plan for transition towards more diversified and more productive manufacturing and services sectors. But, such a transition would require growth in agricultural productivity as a precondition to build the base for economic diversification and urban development.

- b) *The 'agriculture-first' strategy will need to be complemented with rural-urban linkages and urban development focusing on small and medium towns which are interlinked closely to the rural economy.*

Investment in urban infrastructure and services are required in the small and medium towns (market towns) located in backward *talukas*. Over the medium term, the priority can be to support the growth of the larger towns in the backward regions. Specific urbanisation and development schemes are required for long term intervention for growth of urban centers.

- c) *Agricultural growth, urban development and rural-urban linkages in the backward regions are constrained particularly, by poor 'local infrastructure' and 'resource utilisation.'*

Regional planning should consider expansion of road networks that link villages with State and National Highways and market towns, and improving connectivity between market towns and other towns. In addition, financial inclusion of poor and

backward communities needs to be addressed in this respect for increasing their access to credit and power.

- d) *While the backward talukas and regions like Eastern Hills, Dangs, northern dry lands (Banaskantha, Sabarkantha) lag behind in most human development indicators which affect long-term growth prospects, the underlying constraint that needs to be addressed is social development.*

Greater investments in human capital and improvements in service delivery, where the human development performance is poor, are required to be improved. The *most important* social development in such regions can be taken up by prioritizing: female literacy, work participation and empowerment by providing quality infrastructure; targeted sub-regional development programmes for 'No Change' regions like forests, subsistence agriculture regions and other regions; to improve infrastructure and economic opportunities for tribal, minority and some pockets of Scheduled Caste communities; promoting 'inclusive development'; implementation of 73rd and 74th constitutional amendments; and community participation in planning process.

- e) *Finally, growth and development in the backward regions are constrained by the lower development expenditures and weak institutions.*

Public investments for well over two decades in infrastructure and social development on a per capita basis have been one-third to one-half of those in the developed *talukas*. Increasing planned investment in a sustainable manner to bridge these investment gaps will be important for the growth of such areas. But equally important will be, increasing the efficiency and effectiveness of public spending by strengthening institutions and incentives to deliver development outcomes. On its part, the special area planning approach can be adopted for the sub-region and introduce spatial and community based targeted programmes to increase expenditure. The sustained efforts by formation of Regional Development Authority which can be provided funds from the State Plans, conditional on improvements in results (outputs and outcomes), better

financial management and accountability, and monitoring and evaluation of development outcomes.

This study, thus, identifies regional development strategy built around policies that are good for both the development of the less developed regions and for overall development of the State. That is, these policies are more specific to the geographical nature of the State and distribution of communities would place a greater focus on regional and state specific development. These focuses on and addressing key issues: adverse effects on urbanisation and industrial backward Areas; the comparative advantages of the backwards regions in agriculture and development towns located in region, agro-based, labour intensive industries; support for infrastructure; critical human and social development that addresses exclusion, and; targeted investments of public expenditures alongside capacity building for the communities. Further, Regional development policy should aim to achieve greater equity in welfare for the population of different regions rather than equality of economic activity in all regions.

A regional development authority may be set up to design and coordinate the implementation of the regional development plan. Such an authority, comprising the State government, district and *taluka* level officials and peoples' representatives could help to: (i) strengthen the Nation's and the State's focus on regional development and coordinate regional infrastructure investments to redistribute according to spatial requirements; (ii) coordinate fiscal, industrial and regulatory policies by providing competing and excessive fiscal, credit, regulatory and incentives for investments; and (iii) design targeted area and conditional transfer programmes using both Central and state resources aimed at improving human development indicators for depressed communities including females, tribal's, dalits, other backward castes and minorities.

The next section, Section B, presents the key findings about the regions; Section C summarizes the findings on the constraints they face in raising growth and development.

B. Key Findings – Spatial Diversity, Geography and Migration Trends

There is considerable diversity within the lagging regions/

Five different types of lagging regions can be identified, the last of which actually lies in the urbanized regions: (i) the densely populated Northern dry lands and Eastern Hills which are constrained by water and thus lacks agricultural development; (ii) the urbanized and industrial Backward Areas – urbanised districts of Ahmedabad and Gandhinagar in North, Anand-Vadodara in Central, Bharuch-Ankleshwar, Surat-Navsari and Valsad-Vapi in South Gujarat have more industrial investment and public expenditure but have poor human development performance particularly in the lagging *talukas* of these regions. Saurashtra and Kachchh, where human development indicators are better, perform poorly in infrastructure investments in urban areas with exception to some pockets in Jamnagar, Rajkot and Bhavnagar; (iii) the poorer, sparsely populated districts with a significant share of tribal population and other backward communities that are clustered around coastal areas of the main land, Saurashtra and Kachchh; in the Eastern hills starting from Northern hilly regions, Panchmahal and Dahod, parts of Vadodara, Narmada, parts of Bharuch, Tapi, parts of Navsari, Valsad and The Dangs; (iv) the hilly regions, along with conflict with forest department and dispossession due to development projects, are marked with short supply of arable land, except in the hilly regions in Central Gujarat; and (v) 50 per cent poor *talukas* in the developed districts, extending from North to South specifically in Mehsana, Ahmedabad, Anand, Vadodara, Bharuch and Surat districts. Significantly, this last group borders the lagging *talukas* of the State.

Most of the backward regions have access to natural resources. The backward regions face one disadvantage in connectivity, except for coastal areas, they are all landlocked. However, most parts of the backward regions, except for the arid regions in North Gujarat, are well endowed with natural resources, especially water, fertile soil, forests, and minerals. Bharuch and Kachchh districts have most of the mineral reserves in the State. These areas alone have large share of inland oil exploration (Bharuch), lignite, limestones, and 90 per cent of the chrome deposits of the State. Approximately around 25 per cent of all mineral resources are concentrated in Kachchh. Virtually all of the State's petroleum prospects are located in the backward regions. These 'lagging regions' are

thus, well endowed with what economic geographers⁴⁴⁴ (Krugman, 2006⁴⁴⁵) call '*first nature geography*.'

At the same time, the lagging regions are clearly poorer in 'second nature geography,' that is, infrastructure and human development. While, overall highway development and road density have improved considerably in the backward regions since the 1980s, they have consistently lagged behind the developed *talukas* in terms of villages having access to paved roads (67 % in the backwards *talukas* as against 95 % in the developed *talukas*), power (70 % as against 98.5%), and credit (per capita credit is about one-fifth that of the richer districts). There is a perceptible difference in the availability of infrastructure: districts with better infrastructure in the 1980s experienced relatively faster growth during the 1990s. Village access to paved roads and rural-urban connectivity were particularly important for generating growth in agricultural productivity and non-farm employment, and in supporting urban development. The evidence also suggests that infrastructure availability, particularly of power, is one of the most important factors determining industry location. A survey in 2004 revealed that *talukas* in the backward regions, mostly in Central Gujarat, to be among the worst in the State in the utilization of incentives, power and credit facilities. Backward areas, thus, can be regarded as key constraints to growth.

Intra-regional differences in infrastructure and human development are also strikingly higher in the poor regions of the State. The poorer and backward regions also have their own backward *talukas* and villages. This is seen in the significantly higher clustering of infrastructure and development indicators at the district levels but poorer than state level average. The variation in education, health and infrastructural development, in the backward *talukas* across districts, can be as much as 2 to 3 times higher than in the developed *talukas*. Further, while inter-regional inequality has fallen dramatically for some indicators (such as access to power) over the past three decades, it has widened for other indicators (such as access to health, markets, roads and educational facilities).

⁴⁴⁴ Advantage of *first nature geography* simply means that being close to rivers, coasts, ports, forests etc. some regions may benefit from natural endowments through specialization in certain type of activities like fishing, growing crops and forestry.

⁴⁴⁵ Paul, Krugman (2006): First Nature, Second Nature, and Metropolitan Location, *Journal of Regional Science*, XXXIII (2), pp. 129-144

The inter-regional migration rates have declined in Gujarat, indicating reduction in labour mobility due to emergence of regional urbanised areas and industrial activities. While there is some long-term migration out of the backward regions such as from North Gujarat, Eastern hilly region, coasts and parts of Saurashtra, in the 2001 census, there is limited inter-district migration, and rural to rural and rural to urban migration was largely intra-district migration in the region. Net outward migration was highest from backward regions. Male migrants came mostly from rural areas, and 60 per cent reported that they had moved for work and permanent employment-related reasons.

Overall, however, factors such as the large and fast growing populations of the region, cultural impediments to migration, the lack of sufficient jobs in urban areas as indicated by low and even declining real urban casual wages, and the relatively low casual wage differentials across regions (20 to 30%) suggest that long term economic migration cannot be the main instrument for solving the problems of the poorer regions of the State. The economic and human development of these regions, mainly in the small and medium towns and its rural hinterland, remained poor, indicating concentration of development activities in the large cities.

Migration, especially seasonal migration, however, could help people in the tribal regions to move out of the clutches of poverty. Such seasonal and often circulatory migration of labour for employment is an important component of the livelihood strategies of people living in rural areas, especially those living in the backward regions of the State. Such migration is often a vital source of cash for households particularly those from the tribal areas of the Eastern Hills. At the same time, the extremely poor in rural areas do not take advantage of migration opportunities. A minimum level of assets is required to make the investment for migration – money for travel, purchasing supplies to take to the destination and leaving enough for the household left behind to survive. In addition, with few safety nets to fall back on, migrants are a very vulnerable group. Interventions that would address these issues will be needed to help the poorest to take advantage of migration opportunities. This is especially important given that migration can be important for livelihoods in the sparsely

populated areas around Saurashtra, Northern dry lands, coastal areas and Eastern Hilly regions.

C. National and State Planning, Constraints to Development and Policy Implications

The potential for development and population growth in backward regions in the State suggests that the regional development strategy should emphasize ‘providing employment to the people’. It is important to keep in mind two key lessons of National Development Planning for formulating such a strategy. First, investments and incentives for regional development should target the constraints requiring minimum administrative changes associated with such strategies. Planning Commission’s experience from National Planning suggests that broad fiscal incentives, such as tax breaks or subsidies, have modest effects on influencing regional growth or on the location of firms in backward areas (see industrial policies *chapter four*). While they may affect investors’ location decisions when the incentives are large enough, they have not guaranteed that the resulting investments have broader multiplier effects on the regional economy or that such effects will be sustained. Even a specific intervention, such as providing infrastructure, needs to be well targeted; in the case of roads, for instance, evidence suggests, major inter-regional road connectivity investments had significant productivity impacts on existing industries but their effect on inducing industrialization in backward regions was limited. In some cases, inter-regional infrastructure improvements, *without complementary investments* in local infrastructure and public services, may in fact, worsen the performance of backward regions by exposing small local producers to larger outside firms and reducing manufacturing in the regions. Offsetting such problems will require investments in improving local infrastructure and investment climate. Similarly, investments in power and telecommunications will have an impact only if they address more basic binding constraints such as property rights, and law and order.

Policy interventions need to be based on the region’s strengths and comparative advantages. Both, the principles and theories in economic geography and regional development, suggest that economic activity locates where there are large and growing markets, the presence of suppliers and services, and lower costs. The efforts by

Central and State Governments to alter the location of economic activity against these factors may be costly, both in terms of budgets and efficiency of the regional economy. The evidence also suggests that any single solution, of either promoting capital flows to backward regions (as in case of past development programmes) or stimulating mobility of people out of poor areas (by development of growth poles/centres), is unlikely to deliver the desired results. Though Gujarat has moved from cluster based industrial development to mega industrial regions, it may result in good capital investment but at the cost of raising regional inequality. What might be required is a regional development strategy that combines improvements in service delivery, local amenities, and a supply of factors and management that take advantage of the characteristics of the region and address its key constraints.

In the case of the backward regions, five main constraints will need to be addressed: (i) clustering and strong neighbourhood effects, through which the low growth of the backward areas lowers the growth of its 'neighbours' and the region as a whole (for example in the developed districts, the presence of backward *talukas*); (ii) the dependence of backward and poor economies on less productive agriculture such as in the tribal regions which are associated with low growth of non-farm jobs and urban development; (iii) infrastructure, financial development and regulatory weaknesses; (iv) low levels of human and social development; and (v) the complementary challenges of low investment rates and weak institutions. These are discussed below.

Addressing Clustering and Neighbourhood Effects...

Regional clustering of outcomes – as depicted by spatial distribution data – is evident in a variety of dimensions: in income levels, in the diversification of the economy, in the development of facilities, and in human development and service delivery indicators. Consequentially the following pattern emerges: (a) poverty is clustered in the backward regions, often in contiguous locations; close to 80 per cent of the poorest districts, measured by consumption of households, are located in the backward regions; (b) except for part of South Gujarat and Saurashtra, the backward regions are not industrialised; (c) facilities development, such as paved road connectivity,

power connections, and postal communications etcetera, are similarly clustered, with the poor regions lagging behind; (d) key human development indicators, such as high infant mortality rates, low female literacy and female work participation rates, which represent the effects of both household incomes and policies, are also significantly clustered in the backward regions; (e) the clustering is even stronger at the sub-regional level.

Clustering leads to neighbourhood effects which, in turn, again reinforce clustering, leading to a vicious cycle of development. This means that the slower development of *talukas* and districts, particularly in the backward areas, acts as a drag on the growth of neighbouring regions through spill over effects. The evidence of the neighbourhood effect also comes from other sources: (a) the positive effect of infrastructure in neighbouring districts leading to higher agricultural productivity, more non-farm jobs and urban development in a particular district; and (b) the significant and higher impact of infrastructure variables in the backward areas. This means that the high inequality within the backward *talukas* is itself an important factor in constraining the region's development. It also means that the slower growth in the poor regions has spillovers, adversely affecting the growth of the neighbouring regions and the State's overall growth. As it was seen in Vadodara, Bharuch and Surat districts which has considerable tribal dominated *talukas* having poor growth affecting overall performance of the district, thus requiring further division of the district to form new districts, namely, Narmada and Tapi during the last decade and further new subdivisions proposed Aravalli (Sabarkantha), Mahi (Vadodara) and Girnar (Junagadh).

The significance of clustering and neighbourhood effects on growth and development highlight the importance of developing a coordinated strategy for regional development. A regional development body, such as an Area Development Authority, set up by the State could be one of the options. The regional authority must identify the dominant activities for the overall comprehensive management of agriculture, industrialization and urbanisation. The regions can be classified as sub-regions of the main regions by clubbing the *talukas* with their dominant characteristics. Such authorities can be based on following the proposed sub-regions:

Agricultural areas of Northern Plains, Ahmedabad Urban Region, Forested - Northern Hills, Dry-Semi-Arid Regions of North Gujarat, Eastern Tribal regions, Central

Gujarat – Agricultural areas of Anand, Kheda and Vadodara, Industrial Areas of Vadodara, Vadodara Urban Region, Agricultural areas of South Gujarat Plains, Coastal areas of South Gujarat,

Industrial Areas of South Gujarat (Bharuch – Ankleshwar and Vapi-Valsad), Surat Urban Region, Forested Areas of Navsari, Valsad and The Dangs, Kachchh coastal areas, Urban Complex – Gandhidham, Mundra, Anjar, Bhuj Urban Region, Industrial Areas of Jamnagar, Rajkot Urban Region, Agriculture belts in Jamnagar –Rajkot, Bhavnagar and Amreli – Agriculture areas,

Forested regions of Junagadh, Coastal areas of Saurashtra, Agriculture regions of Surendranagar-Ahmedabad, Eco-sensitive Zones around Rann of Kachchh, Wetland areas in Saurashtra and Gulf Regions of Anand, Bhavnagar and Bharuch (encompassing Kalpsar project region).

Such an authority could address the following: (i) strengthening the focus on problems of the areas by developing a regional strategy that recognizes the inter-dependence of development issues among these regions, and the need to address the lagging districts through regional and state level programmes and without only depending on Central Government programmes; (ii) coordinating infrastructure investment requirements to avoid duplication and congestion in some areas and underdevelopment in other areas; this would specifically ensure that the *taluka* development plans being prepared are coordinated and consistent; (iii) coordinating fiscal and regulatory policies to avoid 'race to the bottom' by excessively competitive fiscal and tax concessions; (iv) coordinating and harmonizing regulatory policies so that industry has equal opportunities across regions; and (v) designing and implementing capacity building, institutional development in financial management, public investment programmes, urban management, knowledge and technology dissemination. At this juncture, it would be important to have a division of responsibility among the regions in establishing centers of excellence and training in these areas to take advantage of economies of scale. Another alternative could be to have a mechanism to address the development of the lagging regions in the State Planning Board or District Planning Committees which would be important for a regional development strategy.

Stimulating Agricultural Productivity Growth...As the Starting Point....

The economy in backward areas is characterized by large shares of low productivity and volatile agriculture, and low shares of urbanization and manufacturing. However, raising agricultural productivity is likely to be the cornerstone of the lagging regions' growth strategy for several reasons: (a) the decline of productivity growth and empirical work suggest that it was the differences in agricultural productivity growth in the 1980s that led to divergence in per-capita incomes in the first instance; (b) the availability of water, rainfall and good soil in most of the South Gujarat region and in parts of the hilly regions, is conducive to raising agricultural productivity and horticulture; (c) the lower crop productivity in the poor areas compared to other regions (40 % in the case of food grains), despite their natural advantages, suggests that with the right technology, productivity in such areas can be increased significantly; and (d) productivity growth in agriculture, which constitutes a large share of the economies and employment in the backward regions, would result in sustained increase in income for the majority of the population and promote economic diversification.

The support for an agriculture-first strategy also comes from analyzing the sources of per capita income growth across the State. There were differences in the growth of labour productivity in agriculture in the 1980s and later in services, between the backward areas and other districts of Gujarat.

The agriculture-first strategy for the agricultural regions and backward areas in Eastern Hills could provide Gujarat with a sustainable development strategy. Sustaining the growth of food grain production, based on growth in yields in the traditional granaries of Central Gujarat, Northern Plains and the plains of South Gujarat, which are dependent on the incentives provided by power and water subsidies and high priced procurement, may be unsustainable for fiscal reasons. Water logging in Central Plains and a drop in ground water levels in North Gujarat like Ahmedabad, Mehsana, Patan and Banaskantha, may also lead to long term soil degradation causing long term harm to the environment, and reducing the returns in cereal production. Increasing yields in the agricultural regions to meet the State's cereal needs thus makes good regional economic strategy. This could be done by shifting large parts of the Minimum Support Price-based procurement of crops to the low income regions but

without providing farmers with high unsustainable subsidies for power, fertilizer, water, and procurement.

The other areas where action is needed are:

- a) Realizing the untapped irrigation potential of the tribal and hilly areas by insisting on micro-irrigation schemes. Less than 10 per cent of the agricultural land is irrigated in most low-income and eastern districts, despite considerable untapped irrigation potential. A combination of approaches to rehabilitating and investing in surface irrigation will be needed, with minor and medium irrigation schemes to be maintained by Water Users' Associations (WUA) and incentives for cost recovery and credit facilities to farmers for using more ground water.
- b) Improving access to production and marketing information in the backward *talukas*. Despite significant State Government expenditure on agricultural extension, a few farmers have access to Government extension services. Institutional innovations will be needed, such as spreading the new decentralized farmer-driven private partnership based approach.
- c) Making land markets more efficient: This could enable consolidation through leasing and developing contract markets for land use. Land surveys need to be improved. Maps of agricultural lands at the village level would be required. Excessive land utilization by the industries and urbanisation needs to be monitored by ensuring the high yielding areas to have low probability for non-agricultural activities. The land alienation amongst the small and medium farmers and tribal's needs to be arrested by improving state land management. The regional plans should ensure the suitable compensation and rehabilitation package in all these cases with high social impacts.
- d) For the development of facilities for marketing, storing and cold-chains. These will help bring about investment in food processing and other labour-intensive manufacturing activities.
- e) Improving connectivity with markets. On an average, a wholesale market in a low income state services 30,500 hectares of cropped area, compared to a wholesale market in the middle and high income states which services 17,000

to 22,000 hectares. The backward *talukas* have 40 per cent of the area and about 45 per cent of the population of the State, but paradoxically have low share of the total road length.

....Complemented by Urban Development and...

Increasing agricultural productivity in the backward regions will need to be complemented with policies that support urban development along three lines: (a) development of small market towns for agricultural marketing which can also host small-scale manufacturing clusters; (b) development of medium-size towns which can provide agglomeration and scale advantages to draw in services; and (c) development of urban management capacity to support urban development.

Three specific interventions will be needed for developing markets and small towns. First, local roads need expansion and improvement to make it easier to link neighbouring towns to rural areas. Second, empirical evidence suggests that the provision of primary schools, electricity and paved roads is positively related with market development. Finally, the development of small market towns will be facilitated by the growth of small industry clusters, an area where the backward *talukas* are currently lagging.

In the medium-term, a broader strategy for urban development, aimed at the larger towns (more than 1,00,000 persons each), will also be important, considering that Gujarat's growth since the 1990s has been mostly urban-based and larger towns provide more agglomeration benefits of a diversified economy. Overall, poorer regions are at a disadvantage here. The urbanization rate in the backward *talukas*, on an average, has been low (5- 20 % of the population) compared to the developed district (40- 70 %). Lower urban development in the most of backward *talukas*, in turn, is linked to significantly lower public and private investment rates compared to the developed industrial and urban regions.

Improving city level infrastructure and service delivery are crucial for attracting private investment; this will require a significant ramping up of local infrastructure. The new investment areas in the State i.e. proposed Special Economic Zones and Special Investment Regions lack local expenditure. The regional infrastructure

status is lower than already developed regions of mainland Gujarat. Improving service delivery and infrastructure complemented by better expenditure management in the new investment regions. Increasing transfer for the development expenditure by the State to small and medium towns in the short run is likely to stimulate economic benefits, access to infrastructure and willingness of citizens to pay for services via direct user charges (as citizens of towns see visible improvements in service performance). This would, in turn, stimulate new economic activity – thereby increasing the tax base of the towns.

In the medium-term, it will be necessary for the State to decentralize functions to Urban Local Bodies (ULBs) and increase their own revenues, in order to improve services and increase accountability. In practice, service delivery arrangements for the small and medium towns are mostly centralized. Decentralization in urban management will bring decision-making over the type, quality and cost of services to be provided physically closer to citizens. This is particularly necessary in the case of the *talukas* where distances between district headquarters and towns are large, and where urban mobility is high, based on geography, ethnicity or other factors. Enhancing self-revenues of towns would be important for increasing accountability. This will require using a combination of new valuation methods and enhanced administrative capacity. If an area-based system is adopted, as is used now in some of the larger urban local bodies in the country, then a method of updating the guidance values on a regular basis is necessary. A method to update information on new constructions or major renovations or urban subdivisions will need to be put in place. But, implementing such revenue measures in small and medium towns would require political will and significant investments in enhancing administrative capacities

....Developing Infrastructure and Increasing Access to Credit...

Five of six development indicators are related to infrastructure which is required to improve and helps the backward regions to grow and develop. These are: *village access to paved roads* that connect villages to towns and highways, and access to *credit* and *power*. The most important factor is village access to paved roads. Analysis suggests that the road density in the regions across the State has improved and have improved access to paved roads. The availability of power and road has significantly

contributed in improving agricultural productivity, non-farm employment and urbanization in the region. But, as observed in geographical analysis that even after improving connectivity in tribal regions and dry areas, these areas did not have the desired impact without being complemented with employment opportunity and urbanisation.

The second important factor behind lower growth in the backward areas is credit constraints. Investment and per capita credit flow in the backward areas is poor than what is available in developed regions. While most banks in the backward areas use the same lending methods for small business financing as they do for large corporations, they do not have the necessary credit information on small and medium enterprise (SME) to assess credit risks. Also, small firms often find it difficult to provide collaterals against loans. Problems in using land as collateral (due to legal constraints, lack of updated land records and titles), non-recognition by lenders of other types of collaterals, difficulty in collateral enforcement and loan recovery, and a bankruptcy framework that does not allow for the easy exit of troubled firms, further drive up the risks of defaults. In this context, it becomes important for governments to help the financial sector invest in gathering credit rating information to lower credit risks for lending to SMEs.

.....Supported by Investment in Human and Social Development...

As a group, the backward regions in the State perform poorly on Human Development Indicators basically pertaining to health, nutrition, and education. The worse indicators in the backward regions like Northern Dry lands, North and Eastern hills and parts of Saurashtra and Kachchh are closely related to lower growth of household income and consumption. The differences in human development are particularly marked in the areas of health outcomes and gender differences, key indicators of social development. The strategy for the regional development authorities should be to monitor the progress of the HDI by integrating the efforts and providing for specific target communities and areas. The need based planning efforts, through access to facilities, special schemes for migrant families for accessing social benefits, and micro planning should help in improving the HDI.

Improving the service delivery in backward areas depends on key factors:

These are; (a) access to social infrastructure; (b) quality and efficient service delivery; and (c) accountability and responsibility of administration. Access to basic infrastructure and facilities is important for improving human development: for example, the availability of primary health centers makes a statistically significant and favourable impact on health outcomes such as infant mortality rate, awareness about health issues, sex ratio, total fertility rate (TFR), antenatal check-up, efforts for reducing anaemia and institutional delivery etcetera. Funding and facilities for the backward regions are not sufficient: the evidence suggests that poor service delivery adversely affects human development outcomes in the backward areas. Low immunization coverage and teacher absenteeism are much more significant problems in the backward areas. Service delivery in health, education, road transport and water supply in the backward areas is rated as the worst in Gujarat.

The underlying factor behind lower human development and poor service delivery in the backward areas and lack of progress in social development in tribal areas needs improvement. Measured in terms of female empowerment, social inclusion and 'decentralization', the backward areas lag behind in all these aspects of social development. Lower female empowerment in the backward areas - as indicated by several factors such as gender inequality in adult literacy, female participation and female infanticide, adversely affects health indicators such as fertility, birth, infant mortality and child vaccination rates. It also impacts educational indicators such as adult female literacy, gross primary enrolment and gender inequality in basic education, even after accounting for other indicators. Thus, women empowerment is not only an important development goal in itself, but will also be instrumental in achieving other Millennium Development Goals (MDG) targets for the region.

Some of the backward regions (North Gujarat, Saurashtra and Kachchh) and the tribal regions are characterized by the presence of significant backward communities and tribal populations. Significant per centage of tribal population in the State live in the backward areas, while the Scheduled Caste (SC) population is more evenly spread nearer to the urban areas. The field evidence and case studies presented in earlier chapters also suggests that not only the Scheduled Tribes (ST) have lower access

to assets such as education and land, but they also get lower returns on the assets they have, even after accounting for the quality of these assets and the skill attainment levels of the tribal's. The poverty amongst the tribes is due to policy discrimination and lack of access to resources that might help to increase their economic profile. The poverty results in reduction in the school enrolments not only amongst the tribal's but also among the *dalit* households. The tribal regions are relatively by-passed by the otherwise improved policy environments in the State. The poor presence of social infrastructure other than those by the Government is also an indicator of poor potentials. As a result, there is poor development of health and education facilities in the regions.

Regional Development agencies can address lack of social development by empowering the excluded groups (such as primitive tribal groups, backwards tribes) and by targeting services to the other backward communities. The State has pursued active policies of reserving seats in local and state legislatures, employment in government and semi government organisation for OBC, SC and ST has helped in improvement of human development in mainland Gujarat and of residents in urban areas. The community based targets for the programmes could also be strengthened by making benefits provided to communities in other social protection programmes partly conditional on improvements in human development indicators.

Decentralization efforts in the backward regions are required to strengthen social development. The social mobilization of population towards the *Panchayati Raj* institutions and community organizations such as self-help groups, and social organisation are required at community level. Studies in different parts of the State for evaluating the central and state programmes/schemes has also helped in improvement in service delivery, enhancing the chances of the communities moving out of poverty and access to schools and health care. The policies adopted, such as Right to Information, Right to Education and Recognition of Land Rights etcetera, should help in promoting transparency in government functioning, public awareness and ensuring that the government is held accountable. The NGOs and community based organisations should be participating in preparation of such plans for the socio-economic benefit of the region, as well as to carry out independent third-party audit and monitoring of the quality of services being provided.

Fiscal and Financing Development

The Union and State Government can direct more plan transfers to the regions and their regional authorities. The State can achieve this by providing performance-based transfers to eligible regions, based on their meeting agreed target improvements in high priority areas such as health and education outcomes for their regions. Such an arrangement would have the following key elements: agreed targets would be on objectively measurable improvement in a small set of results indicators for service delivery outputs. The threshold for determining which regions should be focused depends on the assessment on vulnerability of the communities and thereafter designing of programmes and achievement of goals.

Overall, however, strengthening development finance and related systems in the backward areas will be the key to increasing expenditure for development programmes. Increased public spending in the lagging regions is often constrained by the absorbing capacity of the *talukas*' development agencies. In fact, the infusion of more financial resources into a weak governance and low accountability environment can lead to lower efficiency in public spending and high leakages, especially in an environment where other income-earning opportunities are low. Thus, increased spending will have to go hand in hand with better resource management. These efforts should include work on improving expenditure planning, execution, accounting and transparency, and involve the private sector, civil societies and communities as important partners in this endeavour. Concurrently, there is a need to introduce technical improvements in budgeting, execution, procurement, accounting, control and transparency, and monitoring and oversight arrangements. Ultimately, improving the functioning of public financial management will require backward regions to address the fragmentation in their systems for planning, spending, and accounting in the use of public money. The regions thus identified would require leadership and additional support from the State Government in this endeavour.

A reorientation of the public agencies, towards greater focus on results, is needed. While this is a gradual process, key elements of such a system would be: enhanced accountability, including of agency managers, for delivery of results (outputs) produced by the agency compared to agreed targets; increased managerial flexibility,

notably in the use of staff and other inputs, to produce the agreed results; strengthened monitoring and evaluation systems, reoriented towards measuring results as opposed to currently measuring compliance and activity implementation. Strengthening financial management will also be a key element here.

Institutional structure...

To this end, the State Government can consider introducing a planning mechanism, financial management reform along with a technical assistance window by encouraging regional authority and regulatory mechanism, similar to the Urban Development Authorities, Special Economic Zones and Special Investment regions.

The inability to maintain law and order, avoid conflict and provide timely justice are other examples of fundamental institutional failures in the lagging regions in particular. These conflicts (such as in tribal areas and urban communities), combined with the economic underdevelopment of clearly marked ethnic groups such as certain tribal groups, are also sustaining social conflicts (caste or communal). All these suggest that, pursuing development and economic growth, resolving conflict, and improving governance will have to go hand in hand.

The key underlying question is: how good governance and institutions can be fostered in the poor and backward regions? The relationship between political institutions and growth in the backward regions of the State is complex. A large body of research suggests that citizens try to be aware of the Government's performance when it votes, beyond caste or other identities. This demand for good governance and awareness about the Government's performance at the local, regional and state government levels will need to be supported by promoting the social monitoring and transparent dissemination of information on the performance of governments, to influence election outcomes. This will create incentives for the political process to improve development outcomes.

To conclude there has been an attempt to present the case for the preparation of regional development plans within the existing framework. The present research thus completed the process of understanding development in Gujarat since first plan in 1951. Though the study was initially limited to year 2002 was extended so as to include the

development changes till present. However, study remains inconclusive on the specific development strategy for the regions of state. General theoretical arguments has been arranged so as to conduct the further research on the subject. Many perspectives like Spatial Prediction Model, Regional Scalar Model and Specific Sub-divisions based on dominant land uses would require research efforts in future. The author hopes to have opened many issues for discussion for the scholars in Geography, Economics, Regional and Urban Planning to undertake further research.

Limitations of the Study

The study was conducted based on the field observation and investigation was mostly based on discussions with the stakeholders. No formal structured interviews were conducted to test the hypothesis. The scope of work was limited to Gujarat state hence, the comments on the National planning mechanism, can be derived on the basis of the investigation in study areas. The study did not incorporate the sector specific analysis of the development efforts at the national or state and was limited to geographical approach limiting to development analysis from the secondary data related to outcome. The study due to its macro and temporal nature is limited to provide the policy directions based on the *taluka* and district level data. The state level institutions and programs were not evaluated by the author using distinct statistical methods, rather a field investigation into the people's perceptions were studied.