

Industrial Policy 2013
Government of Himachal Pradesh



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1. INTRODUCTION

1.1 Planned industrial development has always been accorded top priority by the Government of Himachal Pradesh. All round infrastructure and industrial development is key to achieving the objective of inclusive socio-economic progress of all sections of the society. Generation of new employment opportunities depends on increased economic activity propelled by investment and enterprise, capitalizing on the comparative and resource advantages that the State has to offer. However the growth of the manufacturing sector has to go a long way to achieve its full potential and achieve the target of contributing 25% to the State Gross Domestic Product as fixed by the National Manufacturing Policy. This policy aims at achieving average annual industrial growth rate of 15%. Therefore the state government will accord the highest priority to infrastructure and industrial development by creating an enabling environment for industrial development and investment attraction through provisions for improving ease of doing business in the State, such as an investor friendly regulatory and compliance framework, industrial reforms, good quality infrastructure, flexible labour laws and dispute related redressal mechanisms.

1.2 The State Government keeping in view the need to provide continuity in our policy and approach in the changing economic scenario has been announcing its Industrial Policies from time to time to address these issues so as to boost the confidence of investors and catalyse industrial expansion in the State. This Policy has been also framed to address immediate issues arising out of the expiry of the 'Central Package of Incentives' announced by the Government of India in January, 2003 which had resulted in a significant growth of Industry in our State.

1.3 Current Scenario

Till 2003-04 there were only about 30839 SSI units and about 211 Large and Medium units employing just 164225 people. As on 31/03/2013 there are 39018 SSI units wherein an investment of Rs. 6156.01 crore is involved and employment opportunities to about 2.16 lakh people have been generated. In Large and Medium Sector, 494 units are set up with an investment of Rs.11009.53 crore having employment of 59143 people. The State has been able to attract investment due to the Special Package of Incentives announced for our State by Government of India as well as due to the continuous efforts of the Government of Himachal Pradesh, to develop quality infrastructure in all the industrial areas/estates of the State. The State Government has already developed 42 Industrial Areas and 17 Industrial

Estates with all basic amenities like Roads, Power, Sewerage, Water and Communication etc. Investment during the last decade increased gradually achieving a rate of 29% during 2008-09 and then reduced significantly in the last couple of years thereby adversely impacting employment opportunities in this sector. Maximum number of Small Scale Industries exist in Kangra District followed by District Solan while in case of Medium and Large Scale enterprises, Solan district leads. Himachal Pradesh has become a Pharma hub over the years. In Solan District which is considered to be the biggest industrial center, most of the units belong to Pharmaceutical sector, followed by electronics, textile, food processing, soaps and cosmetics etc. Most of the enterprises belong to Miscellaneous Engineering group and Steel units are set up in Sirmour District. There is a lot of potential for industries in other groups also. Certain policy changes are, therefore, required to sustain existing industry and also to invite investment with a special focus on industrially backward areas and thrust sector.

- 1.4 This Policy statement intends to clearly enunciate the State Government's vision, approach and Strategy for 'Retention' of existing industry and for the "promotion' of new investments in the manufacturing and allied sectors in the State.
- 1.5 This policy also intends to specifically address issues related to eco- friendly industrial development, gainful exploitation of our local resources, creation of good quality infrastructure, rationalizing the provision of incentives, concessions and facilities as well as streamlining rules/procedures which impact the flow of investment to the State. The Policy Statement also intends to address issues related to day to day performance of industry specifically those which affects its competitive edge within and outside the country such as technology upgradation, quality improvement and productivity.
- 1.6 With the opening up of the economy we are facing a stiff competition not only amongst industry located at various regions within the country but also from the outside. The State would act as an enabler and facilitator to promote industrial development and would continue to adopt the approach of benchmarking of our policies with not only the best in the country but also internationally, fine tuning it in our local context, so as to attract both domestic and foreign direct investments.

2. VISION, OBJECTIVES AND STRATEGY

2.1 Vision

To promote and incentivize industry led sustainable economic growth by creating a conducive climate which enables environmentally sustainable inclusive development, generates income and employment opportunities, and encourages skill development thereby establishing Himachal as a model industrial hill State. or

To establish Himachal as a model industrial hill State that promotes and incentivizes industrial growth through sustainable inclusive development, generating income and employment opportunities, and encouraging skill development, all in harmony with the State's environment and ecology. or

To achieve environmentally sustainable and balanced industrial growth leading to more employment opportunities, income generation and overall economic development of the State.

Mission:

To make Himachal a model Hill State to by promoting and developing micro, small, medium and large industries with emphasis on eco-compatible and local resource based industries thereby creating opportunities of employment and increasing the share of industries in the State Gross Domestic Product.

2.2 Objectives:

This policy will aim to:

- a) To achieve an average annual industrial growth rate of 15% per annum, aligned with the target of 9% per annum growth in State GDP as envisaged in the 12th Five Year Plan, with the manufacturing sector contributes at least 25% of the State GDP by the year 2022.
- b) Promoting Himachal Pradesh as the most preferred investment destination to ensure uniform industrial growth throughout the State.
- c) Creating additional employment opportunities for about 3 lakh persons by the year 2022 through enhancement of skills and entrepreneurship.
- d) Encouraging eco-friendly and environmentally sustainable industrial growth through adoption of cleaner technologies and environmental management systems and promoting public disclosure of pollution status at the unit and cluster level.
- e) Continuing thrust on creation and provision of state of the art industrial and related infrastructure.
- f) Creating a congenial investment climate by ensuring ease of business and time bound delivery of services.

2.3 Strategy

In order to achieve the above objectives, the following strategy will be adopted:

- Reputed industrial houses and potential investors within and outside the country would be individually contacted and invited to set up industries in the State. "Industry by Invitation" would be the key approach to promote the state

as an ideal investment destination. Road shows and expositions would be organized within and outside the country to invite investments. The government will actively partner with national and international level industrial associations and organizations like FICCI, CII, ASSOCHAM etc. to position and market investment opportunities in the State.

- Improvement, augmentation and creation of Industrial and related infrastructure through an integrated approach involving all sectors. Specific efforts will be made on creation of land banks for industry and related purposes as well as development of state of the art industrial areas and townships. This will be done according to the growth potential of the area and resource endowment, through the participation of private sector, wherever necessary.
- Specifically address various issues faced by manufacturing industry which affect industrial growth and focusing on investor friendly procedures for setting up of industry, obtaining permissions required under various Laws, addressing issues related to day to day operation of industry Simplification of applicable rules and procedures, self certification, use of e-governance initiatives, time bound delivery of services and further liberalization of procedure for transfer and use of land for industrial purposes would be ensured.
- Ensure comparative advantage to existing and new industry by providing Incentives of fiscal nature, concessions and facilities.
- Design and institutionalize economic instruments for industrial pollution control and put in place a web enabled public disclosure programme on environment performance of polluting industries.
- Ensuring competitiveness of our industry by encouraging creation/ strengthening of R & D facilities, technology upgradation.
- Focus on Skill Development and Entrepreneurship Development, Human Resource development and Vocational education, so as to facilitate and create employment opportunities for local resource owners and stakeholders.
- Actively encourage and motivate industrial enterprises to undertake CSR activities aimed at the welfare of local stakeholders and resource owners.
- Ensuring effective, efficient and optimal use of resources such as land, water, energy, green technologies as a guiding principle of resource commitment to industry.
- Strengthening Government- Stakeholders- Industry interface through development of institutional mechanisms for grievance redressal, monitoring and review of the policy from time to time.

3. DEVELOPMENT OF INFRASTRUCTURE & RELATED FACILITIES

High-end quality infrastructure facilities are absolutely essential for industrial development of the State. As a result of availability of quality infrastructure, industries get established with less capital investment and can function without impediments. These infrastructure facilities assist in growth of business and industry along with promoting fair competition. In addition to social development and generation of new employment opportunities, it helps in attracting indigenous and foreign investment. The process of infrastructure development will be largely guided by the concern to conserve and save water bodies, ecology and greenery, adopting integrated environment management plan for the region as a whole. The State government shall make a conscious effort to follow an infrastructure development strategy as under:

3.1 Land policy & Planning and Development of Industrial areas :

3.1.1 Land Availability

To provide suitable land for setting up industries is key priority of the State government. The State would be divided into 3 categories, A, B and C depending upon the extent of existing industrial development and its future potential. To provide land for establishment of industrial areas, industrial estates and new industrial units, Industries Department and the other industrial development authorities will strengthen and expand their land bank by identifying barren, un-irrigated land and unutilized land of government departments and corporations in their respective areas. Such land will be transferred in the name of the Industries Department for allotment to prospective investors. Industrial authorities, institutions and Directorate of Industries will systematically compile land availability information to be accessible to potential investors through e-governance.

3.1.2 Industrial Areas/Industrial Estates in Himachal Pradesh:

3.1.2.1 Industrial areas are being presently developed and maintained by the Department of Industries itself and through agencies like Himachal Pradesh State Industrial Development Corporation, Himachal Urban Development Agency (HIMUDA) and Industrial Area Development Authority/ Agencies. Industrial Areas located in the border areas have attracted a large number of projects. Baddi, Barotiwala and Nalagarh area in Solan District has come up as an attractive destination especially for Textile, Pharmaceutical, electronics, food processing and Packaging industry. The State has established itself as a proven destination for textile, Pharma, Food Processing, Engineering, Paper, White Goods Manufacturing and Packaging industry. The State Government has already developed 42 Industrial Areas and 17 Industrial Estates with all basic amenities like Roads, Power,

Sewerage, Water and Communication etc. Maintenance of Industrial areas and Estates will be done involving the stakeholders and by creating Industrial Area Development Agencies(IADAs).

3.1.2.2 Planning and Development of New Industrial Areas:

3.1.2.2.1 The State Government will actively encourage development of state of the art Industrial Areas, itself or through its agencies, to be set up in potential locations themselves or through Public-Private-Participation mode as also through exclusive participation of private investors. These Industrial Areas will be self contained Industrial Areas equipped with modern basic amenities, well planned taking into account future expansion needs, have high quality infrastructure like roads, power, water, telecom, sanitation, effluent management and disposal, industrial housing and other civic and social amenities etc. Such projects will be given top priority and time bound clearances ensured.

3.1.2.2 .2 Preference will be given to develop activity specific Industrial Areas like Food Parks, Electronic City, Export Processing Zones, Export Promotion Parks ,Bio-Technology parks, Information Technology Parks, Textile Clusters, Pharma Clusters, Housing, Labour Colony, Business Centers multiplexes etc. throughout the State, especially in the areas away from the border areas of the State.

3.1.2.2.3 Top priority will also be given to link such existing Industrial Areas and new clusters with 'A' class quality road to provide efficient inter-State and intra-State connectivity.

3.1.2.2.4 The State Government is fully conscious of the need to catalyse the urban rejuvenation processes especially in areas of industrial concentration. This would require strengthening of urban local bodies and accessing various Central Government schemes for urban sector reforms including setting up of waste management systems with active involvement of the private sector. Special focus would be laid on creation of Area Specific Statutory Development Agencies which would be entrusted with the task of managing urban growth in areas of their jurisdiction and for ensuring creation and strengthening of planned growth of social, housing, health, commercial and other related infrastructure. Nodal cities will be identified and peripheral towns developed within a specified radius by these statutory agencies.

3.2. Power for Industry:

3.2.1 Electricity is a crucial resource for social and economic development and is critical for the growth of economy. Himachal Pradesh has given utmost priority for development of hydel power and is committed to enhance generation capacities in the State as also to provide uninterrupted and assured supply of electricity at competitive rates.

3.2.2 Himachal has a hydel power potential of about 25000 MW, of these 8500 MW capacities are already commissioned and about 10000 MW are under implementation or allotted for implementation. Accordingly by the next 10 years, Himachal will have a generation capacity of 20000 MW. The State will have sufficient quantum of power available over long term for supply to industries on demand.

3.2.3 The State is committed to ensure that tariff always continues to provide a competitive edge to our industries in the region. On an average State is getting free power of about 18% of generation of all projects after 1990 and as per Govt. of India policy, State also gets power share in all the projects of Central Government established in Northern region in the Country. Presently, Industries are the major consumer, consuming about 64% of total supply of electricity, the collective efforts of the State Government, its power sector utilities and the Regulatory institution will be focused on supply of quality power to Industries.

3.2.4 The State has a Per capita consumption of 1400 units per annum of power as against national average of about 850 Units. There is 100% metered supply and there is no free supply to any category. Technical losses i.e. aggregate transmission and distribution losses are about 13% against the national average of 19%. Tariff is also being revised on annual basis. The existing Transmission & Distribution network is strong and reliable and in future special emphasis will be laid on creation of dedicated feeders/lines where ever available, area wise for ensuring uninterrupted power supply to all existing/proposed industrial areas/estates in the State.

3.2.5 Due to the above factors and also because of Power Purchase Agreements (PPA) with the suppliers, Open Access to bulk consumers requiring power of more than 1 MVA, no cross subsidy charges, the tariff in future is likely to remain lower and stable in Himachal.

3.2.6 Specific attention would also be paid to the grassroots delivery mechanism. Special priority would continue to be given to 100% Export Oriented Units/ Information Technology/ Bio-Technology industries/ Foreign Direct Investment projects and Thrust sectors for grant of connection depending upon the power availability and the system constraints.

3.2.7 Emphasis would be laid on providing power connections to those projects which generate significant employment and a healthy ratio of power committed to projects as compared to employment generated and investments made will be maintained. Efforts would be made to ensure exemption of industrial units,

especially the continuous process industry, EOUs and Agro-based, IT, BT and Food Processing Industries from all power cuts within the system constraints.

3.2.8 No Electricity Duty will be charged on power generated from captive Diesel power stations and permission requirements for captive /generating sets will be made time bound and simplified. To sustain high technology industry quality of power will be ensured. A liberal policy to give permissions to surrender a part of load will also be evolved in a manner suited to the utility provider and industry and minimum charge on contract demand reviewed accordingly. In addition permission for extension of load to existing units would be given priority and would be considerably simplified.

3.3 Water Supply and Industrial Waste Management

3.3.1 Water is a scarce resource and optimal utilization of water by industry would be actively encouraged. While making water available through ground water resources industry would be required to replenish and recharge ground water resources by adopting rainwater harvesting. Industry would also be encouraged to recycle and reuse water generated from industrial processes after adopting appropriate technologies and techniques.

3.3.2 The State government will also endeavour to provide create and maintain common infrastructure such as setting up of ETPs, Hazardous waste management facilities, CETPs, Solid waste management facilities itself or through SPVs.

3.4. Social Infrastructure for Industry:

3.4.1 Specialized Health institutions:

The State has an ideal climate for setting up of Specialized Health Institutions. Such specialized institutions including institutions practicing Ayurveda, Homeopathy and Tibetan school of medicines would also continue to be encouraged to be set up in the State provided they meet and comply with the standards/guidelines laid down by authorized regulatory bodies and are recognized by concerned apex agencies of State Government and Government of India. Such units will also require to be cleared by the State Level Single Window Clearance and Monitoring Authority. Such institutions will also be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. Government may also consider transfer of Government land at a reasonable price to such institutions in public interest. Supply of water and electricity connections to such institutions will be done on priority.

3.4.2 Housing:

To ensure planned Industrial development and to contain indiscriminate growth of existing urban clusters efforts would be made to ensure availability of adequate housing in new areas emerging due to setting up of industry and related commercial activities. Emphasis would be laid on ensuring creation of adequate housing facilities of various categories, including industrial labour. Specific areas will be demarcated around such industrial clusters where housing infrastructure could be created both in the government and private sector. Permission for purchase of land for captive housing would continue to be given in a time bound manner for purchase of land to the industrial units set up in the State. Similarly supply of power and water to such housing complexes would be made on priority. Industries would be actively encouraged to tie up with local adjoining panchayats and villages for arranging captive accommodation by helping such villagers augment their accommodation so as to cater to the specific needs of the workers who could be housed in such units.

3.5 Encouraging Manufacturing Competitiveness and Productivity

The State Government besides actively encouraging Industry in general would be focusing on obvious winners in the manufacturing sector such as light engineering, packaging, textiles, auto and auto ancillaries, chemicals and pharmaceuticals. The State Government would actively support Research & Development and modernization of existing units including initiatives aimed at Industrial Greening, Modernisation, strengthening the testing and calibration facilities by Industrial Associations and reputed specialized agencies. Efforts would also be made to formally link existing R & D institutions and specialized Technical Training Institutions, ITIs, Polytechnics, Universities and Engineering Colleges with various facets of industry so as to provide students the opportunity of technical training, summer on the job training, campus interviews, technology development of industrial projects, and their subsequent absorption in industry.

4. FACILITATION AND IMPROVING EASE OF DOING BUSINESS

4.1 Simplification of Rules/Procedures and Time bound Clearances

To facilitate entrepreneurs in setting up of units and to help them comply with the applicable rules and regulations, Government will considerably simplify its Rules and Procedures.

4.1.1 Self-certification: Self-certification by industrial units would largely form the basis of grant of various approvals by various government agencies and procedures amended accordingly. Significant simplification of procedures have already been introduced for purchase of private land for setting up of industries and the same has now been considerably simplified and made time bound. The Government will provide maximum freedom to operate to the entrepreneurs so as tap the full potential of industry.

4.1.2 State Level Single Window Clearance and Monitoring Authority:

The State Government has already set up a State Level Single Window Clearance and Monitoring Authority under the chairmanship of the Chief Minister to consider and give Government approvals in principle to the medium and large scale projects in the State and to ensure optimum Inter- departmental co-ordination. The State Government is committed to ensure effective implementation of measures aimed at ensuring time bound clearances of projects by various Government Departments and to make the process of project clearances simple, transparent and accountable. Effective monitoring of clearances pertaining to release of power connections, issue of NOCs by the State Pollution Control Board, site approval by Labour Department and any other specific clearances on a case-to-case basis will be ensured and monitored through these Single Window Agencies at the State and local level.

4.1.3 Time bound Clearances:

- a. To pro-actively assist in obtaining all necessary State Government Departments related approvals from the concerned Departments and to facilitate clearances and monitoring of medium and large scale projects in the State a single application form has also been devised which would ensure grant of in principal approvals by various agencies within a period of 90 days. Once this system of grant of approvals is stabilized the same procedure would be followed for grant of approvals to all other categories of industries in the Micro, and small scale sector proposed to be set up in the State.

- b. Rules of the concerned Departments would be amended so as to ensure time bound decisions and approvals for industrial units being set up in the State. Under the Public Services Guarantee Act, 2011 the State Government is committed to evolve a standard of “best practices” and fix time frames for disposal of cases pertaining to industries especially in Government Departments involved at the delivery end such as the State Electricity Board, Labour Department, Department of Excise and Taxation, Department of Industries, Department of Town and Country Planning, Department of Revenue, State Pollution Control Board, State Financial institutions and other concerned Departments and Agencies which are involved in the process of setting up of industry.
- c. Clearances for Small Scale Projects will be granted across the table. However in cases pertaining to Forest based industries, projects requiring more than 1 MW of power and Industries listed as negative industry by Government of India or the State Government will need to be cleared, after detailed evaluation and consideration, by the State level Single Window Clearance and Monitoring Authority.

4.1.4 Facilitation and Delivery of Services at Field Level :

The State has also set up Single Window Agencies at major industrial areas like Parwanoo, Baddi, Nalagarh, Paonta Sahib, Goyalhai and Sansarpur Terrace to facilitate speedy clearances and assist entrepreneurs in obtaining various clearances to set up their projects. More such agencies will be set up in other industrial areas and estates in the near future. These Agencies will be actively encouraged to use IT in their working and discharge of their functions. The services being offered by these Agencies would be adequately highlighted through Industrial Associations and for a like PHDCCI, FICCI, ASSOCHAM, CII, etc. as channels for providing information to industry.

4.2 IT infrastructure and e-governance:

4.2.1 Although IT related infrastructure is a subject under the purview of the Central Government, yet keeping in view the important role that it plays in catalyzing and facilitating industrial development it would be the conscious policy of our State to attract, encourage and facilitate private investment in IT and related infrastructure. Wherever possible, in Industrial areas, the Department of Industries would make land available to the IT service providers for up-gradation and creation of infrastructure.

4.2.2 The use of Information Technology by industry will be increasingly encouraged so as to enable industry to participate in the global trade and production processes, for alleviating information poverty of products, markets, and cleaner production technologies, for enhancing competitiveness, improving organizational management, as well as improving Government Industry interface. Government Departments with whom the industry interface is maximum like the Department of Industries, Department of Excise and Taxation, Power Department, HPSEB, Department of Town and Country Planning, Labour Department etc. will be computerized to facilitate on line transactions processing of approvals, setting up of call centres and facilitation centres. Directorate of Industries would also provide an on-line interface with Industry through a web site so as to receive and dispose off applications received from entrepreneurs as well as make other related information available on the policies, programs of the department to the prospective entrepreneurs.

4.3 Labour Reforms:

Significant reforms to facilitate Industrial units complying with various statutes and laws have already been put in place. Emphasis has been on simplification of procedure as also facilitating industrial units file their mandatory and maintain their records in electronic forms. This process will continue so as to facilitate ease of doing business in the State. Inspection visits will be reduced further and kept to a bare minimum as required under various laws. Certain category of industries such as Information technology Industry, Bio-Technology industry, Hazardous Industry, Export oriented Industry and continuous process industry will be included in the first schedule of the Industrial Disputes Act, 1947. Time bound permissions will be granted Under section 9-A for granting Notice of Change and for granting permissions to sick units under Chapter VB of the Industrial Disputes Act, 1947.

4.4 Investor Assistance Services:

Special services would be provided to interested entrepreneurs by the HPSIDC on payment basis to escort prospective entrepreneurs and help them obtain necessary approvals and clearances. The HPSIDC will also create a data bank of information to help the industries in processing projects, identifying technologies and relevant services available.

4.5 Transportation Management:

4.5.1 State Government will ensure that the Truck Operators Unions do not prevent free play of market forces in areas of their jurisdiction and evolve an efficient mechanism on competitive rates so that transportation of raw material and industrial products is smooth and on competitive rates.

4.5.2 Government would facilitate creation of a conducive environment of mutual appreciation and trust at the grass root levels between Industry and Transport Unions and encourage regular dialogues between them so as to solve contentious issues at the local level.

4.6 Setting up of Industrial Adalats:

Industrial Adalats to speedily sort out grievances and solve interdepartmental related issues faced by entrepreneurs will be set up at the District and the State level. These adalats will act as a single point for receipt of any grievances and complaints faced by industry and initiate measure immediately to ensure timely delivery of services by the Department's and other agencies and sort out any issues faced by the industry.

5. INCENTIVES, CONCESSIONS AND FACILITIES

5.1 Background:

To attract investments in Industrial projects in our State and to offset the geographical and locational disadvantages the State Government has been providing various Incentives which encourage investment in the State. Our approach would be to ensure that incentives provided to manufacturing units are performance linked. There are a number of incentives being provided at present in the form of subsidies, concessions and tax deferments provided by State Govt. and Govt. of India which included tax related concessions, power concessions, availability of developed plots at no profit no loss, additional incentives to special category entrepreneurs and incentives for quality, technology upgradation and installation of pollution control devices. Special incentives were also provided to thrust enterprises. Certain concessions were also provided under labour laws to encourage local employment Under Special Package incentives like Central Excise duty exemption, Income Tax holiday and investment subsidy were also being provided. These central government incentives have since expired, the Central Freight Subsidy Scheme is however still operational in the State.

5.1.2 The main objective of these incentives, concessions and subsidies has been to encourage investment in the State, where the cost of production is higher to make or to enable the units to become more competitive, and, to establish them at the initial stages of production. These subsidies are justified to make the prices and the product competitive with the goods produced by units set up in the neighboring States. It is in this context that it is important to review the existing package of incentives, concessions and facilities so as to spur the growth of Industry uniformly throughout the State and to bring it in line with the objective of ‘Retention’ of Existing Industry and ‘promotion’ of New Industries especially after the expiry of the Special Package announced by Government of India for our State. Employment oriented industrial units which create substantial employment opportunities would be provided special incentives.

5.2. Guiding principles:

5.2.1 Based on the feedback received during our interaction with industry we believe that direct entity oriented fiscal incentives have invariably led to the creation of inefficient and uncompetitive industry, which has not been able to sustain itself in the long run.

5.2.2 In addition, with changes and modifications being introduced in the taxation policy and reforms initiatives like the proposed introduction of GST and the incentives being provided by the Central Government under the Special package also having completely expired, incentives to industry need to be looked at afresh. It is a conscious effort of our Government to try and make up for the loss of this package by providing certain concessions and facilities so as to ensure sustainable industrial development continues to take place in the long run.

5.2.3 Our strategy would be to emphasize and provide performance linked incentives besides take initiatives and lay increased emphasis on the provision of quality infrastructure which we hope shall help create a conducive environment for industrial growth and attract both foreign and domestic investments.

5.3. Incentives:

5.3.1 A new set of Rules to govern incentives, concessions and facilities are being announced as a part of this Policy which will remain operative till the next Rules governing the incentives, concessions and facilities are announced or these rules amended. While doing so, it will be our effort to enable existing units to avail of the incentives they are already availing for the periods they are entitled to.

5.3.2 Special Incentives would be provided to encourage local employment generation, entrepreneurship and for setting up of environment friendly industry, especially industry based on local skills, local raw materials and employing local people. Incentives would also be provided to enterprises for improving productivity through technological and process improvements, patenting their inventions and its commercialization. Fiscal incentive by the State Government would also be provided to certain specific categories of entrepreneurs and enterprises identified as 'Thrust industries'.

5.3.3 **State taxes** to be paid by both existing and new industrial units would be rationalized and streamlined. Tax incentives would be graded in accordance to the category of areas where the Industrial unit is located. It would be a conscious effort of the State Government to ensure that the VAT rates are in accordance to the rates prevailing in the adjoining States. The State Government would make all out efforts to ensure that VAT refunds are made in a time bound manner as also strengthen the dispute resolution system for early disposal of cases. For selected Tiny Village industries as may be notified by the State Government falling within the ambit of Khadi and Village Industries upto a defined limit of investment may be exempted from the payment of VAT.

6. SKILL, CAPACITY DEVELOPMENT AND EMPLOYMENT

6.1 Technical Education and Availability of Trained/ Skilled Manpower for Industry

Setting up of modern educational and technical educational institutions, including boarding schools, colleges and universities, ITIs, Polytechnics, Nursing schools, Pharmacies, Tourism Skill Creation institutions, and such related institutions having tie up with recognized institutions only will be given priority in the State.

6.1.1 The Department of Technical Education in consultation with Industries in the State will set up a mechanism of certifying and licensing practitioners of certain identified trades and skills. Such practitioners in identified trades will be licensed so that the investors are assured of the availability of skilled manpower in the State besides assuring employment opportunities to local youth.

6.1.2 The State Level Single Window Clearance and Monitoring Authority will clear all such proposals. Such institutions will be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. The Government may also consider transfer of Government land at a reasonable price to such institutions in public interest.

6.1.3 Where found necessary and expedient the State Government may also consider legislating setting up of Technical education Universities, provided such proposals are received from reputed Educational Societies having adequate and proven financial and educational exposure and expertise. Such institutions will be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. Government may also consider transfer of Government land at a reasonable price to such institutions in public interest. Supply of water and electricity connections to such institutions will be done on priority.

6.2 Entrepreneurship/ Self Employment and Employment to Bonafide Himachalis:

6.2.1 To ensure gainful employment as also promote self employment opportunities and entrepreneurship the State shall introduce Business Studies and Entrepreneurship as regular subjects in the Senior Secondary Schools of the State from 9th class onwards.

6.2.2 The existing Technical Training institutes will be strengthened and each institution will work under a Governing Council, which will consist of representatives of Industry, State Government, and local Zila Parishads. Efforts will be made to encourage Industry to adopt these institutes individually or collectively so as to ensure that the vocational and technical training being imparted in these institutes is relevant and strictly in accordance with modern methodologies and parameters.

6.2.3 The Technical Education Department will create a Data bank and Recruitment Cell for the students of ITI's/ Polytechnics and stay in close touch with Industry in the State so as to ensure employment to these students. They will also make a special effort to introduce special industry specific training programs as may be requested by Industry in these institutions from time to time.

6.2.4 The objective of the State Government is to find a job for every technically qualified student coming out of these institutions every year in the private sector and in units located within and outside the State. To ensure excellence in Technical Education and developing Human Capital, development of Centres of Excellence in Technical Education in the vicinity of manufacturing clusters and active involvement of the private sector would be encouraged. Proposals to set up such centers would be given top priority and clearances given in a time bound manner.

6.2.5 Government will also explore the possibility of converting one existing educational institution into a technical and vocational training institution in every development Block in a phased manner.

6.2.6 Generation of Employment opportunities for local populace, especially the educated, skilled, technically qualified youth of the State continues to be a major objective of encouraging industrialisation in the State. Incentives, concessions and facilities to the industrial units will continue to be available to the eligible units set up in the State only if they employ at managerial level, at least eighty percent of its total manpower and 60% at non managerial level, whether on regular/contractual/sub-contractual/daily basis/ or any other mode from amongst the bonafide Himachalis. Violation of this condition at any point of time will result in withdrawal of incentives and facilities.

6.2.7 With a view to encourage industry which create and provide significant employment opportunities to the local people a special class of Employment oriented Industrial enterprises is being created for the first time which will be provided additional incentives by the State Government.

7. SPECIAL MEASURES FOR PROMOTING THRUST INDUSTRIES

The State government has identified some industries, the promotion of which will be specifically encouraged. Such notified Thrust industries will generally be based on locally available resources as well as environmentally friendly and sustainable. Additional incentives, concessions and facilities will be provided to such units.

7.1. Handlooms/ Handicrafts/ Sericulture Industry:

7.1.1 Himachal Pradesh is known internationally for its handloom/ handicrafts and quality of silk produced in various parts of the State. Steps would be taken to work out a strategy to ensure remunerative wages to handloom weavers and pricing of the handloom handicraft products so as to distinctly differentiate them from machine made products. With a view to support our traditional industry and also to ensure that these are in a position to exploit their comparative factor endowments, become internationally competitive and have a distinct niche market, steps would be taken to create an internationally known and recognized brand for such products. A distinct brand for these products produced in the State using specified raw materials and techniques of production, would be created and marketed in the country and internationally and could be used for all the handloom/ handicraft and sericulture products. The H.P. Handloom and Handicrafts Corporation will act as a nodal agency to promote this brand and to ensure branding of such products produced in the private, cooperative and public sector so to ensure their quality and authenticity. It will be the conscious effort of the Government to enhance wages of the weavers engaged in Handloom production and to upgrade their levels of skills so as to ensure production of the best quality of handloom products.

7.1.2 The State Government would also actively continue to promote development of Centers of Excellence, Service Centre and Training Centre for Handlooms and Handicrafts and local industries with private participation and help to create linkages with Tourism so as to promote local produce/ art & crafts.

7.1.3 The State Government will also actively encourage adoption of cluster of villages and people engaged in these activities by reputed Export houses, designers of international repute and buying houses. To encourage such linkages the State Government would consider providing project specific, need based assistance and support.

7.2 Agro/ Horticulture/ Animal Husbandry & Aqua-Produce Based Industry:

7.2.1 Agriculture and specifically Horticulture is the backbone of our State's economy. It would be the effort of the State Government to consciously plan activities focused on value addition of the Agricultural Horticultural and Animal Husbandry produce of the State and focus on this activity as an engine of industrial growth especially in rural areas of the State. A Vision document for promoting Food processing industries and Agro-Horticultural produce based industries would be separately announced by the State.

7.2.2 Emphasis would continue to be laid on revamping extension services, reduction of wastages, value addition of fruits, vegetables, animal husbandry and aqua based produce, suitable for food processing industry, rationalization of various taxes such as purchase tax, Mandi tax, market fees etc. The objective of the State Government would be to minimize wastages of the Agri-Horticulture produce of the State by encouraging setting up of post management harvest infrastructure and to create value addition facilities at the farm gate and as near as possible to the source of production.

7.2.3 The Vision document on Food processing industry of the State will be addressing issues related to setting up of post harvest management infrastructure like, setting up of cold storages, mechanized packing and grading houses, setting up of ropeways exclusively for the transportation of locally available produce, setting up of Servicing Centres to render farm related management services and services such as maintenance of farm equipment and machineries.

7.2.4 Government will also consider amendment of the State Excise Act to exclude fruit based wines from its purview. The objective is to encourage production for processing also in addition to producing to meet the demand for Table Varieties and off season fruits and vegetables.

8. MISCELLANEOUS

8.1 Focus on promotion and development of MSME and Khadi Sector

The State government will accord top priority to promote and develop the Micro, Small and Medium enterprises including Khadi sector in the state. The products of Small scale enterprises including village enterprises would be given purchase preference. An attractive package of incentives will be provided to such enterprises to provide a competitive edge in graded manner to encourage uniform dispersal throughout the state. Efforts will be made to develop industrial infrastructure at various potential locations to cater to specific needs of this sector. The working of the Facilitation Councils set up in the state will be made time bound and more effective to ensure timely payments of the dues. A cluster development approach will be encouraged for development of these enterprises so as to harness natural locally available resources and skills concentrated in the respective sector depending upon the location. Khadi and village industry would be provided additional incentives .emphasis will be given to increase labor productivity and adoption of the best technologies .Simplification of law and procedures will also be done to reduce their transaction cost .Emphasis will also be given to dove tale relevant schemes of Government of India for the benefit of MSME sector.

8.2 Textile and Garment Sector

Keeping in view the vast employment potential especially for women, textile and garment sector would be specifically encouraged throughout the State. The State is committed to achieve a balanced higher and sustainable growth in the entire value chain of the textile and garment sector from fibre to finished products with emphasis on encouraging setting up of these units throughout the state. Such enterprises manufacturing woven fabrics and wearing apparels will be granted the status of thrust industry enterprises and provided additional incentives.

8.3 Mineral Based Industries

The Government will focus on systematic scientific and environmentally sustainable harnessing of mineral wealth in the state. The state will focus on optimizing the geological potential by way of scientific and detailed prospecting. Value addition of the locally available mineral resource will be encouraged having due regards to the ecology and local environment. To guide the scientific exploitation and development of mining sector the government has already announced its mining policy-2013.The provision of this policy will be made use for the scientific exploitation and development of mineral based industries including.

8.4 Exports:

8.4.1 Special emphasis will continue to be given to encourage Exports by industrial units located in the State. Efforts will be made to provide Exporting units in the State a level playing field as compared to their competitors within and outside the country. With this objective infrastructure required by exporting units will be strengthened and further augmented especially in the Export Promotion Parks set up in the State.

8.4.2 State Government will actively support efforts in the Government or the Private sector for setting up of common facilities like setting up of Bonded Warehouses, Raw Material depots and provision of incentives and concessions for supply of power, labour related issues and taxes.

8.5 Relief for Sick Units:

8.5.1 Emphasis would be laid on prevention of sickness and initiating timely measures for revival of industries. These initiatives could include project specific intervention packages.

8.5.2 The State Government would provide assistance for generation of diagnostic studies on advice of Reserve bank of India and the concerned Bank/ Financial institutions before considering any specific proposal for rehabilitation. Once the finding of the study establishes that the unit could be revived and makes specific recommendations as regards the measures required to be taken, the State Government together with financial institutions involved could consider implementing the relief package provided it involves only restructuring of the finances of the unit and involves no tax/ duties/ levies related concessions. The role of the State Level Inter Institutional Committees in this respect would be focused on initiating timely remedial measures where required. Concessions/ relief under this Scheme will continue to be provided by Himachal Pradesh Financial Corporation and Himachal Pradesh State Industrial Development Corporation Limited to the weak, sick and closed industrial units under their respective schemes of revival/ rehabilitation and One Time Settlement of outstanding loans. The State Government shall continue to encourage HPFC and HPSIDC Ltd., to provide such package of relief/ concessions/ One Time Settlements of outstanding loans to weak, sick and closed industries/ borrowers within their approved guidelines as decided by the Board of Directors of these respective Corporations from time to time.

9. CONCLUSION

This policy statement is an expression of Government's intent and commitment to accelerate the growth of the industrial sector. The State Government is fully aware of the critical importance to ensure directing its efforts towards infrastructure development, promoting and providing easy accessibility, development of related sectors such as power and telecom provision of industrial incentives, simplification of rules/procedures, regulating and making transparent the process of annual inspections and labour reforms. It is our firm belief that Industrial growth of 15 % per annum can be achieved in the coming years in the State as it has the potential especially when our industrial development process is strongly linked with and aimed at establishing a balance between manufacturing, services and agriculture and other allied sectors. We are firmly of the view that employment generation and all round growth is achievable with the presence of a vibrant manufacturing sector. Our objective therefore would be to ensure creation of a congenial investment climate so as to achieve the target of the manufacturing sector contributing at least 25% to the State GDP by the year 2022. Clearly this is an area, which our Government is giving the highest importance. It is our belief that adoption of pro-active policies, which also address the ecological and environmental concerns, would not only spur economic growth in the State but also contribute substantially to the overall economic prosperity and welfare of our people. It is with this clear and emphatic statement of intent that the State Government of Himachal Pradesh sincerely extends an invitation to entrepreneurs, from within and outside the country, to set up their projects in the State. The Government of Himachal Pradesh on behalf of its people assures investors in the State of their whole hearted support.