

OVERVIEW

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ANDHRA PRADESH

The big leap forward

Andhra Pradesh has it all: beaches, hills, wildlife and forests, forts, temples, a large number of Buddhist sites, bird sanctuaries and much more. The government has adopted an investor-friendly, open-door policy for the investor with the State Tourism Promotion Board. It is a one-stop clearance body headed by the state Chief Minister.

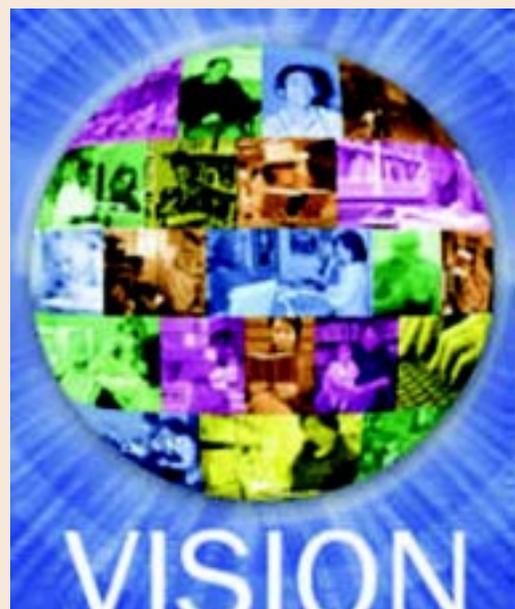
The Andhra Pradesh Vision 2020 Document has identified tourism as a major thrust area for development aiming to raise the annual international tourist traffic from about 1 lakh to 28 lakh by 2020 and domestic tourist traffic from about 4 crore currently to 6.6 crore by 2020. The government is setting up two companies: one to raise capital for tourism projects and the other, to facilitate joint ventures. Investors are assured of a cooperative government and transparent administration.

Andhra Pradesh: Vision 2020

The Vision 2020 Golden Andhra Pradesh document envisages that the State Domestic Product (SDP) will grow at the rate of 9.1 per cent per annum in the next 10-year period. In 1995-96, the state's economy was slightly below the mean of all

states, in broad indicators.

The document which is released by the state government, projects a comprehensive outline of the development possibilities in Andhra Pradesh until 2020. Andhra Pradesh, which accounts for 7.5 per cent of India's population, grew at an annual average rate of 5.3 per cent from 1991-92 to



1996-97, against an all-India growth rate of 6.7 per cent.

Its agricultural growth rate was 3.7 per cent per annum as compared to India's average of 3.9 per cent. In manufacturing, its growth rate was 1.2 per cent as compared to India's average of 9 per cent. Similarly, in mining, Andhra clocked a growth rate of 6.2 per cent as compared to the national average of 1.4 per cent.

In 1995-96, the share of agriculture in the SDP was 34.6 per cent and that of manufacturing 9.5 per cent. In bank deposits too, the state's share is lower than the population percentage, whereas in bank credit it is just close to that of its share in the population.

Andhra Pradesh tries to catch up

In other words, the state's economy in 1995-96 was slightly below the mean national parameters. However, the state had envisaged a programme by which it could leap forward to a bigger and better future. That is where Vision 2020 comes into the picture. It gives a profile of how the state would want to be in the next decade.

The population is expected to grow over the whole period at an average rate of 0.9 per cent per annum. In 1995-2000, the trend rate was 1.3 per cent per annum; in 2000-2005 it dropped to 0.9 per cent; between 2005 and 2010 the number is expected to plunge further to 0.8 per cent while in the next decade the number will go down further to 0.5 per cent.

Clearly, by 2025 or so, Andhra Pradesh hopes to achieve a zero net population growth rate. Its population will stabilise at 90 million by 2025.

Commendable effort indeed

The state's efforts at population control merit international attention. Kerala has been able to achieve a near stationary state in population, largely because of its high social development indicators over a long period. Tamil Nadu is showing commendable performance in population control because of its historical lead in social awareness. Andhra Pradesh seems to have achieved an enviable success in the



demographic sphere for entirely different reasons.

The remarkable reduction in the fertility rate can be traced back to two factors. The first is probably due to the women's movement highlighting several social issues and the political awakening of landless labour in the rural areas. However, more important are the steps taken by Andhra Pradesh towards rapid per capita economic development. Also the government has been able to prove the Malthusian hypotheses wrong. Though it made food available at very low cost to the poor yet there was no population explosion.

According to the government's Vision 2020 programme, the SDP will increase to Rs. 8,03,059 crore in 2020. It is hoped that the growth rate would be 11.7 per cent between the 2010 and 2015 period and thereafter between 2015 and 2020, it will jump to 13.1 per cent.

It may be pointed out here that China recorded an average 9 per cent growth rate for more than a decade. Its growth rate seems to have now fallen to 6-7 per cent. Singapore, Taiwan, South Korea, Hong Kong, Malaysia and Thailand seem to have achieved high growth rates for more than a decade and a half.

If the hopes materialise, the Andhra Pradesh economy will witness the highest-ever recorded trend growth rates in the world for a geographical space as large as that of the state. The projected performance would turn out as one of the greatest economic miracles in world history.

Ambitious per capita income growth rate

The government also envisages a very high per capita income growth rate of 8.2 per cent per annum till 2020. It may be pointed out here that the trend growth rate was 4.3 per cent in the period between 1995 and 2000. Between 2000 and 2005, it



jumped to 7.3 per cent. In the period between 2005 and 2010, it clocked 9.6 per cent and thereafter, it would be around 12 per cent.

The growth rates would increase as the population growth slows down and the size of population tends to become stationary.

Now let us take a look at the projected sectoral growth rates. Agricultural gross value-added was Rs 22,947 crore in 1995-96, 34 per cent of the SDP. By 2020, this is expected to touch Rs. 92,496 crore — 4.03 times that in 1995-96.

Services sector will be a contributing element too

The services sector, the key segment in the projected growth of Andhra Pradesh, contributed to a value-added of Rs. 34,073 crore in 1995-96; by 2020 its value-added is expected to reach to Rs. 5,38,916 crore. The percentage increase is expected to be 15.82 times the level in 1995-96. It would be definitely higher than the overall growth rate of Andhra Pradesh SDP. Also the relative share of the services sector in GDP, at 49 per cent in 1995-96, will rise to 60.25 per cent by 2012, and to 67.11 per cent by 2020.

Knowledge corridor

An important element in the growth of developed economies, like the US and Japan has been the contribution of the



'knowledge worker'. A knowledge worker is an individual with specialised knowledge and skills in fields like software, medicine, accounting or engineering. The more an economy can utilise and attract knowledge workers, the faster is its development. Andhra Pradesh's Institute of Information Technology will create a cadre of software professionals — a large congregation of knowledge workers in the state.

Their presence will be further expanded by the development of the Andhra Pradesh Knowledge Corridor. The Andhra Pradesh Knowledge Corridor will be a large area equipped with the infrastructure required to foster research and develop a new set of IT enabled services, many of which will facilitate the commercialisation of newly-developed technologies.

The Knowledge Corridor will begin at the Hi-Tech City near Hyderabad, where a number of leading software companies will create new facilities.

The corridor will be developed by making large extensions to this area: with the Hi-Tech City at one end, it will extend towards the south.

The state will also develop three new 'zones', each around a world class educational institution that offers specialised education and conducts research in a particular field of knowledge.

Each zone will also have research centres and business estates to spur research and technological development in a particular field.

The Knowledge Corridor will foster activity that promotes economic development through the development or exchange of knowledge and technologies. It will have world-class universities that provide easy access to intellectual capital and continually develop knowledge workers. The corridor will also provide an investor-friendly environment that not only attracts large corporations to set up their R&D centres here but nurtures entrepreneurship and start-ups as well.

Knowledge workers are highly valued and highly mobile, travelling all over the world in response to attractive offers of employment. There are a large number of knowledge workers who are leaving India for employment overseas. There are software developers who are leaving for the US. There are also doctors going to the Middle East. There are numerous such examples of brain drain. To prevent the migration of its knowledge workers, Andhra Pradesh will have no option but to make working and living conditions in the corridor as good as those offered by the best employers in the world.



kilometers. The number of phone lines per 1,000 people (11 at present) will also be increased 15 fold.

To be able to achieve this, budgetary support to infrastructure will also be increased from 18 per cent now to 25 per cent. Private investment will also be invited. Two international and five to six domestic airports are on the anvil. There will be airstrips at all district headquarters.

Making the transition

Transition needs to be made from agrarian to services-led economy. The total investment needed to achieve the targets set is a mind-boggling Rs 30 lakh crore (70 to 80 per cent of which is expected to be raised from private sources). Nineteen sectors have been identified as growth engines to help achieve these targets. The growth engines are rice, poultry, dairy, horticulture, agro-industry and fisheries.

Irrigation efficiency needs to be improved from 35-40 per cent. There must be proper post-harvest storage as 20-30 percent of fruits and vegetables produced are wasted due to lack of proper storage facilities. The issue needs to be looked at seriously.

Investments are being planned in various sectors.

Dairy: It wants to be among the top three milk producers in the country by 2020.

Horticulture: It also wants to become India's leading exporter of fresh fruits and horticultural produce.

Industrial Parks: There are also plans to set up horizontal industrial parks and autonomous boards for major fruits and vegetables.

Fisheries: The aim is to increase fish production four-fold. As of now production is hooked at 2.5lakh tonnes.

Investments are also planned in other sectors like construction, mining, pharmaceuticals, small-scale industries, infrastructure products and labour intensive export-oriented industries. The government also plans to make investments worth Rs 16 lakh crore in roads by 2020.

Road length to be increased from present 1,65,000 km to 4,00,000 km. There will be four-lane super highways that will connect major economic centers of the state to other cities in the country. Eight internal express ways have also been planned. The rail length will also be doubled from the existing figure of 5,073

A logistic hub too

The government wants to make Andhra Pradesh a logistic hub as well. There are plans to build four to six large ports with a combined capacity of 30-50 million tonnes capacity by 2020. The aim is to match logistical capabilities in the Netherlands and Singapore.

The government also wants to draw up an ambitious plan to develop 13 minor ports over the next decade. It is also expected that the ports would handle 200 million tonnes by 2019-20. K.V. Reddy, the Director of Ports, Andhra Pradesh, had told in an interview that the ports "will impart a great impetus to the development of the state." Of the 13 ports, Krishnapatnam and Gangavaram started operations this year, with five berths apiece, and their capacities would be increased in the future.

The Kakinada deepwater port, built in the 1990s by the State Government and managed by a private consortium (Kakinada Seaports Limited), would cross the 10-million-tonne mark this year.



Tourism will also be draw

By 2020, 2.5 million international and 70 million domestic tourists will be visiting the state annually. In 1996, the figures were 60,000 and 33.4 million respectively. The government plans to make it India's most important Infotech education center. It will also attract at least 40-50 of the world's top 500 InfoTech companies to invest in the state.