



Executive Summary

Introduction

The State Development Report (SDR) on Himachal Pradesh focuses primarily on the future.

Himachal Pradesh of today can best be understood in the context of the socio-cultural and economic progress it has made in the past four decades. Analytical studies of different sectors and sub-sectors of the socio-economic development of the state by members of the faculty of Centre for Research in Rural and Industrial Development, (CRRID), Chandigarh and its team of experts clearly show the success achieved in the social sector. As for economic development, the weak financial health of the economy, reflected in the rising fiscal deficit, is disturbing. This has been analysed in depth to make a case for the government of Himachal Pradesh to look for ways and means to exploit fully its existing sources of revenue and to tap fresh sources.

The Chief Minister of Himachal Pradesh, Shri Virbhadra Singh, shared his knowledge and understanding of the problems and prospects of the state in an open interactive session with members of the faculty and experts engaged in the preparation of the SDR. He was confident that notwithstanding the natural, constitutional and traditional constraints, the financial health of the state could be considerably improved and the pace of development accelerated. This would, however, require constitutional and institutional support to the state from central agencies. Placed as it is, the state cannot be economically self-sufficient like its neighbouring states of Punjab, Haryana, Delhi and Rajasthan. The distinctive environmental and geographical characteristics of the state call for an intensive and extensive study to ensure sustainable social development by uplifting and upgrading its human and technical resources which are in abundance.

Social development of Himachal Pradesh is both a precondition and a component of economic progress. It will have to be the primary focus of the next five-year plan for constructing a strong economic base. No other state in the country, except possibly the hilly regions, can provide a suitable model of development for Himachal. A long-term understanding with other states in the region for a common programme of development, can accelerate the pace of its economic development. This report has drawn particular attention to the possibilities that exist in such areas as forests, hydel power and tourism sectors. Other areas could be the management of water, roads and markets. Himachal Pradesh can also take advantage of the advanced educational, technological and medical facilities of the neighbouring states, to uplift and upgrade its own technological human resources. This, as this report shows, does not require investment of resources normally made available by Central ministries and institutions.

Himachal Pradesh cannot compromise on its environmental and ecological status which must be protected. Development in this regard has to be designed in co-operation with other states of the region for mutual benefit. Himachal Pradesh should not try to compete with the agriculturally and industrially developed states of the region, nor allow itself to be the victim of competition from them. On the contrary, entrepreneurs and other stakeholders should look upon Himachal Pradesh as a source of energy. A long-term perspective of interdependence, institutionalised through a Memorandum of Understanding with the neighbouring states, would strengthen mutual planning for holistic development. The overall role of the central agencies, particularly the Planning Commission, would, however, be decisive in realising the full potential of each neighbouring state. This would go a long way

towards improving the financial and administrative health of Himachal Pradesh, and, as a consequence, the quality of life of the people of the region as a whole.

Finally, a distinctive feature of Himachal is the political culture of its people. Their continuing support to national political parties testifies to their sagacity and is also indicative of a social structure which can be protected and developed through its integration with, but not subservience to, economic development. Such a paradigm should surely invite the interest and concern of social scientists, planners, economists, and administrators. Himachal Pradesh, as the Chief Minister emphasised in his interaction with members of the faculty of CRRID, is committed to people's participation in governance through devolution to Panchayati Raj Institutions, which would have to be upgraded and made more efficient.

Himachal Pradesh: A Profile

Himachal is one of the most dynamic hill states of India with significantly high indicators of human development. Its natural resources and physiography, separate administrative identity, and notable accomplishments in literacy hold the promise of great progress. One of the smaller states of India inhabited by Hindi-speaking people, it was granted full statehood on 25 January, 1971. In the 2001 census, the state recorded a population of 60.8 lakh, distributed over an area of 55,673 sq.km. Almost half of this population lives in three districts (among a total of 12) — Kangra, Mandi and Shimla — and 7.54 per cent in the three bottom districts of Lahaul and Spiti, Kinnaur and Bilaspur. The socio-economic base of the state at the time of its formation and even earlier has a bearing on the level of its development. Like other hill areas, it has been neglected in the past because of its peripheral location. Himachal Pradesh started with a weak economic and institutional base and a low level of human skills essential for modern development. The state has tried to overcome this inadequacy by turning to horticulture, power generation and tourism.

Himachal Pradesh now is one of the eleven special category states, eligible for special central assistance. Starting with a growth rate lower than that of the national economy and Punjab and Haryana, the state reversed this trend during the nineties. The per capita income too has been consistently rising in the nineties. A structural change was experienced with a significant decline in the share of the primary sector and a rise in that of the secondary and tertiary sectors. The

percentage of population below the poverty line declined to well below the national average. The thrust of planning has gradually shifted from agriculture and transport to social services, with power generation receiving prime attention. A drastic decline in development expenditure in the state in recent years is highly disturbing. At the same time, spatial equity is being generated by a reduction in the income level and literacy. Regional disparity in industrial development, however, calls for correction. The major challenge before the state is to deploy its human resources effectively for economic development, employment generation and the well-being of its people.

Natural Resources

Land

Given the large expanse of snow-covered, uninhabitable mountains, considerable forest cover and permanent pastures and grasslands, along with the remaining small area under settlements, roads, water reservoirs and so on, the state is left only with a tiny share of land per person, if distributed equally. Hardly 10 per cent of the total area is cultivated; 26 per cent is under forests; and pastures and grasslands account for 24 per cent. Himachal Pradesh can be divided into three broad regions on the basis of land use: i) the intensively cultivated and moderately forested southern region with marginal pastures and other grazing lands; ii) the moderately cultivated and highly forested central region, with enough pastures and other grazing lands; and iii) the poorly cultivated and sparsely forested, northern region with a high proportion of pastures and other grazing lands. Institutional changes for optimum utilisation of land resources are obviously urgent. The transfer of management of common lands from the community to the state has to be reversed, as it has reduced the scope of people's participation in resource management. The State Land Use Board has to be rejuvenated and strengthened to ensure proper land-use by the departments concerned. The unsurveyed parts of the state need to be studied and mapped through remote sensing.

Water

Himachal Pradesh is rich in water resources, with perennial rivers receiving water from snowcapped mountains. The major rivers flow into the Indus basin, except the Yamuna, which flows into the Ganga system. The seasonal concentration of rainfall makes irrigation in Himachal Pradesh essential, but hardly

one-fifth of the cultivated land is irrigated largely because of physiographic constraints. The major rivers and their tributaries form a virtually unlimited hydel power potential. Seasonal fluctuations in the discharge of water, however, necessitate construction of big reservoirs. Only one-fifth of the state's hydel-power potential has so far been harnessed. Efforts are on to make bigger use of this resource in the near future. Fish culture is widespread because of the numerous rivers and streams. The perennial snow-fed streams are suitable for the culture of trout (the most famous sporting species). Properly-managed ponds can yield 2000 kg to 2500 kg of fish per hectare annually. The farmers can be encouraged to adopt the latest techniques of fish culture. An integrated watershed and river basin development programme will ensure regular water supply to the rural areas, augment water supply to the overburdened urban systems and help integrate water, soil and vegetation cover. The following measures are recommended in particular:

- *In situ*-water harvesting on a war footing is essential to maximise the utilisation of rainwater by the habitations, for augmenting drinking water supply and for irrigation on mountain slopes.
- Identification of all micro watersheds/watersheds in each river basin/sub-basin and preparation of their development plans for execution on priority basis.
- Creation of a Traditional Water Sources Cell in the IPH Department for the development of traditional sources of water.
- Large-scale installation of hydraulic rams or hydrams in the rural areas, with government subsidy for needy habitations in hilly areas.
- An extensive programme of installation of deep tubewells for effective utilisation of untapped groundwater to create the necessary irrigation potential.
- Conducting river basin/sub-basinwise estimate of water resources and setting up an Institute of Mountain Hydrology to collect and generate hydrological data base.
- Involving government officials and the public in the planning process to educate them on the importance of developing ground-water resources for sustainable development.
- Involving the NGOs in the collection of data and information on all sources of water and the pattern of their utilisation.

Minerals

According to preliminary investigations of the Geological Survey of India, salt, gypsum, limestone, barytes, clays, mica, iron pyrites, slate and lead are the major minerals of Himachal Pradesh. The geological wing in the state's Directorate of Industries is actively engaged in mineral prospecting. For effective utilisation of all mineral resources of the state, the geological wing must be strengthened for a complete survey of actual availability; fuel and transport links to connect mineral-rich sites have to be established; mining and quarrying need attention to minimise irreparable damage to the environment; and greater care must be taken when mining and dumping waste so that the problems of soil erosion and induced landslides are not aggravated.

Natural Disaster Management

Himachal Pradesh needs to develop a holistic approach to manage the entire gamut of natural and man-made disasters, which include quakes, landslides, avalanches, cloudbursts, flash floods and forest fires. All development projects in the vulnerable areas should be so formulated as to minimise the adverse effects of natural disasters and should be linked with disaster mitigation. A cost-benefit analysis is essential to meet the economic impact of a natural disaster. Linkages between environment, natural disasters and development must be clearly established to mitigate disasters and to improve the environment.

Forestry

The emphasis on conservation and regeneration of forests with the involvement of the communities and others living in and around these areas has led to an increase in the percentage of forest cover from 21.16 in 1991 to 25.79 in 2001. Now a holistic approach is required to reduce the dependence of communities on forests directly, by encouraging the use of alternatives to fuel-wood and timber and indirectly, by raising their economic status. Monoculture should give way to multiple species culture so as to encourage biodiversity at different levels of forest regeneration.

The traditional migration of the *Gujjar* communities with their cattle to the high alpine pastures during the summer and return to the lower hills during the winter, degrades and destroys pasture lands and forests, with consequent impact on soil erosion. Rehabilitation in permanent *Gujjar* settlements has not succeeded because of their mindset. Training and vocational skill-

upgradation, social welfare services for their women and children, coupled with a mechanism to collect their produce are necessary to motivate the *Gujjars* to settle down permanently, so as to prevent degradation of pasture lands and forests. Conservation of medicinal and aromatic plants, very few of which are available elsewhere and perfection of their multiplication techniques should be a major task of the Forest Department, backed by a strong, modern, research-based organisational support. In the changing conditions of global trade, India can successfully face the challenge of better quality and lower priced timber from Malaysia and Thailand through efficient forest management and interdependence and interconnectivity of the forest-producer states and the user states in the country. *Panchayats* should be made responsible for monitoring forest development and conservation.

Medicinal plants of value, which can be propagated in the state, include *Chirata* and *Katki* (for liver disorder), *Jatamani* (for nervous ailments) and Indian Barberry (for digestive disorders), in addition to sea buck thorn and lavender.

Population

Because of the interdependence of population dynamics in the state and events outside, such as spread of private health-care services and in-migration, population planning in Himachal Pradesh must go beyond the elementary goals set in the draft State Population Policy or outlined in Health Vision 2020 and should cover larger issues of human development. In ecologically-sensitive Himachal Pradesh, population and development linkages which envelop environmental concerns have to be addressed satisfactorily. The public health services have to be improved considerably and their optimum utilisation ensured, particularly because the success of the family planning programme also depends on their performance. A major task is to ensure greater private sector participation in the health sector. Greater public participation in both policy formulation and implementation through the Panchayati Raj Institutions, can aid efforts to stabilise the population if the functions, functionaries and funds are used in tune with the expectations of the public at all levels. Creating adequate opportunities for the marginalised groups would help achieve demographic goals. Programme interventions must also adequately address gender disparities. Indigenous data generation is particularly essential in Himachal for reliable, long-term and cross-sectional demographic assessment, policy formulation and a well-focused programme of

intervention. Such efforts demand strong institutional and financial support. Himachal can succeed in maintaining a healthy balance between social development and the pace of demographic development by fully utilising the assets created by achieving a high rank in human development.

Fiscal and Financial Resources

The total revenue receipt of the state has increased about four times between 1991-92 and 2002-03, but the corresponding revenue expenditure has increased nearly five times. This is unsustainable and requires strategic fiscal restructuring of the tax and non-tax base. The debt of the state, including guarantees, has also reached a worrisome high. The increase in the total debt stock and the trend of higher interest payments have resulted in high committed liability, adversely affecting the financial position of the state. The total tax revenue of the state as percentage of the GSDP is persistently low. The committed expenditure on salaries, pensions, grants-in-aid and interest payment has reached more than 116 per cent of its revenue receipts. The balance of the current revenue in each year of the Ninth Plan and 2002-2003 has been consistently showing a deficit and has been financed by borrowings and increased plan assistance. The Plan performance of the state in financial terms has exceeded the approved outlay and transfers by the Government of India have been increasing steadily with current transfers being higher than those of the neighbouring states of Punjab and Haryana.

Hydro Power Potential as a Resource

The income generated from free power as royalty from all non-HPSEB-power generated in the state and its share of the total power generated from Nathpa-Jhakri will constitute an increasing financial resource. This could be further augmented by helping the HPSEB become a well-performing board by breaking even through VRS or redeployment of one-third of its staff.

Public Sector Reforms

Speedy disinvestment or closure of loss-making PSUs is urgently needed for improving the poor financial health of Himachal. Swapping high-interest loans with low-cost loans will reduce the interest liability of the state. The national policy of one-time settlement (OTS) of non-performing assets of loans advanced by the state-sector financing agencies should be implemented and the first charge on such receipts should be the disbursement of retrenchment

compensation under the voluntary retirement scheme (VRS).

Measures for Stabilising the Financial Position of Himachal Pradesh

Measures have to be taken to control factors which have adversely affected the state's fiscal position over the past ten years. The tax collection mechanism should be restructured to plug leakages in revenue collection and increase the revenue from the existing base of taxation by at least five per cent per year over the next four-five years. The swapping of expensive debts with cheaper ones, a targeted reduction in the current expenditure level, minimum reliance on borrowings are measures that can reduce the fiscal stress of the state. A major percentage of the borrowings of the state government has been used to fill the revenue gap. Capital expenditure as percentage of the GDP has declined and revenue expenditure constitutes about 60 per cent of the plan expenditure. The state government should gradually withdraw from several unproductive sectors including unmerited subsidies, but continue budgetary support to social-sector activities that enrich human capital. The Himachal Pradesh government is faced with an unsustainable macro fiscal situation. It has been deprived of the Central revenue deficit grant, recommended by the Eleventh Finance Commission, because of the state's inability to sign the MoU to implement the 'fiscal policy objectives' set forth by the Commission.

Measures for Correcting Revenue and Fiscal Deficits

Measures for correcting the revenue and fiscal deficits to be taken by the state should include: Fixing reasonable caps on public debt and outstanding guarantees; creating a sinking fund and guarantee redemption fund for timely repayment of debts; implementing 'fiscal objectives and reforms', power sector reforms, public sector restructuring programme and budgetary reforms. A Fiscal Responsibility and Financial Management Act aimed at giving the state long-term financial stability by controlling, in particular, revenue and fiscal deficits should be enacted. Greater attention must also be paid to additional resource mobilisation for the Tenth Plan (2002-07). The revenue of this high per capita income state has the potential to go up much higher than that projected in the Tenth Plan. The state's representation to the Central Government for a tax on hydro power generated in the state is justified, to help augment its income from the sale of the state's share of free power as

already envisaged. User charges for higher education, medical education, technical education and secondary health service, drinking water, sewerage, etc., are an untapped but justifiable source of resource mobilisation.

Education

From the lowest literacy level at the time of independence, Himachal today ranks 11th among the states and UTs in India. Its literacy rate was recorded at 77.1 per cent as against the national average of 65.4 per cent in the 2001 census. Education receives priority in the state and allocation of resources is much higher in Himachal Pradesh than in Punjab, Haryana, Kerala and at the all-India level. The age-specific enrolment rate is also much higher. The state has also reduced its dropout rates considerably up to the elementary level. Despite fairly adequate teacher-pupil ratio at all levels, absenteeism of teachers and untrained teachers (at the primary level) has affected the quality of education. The present mode of teaching/learning is a matter of concern when one considers more than 50 per cent failure rate at the matriculation level and 60 per cent at the 10+2 level. Very few children go in for higher education and a large number of those who do, select general courses instead of technical/professional education. Efforts must be made to motivate students to opt for such courses to bridge the existing gap between the skill-type being produced and the actual demand in the market. Himachal Pradesh should formulate its own 'Education Policy' with priority to its specific requirements to create suitable manpower to harness the available natural resources and the vast hydel potential in the state. The state should focus on pre-service/in-service teacher training and provide a suitable guidance and counselling mechanism to assist the students to seek admission to courses suited to their aptitude and interests. It is important to introduce new courses and upgrade some of the existing institutions and promote interaction between industry and the institutions.

Health

From virtually primitive medical and health facilities at the time of its formation, Himachal Pradesh has made considerable progress with focus on the development of the Indian system of medicine and homoeopathy (ISM&H), particularly *ayurveda*, and by ensuring greater community participation through the Panchayati Raj Institutions (PRIs). The health infrastructure of the state today includes, among other

things, two medical colleges, 50 general hospitals, 66 community health centres, 441 primary health centres, 2067 sub-centres, two regional *ayurvedic* hospitals, 20 *ayurvedic* hospitals, and 1,109 *ayurvedic* health centres. A great deal remains to be done for providing tertiary health care services and a wider and varied health management system, including both public and private effort. Outlay and expenditure on health has been uneven over the years and has been receiving priority since the Eighth Plan. Morbidity records in Himachal are inadequate. Available data indicate that the health problems that the state faces are high morbidity, particularly among the aged and acute respiratory and intestinal infections. A large percentage of women and a majority of children continue to be anaemic, with many chronically undernourished. Most of the deliveries take place at home, mostly attended by a traditional birth attendant. The number of HIV-positive cases and AIDS patients is rising. The public sector plays a crucial role in all spheres of health and allopathy is the most preferred system.

Himachal Pradesh has to reach parity in provision and quality of health services at all levels, with the neighbouring states of Punjab and Haryana. The health care system of the future should be more scientific and technologically advanced, with better services through selected health-sector reforms. Immediate state interventions are necessary for the vulnerable sections, and for bringing about an attitudinal and behavioural change regarding the reproductive health of women. Greater inter-sectoral and inter-departmental co-ordination would ensure effective and optimal utilisation of the existing and future health-care programmes and increased public awareness towards healthy practices.

Nutrition

The nutritional status of the population of Himachal Pradesh reveals that the percentage of underweight children at birth has gone up from 28.2 in 1992-93 to 35.1 in 1998-99. Malnutrition persists among 43.6 per cent of the children under three years. No less than 30 per cent of the women in the 15-49 years age group are chronically energy-deficient. This is the highest figure among the neighbouring states of Punjab, Haryana and Jammu & Kashmir. Thus, nutrition planning for Himachal Pradesh has to take into account the diverse structure and composition of its population and differences in food needs. The state should adopt a SMART (S- Sustainable, M- Manageable, A- Actionable, R-Reliable and T-Time bound) action plan for nutrition, covering a nutritional surveillance and monitoring

system. New nutritive care institutions need to be established at various levels and the existing ones strengthened. Nutrition-rich local foods need to be identified and their production increased. *Anganwari* Leaving Certificate should be made mandatory for admission to a primary school and there should be networking with school authorities to enhance the nutrition level of the children and a cost-effective public distribution system providing a wider range of nutritious products.

Gender Empowerment

Himachal should use its high position in the Women Empowerment Index among 16 major states to reduce some of the weaknesses that continue to exist. Special efforts should be made to provide education to women and girl children belonging to the Scheduled Castes and Scheduled Tribes. As women are highly concentrated in lower cadre jobs, the participation of women needs to be promoted in decision-making positions. Special measures are necessary for the speedy disposal of cases of crime against women and for the proper rehabilitation of war widows. For effective participation in grassroots democracy, women members of the Panchayati Raj Institutions must be trained and encouraged to participate in all their activities, including contesting elections to various positions. Women need to be involved actively in social forestry and farm forestry activities through formation of self-help groups, provided with economic support and the necessary training. Himachal should formulate a Women Empowerment Policy (WEP) to integrate women effectively into the process of development. A Women's Resource Centre (WRC) should be set up to act as a documentation and information dissemination unit and conduct capacity-building programmes and other activities, aimed at raising the status of women.

Agriculture

A concerted effort has to be made to overcome the limitation that agriculture suffers because of the physiographic characteristics of Himachal. Agrarian reforms are needed to boost agricultural and horticultural production in the state. The existing potential for improving the land-use pattern and minor irrigation schemes has to be fully realised and emphasis given to dissemination of suitable and practical technologies which are available. Urgent measures are necessary to make available quality and certified HYV seeds of different crops to a larger number of farmers than at present. The pattern of land use has to be

changed to ensure availability of land for commercial cultivation, mechanisation and wider use of agrochemicals. Land reforms, with the possibility of large holdings would encourage contract and commercial farming with corporate investment, thereby increasing productivity. Himachal must encourage minor irrigation and watershed development wherever possible. The micro hydel projects for power generation should be integrated with irrigation projects, for rapid increase of the state's irrigation potential and for bringing drought-prone areas under improved cultivation. Rainwater harvesting and water conservation must be encouraged. Given the advantage of topography and climate, where all kinds of crops can be grown, there is scope for changing the excessive cultivation of foodgrain crops to greater emphasis on vegetables and other crops with potential for good productivity and higher returns. This demands investment in modern technology and management inputs, as also growing exotic vegetables, with support from extension agencies and agricultural universities.

Since the agro-climatic conditions of the state are ideally suited for horticulture, all efforts should be made to extend the area under quality fruits and vegetables. Some caution has to be exercised with regard to diversion to new crops that demand higher technical inputs to achieve economic productivity. Extra attention should be paid to improving the quality and productivity of the existing fruits through professional management, new technologies and infrastructure back-up, particularly for cost-management and securing best quality rootstocks, seeds and tubers from the international market and their multiplication through tissue culture. For effective implementation of such policies, the management of horticulture produce should be transferred to the Horticulture Department from the Marketing Board. Economic gains from flower cultivation require strong infrastructural support for marketing, including an international airport, and extensive cold storage and roads network, all of which are lacking. Nevertheless, taking advantage of climatic factors, professional flower cultivation, leading to production of seeds and bulbs/rhizomes, can be profitable, especially with the production of cut flowers for the nearby markets. Concerted efforts are needed to organise tea plantations on a commercial basis, with support to extensive cultivation and processing on modern lines. Medicinal and aromatic plants need special attention, as these are valuable for health or cosmetic use and also are foreign exchange earners. A full package of practices for the cultivation of commonly

used medicinal and aromatic plants, without over exploitation, should be developed and popularised among the farmers, with assured marketing by government or private agencies.

Organic Farming

Small farmers, who do not use chemical fertilisers, can be helped to increase production and incomes through organic farming, particularly vegetable and fruit cultivation, besides tea. Technological and management inputs must be provided by the agricultural universities and the Department of Agriculture. Urgent measures are necessary for the extension network of the universities and the Department of Agriculture and Horticulture to reach the farmers with modern technology, appropriate seeds and other inputs. Infrastructural facilities have to be developed to provide for cold storage and quick marketing of perishable foods and their processing.

Livestock

Nineteen out of every twenty households in Himachal Pradesh keep at least one of the livestock species, especially cattle, goats and sheep. Their productivity is, however, inordinately low. A two-pronged effort, involving both conservation and improvement of the indigenous breeds and crossbreeding on a large scale, is required to improve the situation. The government's proposal to arrange veterinary services through the private sector might not be economically viable, because of the topographic conditions, scattered habitations and the practice of transhumance. The experience of the Dagshai Army Dairy Farm of mixing apple peel with the feed, to increase the daily milk yield of cows, could be adopted in apple-rich Himachal Pradesh as part of the feed management for improving the quality of the livestock. Scientific research should be conducted for upgrading the alpine pastures and the quality of grass in village common lands. Training courses for proper management of livestock at the household level, particularly for women, need to be organised through the local Panchayati Raj Institutions. These measures call for co-ordination between different government departments concerned, in particular the Department of Biotechnology and veterinary science education institutions.

Rural Development

Successful implementation of various strategies and projects have made a dent in rural poverty in Himachal. Availability of basic amenities and rural infrastructure has improved considerably. The state government has

been generally following the planning strategies evolved by the central government.

Rural Development and Panchayati Raj

The state government has devolved powers, functions and responsibilities for 15 departments to the PRIs, mainly for the planning, execution and monitoring of schemes. The *panchayats* are empowered to hear and decide cases relating to minor offences under the Indian Penal Code (IPC). They have been given powers to report on the physical attendance of grassroots level functionaries. The social factors that dominate the style of living and working of the state are in some respects better than the standard prevailing in the country as a whole, but they need restructuring, particularly in the areas of rural education and industrialisation. Attention also needs to be paid to specific problems of rural Himachal and to the introduction of modern-technology-based industries and micro-planning at the *Panchayat* level to provide for gainful employment and utilisation of local resources and indigenous skills. Information technology will have to be made an integral part of the future development process of Himachal, particularly for generating and maintaining a database for use in decision-making down to the village level. In this context, information technology must be part of the training of the rural youth.

Himachal has already taken measures to promote people's participation in development works, under various schemes. Further efforts, however, have to be made to activate the *Gram Sabha/Ward Committee* to ensure participation of the people from all sections of rural society. Wider access to a variety of information, necessary for rural development, has to be ensured, as also exchange of experiences among different local bodies at different levels. For continuing and making further advances in people's participation in development, the subject should form part of the curriculum of institutions training elected representatives of local bodies and government departments.

Public Distribution System

A number of public distribution schemes have been functioning in Himachal. A study of the utilisation of PDS and consumer satisfaction, conducted by CRRID in some parts of rural and urban Himachal, has revealed some inherent weaknesses of the system and its utilisation, mainly by APL families. The PDS in Himachal Pradesh is catering to the foodgrain needs of BPL families. However, the needs of the poorest of the poor cannot

be better served unless E mistakes "Exclusion of deserving" and I mistakes "Inclusion of non-deserving" are avoided. There is scope for more effective utilisation of the PDS, through careful categorisation of the beneficiaries through effective participation of local institutions including the PRIs. Efficient self-help groups could also be utilised for implementing the PDS, including the running of fair price shops.

Industry

Himachal has only two industrially developed districts — Solan and Sirmour. As the remaining ten are industrially backward, the state faces the challenges of decentralising industry by providing necessary financial support, technical inputs, and marketing facilities. This refers particularly to small, tiny and cottage industries, which hold the key to large-scale employment generation and expansion of the economy. The possibility of the New Industrial Policy, 2003, notified by the Government of India, attracting a large number of entrepreneurs to the periphery of the adjoining states of Punjab and Haryana can make the state complacent. It should keep in mind that the new units might not be sustainable, being incentive-linked. Necessary pre-emptive steps should be taken to ensure the sustainability of such units.

As an effective facilitator, enabler and co-ordinator, the state government must promote public-private partnership. It must also harness financial institutions and industrial development agencies for modernising the existing infrastructure and creating new technical facilities. 'Rural industrial clusters' in the backward areas, with centralised facilities and Agri-Export Zones (AEZs) and Export Promotion Parks in the developed areas would open opportunities for new units with prospects of long-term sustainability. A suitable monitoring system is necessary for timely detection of sickness in the SSI sector and taking early preventive and remedial measures. Skill upgradation and training linkages between the industry and the technical institutions and setting up of new research and development centres should be encouraged. In particular, in-house R&D and training centres should be set up in large and medium industries. Graded incentives, in favour of the industrially backward districts and small and tiny industries are the need in Himachal.

Infrastructure

Infrastructure development is particularly important and also a challenge in a hill state. The tremendous hydel power potential of the state has yet to be fully

harnessed to meet growing development needs. It is not a power-surplus state. Being a seasonal power producer, it sells power in summer and buys in winter. For the overall economic development of the state, the State Electricity Board must reduce its cost of production by improving generation-efficiency, and cutting transmission and generation losses. Efficient generation, particularly through renovation and modernisation, could reduce the per unit generation cost and as a consequence bring down the 'manpower cost' by cost-effective deployment. While unbundling generation, transmission and distribution through immediate implementation of the Electricity Act 2003, the state must take immediate measures to equip the SERC to fulfil its expanded statutory role. It may seek central government notifications on a national policy for permitting stand-alone systems on decentralised purchase and distribution in rural electrification. There is need also for steps to ensure that mini/micro hydel schemes are kept out of CEA purview, to facilitate quicker decision-making. Such reforms can be successful only through the people's and employees' participation, particularly because the efficiencies take time to establish, and the benefits to reach the consumer. Himachal should also come to a long-term understanding with Jammu & Kashmir, Punjab, Haryana and Delhi to integrate the varying seasonal demands and supply requirements for mutual financial benefit. Major initiatives to initiate the reform process should be started without delay.

Transport

The transport sector in Himachal Pradesh has assumed key importance to meet the construction demands of the hydel power projects and widespread, balanced industrial development, particularly to meet the need for quick movement of material and short-life agricultural and horticultural products. An efficient transport network is also essential for the success of the tourism industry.

Though Himachal is the leader in road development among the hill states, it has yet to implement its own targets and meet its requirements. Only half the roads are all-weather roads, large stretches are unmetalled and of inferior quality with poor compacting and drainage. The road system is totally inadequate to meet the needs of the greatly expanded tourist industry which has to become a dynamic component of the economic development of Himachal. In this context, it is necessary to emphasise the importance of taking adequate care to preserve the environment of this beautiful hill state when constructing roads.

The operations of the HRTC, which has a wide reach in the state and in the neighbouring states of Punjab, Haryana, Rajasthan, Uttar Pradesh, Jammu & Kashmir, and the Union Territories of Chandigarh and Delhi, are of tremendous importance for linking distant areas within and outside the state for its all-round development. It can fulfil its potential role in the coming days only if it is run as a profitable commercial unit. This calls for aggressive technical training programmes. Equally important is to improve safety and bring down maintenance and operational costs, rationalise the staffing pattern, including redeployment in other government departments, increase kilometres per bus per day, and render punctuality to lift occupancy ratios. Vigorous pursuit of the initiatives already taken to improve the service and reduce the cost should be the motto.

Attention also needs to be paid to the expansion of the railway system as part of the new strategy for the development of Himachal Pradesh. The ongoing line-works should be completed without delay. The state needs to encourage containerisation for direct shipping of agro-products to international markets. With Himachal's vision of a high growth curve, alternative means of transport must be developed to take the pressure off the roads; otherwise tourists will simply not be able to reach, and goods delivery schedules will go haywire. The possibility of using ropeways, onward air linkages to the existing airports by helicopters and introduction of cable cars for tourists must be evaluated. Himachal must be ready for the future and set up a multi-modal transport plan, woven into a logistics plan to provide efficient transport. Cargo containerisation must form an important element of this logistics plan. Special Purpose Vehicles (SPVs) for investment in project-specific transport systems should also be evaluated to enhance the transport capacity for bulk moves and prevent serious traffic bottlenecks in the existing system.

Information Technology

Recognising its role in socio-economic development, Himachal Pradesh engaged NASSCOM (National Association of Software and Service companies), a premier national body, to suggest a plan for developing the IT industry in the state. The state government has accepted the recommendations of NASSCOM. Himachal has made some progress in the implementation of its IT policy during the last three years, but there is a huge gap between the recommendations made by NASSCOM and the

achievements. This is probably because of the widening resource gap in terms of financial allocations made by the state government and the availability of human resources. The projections for the IT industry in Himachal Pradesh by 2009-10 need to be reduced to one-third of NASSCOM recommendation. Even to achieve this target, the government must aggressively market the infrastructure and create an atmosphere conducive to setting up an IT industry in the state and develop quality human resources for it by upgrading the professional level of the existing training facility to meet international standards. An Indian Institute of Information Technology should be set up for this purpose. The state must also monitor the quality and standardisation in both government and private institutions. It must take every measure for the use of IT in rural development through Community Information Dissemination Centres (CIDCs). IT should also be used for setting up an education network in the rural areas and implementing e-governance in a holistic and integrated manner.

Tourism

The tourism policy of Himachal recognises the endless possibilities of its development as an important labour-intensive sector, capable of making a larger contribution to the state's domestic product. It has identified important areas of action for expanding the scope of tourism, breaking seasonal and destination barriers. It favours the entry of the private sector, alongside the HPTDC. Unfortunately, the follow-up of the policy is inadequate and demands development of new tourist attractions, change in the land policy to encourage tourism entrepreneurship and aggressive marketing and advertising policies in this regard. It also calls for early action to market the wider scope of tourism, location-wise and for all seasons, and to improve the quality of the services at every level of contact with the tourist. The tourism sector has to be seen as an industry, re-orienting its entire philosophy to a marketing concept, focusing singularly on the customer, that is the tourist. It is important to realise that the development of Himachal will take place as a by-product of viewing the tourist as a customer. In a larger context, Himachal Pradesh should take the lead in looking at Jammu & Kashmir, Punjab, Uttar Pradesh, Haryana, and Delhi as an area with large possibilities of regional co-operation. These states have some of the best economic indicators in India and they can participate in a regional plan for power and transport infrastructure to their mutual benefit.

Urban Development

Although only one-tenth of the state's population is urban, yet all is not well with the quality of life in the urban areas. There are serious deficiencies in the urban infrastructure, mainly because of the poor fiscal health of the ULBs. Disparities in the level and quality of the infrastructure between the small and large towns are expected to increase in the future because of the planning bias in favour of the latter. Plan outlays for urban development have been inadequate. The coverage of water supply and sewerage systems should be enhanced. Common waste treatment facilities would help small and medium ULBs overcome financial constraints for creating such facilities. Specific funds should be provided for the maintenance of municipal roads and streets and the Central Finance Commission and the Tourism Department should fund augmentation of parking facilities, especially in towns with a heavy tourist influx. Other municipal services should also be upgraded. The Himachal Pradesh Infrastructure Development Board (HPIDB) should invest the specific-purpose funds raised by it in identified critical sectors of urban infrastructure.

The traditional sources of municipal income have been grossly inadequate, because of the lack of fiscal discipline among the ULBs, poor autonomy to raise resources, stagnation in most of the sources of tax and non-tax revenues and higher municipal expenditure on establishment. Budgetary allocations, fiscal transfers and grants, have also been inadequate to meet the growing needs of the urban infrastructure and need to be enhanced, backed by monitoring and regular evaluation/assessment of the CSSs for their effective implementation, better utilisation of grants and greater quantitative and qualitative impact on the quality of life in the urban areas. The dependence of the state on the central government is increasing due to poor revenue generation at the local level and the increasing non-development expenditure. The changing urban scene and the financing mechanism demand diversification of revenue sources of the ULBs and mobilisation of non-budgetary resources including external aid for urban infrastructure. With the implementation of the reforms, the state could take advantage of the Urban Reform Incentive Fund (URIF) and the City Challenge Fund (CCF) for financing urban infrastructure.

There is need for a state level *urbanisation strategy* and *urban development/urban infrastructure policy* for overall planning, monitoring and securing alternative financial resources in the urban areas of this

ecologically sensitive state, for sustainable development of urban infrastructure and municipal services. The strategy/policy should comprise long-term city/environment-friendly goals such as empowerment of the ULBs by transferring funds, functions and functionaries and adequate urban infrastructure/services. Proper land use/development is necessary to promote eco-friendly sustainable development of urban areas. Environment conservation should be a major thrust area for the urban policymakers and stakeholders in infrastructure development. The development of commercial areas, industrial focal points and new towns should be allowed to grow in harmony with the surrounding environment, and ecologically sensitive areas should not be affected by their activities. Suitable institutional, legal, legislative and managerial environment should be created to promote rationalisation of user charges, accessing the capital market in the form of municipal bonds and maintaining the services with a greater role for the private sector. Municipal financial reporting, budgeting and accounting practices should be upgraded to promote better urban management in the state. The functioning of local self-government institutions at various levels should be strengthened. The major functions listed in the Twelfth Schedule should be transferred to the ULBs, along with funds and functionaries. People's participation must be promoted for development and maintenance of community infrastructure. The urban development policy must emphasise capacity building of the elected and appointed functionaries of local self-governments and other officers responsible for urban governance/infrastructure development.

Employment

Though the NSS unemployment rate of three per cent in Himachal is lower than the seven per cent in India, it has been increasing. It is higher in the urban areas, especially for women. Higher productive employment has to be generated in the rural areas through conscious policy intervention. The lowest growth of employment in the state, despite significantly high economic growth, indicates lack of strong linkage between growth and employment. Appropriate intervention in the industrially advanced districts is necessary for enhancing employment opportunities. In the backward districts, employment should be generated through productive use of the local resource base. The major challenge is the replacement of the existing low-quality jobs with high-quality jobs. Appropriate employment opportunities have to be created to face the

serious problem of educated unemployment. This demands a fresh look at the present education policy for manpower planning.

Though the rate of female work-participation has been high in the state, much of the work is in a subsidiary capacity in low productivity activities, mostly self-employment in the agricultural sector, which suffers from severe underemployment. Efforts need to be made to provide employment to women in non-farm activities. The private sector has to be encouraged for the generation of employment in the state removing various bottlenecks that exist. Simultaneously, adequate policy steps have to be taken to promote self-employment. Excessive dependence on the agricultural sector has to be reduced for better quality of employment and incomes in the non-agricultural sector. Improvements in the fast-expanding service sector can create quality employment. Extensive economic and social infrastructure development is the need of the hour. Private investment needs to be encouraged in extensive economic and social infrastructure development. Expansion of village industries will ensure an increase in income levels and the quality of life of rural workers and craftsmen. For this, the KVIC programme needs restructuring to enhance the design and quality of its products. The unorganised sector assumes greater significance for future expansion of employment, as the growth of employment in the organised sector has substantially declined. However, to promote wage- and self-employment in this sector, its different needs, especially finance and marketing, must be met. ITIs and other technical institutions need upgradation and modernisation to absorb the large unmet need for vocational training to new entrants to the labour force. Specialised higher technical education has to be strengthened to enable the technical manpower to take advantage of the opportunities in the international labour market. Institutions like IITs and IIMs, which are known for the quality of their talent, need to be promoted. Appropriate manpower planning and judicious use of human resources need to be ensured. A higher investment rate, along with increase in efficiency of capital use, is essential to ensure growth-led employment generation.

Wages and Prices

Assuming that the actual minimum wage of Rs. 26 per day in Himachal Pradesh in 1995-96 was as desired, its continuance till 1999-00 was below the desired level of Rs. 39.23 per day (calculated using CPIAL). The actual minimum wage was raised to Rs. 51 per day in

2000-01 against the notional desired wage of Rs. 40.24 per day. It was a commendable social welfare measure by the government. The revision of the minimum wage, however, has not been regular. The increase in the real wages of workers, other than agricultural labourers, has also been far less than the warranted wage. Although labourers in Himachal Pradesh are better placed than at the all-India level and in the neighbouring states, unskilled labourers are most vulnerable to rising prices. This applies more to unskilled women labourers.

With fundamental changes in the labour market in the name of globalisation, wage determination cannot be left entirely to the interplay of market forces. Government intervention is necessary to provide social security at least to the least privileged sections of society, particularly when a majority of the population is engaged in the highly unorganised agricultural sector.

Science and Technology

While the state has undergone transformation from subsistence agriculture to commercial-horticulture based development, in the last 30 years this has also created problems of depleting forests, increasing pressure on common property resources and deterioration in the quality of water and air.

There is need for a major input of science and technology, not only for correcting such distortions but also for invigorating every sector of the economy and society. Science and technology in Himachal Pradesh has special relevance for organic cultivation of appropriate species of medicinal plants, remote sensing of crop acreage and production, use of solar passive construction technology for buildings and industry, status assessment of roads and bridges, communicational connectivity between dispersed settlements, and identification of optimal locations for industry.

Sectoral Perspectives and Development Strategy

The territorial evolution of Himachal Pradesh from a patchwork of feudatory states to full statehood in 1971 has had a profound influence on the structure and style of its politics and administration. This also defined the priorities and pace of development in different phases. Himachal has the potential to emerge as a 'model' hill state in terms of just socio-economic development, effective decentralised polity and efficient e-governance. This would demand a 'modern' hill state culture represented by the best quality of physical and social infrastructure; a combination of a highly diversified

farm economy, industrial clusters, tourism circuits and hydel-power complexes; an investment climate which is conducive to the entry of multinationals, in particular; and a society responsive to the emerging global scene. Himachal has to enhance its natural endowment to build a 'beautiful' state through professional management of land use and its landscape. It has also to emerge as a 'local governance' state, with development based on local resources, requirements, aspirations, adaptive technology and above all salience of the people. The state also has to cohere to tradition and modernity meaningfully, to invigorate the native culture.

For enunciating an effective development strategy for Himachal, the specificities of the state have to be understood. These include its disposition as a macro-watershed for the entire northwest region, the history of frequent and extensive changes in its territorial contours, and dependence on liberal financial assistance from the Centre. Political stability, which gave continuity to the development process and ensured minimal caste and class conflicts, led to relative efficiency of governance, with easy access of the people to those in political power or the administration. A large number of in-service army personnel, as also ex-servicemen, generates an inflow of sizeable financial resources through remittances and pensions. This is further augmented by a tradition of male out-migration in search of employment in the organised sector, public or private. Himachal Pradesh has come to be assessed as a 'trailblazing success story in human development and social infrastructure scripted by a remarkable synergy between government initiative and community participation'.

This success story is not without its problems and constraints. The per unit cost of development is high in Himachal Pradesh due to the peculiarities of physiography, population distribution and long distances. This adversely affects public access to health, educational, administrative and other services. Its climate, though highly conducive to the promotion of tourism, horticulture and forestry, has negative features affecting the daily life of the people, particularly causing seasonal isolation in some parts. Natural disasters in the form of landslides, flash floods, and even earthquakes are not infrequent. Forests, a natural wealth of Himachal Pradesh, are no longer a source of non-tax revenue because of the legal restrictions on their harvesting. These are to be preserved for the sake of the ecological health, not only its own but also of the neighbouring states. The minerals in the state,

particularly limestone, cannot be fully exploited because of the constraints of transport and concern for ecology. Its water resource, as a source of hydel-power, is not easy to exploit because of the need for massive investment, large rehabilitation costs and extensive damage to the forest cover. The scattered pattern of its population increases the cost of public utilities and basic services. Finally, its distance from the large and lucrative markets of the country and a highly dispersed and small internal market are disincentives to investment from outside.

Taking into consideration the strengths and weaknesses of the specificities of Himachal Pradesh and the level of socio-economic and political development achieved, it is now possible to identify the core concerns of the state. These include a progressive rise in the standard of living and the quality of life of the people; correction of fiscal imbalance; acceleration in the implementation of hydel-power generation projects; diversification of subsistence agriculture towards horticulture, with enhanced productivity; dispersal of horticulture to new areas; and promotion of tourism. Additional imperatives include generation of employment opportunities, especially for the educated youth and ex-servicemen; upgradation of the quality of service provision; sustaining ecology; and strengthening grass roots institutions.

Governance

It is ultimately the quality of governance that determines the functional quality and dynamics of every system. Although, Himachal Pradesh has a relatively committed and efficient administration, adoption of the new economic policy and structural reforms have made reinvention of governance critical. The opening of the economy to a competitive culture in the spirit of globalisation is posing an additional challenge. The effort of the state at present is, however, piecemeal. It needs a holistic perspective and integrated approach through the establishment of an 'Economic, Fiscal and Administrative Reforms Division' for co-ordinating and monitoring the reforms. Some specific tasks for governance in Himachal Pradesh include: optimal utilisation of development funds; investment of surplus capital generated in the apple belt; wider induction of the private sector in the economy; and training of the youth towards self-employment by providing them with necessary facilities. A reform of the administrative map of the state needs consideration. This calls for rationalisation of the boundaries of the administrative areas, such as districts and development blocks, and

resiting of highly scattered habitations in remote areas to some planned central locations. The latter strategy will economise on the provision of services and reduce the cost of development.

The prominent rivers, either originating in or traversing through Himachal Pradesh and being the source of water and power to its neighbouring states as well, is a reality that needs to be at the centre of any effort at harnessing and enhancing interconnectivity between and among the states involved. This is a situation of both competition and complementarity. Himachal must weigh its relative strengths and weaknesses in each specific case of relationship with its neighbours and devise appropriate strategies. The interconnectivity already established among some of the emerging dynamic centres of industries in Himachal Pradesh, Haryana, Punjab and Chandigarh need to be carried forward through organised collaborative efforts. Every care should be taken to see that this process of collaboration does not lead to the domination of the stronger economy over a relatively weaker one, but is of mutual benefit.

A Northwest Council, on the pattern of the Northeast Council, would help in designing development projects for member states in a co-ordinated manner. This will facilitate preparation of an integrated and sustainable regional plan for the constituent states.

Salient Messages

These, as distilled from the foregoing discussion and can be succinctly put as follows:

- Politico-administrative peculiarities of Himachal Pradesh demand a continuing big role for the state, but future investment in development depends largely upon the private sector. The state has to acquire professional competence in managing the private sector and privatisation.
- Factors of topography, scattered pattern of habitations, and distances make the involvement of Panchayati Raj Institutions indispensable for effective and sustained development. Simultaneously, the elected members need to be trained regularly for their capacity building.
- Bio-business, based on medicinal and aromatic plants, particularly lavender *kutki*, *jatamansi*, and *sugandhwala*, calls for promotion on a priority basis. In addition, extension of area under bamboo can prove a gold mine for the state.

- Entrepreneurship, as against the urge for government jobs, should be generated and nurtured among the educated youth.
- The existing land policy has to be changed for attracting external investment, especially in industries, tourism and hydel projects.
- The watershed principle is most appropriate for organisation of space for administration and development. The boundaries of the districts and blocks should preferably coincide with those of the watersheds.
- A sub-regional perspective internally and an extra-regional perspective *vis-à-vis* the neighbouring states, are imperative for the state's integrated development.
- The role of science and technology is emerging as paramount for the preparation of watershed plans, identification of appropriate tourism sites, and assessment of glacial retreat; use of bio-fertilisers in horticulture; and promotion of interconnectivity between various localities and government departments.
- A review should be made of the existing legal provisions relevant to different sectors, and all cases that restrain the development process should be revised.