

# A 7-Point Strategy for Uttaranchal<sup>1</sup>

**Dr. Rajnish Karki**

**RAJNISH KARKI & ASSOCIATES**

01 Gateway Plaza  
Hiranandani Gardens, Powai  
Mumbai 400 076, INDIA  
+(91-22) 5692 2713/2712  
[rajnish@karkiassociates.com](mailto:rajnish@karkiassociates.com)

The state of Uttaranchal comes into being, when India as a nation and the world at large, are going through fundamental shifts in the premises of economic development. It's a historical opportunity and at the right time – India is now closely aligned with the global economy, internet and information technology have turned locational factors on their head, a global order based on meritocracy and economic competitiveness has emerged, and it is possible to jump several stages in economic development.

Though economic reforms have covered considerable ground at the union level, the progress is tardy and patchy at the states level. Most of the states range low, in terms of either the willingness to reform or the ground covered. Lack of encumbrances of past can be used as a major advantage, and Uttaranchal should unequivocally adopt and commit itself to the new 'market oriented – globally integrated' economy. This would help Uttaranchal steal a march over other states, and position itself as the one best placed to foster and benefit from the new economy. Another global pattern that can Uttaranchal can ride upon, is the shift from manufacturing to services, as the primary engine for economic development in the emerging or new economy.

Uttaranchal will be a small state, with a population of about 75 Lakhs spread over 13 districts. It is economically and socio-culturally homogenous, with no major disparities. Smallness can be a major advantage, as it can position itself as comparable to countries like Ireland and Taiwan; and coherence helps in avoiding compromises and in sustaining a chosen path. It is currently placed in the lower rungs of economic and human development.

A seven-point strategy can help Uttaranchal leapfrog in the coming years.

---

<sup>1</sup> Published in 'Edit Page' of The Economic Times dated 28<sup>th</sup> October 2000

- **Position as a world class ‘services based’ economy** The services sector provides the best possible opportunity for Uttarakhand, because of its good climate, pollution free environment, availability of educated manpower, and work ethics. The services sector is also expected to be highest growth area in the Indian and global economy during the coming decades, and it has high employment content and lower investment requirements. The focus on services would obviate locational disadvantages of the region, for manufacturing. And the ecological impact of services is relatively lower and is easier to manage. However services capability levels would need to be world class, for success in a globalised economy.
- **Strategically employ ‘tourism’ to emerge as a ‘multi-faceted’ services economy** Uttarakhand is recognised as a tourist destination and it possesses basic infrastructure and business skills. It will be possible to have early and large economic gains, and tourism can be developed to world class levels in near future. An approach to market and develop tourism, in an ecologically sensitive and sustainable manner, would be consistent with global activism towards environment consciousness. The success in tourism can be expanded to other services sectors, where there is potential but current levels are low or non-existent. The highest potential area is information technology, with education and health also ranging high. There are commonalities and strong linkages among the various areas of services sector, especially in terms of manpower skills and infrastructure requirements. Uttarakhand should have independent strategies for each of the services sectors, and it should also aim for tight integration across individual strategies for the overall development of services economy.
- **Shift to value added agriculture** Agriculture will continue to employ largest number and be most spread out economic activity in Uttarakhand, for few decades to come. But current activity in production of cereals and basic crops, is economically unviable and the region has many disadvantages. Because of climatic factors, Uttarakhand has comparative and un-replicable advantages in production of fruits, vegetables and flowers. The handicaps are the weak and inefficient market mechanisms and the long time taken by produce to reach consumption centres. Uttarakhand needs to set-up electronically connected commodity exchanges, which are connected with major markets and exchanges in India and world. A focused shift to processed fruits and vegetables, will help take advantage of expected spurt in consumption of processed foods in India, and also help capture higher margins and considerably reduce costs due to transportation, packaging, wastage, etc. Manufacturing sector should play a supportive role to Uttarakhand’s services and value added agriculture economy, by broadly focusing on goods required locally.
- **Make private sector the primary driver of economy, with government as active facilitator** The corporatisation of economic

activity, is the means and objective of development in the new economy. Corporate entities, whether small or large and whether home grown or based in rest of country or world, would strengthen and expand economic activities. Therefore two key objectives for Uttarakhand, will be to attract corporations operating in other parts of the country and world and to promote formation of enterprises by local entrepreneurs. However government will need to catalyse and initiate business activity, develop economic infrastructure; and, create supportive social infrastructure.

- **Use ‘concept of clusters’ to kick start and spread growth** Economic activity is rarely uniformly distributed, and it tends to centre around geographical clusters, which focus on one or few products and services. Silicon valley for IT and northern Italy for ceramic tiles and fashion, are among the best examples of cluster effect. In India too, there are examples like Bangalore for IT, Surat for diamond cutting, Trichy for knitted wear, etc. A cluster provides advantages of relationships with suppliers, customers, channels and technology, and helps overcome inward focus and inertia in a geographical region. Uttarakhand should identify existing clusters in each of the districts or tehsils. e.g. school education in Nainital and Dehradun, religious tourism in Garhwal; fruit products in Almora, adventure tourism in farther reaches of Kumaon & Garhwal, etc. Expansion of economic activity in a cluster has impact on a larger geographical area, and they tend to spawn new clusters. Uttarakhand can actively work towards strengthening existing clusters for achieving national and global competitiveness, with cluster specific strategies. Though it is far more difficult to set up entirely new clusters, Uttarakhand can innovate and experiment.
- **Employ cutting edge technologies and innovative mechanisms, to develop economic and social infrastructure** In the era of rapid technological advancement, being late in the path of economic development has certain advantages. One can leap technological stages, and develop infrastructure quicker and at lower costs. Uttarakhand can bypass basic telephony, and instead leap to more appropriate wireless technologies. A network of mini hydel projects for power, will have higher potential and be more ecologically friendly. Similarly internet and media can be innovatively employed for development of social infrastructure, especially professional training. Using corporatisation approach towards infrastructure development, will help reduce leakages and improve speed of development and accountability. Government should employ the approach of a venture capitalist or a strategic investor, in a majority of economic and social infrastructure projects.
- **Create a ‘can do’ and achievement orientation, in the region** For rapid development and under adversarial circumstances, the germination and spread of a belief in the ability to make it, is crucial. Perhaps the best example from the history of nations is that of Meiji Restoration in mid 1860s, which lead to Japan catching up with western nations in about thirty years time. Leadership of the state will need to mobilise the populace towards a vision and provide a path. The region needs to

actively shed lethargy and cynicism and build upon its deeply entrenched ethics of hard work and decency, and work its way to the forefront.

Uttaranchal will inherit conventional political, judicial and administrative set ups and processes. For realising the economic objectives, the conventional set up will not be adequate but inappropriate in many ways. However the government of Uttaranchal will be the single most important body and will have to play most crucial role. Therefore a three pronged approach will be required : create new bodies that will be wholly focused and optimally organised to meet the objectives; reorient the conventional bureaucratic and political set ups towards new realities and requirements; and, develop appropriate interfaces between new bodies, government set ups and non-government organisations. Some initiatives and processes can be:

**1. Set up a 'Strategic Management Group (SMG)' at the apex** As a highly ambitious and strategic approach is suggested for Uttaranchal, there should be a high powered group to ensure that the required initiatives are being taken at right time. The SMG should preferably function as part of the Chief Minister's office, and headed by Chief Minister himself. It should have six to eight members, with equal representation of ministers, senior bureaucrats and experts. The Group should have overall responsibility to achieve economic objectives. It would be useful to translate the strategies into time bound initiatives and targets, and the Group should meet every fortnight. Union Government has recently set up a similar group, and SMG of Uttaranchal can draw useful lessons. The SMG can further develop into some sub-groups, which may relate to the activities of specific ministries.

**2. Set up few missions for high potential and critical areas** The task force or mission approach has been able to deliver results, in a variety of initiatives at the union government level. This should be replicated in Uttaranchal too. There is case to set-up mission for at least three areas immediately i.e. telecom infrastructure, IT & professional education, and tourism. The role and scope of the mission should be sharply defined, and they should be reviewed as per time bound targets. The missions can report directly to the SMG.

**3. Institutionalise focused and objective oriented approach** This primarily relates to need for reorienting the functioning of conventional politico – bureaucratic set ups, for the requirements of Uttaranchal. 'Active interfacing' of ministries with the new bodies like SMG, can be deployed to start the reorientation process. Clearly defined and time bound objectives should be formulated for each of the ministries, and a robust review mechanism should be put in place. The review mechanism should include – clearly defined information flows from ministries to central body; formal and periodic review of progress, to design adequate responses; and synergistic involvement of political and bureaucratic functionaries for optimising effectiveness. Each of the ministries can form sub-groups, to interact with the SMG, for managing the interface and for maintaining holistic orientation.