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ELEVENTH FIVE YEAR PLAN 2007-12

&

ANNUAL PLAN 2007-08

VOLUME-I

(General Profile)



Govt. of Uttarakhand

STATE PLANNING COMMISSION
GOVERNMENT OF UTTARAKHAND

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CHAPTER 1

GENERAL PROFILE

OF

UTTARAKHAND

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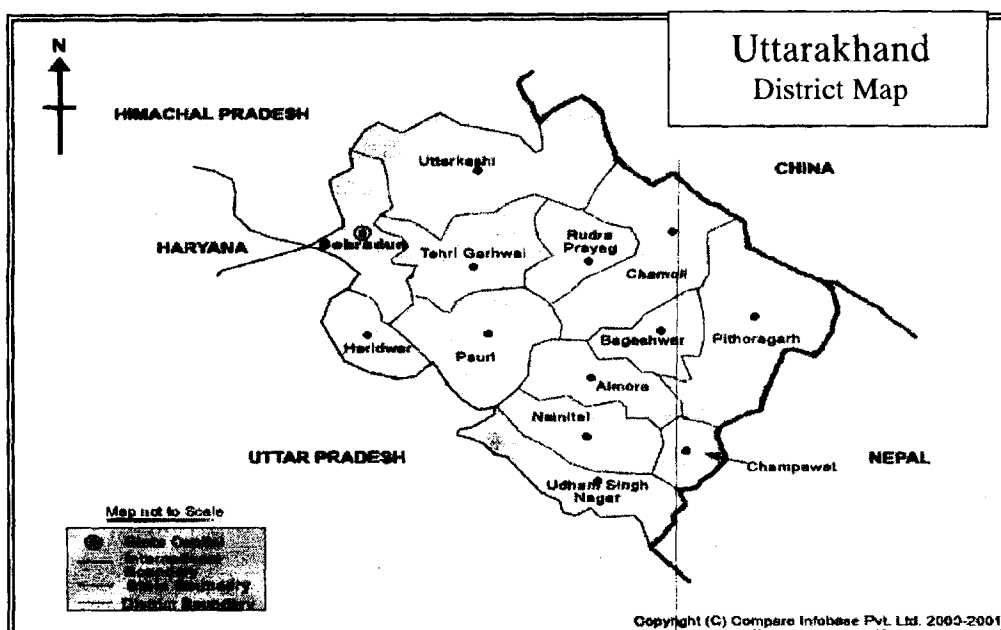
Uttarakhand, having completed more than six years as a separate state, is now poised to embark on a new era of rapid and inclusive growth and all-round development. The initial teething problems of a new state are now all but over. The broad features of the administrative structure and systems, extending from the state to the district and sub-district levels, are now in place, though the problem of shortage of manpower in crucial areas remains. The Eleventh Five Year Plan, therefore, affords a good opportunity to launch the State on the path of rapid and sustained growth with emphasis on inclusion. The previous plan was prepared at a time when the State was still quite new. The administrative system was then still in the process of evolution. Adequate administrative support and expert assistance for planning was not available. The financial resource position of the State was quite precarious, as the State came into existence after the award of the Eleventh Finance Commission had been accepted and implemented by the central Government, and the State had not been granted the status of a special category state. Despite these constraints, Uttarakhand has made rapid advance and has posted a consistently high rate of growth of GSDP – in excess of 10 per cent on an average over the past five years. The Eleventh Plan, therefore, affords an opportunity of building on the base that has already been created, sustaining the tempo of growth that has been generated and making it a more inclusive process by spreading its benefits to all sections of the society and to all parts of the State equally.

Land & Population

The State is strategically located and forms part of the Northern boundary of the country, sharing its borders with Nepal and China

(Tibet). It extends between 77°34' and 81°02'E Longitude and 28°43' and 31°27'N Latitude. It touches Tibet in the north, Himachal Pradesh in the west and northwest, Gangetic plains of Uttar Pradesh in the south and Nepal in the east. Starting from the foothills in the south it extends to the snow clad mountains in the north.

Exhibit 1.1 : Map of Uttarakhand



The entire State forms part of the Central Himalayas. It is interspersed with rivers, deep valleys, glaciers, alpine meadows and high peaks. The State presents a pristine, pure and picturesque environs. No wonder it is also considered to be “Dev Bhumi” or the abode of Gods.

The State is spread over 53,483 sq. Km of land, which is 1.67 percent of the country’s total area. The population of the State, according to the 2001 Census, was 8.49 million, of which 4.33 million were males and 4.16 million females. The total number of

inhabited villages, including forest villages, is 15,761. The decadal growth rate of population during 1991-2001 has been 19.20% {All India - 21.34}, a reduction from 24.23% during the previous decade. This in itself is a major achievement, but the aim is to bring it down to replacement levels by 2010.

The density of population in Uttarakhand is 159 persons per sq. Km {All India - 324}. However, the spread of population is fairly uneven. For instance the districts of Haridwar and Dehradun together account for roughly 32% of the State's population whereas district Champawat accounts for only 2.65%.

The sex ratio in Uttarakhand stands at 962 female per 1000 males, up from 936 in 1991. This is a pointer to the relatively higher social status of women. It is also interesting to note that in 8 out of the 13 districts, the sex ratio is more than 1000.

As per 2001 Census, the ratio of rural to urban population is 74:26. The Scheduled Castes and Scheduled Tribes constitute 17.9% and 3.0% respectively of the total population.

The struggle for statehood, the cherished dream of the people of Uttarakhand for a long time, was based essentially on the conviction that the development of the region required that development decisions be taken locally in response to local needs and problems. Only then would the constraints imposed by the difficult geographical conditions of this region be overcome. An allied concern underlying the aspiration for statehood as a means of development was that it should result in all round progress and betterment for the common man. The State of Uttarakhand strives to

fulfill this responsibility. Sincere efforts are being made to reinforce the basic infrastructure to provide a solid base for attracting more and more investment in the private sector. Attention has been paid to bring gradual changes in the traditional fields of horticulture, agriculture, animal husbandry and dairy development to make them more income and employment oriented. Power, tourism and industry are the backbone of development. To increase the production of hydro electricity a collaborative effort with central public sector enterprises and private sector power companies is being made, and several projects that had earlier closed down are being restarted. Master plans have been drawn for the development of tourism, and private sector investment is being encouraged. A new industrial policy seeks to give a boost to industrial development resulting in an influx of projects. Good roads are the bedrock of development. Accordingly, higher priority is being accorded to road and bridge building. The State has identified new areas of development and has started giving final shape to lay a firm foundation for development.

To accelerate socio economic development in the State through focused initiatives for leveraging identified opportunities in sectors that have an intrinsic comparative advantage professional assistance of expert agencies is sought. In this context CRISIL Infrastructure Advisory was assigned the job of preparing a development roadmap for the state.

The CRISIL has submitted a concept note which identified the major concern areas as:-

- 1- Lack of an “economic pickup” to achieve its development goals; and
- 2- High unemployment and low per capita income.

The suggested focus or driving sectors in which Uttarakhand has comparative advantage which should be leveraged are power, tourism, agro-processing and horticulture, IT, bio-technology and small & medium enterprises.

It is, therefore important that these focus sectors break away from the inertia of the past at significantly higher rates so that the overall state GDP can grow at a higher pace and developmental aspirations of the state can be realized.

The State has been committed from the beginning to creating a clean, efficient, transparent and responsive administrative system, without which its development goals will remain unrealized. During the Eleventh Five Year Plan (2007-12) too the endeavor of the State will be to provide a clean and responsive administration to ensure economic growth while ensuring that the talent of Uttarakhand gets more opportunities in the State and does not have to go out of the State (at least not for seeking wage employment) and the pristine beauty, for which the State is widely renowned, is preserved.

Major Issues

Based on the recommendations of the 12th Finance Commission, the central Government decided to pass on the external assistance on back-to-back basis to the states along with the service cost and exchange rate fluctuations. This scheme of borrowing would have put the special category states in a rather difficult position, as on the one hand they have a narrow resource base and on the other, they are located in environmentally fragile and sparsely populated areas where the cost of providing basic services is very high. In the

context of Uttarakhand the problem is further compounded, as it is still in the formative stage and requires heavy investment for development of infrastructure which is vitally important for overall economic development of the region. Fortunately the argument of the State Government has been accepted and the decision has been reversed.

The issue of reducing the validity of the Industrial Package has also been partly resolved as it has been restored up to 2010 against the original period of 2013. This, however, needs to be reconsidered in view of the fact that industrial investment has been picking up and has gathered momentum in the State.

An alarming development in the form of Maoist extremism across the border in a neighboring country, and its spread to our State has been seen in the recent past. The solution coping with this threat and insulating our border areas lies in the development of infrastructure facilities and opportunities for gainful employment, especially in the border areas. Appreciating the problem, the Government of India recommended funds for strengthening and renovation of forest roads in the border areas. However, a communication infrastructure is a felt need of the State, especially in the hill region. Curbing of this threat will not only benefit the state but the nation as a whole.

The Planning Commission may continue to support the State through these initial years to establish a sound, viable, vibrant State, which contributes to the national economy.

Agriculture and Land use

As per latest land-use statistics, the total reported area is 55.66 lakh hectares. The land use pattern in the State is shown in the table below.

Land use pattern in Uttrakhand: 2002-2003

S. n.	Category	Area in Hectares	% of Reported Area
1	Total reported area	56,71,704	100.00
2	Forest	34,67,918	61.15
3	Barren & Unculturable land	3,12,470	5.51
4	Land put under non-agricultural uses	1,52,145	2.68
5	Culturable Waste	3,86,456	6.81
6	Permanent pastures and other grazing land	2,29,322	4.04
7	Land under misc. tree crops and groves etc.	2,52,189	4.45
8	Current Fallows	41,048	0.72
9	Other fallows	71,367	1.26
10	Net area sown	7,58,789	13.38

The net sown area is only about 14% of the total reported area. The cropping intensity is about 159 %, and the ratio of gross irrigated area to gross sown area is only 43.85 %. In the hills the major crops grown include wheat, paddy, madua, ramdana and potato whereas in the plains the major crops are wheat, paddy, pulses and sugarcane.

Uttarakhand is blessed with rare bio-diversity. Over 175 rare species of aromatic and medicinal plants are found in the State, which gives it a unique opportunity for diversification of activities within the primary sector.

Social Indicators

Health

The Crude Birth rate at 20.5 per thousand is significantly lower than the country's average of 24.1 per thousand. Similarly the Crude Death rate stands at 7.2 per thousand against the all India figure of 7.5. Infant mortality rate (IMR) in the State stands at 42 per 1000 live births, which is also much lower than the all-India rate of 58 per 1000 live births. There are two major areas of concern in respect of IMR, which have to be addressed through appropriate policy measures and programmes. One is the large difference between the urban and rural rates: 22 in urban areas and 57 in rural areas. The other is the relatively high IMR among female infants. A comparison of the situation in Uttarakhand, Himachal Pradesh and India in respect of birth rate, death rate and IMR is shown in the following tables:

Estimates of Birth Rate, 2004

State	Total	Rural	Urban
Uttarakhand	20.5	21.6	16.2
Himachal Pradesh	19.2	19.9	12.7
All India	24.1	25.9	19.0

Source: SRS Bulletin-April 2006

It is evident from the table that the birth rate in Uttarakhand is lower than the all India figure, but slightly higher than in Himachal Pradesh.

Estimates of Death Rate, 2004

State	Total	Rural	Urban
Uttarakhand	7.2	8.0	4.4
Himachal Pradesh	6.8	7.0	4.5
All India	7.5	8.2	5.8

Source : SRS Bulletin-April 2006

A similar situation exists in regard to death rate as well, though the difference between the rate in Uttarakhand and the all-India average, especially in the case of the total death rate and the rural death rate, is only marginal. The rural death rate in Himachal Pradesh is one percentage point lower than in Uttarakhand, though the difference between the urban and total rates is much lower.

Infant Mortality Rate, 2004

Uttarakhand has improved its position in the field of IMR. In urban areas IMR is lower in Uttarakhand as compared to Himachal Pradesh and all-India average which is evident from the following table:

Estimates of Infant Mortality Rate, 2004

State	Total	Rural	Urban
Uttarakhand	42	57	22
Himachal Pradesh	51	53	23
All India	58	64	40

Source: SRS Bulletin-April 2006

Another area of concern is the poor health status of women and children in the hill areas. According to NFHS-3 (2005-06) only 44.8% of pregnant women receive ante natal care, only 36% institutional births take place and 61.5% children below 3 years and 47.6% of women suffer from anaemia.

Life expectancy at birth is 62 years for Uttarakhand as compared to 61 years for the country.

Public health facilities in Uttarakhand consist of an extensive network of Government health institutions catering to the health needs of the people. These include district hospitals, 49 Community Health Centres (CHCs), 232 Primary Health Centres (PHCs), 1765 Sub-Centres and 389 State Ayurvedic Dispensaries (SAD) which dispense medical services to the far flung rural populace. However, the network of dispensaries and hospitals is not adequate and the access to health services in the rural areas still remains a challenge. This problem is further compounded by the non-availability of trained doctors, paramedics and diagnostic equipment in the interior areas. To tackle this problem a multi-pronged approach is needed - strengthening and setting up more CHCs, PHCs and Sub-centres, provision of mobile vans with medical and para-medical personnel and latest-diagnostic equipment (3 such vans are already in operation) to service the remote areas, and utilization of opportunities offered by Tele-medicine and Tele-consultation. The State has taken an innovative step in this direction by providing services of pharmacists at the sub-centre level in the remote and difficult areas which are beyond the reach of SAD or PHC.

Education

The State's literacy rate has gone up remarkably from 57.75 per cent in 1991 to 71.60 per cent in 2001. This is also higher than India's literacy rate of 65.38 per cent. There is, however a wide gender gap with literacy rate for males being 83.3 per cent as compared to only

59.6 per cent for females. This is a cause for serious concern and the State is making earnest efforts to bridge the gap. In fact the education of girl child has been made free up to the graduation level.

The education infrastructure in the State on 31.3.2006 consisted of 14,834 Primary Schools, 4,086 Senior Basic Schools, 1,955 High School and Intermediate Colleges, 84 Degree and Post Graduate Colleges, 11 Universities, including 7 State and 4 Private Universities. In addition, there are 4 Engineering Colleges, 2 Medical Colleges, 30 Govt. Polytechnics 6 Private Ploytechnics and 104 I.T.I.s imparting vocational education. I.I.T. Roorkee, a world-renowned institution is also situated in Uttarakhand.

In order to achieve the national resolve of free, compulsory and universal education for all children between 6 to 14 years of age, the State Government is committed to provide all necessary resources. Free textbooks are being provided to all children at the primary level and free school uniform is also being made available. Mid day meal programme for all the primary children is being implemented effectively in all primary schools in the State. Uttarakhand has pioneered the unique concept of "Bhojan Mata" for this purpose. School meals are cooked by "Bhojan Matas" who are poor and needy women from the villages served by the school and whose children/child attend(s) that particular school. They are paid an honorarium for cooking the daily meal. The system has been working very well and has been appreciated at various national forums.

Appropriate initiatives are being taken to improve the quality of Higher and Technical education in the State to ensure better

employability of the students passing out of the State's education system. The Government has also taken major initiatives in the field the computer education - the details of which are outlined in the succeeding chapters.

Drinking Water

In spite of the fact that the Yamuna and Ganga, the two major rivers of the country, have their origin in the State there is a shortage of drinking water. Although 96% of the inhabited villages have safe drinking water facilities in the village itself and the remaining have it within a distance of 1 Km. yet the reliability of supply cannot be assured. Many schemes have become defunct due to depleting water sources coupled with population shift. Their rehabilitation or replacement requires heavy capital investment. The main problem lies in the repair and maintenance, which due to paucity of resources among other reasons, leaves a lot to be desired. Inevitably this leads to erratic or failed water supply fuelling resentment among the people.

The State consists of 16,623 revenue villages. According to a survey conducted in 2003 on the recommendation of Working Group on Rural Drinking Water Supply and resurvey in 2006 the status of water supply in rural areas of the State at these two points of time was as follows:

	<u>2003</u>	<u>2006</u>
Habitations fully covered	20748	21232
Habitations Partially covered	13892	13588
Habitations Not covered	4540	4360
Un populated	787	787

These habitations include 228 habitations(26 NC and 202 PC) of "CAP 99". The State of Uttarakhand, due to its difficult hilly terrain and scattered population, has been experiencing acute drinking water problems, especially in the remote areas. In 2006 there were 17,948 habitations including those in the Not Covered and Partially Covered (NC/PC) categories that had to be provided with water supply. Of these 1,840 have been taken up during 2006-07 leaving an anticipated balance of 16,108 habitations (3,560 NC & 12,548 PC) at the end of the Tenth Five Year Plan.

Infrastructure

Roads

Uttarakhand, a predominantly hilly State, is minimally connected through rail and air links. Therefore, it would not be an exaggeration to say that roads are the lifelines of the State. As on 31.03.2005, the State had 24,208 Km of road length maintained by the PWD, of which more than 8,807 Km consisted of painted roads. In addition to the above, there were 3,335 Km of bridle roads and 546 Km of border tracks. This is much less than the neighboring Himachal Pradesh which has 27000 km of roads despite having a comparable geographic area but a smaller population.

In terms of village connectivity, 9,419 villages out of a total of 15,656 are connected by road as on March, 2005. By March 2006 financial year another 108 villages would have been connected.

Energy

Uttarakhand has an estimated hydro-power potential of approximately 20,000 MW. So far only 2,319 MW have been tapped. The status of power generation program in the State is summarized below:

S. N.	Sector		Developed		Under construction/Allotted	
			No. of Projects	Capacity MW	No. of Projects	Capacity MW
1	Central (CPSUs)	Large	2	900	24	8530
		Small	-	-	-	-
2	State (UJVNL)	Large	9	948.15	13	2470
		Small	35	62.61	17	61.50
3	Private	Large	-	-	07	1585
		Small	2	8.55	33	220.55

Under the Prime Minister's hydro-power initiative 6374 MW have been identified for PFR.

Though Uttarakhand is a power surplus State, a lot needs to be done to harness the untapped potential and sell the surplus power to make this a GDP driver for the State. Uttarakhand at present has one 440-KV substation, five 220-KV sub-stations fifteen 132-KV substations, seven 66 KV substations and 138 33-KV substations. The total existing 33KV line length in the State is approximately 3693.5 Km. as on 31-4-2007. However, the State lacks a separate grid system and there is no connectivity between Kumaon and Garhwal divisions, which are fed by separate feeders. Evacuation systems for new hydel power projects are also required.

The status of rural electrification in the state is as follows:

Total inhabited revenue villages	15,652
Villages electrified up to 31.03.2007	14,905
Villages to be electrified	747

The target date for 100% rural electrification is December, 2007 and for access to electricity to 100% households is year 2009.

The State thus has 95% rural electrification, which is higher than the national average. However, due to the scattered nature of habitations/hamlets in Uttarakhand extension of LT lines presents a major problem. In addition, improvement of 11KV/LT system is required to improve the quality of supply and voltage.

Per capita energy consumption in the State is 396 units which is better than the all India figure of 314 units (2000-01) but even after electrification of 95% of the villages about 35 % families have no access to electricity. Uttarakhand is far behind Himachal Pradesh in this respect as the following table shows:

	Uttarakhand	Himachal Pradesh	India
Proportion of Households having electricity as a source of lighting	60.30	94.80	55.80

(Source: Census of India, 2001)

A comparative picture of amenities available at household level (according to Census 2001) in Uttarakhand, Himachal Pradesh and India is given below.

Comparative availability of amenities (%)

Proportion of households having / using	Uttarakhand	Himachal Pradesh	India
Television	42.9	53.3	31.6
Telephone	9.9	16.5	9.1
Banking services	59.8	59.5	35.5
Radio/ Transistors	49.7	48.0	35.1
LPG as cooking fuel	33.5	28.1	17.5
Separate Kitchen	71.3	86.5	64.0
WC Latrine	15.4	11.4	18.0
Houses with concrete roof	30.7	29.4	19.8
Source of drinking water within premises	44.8	32.6	39.0
Tap as source of drinking water	65.9	84.1	36.7

(Source: Census of India, 2001)

Income and Poverty

It seems that Uttarakhand is a fast growing state with most of the growth taking place in the industrial and services sectors. Although more than half of the workers are engaged in agriculture sector , its share in GSDP was 27.01 per cent while the share of secondary and tertiary sectors was 29 and 44 per cent respectively.

Per capita income is a summary measure of the level of economic development of any region, The tentative per capita NSDP at factor cost in 2003-04 was Rs 16,528 (at current prices) as compared to the national average of Rs 20,989. Uttarakhand thus lags behind the national level of development. However, the gap between the State and national level in this respect has been narrowed since the creation of the State. This fact has also been noted by NCAER in their Draft Uttarakhand Development Report.

Although the per capita estimates indicate a rather healthy picture, the fact remains that poverty levels are quite high in the State. One problem with official estimates of per capita net domestic product in Uttarakhand is that they relate to income “originating”, and not to the income “accruing” in the state. It is quite possible that income may originate in Uttarakhand, but may accrue elsewhere. This is especially so in the case of income from forestry, which accounts for about 20 percent of the contribution from primary sector. Only a small part of this income, 10 to 15 percent, is retained in the State by way of wages to local workers. Similar is the case with mining and quarrying sector, accounting for another four percent of net domestic product from commodity producing sectors.

A second factor to be kept in mind is the existence of sharp regional differences with some areas of the State, especially the more remote and interior hill areas being economically quite backward. Thus Nainital or Dehradun account for a very high per capita income, while the interior areas of Uttarkashi, Pithoragarh, Chamoli or Bageshwar would have stark poverty. Therefore, the per capita NSDP figures do not give a correct picture of the privations that people face.

This last assertion is borne out by the poverty data for Uttarakhand. The Planning Commission has recently released estimates of population below the poverty line in various states and at all-India level based on the 1st Round of household consumer expenditure survey carried out by the NSSO in 2004-05. It has presented two separate estimates – one based on uniform recall period (URP) in which consumer expenditure data for all items are collected from 30-day recall period, and the other based on mixed recall period (MRP)

in which consumer expenditure data for five non-food items are collected from 365-day recall period and the rest from 30-day recall period. The comparative results for Uttarakhand, Himachal Pradesh and all-India in both rural and urban areas are given below.

Percentage of Population Below Poverty Line: 2004-05

State	URP			MRP		
	Rural	Urban	Total	Rural	Urban	Total
Uttarakhand	40.8	36.5	39.6	31.7	32.0	31.8
Himachal Pradesh	10.7	3.4	10.0	7.2	2.6	6.7
All-India	28.3	25.7	27.5	21.8	21.7	21.8

URP refers to uniform recall period; and MRP to mixed recall period

Poverty levels in Uttarakhand are much higher than those at the all-India level or in Himachal Pradesh in both rural and urban areas. This is true irrespective of the estimate we rely upon – whether based on URP or MRP. According to URP, rural poverty in Uttarakhand is estimated at 40.8%, urban poverty at 36.5% and total poverty at 39.6%. The corresponding figures according to MRP are 31.7%, 32.0% and 31.8% respectively. The all-India poverty estimates are at least 30% lower on both the counts. Poverty levels in Himachal Pradesh, on the other hand, are only a fraction – about one-fourth in rural areas and one-eleventh to one-fifteenth in urban areas – of the Uttarakhand levels.

Similar results were obtained in a survey of rural households conducted by the Rural Development Department to identify BPL families. This survey estimated the proportion of BPL families in rural areas of Uttarakhand at 36.5%.

What these data clearly point to is the need to give topmost priority to creating livelihood opportunities for the people, in both rural and

urban areas, even while accelerating economic growth. Growth clearly has to be an inclusive process.

Workers' Classification

The Work Participation Rate (WPR), which is defined as the percentage of total worker to total population is 36.93 percent for Uttarakhand and 39.30 percent for India as per 2001 Census. Thus it is evident that the dependence ratio (proportion of non-workers) is higher in Uttarakhand. It is interesting to note that in Uttarakhand there is a perceptible decline in the proportion of main workers and significant increase in proportion of marginal workers: the latter has increased from 5.56% in 1991 to 9.54% in 2001.

This fact also has another aspect to it. The best of Uttarakhand, people, who are highly qualified, leave the State for better employment/business opportunities. The "Brain Drain" from Uttarakhand is adversely affecting the State's efforts in launching any ambitious scheme of development.

The economic Census 2005 reveals that performance of Uttarakhand has been better than all India average in terms of growth of employment as well as growth of enterprises. Interestingly, in both cases the rural sector has performed much better than the urban sector. (NCAER, Draft Uttarakhand Development Report) With this background the State envisions to achieve within a period of 10-15 years a level of economic development for the state that will provide opportunities for its people to achieve a good quality of life and social progress while preserving its pristine beauty and natural wealth.

CHAPTER 2

ECONOMIC PROFILE OF UTTARAKHAND

State Domestic Product

Analysis of the economic profile of Uttarakhand should begin by looking at the composition and growth of the gross domestic product (GSDP). GSDP of a state and the growth rate of GSDP are the universally accepted indicators of its economic development. Before Uttarakhand was formed into a separate state, the average growth rate of GSDP during the period 1994-95 to 1999-2000 was very low (3.2 percent) and unstable. The growth rate improved after the formation of the new state, as can be seen from the table below. During the Tenth Five Year Plan period, Uttarakhand had aimed at a growth rate of 6.8 per cent at constant prices, but during the first three years of the plan, it is estimated to have achieved a growth rate of 10.2, 11.70 and 11.69 per cent respectively as against the national growth rate of 4.0, 8.5 and 6.9 per cent respectively. This is indeed a very creditable performance. However, despite this healthy growth during the last few years, per capita income in the State remains rather low and it figures amongst the last ten states in this regard.

Growth Rate of GSDP in Uttarakhand

S. N.	Year	Growth rate of GSDP at constant (1993-94) prices
1	1994-95	8.8
2	1995-96	-0.2
3	1996-97	6.4
4	1997-98	1.8
5	1998-99	1.7
6	1999-2000	0.8
7	2000-01	10.7
8	2001-02	5.9
9	2002-03	10.2
10	2003-04	11.7
11	2004-05	11.7

Source: Directorate of Economics and Statistics, Uttarakhand

The share of different sectors in Net Domestic Product is shown in the following table. It will be seen that while the primary sector contributes about a quarter of the NSDP and the secondary sector a slightly lower share, the tertiary sector accounts for over half the state product. In the primary sector the share of agriculture, which is the mainstay of the vast majority of the rural population, is only 21 per cent. In the secondary sector, manufacturing accounts for less than 10 per cent of NSDP, with the share of registered manufacturing being only 6.6 per cent. The structure of the State's economy thus is largely service sector based, while the majority of the people are dependent on agriculture for their livelihood. Agriculture, for most of the people in the hill districts, remains a subsistence activity. In the hills land holdings are tiny and scattered, soils are poor, irrigation coverage very low so that much of of agriculture is carried out in rain-fed conditions. As a result the majority of hill cultivators are engaged in cultivation for self-consumption. Even then, most of them are not able to meet more than 6 to 8 months needs of food grains. It is only in the plain districts of Haridwar, Udham Singh Nagar and Dehradun that cultivators are able to produce a large marketable surplus.

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Share of different sectors in net domestic product at
current prices (Uttarakhand), 2004-05
(New Series: Base Year-1999-2000)
(Provisional)

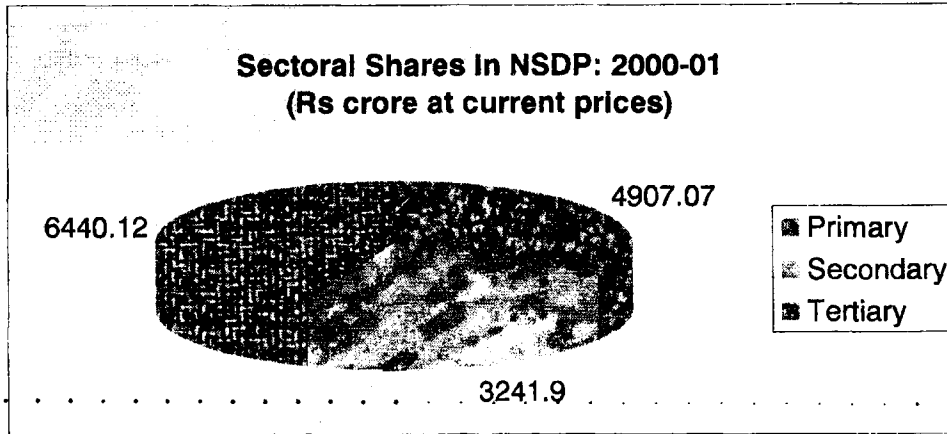
S.N	Sector	Product (Rs. in crore)	Percentage Share
0	1	2	3
A	PRIMARY SECTOR	4907.07	33.64
1	Agriculture	4042.84	27.71
2	Forestry & Logging	510.96	3.50
3	Fishing	6.89	0.05
4	Mining	346.38	2.37
B	SECONDARY SECTOR	3241.90	22.22
5	Manufacturing		
	a) Registered	784.61	5.38
	b) Unregistered	263.08	1.80
6	Construction	2072.81	14.21
7	Electricity, Gas & Water Supply	121.40	0.88

S. N	Sector	Product (Rs. in crore)	Percentage Share
C	TERTIARY SECTOR	6440.12	44.14
8	Transport, Storage & Communication	725.74	4.97
9	Trade, Hotels & Restaurants	1062.67	7.28
10	Banking & Insurance	1049.51	7.19
11	Real Estate, Ownership of Dwelling & Business Services	933.57	6.40
12	Public Administration	968.01	6.64
13	Other Services	1700.62	11.66
14	Total (A+B+C)	14589.09	100.00

Industrial base of the region is very weak. There are a few factories in the entire region. Small and household industries are, however, spread over all the districts in the region in fairly large numbers. Most of them are skill-based, and are afflicted with severe problems on raw material and marketing fronts.

- **NSDP at current prices:** The NSDP of Uttarakhand was Rs. 14589.09 crore in 2003-04, reflecting an increase of Rs. 1517.85 crore over 2002-03. In percentage terms this represents an increase of 12.13 percent.
- The share of primary, secondary and tertiary sectors is Rs. 4907.07 crore, Rs. 3241.90 crore and Rs. 6440.12 crore respectively. In percentage terms this translates into a share of 33.64, 22.22, and 44.14 per cent respectively in total NSDP. (Exhibit 2.1)

**Exhibit 2.1 Sectoral Shares to Net Domestic Product
at Current Prices**



Trends in State's Finances

Uttarakhand being a relatively new state, financial data are available only from 2001-02 onwards, including actual data for four years from 2001-02 to 2004-05 and BE and RE for 2005-06 and only BE for 2006-07. Non-availability of data precludes any meaningful trend analysis. The problem is further compounded by the instability and volatility of data. Notwithstanding these limitations, an attempt has been made in this section to analyze the State's finances, with a view to getting an idea of the trends in the State's revenues and expenditure.

Fiscal indicators, whose trends can be seen in the table below, present a sobering picture. Revenue deficit, which is to be brought down to nil by 2008-09 as per the Fiscal Reforms and Budget Management Act, has come down to 1.80 per cent of GSDP in 2005-06 (RE) and is expected to go down further to 0.56 per cent (or Rs. 144.71 crore) in 2006-07 (BE). But the fiscal deficit

remains a cause of concern. It has risen steadily from 3.22 per cent of GSDP in 2001-02 to 10.45 in 2004-05 (RE). Even in 2005-06 (BE), it shows only a marginal decline to 10.27 per cent. Understandably, total outstanding liabilities also show an upward trend from 33.61 per cent of GSDP in 2001-02 to 48.62 per cent in 2005-06 (RE). On the brighter side, the tax:GSDP ratio has been quite high and has increased from 8.02 in 2001-02 to 10.46 in 2005-06 (RE). The State, however, is spending around 70 per cent of its revenues on salaries, pension and interest payments and is facing serious debt problems.

Trend of Fiscal Indicators for Uttarakhand

S. N.	Item	Percentage					
		2001-02	2002-03	2003-04	2004-05	2005-06 RE	2006-07 BE
1	2	3	4	5	6	7	8
1	Revenue Deficit/ Revenue receipts	3.65	14.21	21.15	23.26	6.62	2.09
2	Revenue Deficit/Fiscal Deficits	23.49	51.45	54.11	43.76	17.38	5.49
3	Salary +Pension +Interest/ Revenue receipt	66.07	73.05	69.03	70.40	56.10	50.37
4	Salary +Pension +Own Revenue	123.70	128.99	118.28	103.44	110.58	97.52
5	Interest/ Revenue Receipt	18.37	17.18	16.58	19.96	13.93	12.94
6	Revenue Receipt/GSDP	20.73	21.36	20.73	20.22	27.44	26.94
7	Own tax revenue/GSDP	8.12	9.25	9.19	9.86	10.46	10.34
8	Central transfer/GSDP	12.72	12.11	11.54	10.36	16.98	16.60
9	Revenue expenditure/GSDP	21.49	24.40	25.11	24.92	29.25	27.51
10	Revenue Deficit/GSDP	0.76	3.04	4.38	4.74	1.82	0.56
11	Fiscal Deficit/GSDP	3.22	5.90	8.10	10.75	10.45	10.27
12	Debt/GSDP	33.61	38.27	46.23	49.65	48.62	48.23

Source: Report of the Second State Finance Commission of Uttarakhand (2006-2011)

Banking and Finance

In Uttarakhand, banks are the main source of finance for industries. Many branches of nationalized, commercial, regional, rural and co-operative banks are operating in the State. State level financial institutions, Provincial Industrial Investment Corporation, also provide assistance to large and medium scale industries. In 1994-95, there were 601 public sector bank branches, 176 regional bank branches, 39 non-nationalized commercial Bank branches (that is, 816 in total). This figure has now increased to 889. Area wise classification is as follows:

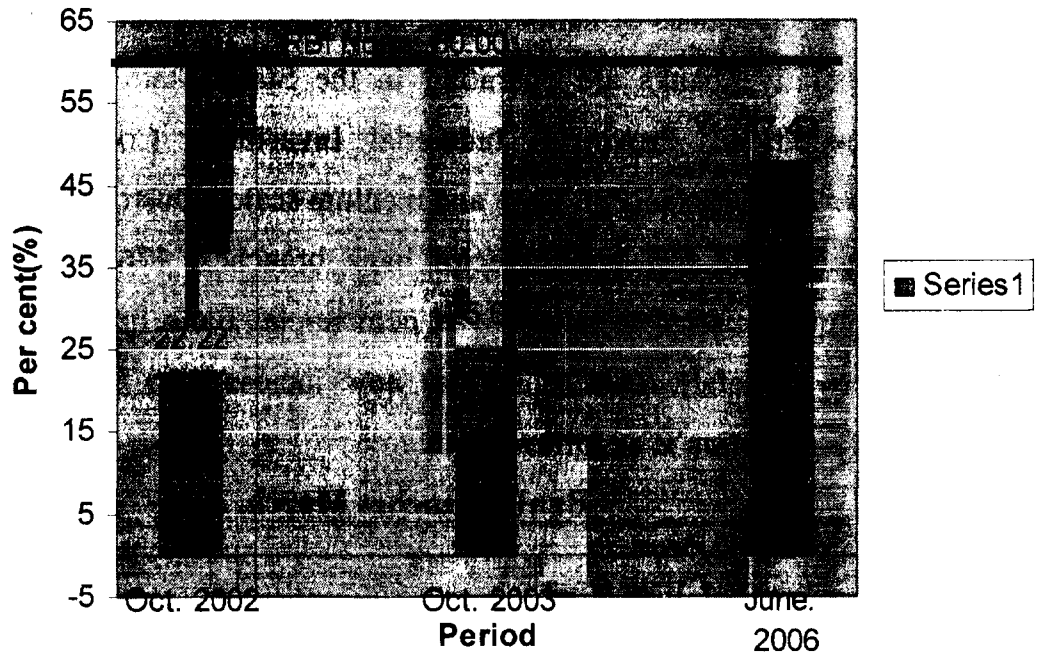
Bank Branches March, 2005

1	Rural Area	615
2	Semi Urban Area	279
3	Urban /Metro Area	203
	Total	1097

The total loans/advances made by these branches was Rs. 10,263.00 crores against a total deposit of Rs. 21,642.00 crores. The Credit-Deposit ratio thus works out to 47.42 as on June 2006. This is much lower than either the norm of 60 suggested by the Reserve Bank of India or the national average of about 53. It also needs to be appreciated that the CD ratio in the State has steadily increased from 22.22 in September 2002 to the present level. As in the past, the State is making all-out efforts to raise it further.

The share of priority sector in the total advances of banks was 53.85 percent (Rs. 4,559.00 crore). One of the problems is the unrealistic standards of the commercial banks for the guarantees against applied loans, which the entrepreneurs find difficult to meet.

C-D Ratio in Uttarakhand



CHAPTER 3

Vision and Strategy

The key GDP drivers identified for Uttarakhand are Tourism, Agriculture and Horticulture, Medicinal plants/Herbal wealth, generation of Hydro Energy, Information Technology and Biotech. The challenge is to exploit these optimally so that the common man can benefit out of it and have a stake in the system. Almost all the GDP drivers would have a long gestation period before they start yielding results.

A pre-requisite for the success of the GDP drivers is the availability of good infrastructure, both physical and social. Hence the State will have to pay special attention to the development of infrastructure during the Eleventh Five Year Plan.

Vision & Strategy for Main Sectors

Infrastructure

Infrastructure is the sector that has to be given the highest priority in Uttarakhand during the Eleventh Plan period, as the future growth in this state will depend critically on the rapid development of this sector. This is even more important if the emphasis is on inclusive growth, since there is a direct link between the availability of infrastructure facilities in the backward regions of the state and the standards of living of the masses living in these areas. Clearly, policies for inclusive growth have to correct the current imbalances in the distribution of infrastructure in the state.

The policies for development of physical infrastructure will have to focus on roads and transport network, electricity, irrigation, marketing infrastructure for agricultural produce and financial institutions. Equally important, if not more so, is the development of

social infrastructure with special thrust on health and education, as this will generate the human capital that is a critical input into the development process.

Roads and Transport Network

There is an urgent need in Uttarakhand to address problems with regard to connectivity, particularly of remote and inaccessible areas located in the mid and outer *Himalayan* ranges. This is particularly important for the marketing of primary produce, including horticultural crops, which requires a well-developed network of roads connecting the fields to the markets in the urban areas. However, there is an equally pressing need to conserve the fragile ecosystem of the Himalayas, which are sometimes undermined by road construction. Therefore, infrastructure development must strike a balance between the need for connectivity and the need for environmental conservation. The solution lies in the development of a network consisting of major and minor roads together with low cost ropeways, connecting villages and agricultural areas to the urban areas and *mandis*.

The major roads in Uttarakhand mostly run from the southern plains to the mid and outer Himalayan ranges high up in the north. These roads run along the river valleys, and their location and direction have in most cases been determined by the strategic defense requirements of the nation, and not from purely developmental considerations. As a result, there are national highways connecting the *terai* region comprising mainly the southern plains to the northern districts, while there is a dearth of major roads connecting the eastern districts of Kumaun region to those of Garhwal division

in the west. In this regard, it may be worth mentioning that the highway authorities are currently considering a trans-Himalayan highway across the state. Necessary steps need to be taken to ensure speedy implementation of this trans-Himalayan project.

There are still large connectivity gaps in Uttarakhand, which remains to be filled by good quality all weather road links. Connectivity would be a key driver for other sectors also, particularly tourism and for marketing of our agriculture and horticulture produce, ensuring rapid socio economic development by the upgradation of roads to all weather motor roads and providing connectivity to all villages with a population of 250 or more. It would also be our endeavour to upgrade the existing State Highways to National Highways and major district roads to State Highways. The construction and maintenance of roads would be made eco-sensitive.

The Government proposes to prepare a Road Master Plan which will aim to provide appropriate connectivity to different destination in the State. In this an effort will be made to dovetail and integrate the priorities of National Highway development, schemes under the Central Road Fund and such other schemes as the Prime Minister's Gramin Sadak Yojana.

Given the existing and proposed connectivity, providing safe, affordable, reliable and timely public transport services is an area of Key importance. It is necessary to develop an optimal mix of public-private and multi mode transport services.

Towards this end, the State would formulate an appropriate Road Transport Policy and the Government would develop the most

appropriate institutional arrangement for transport management in order to ensure safe, timely and cheaper transportation.

Civil aviation infrastructure in the state at the time of its formation was almost zero. After creation of the state, the work of strengthening Jollygrant (Dehradun) and Pantnagar airstrips has been taken up. Gaucher, NainiSaini airstrips are also being developed.

Electricity

Uttarakhand is endowed with a perennial source of water supply throughout the year with mighty rivers like *Ganga, Yamuna* and their tributaries viz., *Alaknanda, Bhilangana, Bhagirathi, Tons* etc. spanning the entire region. The rivers and perennial streams provide an ideal opportunity to generate large quantities of hydroelectricity through projects of all sizes – large, medium and small/micro. In the far-flung remote areas of the Central Himalayan region marked by the absence of alternative sources of power there is tremendous scope for the development of small-scale hydro systems for electrification of the state. In sharp contrast to large dam projects, such small-scale labour-intensive renewable energy options not only involve minimum rehabilitation and resettlement, they also have very low operational costs and are therefore, the most cost-effective option for power supply especially in remote hilly areas.

Despite such significant benefits, less than ten percent of the available hydropower potential has been harnessed so far in the state. The potential has not been exploited and developed in a planned manner so far. There is, therefore, considerable scope for further exploitation of the vast untapped potential in this sphere. The State is

committed to commence work on projects at a faster pace. So far work has been started on projects worth 4171 MW capacity, while a further 3806 MW are in the pipe line to be taken up through the State sector, central undertakings and private developers.

Simultaneous to creation of generation facility, the State would also have to put in place modern transmission and distribution systems. In the transmission system, there is a need for grid separation from Uttar Pradesh as also efficient systems are required for evacuation. Projects have been prepared and submitted for external funding from the Asian Development Bank(ADB).

Irrigation

In a state where more than three-fourths of the workforce is dependent on the farm sector for livelihood, agriculture is evidently the mainstay of the economy. However, this sector is characterized by severe infrastructure bottlenecks, especially with regard to irrigation and marketing of primary produce. Barring the *terai* and *bhabhar* areas covering the foothills and valleys of the south-western plains, the state is by and large hilly, thereby making well (deep, shallow or dug) irrigation unsuitable. Alternative sources of irrigation like pump sets, canals, hydroelectric projects, small tanks, reservoirs etc. too are confined to the former areas. It is then no wonder that as much as ninety percent of the net sown area of *Uttarakhand* is rainfed. In order to deal with this situation, focus must be on developing Rainwater Harvesting along with Sprinklers and Drip Irrigation Systems (especially for horticultural crops) in all such hilly areas marked by the absence of irrigation facilities. Additionally, appropriate steps must be taken for the restoration of

defunct canals, particularly in the hilly region. People in the mountains have traditionally built shallow depressions for collecting rain water (known locally as *chal/khal*). Apart from providing water during the dry season for irrigation and for use by animals, these *chals/khals* also help in recharging springs and streams. Unfortunately, this practice is now gradually disappearing. The practice will now be revived.

Institutions for Marketing of Farm Produce

The hill areas have a comparative advantage in the production of horticultural products including fruits and vegetables. The bottleneck in this regard is the absence of a modern marketing infrastructure. In a broad sense, marketing consists of all post-harvest activities including the collection of farm products from the field, processing, packaging, storing and warehousing of the products, identifying prospective markets where the best price is available and finally transporting the products to these markets. Unfortunately, the small farmers in the hill areas are incapable of carrying out most of these activities on their own for a number of reasons, which renders their cash crops unremunerative.

The large capital and informational requirement necessary to carry out the marketing activities efficiently implies that only a large organization is suitable for this activity. This requirement can be fulfilled by setting up a Horticulture Marketing Board preferably in a public-private partnership mode. Some of the necessary activities of such an organization would include (i) setting up of input retail outlets for better access to inputs (ii) collection of produce from the farms and provision of warehousing (iii) value addition by setting up

of food processing units and cold chains (iv) strengthening *mandis* and procurement agencies etc.

Financial Infrastructure

In order to make funds available for necessary investment in the state, the deposits in banks and financial institutions have to be mobilized and pumped back into the economy by providing credit to the relevant sectors. However, the state lacks a well-developed network of financial intermediaries, particularly in the remote hilly areas of the countryside. Clearly, there is a need to set up more bank branches at the district and local levels. Secondly, these bank branches in the remote areas must make sure that the small landowners or other small players in the horticulture or tourism industry get access to the credit necessary for their activities. Micro-finance facilities for self-help groups can fill this gap.

Social Infrastructure: Education

The Eleventh Five Year Plan of the State lays strong emphasis on human development, especially through education. In the field of primary education, though access has improved considerably and enrolment is near universal, the big challenge is to ensure retention and completion of the upper primary stage, by addressing the problem of dropouts and high rates of wastage due to failure. The State Government is committed to provide access to all children between 6 to 14 years of age, for which a time bound programme has been planned. In unserved areas, new schools would be opened and upgraded as per need. If in any area a new primary school cannot be opened for some reason, an Alternative Education Centre (AEC) will

be opened for the children of 6 to 11 years of age. Efforts are also on to reduce the dropout ratio. Above all there is the problem of quality of education.

The private sector has emerged as an important player in the education sector at all levels. Earlier private effort at the primary and secondary levels was restricted to the urban areas, but increasingly it is also spreading to the rural areas. However, it can by no means be claimed that all private institutions are providing quality education. While a few select ones are doing so, the vast majority are of indifferent quality. This highlights the need to increase public expenditure on education in order to improve quality of education in the public institutions.

Another problem in this sector is the highly skewed pattern of educational development across the state. While some of the educationally advanced districts like Dehradun and Nainital report literacy rates close to 80 percent, others like Udham Singh Nagar, Uttarkashi and Haridwar are closer to the national figure of 65 percent. Not only are regional inequalities in literacy rates across the state glaring, the fact of gender disparity is a cause of great concern, especially in some of the educationally backward districts of the state like Uttarkashi. With female literacy rate is as low as 15 percent as against 78.9 percent for males in Naugaun block of Uttarkashi district, a huge gender gap of 63.9 percent at the elementary level is a clear pointer in this direction. Added to this is the fact of high drop-out rates of over 9 percent, especially for the socio-economically deprived sections of society comprising mainly the SCs, STs and OBCs in districts like Chamoli. These challenges in the education sector will be addressed by the *Sarva Shiksha Abhiyan*

(SSA) during the Eleventh Plan period. In order to sustain the gains of the SSA, efforts will be made to improve the quality of teaching-learning and facilities at the secondary level.

Computer Education is an important ingredient in today's times for our school children. The State Government has entered into a MoU with Intel to provide Master Trainers in the schools in order to implement our vision of computer education to all students. All Government Intermediate Colleges as well as Secondary Schools have been equipped with computers and other necessary peripherals and the programme is moving satisfactorily.

For the Polytechnics and the ITIs in the State, our effort is to introduce industrially relevant course curriculum as well as equip them well with machines/equipments and other infrastructure to impart meaning to the training. The training syllabus is being revised after consultation with academic institutions and industry organizations.

In the field of higher education our endeavour is to develop and build on the existing and inherent strengths of the institutions to develop at least one college in each district as a centre of excellence and generally upgrade the standards in each college. This may include validation and upgradation of courses with the assistance of existing centres of excellence in India and abroad. IT enabled course material and e-libraries will also be developed which will help overcome the shortage of teachers particularly in remote areas.

There are two new fields where Uttarakhand feels it can make a jumpstart and become a leader. These are biotechnology and

information technology and IT enabled services. In the field of biotechnology Uttarakhand is fortunate to have an extremely rich storehouse of bio-diversity and a wide range of geo-climatic zones. We propose to build on the existing and inherent strengths of Uttarakhand to leverage on technologies to bring succor to our farmers, horticulturalists and be a leader in the sphere of the research. Towards this end, a world-class research centre is being set up at the GB Pant University of Agriculture & Technology.

In respect of information technology the vision is to deploy IT as an effective tool for catalyzing economic growth and efficient governance resulting in the creation of a knowledge-rich society with a high quality of life and to develop the State as an attractive destination for IT industry. The key focus areas are:

- (a) Development of IT infrastructure (connectivity backbone)
- (b) Investing in HRD (Human Resource Development) in terms of IT skills.
- (c) Deploying E-governance applications which are citizen focused and which aim at delivering Govt. services to the citizens at a place & time of his choice rather than the other way round.
- (d) Promoting IT industry particularly the IT enabled services industry in the State.

Social Infrastructure : Health

The health sector is an equally important area demanding policymaker's attention. Not only does the state record low immunization levels of children, the incidence of institutional births is also reported to be low. Though infant mortality rates registered

for *Uttarakhand* are much lower at 41 (for the year 2003) compared to all-India figure of 63 (for the year 2002), there is a wide divergence in the rural (62) and urban (21) rates, thereby indicating the extremely uneven pattern of development in the health sector as well. Moreover, issues related to women's health and nutrition, particularly in the remote hilly areas where access to basic health facilities is denied need to be addressed.

Access to health care in the rural parts of mountain districts continues to be poor. Given the constraints of terrain and topography and the small and scattered nature of rural settlements, increasing access poses a major challenge. While private sector investment on health facilities has been on the rise, it has its limitations. It tends to be concentrated in curative facilities, often quite expensive ones, mainly in the urban areas. The poor are unable to afford the high cost of private medical care. This makes a strong case for increasing public expenditure on health. Innovative solutions to the problem would also have to be sought. Partnership with communities and NGOs as well as committed private enterprises could be fruitfully tried, but public expenditure would have to continue to play a leading role. The challenge before policy therefore is to develop institutions that can offer cost effective solutions to problems of access and availability of health facilities for the rural mountainous regions.

Social Infrastructure : Women's Development

Women, especially rural women, are a particularly vulnerable group in *Uttarakhand*. Since the returns from agriculture are low in the

hills, and remunerative employment opportunities are lacking, men-folk migrate in large numbers from the mountain areas to the cities and towns all over the country in search of employment. Their families are left behind and are dependent on remittances sent by these members. This phenomenon has earned the region the sobriquet of a 'Money Order Economy'. Male out-migration from the region has occurred on a significant scale and this can be seen from the fact that the overall sex ratio for the state in 2001 was 964 females per 1000 males, while in 8 of the 13 districts (all in the mountain area) it exceeded 1000. Even the men who don't migrate in search of work do not work in the fields. They are constantly in search of work in off-farm occupations.

As a result of this out-migration of a large section of the able bodied men, the women constitute the main workforce in agriculture. They also take care of the cattle, collect fuel wood and fodder from forests, often situated at considerable distance from the villages involving four to five hours of walking both ways, and do all household chores. Their life is an unending drudgery of hard work. Their condition is made worse by the fact that they also suffer from poor nutrition, which makes them vulnerable to many health hazards including chronic anaemia and tuberculosis. There is also considerable gap in the male and female literacy rates. In order to ensure food security in the face of such adverse conditions the women turn to subsistence agriculture. This perpetuates the vicious cycle of low productivity, low surplus and low income from agriculture.

In order to break out of this vicious cycle and achieve successful commercial agriculture (for example, in horticulture), there has to be

more thrust given to women's development in the hill areas. This will have to focus on women's health and education, but more importantly, it has to involve them in the planned programmes that encourage a shift to commercial agriculture. In particular, they need to be much more involved in the government's agricultural extension services and the institutions that help in marketing of agricultural produce.

Agriculture & Allied Activities

The strategy for the agriculture sector envisions introduction of HYVs as well as changing the cropping patterns. Krishi Vigyan Kendras (KVKs) have been established in almost all the districts, with the expertise of Pantnagar University, for assisting farmers for the rapid growth of agriculture. In addition, efforts are being made to gradually replace the subsistence level crops with high return alternate crops. In order to achieve the target of consolidation of holding the State Government is committed to facilitate, encourage and implement voluntary exchange of land.

Sugar cane being the most important cash crop in the State, especially in the plain areas, there is a need to rationalize the pattern of cane management and increase its productivity. Steps will be taken to import/procure early maturing and high yielding varieties and simultaneously increase the crushing capacity of sugarcane. Focus shall also be on raising average sugar recovery to 10 percent from 9.45 percent at present.

Horticulture

Currently, more than three-fourth of the population of the state and a very large portion of the population in the hilly areas depend on agriculture for their livelihood. Thus any attempt at inclusive growth has to increase the incomes from this sector. Agricultural products consists largely of cereals like wheat, rice and madua (finger millet), although horticultural products including fruit sand vegetables also form a significant part of the net sown area. The yield from crops like rice and wheat is not very high in the hilly areas of the state. This is largely due to the mountainous terrain that inhibits the use of modern technology in agriculture. As a result, and given the predominance of marginal and sub-marginal land-holdings, most of the cultivators tend to be subsistence farmers. Many cannot even meet their full years requirement of foodgrains.

It is important to encourage the farmers in the hilly regions to shift from the cultivation of cereals to horticultural products as this sector has the potential to become an engine of growth. Firstly, the varied climate of the region makes it an ideal location for growing temperate, sub-tropical and tropical fruits that fetch a high value in the domestic urban and international markets. Secondly, the climate also allows the region to grow off-season vegetables that get a high price in the plains. Finally, and perhaps most importantly, with rising income the consumption pattern of the average Indian is shifting towards fruits and vegetables and hence the demand for these products are likely to increase over time. Unfortunately, despite these advantages, horticulture is not providing the farmers

with higher incomes, due to the absence of necessary infrastructure, institutions and incentives.

The development of horticulture depends crucially on three types of factors:

- (i) Natural conditions
- (ii) Infrastructure and institutions
- (iii) Incentives for horticultural producers

The natural factors include climate, soil, slope and aspect of the land and the impact of natural calamities. The development of horticulture also depends on various kinds of infrastructure and institutions e.g., irrigation, roads and transport, warehouses, cold storages, financial institutions (for credit and crop insurance on reasonable terms) and last but not the least, marketing institutions. The incentives that the state can give to the small farmers to shift to horticultural production can also encourage the development of this sector. The most important justification for providing such incentives is that the small and marginal farmers who are dependant on subsistence agriculture have no savings and are not considered creditworthy. This makes it very difficult for them to switch over to horticulture due to the higher input costs involved. Thus the state needs to provide these farmers with subsidized inputs like seeds, fertilizers, insecticides etc. The second reason for providing incentives is to take care of the uncertainties due to market failure and natural calamities. The most common form of market failure is the lack of competition among the purchasers of these products leading to a low price and profit for the farmer. The state should provide minimum support prices in order to make sure that the poor farmers get a remunerative price. Finally the farmers need to be

protected from natural calamities with crop insurance. In case the premium is too high for the small farmers, then the state has to subsidize it to make it affordable.

There is a lot of potential for the development of horticulture in the state of Uttarakhand. The varied climate conditions make it ideal for the development of diversified horticultural products including fruits and vegetables. However, there are a number of constraints and bottlenecks that are currently proving to be a dampener for the development of these crops, particularly in the hilly regions of the state. These are:

- Lack of an effective marketing infrastructure that can enable them to grow fruits and vegetables and sell them at a profitable price.
- Lack of irrigational infrastructure.
- Low returns from horticulture
- Lack adequate knowledge about the most suitable and remunerative crops and about the scientific practices that can ensure the success and high yields of these crops on the part of small and marginal farmers
- High cost of acquiring high yielding seeds, fertilizers, insecticides, pesticides etc., partly due to their high prices and partly due to their outlets being far off from the villages and farms.
- Vagaries of nature e.g. unseasonal or heavy rains, hailstorms, drought etc.

It is clear that in order to develop the horticultural sector in the state, all the problems listed above have to be addressed with appropriate

policies. It must also be clearly understood that the overall policy package must try to solve all the problems simultaneously, as any one set of problem, if not addressed adequately, can significantly dampen the development of the sector.

The lack of marketing institutions and infrastructure has to be dealt with immediately by the government. The objective of this policy should be to provide the farmers with alternative options to sell their products, so that the portion of the profit going to the middlemen is minimized and the farmer gets a better price for his produce. There are three types of institutions that the government needs to create or strengthen for this purpose.

1. A Horticultural Marketing Board that will help, particularly the small and marginal farmers, to grow horticultural crops and market them at remunerative prices.
2. Strengthen the farmers cooperative associations and encourage them to corporatise themselves so that they can employ professionals to help them market their products.
3. Allow and encourage contract farming between farmers and fruit and vegetable retailing firms, so that the role of the middlemen can be minimized.

It must be understood that while the first institution, i.e. the marketing board, should primarily target the poor and marginal farmers, the medium and large farmers can use the second and third type of institution more effectively. It may be useful at this stage to point out, that though the state has declared itself to be an “Organic

State”, it will be useful to the farmer only when the produce can be marketed at a higher price with the help of organic certification.

The problems faced by farmers regarding inadequate information about best crops and best practices can be solved by a continuous process of scientific and market analysis that will determine the most remunerative crop or group of crops for a particular region. The institutions for the dissemination of knowledge about these crops and the scientific methods of horticulture have to be strengthened. There is the related issue of the timely supply of appropriate inputs to the farmers so that the best practices can be successfully followed.

The small and marginal farmers need both scientific and financial help for their fight against natural calamities. For calamities that are relatively moderate in impact, small and marginal farmers must be supplied with poly-houses, poly-tunnels, hail nets etc. However, for calamities that are severe, the only protection for farmers can be through crop insurance. The financial infrastructure must be strengthened and encouraged to provide insurance cover for various kinds of horticultural crops.

Given the enormous potential and possibilities in horticulture and floriculture, the following initiatives have been taken:

- Divestment of government control in a number of Government gardens by inviting brand leaders to set up their operations aimed at technology dissemination, extension and marketing support.
- KVKs are being set up in every district.

- Progressive change in the rootstocks of fruit and flower plants by bringing in modern and proven cultivars; and emphasis on high yielding, hybrid varieties of off season vegetables.
- A college for agro-horticulture management has been set up in Pauri district; and major emphasis on processing and value addition in the agro-horticulture sector proposed.
- A litchi export-processing zone has been set up in the Ramnagar area and the trial exports of lychees to Europe has been successful.
- A state of the art fruit processing plant, managed by NDDDB, set up at Ramgarh.
- A Floriculture Park proposed to be set up with the help of APEDA.
- Regional office of NHB has been established in Dehradun for closer coordination.

In addition to processing/export complexes and Zones, the emphasis will now be on preparing infrastructure development projects for post harvest management of fruits and vegetables, which would assist individuals and groups of farmers in marketing their produce in the premier markets.

Medicinal and aromatic plants would be a major thrust area and income generating activity for the local farmers. The State Medicinal and Aromatic Plant Board has been constituted which will provide policy guidance. The Herbal and Medicinal Plants Research and Development Institute at Gopeshwar will be the apex implementing agency for the preparation of an integrated action plan for conservation, propagation/cultivation, processing and marketing of herbs, medicinal and aromatic plants. Close linkages will also be

developed, in this process, with the tourism sector. The forest policy as well as the horticulture policy will be developed in tandem to ensure that there is a scientific exploitation of this natural wealth and bio-diversity, lest the very wealth be endangered or squandered away.

Fisheries

Uttarakhand has a large wealth of warm and cold water fish which are not only a food supplement for the people and an income generating activity but can also be developed into a potentially very attractive tourism activity. The mahseer and trout fishing spots in Uttarakhand attract visitors from all over the world. Through an integrated and multi faceted policy our endeavour would be to popularise and expand this activity for the farmers as well as stock the rivers with the game fishing varieties. Strict control over undesirable practices such as dynamiting the fish would be exercised.

Forests

The recorded forest area in Uttarakhand is 64.8% even though the vegetation cover is only 43.5 percent. More important, over 5411 hectares of forest areas have a canopy density of less than 40 percent. Maintenance of this forest cover is important not only for Uttarakhand but for the whole country. Our vision is to not only to maintain and increase this forest cover to the desired levels but also to develop a harmonious and eco-friendly relationship between the people and forests.

The strategies that the State Government has followed have actively involved the village communities in protection and management of the forest wealth. Thus, besides the institutions of Van Panchayats, the newly created institution of Joint Forest Management has provided the institutional framework for this interaction. An interesting and encouraging experiment has been creation of Van Panchayats /Joint Forest Management Committees which consist entirely of women. The Protected Areas (PA's) Network constitutes about 18.69% of the forest area and a similar protective role is played by the Eco-development Committees in and around the protected areas.

To encourage cultivation of Bamboo and Jatropha (Bio-fuel) a separate Board has been created and plantation on mass scale has been introduced from the year 2004-05.

Tourism

The third sector that the Uttarakhand economy should develop vigorously during the Eleventh Plan period is tourism. Tourism is the third largest economic activity in the world, surpassed only by oil and motor vehicles, and the largest activity in the services sector. While more than two-thirds of the global tourist arrivals and receipts are accounted for by developed countries, the contribution of tourism to third world economies is by no means insignificant. It is also one of the fastest growing sectors of the world economy. Moreover, domestic tourism is also on the rise in India. The high growth rate of the Indian economy in the last few years and the accelerating income of the middle class have given a considerable boost to this sector. As a result, the demand for this sector is at an all time high. The

Uttarakhand economy is ideally situated to take advantage of this situation and scale up its tourism sector. The two inputs that are necessary for the development of this sector, i.e., natural and human capital, are abundantly available in the state. Thus, it has the potential to match the rise in tourism demand with an increase in supply of tourism services.

While industrial and most services related activity naturally flourish in areas that are already developed in terms of infrastructure, urbanization, etc, tourism can be developed in relatively underdeveloped areas, provided they have something of interest to the tourist. Thus, in comparison to industry and these other services sectors, the tourism sector is particularly suitable for promoting inclusive growth.

The development of the tourism sector can help the local economy in a number of ways. The most important impact is the creation of employment for the local people in hotels, restaurants and other kinds of lodgings as well as in the tour-operating sector. More importantly, employment will also be created through indirect channels in a variety of sectors including local handicrafts etc. Apart from employment creation, the sector can also increase the demand for fruits, vegetables and milk etc. produced in the villages around tourist spots, for the consumption of the tourists. The development of this sector also provides tax revenues to the government in terms of user charges etc., and this can be used for the development of the area. More importantly, a thriving tourism industry links up the hill areas with the rest of the country and reduces social and economic isolation of the people.

There are, of course, some potentially negative effects of tourism as well. The biggest problem with unregulated and unplanned growth in tourism is the environmental degradation that it can cause due to overuse of the natural capital. This will not only have an adverse impact on other productive activities in the mountains, but can destroy the future prospects of the tourism sector as well. The other problem that unregulated tourism creates is that it puts a heavy burden on the urban infrastructure of tourist destinations, choking up roads, civic amenities, etc. This can put the tourist and the local population to severe hardship in the peak tourist seasons.

The optimal tourism policy will have to assess the volume and quality of tourism that will not cause environmental degradation or overuse of urban infrastructure in the tourist destinations, and hence will be sustainable in the long run. Once this is determined, the development of tourism should be on the basis of a planned approach that maintains this volume and quality of tourism, while trying to maximize the returns to the local economy – in terms of income and employment to the local people.

Development of High-value tourism

In order to promote high-value tourism in the state, the sector has to provide a high quality tourism experience. The main attraction for tourists in the state is, of course, the Himalayas. The experience of watching the snow capped peaks from a close range is a sublime one, and the tourism infrastructure must make sure that this experience can be provided to the tourists without compromising on comfort, and in new and innovative ways. Of course, a high value

tourist would want other forms of recreation as well, and this means that the state must offer a package of activities that will attract the tourist. The forest areas and the protected sanctuaries are ideal for the development of nature tourism. The upper ranges of the mountain can be used to develop adventure tourism with activities like skiing, paragliding etc. The mountain rivers are also appropriate for the promotion of rafting, kayaking etc. Most importantly, all these activities must be coordinated with the hotels and tour operators so that tourists find it simple and easy to opt for these activities.

Tourism infrastructure and Hotels

The development of tourism requires a lot of physical and human infrastructure. The most important physical infrastructure for a hilly state like Uttarakhand is a network of good quality roads that connect all the tourist destinations. The human capital needed in this sector includes tour guides, trekking attendants and instructors for activities like skiing, paragliding, rafting etc. These jobs need technical expertise that may be imparted through vocational training centers. Overall, the tour operators and tourists agencies must be encouraged to corporatize and become more organized and professional.

Other than infrastructure, the most important factor for the development of high value tourism is the availability of quality hotels. While this sector should be developed through the private sector, there are some issues here that need policy intervention. The first problem is the availability of land. There may be a number of

problems including land-use laws, environmental clearance etc., and the state must act as a facilitator,

Promoting Uttarakhand as a brand

For the successful development of high-value tourism, it is important to reach out to the potential tourists who are ready to spend substantial amounts of money for the services in this sector. For this, it is important to build quality tourism infrastructure but equally importantly, it is necessary to make sure that the potential tourist has adequate information about the facilities available in the state. The most effective way to attain this objective is to promote the state and its tourism sector as a brand. This will involve innovative campaigns through the media and the internet, focusing on the factors that attract various types of tourism.

Promoting international tourism

The development of the tourism sector has to give special focus to the encouragement of international tourism. In order to adopt appropriate policies for this sector, it is very important to understand certain aspects of international tourism industry. Unlike standard manufacturing industries, international tourism does not have a unique base as an industry. It is essentially a collection of a wide range of service-based activities comprising mainly of three important sub-sectors, i.e., (i) the International Tour Operators and Travel Agents based mostly in the first world countries (ii) the Civil Aviation and Transport Industry that carries tourists to their

destinations and (iii) Hotels and Accommodations sector in places of tourist interest.

International tour operators are basically intermediaries between the producers and consumers of tourism related services. Their main function is to reduce information and transaction costs for the tourists and promotional expenditures for the suppliers of tourism services. However, rising profitability of tour operators owing to increasing competitiveness of the civil aviation market has led to a highly monopolistic international tour operator industry. Thus, a small number of tour operators have very large share of clients in the US and Europe. On the other hand, in the civil aviation industry, the gradual movement from a regulated to a deregulated regime in the nineteen nineties has led to a cutthroat price competition and minimum profits in the international airline market. The growth of foreign tourists to any country is also greatly influenced by the nature of its hotel industry. The present structure of international hotel industry is highly skewed in favour of multinational corporations who are mainly based in developed countries.

Tourism and inclusive growth

It must be clearly understood that the development of high value tourism may not automatically lead to better livelihoods and incomes for the local people. If the tourism sector does not integrate itself with the hill economy, then the demand created by this sector will lead to increase in incomes in the plains or in other parts of the country. The policy package for inclusive growth must ensure that the forward and backward linkages from this sector ensure growth in the local economy. There are two kinds interventions that can be

undertaken to achieve this objective. The first is a fiscal intervention where the state can collect revenues by taxing the sector and spending it on the development of the local economy. The second form of intervention is as a facilitator, ensuring that the goods and service of the local people and their assets are used by the tourism sector. These linkages between the tourism sector and the local economy can take many forms. The development of tourism requires land for various purposes and the state can encourage local landowners to earn an income by leasing their land. The state can enable the local farmers to fulfill the demand for fresh fruits, vegetables and dairy products consumed by the tourists. Non-farm employment can be created for the hill people by developing the production of handicrafts and ethnic products that can be sold to the tourists. The tourism sector can be encouraged to provide employment to the local people in the hotels and the tour operative business. Employment can also be created for the local people as tourist guides and instructors of adventure sports activities. Sometimes, market failures block the development of some of these activities or prevent the local people from getting a reasonable return from them. It is necessary for the state to intervene in these situations and deal with the market failures with appropriate policy.

In brief the State has the vision of making "Dev Bhoomi" the most preferred tourist destination and establishing it on the global tourism map. Combined with the awesome beauty that nature has endowed Uttarakhand, which holds a vast potential for adventure, nature, leisure and eco- tourism, the vision does not look unrealistic. There is also no doubt that tourism would be a key GDP driver, and the strategy will be to develop this sector with the maximum possible

involvement of the local host communities, and in a manner that generates opportunities for significant employment and income generation.

The development of quality tourism infrastructure, development of new tourist destinations, promotion of smooth and easy connectivity, Private Sector participation and development of strategically dispersed modern stay facilities form the key prongs of strategy in this sector.

Integrated and optimal development of Pilgrimage Tourism, Cultural Tourism, Nature and Eco-tourism, Leisure Tourism, Corporate Tourism, Adventure Tourism and promotion of tourism related Handicraft and Souvenirs industry are going to be the main thrust areas.

The Tourism Development Board has been created as a high level body to function as a promoter, adviser, regulator and licensing authority for tourism development in the State. It is hoped that this arrangement will also help to build institutional linkages with the tourism trade and industry. The results are very encouraging indeed, as the State is getting accolades at the national level and has won awards.

Industry

The vision is to make Uttarakhand an attractive destination for environment friendly industries. The State shall leverage the strengths given by nature to promote food and fruit processing, medicinal & herbal plants and horticulture & floriculture based industries. In the plains districts capital intensive and high-value

addition industries would be encouraged. Apart from providing a conducive and transparent atmosphere for business, Uttarakhand would facilitate and initiate sector specific measures to enable its industry to compete globally.

Udyog Mitra has been set up in the State under the Chairmanship of the Chief Minister for providing a forum for continuous interaction with the industry associations and to enable timely policy interventions and other measures as may be necessary.

Given the constraints arising from geographic and terrain conditions, the need to provide suitable fiscal incentives related to income tax, central excise, transport subsidy etc. to offset the comparative disadvantages of high cost of production have been recognized. As a result the Central Government announced a package of concessions for industries established in the State. The package included the following incentives:

Fiscal Incentives to new Industrial Units and to existing units on their substantial expansion

- (I). New industrial units and existing industrial units on their substantial expansion as defined, set up in Growth Centres, Industrial Infrastructure Development Centres (IIDCs), Industrial EStates, Export Processing Zones, Theme Parks (Food Processing Parks, Software Technology Parks, etc.) as Stated in Annexure-I and other areas as notified from time to time by the Central Government, are entitled to:
 - (a) 100% (hundred percent) outright excise duty exemption for a period of 10 years from the date of commencement of commercial production.

(b) 100% income tax exemption for initial period of five years and thereafter 30% for companies and 25% for other companies for a further period of five years for the entire States of Uttarakhand and Himachal Pradesh from the date of commencement of commercial production.

(II) All new industries in the notified location would be eligible for capital investment subsidy @ 15% of their investment in plant & machinery, subject to a ceiling of Rs. 30 lakh. The existing units will also be entitled to this subsidy on their substantial expansion, as defined.

(III). Thrust Sector Industries are entitled to similar concessions as mentioned in para 3(I) & (II) above in the entire State of Uttarakhand and Himachal Pradesh without any area restrictions.

In continuation to the above Industrial Policy, the State has also taken initiatives which provide infrastructure facilities and single window facilities to the potential entrepreneurs. As a follow up a multipurpose body SIDCUL has been created to facilitate entrepreneurs, and also act as the nodal agency for passing on subsidies to entrepreneurs.

Development of Industrial Infrastructure

(i) The funding pattern under the Growth Centre Scheme currently envisaging a Central assistance of Rs. 10 crore per centre has been raised to Rs. 15 crore per centre.

(ii) The financing pattern of Integrated Infrastructure Development Centres (IIDC) between Government of India and SIDBI will

change from 23 to 41, and the GOI funds would be in the nature of a grant, so as to provide the required infrastructural support.

Other Incentives

- (i) Deen Dayal Hathkargha Protsahan Yojana and other incentives of Ministry of Textiles The funding pattern between Government of India and both the States would be changed from 50:50 to 90:10 under this Scheme. Ministry of Textiles would extend its package of incentives, as notified for North-Eastern States, to the States of Uttarakhand and Himachal Pradesh also.
- (ii) Ministry of Food Processing Industries would include Uttarakhand in difficult areas category. The State of Himachal Pradesh is already included in the difficult areas category.
- (iii) Pradhan Mantri Rozgar Yojana (PMRY) Ministry of Agro & Rural Industries would provide the States of Himachal Pradesh and Uttarakhand relaxation under PMRY with respect to age (i.e. 18-40 years from 18-35 years) and subsidy (@ 15% of the project cost subject to a ceiling of Rs.15,000/- per entrepreneur).

Urban Development

Urban planning, development and infrastructure concerns have an overarching and cross-sectoral concern with tourism/visitation. Development of the urban infrastructure also has a direct bearing as an engine of economic growth for the State. The following would be the main prongs of the strategy for urban development:

1. Harmonized construction with landscape,

2. Adequate water supply, proper sewerage system, street lighting & convenient transportation.
3. Providing low-cost housing to all segments - especially the lower income groups by involving private sector participation.

Employment Strategy

Creation of employment opportunities including self employment, on a sufficiently large scale has to be an important feature of the Eleventh Five Year Plan. Since Uttarakhand has fairly high levels of literacy the challenge to create different kinds and levels of employment opportunities, including self-employment, in order to meet the demands and aspirations of the people.

The Planning Department, Government of Uttarakhand has estimated the rate of unemployment in the State to be 21.63% in the terminal year of the Tenth Five Year Plan i.e. 2006-07, and the increment of unemployed persons to be 3.10 lakh. The unemployment rate is quite similar to some other high literacy States like Kerala and Tamil Nadu.

With the growth in the industry and the services sectors, employment opportunities are also growing. In the absence of proper manpower planning and training the possibility of a mismatch between employment opportunities and skills available with the job-seekers is a distinct possibility. Hence this underlines the need for human resource development and skill upgradation in line with the changing demands of technology and emerging employment opportunities in these sectors.

In order to tackle these employment issues some new programmes are being proposed which will be taken up in a Mission Mode.

Mission Mode Projects

The State Government proposes to launch some new projects to address certain issues and problems specific to the hill region in Uttarakhand, to be implemented in Mission Mode. Their broad objectives are to promote inclusive growth by providing productive employment to the people, reduce the drudgery of rural women, and help in conserving the environment which is necessary for the sustainability of the development process. These are cross sectoral programmes overarching as they touch several sectors. They need to ensure effective delivery of outcomes. Such projects have been identified to be run in a mission mode with cross funding from various departments. They are being described in respective chapters of sectoral write up in detail.

CHAPTER 4

Approach to the Eleventh Five Year Plan

Introduction

There has been a significant shift in the focus of economic policy in India in the last few years, with issues of equitable growth getting more importance. This is clearly revealed in the change in the Planning Commission's perspective – from “high growth” during the Tenth Five Year Plan to “inclusive growth” in its Approach Paper to the Eleventh Five Year Plan. The government of Uttarakhand too wishes to promote an “inclusive growth” strategy during the Eleventh Five Year Plan. This implies (i) maintaining the tempo of growth of the economy witnessed after the inception of the state, especially during the Tenth Plan period and (ii) spreading the benefits of growth to all sections of the population and geographical regions of the state.

A policy framework to generate inclusive growth for a state like Uttarakhand has to be consistent with the geography of the area. In other words, policies that might give successful results for any other state in India situated in the plains, may not prove to be fruitful in this hilly state. Uttarakhand, it needs to be understood, is primarily a mountainous state with only about ten percent of its total geographical area in the plains. With more than three-fourths (78 percent) of its total population dependent on agriculture for livelihood, the economy of Uttarakhand is predominantly dependent on mountain agriculture. Consequently only a few specific sectors have growth potential in these backward areas and the policy framework has to focus primarily on these sectors. For example, sectors like horticulture (both fruit and vegetable cultivation) have a comparative advantage in the region due to its agro-climatic

conditions. Similarly, given its natural resources and scenic beauty, the hilly regions are ideally suited for the development of the tourism sector. Lastly, and perhaps most importantly, the chances of success of these specific sectors depend significantly on physical and social infrastructure. Thus the inclusive growth policies must emphasize the development of these sectors in the hilly regions of the state.

In the current milieu of economic liberalization and market reforms, the policies for inclusive growth have to be based on an active participation of the private sector in these areas. The policies for the targeted sectors must try to encourage market led growth strategies, wherever possible. However, the private sector is usually reluctant to enter into areas like infrastructure, partly due to the public utility nature of these projects, and partly due to long gestation periods involved. The state has to play an active role in these areas, sometimes through the public sector and sometimes in the form of public-private partnerships.

There is another very important role that the state needs to play in this whole process. The ecology of the area is already in a fragile state due to unplanned development in the past. There is a chance that rapid development without due recognition of this problem may lead to the destruction of the natural resource base of the area. Since the livelihood of the weaker sections in the hill areas is completely dependent on these natural resources, their destruction will make the process of inclusive growth unsustainable in the long run. Thus the state must ensure that the growth process in general and private participation in particular does not destroy the ecology of the area.

Growth projections for the Eleventh Plan Period

The Uttarakhand economy has been growing at very high rates in the last few years, following its inception as an independent state in 2000-01. This has led to expectations of continued high growth rates during the Eleventh Plan period as well. However, any objective projection of the future growth rates has to be based on a careful analysis of the long-run trends in the economy.

The trends in sectoral and sub-sectoral growth in the Uttarakhand economy since 1993-2004 show two distinctly different kinds of growth dynamics. There are six sub-sectors that exhibit steady and unchanging growth dynamics for the whole period. These are (i) Agriculture (ii) Forestry (iii) Fishery (iv) Mining (v) Real Estate, Ownership of Dwellings and Business Services and (vi) Banking and Insurance. On the other hand, the remaining seven sub-sectors show a distinct jump in growth rates since the time the state was established, i.e., 2000-01. These are (i) Manufacturing (ii) Construction (iii) Electricity, Gas and Water (iv) Trade, Hotels and Restaurants (v) Transport, Storage and Communications (vi) Other Services and (vii) Public Administration. These high rates of growth are partly due to the small base of these sectors while other factors like better administration and governance, together with fiscal incentives for private participation in these sectors, are also important. While some of these factors will remain significant even in the long run, others will have a more temporary impact on the growth rates. Clearly the capacity to sustain high growth rates will depend on whether the long-run factors remain more relevant than the temporary factors in the future.

In order to generate growth projections that capture this changing economic behaviour exhibited by the state following its inception, it is useful to define alternative growth scenarios. In fact, most feasible outcomes for Uttarakhand for the Eleventh Plan period can be taken care of by three alternative scenarios. These may be termed as the Optimistic Scenario, the Pessimistic Scenario and the Realistic Scenario. These scenarios are defined for the sub-sectoral growth behavior and then aggregated to generate the sectoral (agriculture, industry and services) and aggregate GSDP growth behavior for Uttarakhand.

Steadily Growing Sectors

A single scenario, i.e., the Realistic Scenario, captures the growth dynamics for the six sub-sectors that exhibit steady growth for the period 1993-04 to 2005-06. In this scenario, the sectors are assumed to grow at the same (constant) rate at which they have grown in the post-reform period. The average annual projected growth rates during the Eleventh Plan period (2007-12) in these sub-sectors are given below:

Sub-Sector	Average Annual Projected Growth Rate 2007-2012 (%)
1. Agriculture	1.86
2. Forestry	0.50
3. Fishery	2.68
4. Mining	5.38
5. Real estate, Ownership of dwellings, Business services	4.89
6. Banking & Insurance	10.03

Sectors with a Jump in Growth Rates after Attainment of Statehood

In the sub-sectors that exhibit higher growth rates after the inception of the state in 2000-01, all three scenarios (Optimistic Scenario, Pessimistic Scenario, Realistic Scenario) are required to capture the growth dynamics in the period 1993-04 to 2005-06. For these sectors, the Optimistic Scenario assumes that the high growth rates achieved after 2000-01 are not due to temporary factors and hence can be sustained throughout the Eleventh Plan period. The Pessimistic Scenario, on the other hand assumes that the high growth rates were due to highly short-lived factors, and hence the economy will immediately (from 2006-07) revert to the long-run (constant) growth rate (exhibited during the period 1993-04 to 2005-06) and continue to grow at that rate throughout the Eleventh Plan period. The Realistic Scenario recognizes that both the Optimistic and the Pessimistic Scenarios are based on extreme assumptions and the most realistic outcome will lie somewhere in between. Specifically it assumes that instead of falling immediately, the growth rates keep falling steadily from the high rates in the recent past, so that by the end of the Eleventh Plan period (2011-12) they have reached the long-run rates.

The average annual projected growth rates in these sub-sectors during the Eleventh Plan period (2007-2012) are as follows:

Sub-sector	Average annual projected growth rate		
	2007-2012 (%)		
	OS	PS	RS
1. Manufacturing	13.68	2.49	6.22
2. Construction	18.95	14.08	15.70
3. Electricity, Gas & Water	11.96	3.84	6.55
4. Transport, Storage & Communications	11.87	7.56	8.99
5. Trade, Hotels & Restaurants	7.83	5.89	6.54
6. Other services	20.10	9.70	13.17
7. Public administration	21.88	8.01	12.63

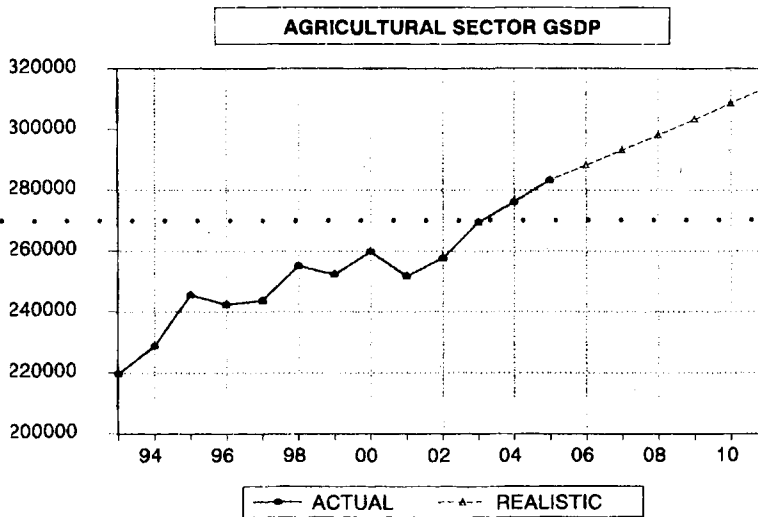
Note: OS refers to optimistic scenario; PS to pessimistic scenario and RS to realistic scenario

Sectoral and Aggregate Growth Projections

The output and growth projections of the agricultural sector, the industrial sector, the services sector and aggregate GSDP are based on the projections from the thirteen sub-sectors. The projected agricultural sector output is equal to the sum of the projected output from (i) Agriculture (ii) Forestry and (iii) Fishing. The projected industrial sector output is equal to the sum of the projected output from (i) Mining (ii) Manufacturing (iii) Construction and (iv) Electricity, Gas and Water. The projected services sector output is equal to the sum of the projected output from (i) Transport, Storage and Communications (ii) Trade, Hotels and Restaurants (iii) Real Estate, Ownership of dwellings and Business Services (iv) Banking and Insurance (v) Other Services and (vi) Public administration. The projected aggregate GSDP is

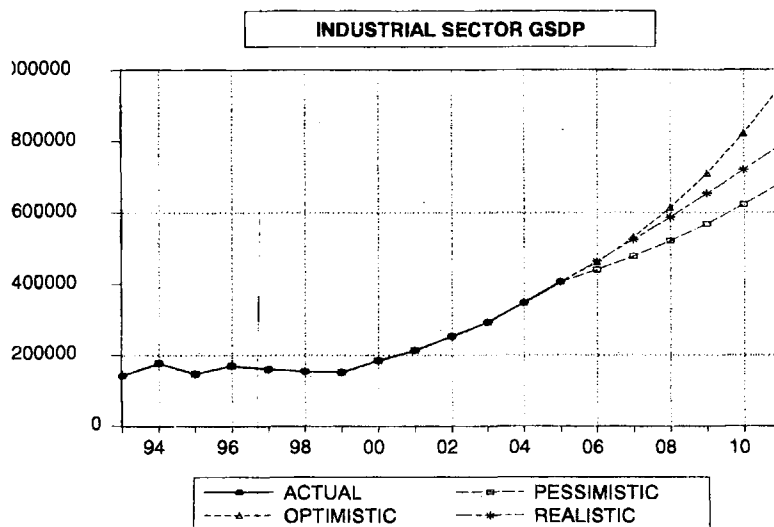
equal to the sum of the projected output from the (i) agricultural sector (ii) industrial sector and (iii) services sector. The graphical projections of sectoral and aggregate output for the Eleventh Plan period are presented below. The corresponding average projected growth rates are also provided.

(i) Agricultural Sector GSDP



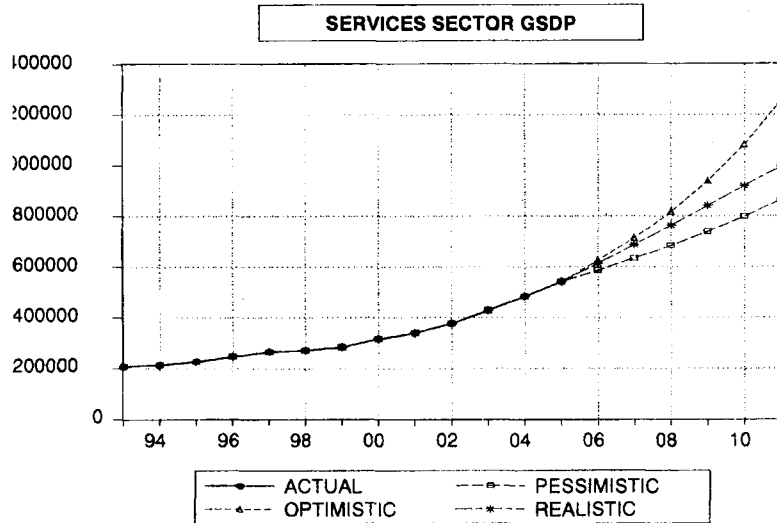
Eleventh Plan average projected growth rate 1.72 % (Realistic Scenario)

(ii) Industrial Sector GSDP



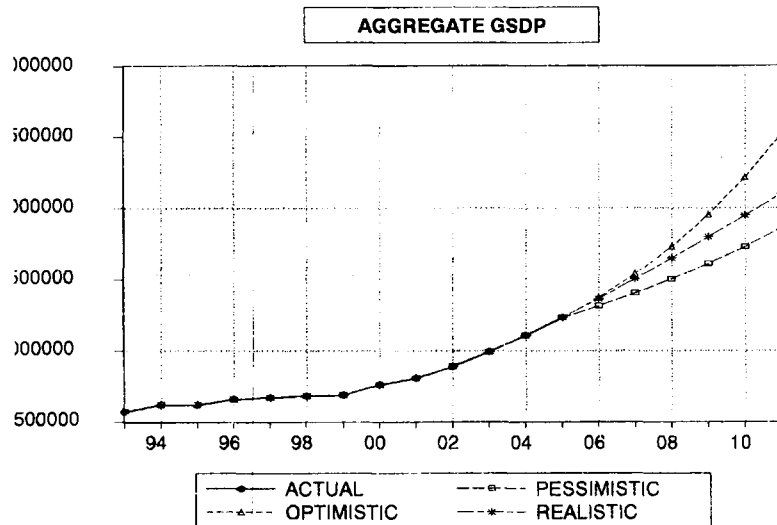
**Eleventh Plan average projected growth rate (i) 11.23 % (Realistic Scenario)
(ii) 15.67 % (Optimistic scenario) (iii) 9.18 % (Pessimistic scenario)**

(iii) Services Sector GSDP



**Eleventh Plan average projected growth rate (i) 10.24 % (Realistic Scenario)
(ii) 14.92 % (Optimistic scenario) (iii) 8.09 % (Pessimistic scenario)**

(iv) Aggregate GSDP



**Eleventh Plan average projected growth rate (i) 9.01 % (Realistic Scenario)
(ii) 12.90 % (Optimistic scenario) (iii) 7.21 % (Pessimistic scenario)**

It is clear from the projections presented above that the growth prospects are very positive for the state of Uttarakhand. The realistic scenario, which describes the most plausible outcome in the future, pegs the growth rate of GSDP at around 9 percent. Although this is somewhat lower than the current GSDP growth rate of about 11 percent, it is far higher than the growth rate in the state before 2000-01. Even with the pessimistic scenario, the growth rate is above 7 percent, which is a high growth rate by any standards. The problem, however, is that the trends depicted by the above scenarios do not lead to inclusive growth. For example, the agricultural sector, which provides livelihoods to three-fourths of the population in the state, is pegged to grow at 1.72 percent only. This clearly shows that the industrial and services sector led growth, which benefits largely the plains, is not going to be very inclusive in nature. In other words, if inclusive growth is to be promoted, then current trends will not be sufficient and focused development planning will be necessary to encourage growth in those sectors that provide livelihoods to the weaker sections and backward areas.

Inequalities in the Uttarakhand Economy

As with the rest of India, there are various forms of social inequalities in Uttarakhand that manifest themselves in the form of unequal opportunities and quality of life for certain social groups. These groups include the scheduled castes, scheduled tribes, and women. The scheduled castes in Uttarakhand, like elsewhere in the country, have suffered due to a deep-seated process of discrimination and exploitation over a long period of time. These problems are compounded by the fact that the hill society of Uttarakhand has

traditionally been an upper caste dominated society, in which the dalits were relegated to an extremely low social position. To a large extent, similar problems afflict the tribal population as well (though they constitute only 3 per cent of the population as compared to 18 per cent in the case of the scheduled castes) with the added complication that their social isolation is combined with physical isolation as well. The main tribal groups of Uttarakhand are the Bhotiyas, Tharus, Boxas and the Jaunsaris and each of these groups have distinct characteristics and needs. In addition, there is also a very small forest-dwelling tribal group known as Rajis (or Ban Rawats) numbering a few thousand, who live in the areas bordering Nepal in Pithoragarh district.

More than these social inequalities however, it is the geographical inequality between the hills and the plains of Uttarakhand that divides the state most critically. This geographical inequality manifests itself in the form of inter-district inequality. Four of the thirteen districts, namely, Nainital, Haridwar, Dehradun and Udham Singh Nagar, are in the plains or have large parts in the plains. Compared to the other nine districts, these districts are ahead in terms of various indicators of development.

Development of the Hilly Areas for Inclusive Growth in Uttarakhand: Challenges and Opportunities

The Uttarakhand economy, which was growing at about 3.5 percent in the post reform period before attaining statehood, has achieved average growth rates in excess of 11 percent after 2000-01. It is clear that the achievement of statehood has helped Uttarakhand to transform itself from a low growth to a high growth economy.

However, most of the growth has been restricted to the plains, while the hilly areas have continued to grow slowly due to a number of structural problems. Thus the challenge for inclusive growth policies is to generate faster development in the hilly areas of the state. The main problem, of course, is the mountainous geography of the state. The soil in these regions is, in general, quite shallow, gravelly and not very fertile. Agriculture takes place mostly in the valleys or scattered pieces of land on the hills that have the requisite fertility. Not surprisingly, the gross cropped area is only about 10 percent of the area of the state. Given the topography and the terrain irrigation becomes a crucial limiting factor in agricultural performance. Currently only 12 percent of gross cropped area is irrigated.

Another problem is the population density, which is very low in these areas. The three districts of Uttarkashi, Chamoli and Pithoragarh have some of the lowest population densities in the country. About 84% of the village settlements (nearly 90% in Pauri Garhwal, Pithoragarh, Chamoli, Tehri Garhwal and Almora) have population sizes that are less than 500 and hardly 0.5% of the villages in most districts have population sizes that are more than 2000. The sparse and scattered population prevents the development of market-based institutions, which need a minimum scale in order to operate. The lack of roads and means of transportation further compounds this problem. Thus, in the current scenario, transportation is difficult and costly.

The structural problems described above makes these areas completely unsuitable for large scale, mechanised, input-intensive modern agriculture. Even smaller scale, localized cash crops are not

remunerative in the current situation because transportation and transaction costs are prohibitively high for a small farmer. Moreover, these cash crops also require higher levels of investment but the overall backwardness of these places prevents the development of financial institutions that may provide credit to these farmers. Since the return from agriculture is low and remunerative employment opportunities are not available in the region, the men-folk either join the army and para-military forces or migrate in large numbers from the mountain areas to the cities and towns all over the country in search of employment. A significant consequence of this pattern of migration and male preference for off-farm employment is the lack of quality manpower in the agricultural sector.

In order to change this situation of economic and social backwardness in the rural mountainous regions of Uttarakhand, it is important to adopt a strategy based on long term planning that will take steps to counter all the problems described above. However, given the fiscal and administrative constraints of the state, it is more sensible to identify a few sectors at a time and attempt vigorous development in these sectors before moving on to other sectors. The first step in such a strategy is to identify (a) sectors that are impeding the growth process, and (b) sectors in which this region has a comparative advantage. The current condition of the infrastructure sector is clearly a constraint on the development in this area and must be the focus of the strategy for inclusive growth. As far as comparative advantage is concerned, two sectors that have great potential are horticulture and tourism.

CHAPTER 5

PLAN IN OUTLINE

Before the creation of the new State of Uttarakhand the practice of treating the hills as a separate unit for 'planning and development' and having a "Sub-Plan" for the same has long been followed in which problems peculiar of the hill areas were always given due weight age but, understandably, not to the desired and fullest extent. With the formation of the new State, the old linkages between these areas would need to be redefined and this would necessitate more careful planning on the part of the State, at least in the initial years.

10th Five-Year Plan, Annual Plan 2002-03. 2003-04. 2003-04. 2004-05 and 2005-06

Tenth Plan was the first attempt by the new State to formulate a Five year plan independently. Since then the four annual Plans have been passed. The annual plan 2006-07 is the last year of the 10th year Plan and would serve as the base year for the 11th five Plan. An attempt has been made to compensate the shortfalls and to raise the over all growth rate of the State's economy to the extent feasible. This has resulted in pushing up the growth rate of the economy significantly. The State Government is taking continuing steps for this purpose, more particularly, for attracting large private investment in various sectors than before. In fact, the government has already initiated a series of measures in critical areas to

streamline the present processes, practices and procedures so that the irritants to development are removed.

In view of the performance of the State and the rising expectations of the people, while preparing Five Year Plans and Subsequent Annual Plans, emphasis has been laid on the formulation of a realistic Plan based on the expected resources. Appreciating the State's efforts in this direction the Planning Commission has extended its full support time and again.

The distribution of approved plan outlay for Ninth Plan, Tenth Plan and Annual Plan 2006-07 is given below to give an idea of the relative priorities attached to the various sectors in the allocation of plan funds.

Classification of Plan Outlay

(Rs. in Crore)

Major Heads of Development	Ninth Plan	Tenth Plan (2002-07)	Annual Plan 2006-07	Eleventh Plan (2007-12)	Annual Plan 2007-08
	Approved Outlay	Actual Outlay	Actual Outlay	Proposed Outlay	Proposed Outlay
Economic Services	3070.98	7086.41	2211.80	25124.75	2284.98
1. Agriculture & Allied Activities	860.99	1207.32	427.09	4480.66	371.17
2. Rural Development & BADP	508.05	843.48	262.09	2498.29	317.81
3. Irrigation & Flood Control	81.12	574.76	141.34	2612.24	134.31
4. Energy	411.00	1766.81	449.15	4874.87	390.44
5. Industry & Minerals.	59.70	329.72	57.37	318.30	25.95
6. Transport	1052.00	1531.50	602.52	8222.53	799.29
7. Science, Technology & I T	11.40	401.67	109.90	579.29	97.62
8. General Economic Services	96.25	431.16	141.76	1538.57	148.39
Social Services	1355.91	4110.77	1679.19	16244.06	1868.62
Out of which:-					
Education, Culture, Sports Youth Welfare	313.73	1437.50	559.48	4244.46	571.37
Medical & Public Health	71.00	470.45	186.00	2148.82	285.65
Water Supply & Sanitation	814.68	665.07	320.70	2535.30	275.65
General Services	3.11	544.16	99.00	643.38	98.46
Total	4430.00	11741.35	4017.26	42012.19	4252.06

The Annual Plan 2006-07 was initially approved for Rs. 4000.00 crore and subsequently revised to Rs. 4017.26 crore with an additionality of Rs. 17.26 crore. The Planning commission in its review observed that Uttarakhand's performance has been the best among all states with regard to expenditure of plan funds. The total expenditure during the Tenth Five Year Plan rose to Rs. 11297.38 Crore against the original approved outlay of Rs. 7630.00 crore (at constant prices) or Rs. 9000.00 Crore at current prices. Year wise approved outlay, revised outlay and expenditure is given in the following table :

Approved Outlay and Expenditure during Tenth Five Year Plan

(Rs. in Crore)

S.N.	Year	Approved Outlay	Expenditure
1	2002-03	1534.00	1449.44
2	2003-04	1607.75	1677.79
3	2004-05	1867.37	1916.74
4	2005-06	2734.10	3003.31
5	2006-07	4017.26	3250.00
	Total	11757.61	11297.28

The State was deprived of the recommendations of the 11th Finance Commission which put pressure on our resources. However, with the recommendation of the 12th Finance Commission the situation eased and the State has been able to record positive balance from current revenues, thus improving its own resources. In the last quarter of the previous year the State was in election mode which partially affected the works specially the New works.

Externally Aided Projects

The State has negotiated four new externally aided projects: three from the Asian Development Bank (ADB) for roads & bridges, urban infrastructure and power sectors and one from the Japan Bank for International Cooperation (JBIC) for tourism development. These new EAPs will start from this year for which an outlay of Rs. 444.25 crore has to be earmarked beside Rs. 173.28 crore for on going EAPs.

Resources Position

The resources projection for the Eleventh Five Year Plan is summarized in the table below. The BCR in the base year (2006-07) was (-) Rs 62.23 crores which is projected to become positive in the first year of the Eleventh Plan (2007-08) at Rs 83.06 crores. This improvement is largely accounted for by increase in net market borrowings and ACA for new EAPs. The BCR is projected to again turn sharply negative to (-) Rs 215.54 crores in 2008-09 and (-) Rs 344.59 crores in 2009-10 and remain negative, though at a reduced level, (-) Rs 140.24 crores in 2010-11, before turning positive (at Rs 41.05) crores in the final year of the Plan.

Projections of Balance from Current Revenue for Eleventh Plan 2007-08 to 2011-12

(Rs. in crore)

S.N.	Items	XI Plan 2007-12 (Projections at 2006-07 prices)	2006-07 Approved	2006-07 BE	2007-08 Current	2008-09 prices	2009-10	2010-11	2011-12
1	NON-PLAN REVENUE RECEIPTS (1 to 4)	29788.10	4525.10	5095.09	5878.13	6360.35	6852.95	7651.73	8511.28
1.	Share in Central Taxes	6047.98	892.35	1065.28	1171.80	1288.98	1417.88	1559.67	1715.64
2.	State's own Tax revenues	15385.73	1803.56	2074.40	2735.06	3128.39	3583.57	4110.68	4721.42
3.	State's own Non-Tax Revenues	3409.41	530.00	653.84	627.57	720.71	762.93	919.82	1012.66
3.1	Lotteries (Net)								
3.2	Irrigation (Net)	-697.56	-150.00	-130.27	-142.78	-152.88	163.73	-175.42	-187.98
3.3	Power (Net) (If Departmental)								
3.4	Transport (Net) (If Departmental)								
3.5	Others								
4.	Non-Plan Grants (4.1 to 4.4)	4944.97	1299.19	1301.58	1343.69	1222.26	1061.56	1061.56	1061.56
4.1	Revenue Gap Grants	3961.11	1064.30	1064.30	1115.02	992.02	830.43	830.43	830.43
4.2	Central share of Calamity Relief Fund	323.08	72.44	72.44	73.93	75.50	76.39	76.39	76.39
4.3	Entitlement Grants against Fiscal Reform								
4.4	Local Bodies	167.40	39.20	39.20	39.20	39.20	39.20	39.20	39.20
4.5	Other Non Plan Grants	493.39	123.25	125.64	115.54	115.54	115.54	115.54	115.54
II.	NON-PLAN REVENUE EXPENDITURE (5 to 7)	30278.27	4855.59	5157.32	5795.07	6575.88	7170.54	7791.97	8470.23
5.	Non-Development Expenditure (5.1 to 5.4)	13728.45	2324.21	2562.71	2610.32	2991.89	3265.99	3536.29	3829.69
5.1	Interest Payments	5854.47	926.55	1006.25	1095.26	1238.26	1389.60	1528.56	1681.42
	Appropriation for reduction/avoidance of debt	417.39	80.00	135.00	85.60	91.59	98.00	104.86	112.20
5.2	Pension Payments	2552.23	481.87	523.19	520.46	560.83	600.09	642.09	687.04
5.3	Salaries	3717.47	607.69	624.84	662.62	841.53	900.43	963.46	1030.90
5.4	Others	1186.89	228.11	273.43	246.38	259.69	277.86	297.32	318.13
6.	Developmental Expenditure (6.1 to 6.2)	14975.05	2336.81	2370.92	2902.77	3262.34	3537.54	3836.22	4160.40
6.1	Salaries	11094.02	1708.82	1715.70	1948.24	2474.27	2678.54	2899.91	3139.83
6.2	Others	3881.03	627.99	655.22	954.53	788.07	859.00	936.31	1020.58
7.	Pay and DA revision (Not included in 5.3 and 6.1)								
8	Statutory Transfers to Local Bodies	1574.78	194.57	223.70	281.99	321.65	367.01	419.45	480.14
8.1	Urban Local Bodies	629.91	77.83	89.48	112.79	128.66	146.80	167.78	192.05
8.2	Rural Local Bodies	944.87	116.74	134.22	169.19	192.99	220.20	251.67	288.08
9	Plan transfer to local Bodies & PSEs (Excl. CSS)								
9.1	Urban Local Bodies								
9.2	Rural Local Bodies								
9.3	Public Sector Enterprises (PSEs)								
III.	BCR Without ARM (I-II)	-490.18	-330.49	-62.23	83.06	-215.54	-344.59	-140.24	41.05
IV.	ARM								
V.	BCR With ARM (III+IV)	-490.18	-330.49	-62.23	83.06	-215.54	-344.59	-140.24	41.05

Public Private Partnership

At its 52nd meeting the NDC resolved that the Eleventh Plan should be based on a growth strategy that would accelerate the present 8% average annual growth rate to a level of 10% in the terminal year of the Plan. In order to achieve growth of this magnitude it is estimated that the level of investment in infrastructure would have to rise from the present 4.55 per cent of GDP to about 8 per cent. This implies that the present level of outlays on infrastructure would have to be doubled during the 11th Plan period. In a new and mountainous state like Uttarakhand the investment requirements on infrastructure would be even higher because of the already low base and the relatively higher costs owing to the nature of the terrain and topography. The issue of resource constraint that this implies is further compounded by the pressing demand from various social sectors on plan and budget resources. Under such constraints, the role and need for harnessing private investment in infrastructure projects through Public Private Partnership (PPP) assumes great importance.

With the target of 9.9% growth rate that the State is expected to achieve during the Eleventh Plan it is estimated that a total investment of Rs. 73,000.00 crore would be necessary. Of this about Rs. 45,000.00 crore would be required from private sector. However, for meeting the huge requirement of funds for the infrastructure sector, the strategy would comprise of maintaining the role of public investment and facilitate private sector to supplement it.

Growth with Social Justice

Growth with social justice has been the prime objective of planning in India. The scheduled castes and scheduled tribes belong to the poorest of the poor sections of the society and, therefore, priority has been assigned to their rapid development.

The scheduled castes have, for historical reasons, remained socially and economically backward for generations. Uttarakhand is no exception in this respect. The representation of SCs in the secondary and tertiary sectors of the economy is extremely low. Though they are mainly engaged in agriculture and allied activities, most of them are landless agricultural labourers who own meagre land holdings. This fact is brought out clearly in the table given below. In the entire State of Uttarakhand SCs, who constitute 18 per cent of the population, own 14 per cent of the holdings accounting for only about 8 per cent of the area.

Land holdings of Scheduled Castes

S.N.	District	Population of SCs (%) 2001	No. of operational holdings owned by SCs (%)	Area under holdings owned by SCs (%)
1	Almora (including Bageshwar)	23.29	15.71	9.84
2	Chamoli (including Rudraprayag)	18.08	12.37	7.25
3	Dehradun	13.50	11.01	9.18
4	Nainital	19.40	17.59	10.89
5	Pauri Garhwal	15.30	12.15	5.05
6	Pithoragarh(including Champawat)	21.05	16.01	10.41
7	Tehri Garhwal	14.40	10.19	5.18
8	U.S. Nagar	13.20	5.97	2.85
9	Uttarkashi	22.90	23.75	18.28
10	Haridwar	21.70	17.09	9.66
	State	17.89	13.93	7.76

Source: Agriculture Census, 1995-96

In view of the constitutional provision contained in the Directive Principles of the State policy under Article 46 enjoining on the state the duty of promotion and protection of the interests of SCs, concerted efforts have been made under the various Plans to raise their social and economic status.

Scheduled Caste Sub-Plan (SCSP)

In the first four Five Year Plans, welfare programmes were drawn up and implemented for improving the educational and economic status of the scheduled castes. By the end of the Fifth Five Year Plan, however, it came to be realized that the strategy for their development would have to be based on intensive social and economic efforts so that they could acquire the ability to reap the full fruits of programmes of economic development. As a result the approach of Special Component Plan (SCP) – now renamed the Scheduled Caste Sub-Plan (SCSP) – was adopted in the Sixth Five Year Plan (1980-85) in the form of earmarked allocations. Accordingly, development of Scheduled Castes was made an integral part of various sectoral programmes of the plan and emphasis was laid on the enhancement of their welfare. Based on past experience it was decided to give focused attention to the implementation of SCSP. A paradigm shift was made with regard to formulation and monitoring of SCSP and Tribal Sub-Plan (TSP). The Social Welfare department of the State was made the nodal department for this purpose. Previously the development departments earmarked a proportionate amount from their allocated outlays as the share of SCSP & TSP. Now, on the basis of sectoral compositions, priorities, previous performance and other norms, the

Department of Social Welfare selects the schemes under the SCSP and TSP in various departments and allocates the outlay among them.

The general principles that guide schemes under SCSP are:

- Outlay for area oriented schemes directly benefiting villages having majority Scheduled Castes population would be allocated under SCP.
- Priority is given to basic services like primary education, health, drinking water, rural housing, roads, rural electrification and nutrition.
- General wage component schemes would not be included in the Special Component Plan.

The total outlays and allocations under SCSP in the various years of the Ninth and Tenth Plans and proposed outlays during the Eleventh Plan and Annual Plan 2007-08 are as follows:

Plan wise Earmarking of Outlay and Expenditure under SCSP

(Rs. in lakh)

S. N.	Plan Period	Total Plan Outlay	SCP Allocation	Percentage
1	2	3	4	5
1	Ninth Plan Outlay	443000	66679	15.05
2	Annual Plan 1997-98	67700	10745	15.87
3	Annual Plan 1998-99	102600	13600	13.26
4	Annual Plan 1999-2000	114000	17321	15.19
5	Annual Plan 2000-2001	90000	15227	16.92
6	Annual Plan 2001-2002	105000	16000	15.23
7	Tenth Plan (2002-07)	900000	159390	17.71
8	Annual Plan 2002-03	153413	26242	17.11
9	Annual Plan (2003-04)	160775	29130	18.12
10	Annual Plan (2004-05)	183537.18	30000	16.35
11	Annual Plan (2005-06)	270000	33300	12.33
12	Annual Plan (2006-07)	401746	72000	18.00
13	Eleventh Plan (2007-12) Proposed	4201219	777422	18.00
14	Annual Plan (2007-08) Proposed	425206	74982	17.63

It is evident from the above that during Ninth Five Year Plan period about 15 per cent of the total outlays was earmarked under the SCP which is broadly commensurate with the percentage of Scheduled Castes population in the State. The share of SCP went up during the Tenth Plan to about 18 per cent. However, there was a decline in the percentage share of SCP in 2005-06 to 12.33 mainly because the total increased outlay was resource linked and allocated for specific schemes by the Planning Commission. In the Annual Plan 2006-07 the allocation for SCSP was Rs. 720.00 crore out of the total outlay for Rs. 4,017.46 crore (18.00 per cent of the total).

Tribal Sub Plan

The major tribes living in Uttarakhand are Tharus, Buxas, Bhotias, Jaunsaris and Rajis. All of them are closely linked with forests and have lower than average standard of living. Some, like the Rajis, also have a primitive mode of life. Majority of the the tribal groups are living below the poverty line, and exclusively depend on wage employment linked to forest produce and agriculture. Therefore, there is an urgent need to uplift them from their present level of subsistence living. Many of these tribes live in strategically important and sensitive border areas. For the upliftment and welfare of the tribal population the Tribal Sub-Plan (TSP) approach has been adopted. The Social Welfare Department is the nodal department for planning and monitoring of TSP in the State. The following objectives and strategies for development of these tribal groups have been laid down:

- Earmarking of funds for TSP in proportion to the percentage of scheduled tribe population in the State is being ensured.

Higher percentage may have to be earmarked to bridge the gap between the development levels of scheduled tribes and the general population so that the two groups can be brought at par.

- The funds allotted under TSP should be utilized on such schemes/ programmes as would serve the specific needs of the target groups and should, as far as possible, be beneficiary oriented.
- Increased emphasis will be given to the schemes of Basic Minimum Services i.e. safe drinking water supply, primary health care, public housing assistance, link roads, nutrition, streamlining of public distribution system, universal and primary education etc.
- While preparing Tribal Sub-Plan, it should be ensured that the proposed development programmes are based on employment generation/income generation and the potential of increased income of scheduled tribe families should be estimated while formulating the programmes.
- Plan schemes which benefit the scheduled tribe families exclusively would be continued with the condition that the physical targets be fixed against the respective plan outlay. In addition to this, clear physical and financial targets would also be fixed for new schemes proposed.
- Proper and adequate rehabilitation of tribal population displaced by major development projects shall be done in such a way as to ensure that there is an improvement in the standard of living of the affected persons after rehabilitation.
- Since majority of tribals are unskilled and traditional artisans, increased emphasis shall be given to their training in

handlooms, carpet weaving, carpentry, black smithy and other allied and hereditary trades.

- Within the broad framework of the Forest Conservation Act 1980, the tribal people should be accorded priority in Joint Forest Management.

In accordance with the above objectives, a separate outlay was allocated and a separate Tribal Sub Plan was formulated during the Ninth Five Year Plan (1997-2002). Allocation for the TSP in the Ninth Plan, Tenth Plan including Annual Plans 2002-2003 to 2006-07 and the proposed outlay for the Eleventh Plan and Annual Plan 2007-08 are presented in the following table:

**Allocation under Tribal Sub-Plan
(Rs. in lakh)**

S. N.	Plan Period	Plan Outlay	TSP	Percentage
1	2	3	4	5
1	Ninth Plan (1997-2002)	443000	21941	4.95
2	Tenth Plan(2002-07)	900000	32429	3.60
3	Annual Plan (2002-03)	153413	7042	4.59
4	Annual Plan (2003-04)	160775	6446	4.01
5	Annual Plan (2004-05)	183537	6300	3.48
6	Annual Plan (2005-06)	270000	7000	2.59
7	Annual Plan (2006-07)	401746	12000	3.16
8	Eleventh Plan (2007-12) Proposed	4319015	129570	3.00
9	Annual Plan (2007-08) Proposed	425206	13409	3.15

District Sector Plan

In order to mitigate regional disparities, involve decentralized participation in plan formulation, implementation and monitoring to assess and incorporate local needs and resources and to give broader dimension to planning process the district plan approach was introduced in 1982-83 in Uttar Pradesh. This decentralized system was continued in the new state.

Under the existing system of decentralized planning, District Plan Formulation and Monitoring Committees have been set up in each district under the chairpersonship of a Minister nominated in charge of the district. All MPs and MLAs from the district and the Chairman of the Zila Panchayat are its members. This Committee is responsible for preparation of the Annual District Plan. Reconstitution of this Committee as per provisions of 73rd & 74th Amendments of the Constitution is under consideration. Another committee named District Plan Coordination and Implementation Committees under the Chairmanship of District Magistrate looks after the implementation of the District Plan.

The size of the Annual District Plan, within the overall State Plan, for each district is indicated by the State Planning Commission. Based on this outlay the District Plan Formulation and Monitoring Committee assesses the local resources, private investment and funds available from other sources and formulates its annual plan.

In the initial years of the State's existence, it was not possible to raise the district plan outlay since the State was in the formative and transitory stage of its existence. During the first three years a total outlay of the 13 districts of the state as the funds available from the Govt. of India were either scheme specific or resource linked. However from the Annual Plan 2005-06 the district plan size is being increased gradually and the outlay of district specific programs like BRGF, Aajeevika (IFAD), Employment Guarantee Scheme (CSS) etc. is not included in the District Plan. District wise allocation of outlay during 2004-05, 2005-06 and 2006-07 and the proposed outlay for 2007-08 is given in the following table:

District Wise Outlay Allocation: 2004-05 to 2007-08

(Rs. in Lakh)

District	2004-05	2005-06	2006-07	2007-08 *
Nainital	2321.00	2553.00	2808.00	2808.00
Udham Singh Nagar	2453.00	2698.00	2968.00	2968.00
Almora	2462.00	2708.00	2990.00	2990.00
Pithoragarh	2366.00	2603.00	2873.0	2873.0
Bageshwar	1962.00	2158.00	2385.00	2385.00
Champawat	1929.00	2122.00	2334.00	2334.00
Dehradun	3289.00	3618.00	3980.00	3980.00
Pauri	3960.00	4356.00	4800.00	4800.00
Tehri	3148.00	3463.00	3809.00	3809.00
Chamoli	2455.00	2701.00	2971.00	2971.00
Uttarakashi	2515.0	2766.00	3062.00	3062.00
Rudraprayag	1914.00	2105.00	2326.00	2326.00
Haridwar	2226.00	2449.00	2694.00	2694.00
	33000.00	36300.00	40000.00	40000.00

*Proposed

