



सत्यमेव जयते

Government of Mizoram

# **NEW ECONOMIC DEVELOPMENT POLICY**

## **[Comprehensive Growth Strategy for Mizoram]**



**GOVERNMENT OF MIZORAM**  
**PLANNING & PROGRAMME IMPLEMENTATION DEPARTMENT**  
**(MIZORAM STATE PLANNING BOARD)**

## **INTRODUCTION**

1. Owing to various factors, historical as well as geographic, Mizoram, located in the far corner of the country, has been isolated for a long period and industrialization and technological inventions that have changed many other states of the Country and brought them to prosperity did not reach Mizoram, and we Mizos have been ensconced in our land like young caterpillars in the cocoon.

2. Globalization and global market with all its paraphernalia have so suddenly caught us up in the latter part of the 20<sup>th</sup> century and the 21<sup>st</sup> century when we are yet so unprepared to compete with the most advanced economies of the world. Now we need to keep pace with the world economically in this competitive world.

3. Mizoram, geographically a land-locked State, being sandwiched between foreign countries, namely Bangladesh and Myanmar, with the international boundaries so porous for easy entrance of illegal aliens, in the far corner of the Northeast India, connected with only vehicular roads and infrequent air flights, has a serious transport bottleneck which unavoidably poses an almost insurmountable handicap for economic progress.

4. Though Mizoram has many disadvantages owing to its geographical location and no access to sea, Mizoram has many natural advantages that other countries and states in India rarely have. It has the most comfortable climate all throughout the year unlike many European countries and Americas where winter snow poses a serious problem for two or more months during each year, nor is it intolerably hot as in most Indian States. Again, owing to the immense contribution of Christian missionaries, a very high percentage of the people are also literate and embrace Christianity, the internationally acknowledged religion considered most compatible with development.

5. The State's flagship programme of New Land Use Policy (NLUP) that has changed the method of cultivation and the eking out of livelihood for a large number of people, not only contributes to economic development of the people, but has actually helped in ameliorating the problem of environmental threats to a considerable level.

6. The New Economic Development Policy, which addresses the problem of unproductive farming practices, and finding ways to augment the income of the

common people thus placing Mizoram in the economic boom map in India, will also be an effective instrument affectionately to be titled the Mizoram Economic Exodus which frees the Mizo people from poverty, subsistence economy, dependency and fear psychosis.

7. The juncture at which Mizoram finds itself has the unforeseen blessing in the changed financial devolution from the Central Government of India to States, as recommended by the Fourteenth Finance Commission (FFC). With the major role of the erstwhile Planning Commission having been effectively transferred to the States, it is the States now which have the crucial responsibility in determining their priorities and focus areas in matters of economic development and governance to a considerable degree.

8. Therefore, this devolution for financing of development programme of Indian states has dramatically changed following the dismantling of Planning Commission in 2014 and the acceptance of the Fourteenth Finance Commission (2014-2020) recommendation by the Central Government. Individual States are now increasingly responsible for their own development, welfare and prosperity.

9. Plan fund transfers such as normal central assistance (NCA), special plan assistance (SPA), additional central assistance (ACA) have now been discontinued. Centrally sponsored schemes and central major programmes have also been rationalized. Specific provisions for North Eastern States such as 10% Gross Budgetary Support earmarked by Central Ministries/Departments, Non – Lapsable Central Pool of Resources (NLCPR) under Ministry of DoNER and North Eastern Council (NEC) have been more or less stagnant at the same levels for the past few years with relative share of allocation continuously declining. Meanwhile, the increase in the share of taxes under FFC award from 32 to 42 percent has, to some extent, compensated the States. The State is fortunate to get a separate transfer for revenue deficit grants as well. The Government will have to take this change as an opportunity to reorient its policy towards achieving stronger economic growth.

10. Development opportunities for the North East States including Mizoram have been expected to have potentials to greatly expand with India's increased economic integration with South East Asian countries under Act East Policy. At the same time, policy maker/planners cannot overlook and ignore how climate change and environmental degradation pose a critical challenge for ensuring

livelihood security of a large number of rural populations and threaten inclusive and sustainable development of the State. Moreover, in today's competitive world, government actions and public policy play a critical role in shaping the competitiveness of both the Government and businesses.

## **OBJECTIVES**

11. Given these perspectives and the paradigm shift in fiscal federalism in the Country under FFC, the States need to evolve a new development policy which is practical, holistic, inclusive and sustainable. The limited resources available have to be optimally and judiciously allocated to various sectors of the economy so as to bring maximum benefit to the people of Mizoram. To address these challenges, the Government is determined to bring about a strong and sustainable economy with robust public finances in an integrated manner. In this respect, the Mizoram State Planning Board under the Chairmanship of Hon'ble Chief Minister has developed a "*New Economic Development Policy – Comprehensive Growth Strategies for Mizoram*" as the framework for economic policy and the strategic driving force of the State's economy.

12. The New Economic Development Policy aims at providing bold, practical and effective strategies to push economy to a high growth path by enhancing productivity, creating employment opportunities, improving public finances, improving business environment and improving public service delivery in a sustainable manner. It also lays out a dynamic vision for how we can collectively achieve a more developed, democratic, cohesive and inclusive economy and society over the medium term, in the context of sustained growth. The strategy sets out critical policy interventions for employment generation, empowerment of weaker sections, and inclusive growth and identifies where viable changes in the structure and character of production can generate a more inclusive and robust economy over the medium to long run. The new policy recognizes that achieving transformation of economic conditions requires hard choices and a shared determination of the people of Mizoram. The new policy combines growth strategies across various sectors into a coherent package for development, decent work and inclusive growth. They bring together the priorities that constitute the basic economic focus to forge ahead to promote a more inclusive and stronger economy.

13. The Mizoram Government is optimistic of our future because we have the most literate people, with high percentage of young population, who are ever eager to make Mizoram one of the most developed States in India.

## **IDENTIFICATION OF KEY GROWTH SECTORS / KEY GROWTH DRIVERS**

14. The process of economic growth as well as the major macro-economic policies depends largely on the key growth sectors or high linkage sectors in the economy. The interlinkages of sectors are particularly important as policy impetus for the growth of a high linked sector can automatically impact the interlinked sectors through both forward and backward linkages and can improve the growth prospectus manifolds. Identifying the sectoral linkages is an essential pre-requisite for the policy makers in order to formulate appropriate policies for boosting the key high linked sectors, as these in turn propel the growth in other sectors. Key sectors are those which influence the economy in a significant manner, i.e, which have the capacity to stimulate the growth of other sectors either through providing their own output to other sectors (Forward linkage), or through taking inputs from other sectors (Backward linkage). Identification of forward and backward linkages is also essential as one can then identify which are the sectors that are going to benefit through linkage effect and in what way. It is imperative, that the Government needs to focus on devising appropriate policies based on the requirements of these key sectors besides encouraging investments in these sectors which, in turn, will ensure a long run sustainable growth of the overall economy.

15. Based on their linkages and other economic considerations including favorable agro-climatic condition (factor endowment) and structural changes in the economy, the following sectors may be identified as potential key growth drivers of the State economy:

- a) *Agricultural & Allied Sector*: Rice, Vegetables (annual crops with high and consistent demand in local, national and international markets - onion, spices, squash etc.), Fruits (high value fruits with high and consistent demand in local, national and international markets - banana, orange, grape, passion fruits etc.), Floriculture (high value flowers with high and consistent demand in local, national and international markets –

anthurium, orchid etc.), Animal Husbandry, Dairy, Fishery (with high and consistent demand in local market);

b) *Industry-Manufacturing Sector*: Forest Based Industries (bamboo), Handloom, Handicrafts, Agro Based Food Processing;

c) *Infrastructure Development*: Roads, Energy, Water Supply, ICT, Sanitation & Sewerage;

d) *Services Sector*: Tourism & Hospitality, Sports & Recreation, Education, Health Care, ICT, Transport Services;

16. The above identified potential key growth drivers of the State economy could be prioritized in proper sequence that would provide maximum linkages in the economy for propelling and fueling economic growth and development in the State.

## **STRATEGY FOR REVIVING AGRICULTURE AND ALLIED SECTOR**

17. The importance of agriculture in economic development is borne out by the fact that it is the primary sector of the economy, which provides the basic ingredients necessary for the existence of mankind and also provides most of the raw materials which, when transformed into finished products, serve as basic necessities of the human race. In Mizoram, Agriculture and Allied Sector provides not only food and raw materials but also employment to a very large proportion of the population as majority of the population are still depending on Agriculture and Allied Sector. In other words, growth in agriculture sector improves the incomes of poor household groups substantially, as it is the most pro-poor and rural oriented sector in terms of growth. Moreover, being the dominant sector the improvement or changes in economic conditions of the State Economy depend to a large extent on agriculture.

18. The implementation of the New Land Use Policy, the State Government's Flagship Programme, has initiated the transition from subsistence oriented agriculture to a more market oriented agriculture in earnestness. The marginal farmers who have been barely eking out a living on subsistence agriculture have witnessed a rise in their standard of living by adopting market oriented agriculture, which is heartening. Third party analysis of the success or otherwise of the NLUP is being undertaken by NABCONS/NABARD, Synod Social Front and Mizoram University separately. The preliminary findings of MZU

have revealed that there has been a growth in the Agriculture & Allied Sector as well as the Industries Sector by 44.78%. The NLUP has been appreciated by both foreign (UN Agencies, JICA) and domestic (Tata Trust) agencies that have approached the State Government for collaboration in this field. As it is the mandate of the Government to heed the welfare and upliftment of the poor, the State Government would continue its efforts to progressing to a sustainable market economy.

19. This will entail a shift to policy interventions that aims at promoting transformation of subsistence agriculture to market oriented agriculture by following two-pronged approaches: (i) improving market orientation of smallholders at production level, and (ii) facilitation of market access and participation of small and marginal farmers in output markets. Focusing only on either one may not be as effective in achieving the transformation. Agriculture & Allied Activities must not be delegated to a position of a mere subsistence source of livelihood for the poor villagers, but must be transformed towards Agri-Business with the application of the latest technologies.

20. Transformation of subsistence agriculture to market oriented agriculture is an indispensable pathway towards economic growth and development for an agriculture dependent economy like Mizoram. Sustainable household food security and welfare also require commercial transformation of subsistence agriculture. Commercial agricultural production is likely to result in welfare gains through the realization of comparative advantages, economies of scale, and from dynamic technological, organizational and institutional change effects that arise from the flow of ideas due to exchange-based interactions. Moreover, commercialization enhances the links between the input and output sides of agricultural markets. Enhancement in the production of crops would be targeted for selected crops using modern technology for a better market access and market oriented post-harvest processing.

21. In Mizoram, agriculture provides livelihood to around 60 per cent of the total population in the State. However, share of Agriculture in the GSDP has been declining persistently. Moreover, it is really disturbing that the proportion of agricultural labourers has increased while the proportion to the cultivators has indicated a decline. Agricultural labourers are socially and economically the poorest section of the society. Agricultural labourer households constitute the historically deprived social groups, mainly dependent on wage employment in

agriculture, and their growth reflects the inadequacies of proper policy intervention in the past. Overcrowding and growth of agricultural labourer continued unabated, given poor labour absorption in the non-agricultural sector and also inadequacies of reforms in the agrarian structure. It has been found through various researches that agricultural workers are basically unskilled; they may not be skilled even in the art of profitable cultivation. Consequently, their supply is perfectly elastic and therefore whatever they earn is in the nature of transfer earnings. The employer often uses this position to his personal gain by contracting to less than what the market forces would have warranted otherwise. The Government, therefore, needs to address these matters squarely by undertaking appropriate land reforms and by providing appropriate skill development initiatives for the benefit of agricultural laborers. Legislation on the lines of Andhra Pradesh Government for the farmers cultivating but not owning land needs to be considered along with other land holding systems that encourage production, but discourages owning of land by land prospectors who are on the lookout for unmerited land compensations.

22. *Contract Farming*: The success of contract farming on Oil Palm is worth emulating. It is necessary to widely disseminate the success stories of its cultivation which would motivate other farmers and create congenial environment for extension of contract farming for other crops notably annual crops. There is also scope for items like soyabean, several fruit items, vegetables, spices (turmeric, ginger, etc), tomato, chilli, maize, potato, etc. The experiences of other states like Punjab (for potato, tomato, chilli with Pesico India Ltd), Madhya Pradesh (soya bean with ITC-IBD), Maharashtra (vegetables, fruits with IEEFL), etc may be investigated for possible ventures of the like in Mizoram. Necessary legal provisions such as Agriculture Produce Marketing Rules including Rules for contract farming and appropriate regulatory authority should be put in place by the State Government.

23. *Direct / Wholesale Agriculture Market*: The agricultural produce market has been severely distorted by middlemen resulting in less-remunerative earnings for the farmers. The sample survey of vegetables markets in Aizawl City depicted that there is one vegetable vendor for every 120 persons in the City which is extremely inefficient as compared to larger cities where 5-10 vegetable vendors usually serve thousands of population. It is now imperative to establish vegetable whole sale markets in the vicinity of main market destinations (Aizawl, district headquarters, and other trade points) so that

farmers can sell their products directly to vegetables vendors. If there are sufficient numbers of whole sale markets to bank on, it is obvious that the number of vegetable vendors will also decline automatically. Moreover, phytosanitary measures have to be put in place to stop street vending particularly for vegetables and fruits.

24. *Market Information System*: Availability of market information on day to day basis is the key to develop organized market in the economy. *Marketing Intelligence Unit* may be established to continuously monitor the market trends and to record the price signal from various destinations. The market information collected may be disseminated through TVs, internets and other social media.

25. *Organic and Traceable certification system*: The consumers are increasingly becoming health conscious in the competitive world that we live in. Organic produce has increasingly been in demand in the national and international markets. In this regard, Mizoram has comparative advantage since most of the agriculture products have been organic by default. However, to increase the competitiveness of our agriculture produce in the market and to access organic produce market, facilitating organic product certification is necessary. The system will ensure the origin and safety of the products. Initiative for development of organic farming should emerge with certification system.

26. *Farm Integration*: For increased agricultural productivity, continuous improvement in land use efficiency, and the introduction of crop integration are necessary. This would increase livelihood opportunities especially among the small farmers. For example the productivity of existing WRC areas can be enhanced by cultivating *rabi* crops in an organised manner. Similarly, appropriate policy intervention to introduce multiple or mixed cropping in the plantation fields may result in significant increase in productions. Rich and well to do people of Mizoram as well as people and companies from outside the State must be persuaded to invest in agriculture and allied activities.

27. *Animal Husbandry*: Proper policy may be made to facilitate the entry of large scale private investment on livestock business for the supply of chicken, egg, pork, milk and fish. This will have backward linkage on feed supply enhancing livelihood opportunities in rural areas, while its forward linkage would be on employment generation in its value chain.

28. *Link Road*: Constructing link road to wet cultivation potential areas using earthmovers and bull-dozers on hire basis from private agencies would considerably relieve the farmers of their burden in many ways. Such link roads may not just provides link to a particular farm-to-market road but connect cultivation potential areas or agricultural areas to market towns.

29. The overall agricultural sector goal is to increase productivity and growth rate of at least 2 percent per year over the next 5 years to a longer period. Given the critical strategic issues that need to be addressed, the strategy for the sector is “an Innovative, market oriented and modern agriculture”. Therefore, the overall development and growth of the sector is anchored in the following three strategic thrusts: (i) Increasing productivity, market oriented production and competitiveness of the agricultural commodities and enterprises; (ii) Developing and managing key factors of production with appropriate use of modern technology and; (ii) Improving market infrastructure and market access of agriculture produce.

30. A well defined course of action should be worked out by the Government to significantly increase productivity and scale/quantity of items identified as key growth drivers under Agriculture and Allied Sector so that the end result would be higher remuneration to the actual farming community. The Government would also enable collaboration between local entrepreneurs and private investors reputed in the field of Contract Farming for increasing production of selected/identified crops. Necessary policy facilitation and infrastructural requirements would be prepared by the Government along with comprehensive regulations and guidelines to avoid exploitation of land and indigenous people.

## **STRATEGY FOR DEVELOPING INDUSTRY-MANUFACTURING SECTOR**

31. Industry and manufacturing sector remain critically important to both the developing and the advanced world. In the former, which is the case of India, it continues to provide a pathway from subsistence agriculture to rising incomes and living standards. In the latter, it remains a vital source of innovation and competitiveness, making outsized contributions to research and development, exports, and productivity growth. But the manufacturing sector has changed,

bringing both opportunities and challenges, and therefore, policy makers cannot rely on old and obsolete responses in the new manufacturing environment.

32. The sector is also evolving in ways that make the traditional view, that manufacturing and other sector such as services are completely separate and fundamentally different sectors, outdated. Service inputs (everything from logistics to advertising) make up an increasing amount of manufacturing activity. And in some manufacturing industries, more than half of all employees work in service roles, such as R&D engineers and office-support staff. This is the case for Primary sector as well since much of the forest or land based industries inputs are obtained primarily from agriculture and allied sector. In fact, Industry and manufacturing Sector have very close direct and indirect interlinkages with other sectors.

33. To formulate credible industry and manufacturing growth strategy, there is a need to understand the linkage between structural coherence and economic growth. Structural coherence is a degree by which an industrial structure optimally reflects the Country or State's factor endowment fundamentals. There have been several studies that provide empirical evidence of positive relationship between a country or State's aggregate output growth and the degree of structural coherence. An extension of this proposition is that since structural change towards industries that intensively use a production factor is the optimal result of resource allocation as the endowment of the factor increases, and then any arrangement that obstructs the structural change toward alignment with endowment fundamentals can be a detriment to economic growth. Systematic harvesting of bamboo guided and monitored by Forest & Environment Department needs to be put in place as indiscriminate (not selective) harvesting can cause environmental whereas selective harvesting is good for bamboo regeneration, ironically more than non-harvesting.

34. Mizoram is well endowed with forest based products particularly bamboo. Forest / bamboo reserves in Mizoram, both in terms of area and quantity, are among the highest in the Country. As such, promoting forest / bamboo based industry and manufacturing activities would definitely provide comparative advantage in the State. However, manufacturing unit and industries would need to produce in large scale to access markets, clusters approach may need to be adopted in the State.

35. A well defined course of action and appropriate policy facilitation to improve doing business should be develop by the Government to significantly

increase forest / bamboo based industry and manufacturing activities in the State including Bamboo based small industries, handloom, handicrafts and agro based food processing along with comprehensive regulations and guidelines to avoid exploitation of land and indigenous people.

36. The overall Industry-Manufacturing sector goal is to increase growth rate of at least 3-4 percent per year over the next 5 years to a longer period. Given the critical strategic issues that need to be addressed, the strategy for the sector is “an Innovative, market oriented and factor endowment based”. Therefore, the overall development and growth of the sector is anchored in the following two strategic thrusts: (i) To take advantage of endowments in the State and opportunities presented by modern technology; (ii) Implementing a series of reinforcing policies to address the business, labor, and financial challenges that create obstacles for doing business particularly manufacturing activities in the State.

## **STRATEGY FOR INFRASTRUCTURE DEVELOPMENT**

37. Infrastructure is essential for sustained economic growth, competitiveness and social progress. The success or otherwise of economic development process depends largely on the available resources and an enabling environment. Resources such as capital, manpower and technology are necessary inputs in the growth process. However, the efficiency of these inputs and the sources of economic growth largely depend on the available enabling environment as defined in part by the available infrastructure. There is also a plethora of anecdotal and more technical evidence that better quantity and quality of infrastructure can directly raise the productivity of human and physical capital and hence growth.

38. Infrastructure is public goods and services that go into the production process as complementary inputs for traditional factors of production such as capital, labor and Entrepreneur. They help to increase returns on investment by reducing production cost and improving transition efficiency. The availability of infrastructure facilities and services as well as the efficiency of such services to a large extent determine the success or otherwise of all other production endeavours. Investments in infrastructures such as roads, energy, water, transportation and communication technologies promote economic growth and help to alleviate poverty and improve living conditions in the economy. Despite

laudable efforts of the State Government, Mizoram remains consistently behind the country averages in most infrastructure index. As such infrastructure development should remain development priority of the State Government.

39. However, the economic reality of modern times clearly shows that the task of developing infrastructural facilities can no longer be left to the Government alone. It is incumbent on policy makers to come up with strategies and mechanisms to encourage private sector participation in all aspect of infrastructure developments. Such mechanisms should provide practical ways of turning into tangible projects through the provision of adequate finance, as far as possible, by adopting a business approach to infrastructure services provision. Such approach will require that services attract access fees adequate for infrastructure services to be self maintained. Without these commercial viability potentials, the private capital might not be adequately attracted to the sector. Since the scale of construction in these areas is very large and these are of direct and immediate benefit to large sections of the society, the public sector will continue to play a dominant role in the area and will have the ultimate responsibility of meeting the demands. However private initiative should comes forward to participate in creating infrastructure such as power plants, roads, bridges, social housing, and industrial estates on reasonable terms. The win-win situation for both the Government and private service providers ensures elimination of corruption to a significant degree also, when transactions are made transparent.

40. The economic rationale for private investment in infrastructure has to be grounded in the expectation that private sector suppliers, operating within a competitive framework, will reduce costs to the economy and thus promote efficiency. It is important to distinguish here between costs to the economy and costs to the consumer. Public sector supply of infrastructure services may appear cheaper for the consumer if the service is provided at highly subsidized rates or, as in the case of roads, even free of charge. However, low user charges in these cases are less a reflection of economic efficiency than of hidden subsidies, usually in the form of tolerance of large losses. Consumers pay for these subsidies either directly in the form of higher taxes or indirectly in the form of other government expenditure foregone, but these costs are not always recognized. In any case continuation of low-cost, public sector supplies is not an option because our ability to bear the hidden subsidies involved is now severely limited. Increasingly infrastructure services, especially of the higher quality

variety, will have to be provided on the basis of full cost coverage, whether through the public sector or the private sector. Consumers consequently have a direct interest in ensuring economic efficiency and if private sector operations are more efficient, it is logical to devise infrastructure strategies which encourage private investment in infrastructure.

41. The need for up-gradation and development of urban infrastructure and urban services cannot be overstated. Urban areas create jobs and attract investment that helps economic growth. Mizoram is facing an urban transition, with cities facing a number of chronic problems which hold back their ability to reach potential. There are several areas to improve the economic vibrancy and livability of city and towns. The Government shall endeavor to increase private sector investment in urban areas, and help reduce the chronic shortage of housing, infrastructure and public services.

42. There has been huge migration from rural to urban making the State most urbanized State in the Country with more than 50% living in urban areas. However, the present levels of urban infrastructure are grossly inadequate to meet the demand of the existing urban population. In this context, the rationale for an aggressive and ambitious policy of affordable housing cannot be over emphasized. Real estate sector needs to be properly regulated with appropriate enabling policy environment. There is also a tremendous pressure on civic infrastructure systems like water supply, sewerage and drainage, solid waste management, etc. In addition to the gap in available infrastructure to meet the requirements of urban centers, there is a daunting shortfall in available funds for improving and maintaining basic urban infrastructure. The key areas of intervention for the improvement of urban infrastructure are: Improved planning at State, city and area level especially in the areas of; (i) Urban transport infrastructure for better mobility through public transport; (ii) Improving Non Motorized Transport and most importantly a policy on parking; (iii) Urban services: sewerage, drainage and water supply, power distribution Solid waste management; (iv) Housing including affordable housing and; (v) Social infrastructure such as parks, playgrounds and leisure spaces. One important matter that deserves utmost priority of the Government is to solve the problem of congestion particularly traffic of Aizawl City. This requires short, medium and long-term planning that has to have a comprehensive urban development plan.

43. Power supply remains a key infrastructure for economic development as no economy can aspire to be developed without the availability of enough power supply. Thus, energy security should be the *sine quo non* of any development strategy. Effort to ensure energy security requires action on three fronts: (i) increase in power generation to harness hydropower and solar power potentials, (ii) rationalising energy pricing to ensure consumption efficiency, (iii) reduction of Transmission & Distribution (T&D) loss as Mizoram is one of the highest in T&D loss and; (iv) reforms in power sector management especially unbundling - separation of the core business units of generation, transmission and distribution into legally and operationally distinct and independent entities - is to enhance overall operational efficiency of the power sector.

44. To bridge the infrastructural gap, most governments emphasize constructing new assets, but this strategy is not a “silver-bullet” solution; after all, public-budget constraints exist, as do multiple difficulties in getting projects from idea to implementation in a reasonable time frame. A complementary and potentially more cost-effective approach is to improve the utilization, efficiency and longevity of the existing infrastructure stock – in short, to make the most of existing assets by means of optimal Operation & Maintenance (O&M). However, in reality, many governments neglect their existing assets, and current O&M practices are often seriously deficient. In operations, they fail to maximize asset utilization and to meet adequate user quality standards, while incurring needlessly high costs as well as environmental and social externalities. Maintenance is all too often neglected, since political bias is often towards funding new assets. Similarly, resilience to natural disasters tends to be ignored, although such hazards are becoming more common and more destructive because of climate change. As a result of the maintenance backlog and the lack of resilience measures, existing assets deteriorate much faster than necessary, shortening their useful life. A proper solution will require a step change in infrastructure asset management. The case in point, in the case of Mizoram, would be electricity and roads. Mizoram has been consistently recording high transmission and distribution losses in terms of power and electricity, indicating huge room for improvement in operation and maintenance. Similarly, roads density in Mizoram has been above national average in terms of national and state highways with lot of scope for improvement in roads operation and maintenance.

45. To make high-performance O&M sustainable, policy-makers need to consider the three enablement strategies: (i) Ensuring stable and sufficient funding; (ii) Building institutional and individual capabilities and; (iii) Reforming governance.

46. *Ensure funding*: A typical source of funding for O&M requirements is annual appropriations from the government budget. However, these are often ill-suited to O&M due to funding constraints, which requires a very predictable and sustainable source of funding. More suitable models include dedicated maintenance funds that earmark and ring-fence user taxes, user-charge models and revenues from ancillary businesses. As example, dedicated maintenance funds such as road funds provide reliable sources of funding that are decoupled from the annual public budget.

47. *Building institutional and individual capabilities*: The key constraint to implementing credible O&M policy is the shortage of skilled staff. One priority is to increase formal O&M education and training in the various disciplines by academia or specialize institutions, governments and the private sector, and to enhance other forms of knowledge exchange. Actually, the O&M phase itself is an excellent learning environment, as its stability and long-term orientation enable uninterrupted learning curves over a project's life cycle. While such skill education and training is essential, it is not sufficient. Governments need to do more to attract high-quality O&M managers and planners, and to develop and retain them for the long term. Sustainable O&M performance is compromised not just by the shortage of individual capabilities, but also by the common lack of institutional capabilities. When making their infrastructure plans, governments need to ensure that O&M projects are prioritized in an integrated cost benefit framework, alongside greenfield projects; and, to ensure the continuity of the maintenance programme beyond election cycles. Governments should conduct regular assessments of the existing asset base, and create an infrastructure balance sheet to show how the stock of assets has evolved and to forecast the required maintenance funding. Governments should also introduce standardized infrastructure asset management processes and frameworks, and make full use of data, benchmarking and modeling for optimizing O&M procedures and expenditures.

48. *Governance Reforms*: The right governance model is a crucial factor in motivating implementing Departments / Agencies and their staff to optimize

O&M. One approach is corporatization of public agencies; it often captures the advantages of a privately run company, including enhanced productivity, streamlined processes, commercial orientation and financial sustainability, while remaining accountable to the public and serving the public interest. Improvements are needed not just to individual agencies, but also to coordination across sectors at the State Government and Local levels. All works Departments (PWD, P&E, PHE, Transport, UD&PA etc.) should begin by systematically reviewing and benchmarking their O&M practices and policies. After identifying the most critical issues in the State and sector's particular context, the State Government will need to establish a broad action plan and monitoring mechanism.

49. While inevitably some trade-offs will have to be made when crafting it, Governments should always try to find win-win solutions, if possible, with the help of appropriate technologies and process innovations. However, governments should treat O&M not only as an operational necessity aimed at reducing costs, but also as a strategic element that optimizes the value of an infrastructure asset for society – by increasing the asset's utilization, availability and service levels. In the long term, a sustainable O&M solution will inevitably require the right enablers in place, secured and stable funding, managerial and technical capabilities, and the right governance structure. Excellence in infrastructure O&M is a key means of narrowing the infrastructure gap – but it is no panacea. But it must be the starting point to have credible infrastructure stock in the economy. Obviously, we will still need to construct new assets and address vast infrastructure deficiencies. Still, by optimizing existing capacity utilization, credible O&M policy can significantly reduce the amount of new construction and, by optimizing operating costs, can also make financial resources available for whatever new construction is truly needed. A well-designed O&M strategies and policies, in conjunction with policies to improve the earlier phases of infrastructure projects (planning, preparation, procurement and construction), can benefit the State economy immensely. This will also significantly enhance monitoring and surveillance system of infrastructure projects.

50. The overall Infrastructure Development strategy is anchored in the following two strategic thrusts: (i) To maximize asset utilization. Given the challenge of congestion and public financial constraints (and sometimes space constraints) on building new assets, governments should aim to maximize the

utilization of their existing assets; and (ii) To develop a well-designed O&M strategies and policies, in conjunction with policies to improve the earlier phases of infrastructure projects (planning, preparation, procurement and construction).

## **STRATEGY FOR SUSTAINING SERVICES SECTOR LED GROWTH**

51. Most of the States in India, in the last decade, have undergone a significant structural shift. The share of agriculture in total value added has significantly declined; correspondingly the share of manufacturing and services sector has increased. Mizoram is no exception. In some States, the share of manufacturing sector has been growing at a faster pace than that of services sector. However, in the case of Mizoram, most of the decline in the agricultural sector has been picked up by the services sector and it now accounts for about 57 per cent of the State gross domestic product. Given the growing significance of the services sector, the Government has to put emphasis on the critical issues in the economy's services sector led growth and provides appropriate policy impetus for the sector's sustainability.

52. Though the growth of service sector in Mizoram is in line with the global and national trends, there is a unique characteristic of service sector led growth in Mizoram. In spite of the tremendous increase in share of services in GSDP, there has not been a corresponding rise in the share of services in employment. Agriculture is still employing a largest share in spite its share being declining persistently in GSDP. This jobless growth of the State's service sector, with no corresponding growth in the share of manufacturing sector, has raised doubts about its sustainability in the long run. Moreover, the services sector faces a number of barriers, which makes it difficult for the sector to reach its full potential and contribute to inclusive growth. Specifically, a lack of policy, which takes into account the heterogeneity of the sector and its evolution and integration, multiple governing bodies, and lack of coordination among them, lack of regulation in some sectors and over regulation in the others, are adversely affecting the growth of this sector. In Mizoram, infrastructure facilities are poor and cost of service deliveries is high. Although Mizoram has high literacy rate, there is no uniformity in the quality and standard of education and formal education does not guarantee employability. Appropriate policy and reform measures that will enable the services sector to not only to grow at a fast

pace but also create quality employment and attract investment is needed. It is important for a Mizoram with a large and young population to generate quality employment and move up the value chain to reap demographic dividend. If appropriate reforms are implemented and credible policy is in place, it will not only enhance the productivity and efficiency of the services sector but will also lead to overall growth of the economy through backward and forward linkages, and it will enhance the State's competitiveness.

53. Given the ever evolving nature of national and domestic economies, the strategy for strengthening the services sector demands new responses from policy makers. The first step is to undertake a detailed assessment of existing policies and regulations affecting the services sector, then identify the current gaps to gain an appropriate understanding of how to better support services sector growth. Moreover, the State government must identify current and future labour market gaps and encourage the development of a strategy for identifying how these needs can be met within the framework of the current educational system, and also taking advantage of the new National Skills Qualification Framework. Once these areas have been identified, appropriate institutional and education reforms will need to be developed to ensure the development of skills needed by the workforce in the State. It is important to note that Mizoram and other States have to be National Skills Qualification Framework compliant within the calendar year of 2016, which marks the third anniversary of NSQF.

54. In short, the strategy for the services sector should include the following two major issues: (i) Assessment of existing policies and regulations affecting the services sector to identifying the burdensome regulations and reforming them; (ii) Since different services differ in nature, the issues are varied that involve different institutions, and Departments and the policy responses will also differ. An appropriate State Level Regulatory Authority to facilitate growth and ease in doing business would need to be instituted to coordinate all regulatory issues in the services sector. This would involve coordinated strategy and policy making for which a single nodal department/division/institution for services is needed. It calls for not only hard and systematic work but also some unconventional decision making at the highest level.

## **REFORM IN PUBLIC FINANCIAL MANAGEMENT**

55. Public resources mobilization and fiscal management are essential parts of the development process. Sound fiscal management supports aggregate control, prioritization, accountability and efficiency in the management of public resources and delivery of services, which are critical to the achievement of public policy objectives, including achievement of poverty alleviation. In addition, sound public financial management systems at the State or sub-national levels are fundamental to the appropriate use and effectiveness of Central assistance. Therefore, the State Government would need to develop credible Public Financial Management structure.

56. Public Financial Management encompasses the mobilization of government revenue, allocation and spending of resources by public entities, and their accounting and reporting on those revenues and expenditures. It includes all the components of fiscal management and budget process — upstream (strategic planning, medium term expenditure frameworks, annual budgeting) and downstream (revenue management, control, accounting, reporting, monitoring and evaluation, audit and oversight). Sound Public Financial Management is vital for the achievement of public policy objectives. Without a robust financial management system, governance will be unsustainable and service delivery will be compromised. The State Government needs to develop credible Public Financial Management structure encompassing the following objectives:

- a) *Fiscal discipline or expenditure reforms*: The State Government should develop ability to control budget totals by setting ceilings on expenditures that are binding at both the aggregate level and on individual Departments and agencies. These are defined as those organizations that receive funds from the consolidated government budget and include the broad array of government organizations that use budget funds to pay for operations, regardless of whether these funds cover all of their expenditures. An effective budget system has firm budget totals, rather than accommodating *ad hoc* budget changes that could allow Departments / Agencies to overspend. Changes to these budget totals should be restricted by legislation and ideally approved through a consultative legislative process. If Departments or Agencies are often allowed to automatically increase their budget totals during the fiscal year to satisfy operational demands, the budget has no validity or purpose.

While this objective seems straightforward, the State has been struggling with this level of fiscal discipline.

- b) *Efficiency in resources allocation:* The Government should develop ability to allocate budget resources in accordance with established government priorities defined in development plan documents and development policy. The government should be able to reallocate resources from old priorities to new ones and from less to more efficient programs / project and activities in accordance with government priorities. In short, there is a need to improve the links between policy and budgeting. However, there are many reasons why Government may struggle to achieve allocative efficiency, which should be address squarely, such as an inability to articulate priorities clearly, a budget process not linked to development planning process, a weak budget execution system that does not force Departments and Agencies to adhere to approved budgets, and/or a political environment that empowers some sectors over others in contradiction to stated Government priorities.
- c) *Operational efficiency in Service Delivery:* Government should develop the ability to implement programs and projects at the lowest cost per unit of output while maintaining desired service quality levels to the citizens. Operational efficiency can be difficult to evaluate. Many governments lack the data to measure the unit cost of providing public service. While they may know the total cost, the number of units provided and the desired and actual quality of services might not be clearly articulated or known. Since the achievement of desired service levels depends both on what the budget can sustain as well as the level of taxes or user fees that the public is willing to pay. It may be advisable that works Departments such as PWD, P&E, PHE, MI, Food and Civil Supplies and Consumer Affairs, Transport etc. may compulsorily maintain commercial account separately so that the Government would know how much it cost to provide public utilities or services and to be able to determine or better understand how much the Government spend on subsidizing such public services.
57. Achieving the above objectives would require a very wide range of reform initiatives across various issues:

- a) Improving co-ordination among Departments and Agencies to develop inability to articulate priorities clearly;
- b) Creating a budget process appropriately linked to development planning process – always putting growth of economy as first priority;
- c) A strong budget execution system that monitor Departments and Agencies to adhere to approved budgets;
- d) Better procurement system and practice;
- e) Improving cash-flow management;
- f) Making the budget comprehensive;
- g) Strengthening audit, legislative scrutiny and accountability;
- h) Debt management;
- i) Capacity development;
- j) Credible resource mobilization policy; and
- k) Building public participation in budgeting and managing expectations.

58. In regard to resources allocation efficiency, the State Government should be able to channelize funds received from Central Government such as FFC awards, Centrally Sponsored Schemes, External Aided projects, NEC, NLCPR, NABARD etc. towards their objectives specified in this Growth Strategy within the operational guidelines of respective Schemes and Projects through appropriate levels of convergence.

59. The Government would need to develop proper and consistent budget planning and preparation procedure. Budget planning and preparation is the process by which a government develops, approves, and enacts a budget. The budget is the government's current year financial plan and articulates how the government will pay for its programs and ongoing operations. As such, a good budget should clearly articulate the government plans to spend its resources during a given year. To be meaningful, a good budget should not simply list planned expenditures. It should contain sufficient information to enable government officials to determine whether it is realistic, appropriate, and detailed enough for people to hold the government accountable. It should describe how the government will: (i) Generate the needed funds through revenues, borrowing, or user fees; (ii) Serve its citizens and contribute to a

better future; and (ii) Support Government priorities, policies, and objectives through its expenditures.

60. As for Mizoram, since the New Economic Development Policy spells out comprehensive growth strategy that defines the State's long-term vision and a medium-term plan or strategy that describes how the government expects to contribute to progress towards that vision, the budget should describe how the government will achieve this strategy in the forthcoming fiscal year and, ideally, in summarized form, over the subsequent years (e.g. five years period).

61. Sound financial planning helps governments ensure delivery of the anticipated quantity and quality of services through operations and programs. It results in a realistic and predictable budget that is financially compliant and contributes to macro-economic stability, effectiveness, and efficiency. A lack of sound financial planning hinders stability, efficiency, and effectiveness, and can raise concern among citizens. Reductions in planned expenditures decrease the services that citizens can receive. Too many increases in budgeted discretionary expenditures can raise questions of efficiency and sustainability and may possibly endanger unwanted corruption.

## **SKILLS DEVELOPMENT TO REAP DEMOGRAPHIC DIVIDEND**

62. Roughly about 30 per cent of the State's population is between 0 and 14 years old, and more than 64 per cent of the population is in the working age group (i.e 15-59). The aspirations and achievements of these young people will shape the future of Mizoram. At the same time, fertility rates in many parts of the State are falling. An economy with both increasing numbers of young people and declining fertility has the potential to reap a 'demographic dividend' – a boost in economic productivity that occurs when there are growing numbers of people in the workforce relative to the number of dependents. In terms of demography, Mizoram is entering its golden age to reap demographic dividend. However, Mizoram is still a skill-deficit state, and the Government would need to develop credible Skills Development Policy and implement Education Reform in line with National Skills Qualification Framework in the State. Moreover, since labour demand within the State economy should remain first priority, the identified growth sectors / drivers in this Policy and skill development programme of the Government should be linked. The necessity of coordination among departments dealing with Skill Development or creating a

new Skill Development Department that combines all Skill development activities cannot be over-emphasized.

## **CLIMATE CHANGE ADAPTATION AND MITIGATION STRATEGY**

63. Agriculture, rural livelihoods, sustainable management of natural resources and food security are inextricably linked within the development and climate change challenges. Climate change pressures will be compounded by a pronounced lack of sufficient knowledge, infrastructure, organization and resources that local populations and governments would need to cope with and adapt to climate change. The State Government would need to initiate vulnerability assessment to work out suitable strategy for adaptation and mitigation of climate change, and to appropriately leverage carbon market.

## **WIDER PUBLIC ADMINISTRATIVE REFORM**

64. It is evident that implementing the New Economic Development Policy would bring about several Governance and Administrative reforms. However, sustaining to achieve high growth path could be achieved only with ambitious Public Administrative Reform to significantly improve effectiveness and efficiency of the State Government. Moreover, the quality of governance further contributes to improved human well-being and sustained development. As a matter of fact, the concern for quality of governance has been increasingly more pronounced as the economy developed.

65. While the way governance is defined differs, but most definition underline the critical importance of the quality of institutions and public management in service delivery. There are three key realizations implicit in the governance approach. Firstly, it signals a conscious shift from technocratic and apolitical development paradigm to one which is dynamic and inherently political. Secondly, it recognizes that good governance is more than good government. It involves the articulation between the State (at all levels) and

other stakeholders within the broader society. Thirdly, governance goes beyond the 'management' doctrine by attempting to address institutional issues.

66. In Mizoram, the quality of governance is reflected in its many remarkable successes as in the significant failures that it has had to contend with. The ability to establish a stable, functioning and vibrant Government is, perhaps, the single most important achievement of democratic governance in the State. The functioning of democratic institutions, an active civil society and a fearless and independent media are other notable achievements. Simultaneously, the State Government continues to make rapid strides in its fight against poverty; and access to basic services such as healthcare and primary education is today almost universal.

67. At the same time, there have been many shortcomings as well. Development outcomes, particularly infrastructure development, have been less than optimal and poverty eradication continues to be a core development issue. Employment growth has been limited. The State continues to have been industrially backward. Major fiscal imbalances and low level of resources mobilization continue unabated. Delivery of critical public services remains inefficient and there has been significant numbers of people still living below poverty line. The condition calls for credible and wider public administrative reform in the State.

68. Administrative Reform initiatives should have the objectives to build a better environment in which people can live, learn and work; in which entrepreneurs can innovate and commercialize the results of their creativity; and in which businesses can invest to create wealth and jobs. It has to be understood that good governance is about enhancing trust in government, its institutions, the quality of its services and decisions, because they are perceived to be made in the general public interest. In this context, a potential trade-off may emerge. On the one hand, public servants are under pressure to deliver better services, while on the other, they face tougher fiscal constraints. The role of administrative reform is to solve this puzzle. To this end, it should maximise the opportunities for synergies, co-ordination and appropriate sequencing. For example, administrative simplification and service delivery cannot be understood as isolated matters, but need to be connected to maximise benefits for citizens, business and the administration itself. Moreover, administrative ultimate aim should be to create an environment for continuous improvement in

public service delivery. The Government may need to constitute Administrative Reforms Committee to spearhead Administrative Reforms in the State.

69. Administrative Reform initiatives by the Government should contain the following component:

- a) Increasing citizens' welfare by better balancing and more effectively delivering, social and economic policies over time;
- b) Boosting economic development and welfare of the people by encouraging market orientation, innovation, and competition, and thereby promoting competitiveness;
- c) Improving public sector efficiency, responsiveness, transparency and effectiveness through public management reforms;
- d) Improving rule of law and democracy through legal reforms, including improved access to regulation and reduction of excessive discretion of regulators and enforcers;
- e) Simplification of procedures and reduction of formalities and exploring possibility to reduce unnecessary licenses, registrations, and permits;
- f) Creating opportunities for improving the policy making process and separating policy making from implementation;
- g) Proper use of Information and Communication Technologies (ICT) that could provides increasingly powerful process tools that can be deployed to address traditional development problems in innovative ways;
- h) Rightsizing of government employees especially though exploring areas for efficiency gains through a reduced role of the state or opportunities for staff reductions. Gains that could be realized through introducing elements of competition and performance management in service delivery, such as through establishing alternative service delivery mechanisms (e.g. NGOs, Private Sector);
- i) Reducing expenditure without compromising excellent services through economy measures.

## CONCLUSION

70. Trust in Government, both at the national and State levels, has been visibly deteriorating in the Country. Mizoram is no exception. Lack of trust compromises the willingness of citizens, particularly civil societies and business, to respond to public policies and contribute to a sustainable economic development. This is an issue that will surely have consequences in the future. Low levels of trust in government may hinder state revenues, rule of law and social fairness. Government needs to go “the extra mile” to regain trust from its citizens by earnestly implementing credible economic development policy.

71. Efforts should be made to explicitly increase social trust and to reinforce the confidence on the ability of public administrations to drive and sustain change for the benefit of the public interest. Administrative reform is necessary to address such lack of trust, but it is clearly insufficient. Implementing the New Economic Development Policy which is a comprehensive growth strategy would convince citizens that the Government is serious in addressing critical policy matters and is able to communicate effectively its decisions, and its intention to address such matters. This may take time, but it can certainly revive public trust in Government and its policy and therefore, it is urgent.

72. The most important factors – (i) Political will of the incumbent Government, and (ii) overcoming resistance from all levels of the Government itself and the people for the proposed CHANGES – need to be addressed.

**NEW ECONOMIC DEVELOPMENT POLICY**  
**Three Tier Monitoring Committee**

**NEDP CORE COMMITTEE**

1. Chairman - Chief Minister
2. Alternate Chairman - Minister, Agriculture/RD etc
3. Member - Minister, Planning/Finance, etc.
4. Member - Minister, Commerce & Industries, etc.
5. Member - Minister, UD&PA/PHE, etc.
6. Member - Minister, Horticulture/SWD, etc.
7. Member - Minister, Health/ICT, etc.
8. Member - Vice Chairman, Mizoram State Planning Board
9. Member - Chief Secretary, Government of Mizoram
10. Member - Finance Commissioner, Government of Mizoram
11. Member Secretary - Secretary, Planning & Programme Implementation Department

**NEDP EXECUTIVE COMMITTEE**

1. Chairman – Chief Secretary, Government of Mizoram
2. Member Secretary - Secretary, Planning & Programme Implementation Department
3. Member – All Principal Secretaries / Commissioners / Secretaries concerned
4. Member – All Heads of Departments concerned

**NEDP MONITORING & EVALUATION COMMITTEE**

1. Chairman – Vice Chairman, Mizoram State Planning Board
2. Member Secretary – Secretary, Mizoram State Planning Board
3. Member – All Official/Expert Members of Mizoram State Planning Board