

7. SECTORAL STRATEGY FOR IMPLEMENTATION

7.1 The State Government has formulated the State flagship programme as a long term framework for economic policy and a comprehensive growth strategy for the State economy. The 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.

7.2 *Identification of key growth sectors / key growth drivers:* 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.

7.3 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.

7.4 Based on the forward & backward linkages and other economic considerations including favorable agro-climatic condition (factor endowment) and structural changes in the economy, the following sectors are 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 *Service Sector:* Tourism & Hospitality, Sports & Recreation, Education, Health Care, ICT, Transport Services.

7.5 The above identified potential key growth drivers of the State economy would be prioritized in proper sequence that would provide maximum linkages in the economy for propelling and fuelling economic growth and development in the State in the long run.

7.6 *Strategy for Reviving Agriculture and Allied Sector:* 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.

7.7 The implementation of the New Land Use Policy (NLUP), the State Government's Flagship Programme, has on the one hand weaned away the farmers from the destructive and unprofitable 'Jhum' practices to a more environment friendly and gainful livelihood in the form of small scale/cottage industries and petty trades, and on the other initiated the transition from subsistence oriented agriculture to a more market oriented one 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 significant growth in the Agriculture & Allied Sector as well as the Industries Sector. 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.

7.8

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. 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; (iii) Improving market infrastructure and market access of agriculture produce.

7.9

Strategy for Developing Industry/ Manufacturing Sector: The Perspective plan for developing industry sector seeks maximum utilization of Mizoram's natural endowments in forest based products particularly bamboo. As such, promoting forest / bamboo based industry and manufacturing activities would definitely provide comparative advantage in the State. In order to attain economies of scale and both domestic and international competitiveness the Government plans to take up cluster based approach in a more comprehensive way in the production and utilization of forest products. 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. 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, labour, and financial challenges that create obstacles for doing business particularly manufacturing activities in the State.

7.10

Strategy for Infrastructure Development: 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. Despite laudable efforts of the State Government, Mizoram remains consistently behind the country averages in most infrastructure index. As such infrastructure development remains development priority of the State Government. The Strategy envisages mechanisms to encourage private sector participation in all aspect of infrastructure developments such as power plants, roads, bridges, social housing, and industrial estates on reasonable terms. However, the private sector at the moment is reluctant to invest in the State. These constraints have to be overcome through appropriate policy and technology intervention so that the vision and aspiration of the people of Mizoram is fulfilled.

7.11

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.

7.12

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. 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.

7.13

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).

7.14

Strategy for Sustaining Services Sector led Growth: In Mizoram, the services sector now accounts for about 57 per cent of the State gross domestic product. In order to sustain services sector led growth, State Government will have to address several interlinked issues: (i) infrastructure facilities are poor and cost of service deliveries is high – infrastructure development remain an important challenge; (ii) 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; and (iii) 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 through appropriate skills development policy 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.

7.15

The strategy for the services sector, therefore, 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.

7.16

Strategy for Reforms in Public Administration: The Government intends to actively pursue Reforms in Public Administration which will include the *rightsizing* of government departments, adoption of *meritocracy* for appointment of public servants, *outsourcing* of work wherever viable, etc. among others. To bring about these reforms '*Administrative Reform Committee*' has been set up with a mandate to bring about any necessary reforms for a Government that can satisfy the aspirations of its people.

7.17

Public Financial Management Reform: The Government also places great importance to Public Financial Management. Some of the more important points of Fiscal Management Policy that are stated in the State flagship programme for as follows:

(a) Better 'Fiscal Discipline' and 'Expenditure Reforms' for prudent utilization of financial resources.

(b) Proper 'Allocation Framework' and 'Procurement Policy' for efficient allocation of budget resources in accordance with established Government priorities defined in development plan documents and development policy.

- (c) 'Fiscal Consolidation' and 'Resource Mobilization' for improving the financial condition of the State.
- (d) Establishment of 'Commercial Account' for better operability of Departments with a revenue stream.
- (e) A 'Public Debt Policy Framework' for judicious management of the State's public debt.
- (f) 'Capacity Building' for government servants so that Fiscal Management Policy may be executed effectively.

7.18

Skills Development: 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 will take steps 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 would 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.

7.19

Climate Change Adaptation and Mitigation Strategy: 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 shall initiate vulnerability assessment to work out suitable strategy for adaptation and mitigation of climate change, and to appropriately leverage carbon market.