



Citizen-Centered Approaches  
to State and Market



# Himachal Pradesh: Understanding State Level Transition in India

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## I. Introduction

When Himachal Pradesh came into existence after the merger of 31 princely hill states, there was little hope that it could survive as a separate entity. There was no more than 228 km of paved road in the entire state in 1948.<sup>1</sup> The literacy rate according to the 1951 census was 4.8%, the lowest among all the states in India. Economic activity consisted of subsistence farming with meager exports of potatoes, ginger and opium. Today Himachal Pradesh has one of the highest per capita Gross State Domestic Products (GSDP) in India and one of the lowest poverty levels. According to the 2001 census, the literacy rate in Himachal Pradesh had reached 77.1% while the national average was 65%.<sup>2</sup> Himachal Pradesh has a well-developed banking sector and the highest levels of telecom penetration in the country.

## II. Background

In 1948 Himachal Pradesh was born after merging 30 princely states. In 1951, the Government of India passed 'Part C States Act,' under which Himachal Pradesh and some other states were categorized. The Chief Commissioner was replaced by a Lieutenant Governor and a 36 member Legislative Assembly election was held for the first time in the Shimla hill region. The Congress Party won 24 seats and Dr. Yashwant Singh Parmar became the first Chief Minister of Himachal Pradesh with three-member Ministers in March 1952.<sup>3</sup> Himachal Pradesh became a full state in January 1971. From the outset, Himachal Pradesh faced the dual problem of nation and state-building, given that it had never existed as a single political and administrative unit before 1947. The former princely states of Himachal Pradesh had their own rule, parochial views and historical rivalries.

## III. State Transformation

- i) **Administrative Reform.** Administrative control is the first step in creating political order which requires the existence of a coherent set of rules determining the division of responsibilities horizontally and vertically across functions of the state and between hierarchical levels; the recruitment and regulation of civil servants; the spatial and functional division of administrative roles; and flows of resources.<sup>4</sup> As parochial loyalties still existed among officers from various princely states, officers from the Indian Civil Service, Punjab Civil Service and in some cases, officers from Uttar Pradesh were brought to Himachal Pradesh for effective, uniform and non-biased service delivery. To standardize the working of different government departments, 'Rules of Executive Business and Secretariat Instruction' were drawn up and enforced from July 1951. An Administrative Reform Unit was set up in Himachal Pradesh in 1964 to carry out detail study and field work of the administrative machinery of the government. It recommended necessary reforms and improvements which included measures such as: grouping of subjects into departments, role of Administrator and Chief Minister, inter-departmental structures, relationship with the Central government and so on. The establishment of the Himachal Pradesh Public Service Commission was another important step as it created uniform rule for entering into the

<sup>1</sup> Government of Himachal Pradesh. *Himachal Pradesh Human Development Report 2002*.

Government Report, Shimla: Government of Himachal Pradesh, 2002, page 23

<sup>2</sup> Government of Himachal Pradesh. *Himachal Pradesh Human Development Report 2002*

<sup>3</sup> *ibid*

<sup>4</sup> *ibid*

civil service in Himachal Pradesh. It conducted competitive exams and established uniform recruitment rules regarding promotions, transfers, leave and pension which were very important for effective and transparent functioning of the bureaucracy. Additionally, the ‘Lokayukta Act, 1983’ established an ombudsman to enquire into allegations against officials, ministers, and members of the Legislative Assembly.

- ii) **Development of Infrastructure.** Road construction was vital for mountainous Himachal Pradesh not only for service delivery and to expand economic opportunities but also for the integration and unity of *Himachal Pradesh* people. It was through the first five year development plan (1951-1956) that road construction was made the top priority for Himachal Pradesh’s development. The government of Himachal Pradesh allocated about half of the first Five Year Plan’s funds to the transport sector.<sup>5</sup> In 1950-51, the total length of roads in the state was 288 km, but by 1970/71 the total road length had reached 7,609 km.<sup>6</sup> By 2003, Himachal Pradesh had more than 30,000 km of road with the road density of 580 km per one hundred thousand of the population, with over 60% of villages connected by road. This has considerably reduced the cost of goods transportation, provided better connectivity to markets, significantly changed accessibility and marked improvement in service delivery.<sup>7</sup>
- iii) **Human Development.** Himachal Pradesh leaders realized from an early stage that the new political order which emerged in the state would not be sustainable without maintaining social and economic order. The Himachal Pradesh Compulsory Primary Education Act was passed in 1955 increasing primary school enrollment from 8,697 to 670,807 and teachers from 278 to 29,000 by 2005.<sup>8</sup> The state’s early focus on education; its remarkable investment in training and human capital development; efforts to bridge inter-district variations in skills and qualifications; the use of innovative tools to attract teachers to rural areas; and a special focus on girl’s education all played critical roles in the state’s ability to build the skills it has needed to compete economically within India and the region more broadly. In 2002-2007, spending on education increased to 21% in Himachal Pradesh- a level not found anywhere else in India.<sup>9</sup> Enrollment in higher education is now 20% (twice the national average of 10%) and the current Chief Minister has set a target of 50%. An IIT, a Central university and a National Institute of Fashion Technology (NIFT) are also planned, and three private universities are operating with another six to open soon.
- iv) **Inclusive Development.** State building efforts are incomplete if the marginalized, vulnerable and backward communities are left behind in the process. Himachal Pradesh’s Scheduled Tribes are 3% of the population but cover a vast geographic area of 43% of the territory in the remote and mountainous areas of the Himalayas bordering Tibet. Post 1971, the state became more citizen-oriented, with the establishment of the Task Force on “Development of Tribal Areas” and the “Expert Committee of Tribal Development”. Through the new approach, financial resources were to be allocated for tribal areas to support schools, roads and medical institutions. This has had important effects- literacy, which was 22% in 1974 in these areas, for example, had reached 70% by 2004.

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<sup>5</sup> See Sarkar, 2010

<sup>6</sup> See Government of Himachal Pradesh. *Himachal Pradesh Human Development Report 2002*

<sup>7</sup> Sarkar 2010

<sup>8</sup> Government of Himachal Pradesh. *Sarva Shiksha Abhiyan Third Joint Review Mission - Himachal Pradesh State Report*. Government Report, Government of Himachal Pradesh, 2006.

<sup>9</sup> *ibid*

- v) **Fiscal Reform.** Himachal Pradesh was granted 'special category' in 1971, and as a result, its development has largely been led by the public sector through fiscal transfers. Farsighted planning and execution by the state government, combined with efforts to simplify and rationalize tax structures have proven catalytic.<sup>10</sup> Tax revenues have increased from 5.9% of GSDP in 2005/06 to 6.5 % by 2011-12.<sup>11</sup> Significant effort has been put into reducing unproductive and wasteful expenditures. The government has also enacted Fiscal Responsibility and Budget Management Act (FRBM) through which the government budget formulation process is being improved. Linking policy with the available resources of the state and also incorporating a medium term perspective in the annual budget formulation has been important.
- vi) **Consolidation of Democracy.** Over the years, Himachal Pradesh has developed a unique two party system which is not very common in India. Electoral politics have rotated between the Congress and BJP without any strong regional parties.<sup>12</sup> There have been frequent changes of these two political parties in terms of holding power, but throughout, there has been a continuity in terms of policies. This can to some degree be attributed to the high literacy rates and the growing consciousness among the Himachal Pradeshi electorate. In recent years, even the so called 'old Himachal Pradesh' and 'new Himachal Pradesh' boundary seems to be breaking down because the 'mature electorates' in Himachal Pradesh are focusing on the programmatic approaches of political parties rather than narrow focus on patronage, religion or castes.<sup>13</sup> This is a profound change in a country like India where politics is largely shaped by issues such as caste and religion.

#### IV. Market-Building

Nehruvian policies focused on establishing capital intensive industry to make India self-sufficient, but neglected land reform, agriculture and primary education.<sup>14</sup> In Himachal Pradesh, however, the varied agro-climatic and topographical conditions had always been favorable to horticulture production. Land tracts which were barren or uncultivated and otherwise unfit for field crop cultivation were brought under fruit production. Horticulture is also more labor intensive than cereals, thus helping to minimize the unemployment problem in the state. The state government has become involved in three initiatives: the development of production facilities, disposal facilities and institutional facilities.<sup>15</sup> It has established 113 nurseries for supply of fruit plants, a network of 209 distribution centers under the Department of Horticulture, credit facilities for plantations with repayment periods of 4-15 years, and has built 5 cold storage facilities with a capacity of 8,000 tons.

The establishment of institutions such as the Agro-Industries Corporation and the Himachal Pradesh Marketing Corporation (HPMC) have also been crucial in horticultural development. HIMFED initiated apple marketing in collaboration with the National Agriculture Marketing Federation and the

<sup>10</sup> Himachal Pradesh government has introduced VAT system in 2005/06. See Planning Department, Government of Himachal Pradesh, "Himachal Pradesh Tenth Five Year Plan - Mid Term Review."

<http://hpplanning.nic.in/mid%20term%20review%2010th%20five%20year%20plan.pdf> and The World Bank, *India-Himachal Pradesh Public Financial Management Accountability Assessment*. Financial Management Unit, South Asia Region, Washington DC: The World Bank, 2009

<sup>11</sup> The World Bank. *Himachal Pradesh : Accelerating Development and Sustaining Success in a Hill State*. Washington DC: The World Bank, 2007

<sup>12</sup> Chauhan, Ramesh K, and S N Ghosh. "Himachal Pradesh: Bipolar Contest." *Economic and Political Weekly*, December 2004: 5505-5507.

<sup>13</sup> *ibid*

<sup>14</sup> *ibid*

<sup>15</sup> Singh, Ranveer, and Prem S. Dahiya. "Horticulture Development in Himachal Pradesh: Profitability, Policy and Prospects." *Indian Journal of Agriculture Economics* 52, no. 3 (July-Sept 1997).

Himachal Pradesh Agro-Industries Corporation Ltd has built the processing plants with international assistance.

Hydropower will be an essential factor moving forward. The identified hydroelectric potential of the Chenab, Ravi, Beas, Satluj and Yamuna rivers passing through the state is estimated to be about 23,000 MW, about 25 per cent of the total hydel potential of India. An estimated 6,000 MW has been harnessed and projects with an aggregate capacity of about 1,300 MW are under various stages of implementation, which will further bolster agricultural and industrial production. As a result, Himachal Pradesh has been able to establish itself as the 'Apple State' and 'Fruit Bowl' of India. With the rise of the Indian middle class and increasing markets in cities such as Delhi, Calcutta, and Mumbai, economically profitable, ecologically acceptable and socially beneficial horticulture is prospering.

In addition, the Himachal Pradesh State Cooperative Marketing Board (HIMFED) has been particularly important for apple and other fruit production. HPMC is a state public undertaking which was established in 1975 in Himachal Pradesh with the objective of providing facilities for the orchard owners. The main function of HPMC was marketing of fruits and vegetables within and outside the state. This was carried out through various activities including the provision of packaging materials, the development of transit warehouses and the construction of cold storage facilities. The HPMC also took on the crucial task of developing market intelligence and collecting market information to disseminate to the horticulturists of Himachal Pradesh.

## V. Key Factors

Himachal Pradesh's transition is unique to its history, geography, culture, politics and economy. The first Chief Minister of the state, Pradesh Pramer, rightly stated that Himachal Pradesh's development would be anomalous, and so it has proven. There are, however, some broad principles from the process that are worth noting:

- i) **Authority and Leadership.** When the Indian government wanted to apply broadly similar development methods to all Indian states, Dr. Parmar convinced the central government that the 'plains-oriented model of development' was not suitable for Himachal Pradesh. Dr. Parmar and his team believed that the hills had different needs and priorities, with a focus on agriculture rather than industrialization. His willingness to articulate economic and political directions for growth were instrumental in moving Himachal Pradesh toward its current agricultural productivity.
- ii) **Simultaneous State and Nation-Building.** State-building is about creating and strengthening state institutions while nation-building involves actions undertaken, usually by national actors, to forge a sense of common nationhood in order to overcome ethnic, sectarian or communal differences. Himachal Pradesh, while building its bureaucratic administration, also focused on building a 'Himachal Pradesh' identity and its 'pahari' culture. This was an important part of the effort to ensure an inclusive polity and economy as the state developed.
- iii) **Focus on Delivery of Outcomes and Results.** Himachal Pradesh quickly invested in education, health, and infrastructure, and later built institutions that established the enabling environment for the private sector. Despite changes in political power at the state level or in assembly elections, the leaders of the state have always put development and economic growth above politics unlike many other states in India where politics become all-consuming.
- iv) **Building Systems.** Himachal Pradesh's transition once again proves that institutions play the determining role in shaping a transitional process. Whether it was the 'Compulsory Education

Act' or the government's role in establishing the HPMC, rules and institutions have played the crucial role in shaping Himachal Pradesh's development.

## **VI. Conclusion**

Himachal Pradesh's development is a story of far-sighted planning, continuous policy throughout political changes, and a real focus on human capacity building in alignment with identified goals. The state has built and used institutional capacity in innovative ways to support these processes and lay the basis for rapid economic growth and sustained political stability in the 21<sup>st</sup> century.