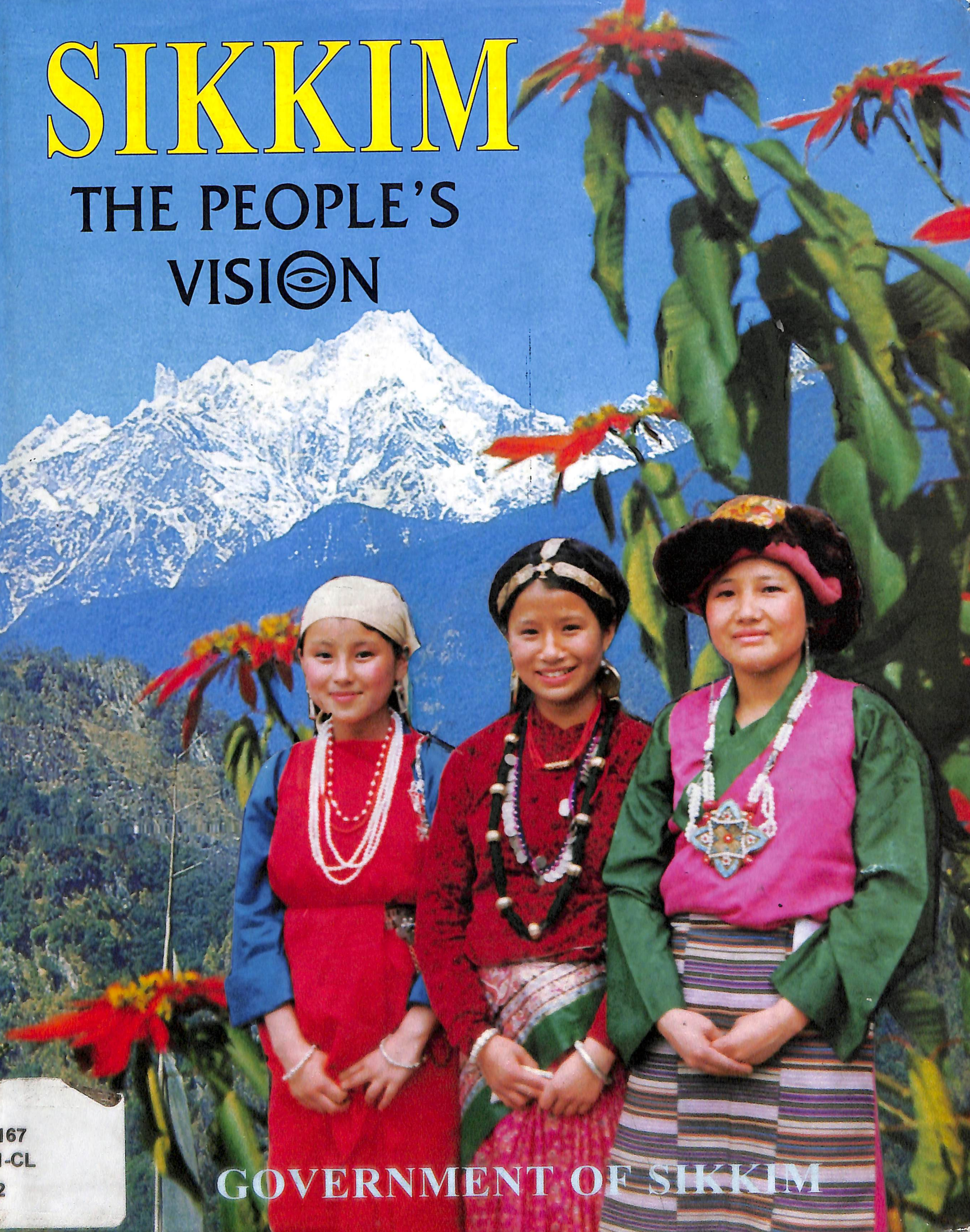


SIKKIM

THE PEOPLE'S VISION



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GOVERNMENT OF SIKKIM

SIKKIM

The People's Vision



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in association with

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FOREWORD

'Sikkim—the People's Vision' is about the people and for the people of Sikkim. This document is also a substantive example of transparent functioning of the State. It has not hidden anything but has had a hard and dispassionate look at what we are at the turn of the century. It has captured facts and figures as much as other details. We now have a benchmark from where we can continue to measure our progress well into the 21st century. This is perhaps the greatest aspect of this book and exercise.

It is indeed wonderful that we have been able to make this document happen. It is due to the tireless work of the authors that this has come to see the light of day. This document provides us with an excellent futuristic perspective of Sikkim. I would like to acknowledge the contribution of Dr. Ashok K. Lahiri, Director, National Institute of Public Finance & Policy (NIPFP) and his team in the preparation of this vital document.

We are working toward documenting our old values with new and contemporary thinking. We have a lot to imbibe in terms of wisdom from our tradition and culture. Much of it is lost in the march toward uncontrolled development.

We are not only looking at economic development *per se*. We are for the overall improvement of the quality of life of the people of Sikkim so that in the process they become much more resilient and competitive. The world is demanding this and we have but little choice in terms of these parameters. However, in this process we must not lose sight of our overall goal of seeing that our biodiversity, our environment and our culture are kept intact, perhaps enriched. This calls for a balanced approach to development.

The key to this is to be able to control our population growth. We hope to achieve a constant population figure of 5 lakhs by the year 2050. We can do this by a *'we two, our one'* policy that we need to foster and encourage. Our people must enjoy the best health that is possible today; the best of education that should be within the reach of our people and also the best in terms of development benefits. The purchasing power must and will improve.

After Sikkim became the 22nd State of India in 1975, the State made remarkable strides in all fronts. The basic indicators in economic, social, cultural, environmental and political arena are quite revealing. The Human Development Index which has consistently improved from 0.454 in 1991 to 0.532 in 1998 in Sikkim is also significantly higher than many other States of India. This is recorded and published in another landmark report, *The Sikkim Human Development Report 2001*, produced by our Government. Another noted economist, Dr. Mahendra P. Lama, Professor, Jawaharlal Nehru University, New Delhi, has prepared this report.

We have conserved our ecology without jeopardizing the development needs. Our State has been one of the most peaceful States in the country with a very high degree of political stability and unparalleled socio-communal harmony. There is political consensus on major issues including that of adopting second-generation economic reforms to make the Sikkimese economy more dynamic and competitive.

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The challenges ahead are diverse and formidable. They are primarily brought about by a new paradigm of development we are now increasingly advocating. Under this new development instruments, the role of State will be increasingly diminished. We strongly desire that the market-oriented development interventions we are now designing and implementing should inevitably cater to the needs and aspirations of the people. We have no other alternative than to keep aside the popular apprehensions and work towards maximizing the gains.

On the other hand, no one is sure about the real impact of the ongoing process of globalisation. It is quite expected that Sikkim will also be both positively and adversely affected by this worldwide phenomenon. Our State being a small, landlocked and developing one, we have always tried to protect it from the external shocks. A critical question is that of meeting and tackling these challenges without adversely affecting the present political economy and traditional socio-cultural norms and practices.

Therefore, we have to gear up ourselves on all fronts. We need to devise very effective institutional responses. We are moving towards more scientific management of our economy aimed at changing the entire face of governance, productivity and efficiency in the State.

Sikkim is now being repositioned by indigenising and internalising the entire process of globalisation which are primarily triggered by forces that are actual alien to our system. This is a Herculean task for us in Sikkim. We want each segment of Sikkim and every Sikkimese to be comfortable with the globalisation process.

This is why we would like to build on our strengths like high socio-economic indicators, friendly and congenial social atmosphere, democratic freedom based on sound principles of decentralisation and empowerment of have-nots, and most crucially environmental security. The political stability and existence of strong multi-culturalism based on well-established traditions of secularism are also our great advantages.

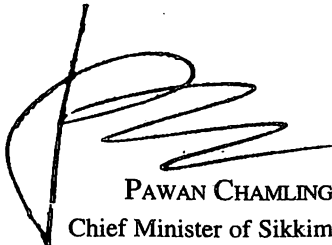
Like many other States in India and many other communities, we do have systemic weakness. We would like to decimate all of them without underplaying them. We in the government are fully aware of critical issues like fiscal prudence, employment strategy, environmental dislocation, privatization and disinvestments, demographic onslaughts, service deliveries, persistent poverty and inequality syndrome raised in this report. In fact, my Government has been keenly promoting democratic values and institutions that are aimed at doing away with all these inherited inequality and deprivation.

We are committed to consistently and effectively implement at least some of the very critical and useful recommendations. We have planned a very time-bound implementation of these recommendations. The process has already begun.

As the head of the Government and also an all-season friend of the downtrodden and hapless, I would like to dedicate this document to the People of Sikkim who discovered, nurtured, built and provided this distinct stature to this Himalayan State. The villages are the greatest asset and strength of the Sikkimese society. We will ensure that every Sikkimese is going to be an equal partner in both the process of participating in and sharing the benefits of development process.

I would also like to assure the people of Sikkim in particular and the people of India in general that we will all work towards making Sikkim a model State in the country where every citizen will live to his and her full potential both as a human being and a responsible citizen of this great nation.

Gangtok
1 August 2001



PAWAN CHAMLING
Chief Minister of Sikkim

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We would like to express our appreciation for the co-operation extended to us by the officials of the Government of Sikkim. Our extensive discussions with people from different government ministries and departments and from various institutes were invaluable in the preparation of this document. A list of those we met and would like to thank follows.

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We would also like to thank Mr. S.W. Tenzing, Chief Secretary, Government of Sikkim for his help during our visits to the state and for his insights into major aspects of the Sikkimese economy.

Mr. G. Goparma, current Director and Mr. Chettri, former Director of the Bureau of Economics and Statistics provided us with support during our visit to the state. Mrs. Jyotsna Subba, Deputy Director of the Bureau of Economics and Statistics, was extremely helpful in organising meetings and travel around the state and as a resource person for supplying data for the report. Mr. S. Mitra, Joint Director, Bureau of Economics and Statistics has been helpful in providing us with the necessary help. Mr. Suresh Lamichaney, of the Bureau of Economics and Statistics, who accompanied us on our trip to the South and West Districts, was a valuable source of information on the state.

Dr. Indira Rajaraman, Professor, NIPFP, provided extremely useful comments on the structure and content of the report. Secretarial assistance was given by Mr. R. Parmeswaran. We would like to express our thanks to Ms. Jeeta Mohanty for her research assistance in the final stage of the Report preparation.

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Key Indicators: Sikkim

Capital: Gangtok

Population 1991 Census: 4,06,457

Status: Special Category State

| | Sikkim | India | | |
|---|----------------|------------------------|----------------|---------------------|
| Total area (sq. kms.) | 7,096 | 32,87,263 ⁶ | | |
| Operational holdings (% of total land mass) 1990-91 | 15.69 | 59 | | |
| Forest area (%) 1997 | 44.9 | 19.4 | | |
| Districts (no.) | 4 | 466 | | |
| Taluks/sub-divisions (no.) | 8 | 3,298 | | |
| Urban agglomerations/towns (no.) | 8 | 2,987 | | |
| Villages (no.) | 453 | 5,89,226 | | |
| Rainfall (millimetres) 1998 ¹ | 3274.5 | NA | | |
| Land elevation (metres) | 440 to 8540 | 0 to 8611 | | |
| Demography | | | | |
| Population, (lakhs) 1991 | 4.06 | 8,463.03 | | |
| <i>Urban (lakhs)</i> | 0.37 | 2,176.11 | | |
| <i>Rural (lakhs)</i> | 3.69 | 6,286.91 | | |
| <i>Male (%)</i> | 53 | 52 | | |
| <i>Female (%)</i> | 47 | 48 | | |
| <i>Scheduled caste (%)</i> | 5.93 | 6.48 | | |
| <i>Scheduled tribe (%)</i> | 22.36 | 8.08 | | |
| Estimated mid-year population (lakhs) 1/7/2000 ⁵ | 5.65 | 10,059.23 | | |
| Population density (per sq. km.) 1991 | 57 | 267 | | |
| Females per '000 males 1991 | 878 | 927 | | |
| Estimated birth rate (per '000) 1997 | 19.8 | 27.2 | | |
| Estimated death rate (per '000) 1997 | 6.5 | 8.9 | | |
| Infant mortality rate (per '000) 1997 | 51 | 71 | | |
| Life expectancy at birth 1995 | n.a. | 59 | | |
| <i>Male</i> | 65.7 | 64.1 | | |
| <i>Female</i> | 46.7 | 39.6 | | |
| Infrastructure | | | | |
| Index of social and economic infrastructure ² | 108.99 | 100.00 | | |
| Roads (km. of road per '000 sq. km.) | 220 | 544 | | |
| Per capita power consumption (kwt. hrs/person) | 98.5 | 236 | | |
| Banks (no. per lakh population) | 8.3 | 7.3 | | |
| Economy | | | | |
| Population below poverty line (%) 1993-94 | 41.43 | 35.97 | | |
| | 1995-96 | 1996-97 | 1995-96 | 1996-97 |
| Per capita income (rupees) | 9,472 | 12,128 ⁴ | 9,578 | 10,771 ³ |
| Sectoral share of income | | | | |
| <i>Primary (%)</i> | 52.03 | 32.44 | 29.9 | 28.8 |
| <i>Secondary (%)</i> | 13.65 | 17.47 | 28.2 | 28.3 |
| <i>Tertiary (%)</i> | 34.31 | 50.09 | 41.9 | 42.9 |
| <i>Rainfall (millimetre) 1997</i> | | 2920.50 ¹ | | |
| <i>Land elevation (metres)</i> | | 440 to 8540 | | |

Notes: 1. Data for Sub-Himalayan West Bengal and Sikkim—Statistical Abstract India, 1999, CSO. 2. Report of the Eleventh Finance Commission, Annexure VI-5. Original reference, T.C.A. Anant, K.L. Krishna and Uma Datta Roy Chaudhury (1999) 'Measuring Inter State Differentiation in Infrastructure'. 3. Per capita NNP at current prices—National Accounts Statistics 1997, 1998, CSO. 4. Sikkim ranks thirteenth among the states. 5. From *Population Projection for India and States*, Registrar General, India, New Delhi, 1996. 6. Statistical Abstract India, 1999, CSO.

EXECUTIVE SUMMARY

Sikkim, a small and beautiful state nestled in the Himalayas, scores well in terms of human development indicators, but faces problems of poverty and unemployment. The vision for Sikkim sets the state on an accelerated path of eco-friendly sustainable development. The key objectives of the development strategy are to alleviate poverty, create income generation opportunities by empowering the people through education and employable skills and building the requisite infrastructure. Historically, Sikkim has played a major role as a gateway to Tibet and northern China from the warm waters of the Bay of Bengal and Indo-Gangetic plain. A large part of the population derived their economic sustenance from cross-border trade with Tibet, through Nathu La, an all-weather pass situated at a height of 14,000 ft in the Himalayas. Nathu La has been closed for traffic since the Chinese conflict in 1962. Employment generation in Sikkim will benefit substantially once trade resumes through Nathu La with the relative normalisation of relations with China. However, Sikkim aspires to be far more than an entrepôt to Tibet. The next decade will see the state building on its inherent strengths and, with the government as a facilitator, benefiting from the liberalisation and globalisation processes that are sweeping the rest of the country.

Economy: The present challenges

The state's total population is only around 5.5 lakh and nominal income has been growing at an impressive annual rate of around 14.5 per cent since 1989-90; however, Sikkim has the fifth highest incidence of poverty among the states, with 41.4 per cent of the population below the poverty line (1993-94). Furthermore, with 38 per cent of the population below the age of 15, the number of young people entering the workforce and looking for jobs in industry and services will increase in the near future.

A stagnant agricultural sector combined with steadily declining industrial activity has severely limited employment opportunities outside the government. Public administration has, by default, become the propelling force behind income growth. Further, growth that has taken place has been regionally imbalanced, with the North District still remaining relatively backward in comparison with the other three districts.

Business as usual: Unsustainable and precarious

The cornerstone of the development strategy pursued so far has been a **super-active government** in all areas of economic activity. This has put the government under severe fiscal stress. Expenditure on wages and salaries (including pensions) and interest payments pre-empt almost half of total

government expenditure. Fuelled partly by the implementation of the State Pay Commission recommendations, the fiscal deficit rose to a staggering 21 per cent of gross state domestic product (GSDP) in 1998-99; outstanding debt as a percentage of GSDP touched 72 per cent the same year. At the same time, revenue collection, both tax and non-tax, has been falling. Grants, plan and non-plan, have been financing nearly 43 per cent of government expenditure, which has risen to more than 40 per cent of GSDP in recent years.

The expansionary impact of high government expenditure in terms of income generation has, however, been limited, indicating a 'missing multiplier' within the system. This could be partly because of the high import intensity of consumption and partly the result of beneficiaries maintaining their funds outside the state. The little impact there has been of government expenditure has been unsatisfactory: the modern infrastructure that has been built up in education and health over the last two decades under several Plan schemes is currently in a state of disrepair and underutilisation.

A continuation of the present fiscal stance is unsustainable and precarious for the government. This document delineates three scenarios facing the government depending on the path it follows to bridge the widening resource gap in the next five years: one, through additional grants from the centre which will amount to around 20 per cent of projected GSDP by 2004-05; two, through additional borrowing, which will result in a very sharp increase in the debt-to-GSDP ratio; and three, by compressing capital outlay to zero by the terminal year of projection, 2004-05. All three scenarios are bleak and unacceptable. There is an urgent need for devising a new strategy.

Designing a new strategy

Achieving the goal of an accelerated path of eco-friendly, sustainable development requires three fundamental pre-conditions. These are (i) empowering people with the right education and skills to enable them to benefit from recent developments in science and technology, (ii) building up the right infrastructure, particularly in roads and power, and (iii) fiscal consolidation and reform, which will constitute the core of economic restructuring.

The strategy consists of fostering a public-private sector partnership in key infrastructural areas with the application of science and technology. The state's strength in horticulture and animal husbandry is to be promoted with the help of roads and power on the one hand, and education on the other. These two critical inputs are prerequisites for the application of science and technology in the state. Industry, especially service-oriented industries such as tourism and information technology, has tremendous potential that needs to be exploited through vibrant public-private sector partnerships.

Defining the role of the public sector

Given the fact that the government is under severe fiscal stress, the role of the public sector needs to be redefined. The objectives of the public sector would be (i) the pursuit of economic stability, (ii) improving the delivery of services, (iii) promoting efficient utilisation of allotted resources and (iv) creating an enabling framework for private sector to invest in the state, while disseminating the message that "Sikkim is open for business." The achievement of these objectives will need (i) a rationalisation of government staff, (ii) introduction of Electronic Data Processing (EDP) systems

on a selective basis, (iii) utilisation of public expenditure benefits, (iv) introduction of competitive tendering, and (v) strengthening of public expenditure management systems.

Sectoral strategy

In spite of increasing literacy and growing school enrolment figures, **educational** achievement continues to be relatively low, mainly because of a lack of access to schooling and a low level of school completion. The absence of regular or cheap mass transport to and from school, poor state of schoolroom infrastructure and largely untrained workforce of teachers are some of the factors behind this. Though non-completion of education is largely the result of economic factors, the major non-economic reason for the high rate of school dropout is the curriculum and teaching methods: what children learn in schools is often rigid, formally taught and unrelated to their lives. The universal teaching medium is English, even though the vast majority of the teachers are not fluent in the language.

Increased access to schools, compulsory and good quality teacher training, and curricula that are relevant to the state and in line with the medium-term goals of the economy, will greatly improve the employability of the emerging school graduates. Skill-based secondary education and well-targeted vocational training will also support the thrust areas in the economy which will allow it to move to a higher growth path. The immediate introduction of compulsory computer training courses in schools will lay the groundwork for a computer-literate workforce in the near future.

Health standards have improved significantly in the last 15 years; but, a high child mortality rate, low immunisation rate for children and high death rate for rural women of child-bearing age indicate that family health needs attention. Despite the creation of impressive health infrastructure—in excess of the national norms—poor rural connectivity between villages and health centres means that many people still do not have access to primary healthcare. Further, the excess health infrastructure has led to high administrative expenses in healthcare, added to which patients are reimbursed for treatment outside the state.

The state should move from providing free health services to every one, to making basic health services widely accessible, especially to the poor. The basic health service package will include pregnancy-related care, family planning services, treatment for common serious illnesses of young children and control of tuberculosis, a major killer in the region. Other preventive measures will focus on providing a healthier environment especially for the poor through proper sanitation, sufficient and safe water supplies, good living conditions, and adequate garbage disposal.

Sikkim's diverse ecological conditions support the cultivation of different kinds of fruits, vegetables and commercial crops like cardamom, ginger, and oranges. However, fruit and vegetable production has fallen, and production of even the lucrative cardamom crop has stagnated.

Horticultural yields are low and cultivation costs high because of outdated farming practices and the high cost and inadequate supply of inputs like seeds and seedlings. Almost all inputs have to be imported into the state and then transported across long distances; the rocky terrain means that transportation costs are high and supply is erratic, which tends to erode producers' competitive edge.

There is a shortage of well-trained, specialised staff on government farms to disseminate information on good farming practices and modern techniques. The marketing structure—or lack of it—is one of the weakest links in the value chain for horticulture. Farmers' cooperatives have, so far, played hardly any role in disseminating information on markets and prices or in helping farmers market their produce; there are no functioning cold storages or wholesale markets. Farmers, especially in the interior regions, are largely dependent on middlemen for credit and for a marketing outlet.

Animal husbandry forms an integral part of the household economy of the state. However, the increase in the output of livestock products has not kept pace with demand. This sector shares some of the problems of horticulture, such as the difficulties of transporting inputs and their high costs, (which has resulted in a severe feed and fodder shortage), outdated farming practices and the almost complete absence of a marketing structure. In addition, the quality of animal stock is poor and animal health care facilities inadequate.

The development of horticulture to fully exploit its employment and income generating potential will mean strengthening all three stages: production, procurement/transportation, marketing and distribution. Yields can be vastly improved by encouraging modern farming practices, ensuring the timely supply of inputs like seeds and irrigation facilities, and through better linkages between farmers and the market to allow them to assess prices and consumers' needs. Animal husbandry also stands to gain considerably from the application of modern technology—more scientific farming techniques, such as breeding and animal health services, improved inputs and access to marketing information through better communication facilities.

The experience of direct government involvement in horticulture and animal husbandry has not been a happy one. The government should now endeavour to become a facilitator for promoting private sector activities in the identified sectors, especially in agro-processing, seeds and nursery plants, feed and fodder supply and marketing infrastructure such as cold storages. It has an invaluable role to play in spreading awareness among farmers of the benefits of private sector entry, in setting up autonomous agricultural boards, liaising between farmers and the state for improved extension services, and working closely with producers' co-operatives to improve farm management practices and the quality of produce. The government must shift its focus from monitoring 'inputs' (money spent) to monitoring 'outputs.' 'Voice' is critical for maintaining productivity and effectiveness of government expenditure. Community participation can strengthen the users' 'voice' and improve the effectiveness of government expenditure in extension services.

Apart from the private sector, **producers' co-operatives** can supplement direct government involvement in a host of areas such as input and credit supplies, as well as marketing networks. While the government has to act as a catalyst (without financial exposure) to energising and promoting co-operatives, the latter will have to bear all the risks and with the aim of becoming commercially viable ventures.

Tourism is an area that has, so far, remained underdeveloped in the state. While this has had undeniable environmental benefits, judicious development of the tourist potential of the state could provide a major source of revenue for many years to come. The limited growth of tourism is a reflection of the lack of awareness of the tourist opportunities in Sikkim, inadequate tourism

infrastructure and poor connectivity of the state. To prevent the untrammled exploitation of the tourist potential of the state, it is important that the government formulate policies to promote environmentally sustainable tourism; added to this will be a greater role for Sikkim Tourism Development Corporation, and development and promoting of special interest tourism such as travel to cultural and religious heritage sites, adventure tourism and business tourism.

Despite its tremendous hydro-potential, the state suffers from **power** shortages. Seasonal shortfalls and operational inefficiencies have reduced the plant load factor to only 30 or 40 per cent. Administrative expenses are high and tariffs are below cost, which have seriously constrained the sector financially. The state should capitalise on its hydro-potential by inviting independent power producers to set up power plants, so that Sikkim becomes a net power exporter: additional power generation is becoming necessary for any expansion of economic activity, for the application of the latest technology and to generate revenue to fund development in identified sectors. Setting up a Regulatory Board/Power Commission and strengthening the transmission line from Melli to Gangtok are important first steps for this process. A high-level expert committee can also be set up for advice on private sector participation and to increase public awareness on the relative eco-friendliness of small hydro-power projects.

The state's lifeline is its **roads** and they are a critical input for the growth of all sectors. The absence of a rail network or commercial air services into the state means that roads are the only means of access. Unfortunately, the topography and climate of the region make the terrain vulnerable to landslides and erosion, and the roads are in continuous state of disrepair; poor maintenance of the roads has exacerbated the problem of poor connectivity. It has become imperative to examine the feasibility of widening National Highway 31A, the state's main link with the rest of the country, to upgrade existing roads and to improve their maintenance. Expenditure management has to be reviewed to ensure cost effectiveness. One major step could be to tender projects at the national and international level.

Given the pattern of resource endowment of the state, the focus of promoting income generating activities should be on processing of raw materials produced within the state, such as **horticulture and animal husbandry** and on service-oriented industries, such as **tourism** in the short to medium term and **information technology** in the medium to long term.

The broad contour of the **fiscal reform** includes raising more through tax revenues, revamping the tax administration, revising user charges, and containing spiralling subsidies, explicit and implicit. Expenditure management/prioritisation is another major area for reform. The thrust should be on rightsizing the public sector by putting a ban on all fresh employment. The state should consider disinvestment for all the state level public sector units.

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VISION FOR SIKKIM: GOALS AND OBJECTIVES

The State of Sikkim, nestled in the Himalayas with exceptional natural beauty and a rich wealth of alpine meadows, rhododendrons, orchids, butterflies and birds, has set the goal of putting itself on an accelerated path of eco-friendly sustainable development. The aim is to build on the state's strengths, benefit from the post-liberalisation spurt in growth in the rest of the country and, with judicious use of modern technology, in less than two decades, leave the centuries of underdevelopment rapidly behind.

Among the thirty-two states and Union Territories in India in 1993-94, Sikkim had the fifth highest incidence of poverty with the proportion of people below the poverty line (2,400 calories and 2,100 calories per day per person in rural and urban areas, respectively) at an unacceptably high of 41.4 per cent. The population of the state is expected to increase from 5.5 lakh in 1999 to 7.4 lakh in 2015. Furthermore, with the number of young people below the age of 15 at almost 38 per cent of the total population, there will be a large increase in the number of people entering the work force in the near future.

Box 1.1 A Historical Entrepôt

Historically, Sikkim has played a major role as a gateway to Tibet and northern China from the warm waters of the Bay of Bengal and the Indo-Gangetic plain. A large part of the population derived their economic sustenance from cross-border trade through Nathu La, an all-weather pass at a height of 14,500 ft. to Tibet across the Himalayas. Nathu La has remained closed for traffic since the Chinese conflict in 1962. Employment generation in Sikkim will benefit substantially once trade resumes through Nathu La with the relative normalisation of relations with China. But, Sikkim aspires to be much more than just an entrepôt to Tibet.

KEY GOAL

Development is about people, and importantly about people at the lower rungs of income distribution. Given the considerable level of income-poverty and the changing age-profile of the population, the key goal of the development strategy is income generation for the young and the bottom half of the population mostly through providing opportunities for self-employment in services and small scale industry. While poverty may be expected to come down with rapid growth, empowering the poor with education and technical skills is not only a good in itself but will also accelerate the process of poverty alleviation.

TWO-PRONGED APPROACH

The key goal is sought to be achieved through a two-pronged approach. The *first* relates to modern advances in science and technology that enable Sikkim today to aspire for much more than just being an entrepôt. Science has compressed distances and shrunk the world into a global village. “Distant and inaccessible” Sikkim should aim at becoming a thriving centre of information technology, bio-medical and scientific research of tomorrow. Sikkim should seek to benefit from science and technology in three areas.

- First, the enormous hydroelectric potential from the run of the two snow-fed perennial rivers Teesta and Rangit can be harnessed to yield an estimated 8,000 MW of power valued at approximately Rs. 1,600 crore per annum. The pollution-free nature of hydel power, the low variable costs of generation, and the growing demand-supply gap for electricity in the country argue in favour of such projects in Sikkim. Given the considerable cost of civil engineering works for hydroelectric power projects, the main challenge lies in strengthening the transmission linkage with the Eastern region grid, improving the investment climate (including through proper tariff policy) and attracting investors—with the involvement of the Power Trading Corporation—to bear the costs and risks of such projects.

- Second, with modern technology, it is possible to overcome the problem of accessibility that has historically thwarted Sikkim’s potential as a tourists’ paradise. Sikkim has tropical and temperate forests, alpine meadows and snow-capped peaks, including the spectacular Kanchenjunga (28,169 feet), the third highest peak in the world and its presiding deity. It is richly endowed with several lakes, two major rivers, the Teesta and Rangit, and an almost incredible treasure of flora and fauna. The religious, aesthetic and cultural traditions—for example, the collection of Tibetan books at the Namgyal Institute of Tibetology, the Rumtek monastery of the Karma Kargyupa sect of Buddhism, and the Phaglhapsol festival with masked dances in honour of Kanchenjunga—are the other major attractions for tourism in Sikkim. Modern technology should be utilised to build roads, airlinks, cable cars, and comfortable tourist accommodations, so that Sikkim can become a recognisable centre on the international tourist map. Given the considerable investments needed for these purposes, the main challenge here again is how to attract investors who will not only fund these projects but also share the associated risks. Furthermore, rules have to be framed and enforced to promote tourism in an environmentally sustainable manner.

- Third, the potential for a wide range of fruits, vegetables and flowers from Sikkim’s tremendous agro-climatic variation—from semi-tropical lowlands to temperate terraces—should be utilised through the strengthening of marketing machinery. Improved linkages with the rest of the country will allow Sikkim to attract tourists, and to tap into the expanding domestic and global markets for orchids, cut flowers and bulbs, “winter” vegetables during summer, and exotic fruits.

The *second* element of the approach is to envisage a substantially different public sector which aims at promoting the first goal through active collaboration with the private sector and the community, in addition to being more responsive to local needs and effective in the provision of services.

The vision, thus, is of a prosperous Sikkim with an effective public sector, thriving trade, abundant

hydroelectric power, tourism, horticulture and floriculture and without poverty, illiteracy and unemployment.

SCOPE OF THE REPORT

This report aims at articulating, in the first instance, the goals that Sikkim should aim at achieving during the medium term. Subsequently, the report spells out, in some detail, the economic strategy, the contours of the supporting fiscal policy framework, and indicates the future roles to be played by the public and the private sectors, and the community in the fulfilment of the goals.

FULFILLING THE VISION

The government cannot make the vision come true by carrying on its “business as usual.” There has to be a strategic withdrawal of the state from widespread untargeted subsidies and direct employment creation, combined with a critical emphasis on setting up a congenial business infrastructure including the legal framework to foster private sector activities.

Private investment—both from within and outside the state—will be attracted to Sikkim only if the state has good infrastructure, both physical and social. Highest priority needs to be accorded to roads, bridges, telecommunication and power on the one hand and to top quality basic education and basic health on the other. An important infrastructural agenda item for the government will be the preservation of Sikkim as a “green” state. Development will be pursued without damaging Sikkim’s natural wealth and beauty—its forests, lakes and the entire natural environment. To do otherwise will be shortsighted and counterproductive. Thus, for all projects—roads, infrastructure for tourism, hydroelectric projects, clearing land for horticulture and floriculture—the government will work out a compensatory programme of trees planted for trees cut, forest area extended for forest area sacrificed, and green cover restored for green cover destroyed.