

Part – I

Approach to Twelfth Five Year Plan

I APPROACH TO TWELFTH FIVE YEAR PLAN

Planning Commission has prepared the Draft Approach Paper to the Twelfth Five year Plan (2012-17) based on the direction of Full Planning Commission (FPC) and inputs received from various stakeholder meetings including regional consultations; web based interactions and in-house discussions. The draft Approach paper has been approved by the FPC and the Cabinet. The theme of the approach Paper to the Twelfth Five year Plan is “faster, sustainable and more inclusive growth. The National Development Council (NDC) would consider the same in its meeting scheduled on October 22, 2011.

2. The draft Approach Paper lays down the major targets of the Twelfth Plan, the key challenges in meeting them, and the broad approach that must be followed to achieve the stated objectives during the Twelfth Plan. The Approach Paper sets a growth rate of 9 per cent for the Plan period. However, in view of the uncertainties in the global economy and the challenges in the domestic economy. The Approach Paper indicates that a growth rate of 9 per cent could be achieved only if some difficult decisions are taken.

3. The Approach emphasizes the need to intensify efforts to have 4 percent average growth in agriculture sector during the Twelfth Plan period; with foodgrains growing at about 2 percent per year and non-food grains (notably, horticulture, livestock, dairying, poultry and fisheries) growing at 5 to 6 percent. The higher growth in agriculture would not only provide broad based income benefits to the rural population but also help restrain inflationary pressure, which could arise if high levels of growth are attempted without corresponding growth in domestic food production capabilities.

4. The Approach Paper proposes that the major flagship programmes which were instrumental for promoting inclusiveness in the Eleventh Plan should continue in the Twelfth Plan. But it maintains that there is a need to focus on issues of implementation and governance to improve their effectiveness.

5. The Approach Paper indicates that the energy needs of rapid growth will pose a major challenge since these requirements have to be met in an environment where

domestic energy prices are constrained and world energy prices are high and likely to rise further. For the GDP to grow at 9 percent, commercial energy supplies will have to grow at a rate between 6.5 and 7 percent per year. Since India's domestic energy supplies are limited, dependence upon imports will increase. Import dependence in the case of petroleum has always been high and is projected to be 80 percent in the Twelfth Plan. Even in the case of coal, import dependence is projected to increase as the growth of thermal generation will require coal supplies which cannot be fully met from domestic mines. The Approach suggests the need to take steps to reduce energy intensity of production processes, increase domestic energy supply as quickly as possible and ensure rational energy pricing that will help achieve both objectives viz. reduced energy intensity of production process and enhance domestic energy supply, even though it may seem difficult to attempt.

6. The draft Approach Paper draws attention to evolving a holistic water management policy aiming at more efficient conservation of water and also in water use efficiency particularly in the field of agriculture. The Approach Paper argues that a new legislation for land acquisition is necessary, which strikes an appropriate balance between the need for fair compensation to those whose land is acquired and whose livelihood is disrupted, and the need to ensure that land acquisition does not become an impossible impediment to meeting our needs for infrastructure development, industrial expansion and urbanisation.

7. The Approach Paper maintains that health, education and skill development will continue to be focus areas in the Twelfth Plan and that there is a need to ensure adequate resources to these sectors. Simultaneously, it also points to the need to ensure maximum efficiency in terms of outcomes for the resources allocated to these sectors. The need to harness private investment in these sectors has also been emphasized by the Approach.

8. The Approach Paper takes cognizance of the fact that achieving 9 percent growth will require large investments in infrastructure sector development. The Approach Paper notes greater momentum to public investment and Public Private Partnerships in

infrastructure sector needs to be imparted so that present infrastructure shortages can be addressed early.

9. The Approach Paper has emphasized the importance of the process of fiscal correction. However, fiscal consolidation would imply that total resources available for the Plan in the short run will be limited. The Approach document notes that resource limitations imply the need to prioritise carefully and that some priority areas, e.g., health, education and infrastructure will have to be funded more than others. The Approach also emphasizes the need for focusing more on efficient use of available resources in view of the resource constraints. The Paper makes several suggestions in this regard, including giving implementing agencies greater amount of freedom, flexibility, promoting convergence between resources from different Plan schemes and the need for much greater attention to capacity building, monitoring and accountability.