

Opening Remarks of the Prime Minister
52nd meeting of the National Development Council
[9 December 2006]

Honourable Chief Ministers and Cabinet Colleagues,

Ministers of the Union and State Governments,

Distinguished Delegates,

Ladies and Gentlemen,

I am very happy to welcome you all to this 52nd meeting of the National Development Council.

We last met in June 2005 to discuss the Mid Term Appraisal of the 10th Plan. The mood of that meeting was one of cautious optimism about growth prospects, tempered with concern about groups that seemed to be excluded from the benefits of growth. Our optimism on growth prospects has been more than vindicated by the performance of the economy since then. The concerns that were expressed in the Mid Term Appraisal, and echoed by many of you in your interventions, about the insufficient spread of the benefits of growth have led to many corrective steps which are beginning to have an impact and will show even better results in the years ahead. While endorsing the Mid Term Appraisal, we directed the Planning Commission to formulate the Approach Paper to the 11th Five Year Plan building on the potentialities of our economy, while also addressing the areas of concern.

The Approach Paper is now before us. Unlike in the past, it has been formulated after extensive discussion with the Chief Ministers in regional meetings. I know that this process of consultation has enriched the document and I hope you will agree that it has created a greater sense of ownership among all of us.

The title of the Approach Paper **“Towards Faster and More Inclusive Growth”** reflects the basic challenge facing us in the Eleventh Plan. We need faster growth because, at our level of incomes, there can be no doubt that we must expand the production base of the economy if we want to provide broad-based improvement in the material conditions of living of our population, and meet the rising aspirations of our youth. But growth alone is not enough if it does not produce a flow of benefits that is sufficiently wide-spread. We need a growth process that is much more inclusive, a growth process that raises incomes of the poor to bring about a much faster reduction in poverty, a growth process which generates expansion in good quality employment, and which also ensures access to essential services such as health and education for all sections of the population.

To emphasise the multi-dimensional nature of our objectives, the Approach Paper specifies not only a growth target but also a number of quantifiable and monitorable socio-economic targets relating to employment generation, school drop out rates, infant mortality, maternal mortality, etc. These national level targets will be disaggregated into state specific targets in the 11th Plan to permit more effective monitoring at

the state government level and to create awareness of the many dimensions in which we expect to see progress. The Planning Commission has already made a first attempt at defining targets for individual states consistent with the national targets and these have been conveyed to the states. I would request Chief Ministers to give their personal attention to finalising these state-specific targets and to incorporate them in the State Five Year Plan.

Ladies & Gentlemen,

The GDP growth target proposed in the Approach Paper involves accelerating growth from 8% likely to be achieved in the base year to 10% in the final year of the Plan, yielding an average of 9% growth in the 11th Plan period. This is ambitious but feasible. Growth has averaged 8 percent over the past three years and is likely to be at this level again this year. This means the last four years of the Tenth Plan will record an average growth rate of 8% or more. This has never happened in the past. If we achieve the target of 9% growth in the 11th Plan, India will be firmly placed in the front ranks of fast growing developing countries. Most observers believe we are at a historic cusp when this transition is possible. There are many positive features of the economy which encourage optimism. The savings rate has increased to 29% of GDP in 2004-05 and the investment rate to 31%. The world has a very favourable assessment of our prospects and this is reflected in the fact that FDI flows are buoyant. India is becoming an increasingly attractive investment destination. Indian companies have responded to reforms by developing a new-

found confidence. They are meeting competition at home, and also venturing confidently abroad and rapidly increasing our global footprint. Our fiscal position has been continuously improving. Inflation has presented a problem, but we are determined to control it to within the 5% level indicated in the Approach Paper. These are all positive developments but we cannot take an outcome of high growth for granted. There are major constraints we have to overcome many of which require difficult policy changes by the central government and state governments. The Approach Paper outlines in broad terms these constraints and what we need to do to achieve faster growth while also ensuring inclusiveness. I look forward to hearing your reactions to various elements of the proposed strategy. At this stage, I will only comment briefly on some key issues which need to be addressed.

Ladies & Gentlemen,

The 11th Plan must give top priority to redressing the weaknesses in the agricultural sector. Growth in the agricultural sector has been less than 2% per annum since the middle of the 1990s. With about half of the rural population still dependent on it for most of their income, we cannot expect inclusive growth if we do not revitalise agriculture. It is important to recognise that the problem is not just distributional, with the better off farmers doing well while the small farmers and the landless face hardships. Though the weaker groups clearly face more difficulties and need special attention, agriculture as a whole is in crisis. We should therefore focus on achieving higher productivity and incomes for all farmers in both crop and non-crop agriculture.

The Approach Paper calls for corrective action in several dimensions of agriculture. Water is a critical input for agriculture and we need to re-examine all aspects of the water economy. We are not spending enough on irrigation and what we are not being utilised efficiently. Projects take far too long to complete and resources are spread thinly. Existing irrigation systems are also not being maintained well. I would urge Chief Ministers to give high priority to ensuring efficient use of resources in this area.

In addition to investment in irrigation, we must take steps to conserve water and promote artificial recharge in rainfed areas. This calls for both resources and knowledge inputs. The central government is in the process of establishing a National Rainfed Area Authority as a professional body charged with the responsibility of ensuring technically efficient design of watershed management.

Other issues on the agriculture agenda identified in the Approach Paper relate to the need for focussed research in specific crops, farming systems and dryland farming practices; improved extension work to close the knowledge deficit affecting farm productivity; better seeds and inputs; enhanced facilities for credit, including revamping the cooperative credit system; initiatives to support agricultural diversification with effective marketing solutions; and completing the unfinished agenda of land reforms etc. I look forward to hearing your views on these issues. The NDC Committee under the Ministry of Agriculture is expected to make specific recommendations by early next year. These will be incorporated in the Eleventh Plan.

Ladies & Gentlemen,

Employment generation is another area of concern. The growth of total employment in recent years has accelerated compared to the second half of the 1990s but this growth has been almost entirely in the non-agricultural unorganised sector. We do need to provide non-agricultural work opportunities for those moving out of agriculture, but we also need to create quality jobs in the organised sector. The Approach Paper proposes several policy initiatives that will achieve a faster growth in the manufacturing sector and, within manufacturing, encourage investment in labour intensive manufacturing and also encourage units to graduate from small to medium and from the unorganised to organised sector.

These efforts at generating demand for labour must be accompanied by a strategy to upgrade skills of the new entrants to the labour force. The age structure of our population is such that the proportion of our active labour force will continue to rise at a time when most industrialised countries, and even China, face an increasing dependency ratio. This is a boon if we can create an environment which ensures skill upgradation and encourages investment in labour intensive manufacturing. It will become a bane if we fail on these counts.

I must also mention the National Rural Employment Guarantee Programme (NREGP) which we have implemented initially in 200 districts but which we plan to expand to cover all districts. The NREGP aims to provide a social safety net by guaranteeing employment in rural areas. The programme can

also be used to build rural infrastructure especially if resources from other schemes are also pooled in.

Ladies & Gentlemen,

This brings me to the issue of education and skill development. Education is the greatest equalizer and therefore the key to ensuring inclusiveness. We have made a good start with primary education through the Sarva Shiksha Abhiyan, but much more needs to be done to improve quality. The Mid Day Meal Scheme (MDMS) can be an effective instrument for increasing attendance and also for improving the nutritional status of children. We must pay special attention to the scheme. I look forward to hearing your views on these issues, especially on how to improve the quality of education based on your experiences thus far.

In the 11th Plan, we must go beyond primary education to secondary and higher education. Considerable additional resources will be needed to achieve our objectives and the Centre and states must share this burden. State governments have a major role to play in this area and I look forward to your reaction to the suggestions in the Approach Paper.

In addition to general education, we need to do much more on skill development. For example, we are currently planning on upgrading 500 ITIs but probably need to double the 6000 ITIs we have over the next 5 years and also upgrade them all. The central government will launch a Mission on Skill Development based on a thorough overhaul of existing training infrastructure. As a first step, the Planning Commission has

appointed a Task Force on Skill Development which includes representatives of both the private and the public sector.

The Approach Paper endorses the need for a very substantial increase in resource commitment in Health, where we are seriously lagging behind other developing countries in Asia. We should also ensure that functioning of the public sector health system improves. We have launched the NRHM only recently and will need to monitor its progress. Public Private Partnership in higher level health care also needs serious consideration, especially in view of our resource constraints. It is important that we take steps to ensure the success of the Integrated Child Development Scheme (ICDS), which aims to give children below the age of 6 the right start in life. The programme must also be universalised during the 11th Plan. I would welcome the view of states on these issues.

Ladies & Gentlemen,

Infrastructure development is another area which must receive priority attention in the 11th Plan and this must cover both rural and general infrastructure.

The Bharat Nirman Programme focuses on rural infrastructure, such as irrigation, rural roads, drinking water, rural electrification, housing and rural telecom connectivity. We have established monitorable targets for each state which are further disaggregated into targets for districts. The component that is the most challenging is rural electrification and we need to make special effort in this area. We are determined to ensure

that Bharat Nirman succeeds and forms the launching pad for further growth.

Turning to general infrastructure, the Approach Paper correctly identifies weaknesses in this area as a major constraint on our achieving double digit growth. Our roads, railways, ports and airports and the power sector all need massive expansion and quality improvement.

The investment requirements of such expansion are massive and cannot be met from the public sector alone. The Approach Paper therefore proposes a strategy where public investment will be used to develop infrastructure in areas where the private sector is reluctant to enter, while private participation will be encouraged wherever feasible. The Centre has made a good start on encouraging PPPs in infrastructure. Many states have also taken bold steps in this area. We must make every effort to ensure that PPP succeeds as a means of delivering reliable infrastructure. Here, I must express my concern on the performance of the power sector. As a country, we are not investing as much as we should in the power sector. It is important to recognise that PPPs cannot be a solution if the power sector is financially unviable. Improving the efficiency of distribution and reducing T&D losses is critical, otherwise we will not be able to finance capacity expansion, nor attract investment. This is an area entirely in the hands of state governments. I look forward to having your views in this subject.

Ladies & Gentlemen,

Let me now say a few words on the all important subject of resources. Much of the investment needed for rapid growth will come from the private sector and this calls for maintenance of a sound macro economic framework, an investor friendly environment and a strong and innovative financial sector capable of responding to the needs of new entrepreneurs especially in the small and medium enterprises sector. Revival of cooperative credit is critical and much will depend on whether state governments finally implement the recommendations of the Vaidyanathan Committee. However, the objectives and ambitions of the Plan also call for a larger Plan, especially in states not just in absolute terms but also as a proportion of GDP. The Approach Paper calls for gross budgetary support of the Centre and states combined to be 2.5 percentage points of GDP higher than in the Tenth Plan. This is perhaps the smallest increase that will accommodate the ambitious agenda we have for public investment in agriculture, infrastructure and the social sector. Even so, we must ensure that this level of budgetary support does not come at the cost of fiscal prudence and stability.

We have all experienced the painful reality of coping with fiscal imprudence in the past, and we should resolve never to find ourselves in that situation again. Higher levels of public spending are needed in many areas but they should be achieved through improvements in revenue mobilization and greater efficiency in expenditure. Specifically, our ability to increase gross budgetary support by 2.5 percentage points of GDP in the 11th Plan will depend upon containment of open

and hidden subsidies, revenue buoyancy, pruning ongoing programmes that are not very useful and successful implementation of PPPs on a large scale in infrastructure. We need to think creatively in these areas and not be afraid to break from past practices.

A critical issue we have to face relates to the sharing of responsibility between the Centre and states. Over a period of time, much of the Centre's resources have been going to areas which are the primary responsibility of states. Such programmes must involve a significant state contribution to total costs. This would enhance a sense of ownership and efficiency in implementation. Fortunately, the resources position of states makes it possible to make credible efforts in this direction. On its part, the Centre should give flexibility to states in design and implementation of Centrally Sponsored Schemes.

Ladies & Gentlemen,

I believe our collective priorities are clear. Agriculture, irrigation and water resources, health, education, critical investment in rural infrastructure, and the essential public investment needs of general infrastructure, along with programmes for the upliftment of SC/STs, other backward classes, minorities and women and children. The special component plans for SCs and Scheduled Tribes will need to be revitalized. We will have to devise innovative plans to ensure that minorities, particularly the Muslim minority, are empowered to share equitably in the fruits of development. These must

have the first claim on resources. The Centre has a myriad other responsibilities whose demands will have to be fitted within its over-all resource availability. The Planning Commission will of course undertake a thorough review of ongoing programmes to eliminate those which have outlived their original rationale, but we cannot escape from the fact that the Centre's resources will be stretched in the immediate future and an increasing share of the responsibility will have to be shouldered by the states.

The 11th Plan is beginning at a point when the economic potential of our nation has made it possible for us to realise the dreams of our founding fathers – to have an India which is prosperous and equitable; an India which is caring and inclusive; an India which provides opportunities for every citizen to excel in their areas of work and live up to their fullest potential. The 11th Plan must fulfill that dream. It must rise to meet the high expectations and aspirations of our people.

The Planning Commission has done commendable work in putting the Approach document together after extensive consultation with states and other stakeholders. I commend the Planning Commission for their articulation of the national strategies and programmes designed to secure for India its rightful place in the comity of nations. The nation needs both a vision and dreams. Planning is an instrument for converting these dreams into reality. I now request the Deputy Chairman to give us a brief presentation on the Approach Paper as a prelude to our discussions.