52nd meeting of

National Development Council

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NEW DELHI

Speech of

Mr. Nitish Kumar

Chief Minister of Bihar

Government of Bihar

Hon'ble Prime Minister, his Cabinet Colleagues, Deputy Chairman, Planning Commission, fellow Chief Ministers, Ladies and Gentelmen,

I am grateful to the Hon'ble Prime Minister for convening this 52nd Meeting of the Development Council to approve the Approach Paper for the XI Five Year Plan and the Annual Plan for 2007-08. This meeting has been well prepared and the preparatory consultations and regional meetings were useful.

Today's consultations of the National Development Council (NDC) marks a watershed. It is for the first time that we have before us an Approach Paper in the background of an unprecedented economic buoyancy and it is therefore wholly appropriate that we now seek to achieve faster growth in a more inclusive context. So is the heed to support initiatives to reduce gender divides, care for children and main stream the disadvantaged, particularly Scheduled Casts / Tribes and Backward Classes. We fully support the *9%* growth strategy contained in the plan based on a sharp increase in domestic investment from 27.8% to 35% of GDP; half of this will come from private investments and the financing of the other half, namely public investment, is dependent on continued tax buoyancy and curtailing non-plan expenditure including better targeting of subsidies. We also favour better subsidy targeting having recently introduced a coupon system for access to PDS and Kerosene. The assumption about the Incremental Capital Output Ratio has not been shared with us nor is it clear whether produtivity gains have been fully factored. Foreign investment is expected to rise but there is no clear strategy on how current impediments will be mitigated apart from improved infrastructure and some fine-tuning of sector caps. Improving investment climate through faster clearances, energy security, enforcement of contract, creating credible regulatory institutions, flexible labour laws and keeping costs competitive remain problematic. However, we endorse the broad thrust of the targets and its reform strategy, although in many areas we wish they were more explicit. The philosophy of achieving growth which benefits all stakeholders and spreads wealth to the rural economy, which supports 60% of our people, deserves the highest priority. However, while endorsing the broad targets and the strategy, I have some more specific comments to make.

First, the XIth plan assumes a rise in the Gross Budgetary Support (GBS) by an additional

2.5% of GDP over the Xth Plan. Looking at the daunting requirements of financing in several sectors, I do not accept this as adequate. This of course raises the issue of adhering to the FRBM targets. I recognise the dangers of pursuing unbridled fiscal profligacy. However, prudent fiscal management must be mindful of the quality of expenditure in capital creating assets, strengthening infrastructure and in social sector, particularly health and education. Planning Commission's recommendation for "sufficient flexibility in fiscal management arising from FRBM Act in the Centre and the State" deserves serious consideration. States have also been boxed in by FRBM targets and atleast for those States which have endemic growth backwardness, the rigour of fiscal rectitude must be pursued in a broader development context. Incidentally, we also favour a reclassification of accounts -elimination of revenue targets if education and health expenses are reckoned as part of revenue deficit needs a second look. The Prime Minister may consider constituting a Task Force on Re-classification of Expenditure and Accounts as a part of this process.

Second, I believe that the monitoring of socio-economic targets contained in 'Box-10' of the Approach Paper is more than a presentational improvement. It enables better targeting and evaluation. What is missing along with the targets is a corresponding policy matrix to achieve these targets. The policy prescriptions are embedded in various chapters, some of which "suffer from prevarication and lack of clarity. In the final document we would like to see better correspondence between monitorable targets and prescriptive policies to achieve them.

Third, we fully agree on the need to improve the conpetitiveness of the manufacturing structure. While improved infrastucture is central, so is the need for flexibility in the application of labour regulations. States, particularly those who have mounting problems of unemployment and wish to take advantage of their factor endowments should be permitted to interpret or apply regulations more flexibly to improve competitiveness.

Fourth, on Agriculture, the requirement of Rs 80,000 Crores for 80 million hectares may be realistic but this requires much larger budgetary allocation. This is neither mentioned nor factored. Enhancing investment, both public and private, in the agricultural sector remains crucial. Hopefully, the recent repeal by Bihar of the Agricultural Produce Marketing Act will have multiplier benefits. Similarly, the suggestion on the improved risk management strategy needs to be given a more tangible and institutional context. Revamping agricultural research and expanding the national structure on agricultural research to cover more areas, for ushering the Second Green Revolution must receive priority. Similarly, it is disappointing that the ambitious programme of river linking finds no mention. We in Bihar certainly intend to go ahead with considering the feasibility of implementing a river interlinking strategy to optimise water availability. North Bihar is water surplus while South Bihar has endemic deficit.

Fifth, on Industry, we have no quarrels with incentive programme for some States like Himachal and Uttaranchal. However, if these are to be retained, it should be extended to other serious industry deficient areas. Revitalisation credit availability through a more innovative institution than State Finance Corporations, particularly for SME, is important as is the need for a framework that exempts them from the rigors of various laws more suitable for large enterprises.

Sixth, those. States in the country which are energy deficient or do not have minerals and raw materials, either historically or through acts of partition, need Special Treatment. These natural resources and minerals, including coal, deficient States should be assigned mining blocks, not mere coal linkages, to meet their energy deficiency. Similarly, land-locked States must be incentivised to develop Joint Ports with States which have a long coastline as a tri-lateral cooperation between the Centre and the two participating States. State boundaries are acts of administrative convenience and cannot override the need for balanced regional and more equitable development.

On the Power sector, while the thrust on distribution efficiency is critical, the APDRP scheme has been boxed with various inflexibilities and needs to be restructured to encourage rural electricity network and incentivise franchising arrangements.

Seventh, on social sector, particularly education, the plan rightly recognises this as central in any strategy to reap demographic dividends. However, mere reliance on a 2% cess with no time limit to raise public spending to 6% of GDP, which is a critical component of NCMP is unacceptable. We hope this would be rectified quickly and funds earmarked for the full implementation of SSA as well as expanding facilities for Secondary Education and to create Secondary Vocational Centres to meet the daunting challenges posed by countries like China. In Higher Education, the plan has correctly recognised the regional divide where 60% of these and R&D institutions are located in just six to eight States. This requires a basic correction and we hope that a correction strategy would be articulated before the XIth plan is launched.

Eighth, the initiative through Jawahar Lai Nehru National Urban Renewal Mission (JNNURM) deserves encouragement. Bihar, having complied with all the conditionalities contained in the Mission Statement, hopes to garner benefits quickly enough for a more planned urbanisation. However, the implementation of the JNNURM needs to be improved. Too many procedural wrangles and delays in approval procedure dilutes its benefits. The broader agenda of dealing with the inevitable complexities of rapid urbanisation based on the best international experience needs constant renewal.

Finally, the issue of regional divides and backward areas. We appreciate the National Employment Guarantee Scheme, SSA, Backward Area Fund as well as the Sam Vikas Yojana. However, for a State like Bihar which is at the bottom of the development pyramid for reasons I need not explain, the present measures are grossly inadequate. A Special and Differential dispensation including a revised formula for devolution beyond the recommendations of the XIIth Finance Commission for demographically large and developmentally weak States requires serious consideration. While governance is crucial, in States where people have voted for a developmental centric approach the people must see tangible outcomes which validate their electoral preference in a tangible time frame. This requires an innovative approach and dispensation.

In conclusion, subject to the observations made above, we support the XIth Plan. Centre-State relations are in a new evolutionary phase. The benefits of liberalisation resulting in higher growth have not benefited all States equally. While competitive federalism is understandable, the mismatch in electoral cycles invariably leads to competitive populism. Improved mechanism for dialogue on Centre-State relationship is necessary. A meeting of the NDC to approve the Plan or Mid-Term Appraisal is no substitute for a more meaningful mechanism of the wider gamut of Centre-State relations. The Inter-State Council has failed to serve its purpose and has fallen into disuse. We need to learn from best international experience. There is need for a fresh approach on mechanisms for a dialogue on Centre-State relations. This is an inescapable reality.

Jai Hind !