



52<sup>ND</sup> MEETING OF THE  
NATIONAL DEVELOPMENT COUNCIL

SPEECH OF

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CHIEF MINISTER

HIMACHAL PRADESH

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NEW-DELHI

**Speech of Shri Virbhadra Singh, Chief Minister, Himachal Pradesh at the Meeting of the National Development Council "Held on 9<sup>th</sup> December, 2006.**

Respected Prime Minister, Deputy Chairman, Planning Commission and esteemed colleagues:-

2. It is my privilege to participate in this meeting of the National Development Council which has been convened to discuss and approve the Approach Paper for the 11<sup>th</sup> Five Year Plan.

3. At the outset, it is heartening to note that the country's average growth rate in the last four years of the 10<sup>th</sup> Plan is likely to be more than 8%. The overall growth rate of 7.2% in the 10<sup>th</sup> Plan is the highest growth rate achieved during any plan period.

4. This growth momentum provided by the 10<sup>th</sup> Plan needs to be sustained and accelerated in the 11<sup>th</sup> Plan. We wholeheartedly endorse the vision of our Prime Minister to target a GDP growth rate of 9% over the 11<sup>th</sup> Plan.

5. Himachal Pradesh has always tried to maintain a growth rate which is higher than the national average. This strategy has borne fruit through tremendous improvements in development indices related to education, health, drinking water, electrification, rural roads, agriculture, horticulture, among other sectors.

6. Based upon efficient utilization of plan investment, Himachal Pradesh has been able to lay a strong foundation for accelerating its economic growth. Acknowledging our sound performance, the Planning Commission

envisages a 9.5% average annual growth rate for Himachal Pradesh during the 11<sup>th</sup> plan. We shall strive not only to achieve this growth target but also endeavour to emulate the double digit growth target assigned for the 11<sup>th</sup> Plan by the Planning Commission to States such as Karnataka, Haryana, Gujarat, Delhi etc.

7. The major constraints faced by Himachal Pradesh in accelerating its economic growth are its topographical and geographical disadvantages, as well as lack of a sound financial base. To overcome these impediments in its growth process, the State requires greater infusion of funds for infrastructure development.

8. In the background of these macro targets, I would like to briefly highlight some major economic issues pertaining to Himachal Pradesh, which require the considered attention of this august Council.

9. **Development of Hydro Power:**

9.1 Shortages in the power sector have become a critical bottleneck in our national quest for faster economic growth. Respected Prime Minister, just as you have laid a visionary foundation for accelerating India's access to nuclear power, I request you to lay out a time bound roadmap for tapping our nation's potential of more than 80,000 MW of hydropower.

9.2 Hydro projects in the mountains are 'run of the river' projects which do not have significant displacement and rehabilitation problems, as can be seen in the context of the successfully commissioned projects in Himachal Pradesh such as the 1500 MW Nathpa Jhakari project.

9.3 Tapping of hydropower will give great benefits of "clean and green energy" to ameliorate a severe infrastructure bottleneck in the growth process of the entire country. Through appropriate funding, this investment strategy shall also strengthen the financial resource base of the special category States and reduce their heavy financial dependence on central government devolutions.

9.4 The 11<sup>th</sup> Plan vision should thus include generous financial support to the special category States, for investment in new hydro projects so as to accelerate their economic growth rate and also lay the basis for enhancing the future financial sustainability of these States.

9.5 Himachal Pradesh has a total hydro potential of more than 20,000 MW. Almost six decades after Independence, we have been able to actualize only 30% of this total potential. Our national planning process must aim at actualizing the balance 70% potential at the earliest possible, and at least by the end of the 12<sup>th</sup> Plan, in view of the relative ease of development of this potential in Himachal Pradesh.

#### 10. **Himachal Pradesh's Share in the BBMB Projects:**

10.1 Under the Punjab Reorganization Act, 1966, Himachal has a legally valid claim to 7.19% power share in the BBMB hydro projects. After waiting patiently for more than 30 years for its rightful financial due, Himachal Pradesh was forced to raise this matter before the Hon'ble Supreme Court. I am raising this matter to express the deep disappointment of the people of Himachal Pradesh in having been denied these financial resources running into thousands of crores of rupees.

## 11. **Air Connectivity and Tourism:**

11.1 Himachal Pradesh is the only State in the country whose capital does not have reliable air connectivity. The 11<sup>th</sup> Plan approach paper of the Planning Commission highlights that three green field airports shall be constructed in Sikkim, Arunachal Pradesh and Nagaland, thus completing air connectivity to all the State capitals of the North-Eastern States. In this context, I would request that the 11<sup>th</sup> Plan may provide for adequate funding to ensure that the airport at Shimla is suitably upgraded for connectivity for bigger planes of such as ATRs, as also finance construction of a new airport at Balh in Mandi District.

11.2 To give a boost to international tourism in the States of Himachal, Punjab and Haryana it is vital that suitable measures are taken to operationalize the Chandigarh airport as an international airport. A mechanism for funding also needs to be evolved for linking helicopter flights from Chandigarh airfield to helipads at Shimla and other important international tourist destinations of Himachal Pradesh.

## 12. **Four Lane Highway up to State Capital:**

12.1 The National Highways Development Programme for State capitals under NHDP-III is to be implemented on a BOT basis. Due to the low volume of traffic not allowing adequate cost recovery by the developer, the State capital of Himachal Pradesh may become an isolated case where the existing viability gap funding mechanisms may not be adequate for allowing up-gradation to four lane standard till Shimla. Four lane standard of the National Highway-22 up to our State's capital is essentially required. I would, therefore, like to emphasize that this up-gradation to four lane standard needs to be fully funded under NHDP-III, through an appropriate mix of BOT and Central budgetary

support.

### 13. **Industrial Growth Policies:**

13.1 The 11<sup>th</sup> Plan approach paper raises an issue that "extension of excise duty exemption to Himachal and Uttaranchal has had an adverse impact on industrial investments in both the North-Eastern region and the adjacent states. Consideration would need to be given to restrict this incentive to only hilly areas or to replacing this incentive by a special programme for roadways and railways development in these states," I find this policy statement alarming. After a long time, some positive steps were taken to boost industrialization in the geographically and financially disadvantaged States of Himachal and Uttaranchal. Even with these incentives, actual industrial growth in Himachal has been excruciatingly slow. We need to accelerate the measures by which we can enhance the industrial development of Himachal Pradesh, rather than retarding the small growth momentum which has recently taken place. This would have a significant impact on increasing the employment potential in the State.

13.2 Facts and figures show increase in industrial activity in the neighbouring States of Himachal Pradesh. Thus, the tax benefits given to Himachal Pradesh have not led to any shifting of existing industries from these States. These tax incentives have helped channel new investment to Himachal and Uttaranchal. Originally, these" tax incentives were for units coming into commercial production by January, 2013. Currently, these benefits stand curtailed till March 2010. Keeping in view the fact that the Industrial base of Himachal is still developing, these tax incentives need to be extended at least till the period of the original notification.

13.3 I would also like to add that under the Punjab Reorganization Act,

1966, the hilly areas of the erstwhile Punjab were merged with Himachal Pradesh. As such, to even suggest that some areas in the hill state of H.P. are plains area will be extremely illogical and contrary to the letter and spirit of the Punjab Reorganization Act.

14. **Railway infrastructure:**

14.1 I wish to highlight that post Independence, Himachal Pradesh has been woefully discriminated against in terms of new railway infrastructure. Since Independence, a total of only 28 kilometers of broad gauge railway line has been laid in Himachal Pradesh, as a part of the Nangal-Talwara railway link for Punjab. Laudably, respected Prime Minister has recognized this investment gap. At his initiative, two projects of less than 100 Km of railway line have been surveyed by the Railway Ministry. Total cost of both projects, that is, Bhanupalli-Bilaspur-Beri and Chandigarh-Baddi broad-gauge line has been assessed by the Railway Ministry at around Rs. 1000 crore.

14.2 Our request is that these two projects should be immediately started and targeted for completion within the 11<sup>th</sup> Plan period. Such targeting envisions average annual investment of around Rs. 200 crore which can be easily absorbed by the Railway Ministry. If for some reason the Railway Ministry cannot absorb this small investment, I would request the Union Govt. /Planning Commission to work out a special financial package for such investment.

14.3 These railway lines would help meet the infrastructure requirements to boost industrial activity in the State and would be in consonance with the objective of the 11<sup>th</sup> Plan for balanced regional development of Industry. With the investment multiplier gains, this investment will also meet the employment objectives of the 11<sup>th</sup> Plan.

## 15. **Employment:**

15.1 With almost 100% literacy among the youth of Himachal, generating employment opportunities for the educated youth is our greatest challenge. This challenge needs to be met by greater economic activity in all sectors of the economy.

15.2 We are effectively leveraging the benefits of the National Rural Employment Guarantee Programme (NREGP), currently in operation in only two districts of our State. The NREGP needs to be extended to the remaining ten districts of Himachal Pradesh.

15.3 While the NREGP shall act as a social safety net, more high value jobs need to be opened by us in the emerging sectors of IT enabled services, health services, tourism related services, textiles, pharmaceutical industry, among others. Significant investment would also be required for the requisite training and educational institutions for such skill sets.

15.4 On the employment front, we also need to give a greater thrust for raising farm productivity and other primary sector activities. This would require greater central funding support for investment in irrigation. Given such investment support, Himachal Pradesh has great potential for production of high value crops.

15.5 Regarding industrial sector employment, we agree with the approach papers proposal that sufficient policy incentives need to be forged which shall favour labour intensity as against incentives for capital intensive industries.



16. **National Educational Institutes in Himachal:**

16.1 I am constrained to point out that our State has not been benefited by even a single national institute of research and education such as AIIMS, PGI, IIT, IIM, Indian Institute of Sciences, etc.

16.2 To meet the education and employment aspirations of the youth, Himachal Pradesh has recently passed an Act to encourage the setting up of private universities.

16.3 While all efforts will be made by Himachal to attract world class private universities, this can happen only around a nucleus of some national institutes of repute. With an almost 100% literacy rate among the youth, it is imperative that in the 11<sup>th</sup> Plan, the Union Government sets up at least one national educational institute in Himachal Pradesh. The salubrious climate of Himachal offers a perfect environment for setting up of such national educational/training institutes in the sectors of IT, management, biotechnology, science, medicine and engineering.

17. **Bharat Nirman and Financing Norms of Such Schemes:**

17.1 The approach Paper to the 11<sup>th</sup> Plan has rightly given great importance to the rural development programmes under "Bharat Nirman". We agree with this approach which lays greater emphasis on rural infrastructure such as irrigation, road connectivity, housing, water supply, electrification and telephony. The "Sarva Shiksha Abhiyan" and National Rural Health Mission are also laudable programmes for providing elementary education and primary health services.

17.2 Under these national priorities, we must not lose sight of the fact that for the various components of these programs, different States of the country are at different stages of development. Therefore, sufficient flexibility should be given to the States to use plan funds to reflect their own inter-sectoral priorities.

17.3 The high investment costs in hill States also need to be adequately recognized in the financing norms of these centrally sponsored schemes. The same norms of expenditure as are applicable for the plain areas should not be automatically made applicable for mountainous terrains and geographically inaccessible regions.

17.4 Under "Sarva Shiksha Abhiyan" we must also recognize that States such as Himachal Pradesh which have moved faster towards universal elementary education, now need to be supported with greater financial outlays for universal quality secondary education as well as higher education.

## 18. **Empowerment of Panchayats and Decentralized Planning:**

18.1 It is important that we upgrade the capacity of our Panchayati Raj institutions to take over sectors such as elementary education, primary health care, operation and maintenance of rural water supply schemes. This shall require sincere and innovative mechanisms to empower the functionaries of the concerned PRIs and the strengthening and sustaining of their administrative capacity.

18.2 Different States will need to evolve their own roadmaps towards such decentralization and it would be useful for the Ministry of Panchayati Raj to help each State Government tailor its own reforms packages through a process of

consultative dialogue. Wherever such empowerment of PRIs involves financial transfers, the Union Government should augment the financial resources of the States to undertake such reforms.

19. **Environment Issues:**

19.1 For more than two decades, Himachal Pradesh has imposed a ban on all commercial green felling of trees. This has been done in the national interest, at great financial cost to the state government.

19.2 The preservation of forests in the Himalayas should be a national priority of the 11<sup>th</sup> Plan and desired environmental outcomes must be matched with the allocation of sufficient financial resources to the hill States.

19.3 Himachal Pradesh has a large reservoir of disciplined ex-servicemen who retire at an early age from the armed forces. The discipline of these servicemen should be harnessed by forming them into ecological task forces. This would give twin benefits of employment avenues for the ex-servicemen as well as preservation of the fragile ecology of the Himalayas.

19.4 On the issue of environment, I would also like to raise our objection to the September 2006 notification of the Ministry of Environment regarding new mechanisms for environmental clearances. The fine print of this notification will provide no role for the Himachal government in assessing the environmental impact of any project, in about 80% of Himachal's total geographical area.

20. **11<sup>th</sup> Plan Financial Issues and Conclusion:**

20.1 In conclusion, I would like to summarize that the unity and integrity of the nation would be well protected only through balanced development of all

regions and States.

20.2 The Central Government has a great responsibility of meeting the aspirations of the special category States which are geographically and financially at a disadvantageous position, as compared to other States with better natural endowments and financial resources.

20.3 The entire planning process is the affirmation of balancing out the natural advantages of the better endowed States vis a vis the States with greater regional and financial disadvantages.

20.4 The developmental challenge of improving the quality of life of the people of Himachal Pradesh has imposed a very high debt burden on the State government. As a ratio to the State Domestic Product, Himachal Pradesh has become the most highly debt stressed State in the country. Our annual interest burden of Rs. 1700 crore, is more than the total tax revenues of the state.

20.5 These debt burdens are now crowding out our fiscal space for further desirable investment in infrastructure as well as in the social sectors.

20.6 In this context, the 11<sup>th</sup> Plan of Himachal Pradesh will need to address the issue of a special financial package to bring down the past debt burdens. This would require a suitable debt relief package for the State.

20.7 For the special category States, it is also very important that the pattern of financing of externally aided projects reverts back to the earlier pattern of 90% grant and 10% loan, with the foreign exchange risk being borne by the Government of India.

20.8 With these observations for inclusion in the approach to the 11<sup>th</sup> Plan in the context of Himachal Pradesh, I would like to express my general endorsement of the approach paper to the 11<sup>th</sup> Plan and thank you for giving me the opportunity of expressing my views before this august Council.

**Jai Hind.**