

# **ISSUES RAISED**

**AT THE  
NATIONAL DEVELOPMENT COUNCIL**

**MEETING ON 09.12.2006 BY**

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CHIEF MINISTER OF KARNATAKA**

**NEW DELHI**

I am grateful to the Prime Minister and his colleagues for having organised this meeting for a discussion on the Approach to the 11<sup>th</sup> Five Year Plan. The next five years are, I believe, critical for our economy. With some careful planning, we should be able to ensure not only sustained strong economic growth but also that its benefits reach all sections of the society.

The 11th Plan will have to bring in radical and innovative strategies to promote growth in the economy. I am indeed very happy that the Paper stresses inclusive development as one of the most important features of the Plan. Considering the fact that the resources of the Union Government have been exceptionally buoyant in the recent years and are expected to continue to be so, this perhaps is the best opportunity we have of combining growth with distributive justice.

### **Agriculture**

The Paper rightly emphasises the need to address the problem of deceleration of agriculture and the crucial role that agriculture would have to play if rate of growth of GDP of 9% is to be achieved in the 11th Plan. Generating employment in rural areas and increasing incomes of farmers is a critical requirement today. Most farmers in my State remain at the mercy of the rain gods for cultivation and informal institutions for credit and other inputs. Agricultural research, appropriate for their lands, has still not reached this highly vulnerable section of the farming community.

The Government of India's decision to introduce the scheme of making available short-term agricultural credit to farmers at 7% interest is a very timely and welcome decision. The State Government has already taken necessary action to implement the said scheme through cooperative credit institutions. However, there are certain aspects of the scheme, which need to be sorted out immediately by the Union government in the interest of the farmers and the cooperative credit institutions. I would also urge upon the Central Government to reduce the interest burden of all institutional loans to farmers to 4% as has been done by the State Government in respect of the co-operative sector.

## **Rural Development**

Karnataka has embarked the Suvarna Gramodaya Programme integrating the implementation of various development programmes and providing infrastructure facilities comprehensively to transform 1000 villages every year into model villages or Suvarna Gramas (golden villages). This new initiative is unprecedented and involves the investment of additional resources to the tune of more than Rs.1000 crores above the normal allocations. This is an innovative programme which the Central Government can replicate in all States. It should help significantly in achieving the twin objectives of eradicating poverty and slowing down the migration of people from rural to urban areas.

**I am convinced that we will have to take a major initiative in increasing access to micro finance, particularly in the rural areas. Thousands of enterprising young boys, girls and women are engaged in small trades like vegetable and fruit vending, cycle repairs and so on, but do not have access to credit from financial institutions. The formal banking sector has had limited impact on lending to the poor. Micro finance provides an important way to improve the outreach of credit among the rural poor. However, we need to devise means to keep the cost of lending low. In Karnataka, we have extended full support to self-help groups like, Stree Shakti to improve credit to self employed individuals, I would urge the Planning Commission to introduce policies which will accelerate and increase the coverage of micro finance in the 11<sup>th</sup> Plan period.**

## **Water Resources**

The need for continued emphasis on irrigation in the 11<sup>th</sup> Plan is obvious given the increase in agricultural productivity that the Approach Paper envisages.

The process of grant of environmental clearance for irrigation projects needs to be simplified. I would suggest that the cost limit for major projects needing environmental clearance be raised from Rs.100 crores to Rs.450 crores since the ceiling of Rs.100 crores was fixed in 1994 and construction costs have increased considerably thereafter.

The Government of India has approved restoration of 299 tanks at a cost of Rs.74 crores under the National Project for Repair, Renovation and Restoration of Water Bodies in two districts of the State. This project is of great utility for a State like Karnataka which has extensive arid lands and is dependant on minor irrigation in most parts of the State. We would urge the Planning Commission to extend this project to other districts of the State in the 11th Five Year Plan. Coastal Karnataka is highly susceptible to sea erosion. The State Government has been repeatedly requesting the Union Ministry of Water Resources and the Planning Commission to bring the Karnataka coast under the National Coastal Protection Project and fund the construction of sea walls along the coastline for a length of about 50 kms at an estimated cost of Rs.400 crores.

## **Energy**

The Planning Commission has rightly emphasised that the availability of fuels such as coal and natural gas must be assured for new power plants. The Karnataka Power Corporation Limited (KPCL), which is currently adding 1250 MW of thermal power and planning to take up six new coal based thermal power plants with an aggregate capacity of 4000 MW, is severely constrained by the uncertainty over the availability of domestic coal of good quality. I would urge the Union Government to give priority to public sector power companies in the allotment of coal blocks for developing captive mines.

KPCL has also not been able to start work on the proposed 1400 MW gas-based power plant at Bidadi because none of the oil and gas sector majors in India is willing to quote a firm price and delivery schedule for the supply of LNG or natural gas in view of uncertainty in international markets. Substantial finds of natural gas have been made in the Krishna-Godavari basin. Government of India should play a pro-active role in making this natural gas available to the power sector. Special attention should be given to the needs of Karnataka, which does not have any reserves of coal or lignite. Ministry of Petroleum and Natural Gas should facilitate the laying of a pipeline from Krishna-Godavari basin to Bangalore and other major cities in Karnataka.

## **Roads**

Karnataka compares rather unfavourably with the other States in the southern region in terms of connectivity through national highways. The State clearly requires additional assistance from the Centre both for new roads and maintenance of national highways in order to meet the developmental goals of the 11th Plan. The Karnataka State Highways Improvement Project (KSHIP), which was taken up with World Bank loan assistance for the improvement of about 2,300 kms of state highways at a cost of Rs.2,300 crores in the year 1999-2000 has been very successful and the World Bank has commended the performance of KSHIP. Phase-I of the project will be completed in all respects by October-2007. The State Government proposes to take up improvement of another 3,400 kms of state highways under the second phase of KSHIP at an estimated cost of about Rs. 4,300 crores. The preparation of the Phase-I I project is underway. This is a very important project for us and needs to be supported by the Government of India.

## **Infrastructure**

**We welcome the focus on infrastructure proposed by the Approach Paper for the 11<sup>th</sup> Plan. Karnataka has also initiated several steps to bring in Public Private Partnership in infrastructure projects. To set up such projects, concerted efforts will have to be made towards capacity building in the State. I have been given to understand that Planning Commission is earmarking funds specifically to bridge the viability gap for infrastructure projects taken up under the PPP mode. I am sure that Karnataka will require substantial assistance for the purpose during the 11th Plan. These funds could be placed at the disposal of the State Government with the Centre giving broad guidelines for the regulation of their operation.**

I have also time and again been emphasising the need to provide good quality infrastructure to the backward regions of the State, where PPPs are not possible. For this, the assistance of the Central Government is critical.

The Union Railway Ministry has estimated that the investment required to

complete the major on-going railway projects in Karnataka is Rs.3842 crores. Some of these projects are being taken jointly by the Railways and the State on a 50:50 cost sharing basis. Since, most creditably, there has been a turn around in the Indian Railways and they are making very significant profits I would propose that this cost-sharing between the Railways and the State Government be changed to 80:20. Also, several railway projects such as Hubli - Ankola; Shahbad - Bagalkote -Kuduchi; Talaguppa - Honnavara; Kadur - Chickamagalur and Chamarajanagar - Bangalore require early approval. Some of these projects would improve the rail connectivity to the backward regions of the State significantly. Such projects, I would strongly urge, should be taken up by the Railways on priority as a part of the 11th Plan's initiative to improve the infrastructure in underdeveloped regions.

Similarly, we have an ambitious plan to provide air links to all major cities in the State including the under developed northern Karnataka region. We have proposed the setting up of airports at Hassan, Shimoga, Gulbarga, Bellary and Bijapur. We are also hopeful that the existing defence airports at Bidar and Karwar could also be used for civilian flights. I have no doubt in my mind that opening of hinterland of the State through air travel to places like Gulbarga and Bijapur will provide a major boost to trade and tourism in those districts. In this context, I would like to place on record my appreciation of the support provided to us by the Union Government for the expansion and development of airports at Belgaum, Hubli, Mysore and Mangalore.

## **Industries**

My Government has announced a New Industrial Policy for the years 2006-2011 recently. In order to strengthen the existing industries and also to assist them in addressing human resource development issues, a new scheme titled 'Suvarna Kayaka Udyoga Shikshana Yojane' has been launched. The scheme aims to identify the needs of the organized sectors for skilled man power in various trades and to train qualified eligible youths to undergo hands-on training. The expenditure on training is to be shared equally by industry and the Government. This Public Private Partnership will provide employment opportunities to the rural and urban youth of the State.

Karnataka is richly endowed with mineral deposits. We have formulated a mineral policy that encourages exploration and value addition in order to generate employment and additional revenue. The State is producing 4 crore tonnes of iron ore per annum but getting only Rs.80 crores as royalty. We have repeatedly proposed that royalty rates be fixed on ad-valorem basis linked to the market value of the ore. The State is also planning to bring an Act to raise resources for the creation of infrastructure and for improving the environment in mining areas. We feel there should be restrictions on the export of valuable minerals in raw form. A clear and unambiguous policy should be put in place to encourage value addition within the State. Auction of mining areas should be considered only in cases where no one is coming forward for value addition or where economically viable technology is not readily available within the country. There are several public sector companies dependent on minerals. Such companies should be provided mining leases for their captive use, so that public sector companies do not suffer for want of raw materials.

## **Education**

The Sarva Siksha Abhiyan programme is accorded very high priority by us. We request the Government of India to retain the present cost sharing pattern of 75:25 (Centre-State) during the 11th plan also, since it will be difficult for the State to bear any additional burden resulting from a changed sharing pattern.

We also welcome the proposal to launch Sarva Shiksha Abhiyan-2 to universalize secondary education up to class 10. However, funding should not be merely confined to schools, teachers and classrooms but should also extend to laboratories, libraries and teaching aids. School grant should be at least 5% of the salary expenditure in each school. Finally, States must be given flexibility to take into account State and district specific needs.

**We also endorse the need to rejuvenate the vocational education system as proposed in the Approach paper. I have reviewed the status of vocational education in the State and found it to be discouraging. Though introduced in**

1977-78, response to these courses has not been very encouraging. Only about 5% of the tenth standard pass-outs join the vocational stream. On the other hand, as many as 5 lakh students fail in tenth standard. These children, I am sure, will be more than willing to join the vocational stream where skills are imparted to prepare them for self employment. The problem of meeting the increasing demand for skilled manpower in our growing manufacturing and service sectors would also be addressed by this large body of vocationally trained students. The State Government proposes to start, every year, 100 new, well equipped vocational training centres for tenth standard drop-outs and for those who have not studied beyond seventh standard. I am looking forward to similar innovative programmes being taken up by the Central Government in the 11th Plan.

## **Health**

I greatly appreciate the timely introduction of National Rural Health Mission and see it as an opportunity to fill the gaps in providing cost effective interventions to control morbidity and mortality. We recognise institutional delivery as the single most important instrument to improve the health indicators in the State.

I was somewhat surprised to read a news report that MMR in Karnataka, which was 195 in 1998, has increased to 228. I have had the matter looked into. Every parameter that impacts on MMR has improved in the State. Thus, percentage of institutional deliveries has increased from 50 in 2001-02 to 64 in 2005-06, registration and transport of high risk pregnancies has also increased significantly, and the quality and coverage of MCH care has improved. It is therefore unlikely that MMR would have increased. The increase that has been reported is possibly the result of different methodology being adopted in different surveys and the selection of samples. We have three other surveys which show that there has been a decline in MMR in Karnataka. As a matter of fact, our goal for the State for MMR is 90 per lakh of live births by the year 2010.



**One of the serious problems faced by primary health care is the availability of doctors in rural areas. Although India produces about 16,000 medical graduates over a year, most are unwilling to work in rural areas. On the other hand, the number of paramedical workers is very inadequate. We need to rethink on our rural health care system which is heavily dependent on doctors and devise methods which will enable paramedical workers to take on more responsibility. The medical education system also needs to be reviewed with a view to producing doctors who need not meet the rigorous standards of present degree of MBBS and will be in a position to meet the requirements of public health care in rural areas.**

### **Housing**

Access to safe and healthy shelter is essential to a person's physical, psychological, social and economic well-being. Housing industry has significant linkages to other sectors of the economy. In the last few months I have toured the various parts of Karnataka extensively. I have found that one of the most persistent demands of the economically weaker sections is housing. As per a recent survey, there are about 20 lakh houseless and siteless families in Karnataka. It is my intention to announce a major social housing initiative in the State from the next financial year. Given the importance of the sector, I would suggest for the consideration of the Planning Commission that some new initiatives be undertaken by them in the 11th Plan to assist State Governments so as to ensure that in as many States as possible every homeless family has a roof over its head by the end of the 11th Plan. I have also reviewed the various existing Central schemes relating to housing very carefully and would suggest that within these schemes certain changes be incorporated in order to make them more meaningful.

### **Urban Development**

Karnataka is ranked as the fourth most urbanized among the major States in India. With relatively slow growth in agriculture, we are already witnessing greater migration to urban areas. The rapid pace of urbanization has left a huge 'infrastructure deficit' in all

the cities/towns.

In the 11th Plan, the State Government will need to address these infrastructural gaps and focus upon all round development of tier II and tier III cities in an attempt to make these towns and cities attractive for investment in various economic activities. Bangalore and Mysore, which are among the selected cities under JNNURM, have prepared investment plans amounting to Rs. 24,486 Crores during the mission period. Based on the City Development Plan submitted by JNNURM cities it may be necessary for the Central Government to review the allocation of grants under this scheme during the 11th Plan and scale it to appropriate levels, given the magnitude of infrastructure deficit that needs to be addressed.

As the possibility of expanding the scope of JNNURM to more cities is limited, investment for UIDSSMT should be reviewed and a greater thrust given, with the desirable objective of 100 % coverage of water supply and sanitation and solid waste management in all small and medium towns by the end of the 11th Plan period.

As the development of transport infrastructure is very crucial for the planned growth of cities, the State would like to suggest a special thrust for all cities with population between 3 -10 lakhs people as a way of preparing them for metropolitan status. It should be that these cities have comprehensive development plans for transportation infrastructure and Central assistance provided to fund these Plans.

**Our planning should aim at establishment of proper linkages between rural development and urban development. I suggest that Central government consider setting up a Rural Urban Development Commission / Committee to study the entire issue of rural-urban dynamics including rural-urban divide and recommend suitable strategies for development -integrating the economic, social and spatial dimensions.**

## **Social Welfare**

I fully share with the Approach Paper, the concerns expressed regarding the

urgent need to include scheduled castes and scheduled tribes, backward classes and minorities in the development process and to ensure that benefits of growth reach them also. In spite of decades of planning and the introduction of a large number of programmes for their development, these disadvantaged segments continue to be deprived of their basic needs. My frequent visits to villages and extensive interaction with representatives of these communities in Janatha Darshans has made it quite obvious to me that it is not only the shortage of funds but also the inadequacies in implementation that has resulted in this situation. Besides toning up the delivery mechanism, outlays for these schemes for SCs and STs, such as that for their education, need to be stepped up substantially in the 11th Plan.

I would also suggest that the Central Government may promote few new schemes with substantial outlays for the welfare of backward classes and minorities. One scheme which could be considered immediately is the construction of hostels for girls from minority communities in blocks with substantial presence of their population.

I also believe we need to address the challenge of disabled welfare more earnestly. We have introduced or intend to introduce shortly several training and employment oriented schemes for the disabled through special vocational centres and self help groups of the disabled. The 11<sup>th</sup> Plan needs to earmark more resources for the disabled.

### **Women Welfare**

Declining sex ratio is a matter of great concern for us. To arrest the trend, the State Government has launched a novel scheme called "Bhagyalakshmi" to protect the girl child and change society's attitude towards her. Under the scheme, an amount Rs. 10,000 is deposited in the name of each female child born after 31st March 2006. The deposit together with interest accrued is to be paid to the beneficiary on attaining the age of 18 years. I would request the Planning Commission to take a close look at this scheme and to encourage it by providing Central assistance for it.

## **Employment**

The Approach Paper has rightly looked at the issue of employment in great detail. There is no doubt that creating adequate employment opportunities for our unemployed youth is one of the most important challenges before us in the 11th Plan. It is for this reason that the State Government has taken several initiatives to create more employment opportunities in the primary sector through its new agricultural policy and greater emphasis on horticulture and floriculture. Similarly, the new Industrial policy also aims to absorb unemployed youth in the manufacturing sector through its new training initiative and encouragement of labour intensive industries such as garment manufacturing, in the two tier and three tier cities and towns of the State. The extension of NREGP to all the backward districts of the State, particularly in northern Karnataka by the Planning Commission would be of great assistance to us in this regard. I firmly believe that the Centre and States should come together in addressing this crucial planning issue, so that the 11th Plan has some innovative and meaningful employment generation programmes.

## **Resources**

**Fiscal correction in Karnataka began in 2000 with the presentation of a white paper on State Finances. This was followed by rationalisation of tax structure, control on growth of debt stock and off-budget borrowing, swapping of high cost loans to reduce interest costs, and reining in of non-developmental expenditure. All these measures have imparted robustness to state finances and the State is revenue surplus and within the limits of fiscal deficit. This has provided opportunity and fiscal space to the State to spend more funds on development and capital expenditure. My Government is committed to consolidate further on its sound financial position so that more resources are available with the State for public investment in high priority development expenditure and creation of infrastructure.**

## **Conclusion**

The Approach Paper has identified very well the goals for the 11th Plan and the

challenges in realizing them. The basic thrust, that of reducing poverty and focusing on bridging the various divides that continue to afflict us, is not only unexceptionable but imperative given the fact that the economy has been registering impressive rates of growth in the recent years and that there is need to distribute the benefits of this growth amongst all. The mere enunciation of the objectives and targets for the 11<sup>th</sup> Plan, however, will matter little unless the envisaged results are achieved at the ground level. Good governance, emphasis on outcomes instead of outlays, decentralised planning, and accountability are all features that must be built into the Plan to make it effective. While we are in general agreement with the approach adopted by the Planning Commission, in my presentation I have tried to reiterate some of the priority areas for Karnataka and recommended certain initiatives with the hope that our suggestions and genuine needs will get incorporated in the 11th Plan. I am grateful that the Planning Commission has had extensive consultations with the State Governments regarding the Approach to the 11th Plan and I am confident that both in the preparation and implementation of the Plan it will continue to consult and interact closely with the State Governments. As the Approach Paper itself recognizes, the Centre and State will have complement each other's efforts in order to ensure that the goals of the 11th Plan are achieved.

**Jai Hind, Jai Karnataka**