



SPEECH

of

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Hon'ble Prime Minister, Deputy Chairman of the Planning Commission, Union Cabinet Ministers, Chief Ministers of different states and other distinguished invitees

1. It is a privilege to be with you all at this NDC meeting to deliberate on the draft Approach Paper to the Eleventh Five-Year Plan. The approach paper envisages an average growth rate of 9% for the Indian economy as a whole during the 11th Plan period. It is an ambitious target but is certainly achievable as is reflected by the recent performance of the Indian economy.
2. I complement the Planning Commission for bringing out the critical issues that need to be addressed by the Centre & the states for faster growth. The approach paper has identified the areas of high growth potential and also suggested the strategy and policy changes to achieve this over all growth target.
3. The Paper has highlighted the strength of our economy through macro-economic indicators. However, these indicators do not adequately reflect the regional variations and the growing disparities between States and that a very large section of the society has not shared the benefits of this largely jobless growth.
4. In the post liberalisation era, there was a relative slow down in public investment and acceleration in private investment. In the absence of licensing restrictions, the efficient deployment of private investment has contributed to improved competitiveness of Indian industry and accelerated the over all growth rate. At the same time, it has increased the regional divide. The bulk of these investments are going to the developed regions of the country. One of the ways to reduce this disparity is to provide incentives for private industrial and social development investment in the tribal areas of the country at par with the special category states.
5. The approach paper has mentioned that "the performance of poorer states with poorer infrastructure has been lagging." It has recognized this trend in increasing regional disparity but does not present any new approach to address the problem. The provision for Backward Region Grants Fund, although a welcome initiative, provides meagre resources which are able to address the intra-state infrastructure imbalances to a limited extent only. This is woefully inadequate to address the inter-state infrastructural imbalances. GOI has taken up the upgradation of non-metro airports to improve air connectivity. But new rail projects for backward regions are still to be prioritized. The

Railways, for instance, have stated that new projects would be taken up on priority where the State Governments share 50% of the cost of the projects. Such an approach would not be fair to those relatively backward regions of the nation, which have inadequate coverage of railway lines.

6. The projections of fiscal parameters for the 11th Plan appended to the Approach Paper indicate that grants to States, as a proportion of GDP, would decline in the first three years whereas the gross budgetary support to Central Plan would increase. This would deprive states of the additional resources needed to ensure expansion of programmes and balanced growth. I would strongly urge the Planning Commission to ensure that grants to states, as a proportion of GDP, must increase annually throughout the Plan period. The goal of inclusive growth will elude us without the provision of these resources.
7. Public-Private Participation is seen as a major initiative to attract capital for creation of public infrastructure. Madhya Pradesh had realized the potential of public-private partnership in generating resources for infrastructure strengthening quite early. We have already completed the construction of nearly 1400 km of roads under PPP approach. The State has been among the first ones to get projects approved under Viability Gap Funding (VGF) Scheme launched recently by Government of India and has received approvals for projects worth Rs.1200 crore so far. However here again, private investment is flowing more easily into developed regions of the nation. VGF may not be enough to attract private enterprise to backward regions as it uniformly prescribes a twenty percent ceiling. This must be restructured in a manner so as to attract private investment in the backward districts of the country. The current ceiling on VGF and the shares of the Central and State Governments merit a review to further the national objective of a more balanced regional development.
8. The approach paper has set a growth target of 10.5% for the industrial sector. SEZ has been conceived as an instrument for achieving this higher growth. SEZ can be effective for providing globally competitive infrastructure to accelerate industrial growth in select areas. But serious concerns have been expressed regarding the unbalanced growth being promoted through the SEZ model. Most of the SEZs are coming up near the metros in the already developed regions. The industrial units located in SEZs have been provided huge tax concessions. The loss in revenue on this account is to be shared by the

backward states though the benefits are going to accrue to the already developed regions. The approach paper does recognise some of the concerns regarding the present SEZ policy regime but does not mention the negative effect this will have in diverting investments from the backward regions. RBI has already expressed concern that SEZs could aggravate the unevenness of development by diverting resources from less developed areas. The tax concessions for SEZ units have been justified in view of the promised job creation but the experience of the 10th Plan in job creation under the organized private sector has been disappointing. Even the approach paper has recognized that "employment growth in the private organized sector will therefore, continue to be small [at most an addition of 2 million during the 11th Plan] if the past trends on the capital labour ratio continues". It expects creation of 65 million job opportunities in the unorganized sector from higher rural demand. Thus, the huge sacrifice in revenue being made by the backward states in promoting the SEZs in the developed states is not going to result in creation of much employment as per the projections of the approach paper.

9. The reversal of the deceleration in agricultural growth from 3.2 % observed between 1980 and 1996-97 to a trend average of around 2.0% subsequently is a major challenge of the 11th Plan. This deceleration has been rightly identified as the root cause of the problem of rural distress being experienced. The agriculture sector must grow at a faster rate for not only improving the conditions of 69% of our population which is dependent on agriculture, but also for increasing the demand for industrial goods and services in the domestic market, and, thus support faster industrial growth. To achieve this, investment in the agriculture sector should at least be proportional to its contribution to the GDP and the CD ratio of rural branches must improve. However, the approach paper is silent on this.
10. The impact of liberalization and globalization has distorted the economics of production for small and marginal farm producers in a state like Madhya Pradesh, where 2/3rd of the holdings are small and marginal and 70% of the cultivable area is dependent on rainfall. The falling tariffs of oilseeds and pulses have created competition for local producers through huge imports. While developed nations continue to heavily subsidize their farmers, the central government has adopted an ambivalent attitude towards farm

subsidies. There is a need to come out with an integrated agricultural policy to assure farmers a decent return on their labour and investment.

11. While the Approach Paper mentions the importance of agricultural research at the outset, there is no mention of the same in the proposed action plan. This is too important an issue to be dealt with lightly. The national agricultural research system has not contributed any significant technological breakthrough in the major crops of our region like pulses, oilseeds and minor millets. This has led to stagnant productivity in these crops for over a decade. Yet from the food security and agro-climatic reasons, these are the very crops that need strong support from agricultural research fraternity.
12. The sectoral strategy for agriculture rightly includes doubling of the rate of growth of irrigated area in the 11th Plan to achieve 4% growth rate in agriculture. This means that public investment in irrigation projects has to be substantially stepped up. For this, many more projects of our State will need to be sanctioned under AIBP with enhanced central funding. In fact, backward states with relatively low irrigation like ours should be treated at par with the special category states while certain very large projects in such states should be declared as national projects and funded centrally. It is rather disappointing that even after two years of the launch of the scheme, the Government of India has still not identified "drought prone/flood prone and tribal areas" as a result of which, no proposals have been sanctioned under this category. The condition of sanctions for incomplete projects only under AIBP for medium and major projects needs to be revisited to allow for fresh projects else it provides a disincentive to states that have performed well in past and have no incomplete projects. The procedure for granting sanctions and releasing the funds under AIBP also needs to be streamlined and simplified.
13. Bharat Nirman is a welcome initiative, but limited to rural infrastructure. The State has benefited from PMGSY, Accelerated Water Supply Scheme etc. However, because of incorrect interpretation of 'houseless' which treats even the Kuchha mud and thatch dwelling as a proper house, MP is supposed to have only 2.08 lac houseless as against 2.61 lacs houseless in Kerala. This needs to be urgently thrashed out. In fact, as per the BPL Survey of 2002-03, there were 3.20 lac houseless and another nearly 34 lac families living in unsatisfactory Kuchha dwellings. All of them need to be provided assistance

under the Indira Awas Scheme if we want to genuinely implement the spirit of Bharat Nirman. PMGSY has been a very useful scheme to improve the road connectivity in MP which has less than half the national road density. However, the roads constructed under the scheme will require huge maintenance support in the coming years and some central support should be forthcoming to ensure proper maintenance.

14. A programme similar to Bharat Nirman is needed to redress major infrastructure gaps in highways, rail network, airports etc. to break the vicious circle of under-development in states like Madhya Pradesh. Faster and inclusive growth would call for a state-sponsored mega infrastructure initiative that prioritizes poor infrastructure states and regions to enable them to get integrated with markets. This would open up opportunities offered by globalization and would attract private investments into these regions.
15. The funding from GOI for Centrally Sponsored Schemes like SSA, MDM, NREG, JNNURM and UDSSMT in the form of ACA has been of great support to our state in improving infrastructure and expanding the service delivery in critical social sectors. Our government has remarkably improved the State's finances through harsh expenditure control measures. This has enabled us to manage our contribution for these schemes. We agree with the view "there is a case for rationalizing the states' share and fixing it at a reasonable level, keeping in mind the revenue buoyancy." There is certainly a case for rationalizing the state's share in favour of relatively backward states e.g. to universalize and improve the quality of elementary education, our government has not only provided for the state's share of expanded SSA but also met the enhanced non-plan expenditure in school education. However, the funds requirement with the present funding pattern will be significantly higher for SSA-II. Any raising of the States' share from the present level will severely limit resources for Plan financing in the backward states and prevent them from making adequate investment in infrastructure development and expansion of social sector programmes. Therefore, it is eminently desirable to limit the share of states like ours to 10% only. It is pertinent to mention here that the entire cess on education, which amounts to nearly Rs. 9000 crores, continues to be appropriated solely by the Central Government.
16. SSA has gone a long way towards expanding the elementary education. In fact, in Madhya Pradesh, we have already achieved universal access at the level of elementary

education. The emphasis on improving the quality of education under the SSA and on expanding opportunities for secondary education through the launch of an SSA-II is in keeping with the aspirations of the people of the country and is therefore welcome. However, it is not clear why a very incremental approach is being proposed in expansion of SSA to the secondary sector. The proposed SSA-II must cover not only classes upto Grade 10 but upto grade 12 in one go. At present, the state has to shoulder the major part of responsibility for opening new secondary schools and finds it difficult with its meagre resources.

17. Important policy reforms have been proposed in the mining sector. GoMP appreciates these proposed changes. Backward states are rich in mineral resources but they have not received adequate compensation for their mineral resources. The coal royalty still continues to be based on tonnage basis, which is not a small irony given the substantial hike in coal prices under the aegis of Coal India Limited leading to profits for them going up by five times in the last five years. The only logical framework for royalty payment is ad valorem or a that allows the coal bearing states a share of the profits. It is heartening to note that the approach paper has also advocated payment of royalty on ad valorem basis. The proposed denationalization of coal industry is also likely to accelerate investment in the exploration and development of mineral resources and contribute to growth in the tribal districts. We welcome the suggestion on denationalization of coal sector and exploitation of coal bed methane. As noted in the approach paper, it is necessary to review the mining policy and mining legislation to ensure that there is seamless transition from the stage of reconnaissance permit through prospective license to mining lease. However, the devil lies in the details and the GOI must actively involve the states particularly the mineral bearing states in drafting the proposed policy changes and rules. The recommendation of High Level Committee regarding appropriation of powers of the state governments by the central government is against the federal spirit and totally unwarranted. Instead, mechanisms must be devised to streamline the systems and procedures for according timely sanctions at the level of state and central governments.
18. Madhya Pradesh is rightly famed for its rich forest wealth, its wildlife and biodiversity. With 30.8% of the state's area under forests, the state has largest forest area amongst all

the States. However, there is little recognition of the huge opportunity cost of maintaining this wealth for the environmental of the country and, indeed, the global community. States like Madhya Pradesh are required to retain a large area under forests and also bear the cost of maintenance of this forest cover. There is however no return on such investment as "conservation" and not the "exploitation" is the objective as well as legal imperative. The people of the country share the benefits. An equitable arrangement would be to calculate the cost of forest assets by capitalising the stock, attributing it a value and making incremental return available to the state as a rate of return. The judgement of the Supreme Court regarding compensation to States having above national average forest cover is a significant step towards maintaining the ecological balance and the costs thereof. On the basis of suggestion of Supreme Court of estimating Net Present Value (NPV), the excess forest of 33036 hectares above the national average @ Rs. 5.80 lac per hectare would be equal to Rs. 1,65,172 crore of capital stock. Even at 5% rate of interest, this capital stock would yield an annual return of Rs. 8,285 crores. The Hon'ble President of India also has recently mooted the idea of "forest credit" which needs to be followed through. The Government of India has also regularly used this argument at all international forums in national interest. However, it is disturbing to note that the approach paper is silent on these issues while discussing the forestry.

19. Forest fringe people living in and around protected areas suffer huge cost in terms of crop loss, denial of access to the forest resources and injuries and loss of human life and livestock. To mitigate man- animal conflicts, there should be a national policy providing for adequate financial support to the State Governments for payment of compensation.
20. Recognizing the importance of creation of forest/ biomass resources on private & other non-forest lands, Madhya Pradesh had started the Lok Vaniki Programme by enacting an Act for this purpose. However, in order to ensure better market to the forestry produce grown by farmers, inter-state coordination is a necessity. In addition, the exim/ tariff regulations have to be suitably modified to encourage international trade of farm forestry produce.
21. State Government has taken a number of measures to modernize the Forest Protection mechanism. However, the shortage of financial resources is a limiting factor here also. The states with rich and large forest area need to be provided with increased allocation

from Government of India under Integrated Forest Protection Scheme.

22. There is also a need to rationalise the legal provisions of the Wildlife (Protection) Act 1972 in order to provide respite to the local people who are mostly tribals. The Act prohibits people, living within the limits of PA, to sell or purchase their private land; recent judicial pronouncement ban even small development works on private land as well as revenue land contained within the limits of the sanctuary. This has generated a lot of public resentment against wildlife and protected areas, which doesn't augur well for the conservation of wildlife. Suitable amendments in the Act need to be made urgently else it will become increasingly difficult to contain Naxalism in these areas.
23. MP has the largest tribal population among all the states in the country. The Approach paper rightly recognizes the importance of promoting education among the tribals for their development and empowerment. However, the central support even for building hostels, ashrams and schools of excellence etc. is totally inadequate. In practice, it does not even comprise 50% of the cost even though the funding pattern under SSA also provides for 75% central funding. The GOI should provide greater support for promotion of education and technical skills among SCs and STs.
24. Introduction of National Employment Guarantee Act was a welcome initiative of GOL Madhya Pradesh has been able to effectively implement the employment guarantee scheme and taken maximum benefit from it in relation to other states. However, the applicability of the Act to remaining districts of the state must be done at the earliest.
25. As a way to mobilize private money into public projects, PPPs are indeed welcome. There are large areas besides infrastructure like technical training, health, education etc. where PPP possibilities exist. The Planning Commission and the Govt, of India could facilitate this process by identifying key areas for PPP apart from infrastructure and developing model arrangements.
26. Approach Paper rightly identifies the need to expand and modernize Industrial Training Institutes (ITIs), enhance the number of skills for which training is provided and develop linkages with the industry. To improve the quality of vocational training imparted through ITIs, the parameters of Director General of Employment and Training in respect of opening new ITIs need to be updated and made more specific - qualitative and analytical, and prepared in consultation with the industry. There should be a system of

accreditation of trades as is being done by All India Council of Technical Education. We welcome the suggestion of instituting an appropriate certification system to certify the skills of trainees.

27. The GOI should support modernisation and development of ITIs and Polytechnics in tune with emerging technologies & market needs and facilitate private sector investments in the sector. The Planning Commission and GOI should facilitate development of information on needs of industry, emerging technologies and help with development of curriculum, faculty requirements and suitable PPP models for opening and running of ITIs.
28. The NRHM has been a welcome initiative for the state. MP has been pioneer in implementing integrated district health plans and has made significant strides in institutional deliveries (from 26% to 50%) in last 2 years to impact on MMR and neonatal mortality. To meet the health care needs of the poor, the state has come out with a scheme called Deendayal Antyodaya Upachar Yojana under which nearly 50 lakh families are being assured of free treatment upto Rs. 20,000/- on hospitalization. The approach paper document rightly identifies enhancing accountability of service providers as a critical intervention to improve outcomes. One way to enhance accountability, transparency and improve monitoring will be to have a web-based HMIS which is able to capture information of performance upto sub-health centre level. This should be urgently developed by the Govt, of India.
29. The Approach paper has rightly identified the need for expansion, inclusion and excellence in higher education system and the regional divide in the matter of educational and R&D institutions. However, it offers no clear road map on how this needs to be addressed. The GOI/UGC must come out with Centrally funded scheme to support new Colleges and Universities in the backward states/districts.
30. While, on the one hand, there has been an increased emphasis on devolution of powers and functions to the PRIs on subjects mentioned in the 11th schedule of the Constitution, the Govt, of India, on the other hand continues to come out with centrally designed schemes on those very subjects without providing adequate flexibility to the states. One size does not fit all and in view of huge variety and complexity of Indian States, the Centrally Sponsored Schemes should provide as much flexibility as possible to the

states.

31. I represent a State which has just emerged from BIMARU ranks. We need financial & technical resources on a large scale to tap the limitless wealth that nature has endowed us with and to harness the hitherto suppressed talent of its people. MP is at a stage where our wait to reap the full benefits of India's all-round development cannot be allowed to extend indefinitely. We seek whole-hearted and unstinted cooperation of the Planning Commission & GOI in the giant endeavours we intend to make. I hope that this esteemed Council will take due note of our observations and endorse them to be incorporated in the Approach to the 11th Five Year Plan.