

PREFACE

The Tenth Five Year Plan marks the return of visionary planning to India after a long interregnum of cautious optimism. During the past two decades, India has no doubt been one of the ten fastest growing economies in the world, but we cannot be content with that. The Tenth Plan aims to take the country even further ahead, potentially to become the fastest growing country by the end of the Plan period. It calls for us to stretch beyond our immediate capabilities and set targets which are in consonance with our needs and the evident aspirations of our people.

The tone was set by the Prime Minister two years ago when he asked the Planning Commission to examine the feasibility of doubling the per capita income of the country in ten years and of providing 100 million work opportunities over the same period. The timing was significant. The country was already in the middle of what has proved to be an extended period of industrial stagnation, and weather-related agricultural failure had reemerged after nine years of normal monsoons. The international economy too was not performing well. The euphoria generated by the 7 per cent plus growth rates of the mid-1990s had, therefore, all but evaporated, and there was a perceptible lack of national self-confidence. In such a context, it would have been prudent to set one's sight relatively low and seek refuge in "ground realities" – an oft-repeated euphemism for caution bordering on pessimism.

The very fact that the Prime Minister chose to go against the tide of popular sentiment and assert confidence in the growth potential of our economy was sufficient to reinvigorate the planning system in its widest sense. The process of introspection and search for the hidden sources of growth began with a series of consultation meetings with a wide range of experts and stake-holders. It was most heartening to find that almost everyone we interacted with firmly believed that the Prime Minister's vision was attainable, but that it would necessitate fundamental changes in the way we did things. This broad-based intellectual endorsement led to a more detailed search for the possible sources of growth in the Indian economy.

The process culminated in the Approach Paper to the Tenth Plan, which was presented to the National Development Council (NDC) for approval in September 2001. It was suggested that although the objective of doubling the per capita income was feasible in the ten year time frame, it may be preferable to settle for an intermediate target of 8 per cent per annum average growth rate for the Tenth Plan period, with a further acceleration during the Eleventh Plan. The Approach Paper made it clear that the task would not be an easy one, and that full political commitment at all levels would be necessary for its fulfillment. It did not in any way gloss over the wide range of reforms covering policies, procedures and institutions which would have to be implemented and the difficult decisions that would have to be taken.

In approving the Approach Paper to the Tenth Plan, the NDC also adopted a set of quantifiable and monitorable targets which would enable us to focus on accelerating growth, not only as an end in itself but also as the means to achieve success in other dimensions such as poverty reduction, employment creation and improvement in certain critical indicators of the quality of life. These include health, environment and education indicators. This was a path-breaking decision. Although such objectives have been mentioned in earlier Plans, in no case were specific targets set. As a result, these were viewed as being desirable, but not essential; which diluted the importance accorded to them.

Armed with the NDC mandate, the Planning Commission embarked upon the herculean task of preparing the Tenth Plan document. Most people do not appreciate the magnitude of the effort that

goes into the preparation of an Indian Five Year Plan. The process of Plan preparation reflects our democratic tradition. The degree of involvement of and range of consultations with various constituents of our society that have gone into the making of the Plan is probably unparalleled in the world. We have involved Central Ministries and State Governments fully in this process. Academics, subject experts, civil society organisations, trade unions and industrialists have been involved at various stages of preparing the Plan in order to take full advantage of their expertise and ideas.

The Tenth Plan document contains a number of unique features which have been dictated by the targets set and the strategy that has been evolved to attain them. Much that could be left unsaid when considering only incremental progress needs to be explicitly brought out when dramatic improvements are envisaged. The essential message of the Plan is that a business-as-usual approach will not deliver the goods – urgent action has to be taken on a wide range of issues across a large number of sectors if the Tenth Plan targets are to be achieved.

The first unique feature of the Plan is its explicit recognition that the Indian economy is in a phase where the growth process alone will not be able to provide adequate work opportunities for the emerging work-force, let alone reduce the back-log of unemployment. Even at an average annual growth rate of 8 per cent, the economy is likely to generate 30 million work opportunities during the Tenth Plan period as compared to the estimated 35 million people who will be added to the work force. It, therefore, becomes necessary to devise suitable strategies which can accelerate the pace of work creation by modulating the growth process itself.

Considerable work has gone into this issue in the Planning Commission, and it is felt that there are a number of sectors and economic activities which have the potential to increase labour absorption significantly with the right kind of policy and programme interventions. By and large, the strategy relies on encouraging individual entrepreneurship and self-employment. It is recognised, however, that the skills required for these activities are not adequately provided by our existing education and training system. Special focus must, therefore, be laid on vocational education in order to ensure that there is consistency between the demand for and supply of skills.

Second, although the issue of regional balance has been an integral component of almost every five-year plan, there has been perceptible increase in regional imbalances over the years. We have also been conscious of the fact that national targets do not necessarily translate into balanced regional development. The potentials and constraints that exist at the state-level vary significantly. Therefore, for the first time, we have broken down the national targets to the state-level in consultation with State governments. The Tenth Plan contains a separate volume on States as a reflection of the importance we place on the role of the States in our development process.

We hope that this will enable the States to better focus their own development plans by more careful consideration of the sectoral pattern of growth and its regional dispersion within the State. In order to facilitate this process, the Planning Commission is preparing a series of State Development Reports, which will take stock of the capabilities of each State and develop appropriate strategies. We have also proposed a number of initiatives for reducing both inter-state and intra-state imbalances. In particular, we believe that the States need to be incentivised in order to carry out the requisite reform agenda, and several steps have been proposed in this direction.

Third, we believe that improvement in the quality of governance forms the essential ingredient for success. Administrative and judicial efficiency is central to the functioning of a vibrant market economy, and people's welfare is largely determined by the efficiency of public delivery mechanisms. The best plan cannot compensate for poor implementation. Bringing about transparency,

accountability and efficiency in all our public institutions is the key to unlocking the potential of our country and to sustained social development.

Fortunately, all over the country, people have begun to demonstrate that by working collectively they can make a tremendous difference not only to their own lives, but also in the manner that public institutions function. There are any number of examples that can be held up from different fields, such as self-help groups (SHGs), pani panchayats, village education committees, local health committees, joint forest management committees, etc. Such civil society impulses need to be encouraged and nurtured by the government so that development eventually becomes a people's movement and not merely an exercise in State paternalism.

We have, therefore, prepared a separate chapter on the issues of governance and implementation. We believe that this must be brought into the centre-stage of public discourse on development. We have also recently brought out a compendium on State government initiatives and civil society responses which have resulted in significant improvements in governance, entitled – "Successful Governance Initiatives and Best Practices – Experiences from Indian States". We hope that this will be a trend-setter in encouraging experience-sharing between our States.

Fourth, although our country has been subjected to natural disasters from time to time, these have never been adequately factored into our planning process. By and large, we have taken the approach that these events are transient in nature and, therefore, can be addressed as and when they arise. The experience of recent years, however, suggests that even episodic shocks can disrupt the development process quite substantially unless contingency plans are already in place and fiscal and monetary policies can be adjusted with sufficient flexibility. Therefore, disaster management must be integrated into our planning framework so that growth and development can progress without major disruption even in the face of adverse events. As a start, the Tenth Plan includes a chapter on disaster management, although its full integration with planning may yet take some time.

Fifth, a persistent complaint voiced by State governments, civil society organisations and numerous other entities has been about the lack of complete information on the wide range of programmes and schemes undertaken by Central Ministries and Departments. It has been said that many useful development interventions have not had the desired impact simply on account of lack of information. In order to address this grievance, the Tenth Plan document contains a detailed listing of all on-going and proposed Plan programmes and schemes of every Central Ministry and Department, along with the indicative resources. It is hoped that this information will enable our various partners in development to identify the Central government initiative that best suits their needs.

Finally, in addition to the focus on sectoral investments and on schemes and programmes, which has been integral to every Plan, the Tenth Plan lays out the policy and institutional reforms that are required for each sector, both at the Centre and in the States. In other words, the full reform agenda that is considered to be essential for attaining the targets set in the Plan is encapsulated in one comprehensive chapter. Although the rationale and logic of each of these measures are detailed in various parts of the Plan, it has been felt that the magnitude of the efforts required is such that there should be no ambiguity about the actions that are expected from the various arms of the government.

Given the ambitious targets that have been set for the Tenth Plan, a few words on the strategic approach that has been adopted may be in order. Achieving the 8 per cent annual growth target will no doubt require a significant increase in our savings and investment rates, but perhaps by not as much as may be commonly believed. Detailed analysis has revealed that there is substantial excess

capacity in some of the sectors of the economy, and, therefore, it should be possible to increase output without a commensurate increase in investible resources. This, along with improvements in efficiency and better sectoral focus, should lead to a drop in the incremental capital-output ratio (ICOR) for the Tenth Plan period. It should be mentioned, however, that we have been fairly conservative in this regard, and the ICOR was even lower during the Eighth Plan period than what has been assumed for the Tenth.

Bringing unutilised capacities into production requires action along two broad fronts. The first is to revive aggregate demand in the economy, especially through stimulating investment activity. We believe that at the present time, public investment in infrastructure will “crowd in” private investments. Therefore, during the first two years of the Plan, the burden of industrial revival will have to be carried by public investment, with private investment taking the lead role in the latter years. This will require strengthening of the institutional capacity to undertake public investment, which has eroded to some extent in recent years. Furthermore, we need to simplify the rules, regulations and procedures which unnecessarily hamper private investment activity in the country, so that private initiative can play its required role in due course. Every Ministry and State government needs to focus on these issues so that early action can be taken to bring about policy and procedural reforms.

The second source of productive potential is the huge stock of capital assets that are locked up either in the form of incomplete projects or due to legal and procedural restrictions on the transfer of assets. Bringing these into productive use will require, on the one hand, emphasis on completion of on-going projects, especially in the public sector, and creating the legal framework for quick transfer of assets, on the other.

Even with the projected decline in the ICOR, it will be necessary to raise the savings rate of the economy quite substantially. In the recent past, private savings have grown more or less steadily since the early 1990s. However, public savings turned sharply negative from 1998-99 onwards. This must be corrected; and from 2004-05 onwards, we must aim at achieving positive and growing public savings. Unless this can be brought about, the growth process will be hampered by inadequacy of resources.

It will be noticed that the fiscal stance of government, both at the Centre and in the States, is central to the strategy proposed for attainment of the growth target. However, it is equally important to recognise that the nature of the fiscal stance has to exhibit a significant shift within the Plan period itself. During the initial years, it has to focus primarily on the task of industrial revival through increased public investment in infrastructure, even if it is at the cost of some delay in fiscal correction. In the latter years, however, it has to steadily augment its role in providing investible resources for the economy by a sustained reduction in the revenue deficit. This transition requires a carefully crafted, and yet flexible, medium-term fiscal plan for the Centre and every State, which will be one of the major challenges facing policy makers in the coming years.

The other major challenge lies in creating the conditions for vibrant and dynamic private activity in practically every sector of the economy. There are numerous barriers to the free expression of entrepreneurial energies in the country; some of which are in the Centre and some in the States. In particular, our agricultural sector is hamstrung by a plethora of controls which prevent our farmers from realising the full value of their efforts. We have brought about considerable reforms in the industrial arena over the past decade, but the agricultural sector continues to be governed by regulations which were framed during an era of shortages. This must change.

In our opinion, the rural sector holds the key to our future growth efforts. It is home to 70% of our people and nearly 80% of our poor. Thus it offers the greatest potential for widespread

development. Apart from the removal of needless controls, the two main areas of focus should be connectivity and water management in all parts of the country. In particular, we need to pay attention to the regeneration and revival of old irrigation systems and projects. In the dry land areas of the country, appropriate watershed development is critical. We need to bring wastelands and degraded lands into productive use, either under crops or agro-forestry, and to improve credit flows to our farmers through innovative methods. There is also need to change our strategic and policy approach to agricultural development, away from subsidies towards creating rural infrastructure. Technological interventions are essential to improve agricultural productivity and to widen the range of products. Institutional structures governing rural activities also need to be reformed and strengthened.

Even for the non-agricultural sectors, there are a number of critical reforms which are still pending, and which need to be implemented as soon as possible. For instance, construction is one of the most labour-intensive sectors and needs to be vigorously promoted, but it too has been hamstrung by excessive controls on land use and poor urban management practices. In order for urban development and the construction activity to gain momentum synergistically, significant changes in land use policies and municipal functioning will have to take place.

The power sector can potentially be a serious constraint on our growth process. During the Eighth and Ninth Plans we were able to achieve less than half the targeted capacity addition mainly due to the infirmities of the State Electricity Boards. We need to make vigorous efforts to complete the restructuring of our power sector so that the ambitious targets that we have set for the Tenth Plan are realised. The pace of investment in the power sector cannot be accelerated unless there is significant improvement in profitability and internal resource generation. The financial condition of the State Electricity Boards not only limits their own ability to invest, but also discourages private investments.

In so far as the social sectors are concerned, one of the most important decisions that has been taken in recent years is to provide universal elementary education, and indeed to make it a right. We must, however, bear in mind that the turn-out from elementary education would be looking for further training in order to access the job market. We must, therefore, begin the process of strengthening the secondary stream, including vocational education and training, and also our institutions of higher learning.

One of the most disturbing facts about the current situation is the prevalence of under-nutrition among a large segment of our people despite sufficient availability of food in the country. The vulnerable groups, particularly women and children and people living in remote areas, need special attention to meet their dietary requirements. In addition, the primary health system needs to become more sensitive to the specific requirements of different parts of our country both in terms of differences in disease incidence and in the nature of medical care.

Some of the measures that we feel are necessary for meeting the Plan objectives no doubt involve taking hard decisions, but I am certain that with appropriate coordination between the Centre and the States, and with cooperation of all political parties, we can achieve the targets that we have set for ourselves and thereby meet the aspirations of our people. We need to constantly keep before our eyes the vision of India that we hope to create by the end of the Plan. An India where every child has had 5 years of education. Where every village is electrified and has access to drinking water. Where every family can dream of having a roof over its head. Where the country is crisscrossed by high quality road and rail networks. Where every Indian knows that he is in control over his own destiny.

India is in the midst of transforming an agrarian economy into a modern multi-dimensional economic power-house and a traditional stratified society into an egalitarian society through consultative politics. It is inevitable that such rapid social, economic, technological and political development of one billion people would generate turbulence. Yet it is essential that this turbulence be managed and confined within limits that preserve the social fabric and permit the nation's transformation to continue apace. Our Five Year Plans are a central component of this process in that they lay out a vision which we can all share and work towards in a spirit of cooperation and resolve. It is my earnest hope that the Tenth Five Year Plan will fulfill this purpose.



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