

Speech of Prof. Prem Kumar Dhumal, Chief Minister, Himachal Pradesh
50th National Development Council Meeting on 21st December 2002 at New Delhi

Respected Prime Minister, Hon'ble Deputy Chairman, Planning Commission and Esteemed Colleagues,

It is my proud privilege to participate in this meeting of the National Development Council which has been convened for consideration and approval of the Tenth Five Year Plan. We are meeting at a critical juncture in the history of planned development in the country where drastic changes in the approach to development have been necessitated due to domestic as well as external environment. Before I come to briefly touch upon the challenges, both domestic as well as external, I would be failing in my duty if I do not make a specific mention of the strengths of the economy on the one hand and our desire, as a nation, to take a quantum leap forward with regard to finding durable solutions to the problems of poverty, unemployment and equity.

As has been brought out, the National economy has performed more satisfactorily in the last decade as compared to the previous four decades of planned economic development in India. In the recent 4-5 years, the growth of economy has been over 6 per cent and it appears that given a right mix of investments and policy reorientation, achieving a much higher growth rate in the Tenth Plan should not be difficult. Several enabling factors like a strong foreign exchange reserves position, reined in inflation, sound performance of agricultural economy, etc. should make it comparatively easier to achieve a higher growth rate than in the past. Many of the recent successes on the economic front have resulted from the astute leadership of Hon. Prime Minister, Sh. Atal Bihari Vajpayee and his deep insight into the complex nature of Indian socio economic developmental context.

It has been through the vision of Hon. Prime Minister that we are targeting to achieve a growth rate of 8 per cent during the Tenth Five Year Plan. The draft document circulated for the consideration of the National Development Council rightly emphasizes that the growth target is ambitious and also correctly underlines the need for an enlarged budgetary support for plan accompanied by significant changes in our agriculture related policy parameters towards realizing the higher growth rate. Not only do we need an increase in the budgetary support to plan, we also need appropriate design of vertical and horizontal equity in allocation of resources. Special care will have to be taken of the

disadvantaged States and regions of the country so that the incremental investment results in translating the disadvantages into strengths. The challenges of development in the Indian context become more formidable in the face of globalization of world economy and the stiff competition it would generate with regard to the issues of development in such States. What is required is identifying such a policy path which converts the challenges of globalization into opportunities of accelerated growth for such States.

One of the most important ingredients in the recipe for achieving higher growth rate is a robust and well functioning infrastructure. Historically, the States like Himachal Pradesh have suffered from comparatively less developed infrastructure or acute lack of it, specially with regard to railways, air connectivity, super national highways and the national highways. It may be of context to mention here that the Eleventh Finance Commission had also commented upon the need of financing infrastructure in the Special Category States by the Central Government. I would comment upon the situation of infrastructure in Himachal Pradesh a little later.

Coming back to the question of higher growth target, the draft document contains indicative State specific sectoral targets. For Himachal Pradesh, it indicates the aggregate target at 8.9 per cent per annum, whereas the sectoral targets are 4.55 per cent for agriculture, 12.49 per cent for Industry and 8.26 per cent for the Services sector. The sectoral targets for the Industry and Services sectors are in the realm of being achieved. Keeping in view the historical performance, the targeted growth rate for the Agriculture sector appears to be a bit too ambitious. Over the last 6-7 years, the average rates of growth have been 1.4 per cent for Agriculture, 10.8 per cent for Industry and 7.9 per cent for Services sector. Given the contribution of Agriculture sector to the total State Domestic Product, upping the growth rate from the historical 1.4 per cent to about 4.6 per cent is a formidable task. It is not that such a growth is not achievable, but it will need a Herculean effort on the part of the State and its farm sector to reach it. The potential is immense and by concentrating on certain high value crops through the on going process of diversification of farm sector, the high growth path is attainable. The State government has already outlined its perspective and will follow appropriate policies to realize the ambitious target. This will, however, call for a support from the Central Government in terms of protecting and insulating our farm economy , to the extent possible, from the impacts of globalization on the one hand, and by expanding the coverage of cash crops and vegetables and fruits under the National Crop Insurance Programme, on the other. On top of everything else, fuller utilization of the created irrigation potential can make it happen faster and in a more effective manner. This would need taking the people on

board for management of the created irrigation assets. We have already made a small beginning in this direction and would accelerate the process during the Tenth Plan.

Coming to the issue of poverty reduction targets envisaged in the Draft document, I would only like to underline the fact that the basic data on poverty ratios from where we start off on the reduction process is suspect. In case of Himachal Pradesh, the estimates of poverty incidence vary considerably and drastically from one methodology to another. For the Tenth Plan projections of poverty by the end of 2006-07, the draft document states that poverty incidence will be reduced to 2 per cent. If one estimate puts the poverty incidence in Himachal Pradesh at about 28 per cent at the onset of the Plan, it is impossible to bring it down to 2 per cent even with the assumed high growth path for the State economy. I would only like to caution that these estimates may need a realistic correction in the context of Himachal Pradesh and I would also hasten to add that the realistic estimates of poverty incidence by the end of the Tenth Plan for the country as a whole would not undergo any noticeable change even after such a correction. While on the question of poverty and the approaches to measure it, I would also like to plead that the definition of poverty for the hill regions needs to be made more realistic. For a similar quantum of physical work uphill, and for sustenance in the adverse climatic conditions, the calorific requirements in the hills are far greater than in the plain areas. We have agitated on this issue on various for a in the past without any success and I take the opportunity of raising it here so that this august body takes note of the problem and the Planning Commission considers to set up a Study Group to deal with this issue for the future context.

On the question of unemployment, the Draft Plan has an ambitious target of employment creation in the Tenth Plan. Himachal Pradesh is a largely rural State and the unemployment rate for the rural areas in the State is 6:10 per cent against the all-India rate of 11.00 per cent for the year 1999-2000 by the current daily status. Despite this, we feel that unemployment and underemployment are serious issues in the local context. Another problem which manifests the employment scenario in Himachal Pradesh is that the State Government has been historically perceived as the principal provider of employment. The problem is likely to magnify in the coming years in view of the fact that a very large number of employment seekers is going to join the stock of educated unemployed resulting from the high literacy levels. Here we need a change in perception of employment seekers that the availability of government jobs would continue to decline in future and the employment opportunities will have to be found in the private and self-employed sectors. For Himachal Pradesh, the problem of unemployment can be tackled

extremely effectively if the State realizes the projected growth rate in agriculture sector.

The comparative lack of employment opportunities in the public sector and also in the manufacturing sector in Himachal Pradesh in the immediate context is a matter of serious concern for us. As suggested in the Draft document, promotion of the small scale sector will be the most relevant path for generation of employment opportunities in States like Himachal Pradesh. Here, I would like to raise a caution that the small scale sector suffers from inherent infirmities of economies of scale, quality differentials and incapacity of capability of competitiveness, and unless these issues are adequately addressed to in the course of determining the policy prescriptions, the larger role envisaged from the small scale sector will be difficult to be realized. Certain protection will need to be provided and this protection will also need to be accompanied by support for quality enhancement of the output to make this sector a vibrant one as compared to the existing worrisome situation.

It is also a matter of great satisfaction that two new dimensions have been added to the whole ethos of planning. These relate to a wider notion of national security which encompasses the concerns relating to energy security and food security and the question of disaster management. It has been rightly emphasized in the document that the high level of dependency on external energy sources puts us at a risk with regard to the supply routes. This coupled with the State of the Art requirement of the transport and communications sector for defence preparedness need to be factored into the planning process for national security. I would only mention here that secure nations and nations at peace develop faster than the ones which are insecure and are at war or face external threat. The other area of concern suggested to be internalized into the planning process is disaster management. There are several facets to this issue what but needs to be made intrinsic to the process of planning is the integration of disaster mitigation into every developmental project so that we move towards comparatively more sustainable and safer national development. The other aspect of disaster management is the preparedness of the nation inclusive of the society at large to deal with the aspects of rehabilitation and minimizing the human misery in the event of disasters. The strategies outlined in the draft plan in this area deserve commendation. I would, however, like to make a small suggestion that the National Centre for Disaster Management should act as a focal point for experience sharing in the context of our responses to the disaster management.

Coming back to the issue of energy security, it may not be possible to wish away the externalities to this critical input of national well being, what we can do is to develop all

domestic sources of energy to reduce the dependence on the external sector. In this behalf, States like Himachal Pradesh, which have enormous untapped potential of hydro-electricity, can support the national endeavour to a considerable extent. All we need to ensure is that the local developmental interests are fully insulated from the possibility of exploitation and also of ignored interests, as has happened in the past. I am pleased to inform this august body that our government has initiated the process of actualization of over 7000 megawatts of capacity in the next 10 years against only 4000 megawatts actualized in the last 50 years. We have adopted the three pronged strategy of involving the central sector power generating utilities, the private sector and owned generation apart from collaborative efforts. Towards further accelerating this process, we expect the Central Government to assume a more proactive role for various clearances for hydro-electric projects. Rapid strides in this sector will not only help the national economy at large, but will also impart economic and fiscal resilience to the economy of the State.

Coming to the question of infrastructure, I would like to emphasize that Himachal Pradesh has been deprived of its legitimate share of infrastructural development through the central ministries. Talking of the air links to the State, Himachal Pradesh is the only State in the country whose capital does not have a round the year airlink with the national civil aviation network. On top of it, despite civil aviation and provision of aerodromes being a central responsibility, the Central Government has been expecting from us to construct aerodromes and hand them over to the National Airports Authority of India for enabling it to provide some skeletal air services. Specially keeping in view the need to capitalize on the tourism potential of the State and also the need for faster connectivity to help quick growth of hydro-electric sector, we feel that special treatment be given to Himachal Pradesh in regard to development of an airport of international standard.

As for the road infrastructure, the total motorable road length in Himachal Pradesh is about 22,200 kilometres which gives a density of about 40 kilometres per 100 square kilometres of area. According to the prescriptions of the National road Congress, hill States should have 64.6 kilometres road density per 100 square kilometers. Given our topographic constraints and prohibitive cost of road construction, it may not be possible to reach the desired density. This situation can be helped through the central interventions on higher allocations for the prestigious Pradhan Mantri Gramin Sadak Yojna on the one hand, and extending the network of national highways in the State, on the other. I have already apprised the Central Government that it will take about 40 years for provision of universal rural connectivity in Himachal Pradesh at the current pace of allocations for villages having a population of more than 250 souls. This will still leave a very large

number of villages without connectivity. I would like to plead that the allocations under the PMGSY should be related to the backlog of rural connectivity at large in the case of hill States without using any population threshold. Also, the allocation for national highways for those States which are being left out of the Golden Quadrilateral Super National Highway project and the North-South/East-West Corridors should be increased considerably alongside taking up more length under the ambit of national highways.

Coming to railways, it would not be out of place to mention that Himachal Pradesh has been consistently ignored in the matter of expanding the rail network in the country. For the mainstreaming of a remote hill region in the country, it is extremely necessary that such regions are physically integrated into the mainstream transport and communication network for developmental as well as strategic considerations. We have been requesting the central government to include certain projects in their railway expansion plans but we have been told that the proposals do not satisfy the required financial and economic rates of return. There are considerations above these which need to be kept in view and I am making a strong plea that the Ministry of Railways should give over-riding priority to our proposals. It is all the more necessary in view of the fact that only 17 kilometres of railway line has been constructed in Himachal Pradesh since independence. Railways are means of mass transport and bulk haulage. Expansion of these facilities in Himachal Pradesh would lead to drastic reduction in pollution due to vehicular emissions as also in saving in the consumption of fossil fuels which would enhance the parameters of energy security for the country in the final analysis.

The design of decentralization and equity is strongly ingrained into the planning process in our country in general, and with reference to the Special Category States, in particular. The whole concept about special category States revolves around the principle of vertical as well as horizontal equity. On that design, all Special Category States are expected to be treated equally because the very basis of accepting any State as a Special Category State is its inherent developmental disadvantage and lack of adequate resource generation capacity, I have pointed out earlier at this forum as also to various Central Ministries that Himachal Pradesh should be given the same facilities and concessions as are available to the other Special Category States, specially the north-eastern States. I request the indulgence of Hon. Prime Minister to ensure that all the Special Category States are treated on the same footing. Not only this, there is an urgency to recognize the fact that the Special Category States would need liberal central support as the globalization of economy gathers momentum. Without incremental central assistance support for the plans of States like Himachal Pradesh, it would be difficult to realize the

targeted higher growth rate.

Another issue which is central to whole design of federalism in the Indian context is the question of decentralization between the Centre and the States on the one hand, and between the States and the third level of governance, on the other. Here, I would like to touch upon the question of Centre-State relationship with reference to the issue of decentralization. Increasing the content of the centrally sponsored schemes on a perennial basis despite agreements to the contrary, as also increasing the content of the earmarked outlays within the overall pool of central assistance allocable to the States, both run counter to the professed policy of enhancing decentralization. I would like to underline that the National Development Council should set a ceiling on the central assistance being pre-empted by the centrally sponsored schemes and for doing that, the report of the NDC Committee on rationalizing the centrally sponsored schemes should be accepted. Further examination of these schemes be entrusted to a new committee of the NDC towards ensuring a larger trust between the Centre and the States. As for earmarking the outlays for various programmes out of the pool of central assistance, it is felt that all such earmarking should be done away with and the central assistance allocated to the States as untied so that they could determine their own developmental priorities. In doing so, one would have no conflict with a limited content of centrally sponsored schemes as also limited earmarking to ensure national objectives being met.

I would also like to take this opportunity to draw the attention of this august council to some very important issues concerning Himachal Pradesh. The first one relates to the protection of Himalayan ecology and environment. As is well known, we have imposed a complete ban on green commercial felling from forests. This leads to a certain loss of revenue to the State. Our stance on the ban is of massive significance to the well being of northern plains and also benefits the nation in several ways. We have been requesting for introduction of a system of compensating us for the revenue loss in the overall national interest and I strongly feel that the National Development Council should come up with a recommendation in this behalf to provide for such a cross compensatory mechanism. Just to mention, the standing stock of forest wealth in Himachal Pradesh is estimated to be worth over Rs.100, 000 crore. Without harming the interests of the forests, the silvicultural harvesting could yield annual revenues in the proximity of Rs.300 crore. We have a serious fiscal problem on our hands and a part of the solution can be found in the scheme of compensation. The developed world already has such mechanisms in place for environmental protection and the Union Government should consider its introduction at an early date.

Another area, which is of vital importance to Himachal Pradesh and has wide-ranging ramifications for the national economy, is the exploitation of hydroelectric potential of the State, as mentioned earlier. One issue that has been hanging fire for some time now relates to imposition of generation tax on hydroelectricity. Our formulation on this has not found favour with the Centre but the Union Government has itself taken a view to levy such a tax. I request for very early resolution of the pending issues and implementation of the proposed levy which will go a long way in accelerating the exploitation of hydel potential in the State since the revenues from such a levy could be specifically directed towards hydro power development. The other important issue in the power sector relates to our constitutional share in the BBMB power system and free power on all projects irrespective of their dates of commissioning. The Union Power Ministry should facilitate an early resolution of these issues and I would like to request Hon. Prime Minister to intervene in the matter.

At earlier occasions and at other forums, we have been voicing the need for a separate developmental appreciation for the Himalayan States. There is a formal mechanism for dealing with the inter-State problems and ensuring developmental coordination for the northeastern States. Now with the formation of Uttaranchal, the need for setting up a northwestern Himalayan Council has become more pronounced. I request for early establishment of such a council to begin with which should later on emerge as a single body for the entire Himalayan belt, as envisioned by the Hon. Prime Minister through the proposed Trans-Himalayan Development Authority keeping in view the strategic significance of the Himalayas for the entire nation.

The need for liberal support from Centre to the States like Himachal Pradesh hardly needs to be over emphasized. We have taken big strides in the levels of social development. The gains made run the risk of erosion if sustained funding for this key sector is not ensured. It is, therefore, imperative that newer ways and means of organizing resources like compensation for banning green commercial felling and application of the principle of free power from all projects irrespective of their dates of commissioning are put in place.

I would like to commend the draft document for bringing together the framework of the policy imperatives and programmatic initiatives needed towards realizing the lofty ideals and ambitious growth target, It is true that our path is difficult. But we need to rise above politics in the matter of development. The whole spread of wide ranging reforms measures, be it fiscal, governance or legal framework, is the crying need of the day and

we must realize that path to heaven is paved with good intentions. Time has come when we need to move beyond expression of intentions alone. Now is the time to act. As time passes, our choices keep getting more and more restricted. On the issue of development, I can not imagine any political party will oppose the central, theme. The paths to the final goal can be slightly different, depending upon the specificity of prevailing conditions. As the juggernaut of global integration of economy gathers momentum, we will have to put our act together and make the best out of available opportunities while following strategies to convert the challenges into distinct advantages. We can not afford to miss the bus now. Therefore, I strongly urge upon all my friends here to join hands and endorse the Tenth Plan for implementation.

With these words, I thank you, Prime Minister Sir, for giving me the opportunity to place my views before this august Council.

Jai Hind.