

## Inaugural address of Prime Minister Shri Atal Bihari Vajpayee

at the 50th meeting of the National Development Council (NDC) December 21,2002

I welcome you all to this 50<sup>th</sup> meeting of the National Development Council. This is an important occasion, not only because it marks the Golden Jubilee of NDC meetings, but also as an opportunity for us to recall that we have been wedded to achieving India's all-round development through economic planning within a democratic set-up.

You will recall that just a year ago, we had shared a common vision of the Indian economy growing at a rate by which we would be able to double the per capita income of our people within ten years. I felt then, and continue to feel today, that our country has the potential, both in terms of human and physical resources, to perform substantially better than it has done in the past.

It was a matter of great satisfaction that the NDC approved the Approach Paper to the Tenth Plan unanimously. We shared and affirmed our belief in the potential of our country to achieve an 8 per cent average annual growth during the Tenth Plan period.

The Approach Paper made it clear that the task would not be an easy one. It urged all of us to realize that this task would be fulfilled only if all of us, regardless of the political diversity reflected in the governments at the Centre and in States, showed unity of purpose and expanded the area of consensus.

The rate of growth of our labour force during the coming years will be such that unless we accelerate economic growth, there will be a worrisome increase in the level of unemployment during the Tenth Plan period. We cannot allow such a situation to develop.

We have also committed ourselves to bringing about significant improvements in social indicators, especially in education and health. The National Human Development Report has held a mirror to our conscience, which we cannot ignore.

In this context, I would like to emphasise that there is no need to be skeptical; there is no need to wonder whether it is at all feasible for us to climb from the growth

rate of 5.5 per cent last year to 8 per cent during the Tenth Plan. Our economy has shown great resilience in the face of adversity - both domestic and global.

Already, trends of revival and growth are visible in many sectors. If we remove the many constraints and hurdles in agriculture, industry and services, India's economy will undoubtedly attain a higher growth rate.

I wish to underscore a few issues on which we must speedily build consensus, no matter how difficult are the decisions involved.

**Fiscal deficit:** Our biggest worry for quite some time has been the management of the fiscal deficit, at both Central and State levels. A high fiscal deficit, which stems largely from unwarranted revenue expenditures, crowds out investment — both public and private. It thereby reduces the prospects of increased future GDP growth. To ensure fiscal consolidation at both levels, we need to enhance revenues, and address the problem of untargeted, runaway subsidies.

We should ensure that the VAT regime is implemented in all States from 1 April 2003. This will open the door to enhance revenues for the States. The Finance Ministry is also preparing a paper on reform of subsidies. We need to be clear in our minds for what purposes the subsidies are meant, for whom, to what extent, and how we can make sure that they reach the poor and are not siphoned off by others. Where the existing subsidies do not fulfill these objectives, we should put in place a firm roadmap for applying correctives in a time-bound manner.

**Stabilization function of the Plan:** The business cycle is a fact of life in market economies, and one of the most important Governmental functions is stabilization of the business cycle. While the appropriate mix and sequencing of fiscal and monetary measures is a matter of policy debate, the Plan provides a pipeline of investments, which, implemented efficiently in a time-bound manner, would act as a fiscal stimulus to the economy. We need to take a view as to what further stimulus is necessary at this point in time.

**Public Private Partnerships:** We have to forge public-private partnerships in the widest possible range of activities in both physical and social infrastructure to leverage private sector resources and skills for development. An outstanding example of public-private partnerships is our National Highway Development Project.

The scope of such partnerships could be extended to virtually all physical and social infrastructure schemes. I would urge that all concerned Central Ministries and Chief Ministers to actively participate in the Task Force which has been set up to develop model contracts for public-private partnerships. I would also like the NDC at this meeting to endorse the norm that once PPP model contracts are validated, they should be the standard modality for financing projects and schemes in each of these sectors.

**Need to accelerate and expand reforms:** We have to undertake thoroughgoing reforms and remove bottlenecks in our energy-transport-and-water infrastructure. In particular, I can see danger lights flashing because of the slow pace of reforms in the power sector.

In this context, we have recently begun an exercise to overhaul of the process of project preparation and approval for publicly funded projects in both physical and social infrastructure. We expect that this measure will significantly reduce time and cost overruns in the implementation of schemes and projects. An action plan has been prepared for re-engineering all regulatory requirements, whether at the Central, State, or municipal levels, involved in the execution of investment projects. We seek the cooperation of the State Governments in its implementation, so that the present inefficiencies and harassment at the business-Government interface will disappear.

**Reforms for the poor:** Economic reforms and development planning are without meaning if the poor and marginalized are not enabled to better their lives. This calls for action on many fronts. A jungle of laws, in particular municipal, police, and forest laws, many of which have not been reformed since many decades, render numerous legitimate occupations of the poor illegal. While microfinance modes of lending have been shown to be fully viable, the commercial banking system has yet to mainstream microfinance lending to the poor. The SSI sector, which has unequalled employment potential, faces a number of challenges, including availability of credit, technical and marketing support, and realizing its comparative advantage in the context of globalization. These are some of the directions in which serious reform is necessary.

**Problems of urbanization:** Urbanisation is an irreversible process. Accordingly, conditions of living in our towns and cities must improve. This will require reforms in

municipal fiscal practices to enable raising of resources from financial institutions and user fees for municipal services. The flow of Plan resources to municipalities and States should help to leverage such reforms.

Connecting major rivers: As you are aware, we have set up a Task Force to prepare a blueprint for linking the major rivers in our country. This will significantly solve the problem of repeated floods in some States, and drought in others. Already, the very concept of already launched major initiatives in this respect. I am heartened by the fact that the judiciary has also recognized the need for and scope of e-governance for speeding up the judicial processes. I urge all concerned to implement this strategy.

2) Barriers to Internal Trade: Creation of a common economic space is one of the most basic advantages of nationhood. All over the world, countries are coming together for this purpose, but we have continued to maintain and erect barriers. There may be logical reasons for doing so at the State level, but the country as a whole loses. Although it is within the Constitutional powers of the Centre to bar such measures, I appreciate the political difficulties that you may face. I, therefore, propose that we constitute an empowered Committee of the NDC under my Chairmanship, which can consider all such barriers on merit and decide what would be the most appropriate steps that can be taken. I would, however, only remind you that the most developed States also need the markets that are provided by the under-developed States, and therefore regional balance is to the advantage of all.

3) Creating an investor friendly climate: Although the responsibility for creating an investor-friendly climate is the responsibility of each State government, the progress on this front varies widely between States. We have inherited a wide range of controls and restrictions from the past, and it may be beyond the powers of any individual State government to even, identify these or even correct them. Since this is likely to be an extended process, I propose that we constitute a Standing Committee of the NDC under the chairmanship of the Union Minister for Industry and Commerce to oversee the process of dismantling such barriers.

4) Financial and Administrative Empowerment of Panchayati Raj Institutions: The problems faced in transferring functions and resources to PRIs has been raised by some of the Members. However, we believe that this is essential if we are to bring

about accountability and speed up development at the grassroots. In this context, we may consider the manner in which the Centre can help in terms of resources. One method could be for the Centre to directly fund the PRIs for specific activities, provided that the appropriate powers are transferred. These are contentious issues, and I would suggest that we set up a small sub-committee of the NDC under the chairmanship of the Minister Rural Development to go into these issues.

I would like to make one last point. It is very important that we effectively communicate the goals, strategies, tasks and targets of the Tenth Plan to the various constituencies of our diverse society, without whose support we cannot hope to move ahead rapidly. We should generate enthusiasm about the Plan and its targets among our people, especially among the youth. Let us pledge today to make Development a People's Movement, and the Tenth Plan a People's Plan.

I request you to join me in congratulating the Deputy Chairman of the Planning Commission and his team for having laboured hard to detail a plan of action which would enable us to achieve our objectives. The draft Tenth Five Year Plan is now before us. I would request the Deputy Chairman to make a presentation of the salient features of the Tenth Plan document so that we can deliberate upon the strategy that is proposed and the specific suggestions that have been made.

At the end of the meeting, we shall formally adopt the Tenth Five Year Plan document.

Thank you.