

Presentation by Shri K.C. Pant, Deputy Chairman, Planning Commission at the 50th Meeting of the National Development Council (NDC) at Vigyan Bhavan, New Delhi on 21 December 2002

PRESENTATION



Slide 2: During the past two decades, India has been one of the ten fastest growing economies in the world. 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.



Slide 3: You will all recall that at our last meeting in September 2001, while approving the Approach Paper to the Tenth Plan, the National Development Council had mandated a set of

objectives and 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 and employment creation.

NDC MANDATED OBJECTIVES FOR THE TENTH PLAN

1. Doubling per capita income in ten years
2. Growth rate of GDP to be 8% per annum
3. Harness the benefits of growth to improve the quality of life by:
 - Reduction in poverty ratio by 5 percentage points by 2007 from 26% to 21%
 - Growth in gainful employment to, at least, keep pace with addition to labour force
 - All children in school by 2003; all children to complete 5 years of schooling by 2007
 - Reducing gender gaps in literacy and wage rates by 50%
 - Providing potable drinking water in all villages
 - Cleaning of major polluted river stretches

Slide 4: The NDC also mandated targets for significant improvements in critical indicators of the quality of life. These include health and education indicators and also on environment. The Tenth Plan is designed to achieve these mandated objectives that we had set for ourselves and for the nation.

NDC MANDATED OBJECTIVES

Indicators	1999-2000	2007	2012
Literacy Rate	65%	75%	80%
Infant Mortality Rate*	72	45	28
Maternal Mortality Ratio*	4	2	1
Increase in Forest / Tree Cover	19%	25%	33%
Decadal Population Growth*	21.3%		16.2%

* - per thousand live births • - for 1991-01 & 2001-11

FIFTY MILLION EMPLOYMENT OPPORTUNITIES

- 35 million people to be added to labour force during 10th Plan period
- 8% growth with business as usual will contribute only 30 million employment opportunities
- 8% growth with emphasis on employment intensive sectors and programmes will yield 50 million employment opportunities

Slide 5: The target growth rate of 8 per cent per annum is essential to generate substantial employment opportunities. But it will not be enough. Our projections show that during the Tenth Plan period, the labour force will increase by 35 million, whereas the growth process by itself will generate 30 million job opportunities. Therefore, special focus will have to be placed on a few critical sectors which have high employment potential. By doing so, we should be able to generate 50 million work opportunities, which will

not only take care of the additions to the labour force, but also significantly reduce the back-log of unemployment.

Slide 6: The areas of focus will have to be agriculture and its related activities, and also a number of services. Special attention will have to be paid to the needs of the small and medium enterprises in almost all activities. Encouragement to tourism activity, in particular, can have large multiplier effects on a number of sectors.

EMPLOYMENT INTENSIVE SECTORS

- Special emphasis on agriculture, irrigation, agro-forestry, small and medium enterprises, information communication technology and other services
- Tourism – an important stimulus to employment
 - Strengthening tourism infrastructure
 - Rationalise tax structure
 - Project India as an attractive tourist destination

Slide 7: In order for us to achieve the 8 per cent annual growth target, we will have to increase our savings and investment rates significantly, but perhaps by not as much as we had initially estimated in the Approach Paper.

MACRO PARAMETERS FOR THE TENTH PLAN (2002-07)				
		IX Plan	X Plan	
		Actual	Approach Paper	Target
1	Domestic Savings Rate (% of GDPmp)	23.31	29.80	26.84
2	Current Account Deficit (% of GDPmp)	0.91	2.80	1.57
3	Investment Rate (% of GDPmp)	24.23	32.60	28.41
4	Incremental Capital Output Ratio (ICOR)	4.53	4.08	3.58
5	GDP Growth Rate (% per annum)	5.35	8.00	8.07

Subsequent analysis has revealed that there is substantial excess capacity in some of the sectors, 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. I should mention here that the ICOR was even lower during the Eighth Plan period, and increased in the Ninth due to lower capacity utilisation.

Slide 8: The first issue is how to raise the savings rate of the economy. As you may notice from the slide, private savings have grown more or less steadily since the early 1990s. However, public savings, i.e. the difference between total savings and private 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.

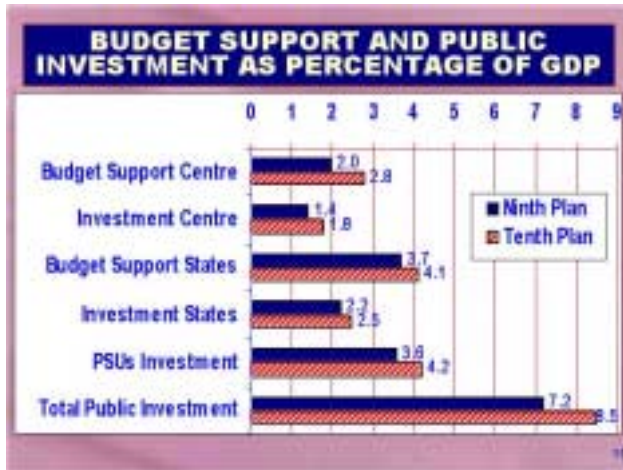


Slide 9: In order to generate sufficient public savings, it is necessary to bring about significant improvement in the revenue deficit of the government. Both the Centre and the States have to contribute to this process.

Slide 10: Realising the desired level of investment will require an increase in public investments in physical and social infrastructure. This is essential for encouraging a revival in private investment. It is also necessary to bring about better allocation of our resources and to improve the efficiency of investment and delivery of critical social services. Policy, procedural and institutional changes will be needed to increase private investments.

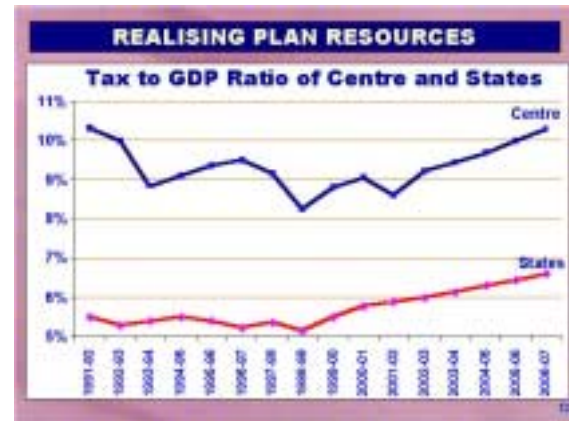


Slide 11: The success of the Plan, both in achieving its macroeconomic targets and meeting the desired improvements in social indicators, rests critically on the necessary resources being made available for financing Plan activities, including both public investment and current expenditures.



Slide 12: We are conscious of the fact that fiscal sustainability is essential, and Plan resources have to be tailored to what is possible. We have undertaken a fairly detailed analysis of public finances

on the basis of achievable parameters. The Centre's Tax-GDP ratio needs to be raised back to the level that it had attained in the early 1990s. The States too will need to augment their tax collections. It is necessary to point out that raising resources of this magnitude will not be easy unless all other measures needed to raise the growth rate are taken in the early years of the Plan.



Slide 13: The need to raise tax collections becomes even more compelling since our projections indicate that the non-tax revenue to GDP ratio of both the Centre and the States is likely to decline somewhat during the Tenth Plan period.

Slide 14: Raising revenues alone, however, will not be enough to reduce the revenue deficits sufficiently. Efforts will also have to be made to curtail the growth rate of non-Plan expenditures. This should be facilitated by the fact that the main impact of the implementation of the Fifth Pay Commission award is behind us. Our projections indicate that the ratio of government salaries and wages to GDP should decline steadily, provided that recruitments are held down to the minimum necessary.



Slide 15: The other large component of non-Plan revenue expenditure is interest payments. Here again our projections indicate that the interest payments to GDP ratio will show a declining trend even if the interest rates harden a little from their current levels. This trend is of course conditional on the fiscal deficits of the Centre and the States being maintained at the levels indicated in the Plan document.



- ### EFFICIENT FISCAL MANAGEMENT
- Widening the tax base and improving collections
 - Rationalising tax incentives/ concessions
 - An integrated Central and State VAT
 - Reduction of Government staff
 - Reduction in subsidies and administrative overheads
 - Increasing user charges

Slide 16: The steps needed for efficient fiscal management are fairly well known, and I will not dwell on them. I will only reiterate that the fiscal targets are achievable, but it will require collective commitment to the policies and their timely implementation. The expenditure control measures will require cooperation of all Central Ministries and State departments.

Slide 17: I have already referred to the need to stimulate investment activity in the country. We believe that at the present time, public investment in infrastructure will “crowd in” private investments. This will require strengthening of the institutional capacity to undertake public investment. We need to simplify the rules, regulations and procedures which unnecessarily hamper private investment activity in the country. 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.

- ### STIMULATING INVESTMENT
- Public investment necessary to stimulate private investment
 - Developing institutional capacity for public investment
 - Revamping the public works structures at Centre and States
 - Simplifying laws and procedures for investment
 - Reforming Development Financial Institutions for long term financing of small and medium enterprises
 - Additional annual FDI flows to reach US \$7.5 billion

- ### UNLEASHING ENTREPRENEURIAL ENERGY
- Eliminating inter-state & intra-state barriers to trade and commerce
 - Essential Commodities Act to be amended
 - Amending Agriculture Produce Marketing Act
 - Liberalising agri-trading, agri-industry and exports
 - Encouraging contract farming
 - Integration of various acts dealing with food into one 'Food Act'
 - Permit futures trading in all commodities
 - Removal of Government & Reserve Bank of India restrictions on financing of stocking and trading

Slide 18: 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 ham-strung by a plethora of controls which prevent our farmers from realising the full value of their efforts. We have brought considerable reforms in the industrial arena, but the agricultural sector continues to be governed by regulations which were framed during an era of shortages. This must change.

Slide 19: 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. Many of these are no doubt in the domain of the Centre, but the States would also have to cooperate fully in order to make them effective.

UNLEASHING ENTREPRENEURIAL ENERGY

- Repeal of SICA, introduction and strengthening of bankruptcy and foreclosure laws to facilitate transfer of assets
- Reform Labour Laws
- Policy reforms for village and small scale sectors
- Phased dereservation of small scale industries
- Early enactment of Electricity Bill, Coal Nationalisation Amendment Bill, and Communication Convergence Bill
- Abolish restrictions on private road transport passenger services and encourage private sector participation in road maintenance

Slide 20: In our opinion, the rural sector holds the key to our future growth efforts. It is the home to

INVIGORATING RURAL INDIA

- Growth mediated strategy with focus on basic services and direct anti-poverty programmes, and active involvement of the people
- Rural connectivity to all habitations of 500 or more population, by end of Tenth Plan
- Expanding area under irrigation primarily through minor irrigation and watershed management
- Priority for completion of ongoing irrigation projects and revival of old irrigation projects
- Regulating ground water use on sustainable basis

70% of our people and nearly 80% of our poor. Thus it offers the greatest potential for wide-spread development. 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.

Slide 21: There is also need to change our strategic and policy approach to agricultural development. In particular, 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.

INVIGORATING RURAL INDIA

- Rationalise irrigation charges and ensure community participation in maintenance
- Comprehensive Flood Management strategy especially for Eastern India
- Utilising waste and degraded lands
- Reforms for agro-forestry
- Improving credit flows & simplifying procedures
- Universalisation of Kisan Credit Cards

INVIGORATING RURAL INDIA

- Diversification of cropping systems and production of medicinal and aromatic plants
- Application of science & technology for improving agricultural productivity
- Adoption by States of key features of Multi-State Cooperative Act, 1984
- Integrated agriculture markets in private and cooperative sectors
- Complete coverage of all remaining 'not covered' and 'partially covered' habitations with potable water supply
- Promotion of proper hygiene and sanitation

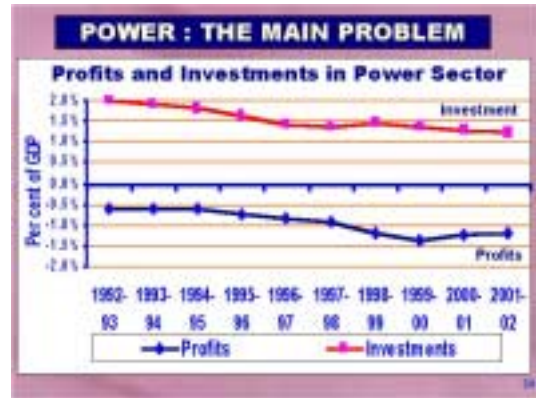
Slide 22: Technological interventions are essential to improve agricultural productivity and to widen the range of products. Institutional structures governing rural activities also need to be reformed and strengthened. We cannot expect improvement in the quality of life unless improved drinking water supply and proper hygiene and sanitation are provided in all our villages.

Slide 23: 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. Despite the fact that a lot of attention has been devoted to it, the status of this sector continues to cause concern. 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.

CREATING THE PRODUCTIVE BASE

- Capacity addition of 41,110 MW comprising 22,832 MW in Central sector and 11,157 MW in State sector and 7,121 MW in private sector
- Reduce gap between cost of supply and pricing of power
- Electrify 62,000 villages through grid extension, by end of Tenth Plan and 18,000 remote villages by end of Eleventh Plan, through renewable sources of energy
- Actively promote R&D on fast breeder reactor and thorium based technologies for nuclear power

Slide 24: 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. As can be seen from this slide, the increasing losses in the power sector are mirrored by the declining rate of investment.



- ### CREATING THE PRODUCTIVE BASE
- Railways to focus on provision of transport services – other peripheral activities to be out-sourced
 - Expansion of National Highway Development Programme and strengthening of State highways and district roads
 - Make Tariff Authority for Major Ports (TAMP) an appellate body and extend its jurisdiction to all ports
 - Early adoption of a Civil Aviation Policy & establishment of a regulatory framework for the sector

Slide 25: The various components of the transport sector also need policy changes to enable them to perform better. We should take note of the success of the National Highways Programme, not only in terms of what it has achieved but also the multiplier effects that it has had on the rest of the economy. This success can be replicated in other sectors as well.

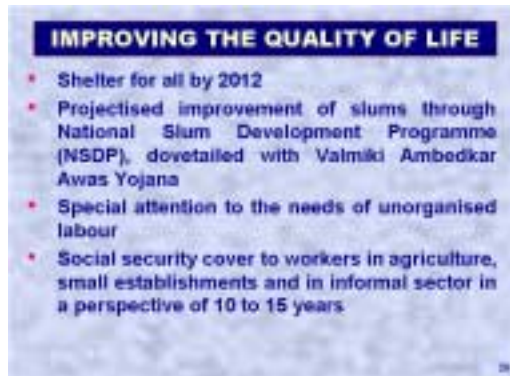
Slide 26: Construction is one of the most labour-intensive sectors, but has been ham-strung by excessive controls on land use and poor urban infrastructure. In order for the construction activity and urban development to gain momentum, significant changes in land use policies and municipal functioning will have to take place. The Tenth Plan proposes to intensify this process and the role of the States is crucial.

- ### CREATING THE PRODUCTIVE BASE
- Removal of urban land ceiling to ease supply of land, reform of rent control to promote housing stock, rational stamp duty rates etc.
 - Improvement of municipal resources (property taxes, user charges); access to financial markets for infrastructure schemes; restructuring of utilities for higher efficiency
 - Simplify and computerise registration of property transactions etc.

- ### IMPROVING THE QUALITY OF LIFE
- **Education for All** through Sarv Shiksha Abhiyan – total enrolment by 2003; universal retention and achievement (elementary) by 2010
 - Plan for strengthening secondary stream (9th to 12th)
 - Focus on vocational education to cater to increased numbers from elementary and secondary streams
 - Quality improvement of Technical education – IITs, RECs, other Engineering Colleges and Polytechnics
 - Greater autonomy to UGC and higher technical institutes like IIMs, IITs etc.

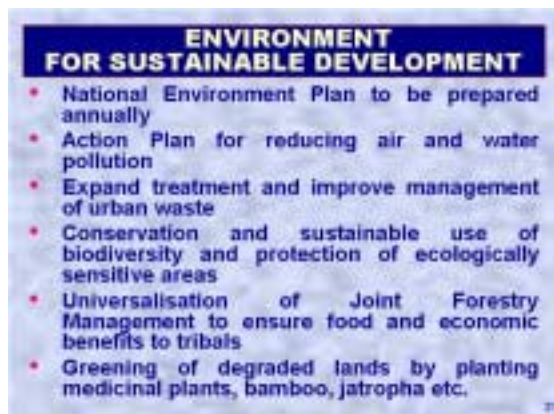
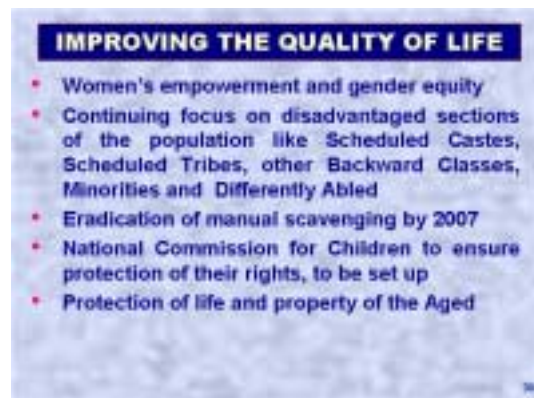
Slide 27: One of the most important decisions that has been taken is to provide universal elementary education. We must, however, bear in mind that the turn-out from elementary education would be looking for further training in order to access the job market. We must, therefore, begin the process of strengthening the secondary stream, and also our institutions of higher learning. Special focus must be laid on vocational education in order to ensure that there is consistency between the demand for and supply of skills.

Slide 28: 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.



Slide 29: Shelter is a basic necessity, and we must resolve to provide shelter to all by the end of the Eleventh Plan period. Housing apart, the living condition of our slum-dwellers also needs to be improved significantly. The majority of our people work in the unorganised sector with no social security or protection. We must devise measures which will reduce the risks and uncertainties faced by them.

Slide 30: There are a number of special groups in the country whose needs may not necessarily be met through the normal processes of growth and development. Attention has to be paid to meeting these needs and also empowering these groups to integrate more effectively into the development process.

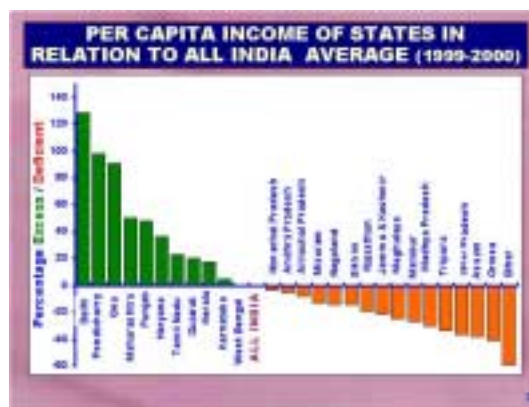


Slide 31: India has always been at the forefront of the movement to protect the environment and ensure sustainability of development. Despite this, there are a number of areas of concern. The Tenth Plan has specifically taken these into account while framing the development strategy.

Slide 32: The Tenth Plan explicitly takes into account the potentials and limitations of the different States of the country and proposes differential growth strategies for them. As I have already mentioned, not only do we have for the first time a separate volume on the States, a number of the other sections of the Plan also address State-related issues. We have also proposed a number of initiatives for reducing both inter-State and intra-State imbalances.



Slide 33: 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. The extent of income disparities that exists today becomes clear from this slide. There are parts of our country where the per capita incomes are more than double the national average, and others where it is nearly half.



Slide 34: The State-wise growth rates that are targeted in the Plan through consultations with State governments attempts to narrow the range in which these growth rates are distributed. Of course, there are States which have the potential to grow faster than others, and no limitation should be placed on their efforts. At the same time, however, greater focus has to be brought to bear on the relatively slow growing States and regions.

Slide 35: You may recall that in the Approach Paper we had estimated that an 8 per cent growth rate would lead to the poverty ratio dropping to 21 per cent by the end of the Plan. We now believe that it may be possible to bring it down to nearly 19 per cent with the regionally differentiated strategy proposed in the Plan. Nevertheless, there will still be a number of States where the incidence of poverty will continue to be high.

State/U.T.	2006-07
1 Bihar	43.18
2 Orissa	41.04
3 Sikkim	33.78
4 Assam	33.33
5 Tripura	31.88
6 Nagaland	31.86
7 Meghalaya	31.14
8 Manipur	30.52
9 Madhya Pradesh	29.52
10 Arunachal Pradesh	29.33
11 Uttar Pradesh	24.67
12 Mizoram	20.76
All-India	19.33

State/U.T.	2006-07
All-India	19.33
13 West Bengal	18.20
14 Maharashtra	16.19
15 Rajasthan	12.11
16 Andhra Pradesh	8.49
17 Karnataka	7.85
18 Pondicherry	7.72
19 Tamil Nadu	6.61
20 Andaman & Nicobar Island	5.82
21 Lakshadweep	4.99
22 Kerala	3.61
23 Himachal Pradesh	2.00
24 Haryana	2.00
25 Gujarat	2.00
26 Punjab	2.00
27 Chandigarh	2.00
28 Jammu & Kashmir	Not Available
29 Daman & Diu	Not Available
30 Goa	Not Available
31 Delhi	Not Available

Slide 36: Most of the other States, however, should be well on the way to eradicating poverty by the end of the Eleventh Plan period.

IMPROVING REGIONAL BALANCE

Other steps in this regard include :

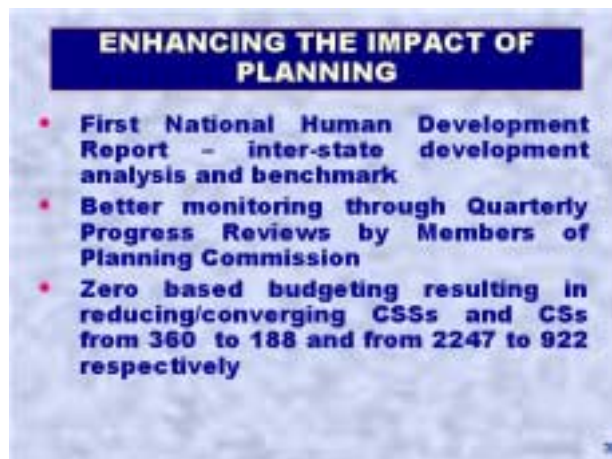
- Rashtriya Sam Vikas Yojana – Special Plans for (i) Most Backward districts (ii) Bihar (iii) KBK region of Orissa and a Reforms agenda
- Special focus on the North East
- On Farm Water Management for Eastern India

Slide 37: These estimates provide yet another compelling reason to bring about greater regional focus both in our strategy and to our anti-poverty programmes. The Tenth Plan proposes a number of steps for bringing about such focus on backward areas.



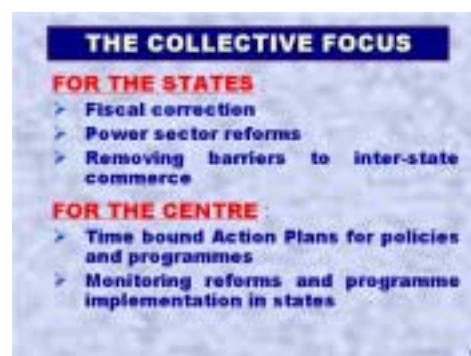
Slide 38: As I mentioned at the very start, reforms for improvement of efficiency lies at the heart of the Tenth Plan. In particular, we believe that the States need to be incentivised in order to carry out the requisite reform agenda, and several steps have been proposed in this direction.

Slide 39: We have also taken a number of initiatives which would introduce greater focus and rationality in our planning and implementation processes.



Slide 40: Finally, the most critical factor in achieving the objectives of the Plan is the quality of governance in the country. No matter how good the plans and programmes, it can all flounder on poor implementation. Bringing about transparency, accountability and efficiency in all our public institutions is the key to success.

Slide 41: Given the constraints of time, I have been able to give you only the key elements of the Plan document, which runs into about 1600 pages. As would be evident from my presentation, action has to be taken on a wide range of issues across a very large number of sectors. In the case of the States, the two most critical areas are fiscal correction and power sector reforms, without which the availability of resources would prove to be an insurmountable hurdle. In a situation when countries are coming together for creating a common economic space, restrictions on inter-State and intra-State trade have become anachronistic. We need to create conditions in which all citizens of our country can take advantage of the opportunities that become available. We urge upon the States to carefully review all laws, rules, regulations and procedures which retard the expression of individual entrepreneurial initiatives and to remove them as expeditiously as possible.



At the Centre, it is necessary for the various Ministries to prepare a detailed list of the actions that needs to be taken both in terms of policies and programmes, and to ensure that these are undertaken on a time bound basis. Since we are contemplating a considerably greater degree of engagement between the Centre and the States in the process of reforms, the Ministries will also have to institutionalise a consultation process with the States so that both implementation and monitoring of Plan programmes can be carried out in a spirit of cooperation.

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.

