



GOVERNMENT OF HIMACHAL PRADESH

SPEECH BY

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SPEECH OF SHRIVIRBHADRA SINGH. CHIEF
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Respected Prime Minister, Deputy Chairman Planning Commission and esteemed colleagues,

It is my privilege to participate in this meeting of the National Development Council which has been convened to discuss the Mid Term Appraisal of the Tenth Five Year Plan and other related issues. Convening of this meeting is of paramount importance in the context of the political changes that have taken place at the Centre and the adoption of the National Common Minimum Programme as the vehicle for development and governance of the country. It is also timely towards taking stock of the developments that have taken place vis-a-vis the original Tenth Plan aspirations and the ground realities of today. I sincerely hope that our deliberations today will seek to agree to the mid course corrections in the Tenth Plan approach, policies and the implementation strategies.

At the outset, I would like to place on record our appreciation for the mid term appraisal document prepared and circulated as the agenda for this meeting by the Planning Commission. It presents a holistic view of the economic and developmental scenario of the country and also of the path ahead. In the context of the State Governments, the appraisal takes into account the dispensation of the Twelfth Finance Commission and also indicates the areas of concern,, especially with reference to the finances of the State Governments. It has rightly pointed out that improving resources of the State Governments on a sustainable basis; providing incentives for developmental performance, fiscal prudence and accountability; and putting in place successful and flexible mechanisms for intergovernmental transfer remain the key issues not only in the context of the remaining period of the Tenth Plan but also for the Eleventh Plan. The appraisal, therefore, lays down the indications for the fiscal scenario of the States and the Union for the Eleventh Plan and we need to be cautious in our approach with regard to enhancing the merit of public expenditure towards attaining the larger objectives.

I would like to highlight the need for sustained central support to the State Plans in general, and for the special category States, in particular, keeping in view the fiscal stress in these States. In our federal structure, it will be necessary to enlarge the resource transfer from Centre to States by way of central assistance because larger responsibilities in the social sectors are enjoined upon the State Governments. However, the data in the mid term appraisal document indicates a decline in the level of central assistance from Rs. 3,00,265 crore as in the original tenth plan to Rs. 2,47,395 crore according to the mid term appraisal. This is a drastic reduction of Rs. 52,870 crore which implies about 18 per cent fall in the central support for the State Plans. This must be realized that such a reduction will lead to jeopardizing the overall tenth plan targets across all the States and would seriously impact the situation in the special category States. I would, therefore, suggest that there should be no reduction in the level of central assistance to States vis-a-vis the original tenth plan levels.

TFC RECOMMENDATIONS AND HIMACHAL PRADESH

The Twelfth Finance Commission has recommended the substitution of central loan financing by direct access of States to the market and alignment of central lending rates to the marginal cost of borrowing for the Centre. It has also recommended back to back transfer of external aid to the States, Both these recommendations have since been accepted by the Union Government and put into practice from the beginning of the current year. These steps are a move in the right direction as stated in the appraisal document because these will inevitably lead to enhanced accountability and promotion of greater responsibility on the part of the State Governments on the one hand, and also pass on the financial incentives tied to priority sectors to the implementing States, on the other. However, in the case of Special Category States in general, and in the case of Himachal Pradesh, in particular, the switchover from the 90 per cent grant 10 per cent loan dispensation for the external assistance to 100 per cent loan will lead to further deepening of the debt crisis. Keeping this in view, I would like to request reconsideration of this back to back transfer of external assistance in the case of Special Category States and restoration of the previous dispensation.

NEED FOR STRUCTURAL ADJUSTMENT FACILITY FOR HIMACHAL PRADESH

Here I would like to make a special mention, in the context of Himachal Pradesh, of the need for dealing with the cumulated debt burden through a structural adjustment facility because the debt relief scheme of the Twelfth Finance Commission will only lead to peripheral tinkering with the problem. The mid term appraisal document clearly recognizes Himachal Pradesh as one of the severely debt stressed States where interest payments pre-empt more than 41 per cent of the total revenue receipts and the debt burden is more than four times of the total revenue receipts. It is in this context that I have requested for fast tracking our proposal for an exposure to a multi-lateral donor for provision of a structural adjustment facility for dealing with debt on the one hand, and hastening the pace of reforms in key sectors, on the other. Hon. Prime Minister during his recent visit to Himachal Pradesh has announced that Himachal Pradesh will be supported with a structural adjustment loan to reduce its debt. I request that Hon. Finance Minister takes cognizance of this announcement and helps us move fast in this direction. I would like to assure that the Government of Himachal Pradesh will carry on with its commitment to the reforms agenda.

TENTH PLAN PERFORMANCE

I would now come to making a couple of quick comments on the performance of Himachal Pradesh during the first three years of the Tenth Plan. During the first three years of the plan, the State has achieved a utilization percentage of 99.71 against the revised approved outlays despite a difficult resource environment. Most of the physical targets of the Tenth Plan are in the realm of achievability and our performance on the social sectors will continue to be the core of our developmental strategy. The State economy has recorded an average growth rate of 6.9 per cent during the first three years in view of which it appears extremely difficult to reach the growth target of 8.9 per cent as envisaged for the Tenth Plan. Current indications point towards an average growth rate of about 7 per cent during the Tenth Plan.

PUBLIC PRIVATE PARTNERSHIP

In our budget proposals for 2005-06, we have proposed a very large role for public-private partnerships in a wide range of sectors and activities. These include core infrastructure, tourism, special economic zones, education, health, urban

infrastructure etc. I am happy to note that the mid term appraisal also lays great emphasis on public-private partnerships in several sectors like education, health basic infrastructure etc. While endorsing these suggestions in the appraisal document, I would like to request that in the context of promoting foreign direct investment in the States, appropriate mechanism for accelerated resources transfer may be put in place at the central level, specially for the States where the pace of plan utilization and the efficacy of resource use are perceived as efficient by the Planning Commission and the Ministry of Finance.

BHARAT NIRMAN

The Union Budget for 2005-06 has announced the initiation of "Bharat Nirman Project" towards giving rural India a new deal and also fully involving the Panchayati Raj Institutions in the planning and implementation of the elements of Bharat Nirman. I understand that all the ongoing central and State sector programmes will have to be redesigned to achieve the goals of Bharat Nirman. I would like to suggest that a comprehensive dialogue may be undertaken in finalizing the State by State priorities of this programme as also the financing needs because the costs of various components will vary from State to State and even within one State.

MERGER OF WAGE EMPLOYMENT PROGRAMMES

The appraisal document has rightly pointed out towards considering paying wages under SGRY and NFFWP only in cash and has correctly indicated that there may be a possibility of excess flow of food grains for the poor through the wage employment schemes and also the TPDS, Antyodaya Anna Yojna and other food based programmes. I would like to endorse this suggestion because quite frequently, the off take of the food grains has fallen short of the dispatches.

CENTRAL ASSISTANCE LINKAGE TO REFORMS

Under many programmes in sectors like power, transport, agriculture, forestry and urban infrastructure, the mid term appraisal document has rightly suggested linking the programme specific central assistance to adoption and implementation of the reform process. There can be no two opinions about adopting this approach given the difficult resource environment of public finances across the federal system. Linked to this is the question of restructuring the centrally sponsored schemes which has become overdue. Committees of NDC have been appointed in the past to

rationalize and restructure the centrally sponsored schemes but their recommendations have not reached finality. It is strongly felt that given the present political structure of our federation, there is a need to reduce the central transfers through the mode of centrally sponsored schemes to a few select activities or areas of national concern and importance. The plea, if accepted and implemented, would lead to enlarging the flow of untied resources to the States and affords them a greater opportunity for expression and implementation of local priorities.

INCENTIVES TO INDUSTRY IN HIMACHAL PRADESH

On the question of incentives for industry to Uttaranchal and Himachal Pradesh, the mid term appraisal document has mentioned that these States are not as disadvantaged geographically as Jammu and Kashmir and the North Eastern States. It has also been mentioned that the schemes was not calibrated adequately and has adversely affected the industrial climate of the more advanced adjoining States. The document has stated that it is necessary to take corrective steps with regard to extension of incentives to these two States. Here I would like to strongly oppose this statement. The reasons are too many. In the first place the geographic disability of Himachal Pradesh needs to be understood. It has among the lowest rail density in the country with the exception of North East. In terms of air connectivity, it is far disadvantageously placed even as compared to the North East. Industrialisation in Himachal Pradesh has largely suffered on these counts. Manufacturing hardly constitutes about 13 per cent of the gross State domestic product and needs to be pushed up substantially if the problem of educated unemployment in Himachal Pradesh is to be dealt with. Due to massive strides in the field of education, the proportion of educated unemployed has grown at a very fast rate and needs immediate addressing. Therefore, by denying Himachal Pradesh the same set of incentives as are available to Jammu and Kashmir, our immediate neighbour, we are being discriminated against. In the past, the gain of industrially advanced States in our neighbourhood has been at the cost of slower development in the State. Also by denying Himachal Pradesh its legitimate share in the BBMB projects, the power supply to these advanced States has helped them grow faster industrially as well as in the farm sector. Seeking incentives for promoting industrial growth in Himachal Pradesh should be viewed as seeking greater equity in our federal structure. I, therefore, request that the industrial incentives available to Jammu and Kashmir and North Eastern States should, mutatis mutandis, continue to

apply to Himachal Pradesh as well.

I would now take the opportunity of raising some specific issues relating to the development of Himachal Pradesh.

NEED FOR STRENGTHENING RAILWAY INFRASTRUCTURE

Himachal Pradesh is one of those States in the country which has been left out in the matter of development of railway infrastructure. Since independence, a total of about 27 kilometres of broad gauge railway line has been laid in the State. This forms about 35% of the length of Nangal-Talwara rail link, the foundation stone of which was laid in the early eighties. It is necessary that this project is accorded the highest priority and completed within the next two years. The provision for this project in the current year has been reduced to a token level which will certainly impede the pace which was gathered in the last three four years. We had requested Hon. Prime Minister to intervene with the Ministry of Railways to ensure completion of this project by the end of March, 2007 so that the people of the area benefit from the passenger and goods movement services in the lower areas of the State. Prime Minister has announced the completion of this project by 2008 and I request the Minister of Railways to make adequate provision for this project.

Due to the acceleration in the pace of industrialisation in the Parwanoo-Nalagarh-Baddi-Barotiwala belt resulting from the package of industrial concessions given by the Government of India, the possibility of an economically viable railway link from Chandigarh to Baddi-Barotiwala area has become a proposal worth consideration. On our insistence, the Railway Ministry has included the survey of this section in the current year's rail budget. It is necessary to put this project on a fast track consideration so that by the time new industrial units come into production, this railway line is in place. The provisional assessment is that it would be a small project with no engineering difficulties and it should be possible to complete this project in a space of two to three years.

Collaborative funding of Bhanupalli-Bilaspur-Beri railway line has been under consideration between the Ministry of Railways, Government of Himachal Pradesh and the private sector companies located in Himachal Pradesh. Initially, it was proposed to be constructed on the Konkan Railway pattern on a debt equity funding but subsequently the Ministry of Railways indicated that it should be constructed on

a cost sharing basis. The Ministry of Railways agreed to fund 25% of the cost subject to a maximum of Rs. 300 crore - based on a cost estimate including I DC amounting to Rs. 1200 crore. Thereafter a detailed economic feasibility study of the project was got done by the RITES. The project is sound on techno-economic considerations and presently a comprehensive financial appraisal of the project is in hand, Given the severe financial stress being faced by the State Government, it appears difficult to organize resources in the region of about Rs. 600 crore even after presuming a possible Rs. 300 crore input from the private and public sector companies. Since Himachal Pradesh has not been given a fair deal in the post- independence era in terms of expansion of railway infrastructure, keeping in view the considerations of equity and justice, the Union Government should fund this project in full. The project will take a 5-6 year completion period and given this spread finding resources for full funding of the project by the Ministry of Railways should not be difficult. I request to give this railway line the highest priority of the Union Government and start the implementation at the earliest.

GENERATION TAX ON HYDRO-ELECTRICITY

It may kindly be recalled that as a result of worsening of the financial position of the Special Category States after the implementation of the award of the Ninth Finance Commission, the Special Category States represented to the Government of India for a remedy. The Government of India appointed Rangarajan Committee to go into the financial problems of the Special Category States and suggest a durable solution. In detailed examination of the whole case and the suggestions which emerged from the examination, Committee came to this conclusion that the Special Category States must be equipped with such resource raising potential which is perennial in nature. One of the suggestions given by the Committee related to imposition of generation tax on hydro electricity. This suggestion was extremely relevant in the context of Himachal Pradesh given the enormous generation capacity already installed by various Central and State utilities and possibilities of exploitation of the huge hydro electric potential in future.

Based on this suggestion, the State Government firmed up a proposal for levy of generation tax on electricity generated by any utility within Himachal Pradesh. The proposal was debated in and passed by the State legislature and finally sent to Government of India for their concurrence. It was never cleared by the Central Government. Instead, the Government of India took a view to impose this levy at

their own level and the proceeds were proposed to be shared between the Centre and the States towards power development. This proposal of the Government of India could not reach finality due to differences of opinion on sharing the proceeds.

Levy of a nominal tax on generation of electricity in Himachal Pradesh at current levels of generation could give a huge accrual to the State Government. The revenue accrual at a nominal levy of ten paise per unit comes to about Rs. 250 crore at current level of generation. The revenues from this source will continue to rise in future as more and more capacity gets installed.

Since Himachal Pradesh does not have the potential of raising more revenues by conventional taxation like sales tax and excise duties due to constraints of narrow tax base and inelastic tax rates, it is all the more necessary that it is given an expeditious access to imposition of generation tax on hydro electricity. This would open up a massive and dynamic resource raising potential and ease the fiscal stress to a significant extent. Although the Union Power Ministry has taken an adverse view on this important matter, yet I request Hon. Prime Minister to have it reconsidered for a quick decision which will go a long way in improving the financial situation of the Government of Himachal Pradesh.

LEGAL SHARE IN BBMB PROJECTS

Hon'ble Prime Minister is aware of the fact that the State of Himachal Pradesh has been denied its lawful share in the hydro electric projects of BBMB system in accordance with the requirements of the Punjab Reorganization Act, 1966.

At the time of reorganization of the erstwhile State of Punjab, Himachal Pradesh was a union territory and the Government of India was the custodian of its rights. Such a protection was not given to Himachal Pradesh and its share in the BBMB projects was determined on an ad-hoc basis in the projects commissioned at that time. Instead of the lawful share of 7.19%, it was granted an ad-hoc 2.5% share in Bhakra Nangal system. Subsequently when the Beas Satluj link project came up, the State was given an ad-hoc share of 15 Mega Watt out of the new generation capacity of 990 Mega Watt. Pong dam was commissioned subsequently and out of the generation capacity created there, nothing was given to Himachal Pradesh.

Apart from a raw deal in the matter of allocation of hydro power share in the above projects, the problems relating to rehabilitation of the displaced population and

re-establishment of the critical infrastructure destroyed in the process of setting up the projects have continued to exist even nearly 45 years after the commissioning of the projects.

Despite best efforts of the State Government with the Government of India, no headway could be made for an amicable resolution of these problems. At last, the State was left with no option but to seek a legal remedy and accordingly filed a writ petition in the Supreme Court in mid nineties. The matter is under consideration with the apex court and it may linger on. In the meantime, the arrears on account of past dues are accumulating.

Although the case is at an advanced stage for being heard, yet I would like to request the Prime Minister for an early resolution, even out of court, in a manner that the current dues on this account start getting paid to us and the payment of arrears is spread over a reasonable time in the future. If the beneficiary States are not in a position to bear the burden, the Union Government may forge a medium term package to deal with this problem. The Central Government may consider appointing an arbitrator to deal with the issue on these lines to dispose it in a time bound manner so that the grave injustice done to Himachal Pradesh is set right at the earliest.

This request is being made to ensure that the cordiality in inter-State relations as also the relations of the State Government with the Union Government is enhanced to strengthen the federal structure in accordance with the avowed objectives of the National Common Minimum Programme of the UPA Government at the centre.

COMPENSATION FOR BAN ON GREEN COMMERCIAL FELLING OF FORESTS

It may be recalled that the Government of Himachal Pradesh imposed a ban on the green commercial felling way back in 1984 with the primary objective of preserving the fragile ecology of Himalayas and ensure a stable water regime to the downstream States. This ban was also directed that reducing the frequency and intensity of floods and erosion in the States of Punjab, Haryana, U.P. Delhi etc. As a result of this ban, The State of Himachal Pradesh decided to forgo the biggest traditional source of non tax revenue. Over time, since the imposition of the ban, Himachal Pradesh is estimated to have lost over Rs. 2000 crore of revenues which

could have been mobilized by silvicultural harvesting of the forests.

We have made a strong plea at all important forums at the national level that the State of Himachal Pradesh must be compensated by the Government of India against the above mentioned revenue loss in overall national interest.

Our requests have so far remained unheard. As a result of deepening of the fiscal crisis in Himachal Pradesh over the last few years, the need for such compensation has become more pronounced. Himachal Pradesh today has a standing volume of forests which has an estimated value of over Rs. 1,00,000 crore. If one were to exploit this ready source available at hand for meeting the developmental needs of the State, even according to the working plan prescriptions, the annual revenue would be in excess of Rs. 250 crore. The Government of Himachal Pradesh is still of this firm conviction that we should not start exploitation of forest wealth even according to the scientifically sound prescription of the working plans in the overall national interest. For ensuring this, it is necessary that the Government of India evolves a sound mechanism to compensate the Government of Himachal Pradesh for the revenue loss. The annual compensation should at least be Rs. 250 crore for the direct revenue loss to the State. In fact, the reasonable compensation would be a much larger amount if the principles of green accounting were taken cognizance of.

We had great hopes from the Twelfth Finance Commission on this issue. The Commission has dealt with the question of maintenance of forests across the States. For some of the northeastern States, the Commission's analysis and prescriptions are pretty close to the ground realities but in our case, it has ended up in a tokenism. Since we are talking of a national conservation ideology, we deserve to be fully compensated for the costs of afforestation as also protection and conservation.

Our plea for compensation gains further strength from the commitment of the Union Government to implement the Kyoto Protocol. The detailed mechanisms for implementing the elements of Kyoto Protocol would take time and, therefore, in the immediate context, Himachal Pradesh deserves to be fully compensated for the loss of revenue.

STRENGTHENING OF CIVIL AVIATION INFRASTRUCTURE

Himachal Pradesh is the only State in the country whose capital city is not on

substantive air connectivity. Himachal Pradesh has three small air strips at Jubbar Hatti near Shimla, Bhuntar near Kullu and Gaggal near Kangra which receive infrequent flights of Indian airlines or private operators at the mercy of weather. These air strips can not take medium or large size aircrafts which can bring volumes of upper end tourist traffic into the State. Proposal for upgradation of Bhuntar airport near Kullu, Gaggal airport near Kangra and the Jubbar Hatti airport near Shimla have been under consideration of the Government of India. These, however, have not been able to get appropriate financing from the Central Government. Since civil aviation is largely a central responsibility, I would like to request for making appropriate provision for expansion of the three airports in the State.

Hon'ble Prime Minister has desired views or reactions on some specific issues from the State Governments which are inextricably linked to the process of mid term appraisal and also towards laying down the policy framework on these issues for future. The views of the Government of Himachal Pradesh on these issues are given in the succeeding paragraphs.

AGRICULTURAL DIVERSIFICATION

It is a recognized fact that the unit productivity of land and labour engaged in farm sector is severely constrained with the exception of a few pockets in the country. Raising the contribution of farm sector to the overall output and enhancing the incomes of people engaged in agriculture can only be realized if diversification of the agricultural economy is planned and made to proceed in the direction of raising the per capita output.

Like the rest of the country, the farm sector has a preponderance of the small and marginal holdings which account for about 85 per cent of the total holdings but account for only 47 per cent of the total area of the operational holdings. However, this constraint operates more adversely in the case of Himachal Pradesh than in the plains due to difficulties of topography and climate on the one hand, and limitations of irrigable area, on the other. However, Himachal Pradesh has a niche advantage in growing a large variety of fruits and vegetables which also can achieve the ends of raising the incomes of the farmers. This fact has been internalized in our developmental philosophy from the very beginning due to which Himachal Pradesh can boast of a strong diversified farm economy. Over the years, the area under fruit cultivation has grown from less than one thousand hectares in 1950 to about 2.30

lakh hectares now. Over the last 15 years, the cultivation of vegetables, off season vegetables and vegetable seeds has been growing at a rapid pace and Himachal Pradesh now has about 35000 hectares of area under vegetable cultivation. We now produce about 15 lakh tonnes of food grains, about 10 lakh tonnes of vegetables and about 6 lakh tonnes of fruit.

The State Government has been pursuing policies to promote diversification of agriculture. Wherever new assured irrigation facilities are coming up, the farmers are being encouraged to effect cropping pattern shifts for vegetable cultivation. We, however, realize that our horticulture sector suffers from low productivity. The State Government is taking appropriate steps for introduction of new root stocks and high yielding cultivars to tackle this problem and would need a much larger support through the national horticulture technology mission. The mid term appraisal document has rightly focused attention on this aspect and underlined the need for a supportive policy frame work specially with reference to post harvest handling, marketing and downstream processing support. The other area of concern which is extremely relevant to promoting farm diversification is the linking of production centres with the markets and consumption centres. In this regard, Himachal Pradesh has leveraged the construction of rural roads through RIDF facility of NABARD and PMGSY towards meeting this critical link.

We have also analysed our strength for cultivation of maize and we undertook switching to high performing hybrids about three years ago by raising the coverage from about 35 per cent to about 60 per cent over a five year period. As a result of this strategy shifts, it is expected that the incremental output of maize by the end of 2006-07 would be of the order of about 1.55 lakh tonnes.

In a medium term scenario we understand that our food grain output may stabilize at about 17 lakh tonnes whereas the fruit output would reach about 7 lakh tonnes. The silver lining of our diversification experience will be the vegetable cultivation where by the end of the Tenth Plan, we could reach a production level of about 10.80 lakh tonnes.

IRRIGATION

Of the net area sown of 5.83 lakh hectares, according to the comprehensive potential survey, the ultimate irrigation potential has been estimated at 3.35 lakh

hectares. The culturable command area created so far is about 2.20 lakh hectares. The remaining potential of about 1.15 lakh hectares is disadvantageously located in terms of cost considerations initially due to high lifts and subsequently due to high costs of operation and maintenance.

The other challenge which looms large on the irrigation horizon is the abysmally low level of capacity utilization of the created potential. The Tenth Plan mid term appraisal document has rightly focused on this critical aspect without which incremental outputs in farm sector can not be realized. The key areas on which we should focus our attention to enhance the capacity utilization should include fast tracking the formation of water users' associations, handing over the O & M of irrigation assets to the users' bodies and rationalisation of water rates in all medium and major irrigation projects to recover the O & M costs in full. The element of latent subsidization of irrigation assets could be as high as 90 to 95 per cent of the O & M costs alone, leave aside a nominal recovery or sharing of capital costs by the beneficiaries. It is also necessary to set up the regulatory mechanisms for pricing of irrigation water. The Government of Himachal Pradesh is presently considering setting up a regulator which will look at regulation and pricing of irrigation along with activities like drinking water, sewerage, etc. Since this is a new area which could cover sectors like health, secondary and higher education and even veterinary services, the government of India could probably develop a draft model legislation to enable the State Governments to modulate the same to the local conditions and priority areas.

AGRICULTURAL EXTENSION CREDIT AND DELIVERY SYSTEM OF INPUTS

In these issues, it is strongly felt that the department of agriculture and their extension support should be completely de-linked from the burden of organisation and supply of inputs. It has been observed that rapid transition to diversified farming has been constrained due to poor provision of extension services. With regard to the delivery system of inputs, these should be left to the cooperatives, Panchayati Raj Institutions, self helps groups and farmers groups. The government as a regulator should promote the private sector for production and supply of inputs. In regard to credit, the policy of "doubling credit to agriculture" in a space of three years appears to be on course as is evidenced by the data for the first year. The well known problems of credit which include the commercial banks' inclination to avoid high cost of intermediation in retailing rural credit and to prefer collateral based lending due to

the fear of high level of NPAs, poor recovery rate and generally perceived high risk associated with farm lending. These need to be addressed expeditiously to free the flow of credit to agriculture sector. One of the possibilities of supporting this need is the whole question of revival of cooperative credit institutions as also the cooperatives at large. I would not hesitate in saying that the cooperatives have been given resuscitation dosages several times over and cross country experience points to the experiments not really succeeding. We should, therefore, tread carefully in this direction.

There is another area of concern which has and will remain a formidable constraint in the provision of credit for accelerating the growth and diversification of farm, economy. It relates to undesirable competitive populism in terms of the State Governments looking forward to loan waivers of the outstanding overdues. Competitive populism in the sectors of power and water leading to waivers on the outstanding dues also ultimately acts as a severe impediment for improvement and growth. Time is ripe to collectively agree not to indulge in such populism which in more ways than one leads to destroying the financial systems and hinders growth. Populism has to be substituted with cooperation and community participation as against the policy of appeasement which is the root cause of populism. Community participation is achievable by involving local Government institutions and the voluntary sector.

Other than the conventional methods for provision of extension services, the position of advantage in terms of continuously improving tele-density in the country should be capitalized on to intensify the extension work. The lab - land linkages of the yesteryears need to be redefined by appropriate interfacing of the telecom between the two.

TEACHING QUALITY AND TEACHER ABSENTEEISM IN PRIMARY EDUCATION

Himachal Pradesh is probably among the first States in the country to have made primary education compulsory. The required legislation was passed nearly 7 years ago. The State Government also simultaneously ensured that the access to primary schools within prescribed distance was available to the children and the schools also had appropriate infrastructure. The State has achieved universal enrolment in the primary classes and is well on course to achieve Universalisation of the elementary education. In terms of quality improvement, the State Government

has ensured that the teacher pupil ratio is maintained at the most optimum normative levels and for that end, para teachers have also been appointed wherever necessary.

In the context of Himachal Pradesh, the problems of teaching quality and teacher absenteeism in primary education are not the areas of concern at large, yet in the context of overall policy framework, these can be best dealt with by transferring the responsibility of primary education to the Panchayati Raj Institutions. Across the country, there has been an inhibition in transferring activities to PRIs along with funds and functionaries for a variety of reasons or considerations. I strongly feel that the responsibility of primary education should be entirely devolved to the Panchayati Raj Institutions immediately if we have to make a success of Universalisation of primary education, improving the teaching quality and eliminating the teacher absenteeism.

INVOLVEMENT OF PRIVATE SECTOR IN SECONDARY EDUCATION

The mid term appraisal document has rightly emphasized the need for roping in the private sector in intensifying the availability of secondary education as also for quality improvement. Country-wide, the requirement of resources for Universalisation of elementary education is of a tall order and it will crowd out the resource availability for secondary education. Other than the question of resources, in States like Himachal Pradesh, we are going to be faced with the question of numbers in terms of students reaching the secondary level of education as we gradually head for Universalisation of elementary education. Despite the concern and commitment of the State Government to enable out-turn of elementary education to go through the high and senior secondary levels; it will be an almost impossible task to provide the requisite schooling facilities only by the government. In view of this, it is imperative that the private sector is taken on board for provision of secondary education facilities.

At the country level, only 42 per cent of the secondary schools are in public sector and remaining 58 per cent in the private sector. The position in case of Himachal Pradesh and similarly situated mountain States is vastly different as an overwhelming majority of the schools are in government sector alone. In case the future expansion of schools is to be promoted in the private sector or in a public-private partnership mode, it will be extremely necessary to frame such policies of

land, taxation and concessional loan arrangements which lead to promote the participation of private sector. However, it would be necessary to sound a word of caution that provision of secondary education by private sector should not be allowed to become exploitative. Towards ensuring this, the State Governments will have to act as benevolent regulators or facilitative larger role to the private sector and also for ensuring appropriate quality.

With regard to the suggestions of a mission for secondary education on the lines of Sarva Shiksha Abhiyan, it is felt that uniform approaches for provision of secondary education for the entire country could lead to problems. Experiments with vocationalisation of secondary education have not had a measure of success as was envisaged. In my opinion, the situational hiatus between vocational training in the secondary schools and the vocational and craftsmen training in the Industrial Training Institutes has been the main reason for its failure. If we have to make a success of the vocationalisation effort, we would be required to pursue identical curricula in both cases which are duly recognised by the National Council for Vocational Training. It may be more appropriate to delink the secondary education, specially at the plus two level from vocational effort in the secondary education and promote entry of children into the Industrial Training Institutes for which there would be a need to expand this infrastructure in parallel with the expansion of secondary schools.

IMPLEMENTATION OF NATIONAL RURAL HEALTH MISSION

The mid term appraisal document has very rightly emphasized that the last two years of the Tenth Five Year Plan should be utilized to integrate a wide range of sector specific and governance specific initiatives into the implementation process of the National Rural Health Mission towards gaining valuable experience for a wider and more cogent implementation of the Mission. I would like to endorse this approach completely and would like to emphasize two aspects of this strategy. The first one is setting up autonomous Rogi Kalyan Samitis at all levels of health institutions toward promoting the ownership of the stakeholders. There are several success stories telling us that this arrangement has led to an appreciable improvement in the quality of services. The other one is the question of transferring the supervision and over sight of the entire primary health care infrastructure to the institutions of local government. This will certainly lead to enhancing the effectiveness of health care delivery and the accountability of the health care

professionals at various levels. There is another critical issue on which a national consensus is required for ensuring a success of the National Rural Health Mission. This relates to making service by doctors in the rural areas mandatory across the country for a minimum period of five years. Not only this, a five years service should be made a necessary condition for admission to post graduate programmes and specialization. Extremely punitive measures for ensuring a minimum of five years service need to be agreed to and implemented across the States. Without such arrangements, even if one may muster resources for creation of hardware infrastructure, the question of delivery of quality health care at the primary health care level will remain unaddressed.

EMPOWERMENT OF PANCHAYATS

If one were to look at the primary impediment that has hindered the transfer of funds, functions and functionaries to the local government institutions by the State Governments, one would quickly conclude that the local government institutions are perceived to be possessing grossly inadequate capacity and expertise to handle such a burden. However, other than this, there exists a very strong tendency at all levels of evolution to centralize and hold back. This also has significantly contributed to effectively delay the event of transfer of power to the third level of governance namely the PRIs and the Urban Local Governments.

As regards the impediment of capacity, this could be tackled by training the elected representatives and their exposure to the success stories. However, this will not be enough. Structural changes are necessary in the legislation to ensure stability and continuity. In that direction, instead of rotating the reservation of PRIs/ULBs every five years, it may be appropriate to freeze reservation on the same lines as applies to the Parliament or the State Legislatures. This would certainly enhance the element of accountability by enhancing the incumbency. Such a provision may be necessary to be brought about in the Constitution of India itself.

Coming to the impediment of the tendency to centralize or holding back, this will also not be possible to be tackled if left to the States. The provision in the Constitution of leaving the discretion to transfer activities to the State Governments needs to be amended to provide for mandatory transfer of the activities which should legitimately be taken care of by the local government institutions. I am pointing to creation of a list of sub State level responsibilities to be assigned to the local

government institutions on the same lines as the Union list or the State list. In that direction, the list of items in the Panchayati Raj Act under Schedule — 11 needs to be carefully gone into to redraw the same keeping in view the capacity constraints.

SECURITY OF TENURE TO CIVIL SERVANTS

There can be no two opinions about ensuring a reasonable security of tenure to civil servants. It is only in such an environment that accountability can be enforced. Presently, there is no mechanism to ensure the security of tenure to the civil servants. However, if all the States agree, a mechanism in the form and structure of a Civil Services Board could be conceived at the State level which could become the watchdog for security of tenure and also making appropriate recommendations to the State Governments for placements as well.

Almost all the countries in the region have gone through the process of wide ranging Civil Services Reform. Such a reform is overdue in our context if the economic reforms have to be accelerated and benefits made to reach the target groups. The UFA government at the Centre has initiated the process of Civil Services Reform and it is felt that these should be implemented to their logical conclusion at the earliest.

PUBLIC PRIVATE PARTENERSHIPS IN STATES TO FUND INVESTMENT IN INFRASTRUCTURE

It is widely recognized that the public sector funding of infrastructure is falling short of the requirements due to a variety of reasons like high level of revenue expenditure on salaries, wages, interest payments, pensions etc. As these rise, the availability of capital outlay is getting crowded out in the public sector. Therefore the need for bringing in larger private investments in building the core infrastructure is being realized across the system. We must also understand that a private investor would not come to invest in a State or in a venture for reasons of philanthropy but for getting a reasonable return on his investments. Towards ensuring these "reasonable" returns to the investor, the State Governments would be require to put in place appropriate mechanisms for the cost recovery. An effort of this kind will not succeed if one goes by the present experience. Therefore, a consensus may be necessary for a minimum level of cost recovery in different kinds of infrastructure. Alternatively, it may be appropriate to set up regulators in various fields of

infrastructure to ensure a desirable level of cost recovery to attract private investment. This could also be done by introducing the systems of viability gap funding or concessions to improve the financial viability of the investment in infrastructure. The other concomitants to promote private sector investment in infrastructure would include proactive political set up and bureaucracy to make it happen and making the interface of private investor with the government a smooth and pleasant affair with the objective of enhancing the larger public good.

REFORMS IN STATE ELECTRICITY BOARDS

The average India today pays three times the cost of power than does his Western counterpart. The ultimate aim of any reform process in power sector should be to reduce the cost of power to the consumer. Looking to BBMB and various hydro-electric projects and their output costs today, there is need to invest far larger amounts into hydro-electricity by the Union Government, as also the States.

The Reforms Prescription of the Electricity Bill 2003 concerns itself with a corporatization model. We seek to break down the SEB structure into corporates, which have the same culture and suffer the same constraints as SEB's. Thus, the marginal reform process of the 2003 Electricity Bill is not an optimal solution for the sector, especially as privatization, seen as the end point for the reforms, is contentious as the many underlying structures and institutions are not in place and the reforms fail to bring about a solution to the question of who best should bear the losses and risks in the system.

One hurdle to the reforms process has been that the Government has often not given up the ownership stake. Corporatization has led to some changes in people's mindset, but these still very much time to be the Government entities. Electricity is still thought of in terms of a social function, and thus, the responsibility of the Government. Similarly, there is an implicit calculation that prefers domestic fuels to imported fuels, citing energy security and self-reliance.

As reforms were announced, there were often strikes by utility employees against such moves; the compromise reached was often to guarantee job security for the employees, something that extends even beyond corporatization or privatization. When BSES took over 2 of Delhi's distribution circles in 2002, it acquired 1.6 million customers and 13,000 employees. In comparison, in Mumbai,

where there were private operators from the start, they have 2.2 million customers and about 4,500 employees. Such deals hamper the benefits of privatization, as they limit not only efficiency and productivity of growth, they also reduce the ability of the distribution companies to innovate, introduce new technology and bring in a new work culture.

RURAL CONNECTIVITY UNDER BHARAT NIRMAN

It is mentioned that all villages with a population of one thousand or more are to be linked by roads by 2009 under Bharat Nirman and managerial and technical capacity for this would need to be built up. We understand that rural connectivity component of Bharat Nirman will be a successor of the present PMGSY. The coverage norms for mountain States or hilly areas under the new programme should flow from the PMGSY norms. In our case, the threshold for coverage should be a population of 250 and not one thousand.

As to the question of managerial and technical capacity of the State Public Works Department, the experience gained in the course of implementation of PMGSY and the rural roads component of RIDF funding by NABARD should be capitalized on to achieve the ends. The government departments have to take care of technical specifications and quality of implementation which should not be a problem. Towards overcoming the identified constraints for ensuring success of implementation of PMGSY, involvement of the local government institutions in maintenance and building stakes in ownership would be the necessary prerequisite.

IMPLEMENTATION OF NATIONAL FOOD FOR WORK PROGRAMME (N.F.F.W.P) AND NATIONAL RURAL EMPLOYMENT GURANTEE ACT

The National Food for Work Programme was introduced on 14.11.2004 in 150 identified backward districts in the country. This is a wage employment programme on the age old philosophy of provision of minimum level of employment and incomes to the poor and create durable infrastructure to enhance productivity in future besides discouraging migration and provision of access to health, education and welfare services to the poor. The Nation Rural Employment Guarantee Act envisages implementation to be initiated in these very 150 districts.

In order to make a success of the Rural Employment Guarantee Programme, it is necessary that its implementation begins uniformly all over the country.

Secondly, it will be necessary to merge all the wage employment programmes into a singular programme to support implementation of the Act. Lastly, the question of payment of wages only in cash deserves serious consideration in view of the fact that a sizeable flow of food grains is available to the poor through specific schemes like TPDS and Antyodaya Anna Yojna etc. These three parametric considerations need to be factored for making a success of the employment programme. In addition to these, since it is a national programme, its entire funding should be the responsibility of the Union Government.

STATE FINANCES AND RESOURCES

We are aware of the fact that Himachal Pradesh is one of the most debt stressed States and the revenue expenditure matrix presents a stark reality indicating that the revenue expenditures drastically outstrip the revenue receipts. Growth in revenue expenditure has led to completely crowd out the capital investment on the one hand, and the quality of revenue expenditure for provision of services to people has deteriorated drastically because the mounting salary expenditures have preempted over 90 per cent of the revenue expenditure, on the other.

We realize that we need to embark upon a serious fiscal correction and governance reforms programme to remedy the situation. It is in this context that the leeway afforded to us by the dispensation of the Twelfth Finance Commission has been leveraged by us for drastically reducing the fresh debt burden. We have also undertaken the debt swap programme and utilized it to the full extent as a result of which our interest liabilities have come down by about Rs. 150 crore annually. Our budget proposals for 2005-06 clearly outline the fiscal correction path we intend to undertake in all areas of possibilities. These include resource raising, expenditure containment, PSU reforms, measures for enhancing expenditure efficiency etc.

Since the management of cumulative debt burden is beyond our means, we have requested for a structural adjustment facility to retire the debt on the one hand, and to vigorously pursue structural fiscal and governance reforms in key sectors, on the other.

Lastly, I would like to strongly underline the need for strengthening the concept of inter-dependence of the States in a region towards replacing the present

trends of competition. The strengths of each State need to be capitalized on towards ensuring harmony in relationship between the States. The existing forums for regional cooperation like the zonal councils need to be developed into more proactive bodies and their role enlarged to achieve this end,

With these words, I would like to thank Hon. Prime Minister and the Planning Commission for giving me this opportunity of placing my views before this august council. I hope that the suggestions given by me will receive positive consideration and quick response from the Government of India towards hastening the pace of development in Himaehal Pradesh.

JAI HIND.