

Opening Remarks of the Prime Minister
51st meeting of the National Development Council
(June 27, 2005)

Honourable Chief Ministers and Cabinet Colleagues,
Ministers of the Union and State Governments,
Distinguished Delegates,
Ladies and Gentlemen,

I am extremely happy to welcome you all to this 51st meeting of the National Development Council, which is also the first meeting since our Government took office. The NDC is a unique body, established specially to consider and take decisions on important development issues. It is an affirmation of the democratic and federal ideals that are enshrined in our Constitution and polity.

We are meeting here to consider the Mid Term Appraisal of the Tenth Plan which is normally undertaken half way through the Plan period. In this case, the exercise coincided with a change of Government at the Centre following the general elections of 2004.

The UPA Government, which took office a little over a year ago, outlined its broad economic and social objectives in the National Common Minimum Programme. It also took a number of important and urgently needed initiatives in the first year. Simultaneously, it directed the Planning Commission to undertake a Mid Term Appraisal which would assess performance in individual sectors of the economy in detail and examine a broad range of corrective steps needed to overcome weaknesses in performance that have become evident.

The Mid Term Appraisal that has been placed before you provides a candid and comprehensive review of performance in all sectors together with a large number of suggested corrective steps, some of which need to be taken by the Central Government and others by State Governments. The corrective steps suggested constitute a formidable agenda for policy reform. I look forward to the reaction of Chief Ministers to these suggestions, especially in areas where the State Governments are directly involved.

At the outset, I would like to share with you my thoughts on some of the major issues arising from the Mid Term Appraisal. The Deputy Chairman of the Planning Commission will make a more detailed

presentation and my colleagues, the Agriculture Minister, the HRD Minister and the Finance Minister will intervene on various aspects in the course of the meeting.

Growth

The rate of growth of the economy has traditionally been a key target of our planning process. Economic policy must, of course, aim at much more than just achieving a high growth rate for the economy, but there can be little doubt that economic growth matters. It is the single most important indicator of general economic improvement. It is also an indicator of the ability of the economy to generate expansion in high quality employment. It also has a powerful effect on poverty reduction.

The growth target for the Tenth Plan was set at 8.1% and the Mid Term Appraisal shows that performance thus far is well below this target, averaging 6.5% in the past three years. We can and should aim to achieve higher growth. Our government set a target of taking growth to somewhere between 7 – 8% and this is what we should aim for in the last two years of the Tenth Plan. However, even if we achieve this acceleration, we cannot achieve the original Tenth Plan target of 8% growth over the Plan period as a whole.

Agriculture

A particularly disturbing aspect of our performance over the past several years is that agricultural growth has decelerated after the mid-1990s. Agriculture had grown at 3.2% from 1980 to 1996. It decelerated to 2.1% during the Ninth Plan. The cornerstone of the Tenth Plan strategy was a reversal of the declining trend in the growth rate of agriculture and with a target for agricultural growth at 4%. Unfortunately, actual performance of agriculture appears to have deteriorated even further and will possibly not exceed 1.5% during the first three years of the Plan. In these circumstances, it is hardly surprising that a perception has grown that the benefits of growth have bypassed a substantial section of our people.

The periodic failure of the monsoons in the last few years is certainly a contributory factor but the problems with agriculture go beyond weather. There has been a loss in the momentum which suggests a deeper problem in our agricultural strategy. Correcting this must be accorded the highest priority.

For overcoming stagnation of agricultural growth, we need to act on several fronts. We need to focus attention and increase investments in the

entire chain of activities related to agriculture – the supply of inputs and credit, diversification of crops, better production practices and improved post-harvest management. The agricultural credit system needs urgent attention and revamping to ensure supply of adequate credit at a reasonable cost. The cooperative credit system, on which the Finance Minister will intervene later, has withered over the years. Our irrigation planning has deteriorated greatly with very slow progress in completing ongoing irrigation projects. We also need to implement a workable strategy for water management in rain fed areas and also adopting the watershed approach in drought prone and wasteland areas. We must realize that the management and effective, equitable utilization of our shared water resources is a key element in improving agricultural performance. There is a need to promote water efficient technologies and crops.

Other critical requirements for agricultural dynamism include new generation technologies and an effective extension machinery for delivering technological products to farmers. There has to be a sharper focus on strategic research for evolving the needed technologies, a task that can be assigned to the agricultural research system of the ICAR and the SAUs. Field extension activity should be clearly assigned to the State machinery. Indian agriculture in future must move from the traditional grain based strategy followed in the past towards diversification, emphasising horticulture, poultry and livestock. This transition poses new challenges, including new institutional arrangements. There is also a need to improve post-harvest management of agricultural produce. In addition to having more efficient markets and improved delivery chains from farms to consumers, there must be a concerted effort to increase value addition to agricultural produce.

We must have the ambition to double our agricultural production in ten years. We must also aim to be a significant player in global agricultural trade. Increased productivity, higher efficiency and greater value addition are essential for this to happen. Let us collectively resolve to make this happen. I would urge the Chief Ministers to consider how the Centre and the States can cooperate in this area. Perhaps an NDC sub-committee may be considered to work out the necessary steps for concrete action.

Rural Employment

The seriousness and urgency of the need to relieve rural distress required an immediate response to increase employment in rural areas and this was achieved by launching the Food for Work Programme last year. We have also introduced the Rural Employment Guarantee Bill which will subsume the Food for Work Programme. I must emphasise that these

are not meant as substitutes for a resumption of agricultural growth. While a revival in the pace of agricultural growth is necessary to provide a sustainable expansion in rural employment and to generate rising real wages in agriculture, the rural employment guarantee will provide assurance of some minimum level of employment to the poor and most needy. It can also be used for asset creation programmes which can help to build the production capacity of agriculture.

We have made special efforts to ensure that decision making in the choice of projects in employment programmes is decentralised and the Panchayati Raj Institutions have a role in designing, implementing and monitoring these programmes. I would like to hear from Chief Ministers whether there are any problems that have arisen in implementing this programme effectively and how we can help to improve the situation. Constructive suggestions in this area can be fed into the design of the Rural Employment Guarantee.

Education

The Government has given especially high priority to universalising primary education and for this purpose, had introduced a 2% cess on all taxes earmarked for the Sarva Shiksha Abhiyan (SSA) and the Mid Day Meals Scheme. I am happy to report that the SSA has picked up momentum in the current year and the target of achieving hundred percent enrollment in primary schools will be achieved very soon, even if somewhat later than originally targeted. We must now focus our attention on the more difficult goal of ensuring that the drop out rate is also drastically reduced and that the education is of good quality. My colleague, the Minister for Human Resource Development will have more to say on education in his intervention.

The Mid-day Meal Scheme, which is an important intervention for improving retention in schools, has been universalised and the ICDS, which provides nutrition for pre-school children, has been expanded. It is imperative that these programmes are implemented effectively and are monitored regularly. In particular, we need to place special emphasis on the education and nutrition of the girl-child and to create conditions whereby every parent is enthused to send their daughter to school.

Health

The Mid-Term appraisal draws special attention to some weaknesses in performance on the health front. Public health is an area where Government has a major responsibility and I must share my concern that we are not doing enough.

The pace of progress in improving our health indicators is painfully slow, and the rural- urban divide and the gender gap do not appear to be reducing in any significant manner. Our Infant Mortality Rate is not falling fast enough, and in some states it is worse than even in sub-Saharan Africa. The Maternal Mortality Rate has shown virtually no movement in the past decade or more. This is surely a matter of national shame. Do we care so little for our women and children that we allow preventable deaths to occur even when we know the nature of the interventions required? To address these issues, we have launched the National Rural Health Mission, where decentralized district level planning and management of health care, backed up by adequate resources, will be the basis for a holistic approach to improving our health parameters.

We must also pay more attention than we have done to the challenge posed by HIV-AIDS. We ignore this only at our peril. Experience in other countries shows that the disease can explode very quickly if preventive steps are not taken. Experience also suggests that the spread of the disease can be contained. I would urge the Chief Ministers to give this area their priority attention, especially in States where infection rates are on the higher side.

Gender

The issue of gender bias is another area which needs focused attention. In the Union Budget for 2005-06, we have made a beginning in gender budgeting by incorporating a separate statement highlighting gender sensitivities of budgetary allocations under 10 Demands for Grants, to be extended to all Central Ministries. But this task will remain incomplete unless all the States join hands in ensuring development justice to women. This is one of the important instruments to tackle the growing violence against women, which begins even before their birth and continues through their entire life span. It cuts across caste, class, community and prevails in all parts, rural and urban. This is the right forum to pledge our wholehearted and unequivocal support for ensuring a violence-free world for our women and girl children.

Weaker Sections

The condition of the weaker sections of our people needs continuous attention. If the benefits of growth have to reach all sections of our diverse society, there is a need to equip them with the necessary skills and resources to become active participants in growth processes. This is the only way of achieving our dream of an inclusive, prosperous society. In the mid-1970s, the Special Component Plan and the Tribal Sub-Plan were initiated. Tribal Sub-Plans and Special Component Plans should be an

integral part of Annual Plans as well as Five Year Plans, making provisions therein non-divertible and non-lapsable, with the clear objective of bridging the gap in socio-economic development of the SCs and STs within a period of 10 years.

Governance at District Level

In this context, we also need to consider the quality of our district administration which has the primary responsibility for development of our rural areas. No system of governance can deliver if people can be changed without notice; short tenures do not produce accountable results. It is necessary that our civil servants should be entitled to a minimum security of tenure so that it can be judged whether they are equal to the tasks which have been assigned to them or not.

Effective, self reliant local self-government bodies are also essential elements in any scheme of good governance. We need to not only strengthen them but also ensure that they do not remain as only expenditure incurring bodies. They must pay greater attention to resource mobilization so that revenues are as integral to their scheme of things as expenditures. I look forward to hearing from you on this.

Infrastructure

The Mid-Term Appraisal emphasises the critical importance of infrastructure development in the years ahead. It is now generally recognized that the policies pursued over the past two decades have brought about a significant transformation in the industrial sector of the economy. Indian industry has restructured itself to deal with the more competitive and open environment which exists today in which they have to compete with imports and also deal with direct foreign investment. We have seen outstanding performance in some areas such as software, IT, pharmaceuticals, automobiles and auto components and bio-technology.

However, the performance of the manufacturing sector as a whole remains much below the double digit growth rate, which I believe, is both possible and indeed essential if we are to achieve our growth and employment generation targets. The message which emerges from the Mid-Term Appraisal is that our industrial performance is ready to accelerate, provided we can give Indian industry better quality infrastructure. In a globalising world, our production units have to compete with production units in other countries and to do this effectively, they need better quality infrastructure.

The Central Government recognises the importance of infrastructure

development and has given this area high priority. In broad terms, we need to achieve a major expansion and upgradation in power, roads, railways, ports and airports and telecommunications connectivity. This calls for massive investment in these sectors in the remaining years of the Tenth Plan and also in the Eleventh Plan. The resources needed for capacity expansion on this scale are simply not available in the public sector. Hence, the need for public-private partnership. We must leverage limited public sector resources by resorting to private investment and public private partnerships to the maximum extent possible. This approach is relevant for both the Centre and the States. The Deputy Chairman will have more to say on this in his presentation.

However, there are two specific areas which I would like to bring to your attention. First, to overcome the power shortage that plagues almost all our States and to ensure adequate power for a rapidly growing economy, we need to create an environment that would attract investments in power by public and private sectors. For this, the financial health of the electricity agencies in the States has to be restored, which cannot be accomplished without reduction of AT&C losses. We should aim to bring down AT&C losses by 10 percentage points in two years with your support and commitment. We need to focus on providing quality power at appropriate prices, taking into consideration the needs of consumers and the health of electricity agencies.

Second, as you know, the development of National Highways has been accorded high priority in the planning process and an ambitious road-building programme has been drawn up. This programme relies very substantially upon public private partnerships for future expansion. For speedy implementation of road projects, we have been receiving active collaboration from the States for land acquisition. But we also need your help in checking unplanned roadside development, which threatens to severely devalue and impair the road assets that are being created. I would urge you to give special attention to this.

Bharat Nirman

Special emphasis needs to be placed on the creation of critical infrastructure in rural areas. We have therefore launched the ambitious Bharat Nirman as an overarching programme to build infrastructure in rural India. Conceived as a business model to be implemented over four years, Bharat Nirman has six components, namely, irrigation, rural roads, drinking water supply, housing, rural electrification and rural telecom connectivity. We have set ambitious targets for this programme, and their realization requires close cooperation between the concerned Central and State

agencies.

Urban Renewal

While development of our rural areas is important, we should not lose sight of our urban areas. For this purpose, we are going to launch the National Urban Renewal Mission. For cities to realize their full potential and become true engines of growth, it is necessary that focused attention is given to the improvement of urban infrastructure and, more importantly, to improving the institutional delivery mechanism at the city level. We envisage a considerably enhanced level of Central assistance in the Mission to help you give such attention. However, we want to be sure that the Mission creates value on a long-term basis and for this, deep urban reforms are imperative. The Urban Development Ministry and the Planning Commission would shortly be in touch with you on the critical elements of the reforms that would need to be undertaken in order to access Central assistance under the Mission.

Finances

Finally, let me say a few words on the difficult issue of financing the Plan. The MTA draws attention to the fact that the total plan expenditure of Centre and the States in the first four years of the Tenth Plan is less than what it should have been if the targets were to be fully achieved. Both the Centre and the States are subject to fiscal constraints which will limit their ability to finance the many useful developmental programmes that are desperately needed. In the case of States, they have benefited from this year onwards from a significant increase in devolution, grants and debt restructuring. The Report of the Twelfth Finance Commission has also brought about a major alteration in the manner in which States will have to manage their affairs, including especially their borrowing programmes. I am of course aware that some of you have apprehensions regarding the impact of these changes on the finances of your State. However, I believe that in the long run it will increase the flexibility of State Governments and lead to a more healthy relationship between the Centre and the States. In the immediate future, however, we will have to make special efforts to ensure that the financing of the Plan can be assured at reasonable levels. I would be eager to hear your views on this matter.

I have only touched upon a few of the critical issues that are covered in the Mid Term Appraisal Document. In an economy as large and complex as ours, the range of issues that we have to address in an integrated manner is vast. In their wisdom, our founding fathers recognized that such complexities could only be handled by a vibrant federal structure in which different tiers of the Government have specific roles and responsibilities

which culminate in a harmonious set of outcomes. The National Development Council is the apex institution for giving substance to this federal vision. I would urge all of you to consider the recommendations of the Mid Term Appraisal in this light and resolve to implement its suggestions in a collective spirit.