



Speech of
Selvi J JAYALALITHAA
Chief Minister of Tamil Nadu

FIFTY FIRST
NATIONAL DEVELOPMENT
COUNCIL

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New Delhi

Hon'ble Prime Minister,

Hon'ble Deputy Chairman of the
Union Planning Commission,

Hon'ble Union Ministers,

Hon'ble Chief Ministers,

Hon'ble Lieutenant Governors,

Senior Officers of the Union and the States,

It gives me great pleasure to participate in this, the 51st meeting of the National Development Council convened mainly to consider the Mid Term Appraisal of the Tenth Plan. The Mid Term Appraisal document brought out by the Union Planning Commission is a fresh stocktaking of the state of the economy and the direction we need to take to ensure higher growth momentum to the economy. The Hon'ble Prime Minister has flagged certain key issues and sought the comments of the Chief Ministers at this meeting. I welcome this opportunity for a free and frank exchange of views on what needs to be done in the context of the experience gained so far during the Tenth Plan period.

We are also meeting against the backdrop of a severe increase in the prices of petrol and diesel. The fourth in a row in the last one year. This has no doubt affected the growth prospects of the economy. The Appraisal document recognizes the serious threat posed to the economy. I would like to earnestly plead that the Union Government desist from burdening the people with such hikes in the prices of petrol, diesel, LPG and kerosene.

The main concern is that even though in the 50th meeting of the National Development Council we had set ourselves a growth target of 8.1%, the actual performance has fallen short. The Appraisal document rightly expresses concern over the decline in growth in Agriculture. It seems to me that if this alarming trend has to be reversed there has to be some out of the box thinking, coming up with fresh ideas. If the objective of growth with equity, with real meaning to the millions of poor, is to be achieved the focus has to be placed on-

Agriculture, Irrigation and Rural Development. The Appraisal document sets out a set of measures needed to bring new momentum to this sector. I find that rehabilitation of the existing irrigation systems is given priority. But, in actual practice, this is grossly neglected. I have been repeatedly insisting that for a water starved State like Tamil Nadu with no new surface water potential, this is of highest priority and hence should be included for funding under the Accelerated Irrigation Benefit Programme. This has not yet happened despite my urging this repeatedly. I have also sought urgent clearance of our Water Resources Consolidation Project-II. It is a high priority project as it places focus on efficient management of water in each river basin. I would like to plead that in consonance with the statement of intent in the Appraisal document, the Union Government should give priority to these new initiatives of my Government.

There is mention of certain mega irrigation projects. But, these are State specific. What is most surprising is the inability to think with a vision of the future. Why is it that the project for Interlinking of Rivers is being put into cold storage? The link from the Mahanadi to the Cauvery and thereon to the Gundar river will bring new life to the Western Peninsula. In my view this is a priority issue and should be taken up at once without any further loss of time. This alone may provide new momentum to the growth in Agriculture which we seek. Funding, cost recovery, and agreement between States are all issues which can be handled if there is a will. Mr. Prime Minister, may I appeal to you to lead from the front in this important initiative?

I entirely agree that there has to be a new thrust to watershed development. One comprehensive programme merging different programmes has to be launched. I have set the goal of taking up work in 1000 micro watersheds in Tamil Nadu this year. It is most important that we are able to get the administrative arrangements and programme design right quickly, so that we can make rapid progress in watershed development. Liberal funding for this programme has to be found. Simultaneously, the outlay on drip and sprinkler irrigation has to be stepped up. Our precision farming pilot project is a big success. We wish to replicate this. May I request that a major programme for drip and sprinkler irrigation be launched?

Agricultural diversification is another key issue. I am glad that the National

Horticulture Mission is, being launched. I have placed the highest emphasis on crop diversification and launched several programmes. I have actively promoted sugar beet and sweet sorghum cultivation to replace water intensive sugarcane and jatropha as a versatile crop in rain fed areas. The Comprehensive Wasteland Development Programme I have launched in Tamil Nadu also places the focus on crop diversification. I have written to the Hon'ble Prime Minister on various issues relating to the promotion of these crops as a crop diversification strategy. May I request that these suggestions be considered for early implementation? I welcome the idea of blending of 2% bio-diesel to be raised progressively to about 15%. It is important that this programme is made commercially sustainable with the right incentives and support packages.

I have seen the recommendations on fertilizer pricing and I would like to sound a note of caution. While some minor modification may be necessary to send the right signals both to the producers and to the farmers who use fertilizers, the concept of targeting, if applied to fertilizer pricing, will undoubtedly be perceived as a harsh measure by the farmers. We need to be very cautious and not jump into this exercise. As part of the crop diversification strategy, we should also place emphasis on organic farming.

I am greatly pained by the unfeeling recommendations with regard to the Public Distribution System, which are found in the Appraisal Report. The suggestion that subsidy in the Public Distribution System, particularly for rice, can be reduced is unacceptable. The argument that the need for subsidized grain may arise only in urban areas is also totally unacceptable. I would like to sound a note of warning against any move to increase the price of rice in the Public Distribution System or to curtail the coverage to a particular area. We have a universal system for all those desirous of availing of rice in the Public Distribution System. In fact my Government provides the maximum subsidy possible to ensure that rice is available at the cheapest price possible. It should be remembered that not long ago, when we were confronted by successive droughts, it was the Public Distribution System which kept starvation away. To suggest its dismantling so blithely, borders on an insensitive approach, ignorant of ground realities, which could have tragic consequences.

The Hon'ble Prime Minister has raised a set of issues concerning the

Agriculture sector. I have already dwelt at length on agricultural diversification. In Tamil Nadu we have already made some corrections in 2003, in levying charges for irrigation and this has substantially bridged the losses. In the Tamil Nadu context, I entirely concur with the view that the Agriculture Extension Services have to be completely overhauled. The exciting potential offered by Information Technology has to be fully harnessed in modernizing the Agriculture Extension Programme. We have made a beginning with the Rural Access Services through Internet (RASI) to provide connectivity to villages. In addition, a new project to revamp the Agriculture Extension Programme is being implemented in Tamil Nadu.

Providing adequate credit to farmers is a major issue. The co-operative credit institutions have been severely affected, more so in the recent past, due to the continuous drought. The recommendations of the Task Force which went into the working of the co-operative credit institutions appear quite harsh. It has to be noted that the entire relief planned is only for the institutions and there is nothing in it for the farmers. Farm level debt is the issue which has to be addressed. The conditionality imposed, namely, that the State Government should completely exit from the co-operative credit system by taking back its equity, is unwise. Also, extremely harsh eligibility conditions have been laid down. Some of the recommendations on the financial restructuring of these institutions can, be considered, but phased implementation would seem to be in order. An abrupt dispensation with the winding up of the majority of the institutions as visualized will only cause major hardship to farmers, rural artisans and the poor. This needs detailed discussion in a separate forum. This issue is vital in enabling us to revive growth in agriculture.

It is noticeable that the Mid-Term Appraisal document, while discussing inequality and poverty, shies away from designing direct poverty reduction strategies. In my view, direct poverty reduction interventions are vital with reference to the goal that poverty should be reduced at an accelerated rate. While empowerment is a key instrument in our poverty reduction strategy, addressing livelihood concerns directly has to be accorded topmost priority. This is particularly true in the context of the observations in the Mid-Term Appraisal document that employment in the organized sector is declining and it is only in the unorganized sector that employment growth is seen. I am glad to announce that

my Government has taken up two new poverty reduction programmes in Tamil Nadu. The ambitious Tamil Nadu Empowerment and Poverty Reduction Project with an outlay of Rs.717 crores will directly assist the poor families in livelihood improvement. Another significant programme designed to reach the poorest of the poor, covering three lakh families in Tamil Nadu has just been launched. This is an ambitious programme where we would like to give practical shape to addressing the concerns that Professor Amartya Sen has outlined, namely, "the capabilities that a person has. that is, the substantive freedoms he or she enjoys, to lead the kind of life he or she values". I am confident that these two new programmes will make a significant difference to the quality of life of the poor in Tamil Nadu and will enable my Government to achieve the goal of more rapid reduction of poverty.

I welcome the concept of Employment Guarantee enabling every adult member of each poor rural household to access employment at least for 100 days in a year. There are certain features in the announced scheme which require modification. The scheme envisages that the payment of unemployment allowance shall be the responsibility of the State Government. It is our considered view that the payment of any such unemployment allowance should also be fully funded by the Central Government. The scheme announced envisages that 25% of the cost of the scheme has to be borne by the State Government. This will constitute a huge financial burden on the State. The contribution by the State should be reduced to 10%. It should be mandated that women beneficiaries should constitute at least 50% of those covered under the programme. The nature of employment should be expanded to include various rural services so that greater flexibility is available. These are my views which need to be incorporated in the proposed law on the subject of providing employment guarantee.

I find the Eiharat Ninnan Programme has been announced with great fanfare with certain specific goals. For a State like Tamil Nadu this does not evoke much response, unless a subset of goals is worked out. For example, instead of a population of 1000 for forming a proper road, it can be 250 or at least 500. Irrigation in the Tamil Nadu context, with no available surface water resources, will require a different treatment. Our coverage under electricity is already very good. Can we look at a different parameter? I do think all these -issues should be

discussed threadbare before finalising this programme.

Tamil Nadu has an impressive record in human development. The Human Development Index (HDI) for Tamil Nadu at 0.531 indicates that Tamil Nadu has attained the third highest rank in the country. I am also glad to indicate that we are well on track to attain all the Millennium Development Goals in advance of the target year. This success has been largely facilitated by the focus on education, health, sanitation, nutrition and empowerment. The Sarva Shiksha Abhiyan has led to genuine improvement in enrolment and in reducing the dropout ratio. Tamil Nadu occupies the Numero Uno position in the implementation of the Sarva Shiksha Abhiyan. The recommendation that the funding pattern of 75% by the Centre and 25% by the State should be maintained till, 2010 is welcome and should be endorsed by this Council. We have addressed the issues of improving teaching quality and controlling teacher absenteeism with several new measures. In particular, I firmly believe that training and more intensive training will go a long way in improving teaching quality and hence we have established the necessary infrastructure to provide training on a continuing basis. In Tamil Nadu, teacher vacancies are filled up promptly. The problem of teacher absenteeism can be tackled by better teacher motivation and intense public participation through the Village Education Committees.

I also welcome the suggestion for a new programme similar to the Sarva Shiksha Abhiyan to cover Secondary Education. This is an immediate necessity as a bulge in the number of Secondary School students is being observed. The scope for promoting public private partnership in Secondary Education can be explored. In Tamil Nadu this has already been implemented in the form of aided schools and nearly 30% of students in Standards IX and X are in such schools. It is important that we accord top priority to skill development and vocational education. The programme for development of 100 Industrial Training Institutes is to be welcomed. I am of the view that this should be expanded immediately,. We have to infuse new dynamism in the functioning of Industrial Training Institutes with reference to the market requirements.

We have just launched the Tamil Nadu Health Systems Project with assistance from the World Bank. This will comprehensively upgrade health facilities and make them function more efficiently. I wonder whether the National

Rural Health Mission is adequately funded. It is essential that when we talk of a Mission, it is backed by adequate funds. I am glad that Infant Mortality, after plateauing for a few years, has again started declining rapidly in Tamil Nadu. I agree with the suggestion that a National Sanitation Mission should be launched. I have always placed the highest emphasis on sanitation as a key public health intervention. In Tamil Nadu, we have achieved great success in recent years, increasing the level of coverage of sanitation in rural areas from 15% in 2001 to 54% in 2005.

Tamil Nadu of course, has always been in the forefront in women and child development. We have taken action to comprehensively upgrade nutrition programmes at the pre-school level and also in schools. This programme, which is an investment for the future, should be fully funded by the Government of India. I agree that we should now place the focus on pre-school education as a key intervention to further strengthen the school education programme. I also endorse the suggestion that the centres should function as full day-care centres, enabling working women to use these centres as creches. In Tamil Nadu, we have already ensured this.

An interesting development issue is the empowerment of people to have a greater say in the provision of various services. This is usually the role of Panchayat Raj Institutions. The question is not one of empowering the Panchayat Raj Institutions as much as empowering the people. A debate has been raised on the question of whether the State has transferred more functions, funds and functionaries to Panchayat Raj Institutions. Unfortunately, those who preach this mantra do not even believe in adequate powers, functions and finances being transferred from the Union to the States. What is most relevant is that the people should be involved in deciding their lives at the local level. My Government has launched an innovative new programme called 'Namadhu Gramam' which empowers Village Panchayats and Gram Sabhas to participate in the holistic development of the village. This programme incentivises people's participation in Social Sector programmes by providing untied funds for village development.

The Mid-Term Appraisal document has also highlighted several issues relating to infrastructure development. I am glad that these issues have been

examined in some detail. Basically, the Secondary Sector including manufacturing is critically dependent on efficient infrastructure. With globalization and greater integration of the world market. India has to compete with other countries. We have realised this in Tamil Nadu and placed maximum emphasis on the development of quality infrastructure. We have also put in place new initiatives in the Public Private Partnership mode. Above all, we have comprehensively examined all the issues at the State level which can promote growth, particularly in the Secondary Sector. We have addressed all the State level issues such as provision of quality infrastructure, adequate energy supply together with a focus on-its reliability and quality, labour reforms encouraging mobility,* deregulation and governance reforms to reduce transaction time and cost, and State level tax reforms. The Central Government should now be in a position to set out the road map for labour reform. We have taken action to simplify and deregulate processes required to comply with State level laws. We are conscious that these reforms will yield better results. The fact that Tamil Nadu is now considered a destination of choice is largely because of the substantial work done in the State to improve the business environment.

Infrastructure remains a key concern. In the Power Sector, various policy issues have been highlighted. It seems to me that there is not much dialogue with the State on the vision involved in making all these changes in the Power Sector. May I request the Hon'ble Prime Minister to call for a separate meeting of Chief Ministers to focus exclusively on this issue, explaining in detail the policy framework setting out the vision of how the various changes will impact on different consumers? I am greatly concerned by the shortage in coal supply for the Power Sector. It has become a chronic problem to obtain adequate coal and our power plants have to exist on a hand to mouth basis. This calls for an action plan to ensure enhanced production from the coal mines. I do hope corrective action will be taken.

While dealing with the issues relating to infrastructure, I am glad the Planning Commission is moving forward with the creation of a Special Purpose Vehicle to utilize a portion of the foreign exchange reserves for infrastructure development. I recall I discussed this issue with the Deputy Chairman of the Union Planning Commission on 30th November, 2004. and even then-1 had stressed that the States should be entitled to access these funds for building

infrastructure. I do hope this will be kept in mind.

I am extremely keen that Chennai should be the hub of the Southern Gas Grid. I have made this proposal in the Southern Zonal Council. This has to be based on a Liquefied Natural Gas (LNG) terminal at Ennore. We are willing to go forward with this proposal. May I request the intervention of the Hon'ble Prime Minister to enable us to move forward?

I agree that the Public Private Partnership (PPP) mode offers a method of moving faster in the provision of infrastructure. Tamil Nadu is the leader in undertaking such projects. The Tiruppur Water Supply Project which has just been completed is an outstanding example. We have recognized that a clear policy framework has to be evolved to facilitate more investment in the Public Private Partnership mode, I am glad to indicate that we have taken steps to put together a policy framework to promote public private partnerships.

While the Mumbai and Delhi International Airports are to be developed, I would like to insist that, the Chennai International Airport should also be taken up at once. My Government has already offered the necessary land free of cost to build the Chennai International Airport. I have written to the Hon'ble Prime Minister requesting that this project, for which in-principle approval has already been given, be taken up immediately. I would particularly like to highlight the need to establish an Aviation University at Madurai in Tamil Nadu. The Madurai Airport is best suited to locate this University, May I request immediate consideration of this proposal?

The Tuticorin Port has the potential to become a Hub Port with transshipment facilities. A recent detailed study indicates that the Tuticorin Port can be a major Hub Port. This would require capital for dredging to obtain the required draft. This major investment should be approved.

Chennai has verily become the Detroit of South Asia. It has the most developed automotive industry. I request that the Automobile Testing Facility and the Automobile Test Track should be established at Chennai.

The situation in Tamil Nadu when my Government assumed office in 2001 is well known. Tamil Nadu was in the throes of a fiscal collapse of an

unprecedented nature, making day to day governance impossible. I am glad to inform this august assembly that Tamil Nadu is back on the high road of development, while at the same time extending to the poor and the weaker section&of the society, the best Social Safety Net in the country. This turnaround has come about by true' grit, determination and concerted action. Unlike other States we have not taken an adjustment loan. We have done it entirely on our own. Today, we are in a better position to increase investment outlays and- seek a higher trajectory of growth. This is exemplified by the fact that Tamil Nadu has recorded Gross State Domestic Product (GSDP) growth of 8.73% in 2004-05 as per the preliminary estimates. We are aware that while this achievement is a cause for cheer and optimism, we cannot be complacent and will have to work much harder to sustain this impressive growth performance.

At this meeting of the National Development Council we also have to consider how the State Plans are being implemented. I am glad to inform this Council that Tamil Nadu's Tenth Plan outlay of Rs.40.000 crores will be achieved. Yet, the strain involved in achieving these high performance goals is considerable. It is here that the Centre should assist the States which are doing well as a reward for good management and performance.

I am surprised that this year there is no clarity on the usual loan component of Central Assistance. I insist that the loan component of whatever was indicated as Central Assistance should be allowed to be raised at least from the market by a State. The indication that this can be subsumed within some arbitrary borrowing limit is unacceptable. I strongly urge early resolution of this issue.

I also find that the process of regulating the fiscal deficit of the State has become arbitrary and irrational. If a State can move faster with a high growth rate it should be allowed a higher level of debt. The Twelfth Finance Commission has also pegged back the borrowing capability of States. While some correction in the increasing debt burden was overdue, it would seem that we have now totally shut the door on development at the State level. I request that this issue may be taken up in this forum for immediate resolution.

While we should strive for the development of all regions, I do not agree with the policy of exclusion now being followed by the Central Government. It is a disappointing, disturbing and distressing trend that a State which does well on its

own will increasingly be shut out and made to lose resources. The Twelfth Finance Commission has already extended substantial amounts as grants to certain select States which have not done well. The same exercise is again being undertaken under different heads by the Union Planning Commission and the Government of India. This can engender a feeling of alienation and denial, leading to tension and acrimony.

I would like to refer to the Backward Regions Grant Fund which has been established with a substantial outlay. While the Appraisal -document indicates that 150 districts will be qualified for support under this programme, I wish to point out that even though Tamil Nadu as a whole may have done well, 13 districts in Tamil Nadu will qualify for funding if the same criteria as adopted for the Rashtriya Sam Vikas Yojana (RSVY) are followed for eligibility under the Backward Regions Grant Fund. This aspect of balanced development within a State should not be lost sight of.

We are gathered here at the National Development Council to discuss in detail the growth prospects of the economy. We are assembled here to diagnose the growth inhibiting factors, and break free of the shackles which prevent the country from moving forward to a higher growth trajectory. While it is no doubt true that we seem to be confronted by some seemingly intractable issues, it is my firm conviction that if there is a will we can make that big push towards a higher growth path, which then needs to be sustained. I do not even for a moment underestimate the complexity of the issues which have been set out in the Mid Term Appraisal document. Even so, it is my unshakable belief that this is the time that we should move boldly forward, taking new policy initiatives with one clear goal, namely, to realize higher growth with equity. The equity objective is paramount as we all wish a better life for the millions of poor. I am confident that with a collective effort and with a single minded approach we will be able to realize this mission.