



**ANNUAL PLAN 2013-2014**

**DISCUSSION WITH  
DEPUTY CHAIRMAN  
PLANNING COMMISSION  
NEW DELHI**

**Speech by  
Selvi J JAYALALITHAA  
CHIEF MINISTER OF TAMILNADU**

**10-06-2013**

Hon'ble Deputy Chairman of the Union Planning  
Commission, Shri Montek Singh Ahluwalia,

Hon'ble Union Minister of State for Planning and  
Parliamentary Affairs, Shri Rajeev Shukla,

Hon'ble Members of the Union Planning  
Commission,

Hon'ble Finance Minister of the Government of  
Tamil Nadu,

Senior officials of the Planning Commission,  
and Officers of the State Government,

I am here to discuss the Annual Plan for the year 2013-2014, as Tamil Nadu progresses on the path of rapid economic growth with distributive justice, that my Government has always chosen to tread. In 2012-2013, the State had to overcome many challenges, including a still anaemic global economic recovery, a domestic national economy struggling to overcome policy paralysis, and a severe drought with all Districts except Chennai being declared

as drought affected. All these factors did impact the growth performance of the State, and the GSDP growth rate in 2012-2013 was 4.14 per cent, with agricultural growth being particularly hard hit. However, through steadfast resolve and continued commitment, we have sustained levels of investment and expenditure so as to ensure that a platform is laid for much higher growth in the remaining years of the 12<sup>th</sup> Five Year Plan. With the sustained and focused efforts that my Government is taking across all sectors, the State would still be able to achieve the proposed 11 per cent GDP growth target for 2013-2014.

2. My Government has striven hard to ensure that adequate resources are raised for the numerous development programmes and the social safety net that my Government has designed and effectively implemented for the people of Tamil Nadu. Even in 2012-2013, notwithstanding a shortfall in releases of Central Assistance, we are confident of achieving the Annual Plan outlay of 28,000 crore rupees in full

and, perhaps, even exceed it. I would, therefore, like to assure the Union Planning Commission that the Annual Plan target of 37,000 crore rupees proposed by my Government for 2013-2014, is backed by adequate resources. Under my stewardship, Tamil Nadu has maintained the proud record of always finding resources to fully perform and even exceed our Annual Plan outlay. Let me reiterate that we will ensure that this record will be met yet again.

3. I am disappointed to note, however, that in spite of the State's own efforts to mobilize resources to finance its Plan, the Central Government's support to the State Plan has not been in line with the promises made. This, in fact, is evidenced by the huge 20 per cent cut made in the Plan expenditure in the Revised Estimates for 2012-2013 in the Union Budget. I am constrained to observe that, announcing high plan allocations and subsequently reducing them, not only undermines the credibility of the entire planning and budgeting process, but also

adversely affects scheme implementation and the States' finances. In 2012-2013, the Central Government budgeted a release of 3473.48 crore rupees as Plan Assistance to Tamil Nadu. But finally, only 2762.14 crore rupees was released. In spite of this, I am confident that Tamil Nadu will over-achieve the Annual Plan outlay of 28,000 crore rupees by filling the gap with the State's own resources.

4. I understand that a Group of Ministers has recently made certain recommendations regarding the restructuring of Centrally Sponsored Schemes and Additional Central Assistance Schemes, including the merger of 170 schemes into 79 schemes. This appears to be a watering down of the recommendations of the B.K.Chaturvedi Committee and calculated to reduce the scale of Central assistance to the States. I urge the Deputy Chairman to ensure that at least these recommendations of the Group of Ministers are implemented quickly, so that Centrally Sponsored Schemes do not further

pre-empt the untied sources available to States to finance their own initiatives. I also understand that more flexible State specific guidelines are being proposed. While this is a welcome move, I suggest that, as a measure of greater trust that the Central Government should place in the State Governments, ALL funds under Centrally Sponsored Schemes should be released only to the Consolidated Fund of the States and not to other special entities at the State or District level.

5. I must refer here to the many people unfriendly measures taken by the Government of India that have made life harder for the urban and rural poor, who are already reeling under the impact of inflation and adverse seasonal conditions. I have strongly protested against the repeated increases in diesel prices, the reduction in allocation of kerosene for Tamil Nadu, certain provisions of the Food Security Bill, the removal of the levy system for sugar, all of which have serious consequences on the real incomes of the

people. The State Governments are closest to the people, and my Government's priority is to shield the people against the devastating impact of such ill advised measures. Understandably, this has thrown a greater burden on the State's finances. The Government of India should consult and heed the State Governments' views on such key livelihood issues which have a direct impact on the people's welfare.

6. The Centre's attempts to thrust ill designed schemes upon the State continue, despite public and official protests by us. The latest example of such unilateralism is the much hyped Direct Benefit Transfer Scheme. The Government of India launched the scheme with virtually no consultation with, or feedback from, the State Governments. Tamil Nadu is not opposed to Direct Benefit Transfer per se. In fact, **the Government of Tamil Nadu has already adopted the mechanism of direct cash transfer through bank accounts of the beneficiaries for schemes which involve**

**conditional cash transfers like Scholarships, Maternity Benefits and Social Security Pensions even before the Central roll out.**

Our objection to the move of the Government of India and the Union Planning Commission is based on three very sound grounds.

7. **First**, we are strongly opposed to any move to monetize and transfer in cash the subsidy element of food grains and kerosene under the Public Distribution System and supply of fertilizers and other inputs to farmers. In such cases it is not just the quantum of subsidy, but the access to and timely availability of commodities that are critical concerns. Food and energy security cannot be compromised.

8. **Second**, we are strongly opposed to the executive overreach by the Government of India and the attempt to insidiously bypass the State Governments through the Direct Benefit Transfer Scheme. The Union Planning Commission has issued a series of instructions

and guidelines on a number of conceptual and operational issues relating to Direct Benefit Transfer, with virtually no consultation with the State Governments. Clearly, the Union Planning Commission is overstepping its advisory and allocational mandate and taking on an executive role. State Governments are expected to place their field machinery at the disposal of the Government of India and are reduced to becoming mere bystanders. The entire approach divorces authority from responsibility and accountability, and is violative of the spirit of federalism and democratic decentralization.

9. **Third**, is the more practical issue of the design of the 25 schemes currently identified for the Direct Benefit Transfer roll-out. Many are schemes where both the Centre and the State share the costs. Some Central schemes are just belated attempts to replicate State schemes. For example, the Indira Gandhi Matritva Suraksha Yojana draws inspiration from a Tamil Nadu scheme, namely, the Dr.Muthulakshmi Reddy

Scheme, under which I have provided a much higher benefit of 12,000 rupees and a wider coverage. In many scholarship schemes, States meet the committed portion of the cost and the Centre reimburses the additional costs. Here, a clear demarcation of Central and State shares beneficiary-wise, is not possible. Therefore, in all such cases, direct release by the Government of India will lead to duplication of efforts and waste of resources. I personally feel that it would be administratively prudent to leave the implementation to the States as is being done now, instead of trying to centralize it to the Ministries at New Delhi.

**10. I would like to put forward an alternative win-win proposal, on the assumption and the hope that the intention of the Government of India is to ensure efficient delivery of benefits to the people. The Government of India should route its funds through the State Government, which is already progressively switching over to**

**the bank mode of disbursement for all beneficiary oriented schemes. The Government of India can monitor implementation more rigorously, because the data will be seamlessly available for scrutiny. This would not only make the roll out of Direct Benefit Transfer faster, but will also enable the inclusion of large schemes like the disbursement of Social Security Pensions. As I have been emphasizing time and again in various fora, the Government of India should treat the State Governments as equal partners in the march towards inclusive growth and development.**

11. As the Commission is aware, my Government has revived the State finances from the doldrums in which we found them in May, 2011. Recently, we presented our third consecutive revenue surplus Budget. Continuing on the path of development, I have proposed a Plan size of 37,000 crore rupees for 2013-2014, which is 32 per cent higher than the Plan size of

2012-2013. This Annual Plan outlay has been proposed in the overall context of the Twelfth Five Year Plan's outlay of 2.11 lakh crore rupees. While 49.3 per cent of Plan expenditure will be on social services like health and education, the outlay for infrastructure sectors like transport and energy, has been increased substantially. In terms of resources, 91 per cent of the Plan will be financed through the State's own resources, supported by budgetary borrowing and we expect that 9 per cent of the Plan outlay will be met through Central Assistance. I request the Central Government to ensure that it meets this very modest share of Tamil Nadu's Plan financing commitment this year. I am hopeful that last year's disappointment will not spill over into this year.

12. Let me now briefly discuss the efforts that my Government is taking for the revival of the State's economy. We propose to step up the Plan allocation for agriculture and allied activities by 32 per cent, to **3340 crore rupees**. The

strategy will be to intervene in critical areas which are in dire need of investment, like agricultural infrastructure and timely supply of adequate inputs, to increase both farm productivity and farm income. In order to augment farm income, there will be greater focus on allied activities. Along with the continuance of landmark schemes like Systematic Rice Intensification technique, Sustainable Sugarcane Initiative, precision farming to improve productivity, and free distribution of milch cows, sheep and goats to the poor, my Government is launching new initiatives like the establishment of a revolving fund for the promotion of fertigation, increasing the coverage of micro-irrigation through a voucher system of benefit transfer and perimeter vegetable cultivation. I must acknowledge here that the National Agricultural Development Programme (NADP), which has been designed to give adequate flexibility to State Governments, has greatly helped in achieving the desired outcomes.

I suggest that this design is worth replicating in other sectors. In 2012-2013, programmes worth 669 crore rupees were approved for Tamil Nadu under the NADP. During the current financial year, we have budgeted 700 crore rupees for NADP.

13. My Government is determined to implement permanent solutions for the State's water woes. We have already started implementing two vital river link projects within the State and a third will commence shortly. The Supreme Court has directed the Ministry of Water Resources to constitute a Special Committee to look into the interlinking of rivers and to lay down guidelines for a reasonable time frame and cost. The Government of Tamil Nadu has already nominated its members to the Special Committee. The project profiles prepared under the Vision Tamil Nadu 2023 Document cover irrigation projects, including inter-linking projects, at an estimated cost of about 41,250 crore rupees, for which we expect substantial



financial support from the Government of India. To enable this, the guidelines of the Accelerated Irrigation Benefit Programme (AIBP) have to be modified to ensure that the requirements of a water scarce State like Tamil Nadu, which has already exploited almost all its surface water potential, are suitably accommodated. I hope that all our pending irrigation projects and reimbursement claims will be processed early. I request the Deputy Chairman to assist us in securing timely sanctions.

14. Mr. Deputy Chairman, you had recently written to me, enclosing a document entitled "Manufacturing: From Policy to Results", on the possible initiatives under the Manufacturing Strategy for the country. In this context, I would like to briefly outline for you some of the steps already taken by my Government. The Tamil Nadu Vision 2023 Document has, as its foremost goal, an increase in the share of manufacturing in the State's economy to 22 per cent. It specifically aims at

making Tamil Nadu the most favoured manufacturing investment destination in the Country and one of the top three investment destinations in Asia. To this end, the focus will be on providing quality infrastructure and human resources, to foster a culture of innovation and to have a facilitative regulatory environment.

15. My Government has recently taken a number of initiatives to expand industrial growth to the backward regions of the State, especially in Southern Tamil Nadu. In the coming years, 9 new industrial parks will be created in 9 backward Southern Districts, making available an additional area of 20,650 acres. Special incentives including waiver of stamp duty, land availability at concessional rates and increased capital subsidy will be provided to industries that are established in these parks.

16. I recently announced a package of measures for the Micro, Small and Medium Enterprises (MSME) sector, since this is a high

priority area for my Government. The capital subsidy for plant and machinery of MSMEs will be increased to 25%. The Small Industries Development Corporation will create a land bank of 2000 acres for the MSMEs. Besides, 20% of the land in new industrial parks meant for large industries, will be set apart for allotment to MSMEs. A single window system will be established for facilitating business start-up procedures. My Government will also incentivize aggregation of scattered MSMEs into self-contained industrial complexes. A multi-storeyed industrial complex will be created on a pilot basis to relocate some of the MSMEs from their existing, over-crowded locations.

17. We have identified more than 200 specific infrastructure projects to be implemented in Tamil Nadu over the next 10 years, as part of the Tamil Nadu Vision 2023. To facilitate the completion of projects, a policy framework in the form of the Tamil Nadu Infrastructure Development Act, Rules and

Regulations, has been put in place, along with the Tamil Nadu Transparency in Tenders (Public Private Partnerships Procurement) Rules. I may mention here that a recent United Nations Report on Probity in Public Procurement has recognized Tamil Nadu as the first State to have a legislative framework to deal with Public Private Partnership procurement. I chair the Tamil Nadu Infrastructure Development Board, which will be responsible for implementing this policy framework. The objective is to improve the quality of project preparation and development, ensure transparent and efficient procurement, monitor and facilitate project implementation, and address any post implementation issues. The Tamil Nadu Infrastructure Development Fund (TNIDF) which will provide viability gap funding, and a Project Preparation Fund (PPF) have also been set up. In 2013-14, 2000 crore rupees have been provided for the TNIDF and 200 crore rupees for the Project Preparation Fund.

18. In order to significantly enhance the efficiency of project management, and to expedite the implementation of projects, my Government will launch an ambitious Comprehensive Project Formulation, Execution and Management System, which will integrate and computerize the entire process, from project formulation to works implementation and completion in the State. It will include all steps, right from the stage of preparation of estimates, tendering, award of tenders, execution of works including measurements, up to the final payment of bills. Such a system will also include an e-procurement portal and the adoption of electronic tendering procedures in Government.

19. We have also launched the Tamil Nadu Investment Promotion Programme (TNIPP), with JICA assistance, a very innovatively designed programme, which aligns the policy priorities of the State Government with the expectations of investors, including foreign investors.

The innovative approach of this Programme came in for special mention during the recent visit of the Prime Minister of India to Japan. It will secure programme outcomes through a policy matrix containing a set of policy measures for investment promotion. These include the simplification of the application process for investment, improvement of the monitoring of regulatory clearances, human resource development and the acceleration of infrastructure development. A Small Infrastructure Project Pooled Fund to finance and speedily implement small projects that are needed to overcome infrastructural bottlenecks in investment locations is also part of the programme loan.

20. When my Government assumed office in 2011, the State's power utilities were already reeling under a huge debt burden of over 40,000 crore rupees, a bitter bequest that the previous Government left for us. In the past two years,

the State Government has allocated substantial resources to revive the State DISCOM, to establish more power projects and to increase efficiency in transmission and distribution. Much before the announcement of the Financial Restructuring Plan for the State DISCOMs by the Government of India, the Government of Tamil Nadu had announced the taking over of 50 per cent of the DISCOM's short-term liabilities. The financial restructuring plan for the Tamil Nadu Generation and Distribution Company is also at an advanced stage of finalization.

21. Ongoing projects have been fast tracked in order to ensure that new hydro and thermal generation projects, commissioned within this year, will add a generation capacity of 3230 MW to the grid. Procurement action has commenced for the newly announced 660 MW Ennore Expansion Project, and for the 2x660 MW super critical units each at Udangudi and Ennore with a total capacity of 2640 MW. More capacity addition has also been planned. The State is a

leader in non-conventional energy generation and ranks first in terms of wind energy. To evacuate power from wind mills, a 400 kilovolt transmission corridor across the State is being strengthened, at a cost of 4000 crore rupees. Recently, my Government unveiled a comprehensive Solar Power Policy with many new initiatives. As in the case of the Rain Water Harvesting mission which was launched by me in the year 2001, my Government will make the generation and use of solar energy a people's movement and will achieve a solar power capacity addition of 3000 MW by the year 2015. The State is also availing of financial assistance from the Japanese International Co-operation Agency (JICA) to upgrade the transmission network in the State. Together, all these efforts will go a long way in mitigating the demand-supply gap in the power sector. I request you, Mr. Deputy Chairman, to ensure that the delays in securing coal linkages and in the transportation of coal are overcome, by more

effective co-ordination between the Central Ministries and PSUs.

22. Tamil Nadu has been a front runner in providing Public Health Care for the poor at affordable costs. With its pioneering schemes, sustained efforts and infusion of funds in critical areas, Tamil Nadu has already achieved the Millennium Development Goals of reducing Maternal Mortality Rate and Infant Mortality Rate. The Comprehensive Health Insurance Scheme launched by my Government has been a huge success. I suggest that, instead of implementing parallel schemes, the Government of India should facilitate the integration of the Rashtriya Swasthya Bima Yojana (RSBY) and the health insurance schemes already operating in States like Tamil Nadu. We welcome the announcement on the new Urban Health Mission, which fills an important gap in primary health care in urban areas.

23. Tamil Nadu has provided the best services and infrastructure to its schools. The Pupil-Teacher ratio in Tamil Nadu stands at 27, which is one of the best in the country. The Government is ensuring that school going children are provided with text books, note books, atlases, maps, geometry boxes, colour pencils and other stationery items, school bags, school uniforms, footwear, transportation facilities and, of course, the nutritionally enhanced hot midday meal. The next focus area for my Government is the improvement in the quality of education. A number of measures are being taken to ensure that Government funded schools do not lag behind private schools in the provision of teaching and learning aids and technology. Focused attention is being given to the weaker sections of Society and to girls' education. It would be pertinent to note here that in the past ten years, the gender gap in terms of literacy has reduced substantially in Tamil Nadu, and the Government is fully

committed to nullify the gap within ten years. What has been disappointing and holding up our efforts, has been the huge and arbitrary reduction in eligible grants, both under the Sarva Siksha Abhiyan (SSA) and the Rashtriya Madhyamik Siksha Abhiyan (RMSA). Amounts committed at the time of approval of the Annual Work Plans are not being released by the Government of India, which badly affects implementation and is a constraint in achieving our targets.

24. Highly skilled professional human resources are a prerequisite for sustaining the growth tempo of a modern economy. Under the Tamil Nadu Vision 2023, the goal is to have at least 50 per cent of the age cohort enrolled in higher education. Tamil Nadu already has the largest number of Engineering colleges. Besides, my Government is also focusing on humanities and basic sciences. In the past 2 years, we have established 22 new Arts and Science Colleges and one new Government Engineering College.

In addition, an Indian Institute of Information Technology (IIIT) in the public-private partnership mode, and a National Law School are also being established through the special efforts of my Government. In the current year, another 8 Arts and Science Colleges, 10 Polytechnic Colleges and 2 Engineering Colleges will start functioning. These endeavors will enable our youth to participate more meaningfully in the growth story of the State.

25. Skill development is another area of major concern. My Government fully recognizes that Tamil Nadu, as an early adopter of the small family norm, is at a cusp. This State has to adequately skill its present generation of workers and those entering the work force now, in order to ensure that the demographic dividend is fully taken advantage of. The Tamil Nadu Skill Development Mission has an ambitious agenda of understanding and matching the aspirations and needs of different stakeholders, including the student body, the labour force and Industry. The

annual allocation for the Mission has been increased to 100 crore rupees from 75 crore rupees. The State's schemes of providing free laptop computers to all Higher Secondary School and College students and the provision of free mixies, grinders and fans to all poor households have to be seen in the context of improving skill levels of the student population, and of enabling higher participation by women in the work force, by freeing them from domestic drudgery. I am determined to ensure that Tamil Nadu grows rich before it grows old.

26. The demand supply gap in the housing sector has not reduced, despite many years of sustained investment. My Government has launched a scheme for the construction of Green Houses with solar power which could be a model for other States. The unit cost of each house has recently been increased to 2.10 lakh rupees. The Centre has made no substantial addition to its investment in the housing sector and the increases have not even been covered for

inflation. The unit cost of Indira Awas Yojana (IAY) houses even after the recent increase is only 70,000 rupees which is highly inadequate. Fixation of an artificially low unit cost effectively makes the scheme virtually non-implementable. It excludes the poorest of the poor from the schemes and restricts its benefits to those who can mobilise the additional funds necessary to complete the house. As of now, Tamil Nadu is contributing an additional 67,500 rupees per house to raise the unit cost to 1.20 lakh rupees. There is also an urgent need to revisit the space norms. Hence I strongly urge that the unit cost of IAY houses should be stepped up to at least 1.50 lakh rupees, which may be shared in the ratio of 75:25 between the Centre and the States. On the urban side also, the housing shortage is huge, particularly for the people from the Lower Income Group (LIG). I regret to note that the much hyped Rajiv Awas Yojana has not made any headway. However, my Government, on its own, has announced that we will build

50,000 homes in the next two years in the LIG category. We hope that the Government of India will extend support for this initiative and will help us reduce the gap in urban housing stock.

27. We have waited in vain for 2 years for the second phase of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). India's cities cannot be starved of infrastructure financing any further. I strongly urge the Government of India to finalize the modified guidelines for the JNNURM-II, in consultation with the States, and allow the States greater flexibility in the implementation of schemes, based on the local needs and capacity differentials. The scheme design must not snuff out innovative loan based financing initiatives. Our State has already prepared a shelf of projects including DPRs, for major infrastructure schemes including storm water drains, underground sewerage, water supply, and solid waste management and we would be in a position to utilize JNNURM funds in full, as soon as the

programme design is finalized. Tamil Nadu is the most urbanized State in the Country and we have been virtually left alone to shoulder the entire responsibility of coping with the ever increasing infrastructure financing needs of rapid urbanisation. Two major missions - Integrated Urban Development Mission (IUDM) and the Chennai Mega City Development Mission (CMCDM) - have been under implementation for the past two years. An amount of 2,500 crore rupees has been allocated for the first two years.

28. An "Open Defecation Free State by 2015" is a high priority goal announced by me for Tamil Nadu. The Government has drawn up a three year comprehensive plan and launched the scheme for eradication of open defecation in urban areas, from the year 2011-2012. The scheme will be continued in 2013-2014 with an outlay of 72.60 crore rupees. This scheme focuses on increasing public toilet facilities and IEC activities to sensitize the people. For rural areas, the unit cost of individual toilets under the



Total Sanitation Campaign has been increased to 5000 rupees. With additional State contribution and by dovetailing funds from the Mahatma Gandhi National Rural Employment Generation Scheme (MGNREGS), our State provides 11,000 rupees per toilet. Sanitary Complexes for Women in villages have been a great success and my Government is now establishing Sanitary Complexes for Men as well. These efforts are expected to ensure that there will be no open defecation in the State after 2015.

29. Desalination is an important alternative source of water supply for Chennai and other coastal habitations in Tamil Nadu in order to insulate them against sole dependence on monsoon based sources. The Nemmeli Desalination plant, which received Government of India support, has started functioning at full capacity. The State Government is taking further initiatives to augment drinking water sources for Chennai City. The State has planned to establish another 400 mld treatment capacity desalination

plant at Pattipulam, south of Chennai. The project cost is 2500 crore rupees. I urge the Government of India to allocate the maximum financial assistance for this project.

30. Learning from the experience of the recent drought and the consequent water shortage in coastal areas, I propose to establish five desalination plants of 20 mld each along the coast line of the State. The approximate cost for these projects will be 700 crore rupees. I request the Union Planning Commission to extend Additional Central Assistance to the extent of 210 crore rupees for the desalination plants.

31. As I place proposals before you for Additional Central Assistance (ACA) for 2013-2014, I must also mention that the ACA for 2012-2013 has not yet been fully received. Out of the total sanction of 160 crore rupees, only 128.63 crore rupees have been released by the Union Planning Commission. The remaining amount of 31.37 crore rupees was not released

in the previous financial year. The non-release of ACA, promised in the Union Planning Commission discussion at the level of the Deputy Chairman with State Chief Ministers, is a serious issue. I am sure that you would share our distress in this regard and hope that this is just an aberration, which will be rectified immediately and that the ACA for the current year would be released in time.

32. Before I conclude, I once again call upon the Union Planning Commission to effectively perform its core function of indicative planning and to play its appropriate, assigned role in the growth story of the Country. I also call upon the Government of India to adopt a consensus-based, co-operative approach towards the State, to ensure better and desirable outcomes for the people.

33. I note that there is a change in the pattern of official level discussions this year, which is definitely a welcome improvement.

I hope this will help both the Union Planning Commission and other Ministries in the Government of India to understand the aspirations and capabilities of the State better. It should lead to the commitment of more untied funds to allow for greater flexibility in framing State specific innovative programmes, which can lead to more accelerated, inclusive, and sustainable growth.

34. I thank the Commission for this opportunity.

**Vanakkam.**