

PM's speech at National Development Council meet

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Ladies and Gentlemen,

I am extremely happy to welcome you all to this 54th meeting of the National Development Council. We are meeting for the second time this year. We met in May to discuss matters relating to agriculture and discuss possible ways of addressing the weaknesses and the slow growth rate of this vital sector. That meeting of the NDC was extremely useful in that we were able to identify gaps in our current approaches and began work on two new major agricultural programmes - the Rashtriya Krishi Vikas Yojana and the Food Security Mission.

Ladies and Gentlemen,

We meet here today to consider the Eleventh Five Year Plan. This Plan has been formulated by the Planning Commission on the basis of the mandate given by the NDC in December 2006. The NDC had then mandated a strategy of faster and more inclusive growth as outlined in the Approach Paper to the XI Plan. The Planning Commission has done a commendable job in doing the preparatory work for this Plan and also putting together this document on the basis of extensive consultations. I commend the Deputy Chairman, Members and staff of the Planning Commission for their effort.

As we enter the XI Plan, the prospects on the growth front are encouraging. Growth has averaged close to 9 percent p.a. in the last three years of the X Plan, thus more than making up for a slow start in the first two years. Such a good growth performance is unprecedented and leads us to wonder whether we have actually scaled another invisible barrier and placed our economy on a high growth path. It is possible that, with the correct set of policies and dedicated effort by both the central and state governments, we will not only be able to maintain this momentum of high growth into the near future but may be able to raise it to 10%. This is what the XI Plan attempts to do over the next five years.

This high growth rate has become possible because of the historically high savings and investment rates which we are witnessing. Our savings rate, after stagnating for almost two decades, has touched 34 percent of the GDP and the investment rate has crossed 35 percent. These high rates, which are based on improvements in both private and public savings, are likely to go up in the future because of our young population profile. This will be adequate to support a growth rate of 9-10 percent. Our economy has also demonstrated resilience in meeting the challenges posed by globalization. In the last two decades, our industry - both large and small - has restructured and become globally competitive. We have, over the past few years, been able to create an environment conducive to creativity and enterprise, thus unleashing the creative potential of our economy.

However, I would also like to sound a note of caution. There are some clouds on global financial markets following the sub-prime lending crisis. There are worries that the growth of the US and other

leading economies may slow down and some may even go into a recession. This may impact both our exports as well as capital flows. Our economy is now increasingly integrated into the global economy with the external sector now accounting for almost 40 percent of GDP and hence, we cannot be fully immune to international developments. This is not to say that one must be pessimistic and must be less ambitious in our growth targets. It only implies that we need to redouble our efforts to maintain the domestic drivers of growth and ensure that policy facilitates even faster growth.

Ladies and Gentlemen,

While the importance of growth cannot be overemphasized, growth alone cannot be the goal and objective of all planning processes. Growth is certainly a good indicator that the lives of our citizens are improving. It also expands the resources available to us for investing in human and physical capital. However, we need to reconcile growth concerns with a large number of other concerns that influence the well being of our nation and our people.

As I scan our economy, I notice certain features which can become a cause of concern in coming years. The most glaring is the problem of inter-regional disparity. There are states which have adjusted rapidly to the evolving economic circumstances and have benefited from the ongoing growth processes. There are others which are untouched by change and have seen little improvement in their economic conditions. Year after year, one sees the same states at the bottom of the pile on a large number of economic and social indicators. While variations are a natural phenomenon, if they persist over prolonged periods, they can do incalculable harm to the cohesion of our polity. We need to focus our attention on this as a matter of national priority.

The other disparity which concerns me is the urban-rural disparity. Often, this is the cause of inter-regional disparity. The quality of life in urban areas is improving more rapidly than in rural areas. This is partly explained by the poor performance of agriculture. While there are limits to which we can raise the growth rate of agriculture, the problem is compounded by the lack of mobility of those employed in agriculture to productive jobs in industry. Therefore, we are faced with this peculiar puzzle whereby on the one side, the growth rate is accelerating to more than 9 percent but on the other side, the share of agriculture in our GDP has dropped below 20 percent without any appreciable shift in the proportion of our population still dependent on agriculture for sustenance. This is leading to a relative impoverishment of our rural areas. We need to ensure that the rural-urban divide is bridged and take necessary steps to mitigate it. We need to ensure that the quality of education provided in our rural

areas, the health services in our rural areas and the infrastructure in rural areas - are all of the same quality and standard as those available in urban areas. This is absolutely essential if we have to mitigate impoverishment and large-scale migration from rural areas.

This brings me to another concern - that is the slow reduction in poverty. High growth has not made as much of an impact on poverty reduction as we would have liked. Poverty is coming down, but not fast enough. Too many of our people lack access to basic services especially education, health, housing and clean drinking water. Child malnutrition afflicts millions of children and is a matter of national shame. To deal with these problems we need a growth process that will achieve a rapid reduction in poverty, accelerate the pace of both industrialization and employment generation, reduce the urban-rural divide and bring measurable benefits to SCs, STs, minorities and other

excluded groups.

In a nutshell, what I am drawing your attention to can be termed as our equity concerns. Equity is the foundation on which our democratic polity has to rest and thrive. It is the basis on which our citizens develop a sense of ownership of the state and its organs. Inequity can lead to large-scale migration, disaffection and discord. Both the Centre and the states need to work purposefully to ensure that we can achieve our common developmental and equity goals. Development is a process that should not divide but should unite. All of us need to zero in on the basic task of development and work with a new sense of direction and a new sense of focus.

Ladies and Gentlemen,

This is precisely what the XI Plan document attempts to do. It presents a comprehensive blue print of what needs to be done in different sectors to achieve faster and more inclusive growth. From an equity perspective, it focuses on the revival of agriculture, on rural development and on a strong effort in promoting programmes that deliver essential services to the common man and also provide livelihood support. I will not touch on all aspects of this comprehensive agenda, but I would like to highlight a few, such as agriculture, education, healthcare and some of the special efforts we are making to ensure inclusion.

I am happy to note that the share of the Central Gross Budgetary Support allocation to key sectors such as agriculture, irrigation and rural development, health and education is being substantially increased. The outlay on education goes up from 7.68 percent of the Central GBS in the 10th Plan to over 19 percent in the 11th Plan. In fact, education is the most favoured sector and the three-fold increase in its share and a five-fold increase in the actual outlays demonstrates the criticality of this sector in ensuring sustained inclusive growth in the future. The outlays on agriculture, health and rural development have also tripled. Taken together with education, these sectors account for more than half the Central GBS as compared to about 30 percent in the last Plan.

This is a major structural shift indeed which must not miss our attention. This structural shift is an indication of our commitment to reducing the disparities I mentioned earlier; our commitment to investing in the skills and resources needed for enabling all marginalized groups and regions to benefit from economic growth; and, our commitment to rapid, inclusive growth. This structural shift is the hallmark of the XI Plan.

It must be noted that this structural shift is not at the cost of investment in other critical areas such as energy and infrastructure. The Plan hopes to raise the total annual investment in infrastructure from 5 percent of GDP to 9 percent. Infrastructure is an important contributor to growth and public sector investment will continue to play an important role in infrastructure development. The total public investment in infrastructure including IEBR is being raised from 2.4 percent of GDP in the X Plan to almost 4 percent. At the same time, conditions have to be created to enable the private sector to play a more active role in infrastructure. The Plan intends to do this through an ambitious PPP strategy, the process for which has already begun in railways, ports, roads and airports. States need to gear themselves up to attract private investment in infrastructure sectors.

In fact, what the strategic shift indicates is that while public investment focuses more on building up social capital and on equity issues, private investment will play a larger role in funding infrastructure and power. This is in fact, as it should be. This also enables government to focus more on its core

areas of concern leaving those areas to private capital where it is more effective and efficient.

Ladies and Gentlemen,

Agriculture is undoubtedly the most important sector from the point of view of inclusion since it is the primary source of income for about half the population. The slowing down of agricultural growth to less than 2 percent per annum since the late 1990s has undoubtedly been the root cause of much of the rural distress. I am happy to say we have already taken several steps to restore momentum to this sector.

The Bharat Nirman programme was launched to provide a special focus on the development of rural infrastructure. The National Horticulture Mission and the newly set up National Fisheries Board promote agricultural diversification into high growth areas. The Accelerated Irrigation Benefit Programme has been restructured to give a fillip to investment in irrigation which was lagging behind. The National Rainfed Area Authority has been set up to develop a holistic approach to agricultural development of rainfed areas which account for 60% of our crop area. We have achieved a three-fold increase in agricultural credit from banks in the past three years and we are determined to do more to ensure that our farmers have access to credit at reasonable rates.

This year, based on the discussions in the special NDC meeting on agriculture, we launched the National Food Security Mission to increase production of rice, wheat and pulses. This programme will produce an additional 20 million tonnes of foodgrain production over the XI Plan. We also launched a new Rashtriya Krishi Vikas Yojana which substantially enhances the resources available to states for agriculture. This is the first time district level agricultural planning has been given operational form, in terms of an agricultural plan which takes account of district specific constraints. With these measures, we hope that we will be able to sustain the desired growth rate of 4 percent in agriculture.

I am happy to state that our efforts in agriculture are beginning to bear fruit. Agricultural growth has improved significantly in the last two years of the 10th Plan and based on evidence for the current year, we expect that in these three years, agricultural growth will average 4 percent. This is definitely encouraging. However, I must emphasise that there is no room for complacency. We must continue our efforts in these areas with redoubled vigour.

Ladies and Gentlemen,

The most significant initiative on the livelihood security front has been the National Rural Employment Guarantee Act. It provides the neediest sections of our population with income support and also encourages the creation of productive assets in rural areas. Beginning with 200 districts, it has been expanded to 330 districts this year and will now cover all districts from next year. I believe that the NREGA will go a long way in ensuring livelihood security and in softening the harsh edges of extreme poverty.

Talking of livelihood security, I will be failing in my duty if I do not draw your attention to the impending problem of food security. The next decade is going to be one in which our food security will be under stress. Global trends in food production and prices and our own

patterns of consumption are going to put increasing pressure on both the availability and prices of

basic food items. If we have to manage these pressures, we need to ensure that the agriculture sector not only performs as per our expectations but also that our food planning adjusts to the emerging market realities. Given that we have the second largest arable area in the world, we need to rapidly focus on productivity enhancement strategies.

At the same time, we need to revisit our foodgrain procurement strategies in the short-term. We probably need to realize that we are going to be importers of some food items for many years and take steps to manage this in a structured manner. We probably need to enhance our buffer stocks of foodgrains and also consider buffer stocks for pulses and edible oils. We also need to ensure that subsidized foodgrains are targeted at only the needy and the poor and that leakages and misdirected subsidies are stopped.

Ladies and Gentlemen,

Education is an area of special focus in the XI Plan. Already, we can see that faster growth is leading to skill shortages and increases in wages and salaries for people with the right skills. We need a greatly expanded supply of educated and skilled labour to support our ambitious growth targets. Education is also our best hope for achieving inclusiveness and for spreading development to backward regions and marginalized groups. Nothing will ensure an effective spread of opportunity to all sections of the population more than the availability of good quality education especially in rural areas. The XI Plan attempts to bring about a massive transformation in this area through many new initiatives. While strengthening the Sarva Shiksha Abhiyan, a new scheme for universalizing secondary education is proposed. In addition, 6,000 model schools in all Blocks, 30 new Central Universities, 370 new colleges in educationally backward districts, a Skill Development Mission to cater to 1 crore students per year and a hu

ge expansion in the number of Indian Institutes of Technology, Indian Institutes of Management, Indian Institutes of Information Technology, Indian Institutes of Science Education and amp; Research are proposed in the XI Plan. This is a decisive start to bridging the knowledge gap in our country. However, all these ambitious investments will bear fruit only if the central and state governments work purposefully to see that results are in line with expectations and that the quality of these institutions remains top-class.

The Plan proposes a major expansion in the Health sector which will effectively double expenditure in health for the Centre and the States from 1 percent of GDP in the base year to 2 percent of GDP by the end of the Plan. The National Rural Health Mission is going to be the flagship programme which aims at providing a holistic approach to health with decentralisation to local levels. The States have a major role to play in implementation. I would urge Chief Ministers to give this area full attention. They should also devote special attention to eliminating child malnutrition, something that is within our reach in 4-5 years if only we show the necessary application.

This Plan lays special emphasis on the problems of minorities, SCs and STs. It has specific, focused programmes, both for skill development and education and also for improving the basic infrastructure in areas inhabited predominantly by them.

Ladies and Gentlemen,

The Plan envisages an impressive increase in total Plan expenditure of the Centre and States taken

together from 9.4 percent of the GDP in the X Plan to 13.5 percent of GDP in the XI Plan. The size of the Central GBS alone is pegged at Rs.14 lakh crores in the XI Plan which is more than double that of the previous Plan. This requires an immense effort in resource mobilization by both the centre and the states. Tax revenues have fortunately been buoyant in the last four years. We must not fritter them away in unproductive, wasteful expenditure and ensure that they are leveraged for the noble purpose the Plan intends them to be used.

There are two areas which states need to give particular attention to. One is on working with the Centre to ensure better targeting of subsidies to the genuinely needy. The other is on cutting down losses in the Power Sector, an area where a lot of work needs to be done by all concerned. To overcome the power shortage that plagues almost all 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. We must restore the financial health of the electricity agencies. We should bring down AT and amp;C losses to 15 percent in two years. We need to focus on providing quality power at appropriate prices, taking into consideration the needs of consumers and the health of electricity agencies. I urge everyone to realize that frittering away public resources into unproductive expenditure will result in fewer schools, fewer hospitals, fewer scholarships, lower public investment in agriculture and poorer infras

tructure. It is certainly a recipe for ensuring that the development divide is not bridged.

Ladies and Gentlemen,

I have only touched upon a few of the critical issues that are covered in the Plan Document. We are aiming at a development process that enables rapid, inclusive growth. We also need to ensure that our development is on a sustainable basis, that it contributes to the well being of the planet. Given the current energy scenario, with international oil prices shooting up each day, it is both in the interest of energy security and environmental security that we make our economy less energy intensive. This will reduce our rising dependence on imports and also contribute to mitigating climate change. After all, our growth should not lead to negative externalities for humankind. As India grows, we will become a nation to reckon with on the global stage. Even as we aim to be a prosperous nation, we should remain a mature, responsible and peace-loving nation which the world respects for these qualities. This should guide our Planners now and in future.

I would like to emphasize that in the last three years, we have shifted the focus of the Plan dramatically to critical issues pertaining to development of social and human capital. A lot of public investment is planned on these areas. This is only part of the story. The other part is to ensure that our programmes are designed and implemented effectively and efficiently and leakages are stopped. Our district and grassroots administration has to be energized to perform this role. The involvement of Panchayati Raj Institutions is critical for ensuring the success of many schemes. Civil Society too can play a constructive role. In totality, we need much better governance at all levels. In the last three years, we have laid out the architecture for rapid inclusive growth. The XI Plan now firmly weaves all these initiatives together and focuses on marginalised sections and regions without sacrificing enterprise and growth. For the next few years, the emphasis must be on ensuring that these programmes deliver what t

hey promise. We must work purposefully to realise the socio-economic transformation the Plan seeks to achieve.

I look forward to hearing your views during the course of the day. The Finance Minister and the Deputy Chairman will intervene during the discussions. Thank you.

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