

SPEECH

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New Delhi

PM's address at the National Development Council Meeting

I have great pleasure in welcoming you to this meeting of the National Development Council to consider the draft Twelfth Five Year Plan.

The draft that is before you presents a comprehensive assessment of the many challenges our country faces in achieving the Plan objective of faster, more inclusive and sustainable growth.

As we begin our Twelfth Plan journey, it is worth noting that we do so with an economy that has shown many areas of strength.

We achieved an average of 7.9 percent growth in the Eleventh Plan period, despite the fact that there were two global crises in this period. This growth has also been much more inclusive than in the past.

The percentage of the population below the official poverty line declined by about 2 percentage points per year after 2004-05, which is two and a half times faster than the rate of decline between 1993-94 and 2004-05. This basic finding that poverty declined faster would hold even if the poverty line is revised.

Agriculture growth accelerated from 2.4 percent in the Tenth Plan to 3.3 percent in the Eleventh Plan. Real wages in agriculture have grown at 6.8 percent per year in recent years, compared with only 1.1 percent per year in the period before 2004-05. Better agricultural performance is an important reason why poverty declined faster.

States that used to grow slowly in earlier periods have done much better. The average growth rate of the five poorest states exceeds the national average for the first time in any Plan period. I think we may be reaching the stage when the term "BIMARU States" can be relegated to history.

While these developments indicate the strengths of our economy, it is also true that the current economic situation is difficult. The continuing crisis in the global economy has reduced growth everywhere. It is expected to be zero in the Eurozone and Japan and emerging market economies have also slowed down.

The global slowdown, combined with some domestic constraints, has meant that our growth has also slowed down. Our first priority must be to reverse this slowdown. We cannot change the global economy, but we can do something about the domestic constraints which have contributed to the downturn.

The most immediate problems we need to tackle are the implementation problems affecting large projects, including particularly power projects, which are stuck because of delays in getting clearances and fuel supply agreements. We have taken a number of steps to deal with this problem, including the establishment of a new Cabinet Committee on Investment under my Chairmanship.

I am confident these steps will have a positive effect, but their full impact will take time.

The Deputy Chairman has indicated that in view of the latest assessment of the state of the global economy, the overall growth target for the Twelfth Plan is being set at 8 percent. This is a reasonable modification but I must emphasise that achieving an average of 8 percent growth, following less than 6 percent in the first year, is still an ambitious target.

As the Plan document makes clear, the high growth scenario will definitely not materialise if we follow a "business as usual" policy. The Plan identifies a number of areas where new initiatives and policy innovations are needed. Many of these are areas where the principal responsibility is that of the States. I look forward to hearing the views of Hon'ble Chief Ministers on these suggestions.

While we need to accelerate growth, we do not view growth as an end in itself. Our real objective must be to improve the condition of lives of the aam aadmi, which is why we emphasise that growth must be inclusive.

There are two reasons why rapid growth is necessary to achieve greater inclusiveness. First, it is necessary to generate the revenues to finance our many programmes of inclusiveness. If growth slows down, neither the States nor the Centre will have the resources needed to implement inclusiveness programmes. We will either be forced to cut these programmes, or be pushed into tolerating a higher fiscal deficit, which will have other negative consequences.

Rapid growth also contributes directly to inclusiveness because it provides greater access to income and employment opportunities. Policies aimed at stimulating growth in agriculture and in medium and small industries, combined with steps to promote education and skill development, will produce a growth process which is inherently more inclusive. The Twelfth Plan strategy contains many elements which will ensure that growth is as inclusive as possible. I welcome your comments on this strategy.

We also need to pay special attention to disparities between socio-economic groups such as SCs, STs, OBCs and minorities. These groups lag behind the rest of the population in key socio-economic indicators. Fortunately, the gaps are closing but the pace at which this is happening is not satisfactory and certainly does not match expectations. We need to consider how we can do better.

Gender inequality is another important aspect which deserves special attention. Women and girls represent half the population and our society has not been fair to this half. Their socio-economic status is improving, but gaps persist. The emergence of women in public spaces, which is an absolutely essential part of social emancipation, is accompanied by growing threats to their safety and security. I have in mind the brutal attack on a young woman only a few days ago in the capital and other such reprehensible incidents elsewhere. We must reflect on this problem, which occurs in all states and regions of our country, and which requires greater attention both by the Centre and the States.

In this particular case, the culprits have been apprehended, and the law will deal with them expeditiously. Government has decided to review the present laws and examine the levels of punishments in cases of aggravated sexual assault. A committee of eminent jurists, headed by the former Chief Justice of India, Justice J.S. Verma, has been constituted for this purpose. Let me state categorically that the issue of safety and security of women is of the highest concern to our Government. A Commission of Inquiry is being set up to look into precisely these issues in the Capital. There can be no meaningful development without the active participation of half the population and this participation simply cannot take place if their security and safety are not assured. I urge all Chief Ministers to pay special attention to this critical area in their states.

There are many sectors of our economy that are dealt with in detail in the Plan document.

I will only touch on some of them in my remarks.

Agriculture is an area of critical concern. Although the share of agriculture in GDP has fallen to only 15%, about half of the population still relies on agriculture as its principal income source. What happens in agriculture is therefore critical for the success of inclusiveness. We need to build on the success of the last Plan by increasing land productivity in agriculture so that we not only meet our rising demand for food, but also increase incomes of those dependent on agriculture. Paradoxically, we should not aim at increasing total employment in agriculture. In fact, we need to move people out of agriculture by giving them gainful employment in the non agricultural sector. It is only when fewer people depend upon agriculture that per capita incomes in agriculture will rise significantly and sufficiently to make farming an attractive proposition.

Agriculture is a state subject and most of the policy initiatives needed are in the realm of State Governments. The Minister of Agriculture, my colleague Shri Sharad Pawar will be dealing with these issues in some detail and I look forward to the reaction of Chief Ministers on this important subject.

Growth in manufacturing should be at double digit levels, but this has yet to take place. The Plan mentions many new initiatives aimed at strengthening performance in the manufacturing sector. Small and medium industries are particularly important as they generate more employment. Both the Centre and the States must give priority attention to creating an eco-system in which these industries can grow and flourish.

Better infrastructure is the best guarantee for rapid growth of the economy. Infrastructure development is heavily capital intensive and both the Centre and the States are severely constrained by resource availability. The central government, and many state governments, have been successful in promoting infrastructure development through PPPs. India has the second largest number of PPP projects in infrastructure in the world. It will be necessary to continue this thrust in the Twelfth Five Year Plan.

The Eleventh Plan paid special attention to the North East and I am happy to say that North Eastern states have responded well. GDP growth in a number of states was higher than the national average. We plan to step up the pace of investments in infrastructure, particularly roads, rail, airports, waterways and power transmission systems to support and stimulate economic activity in this vital region of our country. I am hopeful that as a result of our Look East Policy, this region will fast become a major gateway to trade and economic activity with our neighbours.

I have mentioned that both the Centre and the States face resource constraints. Both therefore have to make determined efforts to mobilise resources to fund the Plan. The Plan document points out that we need to increase the tax ratio as a percent of GDP through a combination of tax reforms and better tax administration. Early implementation of the Goods and Services Tax (GST) is critical in this context. I hope we will have the co-operation of the States to introduce GST as quickly as possible.

The Plan also draws attention to the need to control subsidies. Some subsidies are a normal and indeed essential part of any socially just system, but subsidies should be well designed and effectively targeted and the total volume must be kept within limits of fiscal sustainability. Failure to control subsidies within these limits only means that other plan expenditures have to be cut or the fiscal deficit target exceeded. The Finance Minister will be addressing these issues in his intervention.

A common complaint against government programmes is that they suffer from leakages, corruption, delays and poor targeting. The Central Government is taking a major step to deal with this problem by shifting several beneficiary oriented schemes to a direct transfer mode, using the Aadhaar platform. This will begin to roll out for selected schemes in

selected districts in the course of January 2013. In due course, a wide range of benefits like scholarships for students, pensions for elderly, health benefits, MNREGA wages and many other benefits will migrate to direct transfer into bank accounts using Aadhaar as a bridge. This is an innovative step which will be watched by the entire global development community. The Central and State Governments must work together to make this a success.

Many State Governments have said that Centrally Sponsored Schemes are often ineffective because of rigid guidelines. The Deputy Chairman has already pointed out that we are taking steps to rationalise the Centrally Sponsored Schemes along the lines recommended by the B.K. Chaturvedi Committee, including proposals to introduce greater flexibility in these schemes. I am sure these changes will be widely welcomed.

There are two areas I wish to mention which pose a major challenge for our economy and these are energy and water.

Energy is a critical input for any growth process and our domestic energy resources are not sufficient to meet our country's growing needs. We import oil, natural gas and in recent years even coal. If we wish to keep our energy import requirement within reasonable limits, we must emphasise energy efficiency to moderate demand and we must increase domestic production of energy. Energy pricing is critical for both objectives. If domestic energy prices are too low, there will be no incentive to increase energy efficiency or to expand even supply.

Unfortunately, energy is underpriced in our country. Our coal, petroleum products and natural gas are all priced well below international prices. This also means that electricity is effectively underpriced, especially for some consumers. Immediate adjustment of prices to close the gap is not feasible, I realise this, but some phased price adjustment is necessary. Energy experts are unanimous that we cannot expect to achieve rapid, inclusive and sustainable growth if we are not willing to undertake a phased adjustment in energy prices to bring them in line with world prices. The Central Government and the states must work together to create awareness in the public that we must limit the extent of energy subsidies. I look forward to hearing the comments of Hon'ble Chief Ministers on this complex issue.

The management of our water resources poses severe challenges. We are rapidly approaching the position where the total demand for water in the country simply cannot be met by available supply. As with energy, we have to respond by increasing water use efficiency and also by expanding supply in a sustainable manner.

The Plan document outlines a comprehensive strategy for dealing with this problem, starting with a serious effort to map available ground water supplies aquifer by aquifer. Available water also needs to be allocated to different uses through a Water Regulatory Authority. This is an area where action lies largely in the domain of State Governments.

The development of our country is necessarily a cooperative endeavour involving many stakeholders. It involves both the public sector and the private sector, the Central Government and the State Governments. It also involves the common people particularly those participating actively in devising new ways of addressing old problems.

We have been reasonably successful in what we have achieved so far, but we must remember that we are still a low income country. We need twenty years of rapid growth to bring it to middle income level. The journey is long and requires hard work and commitment. This meeting of the National Development Council is an opportunity to re-dedicate ourselves to the arduous task before us.

The people of this country have bestowed upon us the responsibility of creating the

conditions in which they can fulfil their dreams and aspirations. If we do our part, I have no doubt that the talented people of India have the capacity to take this great nation to heights of glory. The people have high expectations of us. I am sure all Chief Ministers will agree that we must not fail to come up to the expectations of our people.

Thank you.

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