

Speech of Shri Ashok Gehlot, Chief Minister, Rajasthan
50th National Development Council Meeting on 21st December 2002 at New Delhi

Hon'ble Prime Minister, Chief Ministers, Central Ministers and Friends,

I am happy to participate in this meeting of the National Development Council that has been convened to consider and approve the Tenth Five Year Plan (2002-2007).

2. A little more than a year ago we had gathered to discuss the Draft Approach Paper to the Tenth Five Year Plan. Now, when the first year of this Plan is nearing its end, we are meeting to approve the Draft Tenth Five Year Plan. However, discussion at this stage would, I presume, serve the purpose of focusing attention not only on the objectives and strategy set out for the Plan but, in the light of the role that has been envisaged for the States, also focus on the ability, or otherwise, of the States to contribute to the success of the same.
3. Every Five Year Plan provides an opportunity of stock taking as well as reorienting the priorities of the Government, Central and State, in the light of the changing environment. It is pertinent, therefore, to discuss briefly what we had sought to achieve in the Ninth Five Year Plan and how far we in Rajasthan have succeeded in achieving the same.
4. The main objectives of the Ninth Five Year Plan was 'growth with equity' and included objectives like generating adequate productive employment, eradicating poverty, ensuring nutrition security to the vulnerable sections, basic minimum services of drinking water, healthcare, containing population growth primary education and shelter, empowering the disadvantaged groups like SCs/STs and OBCs, promoting and developing people's participatory institutions, and, strengthening efforts to build self-reliance.
5. Sir, the past four years have been very tough for Rajasthan. We have faced a drought in each of these years. But we have made use of this adversity, too, for boosting development. We have made significant strides in improving the lot of the disadvantaged sections and also in empowering them.
6. On the poverty alleviation front, the Chief Minister's Employment Scheme is helping the urban youth seek self-employment. Under the Swarnjayanti Gram Swarajgar Yojana, despite dwindling allocations from the Government of India, as many as 22,340 Self Help Groups exclusively of BPL families have been formed and are under various stages of nurture. Credit mobilisation has been an all India high standing at 123% in 2001-2002 and per family investment has been substantially higher than the stipulated Rs.25,000/-. The World Bank assisted District Poverty Initiative Project (DPIP) is another major poverty alleviation . initiative of the Government.
7. Through the instrumentality of the Rajiv Gandhi Mission on Social Security, we have consistently worked towards the welfare of those belonging to the SC and ST communities. The reservation quota for SCs / STs and OBCs has been increased for admission to medical and technical institutions; 3% reservation for admission to educational institutions and in government jobs

has been kept for disabled persons. A Commissioner of Disabilities has been appointed to focus both attention and efforts in the area of welfare of the disabled.

8. The rate of old age / widow pension in the State is not Rs.75 but Rs.200 per month; the State Government is now spending Rs.187.83 crores on the scheme.
9. Nutrition acquires greater importance during years of drought. Through a network more than 35,000 aganwadis, children below six years of age, pregnant and lactating mothers totalling 27 lacs have been provided with supplementary food. Children between the age group of 6-11 in schools are being provided cooked meal under the mid-day meal scheme; Rs.120 crores are being spent this year under the Plan.
10. In the social sector, education has been a major focus. Rajasthan has seen the highest percentage increase in literacy in the last decade (from 38.55% to 61.03%). To further the cause of literacy, 21,453 Rajiv Gandhi Pathshalas, covering more than 10 lac children at the primary level, have been set up in rural areas. Identification of children yet to be enrolled under the 'Shiksha Darpan' program has been followed by the 'Shiksha Apke Dwar' for ensuring 100% enrolment; the number of children not going to school has come down from 23 lacs in 1999 to 1.64 lacs in 2002 and we hope to accomplish full enrolment in July, 2003.
11. A liberal policy of giving NOCs and the involvement of the private sector has resulted in the setting up of 23 engineering colleges, medical / dental colleges and other technical institutions. Compulsory computer education for secondary and senior secondary students has been introduced in schools with participation of the private sector. Noteworthy is the new LN Mittal Institute of Information Technology under collaboration with the London-based LN Mittal Foundation that is coming up fast in Jaipur. The fifth such institute in the country, the project will cost Rs.35 crores.
12. The State has prepared a comprehensive population policy. All the 23.5 lac BPL families are being provided free medical treatment at government hospitals. Such persons have been provided Medicare Relief Cards. The Chief Minister's Jeevan Raksha Kosh has been created to provide financial assistance to those who are living below the poverty line and are suffering from serious diseases like cancer, heart, kidney failure etc.
13. A major initiative in empowering the panchayati raj institutions has been taken in the State. Zila Pramukhs have been nominated as the Chairman of the District Rural Development Agency (DRDA). The State has initiated the new Gandhi Gram Yojana based on the model provided by Ralegaon Siddhi for water conservation with community participation. In all, nine schemes of Rural Development Department have been transferred to Panchayati Raj Institutions. Gram Sabhas have been empowered to identify priorities and execute development schemes. Out of 29 subjects identified for transfer to panchayats under Article 243 G of the Eleventh Schedule of the Constitution, 16 subjects have already been transferred to PRIs. Powers for issuing Administrative & Financial sanction upto Rs.25 lacs to the Governing Council

at the district level and upto Rs.1 lac to the Sarpanch have been delegated. And, a Task Force has been constituted for strengthening of PRIs and Urban Local Bodies.

14. The agenda for this meeting is to consider and approve the Draft Tenth Five Year Plan. Sir, the Tenth Plan has been described as a 'Reform Plan' as against previous Plans that were 'Resource Plans'. The emphasis is now on quality of development outcomes and increasing effectiveness of public service delivery. Planning now is aimed at enhancement of human well being. The stress, accordingly, is now on effectiveness, quality and reform.
15. The strategy is accordingly spelt out in an agenda that includes
 - disinvestment of PSUs,
 - reforms in taxes, labour laws and the administrative system,
 - increased private partnership in the widest range of activities,
 - focus on reforms in infrastructure like power, transport, and water,

- better fiscal management both for the Centre and the States,
 - removal of legal bars for growth of the agriculture trade as well as other agro, small scale and cottage industries,
 - giving up the anxiety about FDI hurting local industries and national interest and making the economy more competitive with that of the rest of the world.
16. While on this, it would be pertinent here to spell out specific steps in this direction we in Rajasthan have taken / initiated.
 17. As part of the reform agenda, not only has the State Government introduced new measures of tax revenue (professional, turnover and entry tax) and a self assessment scheme for sales tax and land and building tax, it has also resorted to revision of irrigation rates, fee for various licences and, among others, simplifying land conversion procedures / to raise its overall revenues.
 18. The State Government has been successful to some extent in containing revenue expenditure. This has been achieved through a number of rather tough but necessary measures in terms of curtailing facilities granted to the employees, ban on new ad hoc appointments. Teachers at the primary level on honorarium basis have been appointed.
 19. With increase in both tax and non-tax revenues, and curtailing expenditure, the revenue deficit position as percentage of revenue receipts has come down by over 15% in 2000-2001 over the previous year.
 20. One of the first few States to affect power sector reforms, the State Electricity Board was unbundled into five independent companies to handle generation, transmission - and distribution. Power generation has increased in the last four years from 3356 MW to 4531 MW and, in the next one year, we confident to add another 1700 MW in the installed capacity in the State. Alongside this, transmission losses have been brought down and revenue gap reduced by Rs. 500 crores.
 21. To encourage the private sector involvement in infrastructure development, a BOT policy has been finalised. Already 35 works under the transport sector worth over 835 crores have been sanctioned. On the telecommunication sector, the State was the first to allow free right of way.
 22. With a view to re-kindle the minds and hearts of the non-resident Rajasthanis, an International Rajasthani Conclave (IRC) was very successfully organized in September 2000. The Rajasthan Foundation has since been constituted to carry forward this initiative. To speed up private investment and to encourage increased private sector participation for industrial and infrastructure development, a single window system has been established. Decision making and coordination is being facilitated through a series of empowered committees. A dedicated project development company, PDCOR, has been set up to attract private sector investment in infrastructure projects in the State.
 23. Water is one commodity more important to Rajasthan than any other State.

For sustainable development and optimal utilisation of this precious resource, we have prepared the 'Water Resources Vision 2045' and a State Water Resource Plan based on a basin-wise approach has been formulated. Participatory irrigation management is a successful experiment that is now being expanded. For drinking water, 'public-private' partnership under the 'jan sahbhagita' scheme for certain residential colonies, privatisation of the operation and maintenance of supply systems in four major cities, and that of billing in some urban areas has been introduced.

24. Sir, the general thrust of the Tenth Plan cannot be faulted. Keeping targets for reduction in poverty levels, increase in per capita income, generating job opportunities, increasing literacy levels, is a welcome move. Even specifying monitorable targets for the identified eleven key development indicators is a good idea.
25. If successfully implemented, there would be much improvement in the economy. The question, however, is whether it is possible to implement such an arduous Plan.
26. Sir, it is in respect of the quantitative part of the targets that the Tenth Plan is too ambitious clearly verging on the improbable.
27. The Plan targets a growth rate of 8% that presumes a growth rate of agriculture and allied sector of 3.97%, that of the manufacturing sector of 9.82% and that of the export sector of 12.3%. Compared to the growth rate of 5.4%, that of the agriculture sector of 2.06%, that of the manufacturing sector of 3.68% and that of the export sector of 5.8% during the Ninth Plan, these targets certainly appear to be difficult to achieve.
28. Further, that the Plan is too ambitious is clear from the ambitious presumptions. An 8% growth rate is stated to be possible through higher levels of investment and improving the efficiency of the investment.
29. The Plan envisages annual investment to take place at the rate of 28.4% coming from domestic savings (26.8%) and foreign direct investment (FDI) to the tune of \$7.5 billion a year at a level of 1.6%. Rs.78,000 crores (11% of the total budgetary support envisaged) are to come from the disinvestment of PSUs. Compare this with domestic saving of 23.3% and FDI of 0.09% during the Ninth Plan, and it becomes obvious that we cannot reach the investment levels envisaged in the Plan.
30. The state of the disinvestments program of the Government is too well known for me to dwell upon here. Suffice it to say that against the target of Rs.12,000 crores during the current year, the Centre has been able to mop up only Rs.4,777 crores so far. The Minister for Disinvestment himself has expressed doubts in respect of achieving the target.
31. The required level of efficiency of the investment (measured in terms of incremental capital-output ratio) is possible by shifting capital to labour intensive industries and by using capital more efficiently. This is easier said than done as this requires a major reorientation of the capital outlays which itself cannot be achieved in a short span of time. Then, investments in

infrastructure, by their very nature, cannot result in higher efficiency. Here, too, the calculations seem to be unrealistic.

31. Sir, the Draft Tenth Plan lays emphasis on the growing relevance of State level perspective in national planning. Not only has a separate volume 'State Plan - Trends, Concerns and Strategies' been brought out for the first time, and State wise analysis and resolution of developmental issues included, but specific monitorable targets for key indicators requiring action at the state level have been set.
33. In the chapters on 'Plan Investments and Financing', 'Planning and Implementation Issues' and 'Concerns and Strategies', the Draft Plan lays down the prescription for the States to follow.
34. States have been warned of the implications of misrepresenting non-plan expenditure as plan expenditure, of including a large number of schemes in a limited plan budget resulting in a thin spread of resources and a build up of unproductive costs on administration, of overloading the Plan resulting in ad hoc adjustments at the end of the financial year and diluting priorities, and, of not reducing non-plan expenditure and the increasing reliance on borrowings. All this we have been told leads to the diminishing role of plan expenditure on Gross State Domestic Product implying thereby that resources available for development are less.
35. Sir, it is not that the States are not conscious of these prescriptions. But their financial health is also well known to all. So are the reasons for the same. How fair then is it to place the burden of the success of the Plan on the States?
36. Sir, the States can do their bit only when the States are financially well equipped for meaningfully contributing to the priorities laid out in the Plan. The first and foremost responsibility of the Central Government, therefore, should be to take effective measures that can improve the financial position of the States. I have the following suggestions in this regard:
 - [a] Amendment in the pattern of Allocation of Central Assistance (Modified Gadgil Formula)

We have been demanding that the system of allocation of Central Assistance should be reviewed. Central assistance should be provided to different States in proportion to the need for investment so as to help underdeveloped states to, at least, come up to the level of the developed states. The modified Gadgil Formula which provides for the highest weightage to population (60%) gives undue weightage to states with high density of population; while States like Rajasthan that have a larger area and, therefore, higher per unit cost of delivery of services, are put to great disadvantage.

Therefore, there is an urgent need to introduce greater progressiveness into the formula in order to help the backward states attain the standards achieved by the more advanced states. I would suggest a restructuring of the pattern of central assistance for the Tenth Plan in a manner that due weightage is given to factors like area, distances over which services are delivered, special

problems such as desert and geographical conditions, per capita plan outlay compared with the national average, the state's own efforts in mobilization of resources, low credit-deposit ratio and distance from the national average index of infrastructure development etc. Without consideration of these factors, we may fail in our attempts to achieve the objective of bridging the development lag among States.

I would also urge that the pattern of Central Assistance which at present, 70% loan and 30% grant, should at the very least be changed to 50% loan and 50% grant starting with the Tenth Plan.

[b] Rate of Interest

Fiscal reforms have resulted in interest rates taking a southward direction. Interest rates on loans from various sources available to States have been reduced considerably. However, reduction in interest rates on Central loans has been very marginal and is not in consonance with similar reduction in the case of other loans.

Bank rate, as decided by the RBI, is generally regarded as the best anchor of determination of applicable interest rates. In the year 1996-97 the bank rate was 12% whereas rate of interest on central loans was marginally higher at 13%. Now, when the bank rate has gone down substantially to 6.5%, the interest rate on central loans has gone down only marginally to 11.5%. This indeed is very high and needs to be brought down substantially.

Along with this, the Centre should seriously consider converting all outstanding loans into a block loan with a moratorium of five years on repayment; thereafter, repayment can be affected with a reduced rate of interest payable in accordance with the currently prevailing bank rate.

[c] Transfer of funds for Externally Aided Projects

For various externally aided projects, the Government of India often receives funds from the funding agencies at a nominal rate of interest. These are then passed on to the States as Additional Central Assistance in the usual loan-grant ratio of 70:30. The rate of interest that is being charged for the loan component is presently 12.5 per cent. It is not clear why such a high rate of interest is charged from the States. Certainly, The time-trend of fluctuation in foreign exchange rates cannot justify charging of such high rates of interest.

It is time, I think, when a frank interaction between the Centre and the States on this issue has become necessary so that a decision to bring down the rate of interest on external loans is mutually taken. Where grant assistance is concerned this should be directly passed on to the State as this is presumably for those projects which when funded with debt, become non-viable.

[d] Border Area Development Programme and the Indira Gandhi Nahar Project.

The Indira Gandhi Nahar Project is a gigantic endeavour to transform the economy of the desert region lying desolate for centuries. The State Government has been striving for its early completion. On completion, it will provide succour to the residents of the desert and border areas. It would

considerably increase food-grain production in the State, provide sustenance to the live stock population and drinking water to the people of the area. The project will also check desertification, provide environmental protection and enable substantial development of the area. To complete this project we need more support from the Central Government; an amount of Rs.60 crores a year under the BADP is a must.

Unfortunately, central assistance for this project from the Border Area Development Programme has been discontinued despite repeated requests made earlier. I, therefore, again strongly seek the Hon'ble Prime Minister's intervention in the matter.

[e] Special Category Status to Rajasthan

Some States have been granted special category status on . the basis of their physical, economic or social attributes. Rajasthan is severely deficient in the most important resource, that is, water. With 10.4% of the country's area, 61% of it desert, but only 1% of the total water resources, 43 out of last 50 years being drought years, and the ever decreasing availability of drinking water, Rajasthan has a strong case for being granted special category status. I cannot think of a more appropriate forum for strongly seeking this special category status for Rajasthan.

[f] Recommendations of the Sarkaria Commission

The Inter-State Council in its fifth meeting held on 22.1.1999 had approved the recommendation of the Standing Committee seeking that all 33 recommendations contained in Sarkaria Commission's Report relating to Economic and Social Planning be placed before the NDC by Planning Commission. This has not been done so far. It was also stated that a Standing Committee of the NDC be set up for continuous consultation and consideration of all matters to be taken up for consideration in the NDC. I would urge that action on these , recommendations of the Sarkaria Commission be initiated without any further delay.

[g] Transfer of CSSs and routing of Funds

Optimum utilization of funds meant for developmental activities has been a matter of concern both for the Centre as well as the States. Funds provided to States under various Centrally Sponsored Schemes is one such area where this issue has been raised time and again. While substantial funds are allocated to rural development agencies directly, the schemes as such may not exactly figure in the priority list of individual States.

The need, therefore, is that funds be transferred to States directly not scheme-wise but ideally on the basis of developmental gaps, current population etc. Alternatively, the basis of calculation for the transfer of funds can be the amount actually transferred during the preceding financial year. The State Governments would then be left free to spend them on schemes according to their priority and felt needs. Schemes that require uniformity at the national level and are of national importance can still be kept as Centrally Sponsored Schemes.

37. Sir, this meeting is being held in the backdrop of severe drought conditions prevailing in most parts of the country. For Rajasthan, the current year is the fifth consecutive year of drought, and the most severe in decades. The rain-gods failed us. Sowing of the kharif crop was less than half of normal; that, too, perished. Successive drought and depleting ground water sources have severely affected the rabi crop, too. A total of 41,000 villages in all the 32 districts are affected. Reservoirs are empty and the State is facing a severe scarcity of employment, fodder and drinking water. The months to come are bound to see the situation on all three fronts only worsening further.
38. Unfortunately, the State Government is facing the brunt of this natural calamity all alone; the Central Government, that has accepted the severity of the drought, has so far shied away from carrying out its responsibility towards the drought affected and in extending the requisite assistance to the State.
39. Sir, The Calamity Relief Fund (CRF) and the National Calamity Contingency Fund (NCCF) were set up following the recommendations of the Eleventh Finance Commission. But experience shows that the procedure adopted for sanctioning relief under them is both lengthy and complicated. This affects timely relief to those affected.
40. The NCCF was conceived with a view to providing timely relief in an unbiased manner. But the procedure being followed for sanctioning relief to States continues to be the same as was existing before the Fund was set up. This not only results in avoidable delays but, quite often, the genuine difficulties and requirements of the State are ignored.
41. Sir, the State Government had submitted a memorandum on 2nd August 2002 and a revised memorandum to the Central Study Team on 3/9/2002 detailing a requirement of funds to the tune of Rs.7519 crores to be spent mainly on employment generation, cattle conservation and drinking water.
42. I am sorry to say that the Central Government has not sanctioned any amount under the NCCF to the State even after four and half months of submitting the memorandum.
43. The issue, thus, is one of taking a decision. Not taking a decision, I presume, cannot possibly be a decision. I suggest that, on such requests for relief from the NCCF, in accordance with the intent and spirit behind setting up the NCCF, a decision should invariably be taken in a time bound fashion. If there is any disagreement on either the severity of the calamity or the quantum of relief being sought, the same should invariably be communicated to the State concerned. Under no circumstances should the matter be delayed to the detriment of the poor and affected people of the country.
44. Besides timely decisions on requests for relief, what is also important is that a view in totality be taken on the relief to be provided. In the case of drought, the period over which relief would need to be provided is known. Commitment of relief for short periods leads to uncertainty. A comprehensive view taken in one go, on the other hand, helps in effectively organising and planning relief activities over the entire period. For example, wheat is being allotted for 45 days; decision on this could easily be taken for the period up to July 2003 till

which time relief works will have to be continued. The procedure for allotment of wheat is also lengthy and cumbersome; this needs to be simplified. Similarly, decision for transportation of water and fodder by rail was first limited to 31st October and now up to 31st December 2002. Our request for extension up to 31st July 2003 has yet to be accepted.

45. There are some misconceptions about the CRF, too. Guidelines specifically mention that the Scheme has been formulated for a period of five years. This being so, if the expenditure exceeds the amount provided for under CRF in any particular year, the same is adjusted against the amount made available during the following year. Likewise, if some amount remains unutilised, the balance amount should be available for use during the following year. But, while sanctioning funds from the NCCF, the Central Government accounts for balances in CRF, but does not do the same when the actual expenditure exceeds the amount available in the CRF. This understanding has to change.
46. There should be no scope for fault finding in matters of relief to the poor drought affected people. This only affects the morale of those who are facing the brunt of scarcity. Any calamity that befalls people of a State requires the combined efforts of the people of the State, other States and the Centre. Why is it that we come together only when we face the enemy from across the border? Why not when we face an equal, but internal, crisis like drought? The Centre is constitutionally and morally bound to provide the required relief from the NCCF for which they are authorised to impose surcharge on taxes. I expect the Central Government to carry out its responsibility in providing adequate and timely relief to the drought affected of Rajasthan.
47. Mr. Prime Minister Sir, reverting to the main agenda for today, I cannot but agree with your view that "the issue is not whether we can achieve a significantly higher growth rate, rather it is whether we can afford not to". But, Sir, planning is the art of the possible. A more conservative view is that the economy is not likely to log more than 5 to 5.5% growth; optimists peg it at 6 to 6.5%. Against this feasible growth rate of between 5-6.5%, the Tenth Plan has proposed a target of 8% growth.
48. What is important, however, is that the Planning Commission has entered the caveat that 8% growth is possible if, and only if, major economic and institutional reforms are undertaken. But are we prepared to take the harsh decisions that this "if entails? Will we be able to? To my mind, the Plan should be taken as more a statement of intent rather than a Plan. It would be better if we take the Plan more as a reform agenda. This being so, we might as well concentrate on doing the right thing, growth will take care of itself.

Jai Hind !