सत्यमेव जयते

Government of Rajasthan

54th Meeting of the
National Development Council

Speech of

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New Delhi

Hon'ble Prime Minister, Deputy Chairman, Planning Commission, Chief Ministers, Ministers of Government of India and friends,

We are here to finalise the 11th Plan, one full year of which has largely gone. The 11th Plan intends broadly to aim at rapid economic growth, which should be inclusive. Nobody can differ with this lofty aim.

2. We are meeting here today in the background of several years of growth at around 8%, booming credit and assets markets, moderate inflation, high savings rate, favourable perceptions amongst investors globally; all-in-all, in the background of a strong economy which has exhibited considerable resilience notwithstanding tightening global liquidity, hardening oil prices and the weakening dollar. We are at the cusp, as it were, of a bright sunshine that would allow us to leave behind for our children and grand-children, years of prosperity, and pride of being the citizens of a developed India.

3. Having attended NDC meetings before, I am aware, Sir, that the document placed before us is expected to be approved later this afternoon, more or less as it is. However, I think that NDC meetings should not be reduced to a mere formality. I believe that the lofty goal of high and inclusive economic growth can only be achieved if both States and Centre play their due roles. This is not possible by undermining the role, authority and flexibility of states; the Eleventh Plan document needs to appreciate and reflect this equal partnership.

4. Our country is a federation of States. India can be strong only, if the States are strong. The States have played their due role, in spite of facing several serious limitations, in the implementation of various plans. In the 10th Plan period, the centre could achieve only 7 lakhs 60 thousand crores budgetary support to plan, against the envisaged 9 lakhs 22 thousand crores, only 82% of the projected resource mobilisation. The states, on the other hand, raised resources of Rs. 3 lakhs 70 thousand crores, against the projected Rs. 3 lakhs 32 thousand crores, achieving 111% of the projections. The centre also did not provide central

assistance to states as projected in the Tenth Plan. Against the provision of Rs. 2 lakhs 59 thousand crores of central assistance, the Centre actually provided only Rs. 2 lakhs crores, a shortfall of Rs. 59 thousand crores.

5. The Eleventh Plan document now proposes to reduce the flow of resources to the states. Central Assistance to the States is a shade under 23% of centre's gross budgetary support, down from over 26% in the Xth Plan. This has to be seen against the broad consensus or understanding that 40% of centre's gross budgetary support would be ear-marked for the purposes of plan assistance to the States.

6. More inappropriately, the XIth Plan document proposes to increasingly tie the central assistance to schemes. The Planning Commission, under the leadership of Mr. Gadgil, had suggested that the bulk of the central assistance should go to the States as untied assistance, called normal central assistance. The NDC had decided, under the chairmanship of Mrs. Indira Gandhi, that CSSs would not be more than 1/6th of the NCA. However, of the central assistance of

Rs. 3 lakhs 25 thousand crores, proposed in the Eleventh Plan, as much as 1 lakh 82 thousand crores - 60% of assistance to the States - is meant for schemes which are actually Centrally Sponsored Schemes, but presented as Additional Central Assistance or Special Central Assistance. Examples of these are the Rashtriya Krishi Vikas Yojana, BADP, AIBP, Accelerated Power Development & Reform Programme, JNNURM, BRGF and so on. Thus actual untied assistance is only $1/7^{th}$, a complete reversal of the direction NDC had earlier taken. I want to ask Sir, what is the point in classifying outlays on these schemes as central assistance to state plans? Why don't we just show them as Centrally Sponsored Schemes, which is exactly what they are?

7. Even the MPLAD Scheme is classified as assistance to the State plans. Grants from the Central Road Fund are similarly treated as assistance from the Centre to the States' plan, even though this is not a budgetary resource of the Central Government! What is equally surprising is that even loans taken from multilateral agencies [now largely on back-to-back basis, with full

exchange rate risk and repayment liability borne by the States] are treated as assistance to the State plans, and counted towards this figure of 3 lakh 25 thousand crores!

8. Sir, if the ACAs and SCAs, which are nothing but CSS clones, and the inappropriate reflection of EAPs, MPLAD scheme and Central Road Fund assistance, are taken away, the actual untied central assistance to States plans comes down to only Rs. 1 lakh 11 thousand crores, which is, as stated earlier, 8% of the Centre's gross budgetary support. It is also pertinent to point out that 1 lakh 11 thousand crores is only 10% of the States' own resources for the 11th Plan. This is the only and truly untied assistance available to the states. The burgeoning outlays of CSS/ACA/SCA and policy objectives of this document in particular, would lead to controlling and directing the States, as if they are irresponsible entities, incapable of even allocating their own resources properly.

9. During my intervention in the last NDC, when the approach paper to the 11th Plan was discussed, I had

suggested that NDC decides, as a beginning, that for every rupee spent by the Government on CSS, another rupee should be given to the States as untied normal central assistance. Sadly, this has gone unheeded. I hope, Sir, that we all collectively realise the damage that this centralising approach will do to the federal fabric of this nation.

10. Let me spend a moment here to explain why some times it appears that the ever-increasing size of CSSs will amount to almost completely taking away the flexibility of the State Governments. Firstly, simply by reducing the moneys that might otherwise have become available to the States as untied central assistance, the States are made dependent, as it were, on the centre. Secondly, most CSSs/ACAs/SCAs require matching State Government share, thus further limiting the States in the allocation of even their own, limited resources. Thirdly, many Centrally Sponsored Schemes now make policy prescriptions. Even if some of them may be well-meaning, it is still a conditionality imposed upon the States. Examples of these are the conditionality of municipal taxes with

regard to JNNURM, to water rates with regard to AWSRP etc. Fourth, some schemes now even seek to control non-plan allocations made by the States. NRHM is the prime example of this. But I don't really have to give examples here, as the 11th Plan document itself states, at Para 1.3.1, that the Central Government should engage more intensively with the State Governments on non-plan expenditure! A very engaging euphemism indeed!

11. Fifth, several CSSs now transfer moneys directly to the agencies concerned; PMGSY is the prime example. This raises serious issues about prudence in managing public funds, and accountability of the state governments. I doubt very much that this was the fiscal federalism envisaged by our founding fathers.

12. In fact, the 11th Plan document wishes to help us to improve even our service delivery, so I can safely predict that in future, even non-plan allocation and expenditure will not only be reviewed, but controlled by the Central Government through the CSS system. **The States' elected assemblies will then be voting**

expenditure pre-determined by the centre, turning the very principle of democracy on its head.

13. We should realise that one size does not fit all, and just this truth should be sufficient to minimise CSSs, which are designed to be applied across all the states on a similar, rigid pattern. The prime example is the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which does not take into account, for instance, the vast area that villages in desert occupy.

14. The direction that this centrifugal tendency is getting stronger is also clear from the terms of reference (ToRs) given to the 13th Finance Commission. ToR 6 (ii) mandates the Commission to take into account the projected gross budgetary support of the central government while determining the requirement of central government expenditure. This ToR, if it stands, will force the Thirteenth Finance Commission to provide to the central government higher share of taxes to fund this gross budgetary support requirement. This would definitely be at the expense of states' share in central taxes. This will enable the central government to fund CSS/SCA/ACA, thereby

controlling states, ironically, from the share of taxes that are thus pre-empted from going to the states!

15. To the best of my understanding, no previous Finance Commissions has been thus mandated. I would appeal to you Sir, to reconsider this ToR of the 13th Finance Commission. I would also be writing to you separately on this issue.

16. Para 7.1.19 of the 11th Plan document very clearly brings out that in future the Central Government would also like to control how the States spend even the little untied central assistance that they get. The euphemism used is "ear-marking" normal central assistance for sectoral allocations. Controlling sectoral allocations is, of course, bad enough, but as we know this is just the thin end of the wedge, and will ultimately lead to the Centre controlling how the States spend every paisa of the so called untied central assistance.

17. With regard to the elimination of the plan and non-plan classifications, (while I appreciate both the artificiality of this classification and the limitations it has imposed on us), I would like to reserve my

comments till we are able to see more clearly in which direction we are headed. Naturally, Sir, as a Chief Minister of a State I am not keen to support this elimination if it means giving more lee-way to the Central Government in controlling states' allocations of expenditure.

18. I would suggest, however, that till the classification lasts, plan expenditure of the States should also reflect both the expenditure made in the States through schemes that bypass the States' budget, and also the investments made through the public private partnerships. In my opinion, this would give a better and morc holistic picture of what we want to reflect when we say plan expenditure. In fact, in our own plan document, we are adding a Chapter reflecting these expenditures.

19. In the last NDC meeting, Sir, I had raised the issue of institutional arrangements to enable the States to raise resources for financing their plans. You are well aware of the drop in the small savings and in any case, high cost of borrowing from this source. I would, therefore, like to re-iterate what I said last year: that

States be allowed to borrow by issuing non-SLR bonds, which should be tax free, as they are in several countries. This will enable the States to finance their FRBM-limited fiscal deficit comfortably, and at a lower cost.

A Brief Review of Tenth Five-Year Plan

- The 10th Plan (2002-07) for Rajasthan envisaged a total outlay of Rs. 31,831 crores at current prices.
- When we took over, we inherited an outlay of only 27% against the Tenth Plan outlay of Rs.31,831 crores.
- We moved firmly to come out of this abysmal position. In 2003-04 itself, we stepped up plan expenditure to Rs.6,044 crores, an increase of almost 40% over the plan outlay that we had inherited.
- I am happy to say that the total expenditure in the 10th Plan has been Rs.33,745 crores [106% of the envisaged outlay].

- Expenditure is one thing. We are also trying to see what is actually happening in the field. Independent third party evaluations [Research Development Initiative, Delhi and AC Neilson] and social audit through a village contact drive.

- Capital expenditure went up from Rs.3,143 crores in 2002-03 to Rs.6,843 crores in 2006-07.

20. Many here may find it difficult to accept but States do have the capacity to take several key initiatives. Since they are close to the field, they are in the best position to do so. In fact, almost all Centrally Sponsored Schemes are modeled on initiatives taken in some particular state, which have been picked up for their success. For example, in my own State, we are proud of the several initiatives that we have taken:

    ➢ We have been implementing an insurance scheme for BPL families by the name of "**Pannadyay Bima Yojana**" since the year 2006. Sir, you flatter us by now announcing the **Aam Aadmi Bima Yojana**, more or less on the same line as our own Pannadhyay Bima Yojana.

- The Government of India's Agriculture Insurance Company is launching the weather insurance scheme this year. In Rajasthan, we have been doing weather insurance schemes since 2004, and I am glad that the GoI's Agriculture Insurance Company is finally seeing the advantages of doing so.

- We are perhaps, the first State to formally launch a Social Sector Viability Gap Funding Scheme. I have asked copies of this to be made available to all the participants. This is just a beginning, and we look forward to improving and making the scheme more robust, with suggestions from other States.
- We are also perhaps the first State to provide, in the FRBM Act itself, that revenues in excess of a certain percentage would be placed in a separate **Rajasthan Development and Poverty Alleviation Fund.**
- We have announced, and are implementing a contributory pension fund scheme for workers in the unorganised sector, called "**Vishwakarma**",

wherein an equal contribution, as the subscriber, is provided by the State Government.

- The Government of India have announced the expansion of the Mid Day Meal scheme for Classes VI to VIII, but for only 186 blocks in the State. We are implementing the scheme in all our 237 blocks, throughout the state.
- To encourage the education of the girl child, we have been providing transport vouchers to the girl students, and alternatively where such transport does not exist, cycles to girl students to enable them to travel to the nearest middle/high school. In the scheduled areas, we have been providing a scooty to any girl student scoring 75% marks or more in classes X and XII.

21. Rajasthan, seen as a State with persistent power shortage, will soon be power surplus. We have already commissioned additional capacity of 455 MW, and projects already under construction will give us another 1070 MW by December 2008, taking our total generating capacity to 6570 MW and by the end of

11th Plan the State's generation capacity would be more than 12000 MW.

22. By rigorously implementing the **Feeder Renovation Programme**, we have been able to bring down T&D losses by an unprecedented 9% in the last two years, and will bring them down by further 5% by June, 2008. This has enabled us to give 24 hour domestic supply to 14,000 villages, and all 34,000 villages will be similarly covered by June, 2008.

23. More than unemployment, Sir, the problem that the country is facing today is unemployability, because of lack of skills. Even our graduates lack the skills to get the white-collar jobs which they aspire to. To address this, we set up a **Rajasthan Mission on Livelihood** in 2004, in partnership with a well known NGO, BASIX, with the aim of imparting the required skills, in collaboration with industries, and helping the trained persons getting appropriate placements. The Pradhan Mantri Rozgar Yojana should be operationalized through organizations like RMOL on PPP mode, which could reduce overhead costs and delays in disbursement.

24. More than any other State, we realise the importance of water, having only 1% of the nation's surface water even though we have 10% of its area. We have, therefore, decided that all future irrigation projects will be drip and sprinkler based; no flow irrigation would be permitted. In the Narmada project, this is being implemented, along with a dedicated power line to ensure the required power to run the pressure irrigation systems.

25. CRISIL has rated us as the 2nd best State in urban reforms, and the Ajmer Municipal Council as the best city amongst category "C" cities.

26. Our efforts are yielding results. IMR in the State has come down from 80 per one thousand live births to 65: complete immunization improved from 17% to 26.5%; full Ante Natal Care (ANC) increased from 23.6% to 41.2% institutional deliveries increased from 21.5% to 32.2% deliveries assisted by trained personnel increased from 35.8% to 43.2%; the crude birth rate has decreased from 31.4% to 29% and MMR has reduced from 670 per lakh to 445 per lakh. All the data I have quoted is from National Family & Health

Survey 2005 (NFHS II) and Sample Registration Survey 2006 (SRS)

27. Sir, I have taken the precious time of this august body to run through these initiatives and achievements, only with the intention of pointing out that the States are alive to the requirements of their people, and are responding to these needs. With politics being so competitive, no Government can afford to be either profligate, or insensitive. Therefore, Sir, it's time we start believing that States be trusted with untied central assistance, and with evolving and managing schemes that suit their particular needs and requirements.

28. I now turn to agriculture. The 53rd NDC meeting was specially held to discuss this subject. Subsequently, the Rashtriya Krishi Vikas Yojana and the National Food Security Mission have been launched. While the prescriptions therein may not be wrong, they are clearly not adequate. I have several suggestions in this regard. Firstly, we need to create a quantum jump in productivity, in the fashion that we got in thc green revolution, but now in crops other than wheat, and

also in horticulture produce. Incremental increases in the productivity are not going to take us anywhere near 4% growth in agriculture. This brings me to my second point, regarding post harvest management. Government agencies **cannot** manage these efficiently enough and private investment would not come unless we give them enough quantities, by way of increased production, to make investment viable. Thirdly, in this context, we need to seriously re-examine the MSP system. This might be a wrong year to say this because of the reported low production of wheat in the current year, but the point is still valid: MSP system distorts production in favour of the crops that have a minimum support price, even if these crops are high water consuming, providing lower returns to farmers than alternative crops especially commercial crops, and less amenable to value addition, by way of agro-processing. We need to put in place a system where diversifying into another crop is at least as safe as, say, growing wheat or sugarcane.

29. I must also mention that we are under the mistaken impression that an artificially enforced lower rate of

interest alone will bring relief to the farmer. The availability of credit is, in my opinion, as important as the cost of credit. Therefore, we need to expand credit availability many-fold, which is beyond the capacity and reach of co-operative banks. Therefore, to my mind, the solution lies in encouraging, in parallel, a private sector driven micro finance alternative, which is duly and properly, though not overly regulated.

30. Physical infrastructure continues to be a source of worry and, in the eyes of many, the single biggest impediment to growth in future. The XIth Plan document envisages a higher level of investment from the private sector, in the PPP mode. This is welcome. We have ourselves done a thousand kilometers, 16 hundred crore rupees mega highway project in partnership with IL&FS, **flatteringly taken note of by the 11th five-year plan document in box 9.3.5.** Yet, the question that we have to ask ourselves is: do we have an enabling enough environment for the levels of investment required? It might surprise you to know that our PPP project, quoted as an example of a successful initiative, remain ineligible for the viability

gap funding scheme of GoI. I would suggest, Sir, that we look at alternative PPP models with a completely open mind.

31. Similarly, even in Government, we have immense difficulty in getting clearances for road over-bridges (ROBs). Although we have issued sanctions for 28 ROBs, [which is more than the total number of ROBs sanctioned and constructed in the last 60 years], getting clearances from railways is a long and time-consuming process. It is also not clear why railways do not stop at just giving clearance for the drawings, and why the same ROB is built by two different agencies.

32. In the realm of infrastructure, the issue of renewal of national highways seems to have got somewhat neglected. The renewal cycle for national highways, as per GoI guidelines, should be 3 to 4 years. That would require about 1400 kms. to be renewed in my state every year. However, over the past 4 years the renewal sanctions have never exceeded 500 kms. annually.

33. Let me now conclude, Sir. I have only two small but very important requests to make. The first is, since you are kind enough to call us here, kindly do consider

the issues that we raise. At the very least, if some sort of minutes or aide-memoire of NDC meetings were kept, this might at least keep the points raised by us in focus for attention by the Ministries of Government of India. Secondly, time has come to allow States to find their own fortune. As a statesman, Sir, you do realize that any weakening of federalism is, in the long run, a weakening of the Union, and of our beloved country itself.

Jai Hind!