

**Report of the Regional Consultation of Southern States  
on the “Approach Paper to the 12<sup>th</sup> Five-Year Plan”  
by the Planning Commission & Planning Department, GoK  
held at ITC Windsor, Bangalore, 10.06.11**

**Overall recommendations from the sessions**

**Session 1 with government officials**

**Shri B.S. Yeddyurappa, Hon’ble Chief Minister of Karnataka:**

1. The 12<sup>th</sup> FY Plan must give high priority to identifying efficiency-promoting policies through political will and consensus in particular areas such as irrigation, electricity and water supply.
2. Karnataka has the capacity to sustain larger amount of debts. The Planning Commission is requested to advise the Minister of Finance to set the borrowing limit for each state based on their debt sustaining capacity rather than applying the fiscal road map in a mechanical manner, irrespective of the debt developed by each State.
3. The assistance to States is provided with too many conditions and in too many compartments. Almost two-thirds of the Central assistance of Rs. 70,503 crore budgeted in 2011-12 is for specified State Plan schemes like RKVY, AIBP, JNNURM, etc. Such assistance with scheme-specific earmarking and conditions compromises the planning and formulation function of the States as per the local needs. This practice should be stopped in the 12<sup>th</sup> Plan, and the entire assistance should flow based on objective distribution formula with freedom to the States to decide their priorities.
4. I suggest that the Approach Paper should highlight the need to increase incomes of farmers and generate employment in rural areas. Karnataka welcomes the emphasis likely to be placed in the Approach Paper on treatment of dry land on watershed principle and the suggestion to set up a water regulatory authority.
5. The first priority in the allotment of coal blocks must be given to power generation companies. Some of the generation projects are stalled for want of fuel coal linkages / coal blocks / environmental clearance. Guidelines for time-bound clearance may be prescribed for resolving the issues related to the environment. Planning Commission’s intervention is sought in this behalf.
6. Priority should be given to expanding and strengthening the inter-state transmission network as there are bottle-necks in the existing transmission corridors.
7. You will appreciate all the growth targets of the State will be severely affected if the power projects do not come up as scheduled. I therefore request your kind intervention in this matter to resolve the issue at the earliest, so that we can get the coal allocation, gas allocation as well as environmental clearances at the earliest.
8. The Central government could consider a policy change whereby all the roads brought to national highway standards by various States with their own capital investment are re-classified as national highways.
9. Declining sex ratio in the country is a matter of grave concern. We feel there is need to focus more on the empowerment of womanhood; improving their access to basic services like education and health; increasing employment opportunities through better education; providing access to credit and enhancing their ability to become independent.

10. We strongly support the view that secondary education needs to be universalized. GoI should extend mid-day meal programme for high school students of 9<sup>th</sup> and 10<sup>th</sup> Std. GoI may relax committed liability clauses under SSA/ RMSA and other programmes to incentivize reforms. Instead of 65:35 ratio, GoI may allocate funds in the ratio of 75:25 on the line of RMSA to implement Right to Education Act.
11. In order to address the curse of malnutrition and anaemia among children, particularly in the age-group 0-6, support of the Central government is needed in the form of increased assistance.
12. It is our view that the current public sector investment on health care in the country, which is less than 1% of the GDP presently, needs to be scaled up to over 2% of the GDP to be targeted in the 12<sup>th</sup> Plan.
13. Huge investment needs to be made to train rural youth in technical skills and impart appropriate business orientation to them. The 12<sup>th</sup> Plan should provide substantial allocation to launch a major nationwide campaign for skill enhancement.
14. We endorse the view that there should be revision of labour laws. We have to build a national consensus to have uniform labour laws as per international standards for the whole country.
15. The Approach Paper should emphasise the development and empowerment of socially disadvantaged groups; if necessary, step up assistance to the SCs, STs, Backward Classes and Minorities, at least on par with the rising cost of education and equip them to avail quality education offered by professional institutions.
16. Decisions on the construction of metros within municipal areas, its operation and maintenance, regulation of activities like fare fixation, claim settlements (regulation of institutions) must be assigned to the State governments along with the formulation of rules.
17. The Commuter Rail Project will provide the much-needed connectivity on the north-south and east-west axes of existing surface lines in Bangalore. The Railways need to be persuaded to take up the Commuter Rail Project in partnership with State governments on a cost-sharing basis.
18. Tier 2 and Tier 3 Cities as alternate centres of development need adequate assistance from the Centre during the 12<sup>th</sup> Plan. Central assistance is also needed to eliminate urban poverty and infrastructure augmentation.
19. We are of the strong opinion that cities such as Bangalore, which have made “Brand India” universally recognized and contributed \$14 billion to the export earnings of the country must receive substantial assistance from the Union Government for infrastructure development.
20. The Centre’s Gross Budgetary Support is projected to increase from 4.7% of GDP in the 11<sup>th</sup> Plan to 5.4% in the 12<sup>th</sup> Plan. However, most of this improvement is sought to be retained for the Central Plan itself. The projected increase in the assistance to States is only marginal from 1.2% in the 11<sup>th</sup> Plan to 1.3% in the 12<sup>th</sup> Plan. It will be more prudent and effective to provide a larger role to the States in planning and designing development programmes. They should be given a larger share of the incremental resources that can be mobilised for the 12<sup>th</sup> Plan.
21. The uncertainties arising from the impact of GST on the State’s resources for the Plan financing are a major concern. The assurance by the Centre regarding compensation for a limited period is welcome. However, the finally selected GST rate should not compromise the ability of the states like Karnataka with high tax effort. Further, the rate should be treated as the floor rate without limiting autonomy of the states.

**Shri N. Kiran Kumar Reddy, Hon’ble Chief Minister of AP:**

1. Andhra Pradesh has received a number of severe jolts to its economy due to successive natural calamities, putting on it a cumulative strain estimated at 2,000 crores in this year itself. Unless

the state is compensated suitably in this regard, it feels increasingly difficult in complying with FRBM norms.

2. Our concern with regard to the 12<sup>th</sup> Plan would be on improving the functioning of institutions related to markets, credit and agriculture research and enhancing investments in infrastructure, cold storage facilities, roads, ports.
3. One area of concern is the widening disparity between rising costs of inputs and relatively static MSP, causing hardship and agitation among the farmers frequently. We need to refine our formula for fixing the MSP that is more firmly indexed to the cost of inputs.
4. Our endeavour is to ensure coverage of different departments and we are of the opinion that there is need to redesign the MGNREGA scheme to accommodate the emerging needs.
5. In the current scheme of things, works taken up under NREGA are seriously contending with the requirement of labour for various agricultural operations. It is necessary to link up NREGA with agriculture sector by including some of the agricultural activities involving labour under the scheme. We provide only 100 days of labour through this and the remaining the farmers have to provide to get employment for the workers.
6. Planning Commission is studying the regulatory authority model of the state, which organizes water as common property as proposed to entitlement model of Maharashtra
7. The share of Centre in all AIBP projects may be increased to 75% which would speed up the project. This is one request I would like to make
8. Social harmony and welfare should be given due importance during the 12<sup>th</sup> Plan period. GoI may seriously consider increasing the allocation for OBCs and EBCs to make the process of educational development more inclusive.
9. We need to lay emphasis on implementing the reforms recommended by Administrative Reforms Commission at a faster pace.

**Shri K.C. Joseph, Planning and Rural Development Minister, Govt. of Kerala:**

1. Special attention of the Planning Commission is drawn to the following areas:
  - (a) Revamping of price stabilization scheme
  - (b) Micro irrigation
  - (c) Accelerated Irrigation Benefits Programme
  - (d) Empowering SLSC for sanction of CSS.
  - (e) Inclusion of dairy sector under interest submission scheme of GoI.
  - (f) Constitution of credit-risk fund
  - (g) Inclusion of more districts under National Food Security Mission and revival of National Agricultural Research Project.
2. We are now severely threatened by the second generation problems. This includes the increase of communicable diseases, lifestyle diseases, an aging population and the need for their care; poorest of the poor not being able to get access to specialized treatment and procedures. We strongly believe that, unless the Central government, State government and Planning Commission address these issues at this juncture and take appropriate action, we may face severe problems which may go beyond our control in the near future.
3. Our suggestions for the social sector include:
  - i. Community health insurance scheme covering all citizens of the state. Simultaneously, working towards a state-wide programme on encouraging healthy lifestyle.

- ii. A special focus on geriatric care including encouraging the setting-up of old-age homes that will cater to all sections of society.
- iii. Further improving the nutritional programmes.
- iv. Implementing the Ashraya project to cover all local bodies in the state
- v. A major thrust on medical research, especially focusing on the recent emergence of certain communicable diseases.
- vi. Working closely with the National Skills Development Commission to train and skill people
- vii. Quality improvement in education, particularly higher education with emphasis on basic science and humanities
- viii. Work out a comprehensive programme for early detection, intervention and mainstreaming persons for disability and for taking preventive measures to reduce instances of disability in the future.
- ix. We need to prepare for and plan programmes that may arise due to a developing situation in certain areas of the world, of late in Yemen, which could lead to large numbers of NRIs being forced to return home.

#### **Infrastructure Support General Guidelines etc.**

- Planning Commission may treat Kerala differently so that Kerala can improve its infrastructure which is under severe strain.
- Most of the times the guidelines laid down by GOI and Central sector schemes are difficult to adhere to considering the State's prevailing situation. Hence the guidelines are to be suitably modified so as to suit the requirement of the State.
- More ministries including urban ministry should follow RKVY pattern of funding so that state unique issues are factored in schemes to be implemented.

### **12<sup>th</sup> Plan – Approach**

#### **Focus-Infrastructure, Inclusion, Livelihood, Risk Management and Social Security**

##### **1. Key areas/strategies**

- Support is needed for projects like Vizhinjam Port, Metro Rail – Kochi, Smart City, Technocity, airports, doubling of railway line in critical sections, making investment to develop quality roads both state and national highways etc.
- Special Project for backward blocks to address regional imbalance
- Special project for addressing second generation problems to sustain development
- Support for Ashraya to cover all local bodies
- Livelihood security project - income generation, entrepreneurship development, food production
- Establishment of price risk fund/stabilization fund
- Strengthening social security-inclusion of excluded
- Total coverage under health insurance irrespective of APL/BPL
- Establishing Credit Risk Fund
- Credit guarantee mechanism for education/ weaker section
- Water security/ management /sustainable availability and supply
- Solid waste management and pollution control
- Clean, tidy and hygienic environment
- Making water bodies pollution-free
- Climate change adaptation fund

- Reform in implementation – outcome monitoring, social audit, participatory implementation, fast track clearance
- Service delivery through E-Governance
- District planning – more technical support & integration
- Traditional sectors – coir, cashew, handloom etc. to be developed for sustainable growth.
- Development of minor ports and fishing harbours

## **2. Agriculture and Irrigation**

### **Revamping of Price Stabilization Scheme**

- More cash crops may be covered under the scheme
- The assistance now provided may be increased

### **Micro-irrigation**

- The subsidy level may be enhanced from 40% to 75%
- Action may be taken to include coffee also under the scheme

### **Coverage of more districts under National Food Security Mission**

#### **Accelerated Irrigation Benefit Programme**

- The assistance pattern may be enhanced similar to Flood Management Programme (75%)
- The minor irrigation with ayacut of 15 ha may be covered under the scheme

#### **Empowering SLSC for CSS for sanction**

- The State Level Sanctioning Committee (SLSC) may be empowered to sanction other major CSS also like Horticulture Mission, Micro Irrigation, Macro Management, Extension and other major CSS, in line with RKVY pattern. This will help to reduce delay in sanction of schemes and utilisation of funds.

#### **Climate Change Adaptation Fund**

- A Special fund may be constituted in 12<sup>th</sup> Plan to address loss due to climate change for promoting climate change adaptation as well as to promote climate resilient agriculture.
- Inclusion of dairy sector under interest subvention scheme of Government of India

#### **Revamping of zonal research in agriculture**

- Revitalization of zonal research is very much essential to generate location specific technologies

## **3. Industries and commerce**

### **Enhancing capacity for growth**

- Special and alternate banking institutions and soft credit instruments need to be promoted. GOI/RBI may amend rules to allow the above.
- To bring out a comprehensive policy, for industrial projects in Public-Private Partnership outlining specific roles for each stakeholder.

### **Enhancing skills for employability and entrepreneurship development**

- Partnership with reputed national level institutions, in order to develop market driven skills.

### **Markets for efficiency & inclusion**

- Govt. may promote assistance to setup up trade and exhibition centers in all states to promote trade and commerce.

### **Technology & Innovation in Industrial Sector in Kerala**

- There is a need for greater collaboration between industry, research institutions and educational institutions. GOI may support setting up an enterprise promotion council for this.

#### **Accelerated Development of Transport Infrastructure**

- An appropriate transportation network including adequate capacities for mass transportation like railways, highways, passenger trains, metro network, high speed rail network, etc. needs to be promoted and sufficient funds need to be allocated for creating infrastructure.
- There is necessity to develop the coastal waterways with adequate infrastructure for cargo and passenger transportation.
- Require special funds for developing alternate Transport Infrastructure like Waterways, High Speed Rails etc.
- Adequate is needed for the development of National Waterways.

#### **Enhancement of Micro-Small and Medium Enterprises (MSMEs)**

- Kerala being a land scarce state there is need for special fund for promoting infrastructure to set up enterprises in MSME sector.
- GOI may give support for creating Multistoried industrial parks including cost of land.
- Most of the projects and schemes sanctioned by the GOI insist on land contribution by the states. In Kerala, cost of land being very high, it is suggested that land cost should also be included in total scheme and should be funded by GOI.

#### **Cluster Development Approach**

- The CDP may be strengthened during the 12<sup>th</sup> Plan with enhanced funding and coverage.

#### **Value addition in Mineral sector**

- Need technology and capital support for effective value addition of rare mineral resources like Titanium Dioxide, Illminite, Monazite etc.
- A Natural Mineral Research Institute with the state of art technologies and facilities may be set up with Central Govt. support.
- Kerala has very high value rare earths and setting up of this institute will enhance recovery, beneficiation and new application for higher value edition.

### **4. Rural Development**

#### **MGNREGS - List of new works proposed**

The Following 48 items of work may be included under schedule I Para (1) of Mahatma Gandhi NREG Act 2005.

##### **a. New works for coastal areas:**

##### **Livelihood infrastructure**

- Fish landing centres
- Fish drying-yards
- Fish vending centres
- Storage structures

##### **b. Livelihood services – for community assets**

- Net making and net mending
- Maintenance of traditional boats
- Micro finance and micro enterprise related extension services

##### **c. Minimum needs infrastructure**

- Houses
- Toilets appropriate to coastal areas

- Rainwater harvesting structures
- Shallow wells
- Anganwadis/Primary schools
- Health centres
- Community centres

**d. Sanitation/Public Health**

- Cleaning of coastal areas including solid waste management
- Bio gas plants
- Health and hygiene extension services

**e. Coastal protection**

- Sea walls using sand bags and other appropriate materials
- Low cost artificial reefs
- Belt plantation
- Storm water drains

**2. New works for Human Development**

**a. House hold infrastructure for the poor**

- Houses
- Toilets
- Soak pits
- Compost pits
- Biogas plants

**b. Construction and manufacturing the community assets**

- Anganwadis
- Schools
- Hospitals
- Work sheds
- Godowns/storages sheds
- Haats

**3. Waste management structures**

- Drainage and waste water management
- Collection, management and disposal of solid waste
- Sweeping of streets and public places
- Biogas.

**4. Agriculture**

- Paddy cultivation in lands owned by Marginal farmers/small farmers
- Horticulture/Floriculture in lands owned by marginal farmers/small farmers
- Agricultural activities in land leased in by SHGs of the poor
- Plantation works in abandoned plantations
- Watershed management works in small plantations ( 10 hectares and below)

**5. Works allowable under Forest Rights Act**

- All construction works permissible under the Forest Rights Act except power and telephone connectivity.

**6. Services (only for women)**

- Palliative/geriatric care

- Public health
- Environmental Sanitation and Hygiene
- Specified extension/animation activities in relation to access and use of education, health and related entitlements by the poor etc.
- Bookkeeping/accounts keeping for Grama Panchayats related to disclosure and social audit.
- The wage rate per day payable to the unskilled manual woks may be the minimum wage fixed by the State Govt. under Section 3 of the Minimum Wages Act 1948 for agricultural labour, i.e., **at the wage rate of Rs. 200 per day. The existing wage rate is Rs. 150 per day.**

#### **PMGSY**

- There is need for relaxation of prescribed road width from 8 to 6 meters and for the prescribed gradient in hill areas from 1:12.5 to 1:8 given the Kerala specific challenges of high population density and undulating terrains.
- In Kerala even rural roads have significant under ground utilities and that along with high population density and land cost means that there is also a need for including the cost of land as well as of utility shifting in the DPR/estimates under the PMGSY project.
- Location should be the criteria instead of habitation having population of 500+.
- **Ensure that the needs of the poor in scattered settlements are not lost sight of in Centrally Supported Schemes and programmes.**

#### **Kudumbasree**

##### **Issues faced by Women Collective Farming Groups**

- Even though Agriculture is in the priority lending list of the banks, banks are reluctant in extending loans to farmer Joint Liability Groups (JLGs).
- Many of the banks lend at a higher rate of interest against the 7 percent for primary production loans
- Out of the JLGs who have applied for agricultural loan, so far only 20 percent were sanctioned loans, and most of these loans were at SHG lending rates and not at the rate for agricultural credit

#### **5. Urban Development**

##### **JNNURM**

- A more flexible project design is required.
- In principle approval for a whole shelf of projects that form part of the City Development Plan (CDP).
- The primary focus of the JNNURM scheme is supposed to be on implementing the 74<sup>th</sup> Amendment of the Constitution and empowering local/city Governments, and hence more flexibility in decision making is required.

##### **Total Sanitation Campaign (TSC)**

- Provision of household toilets in water logged and coastal areas requires higher cost per unit i.e. from present amount of Rs 2500 per unit to Rs 6000 per unit.
- Extension of coverage of TSC to aided schools where large number of children are studying which is not permitted under existing guidelines.

##### **Indira Awas Yojana**

- The unit cost of Rs. 45000 is insufficient. It may be enhanced to Rs. 75000 in plain areas and Rs. 85000 in difficult areas.
- In the design of such schemes there is need for greater flexibility including permission for construction of flats due to high cost of land even in rural areas.
- Extension of support for meeting land cost.



**IAY-Homestead Land Purchase**

- The financial assistance for purchase of land has to be enhanced atleast to the tune of Rs. 50000 per beneficiary (Rural area).
- The ratio of funding of the scheme to be made 75:25 between centre and state.

**6. Decentralized Planning**

- District Planning Committees and its Secretariat may be suitably strengthened with technical and financial support
- Strengthening capabilities of Rural and Urban Local Governments for strategic planning for urban development, with special focus on the poor

**7. Development of Schedule Caste and Scheduled Tribes**

- Support for higher and technical education.
- Integrated development of SC habitat by providing infrastructure facilities, income generating activities, Poverty alleviation programmes, etc.
- Comprehensive housing scheme.

**8. Health/Education/Social Security**

- Second generation problems pertaining to the aged like starting new old age homes, comprehensive health package covering health insurance, geriatric health care facilities, nutritious food pattern, community day care centers etc.
- Specialty clinics to cater and overcome needs emerging from life style diseases which is very high in the State
- Thrust to medical research and institutions.
- Institution of entrepreneurial development institutes cum facilitation centers under Govt. sector to overcome the specific nature of unemployment of the educated class.
- Creation and upgradation of technical manpower.
- Evaluation of the vocational education schemes already being given which seems to be inadequate to cater the needs of industry both public and private.
- Comprehensive social security coverage including health, education, industry with emphasis on traditional sectors.
- Problems of immigration in to the state which inturn calls for the social security, health, hygiene etc of the migrating workers as well as the State population.
- Starting and strengthening of special schools with Govt. control.
- Quality improvement in education, particularly higher education with emphasis on basic science and humanities subjects.
- Starting and strengthening of women and child health care centers.
- Drinking water supply with emphasis on coastal areas.
- Legal assistance to NRKs.
- Comprehensive package for endosulphan victims.

**Recommendations of Tamil Nadu government**

- Projected resources of the State will be about 1,50,000 crores which is roughly a 70% or 80% increase over the previous plan. For this, we need the support of the GoI.
- GST model needs to be reviewed
- Reforms to expand, deepen State fiscal autonomy
- Substantial Plan resources needed for agriculture revival and for bridging infrastructure gap in energy, roads, urban development, housing, ports
- External aid for rural roads, transport
- PPP for infrastructure gap, health, etc.

### **Recommendation from participant**

What is of concern for States is that if you have a GST system, a compensation formula should be adopted which should devolve on the states. The question is whether this kind of compensation mechanism should be there for five years, three years or ten years. We had in fact suggested it should spread over two Plan periods, if at all it is pushed.

Instead of having one rate for all the States, could we have a band? For example, if there is a calamity or a huge problem in a State, if you have a narrow band, may be with an availability of 2-3%, one could plough it back into floods or whatever.

### **Recommendations from 2<sup>nd</sup> Session with PRIs/Nagarapalikas**

#### **Group I**

##### **Infrastructure and Services**

###### **Vision**

The vision for PRIs and what infrastructure is required for that:

- By 2017, PRIs should be able to provide all necessary services in order to equip people with the same quality of life and opportunities as per the constitution in rural and urban areas.

###### **How can this can be achieved?**

- Strengthening physical infrastructure for internal and external operations

###### **Internal infrastructure**

- Office buildings and manpower, supporting infrastructure; dedicated manpower
- **Infrastructure for documentation and monitoring various schemes**

###### **External Infrastructure**

- Housing (cost for construction of house should be same in rural and urban areas; same material cost)
- Drinking water, strengthening of water harvesting systems, not by borewells; sanitation, connectivity
- Strengthening of educational and health infrastructure in rural areas and bringing them at par with urban areas.

###### **How can this be achieved?**

- Ensuring regular power supply
- Provision and strengthening of local infrastructure for markets and marketing infrastructure (cold storage etc.)
- Strengthening self-help groups for women's empowerment
- Empowerment of the various village committees
- PRIs should be empowered to decide what infrastructure is required.
- PRIs should be made transparent.
- There should be an information center for dissemination of information on various schemes.
- Kiosks in PRIs and at ward-level in urban areas: Service delivery kiosks for payment of bills and other amenities

#### **Group 2**

##### **Devolution and Funds**

- Vision is to have a relook into the devolution of not only 3Fs, funds, functions and functionaries, but 4Fs by including freedom to PRIs

- Focus should be not only on devolution of 3Fs to the PRIs but also on inter-tier distribution between the district, intermediate institutions and Gram Panchayats.
- SFC, a constitutional authority, which is already in the statute, should be entrusted with a one-time power to decide not only the funds, but also functions, functionaries and role clarity across the three tiers of PRIs.
- More role clarity with respect to the functions and powers of the 3 different tiers is required. Currently there is much overlapping of functions. The activity mapping that has been done in 2003 is also not clear. For instance, drinking water is handled by all the tiers, the State and Central governments.
- There should be a single channel for devolution of funds, the district, which distributes to all the three tiers under one head of account. Now there are State-sector schemes, Centrally sponsored schemes, etc. They should all go to the local bodies straight. Currently we are bifurcating funds in terms of local body funds and development funds. All monies should go together.
- MPLAD and MLALAD funds need a relook. They should either be abolished or restructured. In West Bengal even MPLAD funds are routed through the District Planning Committees and the works are implemented through the rural local bodies.
- The local bodies should have some discretion and liberty in the use of funds. More untied funds should be given to both urban and rural local bodies. Most of the funds come under State-sector schemes which are outside the purview of PRIs. A little amount is available under district sector out of which 65-70% is spent on salaries.
- It should be made mandatory for the GPs or ULBs to generate their own funds if at all they want State or Central funds, since it is the State which is laying the roads, street lights, etc.
- A statutory body like the SFC could be given powers to assess the taxes once in five years and it could be mandatorily and uniformly collected across the State by the local bodies.
- District Planning Committees have to be strengthened by providing a proper planning machinery. Currently, there is no coordination between the three tiers - the GPs never come in contact with the TPs and the TPs never come in contact with the ZP.
- Multiple organisations directly funding NGOs should be abolished and funds can be directly routed through PRIs.
- Grama sabhas should be strengthened. Selection of beneficiaries for all development programmes should be done by the Grama Sabha and no alterations should be permitted by other bodies.
- SFC recommendations are not taken seriously by the state governments. Either there is delay in taking decisions or they are pending. There has to be a time limit within which state should take a decision.
- Multiple implementing bodies (parallel bodies, VFC, etc.) should be made accountable to the PRIs.
- In Bihar, they have abolished MLALAD funds. They have asked the Central government to abolish MPLAD funds or have their own administration to look at it.
- There is a danger in giving too many powers to the GPs to levy taxes. There are instances where they have fixed arbitrary rates. They do not have the capacity to decide a scientific structure and rate of taxes. We should beware of giving too many powers to SFCs also. We could think of a permanent taxation committee, like the Electricity Regulation Authority.
- The above problems can be taken care of by building the capacities of the PRIs. But their power to impose taxes should be accepted.
- SFCs are only recommendatory bodies. Their recommendations cannot be mandatory and they cannot have the force of law.
- The SFCs can make recommendations. If accepted by the State government, they can be made applicable to the whole state. But there should be a dispute settlement mechanism.
- There is in one state a committee under the CEO of the Zilla Panchayat which can decide on the taxes that can be levied by PRIs. They can fix a range - a minimum and a maximum rate.
- If GPs are given an option, they may not impose the tax. If it is mandatory, they may acquiesce.
- In Kerala, there is a separate planning machinery to assist the DPCs.

- There are organizations, such as CAPART, which fund NGOs directly. Instead, the agencies should route the funds through PRIs, who will fund the NGOs. This will make the NGOs accountable to the PRIs in the areas where they are working. Right now they are not accountable to the PRIs.
- NGOs are needed and they can be a support structure to PRIs.
- There is a multiplicity of organizations other than local bodies, such as parastatals, such as drainage boards, which is a big weakness of the system.
  - There are good and bad NGOs. Most of them are funded.
  - There is a tussle for power everywhere. There is the Zilla Panchayath and the institution of Collector. Whenever the government is uncomfortable with the local bodies, it gives the power and functions to the Collectors. Collectors verify the antecedents of NGOs and no fund from the Central government is given without that.
  - The Group has discussed about how to maximize resources. But that may not go beyond 30-40% of the resources. In their anxiety to raise resources, PRIs should not ask that even NGO funds should be routed through them.
  - Grama sabhas are often dominated by those who dominate the balance of power within the village. There are times when outsiders come to the grama sabha and coerce the meetings of the grama sabha and force its resolutions in one direction. Grama sabhas need to be empowered to be able to take decisions of their own will reflecting the interests of the weaker sections. It is right that the decision of the grama sabha should not be tampered with. But how many grama sabhas are happening where the women have an equal voice with men. Are dalits and adivasis being able to speak up in protecting their own interests?
  - Right now the list of beneficiaries selected by the grama sabha goes to the taluk level where the vigilance committee headed by the local MLA looks at it. Again it is submitted to the Zilla Panchayath. No one knows at the ground level what is happening. Only when the decisions of the grama sabha are put on the notice board immediately will the grama sabha be strengthened.
  - Grama sabhas should be conducted properly. Right now beneficiary selection is not done according to merit. Politically powerful persons are taking advantage of the grama sabha.
  - For a lot of Central schemes, the criteria for selection of beneficiaries are already fixed. The question is whether the beneficiaries being selected by the grama sabha as per the criteria. The grama sabha should be able to say who is satisfying the criteria and who is not.
  - The question is whether the selection is done by a real or a fictitious grama sabha. The genuine beneficiaries are not being heard at the grama sabhas since they are not attending them. We have to ensure that the voices of those who are left out are heard.
  - The basis for the decisions taken at the grama sabha should be displayed transparently and objections invited. This process is going to be central in the BPL survey that is going to be conducted soon and one month's time is going to be given to citizens to object. We have to ensure that there is genuine inclusion and that the exclusion is also fair.
  - The duty of the SFC under Article 243I for rural and 243Y for urban is to recommend the non-loan component of the state's own money (NLOR) to be devolved to these bodies depending upon the functions allotted to them. Now the opinion is that even house tax should be decided by them. That is not possible. .
  - Pondicherry being a Union Territory is in a peculiar situation. Normally the CFC recommends the devolution of funds between the Centre and the States and a certain amount of tied and untied funds to the local bodies. Local bodies are not getting any funds from the CFC. Being a Union Territory, it is not part of the CFC recommendations. The Third SFC has recommended certain devolution but the union territory is not in a position to devolve those funds as it has not received any money from the CFC. Though three SFCs have submitted their recommendations, the government is yet to take a call on them and the recommendations are not implemented. There should be a time limit for implementing the recommendations.
  - Suppose the SFC has recommended 40% or so of the NLOR to be given to the PRIs, what happens in reality is that the GPs get about 8 lakhs of the SFC fund which comes to about 1%

of the NLOR. The other 38% of the NLOR is spread across all the 29 subjects (of the 11<sup>th</sup> Schedule), whether agriculture, horticulture or forestry. It doesn't go to the PRIs, it goes to the departments under the State government. So the local bodies have nothing untied recommended by the SFC about which they can decide. Untied is getting converted to tied.

- The parallel bodies need not be abolished. They can be brought under the purview of the PRIs. Partners are needed who implement the diverse functions assigned to the PRIs. It is only a question of being accountable to the PRIs.
- There are anomalies like a Village Forest Committee chairman getting 50 lakhs to spend while the GP president gets 8 lakhs.
- There are other bodies like the School Development & Monitoring Committees (SDMCs) and the village health committees which have representation of, or are chaired by GP members. Some of these committees do not have funds. The problem is one of resources. What is important is their interaction level.
- There are also other externally aided projects. Till the funding is there, there are parallel bodies implementing them. But once the funding stops, these projects are handed over to the GPs to look after. The GPs should be involved in these projects right from the beginning.
- The SDMCs are made sub-committees under the GPs in Karnataka under Section 61A of the PRI Act. This is an ideal example of how the parallel bodies can be integrated with PRIs.
- In several cases, the funds are coming directly to the parallel bodies and not through the PRIs.
- Even if the funds are not coming physically to the PRIs, it is necessary that the PRIs are in control and know how the decisions are being taken about the funds.
- Only in half of the 28 States of the country, the GP chairperson is heading the SDMC.
- The constitutionally mandated body is the PRI, which is the elected body, and they are finally accountable.
- The parallel bodies should come under the PRIs for performance and funding. Today they are completely autonomous and are not linked to the PRIs. They approach the PRIs only for getting approvals.
- The parallel bodies do not have a holistic perspective over the development of the GP. Their interest is only sectoral. The PRIs are the only bodies with a holistic perspective. Also, there is a lot of stress on the grama sabhas and the small committees emanating from them.
- One should be cautious about romanticizing the role of the GPs also beyond a point, as they have several weaknesses. Also, in reality there is no stress on the grama sabhas and they are the weakest bodies among the PRIs.
- One should worry about the much bigger parallel bodies, such as the Hyderabad-Karnataka, the Malnad Area and Dry-land Development Boards. Where is the need for these parallel bodies when the PRIs are there? They are getting funds and they are not accountable to the PRIs.
- There should be some interaction between these development boards and the PRIs so that there is no conflict between them and no duplication of work.

### **Group 3**

#### **Local Planning (Local solutions for local problems) and Capacities (Training citizens and PRIs)**

- Proper activity mapping is needed (*For example : GPs should be handed over agriculture and allied activities , PDS, MDM, Anganwadi system, etc.*)
- Empowering elected members, particularly weaker sections of society and women.
- Flexibility at local level in implementation of State-level and Centrally sponsored schemes
- Capacity building of line department functionaries
- Sensitizing social groups, for example, SHGs, MMD, youth clubs, etc., to strengthen grama sabhas
- Strengthening of PRIs with technical and planning staff.
- Strengthening Gram Sabhas through mandatory powers as it is done in PESA Act
- Updating the database (technical support for local planning)

- Strengthening downward accountability process
- Strengthening of DPC is required with the integration of departments
- Strengthening social auditing process
- Conducting functional literacy programmes for PRI members
- All plans should be submitted and approved through DPC. Plans are submitted late. Administrative and technical approvals and tendering process are all delayed. Money is released end of February or March. Monies lapse and plans are wasted. The planning process has to be simplified.
- In Kerala the tenure of five years for GP presidents is followed.
- Given the lack of capacities highlighted, it needs to be ensured that the human resource for performing all the envisaged tasks is there.
- GPs are asked to do road and drain works when there is no engineer at the GP level to do this technical task. At the same time, most of the GP members are agriculturists for which activity they do not require technical assistance.
- The 13<sup>th</sup> Finance Commission money could have been used to bridge gaps in capacity in exactly those areas where it is needed, such as for recruiting engineers. Most States are not doing it. These issues are not being taken up when planning is being done. The FC money is permanent money with which gaps in capacity can be filled quite easily, rather than be used to build more drains where the engineer doesn't exist.
- 13<sup>th</sup> Finance Commission money is really helpful as it has broader guidelines and the choice is given to use the money for locally needed activities. The funds are not really tied.
- Nationally, Rs. 80,000 crore is going to the local bodies over the five-year tenure of the 13<sup>th</sup> FC; Rs. 62,000 crore to the RLBs and 18,000 to the ULBs. It should be the basis for building capacities of the local bodies. The State governments are getting this money under the head of local bodies without any conditionalities. Except that if certain things are satisfied, there are other reform-oriented increments which can be given.
- Basically, States are building more drains without having more engineers. The drains are not the gap, the engineers who can manage the drains or all the infrastructure that is there, that is the fundamental gap which the entire attempt at devolution is trying to fill
- Over the years, PRIs have been given various functions. But at the same time, the functionaries required to handle the activities that have grown in a manifold way are not there. Functionaries are given scheme-wise on contract basis.
- The NREGA specifies one employment guarantee assistant. They have to be paid out of the 6% administrative component allocated under the NREGA. But no state has reached the 6% level. If 6% is not enough, the 13<sup>th</sup> FC grant can be used, if we believe that NREGA is an important programme and it is suffering from lack of quality due to the lack of human resources, lack of engineers to measure the work, etc., in time. That is the report from across the country. Why is the money not being used to deploy these human resources? The parallel bodies discussed earlier would not be needed if the GPs have their own staff and are capable of carrying out these functions. The GPs strength needs to be increased so that nobody else is needed.
- Finance Commission money is different from Planning Commission money which is time-bound and is under the head of 'Plan'. Most State governments are very reluctant, correctly, to make permanent appointments against these and hence these are always contract appointments. But, on the other hand, a Finance Commission award is normally not going to be cut by the next Finance Commission. That is the time to actually think in terms of developing real capacity.
- With reference to the BRGF funds - a major source in the district component - in Karnataka, the whole plan has been divided into four sectors: the gaps in (1) knowledge, (2) service delivery, (3) infrastructure and (4) monitoring and evaluation. It was decided to put a cap of 25-30% on infrastructure because this plan has to be again approved by the elected body, the District Planning Committee. The human development paradigm and the plan for training was explained to the DPC members, which was accepted by them. But the plans could not be taken ahead as the whole team that made the plans was changed.

- There is currently a BRGF guideline from the Centre which says that this fund should be used only for the capacity building of the elected representatives. Out of 5 crores for 5 districts given to AP for this, three and a half crores are tied up. So one cannot even identify the gaps which need filling.
- States need to give a note to the Planning Commission identifying the limitations and problems in the guidelines of the BRGF and how they should be modified, suggesting the changes and solutions required in the BRGF since it is going to be restructured in the 12<sup>th</sup> Plan. The BRGF was conceived to give flexibility and untied funds and not to create another set of problems.
- Under BRGF, projects for capacity building of students and teachers were considered wrong interventions. BRGF money is supposed to be used only for training panchayat members in the plan exercise. But how many times can the same members be trained who have already been trained three times?
- Under the BRGF, a gram swaraj project was designed for the 39 most backward talukas in the H-K region of Karnataka. A team conducted grama sabhas, identified the gaps and came out with a comprehensive report. But this report cannot be measured in terms of the planning department's cost-benefit analysis of the outcomes of such interventions.
- Another intervention was for identifying the large number of public assets in every GP area through a proper satellite survey of the GP area and coming out with a development report for the GP. But for this again, a cost effectiveness relationship cannot be made immediately. However, this is exactly the kind of capacity building that is talked about under the BRGF. A copy of this will be sent to the Planning Commission.
- Certain technical agencies are recommended by the Centre for formulating the district plan, but they do not have the required vision.
- If the state says that it has a list of its own agencies who it says will do the job, and that it should not be forced to deploy agencies recommended by the Centre, the Planning Commission will be supportive of that.
- The solution that Karnataka has found for itself this year, when all the TSIs were found lacking, is that the PRIs fell back on the SIRD. The SIRD through its army of 700 resource persons spread across the State has done the plan for them as per the grassroots plan.
- In agriculture also, there was a district plan for the RKVY for which groups were appointed. The question is whether the ZPs know what the groups did, were the PRIs consulted and were the plans drawn up and how much is known of the plans?
- There is no resource envelope given to the PRIs for formulating their plans. So they prepare a wish-list. But even to prepare the wish-list, no serious consultation takes place. Ideally, like BRGF, district-wise allocation for RKVY is also essential.
- Mostly, one is asked to prepare a RKVY plan and that too within a time-frame and later told about the consultative process. Finally, the product of the plan becomes more important than the process. Since one has to abide by the time-frame, an agriculture university or the district-level RKVs prepare it. Some consultation happens at the officers' level but not at the elected representatives' level.
- The important thing is to forget the past and think of the future in the light of what has not been done in the past. There has to be a plan. It should not be just at the Central or State level but should permeate down to the district, the taluk and the GP level. It should to the extent possible converge across schemes.
- One constraint is that the moment a plan has to be made, people will ask for the budget. But the allocations are not known. If the money available for the 5-year plan is known it will make the plan more meaningful. Secondly, resource mapping has been done at various places but it cannot all be found at one place. Under RKVY, it is not known how much will be available next year, so the plans are not made. They wait for the allocations to be made and then there will be very little time for consultations.
- The biggest benefit of doing the BRGF plan was that for the first time it was known how much money is coming from the link documents, from the state sector, externally aided project, centrally sponsored and other schemes. How much money is coming to a ZP is not

known. Even if it is coming to the same agency, there is much fragmentation as it comes under various heads and sub-heads. Secondly, no one knows when the money will come. Many times, the state sector and central funds come in the month of February or March, as and when the money is available. If at all money is to be released, it should be done during the first six months and thereafter there should be no releases.

- Functional literacy of elected representatives is important. There is a case where, due to the mistake of the panchayat secretary and PDO, the woman president belonging to the backward class is behind bars.
- Even for a driver, VIII pass is a requirement. For the vast responsibilities that a GP president has to fulfil, there should be some educational qualification prescribed.
- There is a difference between knowledge and education. It is not about being X pass or XII pass. It is about knowing what the schemes are, what their powers and functions are and whom they should approach.
- The illiterate elected representatives are often misguided by officials. A lot of money is involved. If a person is unable to read and write, can be fooled into doing a number of things and there are instances of this.
- People will not respect those who are not educated.
- That we have failed to educate citizens even after 60 years is our failing.
- Please recommend to the government that Article 351 status should be given to Hyderabad-Karnataka region.
- In Karnataka, the public procurements in the PRI sector are covered under the KPPP Act, which ensures transparency and openness in all procurements undertaken by the PRIs.
- Another unique feature of Karnataka's Panchayath Raj system is the system of Jamabandhi which involves the Grama Panchayaths placing before the public at large an annual report of their various activities undertaken in the previous financial year. Verification of both documents and physical structures are carried out by the people. It is a form of social audit which was in vogue even before the social audit concept under the NREGS.
- Karnataka State is a pioneer in satellite-based training for PRI functionaries comprising elected members and officials. The Abdul Nazeer Sab State Institute of Rural Development at Mysore has a state-of-the-art studio and is linked to all the 176 Taluka Resource Centres through SATCOM. Various capacity-building initiatives covering different sectors of Government like health, education, agriculture, rural development, water supply and sanitation are imparted on a regular basis throughout the year. Training is also provided in face-to-face mode both at the Institute and also in district and taluka headquarters.
- There is a paucity of Centrally sponsored poverty alleviation schemes in the urban sector which are restricted to the SJSRY, JNNURM and UDISMT, which is for a limited number of cities. There needs to be a focus on satellite towns. Urban poverty figures are high. A lot of slums are developing though there is the Rajiv Avas Yojana. However, its guidelines are not yet clear. Focus is needed on the redevelopment of slums. A lot of infrastructure needs to be created in urban areas.
- There is a lot of difference between the Panchayath Raj Acts and the Nagarapalika Acts. Several functions such as food security, primary education and primary health do not come under the ambit of municipal bodies, which is required if urban areas are to perform the function of 'planning for social justice' envisaged in the 74<sup>th</sup> Amdt. Most States have drafted weak community participation laws for urban areas which do not enable genuine grassroots democracy, transparency, accountability and people's participation. In Karnataka the councillor has been given powers to veto decisions taken by the area sabhas and ward committees. Suitable amendments need to be made to the 74<sup>th</sup> CA to truly empower urban citizens.

### **3<sup>rd</sup> Session with CSOs on social justice and gender issues**

#### **Group 1: Role of CSOs in the Design of new Programmes**



- CSOs should be proactive in passing on proposals and suggestions to the government. They don't have to wait to be asked.
- The role of CSOs in assessing the needs and requirements of the target group is very important.
- They can contribute to the design of the need-based programmes.
- CSOs need to be involved at the very conceptualisation stage of policies, laws and programmes. Their role should not be restricted to participation in consultations *after* a policy or programme is framed.
- Based on the success or failure of programmes, they can be involved in suggesting improvements to the flagship programmes. This should be utilised.
- Successful pilots of CSOs should be used as models by the government.
- The National Policy on the Voluntary Sector has clearly laid down the roles of CSOs in 2007 itself. But it has not been operationalised and is not being taken seriously by the Central and State governments.
- There needs to be an institutionalised process of consultation. Very often, a few CSOs, selected in a non-transparent way, are consulted tokenistically to fulfil the requirement for consultation. There should be an open and transparent process of consultation and not through selected invitees.
- Draft policies, laws and programmes should be put in the public domain at the initial formulation stage itself and suggestions invited.
- Consultation and brainstorming, for new or existing policies, laws or programmes should begin at the grassroots level, followed by district, State and Central levels. This is the process for garnering expertise.
- People's participation should not be restricted to consultation. Civil society should be represented on policy, law and programme formulating committees where their representation should be 50%. Representation percentage of civil society can be increased depending on the kind of sector involved.
- In Andhra, every last Saturday of the month, CSOs are invited for regular meetings at the State level. This can be replicated by other States and at Central level.
- CSOs themselves can select their representative who will sit on the policy, law or programme formulating body. This will avoid the namesake representation given to CSOs through selection by the government.
- There should be a professional body which sifts through the recommendations given by CSOs and documents them in a suitable format, giving the rationale for the acceptance or rejection of the suggestions. This should be put in the public domain so that CSOs know the rationale for the accepted or rejected suggestions.
- CSOs should not be limited to NGOs. They should include interest groups and every citizen. The ward sabha and the grama sabha where every citizen is represented should be the primary fora for consultations before formulation of policies, laws and programmes.
- Mass media and social media should be used to enlarge the debates.

## **Group 2: Role of CSOs in ensuring inclusive growth, content, expertise**

- Centralised planning is itself an off-shoot of controlled economies. Since we have moved over to a free market economy since the nineties, the Planning Commission should redefine its role in a liberalized economy.
- There is too much of focus on GDP rather than on human development. It is essential to focus on human development and the indices for measuring it rather than on just GDP, which is just one parameter for measuring economic progress. One could look at the components of GDP and GDP distribution which is what inclusive growth is all about. If you don't focus on the components, for example, our economy is veering more and more towards a service economy, or consumer economy which is a dangerous trend. It will be very difficult to combat inflation if one does that.
- The planning process itself should be made more transparent at all levels. This would avoid 'corporatocracy' creeping into the government. One has seen the effects of lobbying. Any interaction between the corporates and the Planning Commission should be made more

transparent and visible to the public if you want inclusive growth. Otherwise you will have growth which is oriented towards the business sector.

- In a free market economy - in which centralised planning is an anachronism – one finds public goods being privatised, which is a dangerous trend. Public goods should never be privatised. There is an economic definition of what a ‘public good’ is. Water, sanitation, health and education should remain in the public sector, if one wants inclusive growth.
- There is also a danger of many CSOs and NGOs proliferating. At last count there were 1.8 million of them. Many of them, like the political parties, are tax havens within the country itself.
- One needs to look at the kind of CSOs the Planning Commission is interacting with: some empanelment and criteria for empanelment should be laid down for them.
- Inclusive growth would also need continuation of reservation. The Constitution provided for it for a very limited time. But for inclusive growth, one needs to monitor whether people have come into that ‘inclusivity’. If not, one needs to continue the reservation until all sections are empowered.
- The 73<sup>rd</sup> and 74<sup>th</sup> amendments were made almost 16 years ago, still many of the state governments have not implemented it. Some states have done nothing but passing an Act. In Karnataka, an Act has been passed but no MPC has been constituted and there is no devolution. There is a list of functions in the XI and XII Schedule which should be devolved. Unless that is done and the state government moves out, inclusive growth cannot take place.
- There should be some reservation even in the private sector if one wants inclusive growth, especially in those receiving government concessions. When concessions are given, this should be made a condition.
- In projects, such as SEZs, the stakeholders, the land owners should continue to have some say in it, some share in the profits. Or the land could be leased out instead of being purchased. The ownership of the land could remain with the people rather than being transferred to the corporate.
- The focus should be on productive employment rather than on wage employment. NREGA provides pure wage employment. The people who work on that do not own the assets created. Assets created by NREGA should be owned by those who create them.
- In terms of skill development, it should be locally employable skills. If you convert a farmer into a plumber, he will migrate to the city. The skills given should enable them to have a good quality of life in the area where the person is accustomed to live.
- Ensure protection to women and children belonging especially to the weaker sections living in remote areas.
- Need to strengthen the SHG movement and make it a social entrepreneurship, Grameen Bank type of model, or an Amul type of cooperative model. These are good for strengthening panchayaths and bringing in inclusive growth.
- Urban transition should take care of social issues. As the rural economy becomes more urbanised, it should take care of both the differently-abled as well as the weaker sections.
- CSOs are often seen as a nuisance. There is a need to regulate CSO activity and empanel them. There is a need to institutionalise CSO activity not merely at the social audit stage, but right at the planning stage itself.
- Institutionalize social audit.
- There needs to be some innovation for inclusive growth. Many girl children do not go to school due to lack of toilets for girls. Unless one looks deeply into the needs of girl children, gender specific issues and gender budgets, there will be no inclusive growth. Only some sections of people will grow.

**Group 3 & 4: Role of CSOs in social mobilization, IEC and capacity building in government programmes; implementation of government schemes and improvement of service delivery**

- The poor have been given rights but have not been informed of those rights. Nor are they organised to demand those rights. Rights given without the ability to exercise them are of no use.
- Money should be put aside to educate and organise poor people to learn and demand their rights.

- The three key words are: information, mobilisation and implementation. But right now, the government heads straight to implementation expecting results.
- Before any programme or scheme provides a right, information dissemination should take place on a large scale. Civil society should play an important role in information dissemination and mobilisation. Even educated people have a hard time understanding schemes. One can imagine the frustration the poor have in understanding the numerous schemes the government has.
- The next step in the chain is guidance, by the government and CSOs, to the people.
- Capacity building of CSOs needs to be undertaken.
- The assistance of CSOs should be enlisted and enrolled.
- The role of CBOs in improving the delivery systems needs to be stressed:
- PC (?) should exercise its legitimate jurisdiction in the state to enforce the provisions of the 73<sup>rd</sup> CA.
- Critical administrative reforms for good governance are necessary.
- Constitute a group of individuals of impeccable integrity who can shortlist suitable people. Provide them tenurial security, which should be mandatory.
- Periodic monitoring and evaluation: Time gap between evaluations is too long. Information technology can play a vital role in this. Data-base of impact studies conducted so far should be made available.
- Enable convergence. Help government overcome the obstacles of departmentalism and dissipation of resources.
- Watch-dog function: there is a need to monitor and evaluate government programmes through outsourced functioning and PPP.
- Identify a few goals under MDGs where we are falling short. CSOs should take up the responsibility.
- Human resources that have been trained through the capacity-building programmes by the CSOs can be made available for government programmes.
- Need to amend the law on PILs so as not to levy fines on social organisations if they lose the case.
- Youth can be involved in informing and mobilising people by tapping their zeal and enthusiasm. Let them be involved in the decision-making, holistic skill development, vocational training and life skills training.
- Along with education, empowerment is also important.
- Mental health issues need to be addressed, depression being one of them.
- Maternal and child health need to be stressed..

#### **Group 5: The role of CSOs in ensuring accountability**

- The major problem today is that CSOs are not involved in the transparency and accountability mechanisms. That is why CSOs are sitting in Jantar mantar and asking for accountability and transparency. That is our major thrust.
- Government is weak in monitoring and grievance redressal systems.
- Lack of transparency and accountability is leading to corruption, from the PM's Bofors scam to that of GP members.
- Lack of pro-active disclosure as per Section 4 of the RTI Act. Many RTI activists are asking for this, but it should be proactively delivered
- Strengthen transparency and accountability mechanisms at grama sabha level
- Empower the grama sabhas so that they can participate in planning, monitoring and finding solutions
- The same needs to be done at all three tiers, GP, TP and ZP level
- Community monitoring needs to be strengthened. Many of the departments, such as health department, now have Village Health and Sanitation committees. The NREGA has some monitoring mechanism. Departments need to have the courage to accept these community monitoring systems and processes and strengthen them.

- Strengthen grievance redressal systems. Today many of these problems are coming to the Lokayukta, Lokpal or Ombudsman because there are no grievance redressal mechanisms. All departments should designate a particular day when they will conduct grievance redressal programmes and make it an important aspect of their work.
- There should be an ombudsman at all levels. In Karnataka, the Act has been amended already to provide an ombudsman at the ZP, TP and GP levels, beyond the Lokpal at the Centre, which everyone is talking about, and the Lokayukta at the State level. This ombudsman is not for addressing grievances as such but to look at the broad compliance mechanisms and solve the issues.
- Citizens' report cards and social audit instruments - AP has done very well in this in NREGA - need to be strengthened and made mandatory.
- Introduce new technologies such as e-procurement, which is part of e-governance mechanisms. These can solve many of these issues.
- Prioritise governance reform within the 12<sup>th</sup> Five-Year Plan period. The problem is that there is sectoral bias, such as on agriculture, etc. There are experts in each domain. But the key issue today is good governance about which no one is really concerned. Today, only technological packages will not help to bring about development. Much corruption is also due to bad management and related transparency and accountability issues. There should be a separate chapter on governance in the 12<sup>th</sup> FY Plan.
- Citizens' charters should be developed so that citizens get all the information.
- Budget practices should be made participatory with civil society participation.
- CSOs can play a role in policy formulation, planning, implementation, monitoring, transparency and accountability mechanisms. If those instruments are given to them they can play a very effective role. Otherwise they will go to Jantar Mantar.

## **4<sup>th</sup> Session with employers' associations, trade unions and academia**

### **General issues**

#### **Poverty line**

- There is no discussion in the Approach Paper on what should be the criteria for fixing the poverty line. Internationally, the poverty line is meant to cover all basic needs. Estimates at current prices for covering all basic needs, based on the 15<sup>th</sup> ILC norms, say that this amounts to RS. 10,000 per month for a family of four, which comes to about Rs. 380 per day, per earner and Rs. 1,20,000 per year. Any family earning less than this figure should be considered as coming below the poverty line. Is the Planning Commission considering fixing this as the poverty line?
- The BPL categorization must be based on purchasing power parity and be index linked.
- The concern is that at least in the 12<sup>th</sup> Five Year Plan, the norms that would determine the poverty line should be made clear. We should realistically determine the poverty line. Just 2000 calorie intake and some yards of cloth do not determine the poverty line. The UN says that when you talk of poverty line, it should also include education, health, housing.
- Today, India is a \$2 trillion dollar economy. But where does this growth go? Growth is most uneven in this country. Today, crores of people live in slums but one gentleman could build a house of 27 stories at the cost of Rs. 8000 crore. That is the position of the economy today.
- The Planning Commission has to re-visit its own approach. Even today, 41% of the people of this country live under BPL, even after 11 Five Year Plans.
- The target of growth in health, education, agriculture was not achieved in the 11<sup>th</sup> Plan. The people of this country would like to know why this target was not achieved.
- The basic needs of the individual are eating away a large portion of his earnings. Inflation is making our so-called growth rate utopian. One of the greatest constraints in increasing GDP is inflation. Is there any definite approach to reduce or regulate inflation?

**Land issues**

- The current conflicts over land are taking away productive land for industry. Farmers are getting displaced without proper resettlement and rehabilitation; this is a major concern all over the country but that issue has not been addressed in your Approach Paper.
- There has to be earmarking of land for agriculture to retain our food security. Has an estimation been made of how much land is required to feed our population? Isn't there enough wasteland to be earmarked for industry? Why are the industrialists not willing to go there? These deep-rooted conflicts of interest need to be addressed in the Approach Paper by the Planning Commission.

**Agriculture**

- The Minimum Support Price for farmers has not been discussed at all in the Approach Paper. There are only talks about markets, inputs and outputs. What about making farming remunerative for farmers? The non-remunerative nature of agriculture is the major reason for their committing suicides.
- There should be provision for agricultural loan facility for group farming.
- Government should provide food-crop seeds as a subsidy to encourage cultivation.

**Health, education, water, sanitation, etc.**

- There is a suggestion for PPP in health and education. This will work against inclusion; rather it will lead to exclusiveness. Health and education will become a costly commodity for the common man. In our experience, PPP is Public Investment-Private Profit. This concept should change. Our submission is that, for health and education, food and housing, there must be state intervention.
- In the social sector, health, rural health, is very important. Delivery is not reaching the last person in the village.
- Safe drinking water is very essential, PPP should be given emphasis in this area;
- Hygiene is very important. When we take a buyer to the rural area, he sees the kind of area in which we are manufacturing.
- Why not we go in for bare-foot doctors?

**Governance**

- Electronic governance should stretch beyond websites. It could secure portals for accounting; that would improve the credibility of these enterprises.

**Corruption**

- You should address the problem of corruption and find out how it is taking place. Monitoring should take place including of the freebies. Freebies can be a temporary measure.

**Production-related issues**

- There should be emphasis on agri-processing and food-processing.
- There should be some emphasis on MST, Manufacturing, Services and Trade.
- Design clusters linked to large scale industry, both in public sector and private sector. A great deal of research has to go into it to design efficient supply chains.
- Reform of labour laws is required for productivity.

**Growth rate**

- The first thing that we need to do is break down the target for growth in each sector, which is done in agriculture but not in the other sectors. This is essential. The targeted growth rate should not come from the top. It needs to come from the available resources in the state. We

have to have a bottom-up approach. A top-down approach in governance is wishful thinking. We have done it all along; we may (continue to) do it during the next Plan also.

### **Infrastructure**

- We find a deficiency in infrastructure, whether it is social infrastructure or tourism infrastructure; it has to be supported in a big way.
- In manufacturing, we need to have Special Industrial Areas where basic infrastructure is provided like power, water and partnership with landowners. Connectivity to the ports is important. We have to create infrastructure corridors. The first one Delhi-Bombay is already started. We have to create similar corridors in the south like Mangalore-Chennai, Coimbatore-Cochin. We have to have several such corridors.
- Regarding physical infrastructure, there should be more investment on roads, particularly rural roads. Last mile connectivity is very important.
- We are lacking in energy growth. Growth has been negative in this sector.
- Karnataka has only one port. Another two ports are required for our industries.
- There are the usual problems of energy and water. These are location specific, so they have to be sorted out at the local level.
- Getting government permission in the fields of transportation and infrastructure is a big hindrance.
- Transaction costs of doing business are high. In the US, you can set up your own business sitting in your home or office with an internet connection. That should be the practice for renewal of your licence also. It saves time.
- New railway lines are needed for Karnataka.
- Alternate sources of energy, wind energy, solar energy has to be encouraged.
- Land is another problem. We should have industrial parks that go up vertically since land is scarce in Kerala.

### **Small industries and MSMEs**

- MSME should be able to access credit, finance, technology and skill development so that MSMEs can integrate themselves in the mainstream of employment generation.
- We should go in for small- and medium-scale industries in a big way. This will increase employment as well as manufacturing. Also, the space required is very little. The productivity per square meter is very high. We should have more of Peenya-style industries. Land is a constraint and a scarce resource. We have a large population. We should have development in our kind of parameters and not some other parameters. Government should give all facilities to small and medium industry.
- MSMEs should be encouraged. An industry in the MSME sector can get off pretty fast. So, there are advantages in promoting MSME.
- MSME needs technology. They cannot go back to the old technology. How can we assist them is an issue.
- Land issue is very important for industry, particularly for MSMEs.
- Reserve at least 5% of the government purchase for the small industries, so that the small industries can flourish.
- One of the main problems faced by MSME is the shortage of skilled workers. We propose a Mission-based approach to train the youth.
- A scheme for the rehabilitation of sick MSME may be formulated during the 12<sup>th</sup> Plan.
- Due to land shortage in Kerala, we are proposing to set up multi-storied industrial park for MSMEs in all districts.

- We also suggest that the Cluster Development Programme be continued with some modification.
- Credit to MSME sector is not enough. It is a dream to get credit particularly in tier 2 and tier 3 towns. It has to be re-looked into.
- Rate of interest is very high compared to large industry and agriculture sector. We have been neglected. Rate of interest has to be competitive in nature. In MSME sector, banks are charging almost 19-20%. The rate of interest with hidden charges, application, processing fees, etc. is almost 20%. There should be a clear, mandatory advice from RBI and central government regarding rate of interest.
- Compulsory registration of small industry and compulsory membership in the association can be thought of, as in Germany. We have to bring in a benchmarking for the associations in this country, because there is mushrooming growth of associations and also government funding for the associations.
- NREGA has taken away workers from the small industry. We should have a re-look into that. It could be introduced only in districts where there is a lot of unemployment. Or, you pay the government share and allow them to work and get the money from agricultural work and industry also, so that we will also get the workers. At present, small industry has no workers, skilled or unskilled.

### **Skill training**

- Employable skills should be imparted in the schools and colleges.
- The Planning Commission should put its foot down regarding freebies and focus more on skill development and the unorganized sector, because this sector is bulging; 433 million people belong to the unorganized sector in this country out of 459 million workforce. It is an enormous workforce which has no training. Freebies should not come from the Central funding which should focus instead on health, education and skill development of the poor.
- The government should consider giving an attractive incentive to industries if they take up skill development with a rider to give employment to the trained.
- The NCBT scheme was very good for vocational training. It is being suspended now, maybe there were some malpractices but for that the scheme should not have been suspended. We have to re-look and revise the scheme.
- We are not looking into vocational training and the number of skilled workers available in this country. If we want India to be a manufacturing hub, we need skilled workers.
- Unfortunately there is red-tapism in the Centre of Excellence Scheme in ITI. The fund remains in the bank. Officials are not allowing private partners to use the fund for any new scheme. The Centre of Excellence ITI has not introduced even 10 or 15 courses out of 1500.
- Skill development is the need of the hour. There is an urgent need for new PPP model for skill supply and also funding to train the unskilled manpower for skill requirement. Creation of information skill development centres all over the state is necessary. Setting up vocational training centres in each taluk sector-wise should be done.
- We need eighteen hours quality/power for MSME sector. There should be a separate grid for industrial corridors.
- Rural industries infrastructure. Upgrade the artisans as self-employed entities. Transform micro-industry into small industry. Link the roads, give marketing assistance; make an exit policy for entrepreneurs; when industry becomes sick, he should be able to come out of it. Implement the PM's Task Force on MSME. Nothing is happening on this front. It needs to be implemented.
- Inspector raj is increasing. MSMEs are burdened with many laws, PSI, labour, pollution control board, trade licence in Karnataka. Every law has to be simplified.

### **Universities**

- Empower health and education, please give tax benefits. Let Section 35G be given liberally to all the Universities.
- Establish skill development centres at least on a par footing with university as the nodal point. Give us a minimum of 10 crores. We will ensure that our boys and girls get vocational training and are employable.
- PPP model is yet to be tried in higher education sector. There are many legal constraints. We must remove the bottlenecks. The government should liberalize the education loan. Can a person from BPL family look for any guarantor or immovable property to mortgage to the bank? He should get it on merit. Certainly, the banks should come forward and finance his education, irrespective of his economic position.

### **R&D**

- Investment in R & D is only 0.5-0.8%. We require more investment in R and D;
- Linking of all the research institutions is very important. There should be a grant to these R & D institutions.

### **Banks and credit**

- Small Industries Development Bank of India (SIDBI) is currently under the control of the Large Industries Minister. It has to be transferred to the control of the Small Industries Minister.
- In the budget, you allocate a lot of funds to SIDBI; the funds are mainly unutilized.
- In addition to the corpus fund of SIDBI, the funds deposited by the new generation banks and foreign banks are also lying idle.
- The banks do not adhere to RBI instructions, especially regarding priorities of lending.
- Majority of the RBI instructions are only informative in nature; they are not mandatory; especially the manufacturing policy which has been submitted recently.
- The RBI has not even a single word about MSME.
- Coming to the credit guarantee scheme, they pursue the case legally against the entrepreneur, even after the bank or the financial institution gets the claim.
- Also, the Sarkasi? Act has to be re-looked at. A small entrepreneur getting Rs. 5 lakh and pledging his own residential house, has his house auctioned without even giving him a chance. Sarkasi Act has to be repealed or at least be re-considered.
- For the credit flow to small industry, we suggest that a local area bank concept should be introduced. Nationalized banks are worried about transaction costs. They are not interested in small loans for Rs. 10 lakhs or Rs. 15 lakhs.
- When you say PPP, why not PPP with a small industry association? The small industry association could be taken as a partner along with nationalized banks on the lines of micro-credit and allow the associations to lend to smaller investors.
- As far as the small industry is concerned, we are against FDI in retail.
- Collateral lending scheme of central govt. should be increased from one crore to 3 crores.
- Removing subsidies will further increase the exclusiveness of the economy. Our opinion is that there is a need for tax reforms. Now individuals and corporates are equated with common tax rates. This needs to be changed.
- How does one ensure venture capital funding? We had operated venture capital funds in TN and it is quite a difficult job. Here, government has done it but has withdrawn it now and left it to the private sector which is doing a good job but probably not adequate enough.
- Raising the FDI in industry: No American company will come with 30% FDI for sharing their technology with us. There is a limitation of 26% FDI in small-scale sector. These are some of the blocks which we have to address if we want to integrate ourselves in the global market in the 12<sup>th</sup> Plan.



### **Technology**

- We have to have a very liberal policy of allowing them (entrepreneurs) to source technology from anywhere in the world.
- Regarding technology upgradation, there was a scheme for textile sector upgradation fund but the rules were rigid. Only units which made profits for consecutive 3 years were to be made eligible under the scheme. These are some of the rigidities that need to be ironed out.

### **Labour-related issues**

- As far as the worker is concerned, his job is flexible, his working hours are flexible, his wages are flexible, there is no guarantee for the job.
- Worker is not getting minimum wages. Unless you increase the purchasing power of the people of this country, whatever planning you do will not be successful.
- In Kerala there is no unemployment. Employment generation schemes need not be implemented in Kerala.
- Labour laws are quite archaic. Labour related inspections are not needed at the moment. We find it difficult to get people to work and we do our best to retain them. Homemakers are being used as medical representatives.

### **Social security**

- All unions have demanded that at least 1% of GDP should be allotted for social security funds. That has not been done. So, the Centre and States have to revisit the Approach to planning.
- Social security and welfare boards should be adequately funded either by way of levying cess or unclaimed provident fund which is lying idle could be distributed to these boards in the state governments with a direction to take up health and medical cashless benefits and insurance. Many social welfare schemes are being implemented / announced by the Government of India and Karnataka. Labour department has been entrusted with distribution and administration of the welfare measures but the mission has to be strengthened.
- Social security is needed for the entrepreneur also.

### **Exit policy**

- If one wants to close a business today, one can't do it. Between State and Centre, there should be clear-cut guidelines for exit policies for all types of industry, micro, small or large
- An exit policy is needed in industry. For every new appointment, we should introduce a compulsory insurance policy. Workers should be given full employment wages if there is a layoff or plant shutdown or till they find alternate employment, so that the transition does not become painful.
- With regard to the exit policy for the small industry as well as the government purchase, please look into the Small Business Act of America.

### **PSUs**

- Regarding public enterprises, there have to be some pointers to the States for managing surplus funds. In Kerala, in recent years, units have started making profits; we need to have a policy on how these surplus funds can be deployed.
- How to extend the MoU system? Department of Public Enterprises has started to closely look at it due to nearly Rs. 3 lakh crore investment in state-led public enterprises, for instance, the alignment of Corporate Social Responsibility of the GoI to the state PSUs.

### **Pollution**

- Regarding environment, the belief is that only industries are spoiling the environment. The Pollution Board looks at industry as if only we are spoiling the environment; we are not against protecting the environment but at the same time, we should not be wrongly faulted.

- The pollution control board should be a facilitating agency instead of an inspection agency. They should give us technology as to how to protect the environment; not simply collect the fees.
- Pollution is a big problem in Kerala. Awareness of people regarding pollution is quite high so industry is finding it difficult to remain. There should be some sort of incentive to the industry for carrying out pollution control measures.
- Planning Commission should ask industries to provide environment-friendly plastic.

## **Report of the Regional Consultation of the Planning Commission with the Southern States on the**

### **“Approach Paper to the 12<sup>th</sup> Five-Year Plan”**

**held in Bangalore on 10<sup>th</sup> & 11<sup>th</sup> June 2011**

#### **Inaugural session and Session 1: Discussion with state governments**

**Anchor:** The Planning Commission of Government of India and Government of Karnataka cordially welcome all the dignitaries and invitees to these regional consultations of southern states on the Approach Paper to the 12<sup>th</sup> Five Year Plan today and tomorrow.

The National Plan document carries more credibility if it reflects the views and aspirations of all stakeholders. Towards this, the Planning Commission, in coordination with the GoK, is holding this two day consultation at south regional level with governments of AP, TN, Puducherry and Kerala and other stakeholders to elicit their opinions and views on their approach to the 12<sup>th</sup> Five Year Plan. State governments, civil society groups, academics, representatives of urban local bodies and district panchayats, regional and state level business associations, trade unions have been invited to participate and share their inputs towards formulation of 12<sup>th</sup> Five Year Plan.

Next the State Anthem was played.

**Dr. V. S. Acharya:** I heartily welcome all the delegates to the beautiful garden city of Bangalore. As we are all aware, this is organized at the instance of the Planning Commission. The consultation has been divided into 4 sessions.

Session 1: Discussion with State Governments

Session 2: Discussion with Panchayat Raj Institutions

Session 3: Discussion with Civil Society Organizations, Social Justice and Gender Issues

Session 4: Discussion with Business Associations, Trade Unions and Academicians

Karnataka's Plan performance has been of a high order and the State's Plan size is getting larger every year, although the percentage of Central assistance to the State plan has been declining over the years. Against the 11<sup>th</sup> Plan allocation of Rs. 1,01,664 crore, the anticipated expenditure is likely to be Rs. 1,14,005 crore, translating into an achievement of 112%. All the sectors of the state economy are expected to reasonably perform better. Although Karnataka is rightly known as a progressive and strongly development-oriented state and has registered an average growth rate of about 7.5% of the GSDP within the last few years, it still continues to be in the league of middle-size, middle-income states. This is because of the existence of a considerable intra-regional disparity.

The state is implementing a special developmental plan spanning over eight years from 2007-08 based on recommendations of a high-power committee for redressal of regional imbalances. The state is providing an additional allocation of Rs.16,000 crores over and above the normal allocation to the identified backward talukas to bring them on par with the developed districts.

Government of Karnataka has brought out two Human Development Reports, the first in 1999 and the second in 2006. Second Report was brought out in collaboration with UNDP and Planning Commission with their technical and financial assistance. The state has brought out Human Development Reports for four districts, namely Gulbarga, Bijapur, Mysore and Udupi. This was in

2008 in joint venture with UNDP and Planning Commission. The District Human Development Reports have analysed the magnitude of deprivation of people at taluka level. In this second phase, Karnataka has taken up preparation of Human Development Reports in respect of five districts, namely Bidar, Chitradurga, Davangere, Raichur and Chamarajnagar. In next two phases, the state has proposed to prepare district Human Development Reports for all districts. The state is in the process of bringing out a manual on preparation of District Human Development Reports shortly. This will enable inter-district comparison besides uniform coverage.

Karnataka government was one of the first in the nation to evolve a policy of evaluation in the year 2000. In line with the recent independent evaluation initiatives of the Planning Commission, Karnataka has also proposed Karnataka Evaluation Authority. The objective is to undertake impartial assessment of various public programmes and improve the effectiveness of public intervention. The state has brought out a document entitled, "Karnataka Vision for Development 2020". The document looks at the principal issues that require attention for the broad-based and inclusive growth and prosperity of the state. The Vision Document is an attempt to chalk out a long-term development plan.

Lighting of the lamp and presentation of bouquets.

**Shri Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission:**

Let me begin on behalf of all of us from the Planning Commission to thank the CM for hosting this session. Bangalore is a very special city; my son graduated from the National Law School and I visited the city on many occasions; this is a very well chosen location, thank you for the excellent arrangements made and the hospitality.

As you know, this is an effort by the Planning Commission to reach out to listen to state government views before we formulate the approach to the 12<sup>th</sup> Five Year Plan. It is our hope that the approach will be completed by about July or so, and then we will take it to the NBC at the time that the government would determine. We had circulated a note as a backdrop to the meeting. There is also a slide presentation. Our Principal Advisor, Dr. Pranab Sen was going to make this presentation but he was not able to come so I am going to take the liberty of going through it quickly, highlighting the main points. I want to emphasize that we are really here to listen so I don't expect you to view this as finished positions, but I think you should view the points we raise as hooks on which you can hang your own point of view; for example, if there are really important things we are missing, we really would like to hear what they are.

**Eleventh Plan experience - Laying out the situation as we approach the 12<sup>th</sup> Plan.** The average growth of GDP in the 11<sup>th</sup> plan will be 8.2% as against 7.6% in the 10<sup>th</sup> Plan. This is going to be short of the 9% target but it is a remarkable performance for the economy, given the global crisis and the drought. I would also say that we have seen progress on inclusiveness but this is less than expected. As of now, we may not meet all of the Millennium Development Goals but we will meet some of them. I think there are worries on the horizon; inflation has accelerated in the last two years; fortunately, it is now beginning to come down but it is still too high and of course the international environment is very uncertain; global pressure on food, oil and other commodity prices will be high and financial conditions will be very volatile. There is a lot of concern in the world about debt ratios in the developed countries. Normally people used to lecture us on having high debt ratios but now it is the industrialized countries, European countries that have high debt ratios and *this* creates uncertainty. One consequence of uncertainty is that capital flows can become volatile, so that

suddenly emerging markets get a big inflow but this could be reversed very quickly, so as we plan we for the 12<sup>th</sup> Plan, we have to keep that in mind.

**Key messages from consultations:** We have been consulting with other stakeholders very widely; including through the internet. We are on Facebook; there is a Planning Commission web-page where there are interactive comments. We have had people in their thousands logging in and giving their comments. I think one of the issues that come up is that there is a very strong demand everywhere; people agree with what we think is important but what they are saying is that implementation is very bad, accountability is very low and the quality of service delivery is simply not what it should be. How to solve that requires some thinking. The feedback we get from citizens' groups is that there should be greater devolution and empowerment. One implication of that is that devolution from centre to state but what they also have in mind is greater devolution within the state to lower-down levels. I think the third aspect is that most govt. programmes work in silos. Departments very rarely talk to each other and somehow there is a perception that, given the amount of money that is actually going into the local areas, there is a lack of synergy which is ensuring the best use of this money.

**12<sup>th</sup> Plan objectives:** Clearly, in the 12<sup>th</sup> Plan, we will look for **faster, more inclusive and sustainable growth**. We now want to bring sustainability quite upfront. Is 10% growth for the economy feasible? Actually, my own assessment is that realistically, even 9% will require strong policy action. Realistically, we should not assume that a steady acceleration in growth is going to be easy. It is feasible, in my view, to aim between 9 and 9 1/2 % and if we get the bottom of that range, I think we will be doing exceptionally well.

There are three issues which we need to focus upon both in a big way, both at the national level and state level: energy, water and the environment issue. These are big constraints. Specifically for growth to be more rapid and inclusive, subject to these three constraints, we need a better performance in agriculture, a much faster creation on jobs, especially in manufacturing; we need stronger efforts at health, education and skill development; we need world class infrastructure, without which the rapid growth may not occur; we need to improve the effectiveness of programmes which are directly aimed at the poor; we need special programmes for socially vulnerable groups and we need special plans for disadvantaged and backward regions. People no longer talk about backward states alone but even in the best performing states, there are backward areas which are disadvantaged.

**Agriculture & rural development:** On agriculture, we must target 4% growth. I know we targeted it in the 10<sup>th</sup> and 11<sup>th</sup> Plans but didn't get it. On energy we may not be doing what needs to be done but most people know what needs to be done. Unfortunately, in water, even that is not true. We need a complete re-thinking and an understanding of how much water we have; that estimation is not yet done; we are going to re-estimate basin-wise the water balance; what is the available, usable water making allowance for minimum ecological flow and we should be able to map all the aquifers over the next five years, using a support from the science department. Clearly the production structure has to take into account the availability of that water. In our view, the AIBP, which is an important government programme, is not actually achieving its objectives. Any suggestions on how we should re-structure AIBP would be welcome.

**Water:** We do believe that setting up Water Regulatory Authorities is very important. Some states have done that. Maharashtra and Andhra have done something. We need to look into those experiments quite a lot. In general, we need more attention to watershed management, compared to the larger irrigation projects. We have neglected the lower-cost watershed management. Issues like

separation of electricity feeders for agriculture will improve the quality of power for the agricultural sector and will help the more rational use of water. In the industrial areas we really need to increase the proportion of water re-cycled. Quite frankly, the re-cycling of water has to be put very high on the agenda because there just isn't enough of water available to do what is necessary. Related to that is the efficiency of water use in agriculture. Now, water in agriculture is grossly inefficiently used. The Chinese, for example, have said that they are going to bring about a 30% improvement in water intensity of GDP. I think we should think of something like that. All of this will require money and be costly. The costs have to be borne and met by improvements in efficiency.

We mention here that the legal framework for rational use of water is something that needs attention. Do we need a new groundwater law? Do we need a new water framework law? We don't know the answers yet but at least we are posing them. There is some thinking in Delhi that when we have a new water policy, which is currently being worked on, maybe we should have a separate NBC, because it is not an easy set of solutions.

**Industry:** On industry we probably know what has to be done. The central point in industry is that manufacturing must grow at about 12%. In the past, it has grown between 8 and 9%. It does require a major breakthrough; land and infrastructure policy are absolutely critical. We are saying that maybe states should develop Special Industrial Zones which have good connectivity and infrastructure here. We need to pay attention to Clusters. I think this whole spatial planning and the economies of agglomeration which enable a lot of synergy to be developed are the things that people around the world are cashing in on and we need to do the same.

We need to think of what industrial policy should be. I want to emphasize the medium, small and micro enterprises. For a variety of reasons, we have not provided an adequately supportive framework for this category and this is the category which is most likely to be able to absorb labour in relatively simpler skills. There are many reasons why that doesn't happen. We need to look at experiments and experiences across the states. This is one of the most important constraints.

**Education and skill development:** Education and skill development were emphasized in the 11<sup>th</sup> Plan. We will carry that focus forward. I think a certain amount of momentum has been developed but it is not something where we can rest on our laurels. One of the key targets that we are talking about is to raise the Gross Enrolment Ratio in higher education to 20% by 2017 and hopefully 25% by 2022. This will require a very significant expansion in higher education. Clearly both public and private efforts need to be encouraged. I think one of the main lessons we have learnt from the education experiment is that so far, we have not done a bad job on expanding scale but our performance on quality is not really good, particularly if you look at quality in rural areas. The 12<sup>th</sup> Plan has to improve the quality of education.

**Health:** Health again was a key area and will remain a key area. I think we are lagging behind in this. We are quite clear that for the centre and states together, we need to increase the expenditure on health from about 1.3% of GDP to at least 2% and maybe 2.5% by the end of the 12<sup>th</sup> Plan. It is quite possible to increase expenditure and get no good results at all. But I think, in health, that if we don't increase expenditure, we won't get any good results. This is clearly an area where resources are not adequate. I think we have to come upfront and provide those resources and then make sure that the money provided is actually well spent. The National Rural Health Mission was launched in the 11<sup>th</sup> Plan. I would welcome in the course of our discussion any feedback from you. Do you think the National Rural Health Mission is well structured? Should we do different things in order to improve it?

**Energy:** Water is one problem, energy is a second problem. It is very clear that if we are to grow at about 9% we will need commercial energy to grow somewhere between 6 ½ to 7%. We are not in that position now. Presently, the growth rates of energy are closer to 5%. What is more, new constraints are coming out which will make it difficult even to maintain the growth rate we've got, unless we start doing things differently. The glass is always half full and half empty. The good news is that capacity in power has increased since the tenth plan and the bad news is that it is only 60% of the target. I think, looking ahead, the availability of coal for power is going to be a big national problem. There is a Group of Ministers that is meeting regularly to see what we can do. One problem is environmental restrictions, afforestation problems, the fact that most of our coal is in forest areas. But that's not the only problem. There are problems of productivity of Coal India, problems of movement of traffic, there are problems of planning for imports. Our assessment is that whatever you do, if we grow at 8 ½% and 9%, the import of coal will have to increase. There is no way that domestic production will prevent that gap from expanding.

That raises issues of how we handle coal pricing because imported coal is much more expensive than domestic coal and also we need a lot of transport and logistical arrangements to be sorted out. The same problem with petroleum. I think we should assume that India is moving into a period when energy prices are going to be high. I can tell you as an economist, no strategy which delinks energy prices from global energy prices is viable. If we fail to link energy prices to global prices we will simply not achieve the growth rate we want, we will not achieve the energy efficiencies we want, we will not generate the resources we need to invest in expansion. It's not just a problem for petroleum; it's a problem for petroleum, it's a problem for coal, it's also a problem for electricity.

The fact of the matter is that the state governments everywhere are not allowing the regulatory bodies to pass on the increasing costs of power. Frankly, I personally am very worried that the financial status of the distribution companies is very weak. They are managing to survive only by funding cash losses year after year by borrowing. Sooner or later either the banking system goes bankrupt or you have to have a huge debt write-off, which we did towards the end of the 10<sup>th</sup> Plan or basically the finance will get choked off. So I think the real weakness in the electricity system is in the distribution side and the distribution is entirely in the hands of state governments. This is a classic state government problem. I say this whenever I get a chance. However, I want to emphasize that all state governments face similar problems though several of them are doing better than others. There is a lot of focus on reducing ATNC losses. Again glass half full, half empty. ATNC losses are coming down but they are not coming down as fast as they are meant to come down and even if they are reduced to 15%, if the tariff adjustments are not made, the losses of the state electricity board will continue. So, anyone who thinks that by simply reducing ATNC losses to 15%, we will solve the power problem, unfortunately this is not true. These are very difficult areas on which we need to take a position as we go into the 12<sup>th</sup> Plan.

**Transport infrastructure:** Much the same issues in terms of quality of infrastructure relate to transport. I think we do have movement taking place there. Both the centre and states have been doing things on roads. I am a little concerned about railways because I think there we need to massively upgrade our railway system. That is going to require a lot of challenges. At the state level, maintenance of state highways, investment in state highways, planning for urban transportation; these are issues that need much, much greater attention than we've seen in the past. and clearly the introduction of metros in large cities. It's about time we gave the signal that India also has Metros. I mean, we do have Metros but in the 11<sup>th</sup> Plan we need a lot more. But the financing of Metros; to what extent they can be self-financed using the increasing value of land is a very important issue. I think that the belief that the Metros will all be financed because the central govt. will provide all the

resources is actually false. Metros generally turn out to be much more expensive than the DPR says and there just isn't enough money to finance everybody's Metro. So, a lot of strategizing on Metros is important.

**Managing urbanization:** I've talked about this. We have a huge task if the economy grows rapidly. Most of the challenges lie with state governments. One of the key issues here from our experience with the JNNURM, there isn't enough management planning capacity in urban bodies. That has to be built up. But it is also true that you need more finances. A lot of those finances have to be internally generated. There needs to be a bit of a revolution in user charges and that will have to be topped up by resources from the centre and hopefully devolution within state governments.

**Resource Allocation Priorities in 12<sup>th</sup> Plan:** What are going to be our allocation priorities? Two things are important. Health, education, skill development; these sectors as far as the centre is concerned should get more money; infrastructure including irrigation and watershed management and urban infrastructure will also need more money. That means that since the total amount is not going to expand that much, there will be a constraint on other sectors. I think that in the states, you will have similar problems. Each state needs to think, what is the likely growth of Plan expenditure over the next five years, and where is it that the sectoral shift in the state is actually going to take place.

**Governance and empowerment:** Citizen feedback reveals a general dissatisfaction with public service delivery, we need much more professional management of delivery organizations, we need to separate delivery and policy functions in government Ministries. You need a lot more social mobilization. People should be active agents of change, flagship programmes to provide human and financial resources for social mobilization, capacity building and information sharing are necessary and all of this is linked to changing the way in which government functions and how the views of the citizens can feed into the government and also what do we do about conflict resolution, can we institutionalize it in some manner, especially when it relates to difficult issues like land and water.

I do want to emphasize that on none of these do we have fixed ideas. Really, it's a slate with sub-headings and we want you to write on it. Thank you.

**Speech of Shri B. S. Yeddyurappa, Hon'ble Chief Minister of Karnataka:** At the outset, I would like to welcome all the distinguished guests to Karnataka and the garden city of Bangalore. I would also like to express my appreciation for the initiative taken by the Planning Commission to have regional consultations with State governments on the Approach Paper to the 12<sup>th</sup> Five-Year Plan. I am particularly happy that the regional consultation in respect of the southern states is taking place at Bangalore.

The State Plans of Karnataka have consistently aimed to promote growth without losing sight of equity and social justice. We have an impressive record of achievements in the implementation of the Plans. The state is confident of achieving more than 100% of the outlay in the 11<sup>th</sup> Plan also. We will continue to focus on good performance during the 12<sup>th</sup> Plan.

As you are aware, our government is three years old. Within this short period of time, we have been able to achieve progress of all sections of society and balanced growth of all regions of the State. We have given utmost importance to human development and redressal of regional imbalances. The series of developmental and welfare schemes implemented since the last three years has brought a qualitative change in the life of citizens.



We have significantly stepped up investment on agriculture, irrigation, energy, transport, health, education and urban development. Nevertheless, I feel that additional support from the central government, both in terms of new policy and pragmatic interventions will go a long way in ensuring comprehensive development of the States.

**Identify efficiency-promoting policies:** I am given to understand that the Approach Paper is likely to project a growth rate of 9 to 9.5% for the 12<sup>th</sup> Plan. We are confident that Karnataka will be able to raise the resources to achieve the targeted growth. However, certain policy initiatives are necessary for achieving the goal of 9 to 9.5% growth during the 12<sup>th</sup> Plan period. The plan must give high priority to identifying efficiency-promoting policies through political will and consensus in particular areas such as irrigation, electricity and water supply.

**Borrowing limit to be based on capacity:** The financial position of the state has improved due to consistent resource mobilization efforts. Karnataka has the capacity to sustain larger amount of debts. The Planning Commission is requested to advise the Minister of Finance to set the borrowing limit for each state based on their debt sustaining capacity rather than applying the fiscal road map in a mechanical manner, irrespective of the debt developed by each state.

**Re-structure Centrally sponsored schemes:** I am happy that the Planning Commission has constituted a sub-committee to look into the restructuring of Centrally sponsored schemes to enhance its flexibility, scale and efficiency. The assistance to States is provided with too many conditions and in too many compartments. Almost two-thirds of the Central assistance of Rs. 70,503 crore budgeted in 2011-12 is for specified State Plan schemes like RKVY, AIBP, JNNURM, etc. This practice appears to suggest packaging of Central schemes as “Central assistance for State Plan schemes”. Such assistance with scheme-specific earmarking and conditions compromises the planning and formulation function of the States as per the local needs. This practice should be stopped in the 12<sup>th</sup> Plan, and the entire assistance should flow based on objective distribution formula with freedom to the States to decide their priorities.

**Increase income of farmers:** My government has always given top priority to agriculture. This year Karnataka has made a novel attempt to formulate a separate budget for the agriculture sector. This budget gives new dimension to the schemes related to land and water. This attempt is the first and only one of its kind in the country.

I suggest that the Approach Paper should highlight the need to increase incomes of farmers and generate employment in rural areas. There is a need to insure farmers against the vagaries of weather and market. Karnataka welcomes the emphasis likely to be placed in the Approach Paper on treatment of dry land on watershed principle and the suggestion to set up a water regulatory authority.

**Productivity increase through “Bhoochetana” scheme:** The agriculture sector in Karnataka has shown a satisfying growth of 5.9% for the year 2010-11. I wish to state that the food grain production this year has reached a record level of 130 lakh tonnes. This is on account of implementation of “Bhoochetana”, a unique scheme which enabled increase in agriculture productivity by adopting scientific cultivation practices through soil testing and supply of necessary micronutrients in dry lands. The implementation of “Bhoochetana” scheme in 16 districts has enabled us to record an increase in productivity between 25 to 40%. The “Bhoochetana” scheme will be extended to cover all districts.

**Innovative schemes to increase agricultural income:** Several other innovative schemes are being implemented in Karnataka to improve agriculture incomes including the following:

- a. For the first time in the country, Karnataka is providing agriculture loans at an interest rate of 1% to farmers through cooperative societies. This has been extended to weavers and fishermen at an interest rate of 3%.
- b. The State is providing Rs. 1,000 crore for improvement of the lives of 10 lakh farmers under the Suvarna Bhoomi Yojane.
- c. We are increasing the revolving fund for agriculture to Rs. 1,000 crore.
- d. An Organic Farming Mission has been constituted for the first time. 87,200 farmers have been enrolled for adopting organic farming practices. 76,000 hectares have been brought under organic farming which has resulted in reduction in use of chemical fertilisers.
- e. About 7.02 lakh quintals of subsidised seeds have been distributed to more than 27 lakh beneficiaries.
- f. The State will be launching its Agri-business Development Policy and organising the Global Agro-investment Meet for the first time in the country.

A major hurdle in agriculture development is inefficiency of the delivery systems and inability of farmers to exploit the advantage of the market. We need to develop mechanisms for carrying research from lab to land and from farmer to market so that farmers get the inputs of research and development and realise better returns for their products.

**Pioneer in decentralisation:** Karnataka has been a pioneer State in decentralised governance and more specially in empowering PRIs. The State has transferred all 29 subjects listed in the Constitution to PRIs. The State has enhanced the reservation for women representatives in PRIs from 33% to 50%.

The State has provided Rs. 8 lakh per GP as untied grants. Similarly, the State has provided untied grants of Rs. 1 crore each per Taluk Panchayath.

The State has undertaken comprehensive development of villages under the 'Suvarna Gramodaya Scheme' by allocating Rs. 1 crore per village. 1,132 villages have been developed so far, utilising Rs. 1,268 crore. We feel PRIs need to be strengthened further.

**"Irrigation Decade" declared:** Karnataka has declared the decade 2011-20 as "Irrigation Decade" with focus on water resources management in Karnataka. In the last three years, 14 incomplete and lingering irrigation projects have been completed. We have planned to complete all the on-going projects on a fast track to achieve water efficiency and to increase agricultural production during the irrigation decade.

Improving performance of irrigation schemes and bridging the gap between the potential created and potential utilised needs to be given importance by increasing outlays for the Command Area Development & Water Management Programme and inclusion of more projects under the Accelerated Irrigation Benefit Programme (AIBP).

We have set a target to revive 2,923 tanks under the World Bank-aided Water Conservation Project. 1,276 tanks have already been revived and handed over.

**"Time-bound clearance needed for power projects:** Karnataka was undergoing a severe power crisis and load shortages. The State had purchased as much as 1,300 MW of power daily during 2010-11 to meet the deficit. However, with added generation capacity and with the power purchase, we have been able to improve the present position of power supply. Our State is engaged in strenuous

attempts to promote new projects in the public and private sectors. Our intention is to add a minimum of 9,500 MW in the public sector during the 12<sup>th</sup> Plan period.

The first priority in the allotment of coal blocks must be given to power generation companies. Some of the generation projects are stalled for want of fuel coal linkages / coal blocks / environmental clearance. Guidelines for time-bound clearance may be prescribed for resolving the issues related to the environment. Planning Commission's intervention is sought in this behalf.

The State has also proposed to put up gas-based power projects to come up on the route of the gas line being laid from Dabhol to Bangalore.

For uninterrupted power supply to villages and cottage industries in rural areas and also for supply of quality power for a specified period, the Niranthara Jyothi Scheme is being implemented in a phased manner in 126 taluks at a cost of Rs. 2,123 crore.

Priority should be given to expanding and strengthening the inter-state transmission network as there are bottle-necks in the existing transmission corridors.

You will appreciate that all the growth targets that the State will have to achieve during the 12<sup>th</sup> Plan will be severely affected if the power projects do not come up as scheduled. I therefore request your kind intervention in this matter to resolve the issues at the earliest, so that we can get the coal allocation, gas allocation as well as environmental clearances at the earliest.

**Re-classify roads upgraded by States as national highways:** Our government is committed to improve the network of roads. 6,087 Kms. of roads have been renewed and upgraded. 7,035 Kms. Of roads have been widened and upgraded. The State has proposed development of 10,000 Kms of roads to promote connectivity up to the taluk level. As far as roads are concerned, the Central government could consider a policy change whereby all the roads brought to national highway standards by various States with their own capital investment are re-classified as national highways. Such a national policy would increase the stock of national highways in the country without any additional expenditure by the Government of India towards the capital cost.

**Global Investors' Meet a grand success:** Industrial development has been given equal attention by my government. Several programmes have been started to attract investors to the State for industrial development. We have implemented a new State Industrial Policy, constituted a Vision Group, provided tax concessions to new industries particularly for those started in backward areas. Our government intends to create employment opportunities to about 10 lakh persons by 2014. Further, a Land Bank has been started for providing land to set up new industries. The Global Investors' Meet held in the month of June last year was a phenomenal success. MoUs for 389 projects with an investment of Rs. 3.92 lakh crore were signed. 17 projects are under various stages of implementation. These projects involve an investment of Rs. 2.90 lakh crore.

**Universalise secondary education:** The State has taken several initiatives in primary and secondary education to improve the enrolment and retention rate of students. The initiatives include the Nali-Kali scheme, provision of a free bicycle each to 8<sup>th</sup> Standard students, establishment of model schools, appointment of primary and high school teachers, increased allowance for hostel students, etc.

Declining sex ratio in the country is a matter of grave concern. We feel there is a need to focus more on the empowerment of women through improving their access to basic services like education and

health; increasing employment opportunities through better education; providing access to credit and enhancing their ability to become independent.

We strongly support the view that secondary education needs to be universalized. GoI should extend the Mid-day Meal Programme for high school students of 9<sup>th</sup> and 10<sup>th</sup> Std. GoI may relax committed liability clauses under SSA/ RMSA and other programmes to incentivize reforms. Instead of 65:35 ratio, GoI may allocate funds in the ratio of 75:25 on the line of RMSA to implement the Right to Education Act.

**Increase investment on health care:** Our government has given top priority for providing quality health care to all. As a result, infant mortality rate has come down. Our 24x7 ambulance service (Arogya Kavacha) has effectively saved 10.77 lakh lives, institutional births have improved to 93.3%, 32.12 lakh families are covered under various health insurance programmes and we would like to have the support of Government of India to extend this universally.

Our government has launched a Comprehensive Nutrition Mission. In order to address the curse of malnutrition and anaemia among children, particularly in the age-group 0-6, support of the Central government is needed in the form of increased assistance.

To promote education and health of the girl child, we have supported the Bhagyalakshmi programme. We have further strengthened our gender budgeting by providing Rs. 4,855 crore in 2011-12.

It is our view that the current public sector investment on health care in the country, which is less than 1% of the GDP presently, needs to be scaled up to over 2% of the GDP to be targeted in the 12<sup>th</sup> Plan.

The State government also recognises that the public health care system particularly in rural areas suffers from severe handicaps. It is our belief that one way of overcoming these difficulties is to delegate powers to PRIs so that there is local accountability of the public health providers.

**Increase investment on skill upgradation:** One of the basic reasons for our limited success in ensuring inclusive growth is the dependence of over 55% of the workforce on the agriculture sector, which contributes less than 17% to the GDP. As a result, the majority of the population is trapped in occupations which can barely provide subsistence level income to them. The challenge therefore is to equip the vast reservoir of manpower in the rural areas, particularly rural youth, to take up employment in industry and the services sector. Huge investments need to be made to train rural youth in technical skills and impart appropriate business orientation to them. The 12<sup>th</sup> Plan should provide substantial allocations to launch a major nationwide campaign for skill enhancement. This will mark a fundamental change in our strategy for development by focusing on enhancement of productivity of our human resources.

My government has provided special emphasis for training, employment and provision of skills. For the first time in the country, Karnataka Vocational training & Skill Development Corporation has been started. Job fairs have been conducted to provide employment to youth in industries. 3.5 lakh applicants have participated in the job fairs and 2.95 lakh persons have got jobs.

My government has launched India's first Public and Private Employment Centre in Bangalore. We have also implemented the LEAP programme to help the operations of a skill centre and allow for dynamic and real-time views of information.

**Need for labour laws as per international standards:** We endorse the view that there should be revision of labour laws. We have to build a national consensus to have uniform labour laws as per

international standards for the whole country. Nevertheless, we have to take steps simultaneously to reach the benefits of standard working conditions, social security and workers' rights to all workmen.

**Step up assistance to the socially disadvantaged:** Our government is committed to maintain social justice. Enough opportunities have been provided for the economic and social development of SCs, STs, Backward Classes and Minorities. 4.5 lakh students are provided pre-and post-matric hostel facilities. 30,000 children of these communities are to be trained in nursing, para-medical services and ITIs.

The Approach Paper should emphasise the development and empowerment of socially disadvantaged groups. It is necessary, however, to step up assistance to the SCs, STs, Backward Classes and Minorities, at least on par with the rising cost of education and equip them to avail quality education offered by professional institutions.

**“Bhagyalakshmi” Scheme - a model:** The Bhagyalakshmi Scheme is one of the flagship programmes of our government. This scheme which is empowering girl children born in BPL families has become a model for other States and some States have started emulating it. The initial deposit amount under the scheme has been doubled so that the maturity value is increased to Rs. one lakh. 13.28 lakh beneficiaries have been enrolled so far and 10.18 lakh bonds worth Rs. 1,377 crore distributed.

The Approach Paper must address the issue of expanding women's employment in the secondary and tertiary sectors by improving their access to education and improving their skill base.

**Commuter rail needed for Bangalore:** Infrastructure plays a major role in the development of the State. 91 projects with an investment of Rs. 67,792 crore have been formulated under PPP model. It is intended to build a High-Speed Rail Link of 34 Kms from the Bangalore International Airport to M.G.Road.

The present Central legislation (Metro Railway Construction Work Act, 1978, and the Metro Railway Operation and Maintenance Act, 2002) has no role for the State government at all, and in effect, it has taken away the development of metros from the purview of State governments. Decisions on the construction of metros within municipal areas, its operation and maintenance, regulation of activities like fare fixation, claim settlements (regulation of institutions) must be assigned to the State governments along with the formulation of rules. We agree that the general promotion of the sector and the technical standards may be rightly through a Central institution in partnership with the States.

The Commuter Rail Project will provide the much-needed connectivity on the north-south and east-west axes of existing surface lines in Bangalore. The project is designed to be integrated with the road transport and metro project. The Railways need to be persuaded to take up the Commuter Rail Project in partnership with State governments on a cost-sharing basis. The Ministry of Railways may be persuaded to finalise the PPP policy in the case of airports, ports and highways.

**More assistance for Tier 2 and 3 cities needed:** The State Government is developing Tier 2 and Tier 3 Cities in order to make them more attractive for investment in various economic activities. Our hope is that these alternate centres of development will get adequate assistance from the Centre during the 12<sup>th</sup> Plan and will absorb entrants to the workforce locally and thereby stem the tide of relentless migration to metropolitan cities.

**Central assistance needed for urban poverty and infrastructure:** Urban poverty (in Karnataka) is marginally higher than the national average and that in other neighbouring States. In order to reduce urban poverty, 33% of urban resources have been used for poverty programmes and slum improvement. However, Central assistance is also needed to eliminate urban poverty and infrastructure augmentation.

7.6 lakh houses were constructed under the Ashraya, Ambedkar and Indira Awas Yojana, etc. Our government has undertaken a massive programme of re-locating 294 villages perennially affected by floods. More than 59,000 houses are being constructed under the “Aasare” programme.

**Assistance needed for IT-growth cities:** State governments have had to invest heavily in the infrastructure of IT-growth cities without receiving assistance from GoI. Individual States do not even get incentives for IT-led exports which have registered phenomenal growth in the recent past. We are of the strong opinion that cities such as Bangalore, which have made “Brand India” universally recognized and contributed \$14 billion to the export earnings of the country, must receive substantial assistance from the Union Government for infrastructure development.

**States should be given larger share of resources:** The Centre’s Gross Budgetary Support is projected to increase from 4.7% of GDP in the 11<sup>th</sup> Plan to 5.4% in the 12<sup>th</sup> Plan. However, most of this improvement is sought to be retained for the Central Plan itself. The projected increase in the assistance to States is only marginal from 1.2% in the 11<sup>th</sup> Plan to 1.3% in the 12<sup>th</sup> Plan as per deliberations of the full Planning Commission meeting on 21<sup>st</sup> April 2011. A similar preference for the Central Plan was apparent in the mid-term appraisal of the 11<sup>th</sup> plan also. Most of the strategic challenges identified for the 12<sup>th</sup> Plan are to be addressed by the States. It will be more prudent and effective to provide a larger role to the States in planning and designing development programmes. They should be given a larger share of the incremental resources that can be mobilised for the 12<sup>th</sup> Plan.

The uncertainties arising from the impact of GST on the State’s resources for the Plan financing are a major concern. The assurance by the Centre regarding compensation for a limited period is welcome. However, the finally selected GST rate should not compromise the ability of States like Karnataka with high tax effort. Further, the rate should be treated as the floor rate without limiting autonomy of the states.

Our government is successfully utilising the services of various subject experts to bring about needed changes. Many task forces have been constituted and various developmental programmes are being implemented under the guidance of these experts. Reputed industrialists, experts from reputed institutions like the IIM, IISc, ISEC, etc., are guiding our government in their capacity as chairpersons and members of various task forces.

Let me conclude by thanking Shri Montek Singhji for giving me the opportunity to present Karnataka’s views for inclusion in the Approach Paper. I look forward eagerly to the views of the other States and to a meaningful and substantive discussion thereafter on the issues raised. I do hope the Planning Commission will incorporate the suggestions that emerge from the discussions on the Approach Paper.

Jai Hind. Jai Karnataka.

**Shri N. Kiran Kumar Reddy, Hon’ble Chief Minister of AP:** It is my privilege to be in this august gathering this morning in connection with regional consultation of southern states for preparation of

Approach Paper for the 12<sup>th</sup> Five Year Plan. I applaud the Planning Commission for their effort in getting the views of different segments of society in its endeavour to involve the larger public in the planning process. I take this opportunity to briefly outline our strategies and concerns in designing our approach for the 12<sup>th</sup> Plan.

All three sectors of the economy have registered an impressive growth. Agricultural sector and allied sectors whose future in the State once looked very gloomy have posted an average growth in excess of 6.5%, during the 4 years of the 11<sup>th</sup> Plan so far. Inspired by the performance during the 11<sup>th</sup> Plan, the State is also gearing up for activities, making preparatory arrangements for the 12<sup>th</sup> Five Year Plan in identifying the appropriate growth strategies and preparing strategy papers.

Development and welfare have been the twin agendas of AP state which is blessed with a competitive edge in several areas and is expected to be so in the years to come. The basic theme of the 12<sup>th</sup> Five Year Plan is **faster, more inclusive and sustainable growth**. It is pertinent to appreciate the theme of the 12<sup>th</sup> Plan especially in the wake of the growth that has been achieved in the recent past and the need to sustain it for the future generations. One secret of our recent success is the effective implementation of the FRBM Act in prudent financial management through effective mopping up of the resources; and their judicious development has continuously decreased financial deficits and eliminated revenue deficits altogether.

**Greater compensation for calamities needed:** Andhra Pradesh has received a number of severe jolts to its economy due to successive natural calamities, putting on it a cumulative strain estimated at 2,000 crores in this year itself. Unless the state is compensated suitably in this regard, it feels increasingly difficult in complying with FRBM norms. There is need to increase the amount of relief provided to victims of natural calamities like farmers, weavers, fishermen, considering the rising costs. We are making efforts to increase the production of agricultural crops through productivity enhancement, crop diversification and optimizing input use. We are planning to encourage high value addition and promote agri-processing industries and agri-business.

**Need to refine our formula for fixing the MSP:** Our concern with regard to the 12<sup>th</sup> Plan would be on improving the functioning of institutions related to markets, credit and agriculture research and enhancing investments in infrastructure, cold storage facilities, roads, ports. Our plan is to have about 850 cold storages in place in five years. We want to further promote water use efficiency through micro-irrigation practices. One area of concern is the widening disparity between rising costs of inputs and relatively static MSP, causing hardship and agitation among the farmers frequently. We need to refine our formula for fixing the MSP that is more firmly indexed to the cost of inputs.

Food grain production in the state is expected to touch 300 lakh million tons by the end of 12<sup>th</sup> Plan. Productivity enhancement through micro-nutrient applications; and promoting system of rice intensification to enhance water use is to go up to 3 lakh hectares this year and one million hectares by 2016-17. The tools to achieve the desired target would be drip irrigation in field crops, seed replacement, dry land agriculture, focus on oil palm, development of market links and supply chain development.

**Promotion for organic farming:** There is also the need to consciously promote organic farming through appropriate policy interventions. In addition to crop husbandry, we plan to lay emphasis on the activities allied to agriculture also. These include taking care of the 92 lakh farm families engaged in livestock rearing activities in the state; 3000 para workers are covering the state in breed improvement and support systems in livestock. With regard to enhancing of milk procurement,

establishing BMSUs and laboratories at BMSUs level and procurement centres in villages would be given priority. AP occupies an important place in fisheries and aqua-culture and we want to maintain the lead.

**Need to re-design MGNREGA:** Regarding employment generation programmes in the state, I am proud to announce that the Planning Commission had lauded our performance under MGNREGA in various fora. Under MGNREGA, it is proposed to create employment of 235 crore man days at an estimated cost of Rs.43,303 crores; undertake repairs to 20,000 minor irrigation tanks with an outlay of 3000 crores and 10,000 km of road with an outlay of 1400 crores during the 12<sup>th</sup> Five Year Plan. Our endeavour is to ensure coverage of different departments and we are of the opinion that there is need to redesign the MGNREGA scheme to accommodate the emerging needs. Integrated water management is also a focus area for us.

I would like to bring forth an issue for consideration of this august gathering. In the current scheme of things, works taken up under NREGA are seriously contending with the requirement of labour for various agricultural operations. As promotion of agriculture and farmers' interest is an equally important concern to us, it is necessary to link up NREGA with agriculture sector by including some of the agricultural activities involving labour under the scheme. We provide only 100 days of labour through this and the remaining the farmers have to provide to get employment for the workers.

**Water as common property:** AP is one state to have implemented comprehensive irrigation management policy with 100% water tax ploughed back, whereby the operations and management of irrigation has become self-sufficient. Planning Commission is studying the regulatory authority model of the state, which organizes water as common property as proposed to entitlement model of Maharashtra. We have undertaken two major irrigation projects Kolavaram and Pranavachevalam. Kolavaram project is not only multi-purpose, providing irrigation, power and drinking water but it also benefits adjoining states of Maharashtra, Karnataka, Chhattisgarh and Orissa. Pranavechalam project provides irrigation to about seven drought-hit districts of Telengana by using Godavari water that is otherwise going into the sea. In view of this, both these projects are of national significance.

**Increase share of Centre in all AIBP projects:** We are putting in about 12,400 crores to complete about 35 prioritized projects in the coming three years, in creation of additional irrigation of over 36,76,000 acres in the state. This will support food security and contributes higher allocation to national pool. The share of Centre in all AIBP projects may be increased to 75% which would speed up the project. This is one request I would like to make. The state is planning to launch tank-reliant irrigation area development under which it is feasible; the alternative is creating minor irrigation sources, tanks in identified areas, districts for the overall implementation of the agricultural productivity and rural livelihood.

**Energy:** Under energy sector, AP Genco will target an additional capacity of about 16,000 megawatts by 2016. Revision of tariff, free supply of groundwater and separation of feeders are a priority to us.

**Information technology** contributes about 49% of the total exports from AP. The state occupies 4<sup>th</sup> position in India with a share of 50% of the national IT exports. We are planning to create additional direct employment under IT for 1.5 lakhs by 2015. Construction sector contributes to hold the key during 12<sup>th</sup> Plan also. Different industries would require about 8 million skilled persons. Employability of even professional graduates is a concern. Quality improvement is the focus. We



need to strengthen the co-operation between educational institutions and industry and business by providing incentives for providing hands-on training to enhance the skills of students.

**Industry:** Under industrial sector, tourism has been one of the high priorities and also high performing sectors in the state. Medical tourism has picked up in the state especially Hyderabad. We want to create special schemes to promote adventure sports and beach tourism. Skill development is being co-ordinated and accorded the highest priority. Rajiv Udyogshree has set the pace of employment generation and skill development in AP. The strategy is to synchronize with Planning Commission agenda of 500 million skilled population by 2022. As a part of the mission, the skill development policy, labour market intensifying system, H and R planning mechanism for 12<sup>th</sup> Plan will be made ready in six months. We want to assess and enlarge our experiment with skill upgradation with NREGA to benefit over 2 lakh rural youth annually.

**Human development:** The state is committed to improve human development in the state. Addressing the large stock of adult illiterates in the state is the key to achieve 100% literacy rate. There is a need for adult literacy programme targeting 50-59 years age illiterates. We want to frequently involve the SHGs in this movement as they have a widespread influence and a spread of 1.1 crore members. The drop-out rate at secondary level during the year 2010-11 is 46.2%. It has been planned to bring it down to zero by 2017 by fixing 8% target every year.

Operationalization of PPP model in school education, rating of colleges of performing and integrated base skill upgradation are our main concerns; ensuring quality education at all levels including university would be the goal during the 12<sup>th</sup> Plan period. We are trying to encourage the rural youth also by setting up three triple ITs which picks up from the rural areas and gives them education in triple IT.

**Health:** The state has achieved substantial progress under various health parameters. However certain health-related issues still require focused attention. These include ante-natal care, infant mortality, maternal mortality, anaemia among women and under-nutrition; co-ordination of ICDS and health department for the common monitoring mechanism for vaccination and health related issues is being worked out. Strategizing of public sector primary health care centres, especially in rural sectors, physical infrastructure, equipment, medicine and staffing are identified as crucial to help improvement.

**Water and sanitation:** Providing safe drinking water to all habitations will have to be accorded a special focus including the fluoride affected areas. About 56% of the habitations are yet to reach the fully covered status and about 42% of the population has yet to be provided 40 litres per day. Increasing number of quality-affected habitations is a major concern for the 12<sup>th</sup> Plan.

Construction of individual sanitary latrines and anganwadis will be taken up on priority to achieve 100% rural sanitation. The unit cost has to be increased in tune with the market rate to speed up this programme which will really benefit the rural areas. In urban development, the major areas of concern and priority during the 12<sup>th</sup> Plan would effectively be local governance, planned formation of urban, improved public infrastructure, integrated slum improvement, urban poverty and alienation and environmental sustainability. JNNURM addresses much of the infrastructure and service delivery needed in urban areas.

**Social harmony and welfare** would be given due importance during the 12<sup>th</sup> Plan period. Scholarships and fees re-imburements to SCs, STs, BCs and minority students continues to be our priority. With a focus on better targeting and efficiency, GoI may seriously consider increasing the

allocation for OBCs and EBCs to make the process of educational development more inclusive. Social security pensions would continue to be offered to old-age, widow, disabled, AIDS-affected, toddy tappers etc. Development of backward and interior areas would be continued during 12<sup>th</sup> Plan also. Khammam and Adilabad districts have been included in the Integrated Action Plan. Another six districts are required to be included under left-wing extremist-affected areas.

**Governance:** Last but not the least, we need today emphasis on improving governance significantly. Poverty can be eradicated faster if we can improve the management systems. We need to lay emphasis on implementing the reforms recommended by Administrative Reforms Commission at a faster pace. E-governance has also to be given much more importance. Transparency, efficiency and effectiveness have to be the watchwords.

At the end I would like to make it explicit that the state is committed to implement all the development programmes that are useful to the larger sections of society, especially the underprivileged, with a broad, inclusive strategy in the 12<sup>th</sup> Plan period. In fact, under each of the important social sector parameters like enrolment of out-of-school children, IMR, MMR, malnutrition, anaemia among women and prevalence of HIV and AIDS, etc., backward mandals are identified with a view to lay special focus in these areas and to make them on par with other developed mandals in the state. With the experience of the 11<sup>th</sup> Five Year Plan behind us, with the unstinted support of the Planning Commission from time to time in our development endeavour, I am sure Andhra Pradesh would continue to be in the forefront. Thank you.

**Principal Secretary of AP, Mr. S.P. Thakkar:**

My colleagues and I and some national experts have been working on the 12<sup>th</sup> Plan. We will show some highlights showing the decisions the CM has taken in the last few months.

Basically in the last six months, we have analysed the data available with us and we are going on to modelling of what is going to happen in the next ten years. These two plans, 12<sup>th</sup> and 13<sup>th</sup> Plans, are very critical for the country, where poverty is almost going to be eradicated; in fact, there will be eradication of poverty and not reduction in poverty, and we have been working on that.

**Andhra Pradesh-12<sup>th</sup> Plan strategy:** As per the Tendulkar Committee in 2009-10, we have almost reached 20% poverty. This is going to go down further.

**Sector Wise Growth Rates of Andhra Pradesh:** The slide shows groundwater level for the last 17-18 years and the rainfall for the last 17-18 years. There are two important points in this slide. 1. Groundwater level is almost stable. 2. 2009-10 was the worst rainfall year in the last 70 years but we did not have a minus agricultural growth. In the last four years, agricultural growth of AP has been 7.2% and secondly, almost four years of growth has resulted in per capita of Andhra crossing the national income for last fifty years; it was 10-15% below the country's per capita income; now it has gone up almost by Rs. 6000-7000.

**Gross Domestic Product Growth -Achievements:** Per capita income has started going up and the break(through) has happened about 7-8 years ago and we are going to move up from there.

**Economic Sector-wise GSDP:** Last year to this year, the economy has grown by 90,000 crores. It has become Rs.5, 65,000 crores. We have three scenarios which we will discuss. The ratio of agriculture and secondary and tertiary is almost 1:1.1 and 2.4 and there are almost 7-8 sectors where the growth has started happening.

**Growth alternatives for 12th Plan:** With SES we have made some designs. If case we have the possibility of growing at 9% or 10%, what kind of investments are required, PPP models are required and maybe the presentation will be made to the National Development Council. We are also waiting for the Approach Paper.

**GSDP levels in 2016-17:** This is also important: from 2001-02, when we were 1,28,000 crores, in 05-06, we became 2, 56,000 crores, 5,65,000 crores and scenario 2 is almost 100% growth from there; but a possible scenario 4 will come which could increase it beyond that. Also, we have a Vision Document on which we are trying to work.

**Growth alternatives:** The scenario of the different growths in the primary, secondary, tertiary sectors on the models and the groups which are working will be looking into all of them.

**Revenue Receipts Projections for 12<sup>th</sup> Five year Plan:** Revenue receipt projections for the 12<sup>th</sup> Plan.

**Projected Plan Size (Rs. Crores) at Current Prices:** This is important on which if we can work out, because if we have almost spent 60,000 crores in irrigation in the last five, six, seven years, how do we complete the projects, how do we take the help of AIBP under 75% request which we have made; a whole lot of issues are there on which we will try to work out.

**Projected Additional Employment made by the SES:** Almost, 3.70 million but we have a plan for the next five years to cover 7.5 to 8 million.

**Flagship programmes-performance.** In 2011-12, we are accessing 17,000 crores from the Government of India and this is how it is going to increase to almost 43,000 crores. Whether new items can be covered over there, some kind of a projection has been made, on which we are trying to work out. As Planning Commission has rightly pointed out, we are virtually reaching towards first generation of saturation of infrastructure but operations and maintenance, ownership of the assets by the community and huge training and capacity requirement is going to be the need of the 12<sup>th</sup> Plan, for which we have to work out, do we have the institutional capacity for that; whether states have the support system will be very, very critical, how much cost sharing is possible, and how much ownership is there, will be a very critical point.

**Percentage of skills in the state:** 7.5 million to be covered in the next five years; 4-5% in specialized skills, 45-46% in skill level category 1. On this, in the next six months, we are coming out with an Action Plan and as we had said, about one million population about 1000 crores are required for training programmes; we are looking at about 8,000 to 10,000 crores from National Skill Development Council on which we will be working out the skill development programmes.

**Break-up of various sectors:** The growth-engines of Andhra, this has been worked out.

**Project Based Approach of Govt. Programmes:** The map of all the things which are required to be done 10<sup>th</sup> during the 12<sup>th</sup> Plan. One critical point which we have to keep in mind is that the 10<sup>th</sup> Plan had started with a statement: how do we convert the ongoing programmes of government into project mode. So, we have a project cycle approach, we have a benchmark, we have indicators, we have verified them on an annual basis, short term goals and long term goals; how do we work on that, that exercise is going on in AP.

**District Growth Planning:** This is Chapter 2. The bubble will cause a lot of interest. Andhra has 23 districts and if you look at 1999, excepting four districts here which are agricultural districts, the East Godavari, West Godavari, Krishna, Guntur, which are agriculture districts, and Hyderabad, all other

districts are huddled together as very, very backward in 1999. How it happened over a period of time, we will just see.

**District Domestic Product:** In 2004, some of the districts have started moving up in agriculture sector; Vizag, Ranga Reddy and Hyderabad have come up together; at current prices, each of these three districts are 40,000 crores as District Domestic Product. In 2007, things have started moving up except 4 or 5 districts which are still lagging behind. In 2010, one strange thing is that the drought-prone districts have started doing very well because of huge micro-irrigation and borewell connectivity and horticulture, which has happened. In 2007, Anantapur district, which is the second lowest rainfall region in the country, had become no. 5, after East Godavari, Krishna, West Godavari and Guntur and scenario has started changing. Now, this is a very critical point: the kind of investments which are required in the lowest four, five districts is again important and what kind of strategy will happen on that, is being worked out.

**District-wise GSDP:** There is a virtual growth visible in all the districts in primary, secondary and tertiary sectors and there are almost 7-8 districts which have started doing very well in agriculture, secondary, tertiary sectors; all of them are doing well; in agriculture, still there is an improvement in 4 or 5 districts where irrigation facilities have to increase. In fact, two scenarios will be there: Adilabad is almost getting an investment of 1000 crores in minor irrigation and Mehboobnagar is almost going to get 10 lakh new acres of new irrigation.

**Backward areas of SC/ST mandals:** There are almost 340 mandals in AP, out of about 1000 plus mandals, which are having 40% SC and ST population. Already, a programme of 10 lakh acres of horticulture and agriculture has been started by the Rural Development Dept.

**Critical analysis of last four years of education in AP:** Two districts are doing very badly: Warangal and Hyderabad. If we have to improve the scenario, these two districts have to be done. It also shows that all districts virtually are doing very bad on toilet and drinking water facilities. The retention rates in upper primary school is very poor in majority of the districts and on this a campaign has been launched in AP by the Chief Minister recently on enrolment and creating infrastructure for which funds are already available. So, this kind of analytics is helping us in a much better way and this is being taken up in the district-level plans, starting from district, then gram panchayat, then mandal and constituency-level planning is being done. One district has been completed and in the next six months, all these exercises would have been completed all over.

**Maternal Mortality Rate – 2010:** What has happened is that we have 7 lakh births covered under anganwadi centres, out of 14 lakh births happening every year. Last four years data, whatever its authenticity, shows that maternal mortality in these areas has come down to 78 as against 154, which is the quoted figure for AP. Which district it is higher and which district it is lower is important and it should be built up into the planning process. This is four years' data which was never analysed, so chances of its manipulation are less. With the Planning Commission, we are going to start a study on the data management.

**Infant Mortality Rate:** As against 49 infant mortalities officially recognized for AP in the 7 lakh births, it is 16. It has been correlated with 2 lakh births in 108 areas also and it is matching. In which district the maternal mortality is high is coming out very clearly but this takes us to the next slide which is very important for AP, again for which the CM has taken a decision.

**Vacancies in anganwadi centres:** In all backward areas, tribal areas, BPAP areas, we have vacancies. In the next three months, we are going to fill up all the vacancies. So, if 7 lakh births are

showing very good trends for infant mortality, maternal mortality, out of 14 lakh births, how do we cover the whole area? How do we fill up the vacancies and how do we see that all 14 lakh births are getting covered under some kind of immunization, support system for health and nutrition, etc. on which planning has been done. There are mandals where not even a single anganwadi centre is existing at the moment. On this, a planning decision is going on.

**Drinking water scenario:** 1,200 habitations have less than 10 litres per day; 5,000 habitations have less than 25 litres per day; 17,000 habitations have less than 40 litres per day. In fact, Chittoor, the district of the CM, happens to be a very bad district and also Prakasam. So the drinking water position is very, very poor on less than ten litres and less than 25 litres water availability per day.

**Backward regions of AP:** Somehow the integrated action plan has got missed out here and the Planning Commission has agreed that these districts will be included. The problem was taking a district as a unit so Vishakapatnam does not qualify though most of the tribal areas of Vishakapatnam qualify for this. So, this Action Plan has been taken up.

**Primary sector – agriculture:** In 1980, there was a shift from cereal to commercial crops. In the '90s, shift to crops. In between we have missed out a statement on watersheds. Improvement of the soil and moisture led to the livestock coming up in a big way. In the 12<sup>th</sup> Plan focus, we already have made a 25,000 crore plan for infrastructure, for value addition to horticulture and milk.

120 lakh families are depending on agriculture. Agriculture Technology Mission and we are hoping that we can achieve 8% growth, as in the last four years, we got 7.2% growth in agriculture in which two years were only 1 and 1.2. It is possible to may be target for 8-9% growth, because of the infrastructure and the strategy which is already in place.

**Agriculture Technology Mission:** Moving away from business as usual - this strategy has been brought into the picture. In three years, we have reached foodgrain production from 150 lakh tons to 200 lakh tons and we are aiming for 300 lakh tons of foodgrain production in five years; horticulture has gone up to 219 lakh metric tons and it is proposed to go up to 257. But with agri-business, almost 100% value addition is possible; milk 120 lakh metric tons to 190 lakh metric tons; meat 7.3lakh metric tons to 15.2 and fish 16 lakh metric tons to 21 and eggs, 2000 to 2800.

**Irrigation:** the Deputy Chairman has pointed out three critical features: power, minor irrigation: 10<sup>th</sup> Plan had mentioned there are one million water bodies in south India and they need to be covered up for which RRR programme was started. It has been scaled up; we have reached almost 35 lakh acres of coverage and it is going to be 45 lakh acres. Huge growth is happening in groundwater and major and medium irrigation projects have been taken up and this is one of the important factors on which the effort of the state is going on.

**Energy:** The points have already been covered by the CM.

**Indira Kranthi Pathakam - Holistic Development Approach:** We have 1.1 crore SHG members and it is expected that in the next five years, 70,000 crores, either from the banks or their own savings will be accessed and what is planned out is per capita incremental income of 60,000 crores, Rs. 60,000 crore rupees for 1.1 crore women and better improvement of Human Development Index for which the Action Plan has already been prepared.

**NREGS:** Rs. 44,000 crores expected. Already, we have covered 10 lakh acres of fallow lands and horticulture in the last five years and we are proposing 45 lakh acres of development of fallow land in

the 12<sup>th</sup> Plan with the help of NREGS and along with that around 20,000 water bodies are planned to be revived.

**Social sector:** One critical feature will be, all teachers' vacancies have been filled up; all the doctors, and para-medical staff vacancies have been filled; ICDS vacancies are going to be filled up in the next three to six months; 4 Project Management Units are being set up with UNICEF in health, education, women and child welfare and water and sanitation and statistical analysis of all the works has been done. Policy support and financial support is coming.

**Important items of concern** in social the social sector are water and sanitation and quality of inputs. Azim Premji Foundation is planning to set up a District Resource Centre in every district and State Resource Centre. Collaboration with them is being worked out.

**Education – Literacy:** There are three variables: if nothing is done in the next five years, we are going to reach a total literacy of 80% in the state from 65%. It includes adult literacy. If variant 4 is taken, there we talk about 15-35% and by 2017, we are likely to reach 75% and in this year we are likely to reach 70%. Variant 5 is important in case we make out a proper strategy. It is still possible to reach 90%, not 100% which is being targeted for the Plan.

**Maternal and Child Health:** Issues already covered by the CM.

**Aadhar:** We have the Chairman sitting here. The CM has taken a decision about a month ago that 8.4 lakh population of Andhra will be covered by 31<sup>st</sup> March. Rural development has agreed to take up registration in five districts. We already have done about 1.5 crore identification and three bankers are being involved, SBI, State Bank of Hyderabad and Canara Bank and massive work is going on. I have another colleague sitting here, Mr. Raymond Peter, who is trying to see that in the 12<sup>th</sup> Plan, virtually all access to services will happen through the Smart Cards which are being worked out.

**AP State Strategic Statistical Project:** It is going to take next generation of data management.; 100 crores have already been sanctioned and we are already working on it.

Thank you.

**Mr. K.C. Joseph, Hon'ble Minister for Planning & Rural Development, Govt. of Kerala:**

I would like to express my deep sense of gratitude to you, for giving me this opportunity to express our views on the Approach Paper to the 12<sup>th</sup> Five-Year Plan in the regional level consultations of southern states. The new United Front government in Kerala, which assumed office just three weeks back under the leadership of Shri Oommen Chandy has set for itself an agenda of development with compassion and care.

**11<sup>th</sup> Five-Year Plan:** When we look back to the 11<sup>th</sup> Five-Year Plan of Kerala, it was drawn up with a perspective of balanced growth; however, due to lack of timely interventions in the Plan implementation process, the financial achievements in the first four years have not reached desired levels and stand at less than 90%. During the 11<sup>th</sup> Five-Year Plan period, the state had proposed and planned several initiatives which included the State Food Security Project, Debt Relief Commission, Coastal Area Projects, integrated land and water management for production enhancement, road infrastructure including projects; and port, rail, airport connectivity, modernization of classrooms and smart classrooms.

**Social Sector Indicators:** Kerala's indicators in the area of social sector development have been applauded for long and various factors have contributed tremendously in attaining this. The health indicators such as death rate, infant mortality rate and life expectancy at birth are far ahead than the rest of the county and are even comparable with the developed countries. Similarly, as per the 2011 census figures, the percentage of decadal growth rate of population is only 4.86% as compared to the all-India rate of 17.64%. Likewise, the overall sex ratio in Kerala is favourable, being 1084 in 2011 compared to 940 for the country as a whole. We also feel proud in continuing to be the most literate state in the country, the rate being nearly 94%.

**Major challenges despite achievements:** In spite of the above-mentioned achievements, we have major challenges in tackling new issues, some of which could be said to be the by-products of the development model we had pursued. Keeping this in mind and taking into account the prevailing developmental scenario of the state, we have made an attempt to identify major priorities for the 12<sup>th</sup> Five-Year Plan period. In this context I would like to mention that the direction set forth by the Planning Commission for the 12<sup>th</sup> Five-Year Plan period discussions seems to be appropriate and very encouraging and will definitely accelerate the economic growth and welfare of the people of our country.

**Development without destruction:** We need to see major economic development without impacting the environment and ensuring that our citizens are well cared for. No citizen should be denied a critical care facility or procedure, just because they cannot afford it. We need to focus on food security and increasing agricultural production. We need to create employment opportunities in the state and at the same time, train and skill people so that they are able to take up world class jobs at home and around the world. Access to higher education should be available to all eligible and meritorious students. We need to create world-class infrastructure, not only to attract investments to the state but also to make the life of our citizens more comfortable.

**Food security** is one of the most important issues for the state of Kerala. We propose to increase our food production substantially during the 12<sup>th</sup> Plan period, for which waste, unused land will be converted into agricultural land. If necessary, suitable laws will be enacted to use agricultural land lying fallow or not being cultivated for long periods for agricultural purposes. In order to enhance agricultural production, use of agricultural machinery will be utilized and supported on a large scale where human labour is not available. We expect that self-sufficiency could be attained in vegetable production within the next five years. We will work on programmes to encourage our younger generation to get involved in agricultural-related activities. The other key issues and initiatives proposed are revamping extension work, food and nutritional security, soil management, horticultural development and income security of coconut farmers.

I would like to draw the special attention of the Planning Commission to the following areas

- (a) Revamping of price stabilization scheme
- (b) Micro irrigation
- (c) Accelerated Irrigation Benefits Programme
- (d) Empowering SLSC for sanction of CSS.
- (e) Inclusion of dairy sector under interest submission scheme of GoI.
- (f) Constitution of credit-risk fund
- (g) Inclusion of more districts under National Food Security Mission and revival of National Agricultural Research Project.

**Second generation problems:** As I had pointed out in the earlier part of my speech we are now severely threatened by the second generation problems. This includes the increase of communicable diseases like chikunguniya, dengue fever, malaria, leptospirosis, cholera and typhoid, etc., over the last few years. The increase in the lifestyle diseases including heart disease, high blood pressure, cancer and diabetes; an aging population and the need for their care; poorest of the poor, not being able to get access to specialized treatment and procedures, for example, kidney, liver transplant and cochlear implants. We strongly believe that, unless the Central government, State government and Planning Commission address these issues at this juncture and take appropriate action, we may face severe problems which may go beyond our control in the near future. I also believe that Kerala could be looked at as a forerunner in tackling problems, so that the other states are able to follow successfully, when they face similar challenges in the future.

**Social sector:** Our suggestions for the social sector include:

1. Community health insurance scheme covering all citizens of the state. We will be able to say how this can be achieved without being a heavy burden on the exchequer. Simultaneously, we need to work towards a state-wide programme on encouraging healthy lifestyle.
2. A special focus on geriatric care including encouraging the setting up of old-age homes that will cater to all sections of society.
3. Further improving the nutritional programmes.
4. Implementing the Ashraya project to cover all local bodies in the state
5. A major thrust on medical research, especially focusing on the recent emergence of certain communicable diseases.
6. Working closely with the National Skills Development Commission to train and skill people
7. Quality improvement in education, particularly higher education with emphasis on basic science and humanities
8. Work out a comprehensive programme for early detection, intervention and mainstreaming persons for disability and for taking preventive measures to reduce instances of disability in the future.
9. We need to prepare for and plan programmes that may arise due to a developing situation in certain areas of the world, of late in Yemen, which could lead to large numbers of NRIs being forced to return home.

**Industry and infrastructure:** There is a need to bring out a comprehensive policy for Public-Private Participation. We are one of the states which have still not done this. We need to effectively implement the coastal development programmes during the 12<sup>th</sup> Five-Year Plan period. We need to focus on industries that are not polluting and also those that have high economic impact and maximum employment opportunities. In consideration for the potential scope of high value addition of rare mineral resources, Kerala has such as titanium dioxide, illuminate, etc. technology and capital support including setting up of National Mineral Research Institute need be provided in the 12<sup>th</sup> Five Year Plan.

**Rural Development:** MGNREGS can be considered to be the most innovative and effective programme since Independence. The programme has not only helped in poverty alleviation but has started acting as a catalyst for economic change and growth in rural areas. We will work towards ensuring that Kerala becomes a role model in implementing this programme. Regarding Pradhan Mantri Gram Sadak Yojana, we feel that there is need for relaxing the prescribed road width from 8 to 6 metres and gradient in hill areas from 1: 12.52 to 1:8 metres. In view of high density population, low per capita availability of land, high cost of land and undulating terrains, road maintenance and



construction are always very difficult in Kerala; hence under PMGSY, the utility in the DPR estimates may also be included. Estimates should be prepared by adopting state PWD or central PWD rates.

**Indira Awas Yojana** also needs greater flexibility, including cost of construction of flats, including high cost of land in Kerala. The amount for beneficiary will need to be increased to accommodate steep increase in costs. Developing on the spirit of the PURA programme of former Rashtrapatiiji Dr. Abul Kalam Azad, we plan to launch a major initiative for providing appropriate infrastructure and services in rural areas. We planned a pilot scheme this year in order to implement it across the state in the 12<sup>th</sup> Plan.

**Urban Development:** As regards urban sector schemes, we will request the Planning Commission to give more flexibility in decision-making under the JNNURM, since the primary focus of the scheme is in implementing the 74<sup>th</sup> Amendment of the Constitution and empowering local urban government. For centrally sponsored schemes in general, I have a humble request to the members of the Planning Commission to give some freedom to the state for making changes in the prescribed guidelines without changing the broad parameters. The general complaint is (inaudible)... I request you to kindly look into this aspect also. I would like to draw your attention to one major issue which is extremely relevant in the present times: the need to have a healthy, hygienic environment. We will need to adopt much better solid waste management system. We will need to ensure that the vision of our late Prime Minister Shri Rajiv Gandhi, with regard to Panchayat Raj is implemented in true spirit. Past experience has shown that utilization of Plan funds has not been satisfactory due to various reasons. We will look into this and implement mid-course correction wherever required.

**Support for metros:** In addition to the Plans mentioned earlier, I would like to highlight the following specific priorities of the state for the immediate attention and support of the GoI and the Planning Commission, which we are proposing as part of the 12<sup>th</sup> Five-Year Plan. Cochin Metro, Vizhinam port, Kannur airport, inland waterways, highways, including the hill highway, roads, railways, etc. Regarding Cochin Metro we wanted it on the Delhi model but since the GoI has expressed reservations, we have decided to proceed on the lines of the Chennai Metro and we are expecting all assistance to complete it within the 12<sup>th</sup> Plan.

**Key issues:** Formation of Hill Area and Coastal Area Development Authorities; project for backward blocks to address regional imbalances; special project for addressing second generation problems for sustainable development; establishment of price risk fund and stabilization fund; strengthening social security: inclusion of the excluded; total coverage of health insurance irrespective of APL or BPL; establishing credit risk funds; credit guarantee mechanism for education of weaker sections; water security management; sustainable availability and supply making water bodies pollution-free; climate change adaptation funds; reform in implementation, outcome monitoring, social audit, participatory implementation, fast-track clearance, service delivery through e-governance; district planning; more technical support and integration and traditional sectors like coir, cashew and handloom etc. to be developed for sustainable growth; development of minor ports, fishing harbours and inland waterways.

For us, the most important mission is to enhance the quality of life of our citizens and development with compassion and care. I am sure that we will be able to work closely with the GoI and the Planning Commission and get enhanced support from Planning Commission during the 12<sup>th</sup> Five-Year Plan period. Thank you. Jai hind!

Thank you for this opportunity. It is good to be after AP where they are trying to attain their parameters, which we have already attained. But we are having a different set of problems.

**Mr. Subroto Biswas, Principal Secretary of Planning, Govt. of Kerala**

**Growth with compassion:** During the 11<sup>th</sup> Five-Year Plan, due to various problems which were unique to Kerala, we could not achieve what was desired. We are trying to improve it with certain kind of interventions from the Planning Commission. The requirement of the state is to change guidelines and modify them. Now, under 12<sup>th</sup> Five-Year Plan, our basic approach would be inclusive growth but along with that compassion is very important. It is not just growth, you have to understand the environment and human beings. Growth has to be charted taking into consideration those interests.

**Diseases coming back:** Already, our birth-rate is 14.6, death rate is 6.6, IMR is 12, maternity mortality rate is 110, child mortality rate is 3. But that does not mean that Kerala will not get adequate support because we have got other kind of problems. We have a high increase in the aging population over the years with a lot of diseases, which were otherwise extinct but are coming back which is a great concern. Our coastal districts during the monsoon time, we are having diseases like chikungunya, malaria, leptospirosis, etc. which were not there maybe ten years back. So, one has to see why these things are coming back, interventions are required to that extent.

Under 12<sup>th</sup> Five Year Plan, our basic strategy would be more institutionalized services, average calorie and nutritional intake to be enhanced, which is mainly affecting the low income groups. Life-style diseases like diabetes, hypertension, mental disorders, etc. which are peculiar to the state are on the rise. Morbidity is another challenge particular to Kerala and it is affecting general population due to the high cost of treatment. Economically weaker sections are not in a position to afford this treatment, which is a great concern for the government. In fact, we have got comprehensive health insurance scheme where so far BPL population was covered. Government is thinking of covering APL population; increasing the limit to 1 lakh rupees because this is something we just cannot ignore.

**Migration from other States:** We have also a different set of problems: migration from other states which was not there in Kerala. Of late, in last 5-10 years, a lot of in-migration is taking place from eastern and north-eastern states, due to high wage rate. In Kerala, a daily labourer gets between Rs. 450 to Rs.500. A farmer from the state has to compete with this high wage rate structure. We have a problem of NRI Keralites; maybe about 25% of Kerala's population is living outside Kerala in the different countries and any international repercussion has got its impact on the state's economy and polity as well.

**Agriculture sector:** Lands which were earlier cultivated are now lying fallow because the cost of doing agriculture is very high. People are not going in for agriculture any more. There is a lot of land which is otherwise cultivable but it is lying fallow because it is not remunerative. Government is taking steps for higher productivity and better agricultural practices by which we can go in for optimum utilization of resources, making the sector competitive. For that, certain measures are planned. More cash crops may be covered under the revamping of price stabilization scheme. Assistance provided under this scheme is quite small; it needs to be increased. Also, it is covering only a few crops, we need to have more coverage.

As 90% of the crops produced are spices, it is not hard-core agriculture so we need to have more coverage of these other crops which are very big, so far as the state is concerned. We also have micro-irrigation facility which is now going on under AIBP. We would like the subsidy level to be

enhanced from 40% to 75%. Coverage of more districts under National Food Security Mission is the third thing that we would like to have. Most important thing is that departments are functioning in silos. Also, we have to understand the critical issues of the state. In this connection, RKVY, which is a new scheme implemented through agriculture ministry, where a lump-sum amount is given and there is a state-level committee which is sanctioning projects looking at the unique problems of the state.

Though dairy is part of agriculture, it is part of the same Ministry, it is not getting the support which is enjoyed by agriculture sector. Revamping of zonal research in agriculture is another area which needs proper attention. The state is doing its mite in that direction.

**Industry:** Coming to industries, here special and alternate banking institutions and soft credit instruments are proposed to be promoted because soft credit is something in which Kerala is not getting adequate support from the banking sector.

To bring out a comprehensive policy for industrial projects in PPP mode; already GoI is working on that and we are in the process of getting guidelines.

**Enhancing skills** for employability is extremely important considering the huge population of literate in the state. The problem here is employability; this is the basic issue and for that upgrading skill which will be in tune with the industrial requirement is what we are planning and some kind of support is required from the government of India in this connection.

**Rare earth minerals:** Another important point regarding industry is that Kerala is having a lot of rare earth, which is not there in other states. We have illuminite, titanium dioxide, monazite one of the biggest players in the market, monazite but this is basically mined and exported to other places. No value addition is done. This being a very high tech and sophisticated area, its proper enhanced recovery is what is required and is what we are proposing through the National Mineral Research Institute.

**Rural development:** Under the Employment Guarantee Scheme, right now there are only ten such activities where it is permissible but that is not addressing the basic purpose of this scheme. We have already taken up to increase the number to eight, details are already there in this presentation. We can achieve the objective if we can bring in more such areas. It will be covering basically, new works for coastal areas, new works for human development, waste management; works available under forest rights; these are various areas where we are interested to have works under MGNREGA.

**PMGSY:** We have mentioned that Kerala is a land-scarce state. We don't have land and now it is absolutely out of question. We are getting very badly affected due to existing guidelines under various schemes including PMGSY, where they have mentioned that to get the support under this scheme, one has to have 8 metres width of road; this is just not available and that is why we are being denied assistance; we are requesting to bring it down to 6 metres; similarly gradient is 1: 12.5; we are proposing 1:8; also we are saying that land cost must be included under the project; also shifting of utility is very important; this is very expensive in our state. These are some of the issues that we are flagging.

**Kudumbasree** is another area where SHGs are organized and federated at the state level. It has been doing extremely well and at the grass-root level it has got excellent network. They are taking a lot of activities as a group without support. A case in point is the Joint Liability Groups which are taking up agricultural activities on a lease basis in fallow land not getting adequate bank support. The interest they are charging is quite high.

**JNNURM:** We are asking for more flexibility; the micro-level management from GoI needs to be brought down. Power should devolve down to the State, as the 73<sup>rd</sup> Amendment suggested, where a shelf of project can be cleared and micro-details can be worked out at the State level by the State Empowered Committee.

**Montek Singh Ahluwalia:** That is a very interesting point. I would be grateful if you send up a note regarding the problems you are facing. At a general level, whenever we discuss with state governments, this is a common theme, that there is too much micro-management. Part of our job is to reflect the views of state government and the start of a plan period is when we can do it. Once the scheme is fixed, it is difficult to do it. We are very, very concerned that specific examples of what you regard as micro-management should be put up. We agree in general that wherever there is micro-management, I have no doubt that we will be able to show flexibility. But the question is, what is micro-management? So, in the specific case of JNNURM, please send me a note saying that these are the provisions we feel are not appropriate and they should be completely deleted or altered in a manner that will give you flexibility.

**Biswas:** Cost structure of various items like that of Total Sanitation Campaign, needs to be enhanced. Total Sanitation Campaign is now 2,500 per unit, it needs to be enhanced to Rs. 6000. The Indira Awas Unit is Rs. 40,000; you just can't get a decent structure with this so we are proposing to increase it to Rs. 75,000 for plain areas, Rs. 85,000 in hill areas. Under decentralized planning, we have district planning offices; earlier there used to be GoI mechanism where district planning committees used to get some support by way of technical and financial support. This now has now been withdrawn looking at the kind of demand; the district planning offices are now due to the PRI structure which are very active in Kerala; this needs to be attended to and I request that it be noted.

Under IAY, with the present cost structure, there are not many takers. We will do much better if the limit is enhanced. People are not coming forward because when the cost is 1.2 lakhs, Rs.40,000 does not make any sense.

**Comment:** All the schemes of the GoI have a very innocuous by-line saying land should be provided free of cost by the State government. It was alright when the land was available and it was not costing much. Today, even when we are willing to pay, we are not getting land. As a general rule, in all the schemes of the GoI, the cost of land should be factored in. We will not get land free anymore nor should we ask at all. The cost of land should be included in every scheme proposed by the GoI. Please do not ask us to provide land free of cost.

**Biswas:** Finally, second-generation issues regarding health are very alarming in the state, which already has been addressed at length. Another issue which is very pertinent in Kerala, seeing that it is pollution-free by and large but water pollution has become a big menace; that is basically, waste management has become a big casualty, Kerala is semi-urban and waste management is just not there as we would like to have it. So, some kind of intervention in waste management is extremely important.

Thank you.

**Shri R. Vijay Kumar, Principal Secretary, Govt. of Tamil Nadu:**

I am grateful to the Union Planning Commission and to the Deputy Chairman and the GoK for hosting this session and for the excellent arrangements.

This consultation comes at a very critical time for TN because a new government has taken charge and new strategic directions are being put into place and new policies. That is why our delegation has conveyed its excuses. I will try to make up for their absence by a brief overview and presentation. I will be talking about the 11<sup>th</sup> Plan experience, the state's vision for the 12<sup>th</sup> Plan, the sectoral priorities, the governance priorities and the outlays, that is, the support that is required from the GoI.

11<sup>th</sup> Plan objectives were rapid sustainable growth with social justice, people's livelihood promotion by education and employment opportunities, upgrade the quality of life in rural and urban areas and to ensure and enhance basic civic services.

**Sectoral outlays:** If we compare the Plan outlays for 10<sup>th</sup> and 11<sup>th</sup> Plan, although the outlays have more than doubled, in the sectoral outlays there have been great changes; agriculture and energy have reduced. We suggest that there have to be changes which is going to be reflected in the 12<sup>th</sup> Plan and this is what has been set out recently in the legislative assembly. If you see the graphic representation of the sectoral share and how it has changed between the 10<sup>th</sup> Plan and the 11<sup>th</sup> Plan; this has a direct impact in terms of the growth rates in the critical area sectors and how it has affected the overall growth rate vis-a-vis the targets. For instance, if you see the targets of 4% in agriculture, 9.2% in industry and 10.1% in services yielding 9% GSDP growth, and if one calculates the effective growth rates for 2007-11, one finds a negative growth rate for agriculture which might be corrected this year, given the more kindly rains. The industrial growth rate of is 4.1%; overall services growth has recovered to a certain extent and come to 7.8%.

**Growth indicators:** GSDP growth: against the targets, the achievement has been pretty good in terms of 8 – 8.5% as was anticipated; the agricultural growth rate may get to 2.3-2.7, industrial growth rate is 4.7% -5 and services 11%. Employment generation numbers 1.79; poverty ratio based on the head-count ratio method is 16.98% against the target of 17%.

The social indicators including the life expectancy figures are also pretty good for male and female at 66 and 69. The birth rate, the death rate, the sex ratio, the total fertility rates and IMR have shown good results. The main (problematic) areas, I would say, are in the areas of maternal and child health where anaemia and child malnutrition are not adequate. In the case of literacy and education, there has been substantial improvement, especially through the implementation of SSA and we find that very good results have emerged from this area.

**Montek Singh Ahluwalia:** What is the basis of the achievement figure of 30%? What is the source?

**Vijay Kumar:** These are our Public Health Department figures.

**Montek Singh Ahluwalia:** If these are the figures of your own Health Department, between the beginning of the Plan and the end of the Plan how much improvement is there? I am specifically thinking of child malnutrition. You know, this is the number that is constantly referred to. The National Family Health Survey numbers do not show us in a good light. If we have got state numbers, while the numbers will be different, what do they show over time? Send me an e-mail.

**Vijay Kumar:** Yes, sir. Given the target of 90 lpcd, 50% in urban localities has been covered with clean drinking water; 90% of rural habitations have been covered. In the next Plan period there is going to be a much greater emphasis on urban infrastructure, especially water supply infrastructure.

In fact, in Tamil Nadu, over the last 25 years, many World Bank-supported projects are there. We have done river-based supplies to many of these places. For instance, we have taken the Cauvery up to

Ramanathapuram, which is a long distance. Therefore there is a degree of sustainability built into the programme. There are gaps and how are these gaps addressed? For instance, in some areas you cannot use river water, so de-salination became an option. Now with improved technologies in de-salination, the rates have come down from Rs. 40 per 1000 litres to Rs.25. Gradually, we can find alternate methods and technologies to fill the gaps and to address them.

**Visions of the 12<sup>th</sup> Plan** is towards growth and prosperity. An ambitious growth rate target of annual growth rate of 10% has been fixed. Our Hon'ble CM has been particular that what is required is personal security and therefore, that is the fundamental basis for ensuring livelihood. For inclusive growth and for balancing equity and social justice, eliminate poverty through family-based approach. Many of these strategies, I'm glad to say, reflect the priorities of the Union Planning Commission. There is a great deal of emphasis on PPP for infrastructure. In fact, TN has gone through this PPP experience. There have been positive and negative experiences in various sectors because people have to get used to PPP model because it leads to certain levels of service delivery, tolls and charges. People who are traditionally used to free services see this as an imposition but later they realize the quality of the service. Government has also emphasized the need for effective service delivery to re-vitalize the government machinery and the decentralized set-up. Government also plans to have a 15-year Vision 2025 which is under formulation.

**In rural development**, the idea is to raise the physical quality of life index to match rural infrastructure to urban standards; support women SHGs as drivers of development. Solar PV streetlights are a successful model. SPV green-housing; we are combining Central Government and State Government funds and trying to develop a scheme of this kind; agro-based enterprises for rural employment and new public health insurance scheme to give health assurance to the public.

**In urban development**, the problem is increasing urbanization in TN; it is one of the most urbanized states in the country, with more than 44%. Very soon it will reach 59% or more. Therefore, there is a need for emphasis on basic amenities. For Chennai and suburbs, the focus will be on water supply, solid waste management and sewerage. There will be a focus on land-use planning and infrastructure development throughout the State. PPP will be greatly emphasized especially in the area of transport connectivity within the city.

**For agriculture and allied sectors**, to achieve the 4% target, a crop specific strategy, farm-level interventions, high-value crops, precision farming and micro-irrigation are foreseen. A lot of work has already been done in these areas and there will be a push in backward and forward linkages from the farm-gate to the market. Food security will be ensured by raised production so that it can complement the efforts of the State government and capacity of people to purchase their food grain requirements. Extension services will be revamped for better service delivery. I really appreciate the policy of Karnataka government for its "Bhoomichetana" approach which identifies the critical constraints of soil and water and other issues. May be from this regional consultation, there is also a sharing of experiences.

**The area of irrigation:** The state had taken World Bank funding for a project which focused attention on basin management and watershed management, forming participatory structures. There is a very substantial focus on irrigation structures, flood and water management. Apart from that we look forward to fair and effective settlement of river water disputes. In the basin approach, we have inter-linking of rivers, inter-basin transfers, we have committed ourselves to state water resources agency, which is what the UPC was also suggesting. Participatory irrigation management and water users' associations, and apart from that there is a separate watershed project, much of it funded by the

Central government. Rehabilitation, restoration of irrigation tanks to harvest rain water and utilization of artificial recharge structures is our focus.

**Forests:** Tree cover in private lands has been a major success in the state and now we have 23% of coverage in the state which includes private lands and community-led forest conservation efforts. We have a new project sanctioned with Japanese assistance. However, we need to pay attention to certain areas of bio-diversity such as the Eastern Ghats, which runs all the way from Madurai to West Bengal. Improving wild-life habitats, bio-diversity, the five B's, man-animal conflict need attention.

**Industry:** There is a need for revival of growth in thrust sectors. The intention is to become a hub for biotechnology, nanotechnology and pharmaceuticals and provide a thrust to two port-linked corridors, Chennai-Bangalore and Madurai-Tuticorin and a focus on dispersed industries.

**Tourism:** The target is to plan for 60 lakh domestic tourists and 40 lakh foreign tourists through tourist-directed infrastructure creation. Potential tourism types include wellness, business, rural, education and heritage tourism.

**Energy:** This is a serious short-fall area. Focus is to replace and revamp generation and distribution, reduce T&D losses and on efficient use of existing sources; segregation of industrial, domestic and agricultural feeders to ensure quality power, thrust for renewable energy and PPP promotion in a big way.

**Comment:** With regard to the renewable energy of wind energy, we find a lot of complaints. But more than this, there is a problem of transmission of wind power to the grid. When you make your plans, keep that in mind.

**Vijay Kumar:** Yes, sir. There have been complaints and the present government is looking at it very seriously. One of the issues is that at the peak-level demand, they may not be able to supply the power. Issues need to be resolved harmoniously between wind and EB.

**Road infrastructure:** Our road network is nearly 2 lakh km. with 30% (funds) coming from government. Road densities are pretty good but what we require and what is being planned are widening of state highways, MDRs and ODRs. We have started in a major way on a few projects, monitoring and maintenance of road networks by computerized management systems and it has worked very well. So this year, we are expanding this to many more areas, using the state's own funds. There is going to be an extensive PPP thrust, where we have had considerable experience.

**Transport** connectivity has to be improved. The modal share of public transport has to be improved from 27% to 46%. Mono-rail, which has short-term implementation capability will be added to metro rail. Modernization and expansion of airports, exploring inland waterways and coastal shipping, and developing minor ports through PPP will be other areas of intervention.

**Housing:** An Urban Development Mission for basic amenities will be set up. Affordable housing for all and urban slums, expansion of tenement schemes by Tamil Nadu Slum Clearance Board under PPP is the goal. We are planning to construct 4.2 lakh houses which probably cannot be done by the state government alone so there is going to be a lot of PPP input. Integrated slum development through State and Central sector schemes and a thrust on rain water harvesting and storing surplus runoff are other initiatives.

**Environment:** Cost effective, innovative technologies to restore fragile and sensitive eco-systems; long term Action Plan for river cleaning and improving water bodies, a State Action Plan on climate

change, ban on plastic carry bags of specified types, and specifically, the issue of current importance in addressing the remediation needs of industrial wastes, tanneries and dyeing industry will be the focus.

**Labour and employment:** PPP for employability, improvement of placement rates by associating industry with it, training the weaker sections, targeting SCs/STs for skill training and entrepreneurship development will be the thrust areas.

**Health and family welfare:** The urban indicators are much worse than the rural indicators. We need an Urban Health Mission, round the clock facilities for rural and urban areas and improvement of infrastructure in PHCs, government hospitals. In TN, the pattern of health problems are changing towards lifestyle and non-communicable diseases, probably because of the coverage and the amount of institutional care that is available in the govt. and private sector, and these have become an area of importance for the state. Augmenting trauma care services, developing a wide network with private sector, mainstreaming Indian Systems of Medicine, in which TN is a leader in the country, are other issues of focus.

**Co-operation and Public Distribution System:** Ensuring timely and sufficient financial assistance through co-operative institutions; a 'Price Stabilization Fund' for co-operatives in market interventions for select commodities, stringent action for hoarding and black marketing; ensuring effective delivery by e-governance, surveillance and enforcement are thrust areas.

**Education:** Providing quality education at primary and secondary levels adopting a holistic approach is prime concern. We produce more than 75,000 engineering graduates, but now the quality of education will be focused on at various levels: primary, secondary and tertiary.

**Facilitative governance:** The approach will help to reduce the fragmentation of policies and also take into account delivery effectiveness and a pro-active approach.

**Projected resources** will be about 1,50,000 crores which is roughly a 70% or 80% increase over the previous plan. For this, we need the support of the GoI. GST model needs to be reviewed.

**Montek Singh Ahluwalia:** When you say review of the GST model, what do you have in mind? It is a sensitive issue but I just want to make my point for the reform. If you make a list of what are the credible reforms which are systemic at the national level, in my view, probably the GST is the single, most important serious reform that we are doing. Fiscal experts all over the world are sure about one thing: integrating the tax as close as possible to a single value added tax and having as few rates as possible, if you can't have a single rate. We are actually underestimating the benefits that would come in terms of generating resources. We made some improvements earlier when we moved towards the VAT principle. A lot of gains have already happened, especially at the central level. So, I really hope that State governments will, as we move towards bringing about a possible GST, keep in mind that actually the longer-term benefits are really immense. This is just a comment from me. Frankly, if we get it done, the simplification for people, the ease of business, will be huge.

A related issue is, and our impression is, there is an excessive burden of taxation on tourism. It may or may not be true for each of the States that are represented here but frankly, it would be a good idea to subject the taxes on tourism to a review. Our traditional approach has been that tourists are rich people and therefore this is a good way of getting resources. But, that is not the conventional wisdom around the world. While they are rich people, they typically come with a certain amount of money



they are going to spend, so if you don't grab it in taxes, it will be used in other expenditures. This is a point I wanted to inject into the discussion.

**Comment:** What is of concern for States like Karnataka, and may be even the other developed states, is resources for the 12<sup>th</sup> Plan. You spoke about one rate. If you have a GST system, we have a high revenue neutral maybe hovering around 15% or so. For the sake of consensus let us say we have a lower level. A compensation formula should be adopted which should devolve on the states. That is of great concern for all the states. The question is whether this kind of compensation mechanism should be there for five years, three years or ten years. We had in fact suggested it should spread over two Plan periods, if at all it is pushed.

Instead of having one rate for all the States, could we have a band? For certain commodities we felt a band would be better within which, the States could go up and down. For example, if there is a calamity or a huge problem in a State, how do you raise resources for that? If you have a narrow band, may be with an availability of 2-3%, one could plough it back into floods or whatever. These are the two or three major concerns and these need to be also addressed, if you are going to talk about the resources for the next Plan.

**Arvind Modi, Consultant to Planning Commission:** The idea is to have a single rate and retain the flexibility to impose a cess or surcharge to overcome emergency needs. You have the flexibility to levy some kind of cess or surcharge.

**Vijay Kumar:** If you are going to allow surcharges over and above the GST, then you can allow discounts also, which will take care of local priorities. Then, there is a problem, as it can hit both ways. Projected resources will be about 1,50,000 crores which is roughly a 70% or 80% increase over the previous plan. For this, we need the support of the GoI; review of the GST model.

**Montek Singh Ahluwalia:** If you have views on GST, I urge you to send us an email. This approach document will go to the NBC in another two or three months and it would be useful for us to make a reference to our perspective on the importance of the GST and in doing that, it would be very helpful if we have a clear idea of what the State really wants. This would also be a feedback to the Finance Ministry as to how this is shaping up. So, send us specifically, your views on the GST.

**Vijay Kumar:** To conclude, the other issues are reforms for deepening and expanding State fiscal autonomy; substantial plan resources needed for agriculture revival and for bridging the infrastructure gap in energy, roads, urban development, housing, ports, external aid for rural roads, transport; PPP for infrastructure gap, health, etc. Thank you.

**Shri Nandan Nilekani, Chairman, Unique Identity Authority of India:**

I will keep this short. Basically, I will give you a quick update on what is happening on UID and especially the progress in all the states that we have here today. The idea is to give everybody a unique number as well as to provide online authentication services across the country and this we think will help the state governments in providing an ID for a lot of people who are outside the system as well as clean up the data-bases. So I will not go into the details about how it works. But suffice it to say that we are now doing enrolment across the country and there are 8000 locations where enrolment is going on. You can see the kind of crowds that are coming for this. Every day, across the country, we have about 200-300,000 people who are getting enrolled and they represent all walks of life, marginalized people, old people, kids, and so it is a very interesting thing.

**Where we stand today:** As of this morning, incidentally, we have a live portal which gives us a daily update. The enrolments in the Aadhar system have crossed 86 lakhs today and I am happy to say that the two leading states are AP and Karnataka, which have the highest number of enrolments across the country. Enrolments, as you can see, are steadily going up. By October-November, we will be enrolling at the rate of one million a day. We hope that by the time the 12<sup>th</sup> Plan is active, we will have between 100-200 million people enrolled, which should lay the foundation for many of the government reforms that you want in the 12<sup>th</sup> Plan.

This is the situation in the five states in the region. AP is about 1.12 crore; Karnataka is at 42 lakhs; Kerala is ramping up very quickly, the new CM is pushing it very hard; Puducherry is also moving; TN has not yet taken up enrolment. Currently, we estimate that about 1.25 crore people have been enrolled but the data is yet to reach us because it is in the pipeline. Karnataka has said publicly that they will finish 80% of the population by March 2012. We request you to go to 100% and cover all the districts as soon as possible. AP, Puducherry and Kerala have said that they will finish the entire population by March 2012. In fact, if all of us here can make it possible in all the States, we will be able to cover the entire thing.

As you know, this is very, very important for the governance reforms that we talk about in the 12<sup>th</sup> Plan, because you are giving an ID to a lot of people who don't have an ID. You are giving on-line authentication services and you can build a number of applications including opening up the banking system to open bank accounts for all these people. We today have 68 banks who are partnering us to open accounts across the country. So, everyone who gets an Aadhar number will also get a bank account and with that you will be able to do direct cash transfers to their accounts. Across the four or five States here, we know that several thousand crores is going into pensions, old-age pensions, disability pensions, and NREGA payments. All those payments can now go through the banking system and provide very convenient access anywhere in the country to any individual. This will revolutionize the payment system.

The other thing is that Aadhar is increasingly accepted as the KYC for many services. For example, Aadhar is automatic KYC to open a no-frills bank account. RBI is contemplating moving it to all bank accounts. It is also automatic KYC for getting mobile connections. The Minister of Petroleum has announced that it is the automatic KYC for getting LPG connection and many of the State governments are notifying it as automatic KYC for all the services. So we urge all the States to issue the notification, so that whatever be the government service, Aadhar is a sufficient KYC. Also, it has huge benefits in terms of cleaning up the data-bases, making sure that genuine beneficiaries are able to access the services and also ensuring the portability of services within a state. If you have built this system, then you may have your ration card in Mandya, but if you move to Mysore, it will still work, providing portable services for citizens of the state. We suggest that if we can get to universal enrolment in each of our States and start re-engineering your public service delivery, it will give you significant benefit of portability convenience and reach and access for all the residents. I think it will have a big impact on the governance reforms that is there in the 12<sup>th</sup> Plan. We look forward to working with all of you on this. Thank you.

**Concluding remarks by Shri Ashwini Kumar, Planning Commission:**

We have the benefit of extremely useful presentations. These consultations are intended to fine-tune some of the things that we wanted to do. This kind of a pro-active exchange will enable us to really focus on the key challenges that we have noticed in the entire process. I think that the most important results that we have seen in Patna, where we had the first regional consultation, and here is that

specific interventions will go a long way in enabling us to make concrete proposals in the run-up for finalization of the Approach to the 12<sup>th</sup> Plan. The three critical objectives were faster, more inclusive and sustainable development. I think it says it all and I am heartened to see and to hear that in almost all the presentations made so far, the focus is just right. As the Deputy Chairman has said, the insistence of the people of India on accountability, transparency and delivery mechanisms is really what is going to drive our approach. On my behalf and on behalf of my colleagues, I thank you for these presentations.

**Montek Singh Ahluwalia:** Thank you, Ashwini. I thank you all. We will, in fact, take the inputs you have given us and bear them carefully in mind in preparing the draft. The notion of consultation is extremely important. While we were talking, I received a notice that a group from the Right to Food Campaign wants to meet us for a few minutes. I am both enthused and surprised that the interest in these issues is actually very large.

One concluding sentence from our side: There is a tendency when we talk about plans, to break the plans down into schemes and there is an understandable desire to highlight the schemes that most directly benefit individuals and that is an important part of the social inclusiveness infrastructure. But the fact of the matter is that the overwhelming bulk of the benefit, over the next five years, that goes to the broad mass of the population is really going to come from whether the growth is (a) rapid and (b) inclusive enough and that really relates to the structural growth and I feel that the thing that we can do most to promote that is (a) to improve the quality of infrastructure. The PMGSY does seem to demonstrate that if you can spread connectivity, the extent of actual benefit is very large. So, we need to ensure that, while we focus on the individual beneficiary schemes, we don't lose track of the importance of building up infrastructure. This is both a Central government and a State government matter. Roads and power and almost all the urban infrastructure are very crucially in the area of State governments and I just hope that in the Approach document, we will be able to highlight this and that in the States themselves, this will be highlighted.

It was in the 11<sup>th</sup> Plan that we first placed emphasis on the role of PPP in developing infrastructure and I am struck by the fact that in all the presentations today it was emphasised that we must be doing a lot through PPPs. With those words, on behalf of all my colleagues, let me thank everyone who participated and of course our hosts.

**Shri Ramachandra Gowda:** Ladies and gentlemen, it gives me great pleasure to propose a vote of thanks to all the dignitaries who took part in this memorable event. At the outset, I would like to wholeheartedly thank Shri Montek Singh Ahluwalia. Sir, our strong economic growth has to reflect in the human development indices. I am confident that the discussions we are going to have for two days will lay a strong foundation for inclusive growth, balanced regional development and wholesome development of society. We need to empower citizens by making them partners in growth and beneficiaries of development. Sir, I am sure you will be able to help us achieve this noble objective.

It is a matter of great pride and privilege to thank Sri Yeddyurappaji, Hon'ble CM of Karnataka. Sir, all the pro-people schemes that you have thought of and implemented are unique and have no parallel anywhere in the country. I have very closely followed the budgets which you have presented. They can be rightly described as "Sarvavyapi, sarvasparshi" schemes for all sections and strata of society. Your thoughts and actions are in perfect tune with the ideals of justice and equality for all, appeasement and discrimination of none. In fact, the schemes encompass everybody from womb to tomb.

Dr. Ramachandre Gowda thanked all other dignitaries who participated in the Inaugural Session.

## **2<sup>nd</sup> Session – Panchayath Raj Institutions**

**Welcome address by Dr. Amita Prasad, IAS, Principal Secretary to Government, Rural Development & Panchayath Raj, Govt. of Karnataka.**

Dignitaries on the dais, ladies and gentlemen,

It is a great privilege to welcome the delegates from Andhra Pradesh, Tamil Nadu, Kerala, Puducherry and Karnataka to the Regional Consultations of Southern States on the Approach Paper to the 12<sup>th</sup> Five-Year Plan which is jointly organised by the Planning Commission of India and Government of Karnataka here at Bangalore.

The State of Karnataka with a rural population of 4.27 crores (70%), 59,630 habitations across 5,627 Grama Panchayaths and 176 taluks of 30 districts has been on the forefront of democratic decentralisation of governance, transfer of authority for various government functions, functionaries and finances from higher to the lowest appropriate administrative units. In Karnataka, communities have been able to participate in action to improve delivery of services in rural areas. People's participation has been encouraged by Panchayath Raj Institutions (PRIs) and they have contributed significantly in inclusive growth and sustainable development of the people living in rural areas of Karnataka State.

The 12<sup>th</sup> Five-Year Plan (2012-17) is being prepared against a backdrop high expectations arising from some aspects of the recent performance. GDP growth in the post reforms period has improved from an average of about 5.7% in the 1990s to an average of about 8.5% in the 10<sup>th</sup> and 11<sup>th</sup> Plan periods, making India one of the fastest growing developing countries. Encouraging progress has also been made in other sectors also.

The percentage of the population in poverty has continued to decline. Population growth has decelerated below 2% for the first time in four decades. Literacy has increased from 52% in 1991 to 72% in 2011 and the improvement is evident in all States. Sectors such as software services, entertainment and IT-enabled services have emerged as new sources of strength creating confidence about India's potential to be competitive in the world economy.

The 12<sup>th</sup> Plan needs to prioritise specific measures to halt and reverse regressive trends, which are rooted in gender imbalance and social discrimination practices against under-privileged sectors of society. Land and forest degradation in rural areas and over-exploitation of ground water are seriously threatening sustainability of food production.

The 12<sup>th</sup> Plan provides an opportunity, at the start of the new decade, to build upon the gains of the past but also to address the weaknesses that have emerged. We must respond to the growing need in the country to the fact that large numbers of our population continue to live in abject poverty and there are alarming gaps in social attainments even after five decades of planning. To meet this challenge, we must be willing to modify policies and institutions based on past experience, keeping in mind the changes that have taken place in the Indian economy and in the rest of the world, **we must, therefore, draw up a reform plan instead of merely a resource plan.**

There are areas like rural infrastructure development, where gaps are large and private sector needs to step in significantly. In these areas the role of government may have to be restructured. The challenge is to make plans which are Panchayath friendly and can take beneficiaries into consideration. Local bodies have been working as development agencies for the last four decades and have new challenges as to how to build vibrant decentralised democracy along with providing capable decentralised governance. Improving quality of public service through PRIs is another challenge. Use of extensive e-governance has shown the way in achieving some of this but more

needs to be done. In this context there is need to redefine the roles of PRIs along with huge investment in capacity building at all levels.

**The entry point for the approach to the 12<sup>th</sup> Plan paper could be well met by the Millennium Development Goals which need to be achieved within 2015.** This will require understanding of the need to upscale the efforts in the areas of livelihood, safe drinking water, empowerment of women and other weaker sections. This will require strengthening of governance at all levels with special focus on PRIs use of ICT and building of skill sets at every level of governance.

I once again extend a warm welcome to all of you to this workshop on behalf of the Government of Karnataka and wish that the consultations will help in arriving at a consensus in sectors of decentralised and strong local self-government in rural and urban development in the next two days.

**Planning Commission Approach to 12<sup>th</sup> Five-Year Plan: Presentation by Sri Mihir Shah, Planning Commission Member**

Friends, you would all know by now that for the formulation of the 12<sup>th</sup> Five-Year Plan, the Planning Commission has adopted an approach of intensive consultation with stakeholders across the different regions of the country. We have already had consultations in the northern part of the country in Delhi, for the eastern part in Patna and now we are in the south to listen to voices of those who we believe can make a change. We want to make the formulation of the Five-Year Plan even more inclusive than in the past. We are having consultations with State governments, with the PRIs and ULBs, and then with CSOs, representatives of industry, academia and trade unions. This therefore is the session in which we are here to consult, to hear voices from agencies in the South engaged in decentralised governance. In my view, in many ways for us in the Planning Commission this is the most important session we are going to hold. I would like to take a few minutes to elaborate why we think this is the most important session.

It is said that India is one of the fastest growing developing economies. I would like to correct that and say that India is one of the fastest growing economies in the world. We are just next to China and according to some predictions we are already ahead of China. As far as growth is concerned, we have recorded unprecedented achievements. What this growth has been able to achieve is that we have been able to devolve huge resources for our programmes of rural development and for inclusive growth wherever we felt we are lagging behind. Since UPA came to power, there has been an unprecedented increase in the money we are allocating for our programmes of inclusion. The difficulty, however, of which our Hon'ble PM repeatedly reminds us, is that there is a growing gap between the outlays we are putting in place for our programmes and the outcomes on the ground, which do not seem to be commensurate with the outlays. The analysis in the Planning Commission clearly shows that we need to do something very different in the 12<sup>th</sup> Five-Year Plan if we are to make a success of these programmes on which we are spending these huge sums of money.

You will see in the presentation that will be made to you shortly that the major point of that analysis is that it is reforms in governance - reforms in implementation - that must become the centre-piece of the 12<sup>th</sup> Five-Year Plan. Unless we do something to improve the way this money is spent, to have a greater sense of empowerment among the bodies of local self-governance, the PRIs and ULBs, we do not believe we can make a success, whether of the Mahatma Gandhi NREGA or the JNNURM, etc. Take any programme, the ICDS, etc., unless we have a far greater involvement of the stakeholders, who are involved in the formulation, the implementation and the social audit of the plans, we are not going to be able to bridge the outlay-outcome gap. It is there that the key role of bodies of local self-governance, of all of you who are present here today, the PRIs and ULBs, become crucially important.

It is also extremely important to address another emerging problem on our development scenario, of the destiny of Indian democracy, if I may say so. We have threats emerging from different parts of the country coming from what is termed the Maoist insurgency. When we look at the causes of why

this is happening, it is quite obvious - and our Planning Commission analysis shows us so – that it is a sense of alienation from the national mainstream that the people are feeling, especially in the tribal areas of the country. We have made several constitutional provisions, including the PESA Act. Now we have the Forest Rights Act, but again the implementation of these Constitutional provisions is lacking in the cutting edge that they need to have at the grassroots. It is here again that we need more empowered PRIs and ULBs, that can address the sense of alienation and exclusion from the mainstream that many of our poorest and most deprived people are experiencing today.

So, we are here to listen to you and first, make you aware of this great responsibility that lies on your shoulders and then to understand from you what can be done to make the functioning of our local self-governance institutions more effective, what can make them better instruments of what has been devolved to them. After all, ever since the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, we have great devolution of development functions to PRIs. Since 2004, we have a great devolution of funds also. Especially through the NREGA and other programmes, a large amount of funds is flowing directly to PRIs and through the JNNURM to ULBs. We have funds and functions, but what we probably still lack are that we do not have the kinds of support structures that would genuinely empower these local bodies to make the informed decisions that they need to and to ultimately perform the huge responsibilities that are on their shoulders. So when we look at the third 'F', in funds, functions and 'functionaries', we certainly believe that we need to do much more in giving the kind of quality human resource support that the local bodies require - that one element we are calling the 'soft' aspect of development. Our focus has been so much on creating the hardware and infrastructure but we have not been giving the kind of emphasis on creating the professional expertise and the professional system that need to be in place that would enable the local bodies to perform their historic responsibilities.

So we are here to listen to you on what are those elements, what are the kinds of resources that you require, what is it that we can do to facilitate this kind of transfer of these kinds of capabilities to the institutions of local self-governance. Some of the thoughts that we have in mind are that we would make central support conditional upon the existence of empowered local bodies. Some of this we have already tried to do in some of our programmes. We can go much further in that direction. If the States want the financial support that the Centre gives, they have to do that which they are constitutionally mandated to do, which is to empower the bodies of local self-governance. We can build that into the architecture of our flagship programmes.

There is a committee that has been set up under the chairmanship of our fellow member of the Planning Commission, Mr. B.K.Chaturvedi, which is examining the whole issue of the Centrally-sponsored schemes. How many of these should we have, what should be the architecture of these schemes so that their implementation is more effective, so that the empowerment objective with which many of these schemes are associated are achieved. These are broadly some of the ideas on which we would like to have your inputs and incorporate them as we prepare the Approach Paper for the 12<sup>th</sup> Five-Year Plan. With these words I would like to request the Planning Commission to make a presentation very briefly on what we have identified as the major issues for the Approach to the 12<sup>th</sup> Five-Year Plan and after that we would give you a chance to respond to them, reflect upon them and come back with your own presentations to which we would be eagerly looking forward.

**Ms Nayani Jayasheelan, Senior Advisor to the Planning Commission** then presented the Planning Commission's presentation on the Approach to the 12<sup>th</sup> Five-Year Plan. The following specific issues of relevance to local bodies were flagged:

1. Since PRIs are responsible for implementing many schemes, suggest how PRIs can be involved in the design of schemes—both in the Centre and in States.
2. Critically examine existing schemes to see how their functioning and funding can be improved so that they meet citizens' aspirations—especially from the lens of disadvantaged groups
3. Suggest ways and means of improving the implementation capacity of PRIs.

4. Suggest measures of convergence of schemes/programs to achieve improved service delivery.
5. Since PRIs are responsible for implementing many schemes, suggest how PRIs can be involved in the design of schemes—both in the Centre and in States.
6. Critically examine existing schemes to see how their functioning and funding can be improved so that they meet citizens' aspirations—especially from the lens of disadvantaged groups
7. Suggest ways and means of improving the implementation capacity of PRIs.
8. Suggest measures of convergence of schemes/programs to achieve improved service delivery.
9. From the Southern regional perspective, especially from the coasts, tell us what modifications you want to see in existing schemes.
10. Highlight sectors (schemes) where Private Partnership can/should be introduced and where Government involvement must continue.
11. Suggest how participation of CSOs can be institutionalized at all levels of governance (Center, State, District) to enable information flow, accountability, and transparency in planning, design of schemes, monitoring, and evaluation.

The six issues to be discussed by the PRIs and ULBs present were next presented by Mr. Mihir Shah:

1. What is the infrastructure and the priorities in terms of the structures and facilities required by the bodies of local self-governance to function effectively and perform the responsibilities assigned to them?
2. What is the best way to make the delivery of public services more efficient and equitable?
3. What is required in terms of the architecture of governance that would give greater autonomy and greater decentralisation to the bodies of local self-governance?
4. What should be the priority for the allocation of funds across the needs that are being felt by the people at the grassroots?
5. What should be done to strengthen the idea of decentralised planning?
6. What kind of training needs to be done to develop the capacities of PRIs and the effectiveness of grama sabhas?

**Mr. Abhijit Sen, Planning Commission member**

We would like you to reflect upon this as well. There is a huge distinction between central government schemes and state government schemes. Do you get an opportunity to merge schemes and bring about convergence.? If not, is it the guidelines of the central government schemes that come in the way? Related to this issue is your assessment of the functioning of DPCs in your State. The role of the DPCs varies from place to place. Is it merely stamping plans or is it really considering plans coming from below. The second set of again cross-cutting issues is that over time it has been our experience that a lot of functions have been devolved. By and large what has been devolved is the beneficiary selection schemes and not schemes that build up infrastructure or common properties. For example, in agriculture, PRIs by and large play a much less role than they should. Is it the case that there is a whole disjunction between beneficiary schemes and infrastructure and common facilities schemes? And the final issue is this: since the 13<sup>th</sup> Finance Commission, PRIs now have a source of funding unimaginable before that Commission. Are we using that money properly? That money is not for a scheme, or from the Planning Commission or the State government. It is the Finance Commission money and is it being used to develop the capacities of PRIs to plan and execute. These three issues are cross-cutting. They cross-cut both rural and urban local bodies and the three subject groups that we have.

**Group discussion**

**Group I**

**Infrastructure and Services**

**Vision**

What vision for PRIs and LBs and what infrastructure structures are required for that?

- By 2017, PRIs and LBs should be able to provide all necessary services in order to equip people with the same quality of life and opportunities as per the constitution in rural and urban areas

#### **How can this can be achieved?**

- Strengthening physical infrastructure for internal and external operations

#### **Internal infrastructure**

- Office buildings and manpower supporting infrastructure; dedicated manpower;
- Infrastructure for documentations and monitoring various schemes

#### **External Infrastructure**

- Housing (cost for construction of house should be same in rural and urban areas; same material cost)
- Drinking water, strengthening of water harvesting systems, not by borewells, sanitation, connectivity,
- Strengthening of educational and health infrastructure in rural areas and bringing them at par with urban areas.

#### **How can this be achieved?**

- Ensuring regular power supply ;
- Provision and strengthening of local infrastructure for markets and marketing infrastructure (cold storage etc.)
- Strengthening self-help groups for women's empowerment
- Empowerment of the various village committees
- PRIs should be empowered to decide what infrastructure is required.
- PRIs should be made transparent.
- There should be an information center for dissemination of information on various schemes.
- Kiosks in PRIs and at ward-level in urban areas: Service delivery kiosks for payment of bills and other amenities

## **Group 2**

### **Devolution and Funds**

- Vision is to have a relook into the devolution of not only 3Fs, funds , functions and functionaries, but 4Fs by including freedom to PRIs
- Focus should be not only on devolution of 3Fs to the PRIs but also should focus on inter-tier distribution between the district, intermediate institutions and Gram Panchayats.
- SFC, a constitutional authority, which is already in the statute, should be entrusted with a one-time power to decide not only the funds, but also functions, functionaries and role clarity across the three tiers of PRIs.
- More role clarity with respect to the functions and powers of the 3 different tiers is required. Currently there is much overlapping of functions. The activity mapping that has been done in 2003 is also not clear. For instance, drinking water is handled by all the tiers, the State and Central governments.
- There should be a single channel for devolution of funds, the district, which distributes to all the three tiers under one head of account. Now there are State sector schemes, centrally-sponsored schemes, etc. They should all go to the local bodies straight. Currently we are bifurcating funds in terms of local body funds and development funds. All monies should go together.
- MPLAD and MLALAD funds need a relook. They should either be abolished or restructured. In West Bengal even MPLAD funds are routed through the District Planning Committees and the works are implemented through the rural local bodies.
- The local bodies should have some discretion and liberty in the use of funds. More untied funds should be given to both urban and rural local bodies. Most of the funds come under state sector



schemes which are outside the purview of PRIs. A little amount is available under district sector out of which 65-70% is spent on salaries.

- PRIs are the only bodies which have some power to generate funds for themselves but they are not trying to mobilize funds or collect revenues on their own. They are always looking to the State or Centre for funds. It should be made mandatory for the GPs or ULBs to generate their own funds if at all they want State or Central funds, since it is the State which is laying the roads, street lights, etc. In Kerala, the GPs are generating their own funds. In Karnataka also under the Gram Svaraj project, based on the D.M. Nanjundappa report for the 39 most backward taluks, more money is given as an incentive to those GPs which do better resource mobilization. But many elected representatives are hesitant to levy taxes as this may cost them votes at the next election. Hence the suggestion is that a statutory body like the SFC could be given powers to assess the taxes once in five years and it could be mandatorily and uniformly collected across the State by the local bodies.
- District Planning Committees have to be strengthened by providing a proper planning machinery. Currently, there is no coordination between the three tiers - the GPs never come in contact with the TPs and the TPs never come in contact with the ZP.
- Multiple organisations directly funding NGOs should be abolished and funds can be directly routed through PRIs.
- Grama sabhas should be strengthened. Selection of beneficiaries for all development programmes should be done by the Grama Sabha and no alterations should be permitted by other bodies.
- SFC recommendations are not taken seriously by the state governments. Either there is delay in taking decisions or they are pending. There has to be a time limit within which state should take a decision.
- Multiple implementing bodies (parallel bodies, VFC, etc.) should be made accountable to the PRIs.

### **Discussion**

- In Bihar, they have abolished MLALAD funds. They have asked the Central government to abolish MPLAD funds or have their own administration to look at it.
- There is a danger in giving too many powers to the GPs to levy taxes. There are instances where they have fixed arbitrary rates. They do not have the capacity to decide a scientific structure and rate of taxes. We should beware of giving too many powers to SFCs also. We could think of a permanent taxation committee, like the Electricity Regulation Authority.
- The above problems can be taken care of by building the capacities of the PRIs. But their power to impose taxes should be accepted.
- SFCs are only recommendatory bodies. Their recommendations cannot be mandatory and they cannot have the force of law.
- The SFCs can make recommendations. If accepted by the State government, they can be made applicable to the whole state. But there should be a dispute settlement mechanism.
- There is in one state a committee under the CEO of the Zilla Panchayat which can decide on the taxes that can be levied by PRIs. They can fix a range - a minimum and a maximum rate.
- If GPs are given an option, they may not impose the tax. If it is mandatory, they may acquiesce.
- In Kerala, there is a separate planning machinery to assist the DPCs.
- There are organizations, such as CAPART, which fund NGOs directly. Instead, the agencies should route the funds through PRIs, who will fund the NGOs. This will make the NGOs accountable to the PRIs in the areas where they are working. Right now they are not accountable to the PRIs.
- NGOs are needed and they can be a support structure to PRIs.
- There is a multiplicity of organizations other than local bodies, such as parastatals, such as drainage boards, which is a big weakness of the system.
- There are good and bad NGOs. Most of them are funded.

- There is a tussle for power everywhere. There is the Zilla Panchayath and the institution of Collector. Whenever the government is uncomfortable with the local bodies, it gives the power and functions to the Collectors. Collectors verify the antecedents of NGOs and no fund from the Central government is given without that.
- The Group has discussed about how to maximize resources. But that may not go beyond 30-40% of the resources. In their anxiety to raise resources, PRIs should not ask that even NGO funds should be routed through them.
- Grama sabhas are often dominated by those who dominate the balance of power within the village. There are times when outsiders come to the grama sabha and coerce the meetings of the grama sabha and force its resolutions in one direction. Grama sabhas need to be empowered to be able to take decisions of their own will reflecting the interests of the weaker sections. It is right that the decision of the grama sabha should not be tampered with. But how many grama sabhas are happening where the women have an equal voice with men. Are dalits and adivasis being able to speak up in protecting their own interests?
- Right now the list of beneficiaries selected by the grama sabha goes to the taluk level where the vigilance committee headed by the local MLA looks at it. Again it is submitted to the Zilla Panchayath. No one knows at the ground level what is happening. Only when the decisions of the grama sabha are put on the notice board immediately will the grama sabha be strengthened.
- Grama sabhas should be conducted properly. Right now beneficiary selection is not done according to merit. Politically powerful persons are taking advantage of the grama sabha.
- For a lot of Central schemes, the criteria for selection of beneficiaries are already fixed. The question is whether the beneficiaries being selected by the grama sabha as per the criteria. The grama sabha should be able to say who is satisfying the criteria and who is not.
- The question is whether the selection is done by a real or a fictitious grama sabha. The genuine beneficiaries are not being heard at the grama sabhas since they are not attending them. We have to ensure that the voices of those who are left out are heard.
- The basis for the decisions taken at the grama sabha should be displayed transparently and objections invited. This process is going to be central in the BPL survey that is going to be conducted soon and one month's time is going to be given to citizens to object. We have to ensure that there is genuine inclusion and that the exclusion is also fair.
- In Karnataka, there have been three SFCs so far. The 3<sup>rd</sup> SFCs recommendations have come into force from 1<sup>st</sup> April this year. The State Cabinet has been enhancing the grants each time. The 1<sup>st</sup> SFC endowed 37% of the non-loan revenues of the state to be devolved to the local bodies. 38.5 was given. The 2<sup>nd</sup> time it was 40% and this time Karnataka is planning to give more. The duty of the SFC under Article 243I for rural and 243Y for urban is to recommend the non-loan component of the state's own money (NLOR) to be devolved to these bodies depending upon the functions allotted to them. Now the opinion is that even house tax should be decided by them. That is not possible. The practice in Karnataka has been to be liberal with the report of the SFC. The Cabinet decides when it should come into force. The recommendations may be supplemented later. The experience is not bad as the revenues that were transferred earlier were much less. Now they are quite substantial.
- Pondicherry being a Union Territory is in a peculiar situation. Normally the CFC recommends the devolution of funds between the Centre and the States and a certain amount of tied and untied funds to the local bodies. Local bodies are not getting any funds from the CFC. Being a Union Territory, it is not part of the CFC recommendations. The Third SFC has recommended certain devolution but the union territory is not in a position to devolve those funds as it has not received any money from the CFC. Though three SFCs have submitted their recommendations, the government is yet to take a call on them and the recommendations are not implemented. There should be a time limit for implementing the recommendations.
- Even in Karnataka, there were gaps between the submission of the report and its implementation. The 2<sup>nd</sup> SFC report was submitted in 2002 but its recommendations were implemented in 2006 or 2007. The devolution % fixed by the 1<sup>st</sup> SFC was continued. The

2<sup>nd</sup> SFC had recommended 32% from the non-loan own revenue to be devolved to PRIs but there was a gap of 2% in the devolution.

- Suppose the SFC has recommended 40% or so of the NLOR to be given to the PRIs, what happens in reality is that the GPs get about 8 lakhs of the SFC fund which comes to about 1% of the NLOR. The other 38% of the NLOR is spread across all the 29 subjects (of the 11<sup>th</sup> Schedule), whether agriculture, horticulture or forestry. It doesn't go to the PRIs, it goes to the departments under the State government. So the local bodies have nothing untied recommended by the SFC about which they can decide. Untied is getting converted to tied.
- The parallel bodies need not be abolished. They can be brought under the purview of the PRIs. Partners are needed who implement the diverse functions assigned to the PRIs. It is only a question of being accountable to the PRIs.
- There are anomalies like a Village Forest Committee chairman getting 50 lakhs to spend while the GP president gets 8 lakhs.
- There are other bodies like the School Development & Monitoring Committees (SDMCs) and the village health committees which have representation of or are chaired by GP members. Some of these committees do not have funds. The problem is one of resources. What is important is their interaction level.
- There are also other externally aided projects. Till the funding is there, there are parallel bodies implementing them. But once the funding stops, these projects are handed over to the GPs to look after. The GPs should be involved in these projects right from the beginning.
- The SDMCs are made sub-committees under the GPs in Karnataka under Section 61A of the PRI Act. This is an ideal example of how the parallel bodies can be integrated with PRIs.
- In several cases, the funds are coming directly to the parallel bodies and not through the PRIs.
- Even if the funds are not coming physically to the PRIs, it is necessary that the PRIs are in control and know how the decisions are being taken about the funds.
- Only in half of the 28 States of the country, the GP chairperson is heading the SDMC.
- The constitutionally mandated body is the PRI, which is the elected body, and they are finally accountable.
- The parallel bodies should come under the PRIs for performance and funding. Today they are completely autonomous and are not linked to the PRIs. They approach the PRIs only for getting approvals.
- The parallel bodies do not have a holistic perspective over the development of the GP. Their interest is only sectoral. The PRIs are the only bodies with a holistic perspective. Also, there is a lot of stress on the grama sabhas and the small committees emanating from them.
- One should be cautious about romanticizing the role of the GPs also beyond a point, as they have several weaknesses. Also, in reality there is no stress on the grama sabhas and they are the weakest bodies among the PRIs.
- One should worry about the much bigger parallel bodies, such as the Hyderabad-Karnataka, the Malnad Area and Dry-land Development Boards. Where is the need for these parallel bodies when the PRIs are there? They are getting funds and they are not accountable to the PRIs.
- There should be some interaction between these development boards and the PRIs so that there is no conflict between them and no duplication of work. These bodies come under the Planning Minister. Some of these bodies have been there for historic reasons of regional disparity even before the Panchayath Raj Act in Karnataka. Since 2007-08, as per the recommendations of the D. M. Nanjundappa committee, the most backward 114 taluks are being given about Rs. 2,000 crore over and above the plan programmes.

### **Group 3**

#### **Local Planning (Local solutions for local problems) and Capacities (Training citizens and PRIs)**

#### **Issues**

- **What is our vision for these issues by 2011**
- How do we collectively get there? What needs to happen?
- What should be contributions from the Centre?
- What should be the contributions of the States?
- How to enable PRIs

### **Group presentation**

- Local problems are majorly the shortage of funds for planning. Funds are mostly being used for salaries.
- Natural resource management and conservation
- Lack of technical and planning staff. Technical staff are overloaded, having to look after five to six GPs. They are doing the tasks for MLAs and MPs, the H-K Development Board and other boards also.
- Lack of coordination among the line departments.
- Lack of information at local level regarding various schemes, programmes, fund flow, etc.
- Constitutionally, GPs are powerful but elite capture is seen as the main hurdle. Grama sabhas are not happening properly.
- Presence of parallel committees by-passing PRIs.
- Short service tenure of heads of ZPs, TPs and GPs due to rotation. Quick transfer of officers, like BDOs, EO and technical officers, especially of those with some vision, focus and willingness to work in an area. There are instances where there have been 4 GP presidents and 4 GP VPs in a period of two years.
- Rigid guidelines under various State-level and Centrally sponsored schemes
- Sustainable livelihood development is essential in rural and urban landscapes
- Resource and people conflicts
- Wildlife and people conflicts

### **Solutions**

- Proper activity mapping is needed (*For example : GPs should be handed over agriculture and allied activities , PDS, MDM, Anganwadi system, etc.,*)
- Empowering elected members, particularly weaker sections of society and women.
- Flexibility at local level in implementation of State-level and Centrally sponsored schemes
- Capacity building of line department functionaries
- Sensitizing social groups, for example, SHGs, MMD, youth clubs, etc., to strengthen grama sabhas
- Strengthening of PRIs with technical and planning staff.
- Strengthening Gram Sabhas through mandatory powers as it is done in PESA Act
- Updating the database (technical support for local planning)
- Strengthening downward accountability process
- Strengthening of DPC is required with the integration of departments
- Strengthening social auditing process
- Conducting functional literacy programmes for PRI members
- All plans should be submitted and approved through DPC. Plans are submitted late. Administrative and technical approvals and tendering process are all delayed. Money is released end of February or March. Monies lapse and plans are wasted. The planning process has to be simplified.

### **Discussion**

- In Kerala the tenure of five years for GP presidents is followed.
- Given the lack of capacities highlighted, it needs to be ensured that the human resource for performing all the envisaged tasks is there.

- GPs are asked to do road and drain works when there is no engineer at the GP level to do this technical task. At the same time, most of the GP members are agriculturists for which activity they do not require technical assistance.
- The 13<sup>th</sup> Finance Commission money could have been used to build gaps in capacity in exactly those areas where it is needed, such as for recruiting engineers. Most States are not doing it. These issues are not being taken up when planning is being done. The FC money is permanent money with which gaps in capacity can be filled quite easily, rather than be used to build more drains where the engineer doesn't exist.
- 13<sup>th</sup> Finance Commission money is really helpful as it has broader guidelines and the choice is given to use the money for locally needed activities. The funds are not really tied.
- There are two issues. In Karnataka, the 13<sup>th</sup> FC money is being given to 13 or 14 sectors, such as water supply, rural roads, agricultural marketing, etc., as per broad guidelines. As far as capacity building is concerned, the capacities at the taluk and zilla panchayath levels is slightly better than at the GP level. In Karnataka, some SFC grants are being used to build capacities where gaps exist, but not from 13<sup>th</sup> FC funds. 13<sup>th</sup> FC grants are being used to cover gaps in infrastructure. Capacity building only of the police department was done with 13<sup>th</sup> FC grants based on the priorities of the State government.
- Nationally, Rs. 80,000 crore is going to the local bodies over the five-year tenure of the 13<sup>th</sup> FC; Rs. 62,000 crore to the RLBs and 18,000 to the ULBs. The Finance Commission has not said how this money should be spent. But this is a very large amount of money and this pattern is likely to be repeated by future CFCs. Therefore it should be the basis for building capacities of the local bodies. The State governments are getting this money under the head of local bodies without any conditionalities. Except that if certain things are satisfied, there are other reform-oriented increments which can be given.
- Basically, States are building more drains without having more engineers. The drains are not the gap, the engineers who can manage the drains or all the infrastructure that is there, that is the fundamental gap which the entire attempt at devolution is trying to fill
- Over the years, PRIs have been given various functions. Earlier in Karnataka, there was one GP secretary, a few bill collectors and a waterman. Now, a panchayat development officer and 1 accountant have been sanctioned. But at the same time, the functionaries required to handle the activities that have grown in a manifold way are not there. Functionaries are given scheme-wise on contract basis.
- The NREGA specifies one employment guarantee assistant. They have to be paid out of the 6% administrative component allocated under the NREGA. But no state has reached the 6% level. Rajasthan and AP are going to reach it. If 6% is not enough, the 13<sup>th</sup> FC grant can be used. If we believe that NREGA is an important programme and it is suffering from lack of quality due to the lack of human resources, lack of engineers to measure the work, etc., in time. That is the report from across the country. Why is the money not being used to deploy these human resources? The parallel bodies discussed earlier would not be needed if the GPs have their own staff and are capable of carrying out these functions. The GPs strength needs to be increased so that nobody else is needed.
- Finance Commission money is different from Planning Commission money which is time-bound and is under the head of 'Plan'. Most State governments are very reluctant, correctly, to make permanent appointments against these and hence these are always contract appointments. But, on the other hand, a Finance Commission award is normally not going to be cut by the next Finance Commission. That is the time to actually think in terms of developing real capacity. Or are States treating it like any Planning Commission money, where departments increase expenditure on performed activities by a fixed percentage, and spend more on that without increasing capacities, by which the problem is worsened.
- With reference to the BRGF funds - a major source in the district component - in Karnataka, it was decided that there was enough money for drains and brick and mortar type of development and hence this money should be used to fill the perceived gaps in the soft components. The whole plan has been divided into four sectors: the gaps in (1) knowledge, (2) service delivery, (3) infrastructure and (4) monitoring and evaluation. It was decided to

put a cap of 25-30% on infrastructure because this plan has to be again approved by the elected body, the District Planning Committee. Elected bodies are always interested in showing some concrete achievement within one year so that they can tell people that they have done this. If the investment is on education or something similar, there is nothing to show. The human development paradigm and the plan for training was explained to the DPC members, which was accepted by them. But the plans could not be taken ahead as the whole team that made the plans was changed. But the BRGF plans made by Karnataka, when compared to other states, were more for capacity building and gap filling in the actual sense.

- There is currently a BRGF guideline from the Centre which says that this fund should be used only for the capacity building of the elected representatives. Out of 5 crores for 5 districts given to AP for this, three and a half crores are tied up. So one cannot even identify the gaps which need filling.
- States need to give a note to the Planning Commission identifying the limitations and problems in the guidelines of the BRGF and how they should be modified, suggesting the changes and solutions required in the BRGF since it is going to be restructured in the 12<sup>th</sup> Plan. The BRGF was conceived to give flexibility and untied funds and not to create another set of problems.
- Under BRGF, in one district in Karnataka where the SSLC results were very bad, it was decided to give some inputs to the students and train teachers in science and maths. After this training the district which was coming 30<sup>th</sup> became 16<sup>th</sup>, which was very good. But now, BRGF in Delhi is saying that this was a wrong intervention. The reason given for saying this is ineligible is that BRGF money should be used only for training panchayat members in the plan exercise. But how many times can the same members be trained who have already been trained three times?
- Under the BRGF, a gram swaraj project was designed for the 39 most backward talukas in the H-K region of Karnataka. A team was deputed to each of the 1,032 GPs coming under BRGF which spent 5 days there, studied the GP, conducted grama sabhas, identified the gaps and came out with a comprehensive report. But this report cannot be measured in terms of the planning department's cost-benefit analysis of the outcomes of such interventions.
- Another intervention that was proposed was regarding the large number of public assets in every GP area. No one knows the exact extent of land and public property available. A suggestion came from a ZP member requesting allocation of some money for a proper satellite survey of the GP area and coming out with a development report for the GP. Rs. 80,000 was allotted to each GP for this. But for this again, a cost effectiveness relationship cannot be made immediately. However, this is exactly the kind of capacity building that is talked about under the BRGF. A copy of this will be sent to the Planning Commission.
- Another experience was with certain agencies which were given as the technical agencies for formulating the district plan. A meeting was called of the DPC and ZP members but the technical agency made a 10-minute presentation of their organization and that was all. The agency did not even talk about district planning. Officials had to give the inputs to the DPC members and give write-ups to the agency which was supposed to help with the district planning and ask them to come up with a plan. This was a technical group suggested by the Centre, but they did not have the required vision. But after being told about what is expected of the participatory planning, they did come out with some plan. The State did not nominate its own technical agency though it was asked to.
- This year too five TSIs (?) were recommended for five districts and when they were called for a meeting with the principal secretary, they absolutely did not know what their job was. They said they would go to the GPs and collect the secondary data available and analyse it.
- The question is why the state did not recommend its own agencies. If the state says that it has a list of its own agencies who it says will do the job, and that it should not be forced to deploy agencies recommended by the Centre, the Planning Commission will be supportive of that.
- The solution that Karnataka has found for itself this year, when all the TSIs were found lacking, is that all the ZPs, the DPC chairmen and the ZP CEOs, fell back on the SIRD which

has been hand-holding them for the past three years. The SIRD through its army of 700 resource persons spread across the State has done the plan for them as per the grassroots plan.

- In agriculture also, there was a district plan for the RKVY for which groups were appointed. The question is whether the ZPs know what the groups did, were the PRIs consulted and were the plans drawn up and how much is known of the plans?
- In Kerala, out of 14 districts, 13 have prepared district plans. But there is no resource envelope given to the PRIs. So they prepare a wish-list. But even to prepare the wish-list, no serious consultation has taken place. A set of local plans were already available with the PRIs. Most of the problems had been identified and prioritized. But ideally, like BRGF, district-wise allocation for RKVY is also essential.
- Mostly, one is asked to prepare a plan and that too within a time-frame and later told about the consultative process. Finally, the product of the plan becomes more important than the process. Since one had to abide by the time-frame, an agriculture university and the district-level RKVs have prepared it. Some consultation happens at the officers' level but not at the elected representatives' level. The agricultural university would have done a minimum level of consultation with the people.
- The important thing is to forget the past and think of the future in the light of what has not been done in the past. There has to be a plan. It should not be just at the Central or State level but should permeate down to the district, the taluk and the GP level. It should to the extent possible converge across schemes.
- One constraint is that the moment a plan has to be made, people will ask for the budget. But the allocations are not known. If the money available for the 5-year plan is known it will make the plan more meaningful. Secondly, resource mapping has been done at various places but it cannot be found at one place. Under RKVY, it is not known how much will be available next year, so the plans are not made. They wait for the allocations to be made and then there will be very little time for consultations.
- The biggest benefit of doing the BRGF plan was that.....(not audible) For the first time it was known how much money is coming from the link documents, from the state sector, externally aided project, centrally sponsored and other schemes. How much money is coming to a ZP is not known. Even if it is coming to the same agency, there is much fragmentation as it comes under various heads and sub-heads. Secondly, no one knows when the money will come. Many times, the state sector and central funds come in the month of February or March, as and when the money is available. 31<sup>st</sup> March is the check date. There is a column in the Financial Progress Report which says, "Money released last year but received during current year". If at all money is to be released, it should be done during the first six months and thereafter there should be no releases.
- Functional literacy of elected representatives is important. There is a case where, due to the mistake of the panchayat secretary and PDO, the woman president belonging to the backward class is behind bars.
- Even for a driver, VIII pass is a requirement. For the vast responsibilities that a GP president has to fulfil, there should be some educational qualification prescribed.
- There is a difference between knowledge and education. It is not about being X pass or XII pass. It is about knowing what the schemes are, what their powers and functions are and whom they should approach.
- The illiterate elected representatives are often misguided by officials. A lot of money is involved. If a person is unable to read and write, can be fooled into doing a number of things and there are instances of this.

- A Lambani woman complained that officials are not respecting her because she is not educated. People will not respect those who are not educated.
- This was also the view the British took of India's first Parliament - that it was incapable of ruling India. But that we have failed to educate citizens even after 60 years is our failing.
- Please recommend to the government that Article 351 status should be given to Hyderabad-Karnataka region.
- There is a lot of difference between the Panchayath Raj Acts and the Nagarapalika Acts of States. Several functions such as food security, primary education and primary health do not come under the ambit of municipal bodies, which is required if urban areas are to perform the function of 'planning for social justice' envisaged in the 74<sup>th</sup> Amdt. Most States have drafted weak community participation laws for urban areas which do not enable genuine grassroots democracy, transparency, accountability and people's participation. In Karnataka the councillor has been given powers to veto decisions taken by the area sabhas and ward committees.

### **Remarks by Mr. Mihir Shah, Planning Commission member**

This has been one of the most stimulating sessions that I have ever had in discussions on the Panchayati Raj. I must thank all of you for the kind of insights that you provided. I cannot describe how much our understanding of these issues has deepened. I would request all of you to make concrete suggestions. We can become cynical that the BRGF or the district planning processes are not working, but we must remain determined in our commitment to the process of devolution and genuine decentralization. That can happen only if we get from the ground the kind of feedback that we have got from you today. I would like you to convert that into more positive suggestions for change. Not just identifying the problem which is easy to do, but trying to suggest ways forward.

Specifically, as I said about the BRGF, there is a programme that we are on the verge of trying to restructure in the 12<sup>th</sup> 5-Year Plan. We are also thinking of actually putting conditionalities on Central support under the Centrally sponsored schemes, which would involve the empowerment of the PRIs. Just as the 13<sup>th</sup> FC has put in different places, we are also seriously considering that. Please come up with suggestions on how you believe that can be done, the architecture and design of that. On the capacity building part, which you have rightly emphasized, please let us know how that can be done, not only of the elected representatives but also of the officials who are required, as well as the human resource requirement.

As Mr. Abhijit Sen pointed out, I think it is very important to apply our mind as to how the huge amount of money that has been devolved under the 13<sup>th</sup> FC can be best used. Why don't we come up with strategies? If there are problems with that, let us try and tackle them.

Similarly, we are proposing, that in many ways the 12<sup>th</sup> Five-Year Plan will be a capacity building plan. It is a clear understanding of the Planning Commission that it is a lack of capacity at different levels of governance that is hampering the large ..... programmes and that huge amounts of money are still going down the drain. So we want to focus on capacity building and the requirement of human resources at different levels. How should that be done? Should there be a pool of resources that is shared across GPs?

One view is that at the aquifer or watershed level, there should be a pool of human resources of engineers, who are currently not there, who can help in the planning of activities that are engineering in nature across GPs, even if we cannot have them in every GP. Similarly for human development, for the whole requirement in health and education, we can have another set of human resources. If



you can come up with a set of suggestions on this it will help us prepare a blueprint for human resource development for our institutions of LSGs. Once again I thank you and look forward to hearing from you as we move towards the preparation of the 12<sup>th</sup> Five-Year Plan.

**Presidential address by Shri Jagadish Shettar, Hon'ble Minister for Rural Development and Panchayath Raj, Government of Karnataka**

Ladies and gentlemen, I extend my warm welcome to all the dignitaries from Andhra Pradesh, Tamil Nadu, Kerala, Puducherry and Karnataka who are participating in the conference on approach to the 12<sup>th</sup> Plan strategy and challenges.

This opportunity gives me immense pleasure to preside over the panel discussion on the approach of rural development and Panchayath Raj to the 12<sup>th</sup> Plan strategy and challenges. It has given me great pleasure to participate in the group discussion of the three groups, particularly on infrastructure, services, devolution, funds allocation, planning and capacity building. It was a very good discussion and all the members participated actively. The important thing is that ZP and TP presidents and local body members have participated actively. These are the persons working in the field. They know the problems being faced by the public and the administrative machinery and their observations are very helpful for the planning process.

It is a proud privilege to share with you the main features of the Panchayath Raj system in Karnataka. In the year 1993, Karnataka was the first State to enact a new Panchayath Raj Act based on the 73<sup>rd</sup> Amendment. An outstanding feature of the Panchayath Raj system in Karnataka is the determined effort of the State Government to empower the voiceless sections of society by providing specific reservations not only in the membership of the PRIs but also to the Adhyaksha and Upadhyaksha positions of these institutions.

Our State has been one of the few States in the country which has devolved all the 29 subjects to the PRIs. This was done in the year 2003 itself with the Government issuing the Activity Mapping order which is based on the principle of subsidiarity.

During the year 2011-12, the Government of Karnataka has devolved an amount of Rs. 5,898 crore to these PRIs. This shows the Government's commitment towards the devolution of powers.

The entire structure of decentralisation in our State revolves around the planning process which has taken deep roots. In line with the 73<sup>rd</sup> Amendment to the Constitution the District Planning Committees (DPCs) in our State are headed by the Adhyakshas of the Zilla Panchayaths and due representation is given to both the rural and urban elected representatives. Detailed guidelines have been issued jointly by the Department of planning & Rural Development which clearly lays down the process of planning. Suffice it to say that the Grama Sabha is the nodal point of evolution of all the planning process. The first round of consolidation takes place at the Grama Panchayaths, where the availability of resources is matched to the demands of the people as expressed in the Grama Sabhas.

Thereafter, all the Grama Panchayath plans are further consolidated at the Taluka Panchayaths where further refinement is done keeping in view of the policy aspirations of the Government. These plans are then sent to the Zilla Panchayaths, who after verifying the resource envelope of the district, finalise the same for the rural areas. A similar process is undertaken for the urban areas. The rural and urban plans thus formulated converge at the DPC, which finally becomes the district plan. I am privileged to state that the DPCs have been constituted in our State.

In pursuance of the ideology that the PRIs (**Should this be Grama Panchayaths?**) are the first level of local self-government, adequate powers have been delegated to these institutions. The Grama Panchayath is the only rural institution apart from the State Government, which has been empowered to levy taxes on property, vehicle tax, licence fees, etc.

Certain innovative measures adopted in our State need to be mentioned for the due consideration of this august gathering. The public procurements in the PRI sector is covered under the KTPP Act, which ensures transparency and openness in all procurements undertaken by the PRIs. Another unique feature of our Panchayath Raj system is the system of Jamabandhi which involves the Grama Panchayaths placing before the public at large an annual report of their various activities undertaken in the previous financial year. Verification of both documents and physical structures are carried out by the people. It is a form of social audit which was in vogue in our State even before the social audit concept under the NREGS.

All these initiatives involve a good measure of capacity building which has empowered the PRIs in our State. Our State is a pioneer in satellite-based training for PRI functionaries comprising elected members and officials. The Abdul Nazeer Sab State Institute of Rural Development at Mysore has a state-of-the-art studio and is linked to all the 176 Taluka Resource Centres through SATCOM. Various capacity-building initiatives covering different sectors of Government like health, education, agriculture, rural development, water supply and sanitation are imparted on a regular basis throughout the year. Training is also provided in face-to-face mode both at the Institute and also in district and taluka headquarters.

With this glimpse of rural development in Karnataka, I conclude and wish the consultations are fruitful and take the cause of PRI's empowerment further.

**Vote of thanks** was delivered by Mr. Shambu Dayal Meena, Secretary, Urban Development, Karnataka. In addition, he focussed on the paucity of Centrally sponsored poverty alleviation schemes in the urban sector which are restricted to the SJSRY, JNNURM and UDISM, which is for a limited number of cities. The percentage decadal growth in population in the urban sector is now well-known and that is a sector which needs a lot of focus. There are a lot of pressures on urban areas due to migration and other problems. There needs to be a focus on satellite towns. Urban poverty figures are high. A lot of slums are developing though there is the Rajiv Avas Yojana. However, its guidelines are not yet clear. Focus is needed on the redevelopment of slums. A lot of infrastructure needs to be created in urban areas. I thank you all on behalf of the State government and the urban local bodies.

**2<sup>nd</sup> day - 11<sup>th</sup> June 2011**

**3<sup>rd</sup> Session with civil society organisations, social justice and gender issues**

Sri E. Venkataiah, Principal Secretary, Social Welfare, GoK, welcomed the participants.

**Opening remarks by Dr. Narendra Jadhav, Member, Planning Commission**

This is the fifth and final year of the 11th Five-Year Plan and we have started the process of the 12<sup>th</sup> Five-Year Plan which begins on 1<sup>st</sup> April 2012 and goes on till 31<sup>st</sup> December 2017. This consultation is part of that process. One different thing about the 12<sup>th</sup> Five-Year Plan is that we are hoping to make it a fully participative exercise. In fact, we have an outreach programme and a dedicated website for the 12<sup>th</sup> Five-Year Plan which is connected with a social networking site like Facebook. We are continuously and literally receiving thousands of comments from people of different strata from all over. The idea is to make this planning process really people-centric and allow people of various strata to give their opinions to the Planning Commission. Regional consultations have also been started since last month and we have already had two consultations, one in Delhi for some northern states and one in Patna on May 30<sup>th</sup> and 31<sup>st</sup> for some other northern states. This is the 3<sup>rd</sup> regional consultation in that series. The 4<sup>th</sup> regional consultation will be in Mumbai for the western states towards the end of this month. The fifth and final consultation will be in Guwahati where all the north-eastern states are expected to participate. Typically in these regional consultations chief ministers and other ministers participate.

Yesterday, at the inaugural session, the Deputy Chairperson of the Planning Commission was himself there. He said that the basic theme of the 12<sup>th</sup> Five-Year Plan is faster, more inclusive and sustainable growth. Inclusiveness is the most important component of this process and it was recognized yesterday by Mr. Montek Singh Ahluwalia that while there has been considerable progress in improving inclusiveness in terms of agricultural growth, poverty reduction, education, health, upliftment of SCs/STs and minorities, while this process has begun during the 11<sup>th</sup> Five-Year Plan, the overall assessment of progress of inclusiveness so far has been that it is less than what was expected. This is exactly where the feedback that civil society organizations like yours are going to give is very important. We are here to listen and learn from you because you have been working on the ground, hearing, participating and working with the people in your own chosen area of expertise. We are here really to listen to voices from the ground, especially in terms of social justice, gender issues and so on.

There will now be a presentation by my colleague in the Planning Commission, Ms Sunitha Sanghvi and then a brief presentation on the five specific topics for discussion in this particular session. It is important to note that on these specific issues we are interested in listening to you. We will do the least amount of talking and we really want you to give us the feedback from your own experience. The pattern that has been followed is that after the brief presentation, you will break into groups.

Ms Sunitha Sanghvi next made a presentation of the Planning Commission's Approach Paper to the 12<sup>th</sup> Five-Year Plan. The following issues of relevance to CSOs were flagged:

- Participate in the process of making the 12<sup>th</sup> Plan: directly through Working Groups, or online.
- Critically examine existing schemes to see how their functioning and funding can be improved so that they meet citizens' aspirations—especially from the lens of disadvantaged groups
- Suggest ways and means of improving the implementation capacity of government systems, especially in the States and in districts.
- Suggest measures of convergence of schemes/programs to achieve improved service delivery.
- From the Southern regional perspective, especially from the coasts, tell us what modifications you want to see in existing schemes.
- Highlight sectors (schemes) where Private Partnership can/should be introduced and where Government involvement must continue.
- Suggest how participation of CSOs can be institutionalized at all levels of governance (Center, State, District) to enable information flow, accountability, and transparency in planning, design of schemes, monitoring, and evaluation.

#### **Topics for discussion by CSOs**

1. The role of CSOs in the design of new / flagship programmes during the 12<sup>th</sup> Five-Year Plan
2. The role of CSOs in ensuring inclusive growth – content and expertise
3. The role of CSOs in social mobilization, IEC and capacity building in government programmes
4. The role of CSOs in implementing government schemes / programmes and in improving service delivery
5. The role of CSOs in bringing in accountability in government programmes through social audit, jan sunwais, citizens' report cards, etc.

#### **Prof. Abhijit Sen**

I guess this is the operational moment of this particular gathering. Given these five topics, each of you needs to select one and we will divide the group into five so that you find yourself in the group on which you wish to comment. We would desire of course that each of these groups will be represented by each and every one of the states participating here, so that no state is left out.

At this point, a participant intervened to say:

- There has been talk here of doing away with top-down planning. But the focus here seems to be exclusively on top-down planning – government schemes, government delivery, etc. So what is the role of the CSOs? It should be exactly the other way round. One should be discussing the role of the system in the priorities and needs of CSOs.

**Response of Prof. Abhijit Sen:** We come from carrying a lot of inertia and that inertia is precisely where we come from, which is what you are saying should be changed. Each of the groups needs to say from their perspective what is precisely the change necessary. The way to do it is to begin where we are coming from, because what we are changing needs to be defined before the change takes place. I agree that there is in this a lot of status quo. It is better to define the elements of the status quo that need to be changed rather than begin on a clean slate.

**Response of Dr. Narendra Jadhav:** There is no presumption of continuation of status quo. The status quo is a useful point of departure on which the comments of the four groups can be made and the changes required can be reflected in them. It is important to emphasise that rather than focusing on giving a wish-list of things that need to be done, it would be more appropriate, with your rich experience, to also suggest how we should go about doing it. That would be more productive.

#### **Discussion with CSOs Bangalore, June 11, 2011**

##### **Group 1: Role of CSOs in the Design of new Programs**

- CSOs should be proactive in passing on proposals and suggestions to the government. They don't have to wait to be asked.
- The role of CSOs in assessing the needs and requirements of the target group is very important.
- They can contribute to the design of the need-based programmes.
- CSOs need to be involved at the very conceptualisation stage of policies, laws and programmes. Their role should not be restricted to participation in consultations after a policy or programme is framed.
- Based on the success or failure of programmes, they can be involved in suggesting improvements to the flagship programmes. This should be utilised.
- Successful pilots of CSOs should be used as models by the government.
- The National Policy on the Voluntary Sector has clearly laid down the roles of CSOs in 2007 itself. But it has not been operationalised and is not being taken seriously by the Central and State governments.
- There needs to be an institutionalised process of consultation. Very often, a few CSOs, selected in a non-transparent way, are consulted tokenistically to fulfil the requirement for consultation. There should be an open and transparent process of consultation and not through selected invitees.
- Draft policies, laws and programmes should be put in the public domain at the initial formulation stage itself and suggestions invited.
- Consultation and brainstorming, for new or existing policies, laws or programmes should begin at the grassroots level, followed by district, State and Central levels. This is the process for garnering expertise.
- People's participation should not be restricted to consultation. Civil society should be represented on policy, law and programme formulating committees where their representation should be 50%. Representation percentage of civil society can be increased depending on the kind of sector involved.
- In Andhra, every last Saturday of the month, CSOs are invited for regular meetings at the State level. This can be duplicated by other States and at Central level.

- CSOs themselves can select their representative who will sit on the policy, law or programme formulating body. This will avoid the namesake representation given to CSOs through selection by the government.
- There should be a professional body which sifts through the recommendations given by CSOs and documents them in a suitable format, giving the rationale for the acceptance or rejection of the suggestions. This should be put in the public domain so that CSOs know the rationale for the accepted or rejected suggestions.
- CSOs should not be limited to NGOs. They should include interest groups and every citizen. The ward sabha and the grama sabha where every citizen is represented should be the primary fora for consultations before formulation of policies, laws and programmes.
- Mass media and social media should be used to enlarge the debates.

## **Group 2: Role of CSOs in ensuring inclusive growth, content, expertise**

- Centralised planning is itself an off-shoot of controlled economies. Since we have moved over to a free market economy since the nineties, the Planning Commission should redefine its role in a liberalized economy.
- There is too much of focus on GDP rather than on human development. It is essential to focus on human development and the indices for measuring it rather than on just GDP, which is just one parameter for measuring economic progress. One could look at the components of GDP and GDP distribution which is what inclusive growth is all about. If you don't focus on the components, for example, our economy is veering more and more towards a service economy, or consumer economy which is a dangerous trend. It will be very difficult to combat inflation if one does that.
- The planning process itself should be made more transparent at all levels. This would avoid 'corporatocracy' creeping into the government. One has seen the effects of lobbying. Any interaction between the corporates and the Planning Commission should be made more transparent and visible to the public if you want inclusive growth. Otherwise you will have growth which is oriented towards the business sector.
- In a free market economy - in which centralised planning is an anachronism – one finds public goods being privatised, which is a dangerous trend. Public goods should never be privatised. There is an economic definition of what a 'public good' is. Water, sanitation, health and education should remain in the public sector, if one wants inclusive growth.
- There is also a danger of many CSOs and NGOs proliferating. At last count there were 1.8 million of them. Many of them, like the political parties, are tax havens within the country itself.
- One needs to look at the kind of CSOs the Planning Commission is interacting with: some empanelment and criteria for empanelment should be laid down for them.
- Inclusive growth would also need continuation of reservation. The Constitution provided for it for a very limited time. But for inclusive growth, one needs to monitor whether people have come into that 'inclusivity'. If not, one needs to continue the reservation until all sections are empowered.
- The 73<sup>rd</sup> and 74<sup>th</sup> amendments were made almost 16 years ago, still many of the state governments have not implemented it. Some states have done nothing but passing an Act. In Karnataka, an Act has been passed but no MPC has been constituted and there is no devolution. There is a list of functions in the XI and XII Schedule which should be devolved. Unless that is done and the state government moves out, inclusive growth cannot take place.
- There should be some reservation even in the private sector if one wants inclusive growth, especially in those receiving government concessions. When concessions are given, this should be made a condition.
- In projects, such as SEZs, the stakeholders, the land owners should continue to have a some say in it, some share in the profits. Or the land could be leased out instead of being purchased.

The ownership of the land could remain with the people rather than being transferred to the corporate.

- The focus should be on productive employment rather than on wage employment. NREGA provides pure wage employment. The people who work on that do not own the assets created. Assets created by NREGA should be owned by those who create them.
- In terms of skill development, it should be locally employable skills. If you convert a farmer into a plumber, he will migrate to the city. The skills given should enable them to have a good quality of life in the area where the person is accustomed to live.
- Ensure protection to women and children belonging especially to the weaker sections living in remote areas.
- Need to strengthen the SHG movement and make it a social entrepreneurship, Grameen Bank type of model, or an Amul type of cooperative model. These are good for strengthening panchayaths and bringing in inclusive growth.
- Urban transition should take care of social issues. As the rural economy becomes more urbanised, it should take care of both the differently abled as well as the weaker sections.
- CSOs are often seen as a nuisance. There is a need to regulate CSO activity and empanel them. There is a need to institutionalise CSO activity not merely at the social audit stage, but right at the planning stage itself.
- Institutionalize social audit.
- There needs to be some innovation for inclusive growth. Many girl children do not go to school due to lack of toilets for girls. Unless one looks deeply into the needs of girl children, gender specific issues and gender budgets, there will be no inclusive growth. Only some sections of people will grow.

**Group 3 & 4: Role of CSOs in social mobilization, IEC and capacity building in government programmes; implementation of government schemes and improvement of service delivery**

- The poor have been given rights but have not been informed of those rights. Nor are they organised to demand those rights. Rights given without the ability to exercise them are of no use.
- Money should be put aside to educate and organise poor people to learn and demand their rights.
- The three key words are: information, mobilisation and implementation. But right now, the government heads straight to implementation expecting results.
- Before any programme or scheme provides a right, information dissemination should take place on a large scale. Civil society should play an important role in information dissemination and mobilisation. Even educated people have a hard time understanding schemes. One can imagine the frustration the poor have in understanding the numerous schemes the government has.
- The next step in the chain is guidance, by the government and CSOs, to the people.
- Capacity building of CSOs needs to be undertaken.
- The assistance of CSOs should be enlisted and enrolled.
- The role of CBOs in improving the delivery systems needs to be stressed:
- PC (?) should exercise its legitimate jurisdiction in the state to enforce the provisions of the 73<sup>rd</sup> CA.
- Critical administrative reforms for good governance are necessary.
- Constitute a group of individuals of impeccable integrity who can shortlist suitable people. Provide them tenurial security, which should be mandatory.
- Periodic monitoring and evaluation: Time gap between evaluations is too long. Information technology can play a vital role in this. Data-base of impact studies conducted so far should be made available.
- Enable convergence. Help government overcome the obstacles of departmentalism and dissipation of resources.
- Watch-dog function: there is a need to monitor and evaluate government programmes through outsourced functioning and PPP.

- Identify a few goals under MDGs where we are falling short. CSOs should take up the responsibility.
- Human resources that have been trained through the capacity-building programmes by the CSOs can be made available for government programmes.
- Need to amend the law on PILs so as not to levy fines on social organisations if they lose the case.
- Youth can be involved in informing and mobilising people by tapping their zeal and enthusiasm. Let them be involved in the decision-making, holistic skill development, vocational training and life skills training.
- Along with education, empowerment is also important.
- Mental health issues need to be addressed, depression being one of them.
- Maternal and child health need to be stressed..

### **Group 5: The role of CSOs in ensuring accountability**

The major problem today is that CSOs are not involved in the transparency and accountability mechanisms. That is why CSOs are sitting in Jantar mantar and asking for accountability and transparency. That is our major thrust.

#### **Problems:**

- Government is weak in monitoring and grievance redressal systems.
- Lack of transparency and accountability is leading to corruption, from the PM's Bofors scam to that of GP members.
- Lack of pro-active disclosure as per Section 4 of the RTI Act. Many RTI activists are asking for this, but it should be proactively delivered
- Weak panchayats
- Lack of information to the public
- Lack of awareness among the public of monitoring and accountability instruments and rights;

#### **Solutions:**

- Strengthen transparency and accountability mechanisms at grama sabha level
- Empower the grama sabhas so that they can participate in planning, monitoring and finding solutions
- The same needs to be done at all three tiers, GP, TP and ZP level
- Community monitoring needs to be strengthened. Many of the departments, such as health department, now have Village Health and Sanitation committees. The NREGA has some monitoring mechanism. Departments need to have the courage to accept these community monitoring systems and processes and strengthen them.
- Strengthen grievance redressal systems. Today many of these problems are coming to the Lokayukta, Lokpal or Ombudsman because there are no grievance redressal mechanisms. All departments should designate a particular day when they will conduct grievance redressal programmes and make it an important aspect of their work.
- There should be an ombudsman at all levels. In Karnataka, the Act has been amended already to provide an ombudsman at the ZP, TP and GP levels, beyond the Lokpal at the Centre, which everyone is talking about, and the Lokayukta at the State level. This ombudsman is not for addressing grievances as such but to look at the broad compliance mechanisms and solve the issues.
- Citizens' report cards and social audit instruments - AP has done very well in this in NREGA - need to be strengthened and made mandatory.
- Introduce new technologies such as e-procurement, which is part of e-governance mechanisms. These can solve many of these issues.
- Prioritise governance reform within the 12<sup>th</sup> Five-Year Plan period. The problem is that there is sectoral bias, such as on agriculture, etc. There are experts in each domain. But the key issue today is good governance about which no one is really concerned. Today, only

technological packages will not help to bring about development. Much corruption is also due to bad management and related transparency and accountability issues. There should be a separate chapter on governance in the 12<sup>th</sup> FY Plan.

- Citizens' charters should be developed so that citizens get all the information.
- Budget practices should be made participatory with civil society participation.
- CSOs can play a role in policy formulation, planning, implementation, monitoring, transparency and accountability mechanisms. If those instruments are given to them they can play a very effective role. Otherwise they will go to Jantar Mantar.

### Discussion

- Why is the Planning Commission so hesitant and unable to enforce the 73<sup>rd</sup> CA?

### Response by Mr. Abhijit Sen

Discussions have revealed that the level of implementation of the 73<sup>rd</sup> and 74<sup>th</sup> CA is not happening at the desired level. But the discussions have also shown that these amendments have had an effect, that things are changing, nonetheless a lot more needs to be done. The real problem is that the 73<sup>rd</sup> and 74<sup>th</sup> CAs were done in a manner in which the exact mechanics of this was left to the States. This was not an area where the Centre could directly intervene. These were all matters that were to be legislated upon by the States. For a long time that was indeed what happened and we saw very little movement.

In 2004 for the first time, a Ministry of Panchayati Raj was created at the Central level to try and monitor in various ways movement towards attainment of what we all thought was the content. That took a number of things, including a huge carrot in the form of schemes for the PRIs, the biggest one being the BRGF. But there have been other schemes also. Basically, what the Centre finds itself doing is to say, "Provided you do these following things, then more money will be flowing". More than that would require sorting out of issues which are essentially Constitutional in their domain. That's where we stand. But I can assure you that there is such a strong message coming from all our consultations, both from civil society as well as the PRIs, that this is an area, which within the Constitutional provisions available, we will try to take care of in the 12<sup>th</sup> FY Plan.

**Participant:** Though the Planning Commission issued guidelines on the SC/ST Special Component Plan, many State governments, except Karnataka and Maharashtra, have not followed the Centre's guidelines. Very clearly it states that money has to be reserved for SCs and STs in the budget in proportion to their population. If this is the situation after decades, how can there be social justice and why has the Planning Commission not taken any action on the States for this gross violation?

**Response by Dr. Narendra Jadhav:** The Tribal Special Component Plan (SCP), as it was called earlier, was issued in 1975 and the SC SCP in 1979. You are absolutely right that the implementation of these schemes leaves much to be desired. But it is not true that Planning Commission has not done anything about it. The Planning Commission has been issuing guidelines which say two things: (1) Latest guidelines say 16.2 percent should be earmarked for SCs and 8.2 per cent for STs at the Central level. (2) At the State level, the plan funds should be earmarked in proportion to the SC/ST population of that State. The guidelines also say that these funds should be shown under a separate sub-head and the number of sub-heads is also given. Despite this the implementation is very poor. I have been insisting within the Planning Commission and at every forum that either we should implement the schemes properly or drop them altogether. There is no use pretending that we are helping, when we are not.

If one looks at the website of the Ministry one will be appalled to know that out of 68 Union Ministries, only two have created separate provisions as per the guidelines. At the State level, the situation is somewhat better, but there are different kinds of problems there. Some States don't make



any provision at all. Others don't make provisions in the same proportion as the population. Even if they make the provision, that money is not being spent. There is a clear guideline that that money cannot be diverted. But there are several instances where this has been done, the latest being the Rs. 720 crore that has been diverted by the Delhi Government for financing the Commonwealth Games. This is not an exceptional occurrence. It is happening in many States. What is to be done about this?

In the Planning Commission, a Task Force was appointed last year on the implementation of the SC/ST sub-plans. The Task Force report is available on the website already [www.planningcommission.gov.in](http://www.planningcommission.gov.in). Earlier, a one-size-fits-all approach was taken. All the Union Ministries were required to reserve 16.2% for the SC Sub-Plan and 8.2% for the Tribal Sub-Plan. Now, meetings were held with all the Union Ministries and they have been classified into four groups and given targets. A formula has been worked out and is being implemented from this financial year. The allocation is not fixed as earlier, but varies depending on the nature of the work of the Ministries. Ultimately, what matters is that 16.2% for SC Sub-Plan and 8.2% for ST Sub-Plan have to be earmarked in the aggregate budget. All Union Ministries are following this formula from this year. Report on the States will be finalized soon and also put on the website. This is the time to insist on the proper implementation of a policy that is long overdue. We urge all those working in this area to look at the reports and perform the watch-dog function. Our job is to ensure that this policy is implemented in letter and spirit.

**Dr. H. Sudarshan:**

- In the context of NRHM, the BIMARU states get extra resources. This is appreciated. But there are BIMARU districts and talukas in the more progressive states as well, such as Karnataka and AP. We need to plan and distribute resources to the backward districts in the so-called progressive states as well. The D. M. Nanjundappa Committee has gone one-step further and prepared HDI at taluk level. Currently, the Planning Commission gives resources to the States and asks them to allocate to the backward districts. This is unfair. There is a need to bring down the allocation from State level to at least district level. NRHM should look at district-wise allocation.
- The National Urban Health Mission which was supposed to be launched is not yet launched. The urban poor in the slums are more affected than the rural poor. There is no urban primary health care system. The NUHM should be launched without delay.
- There is a move to provide cash transfers instead of food grain through the PDS. This is a dangerous trend. Improve management of PDS by involving CSOs rather than transferring money, which may be used just to buy liquor.
- PPP, not with the private sector but with CSOs is very important. Karnataka has been very progressive in this. It had set up a Health Task Force with a civil society person as the chairman. A civil society representative was also appointed as an ombudsman under the Lokayukta. CSOs should be involved meaningfully in the planning, implementation, supervision and monitoring.

**Response by Prof. Abhijit Sen**

In the course of the 12<sup>th</sup> FY Plan, we will be increasing the health and education budgets considerably. In the 11<sup>th</sup> FY Plan we missed the target; the spending was low in both the sectors. In the run up to the 12<sup>th</sup> FY Plan, it is very clear that the focus should be on universal health provision at least at the public health level. For that purpose, a committee has been set up under Srinath Reddy. Its interim report is expected by next month and the complete report by the end of October. The Sreenath Committee is actually talking much the same language as you are and this will get reflected in its report.

But the more general point about allocations to districts and even talukas within States, which are much worse off than the State or district average, is a matter, for example, which to a certain extent has been addressed in BRGF that we moved to, which is a district regional development initiative. We

are looking to see to what extent that can be made to go down to the talukas, which even then get left out. That is an important issue that has been raised which we also feel needs to be done. But it needs to be understood that the Centre deals with the States. Therefore, the States have to be taken along; the Centre cannot dictate to them that they must do this, here or there. Many States that are progressive are, to begin with, far more proactive than the Centre itself. Those states need to be encouraged to do whatever they are doing.

On the PPP, there cannot again be a one-size-fits-all situation. It will depend very much on what each State and department chooses in terms of its level of activity.

#### **Response by Dr. Narendra Jadhav**

On the grand idea of cash transfers in place of PDS, the Planning Commission is not sold out either way. But there are considerations that one may want to note. In the proposal being discussed in the National Advisory Council (NAC), the Food Security bill was discussed for eight months. We are at the stage where even the Bill has been drafted by the NAC. It will be recommended to the government and then it will go through the legal process. Reform of PDS is an integral part of the package being proposed, because there is no substitute for that. There are serious problems with the PDS and one needs to focus on that. One of the ideas being discussed is not cash transfer, but that of smart cards. If rice is being issued at Rs. 11 and at Rs. 3 per kg for the priority sector, a person who goes to the fair-price shop and swipes the card will pay Rs. 3 and the difference amount will be credited to the shop owner by the government.

Cash transfers need not always work negatively. There are fears that the money will be diverted to liquor. There's another side to the story. In Bihar, the CM introduced a scheme of providing bicycles to girls in the 9<sup>th</sup> standard. That experience is worth taking note of. The government did not float a tender and acquire bicycles for distribution. The government gave the cash directly to the families to buy a cycle of their choice. The scheme has worked very well as the CM has informed that in 92% of cases, a bicycle had been bought. This puts paid to the apprehension that if one pays cash, it will be diverted to other purposes like alcohol.

**Dr. Lalita Chandrashekar:** There is poor implementation of SC and ST schemes. One reason for it in Karnataka is that it is done by parastatals such as the SC/ST Corporation. It was not possible to find on the ground even one scheme implemented by them, such as the digging of a borewell. The schemes are very good on paper. The Gram Panchayats are not aware of these schemes. One of the 27 functions devolved to the GPs is that of protecting the interests of weaker sections. So GPs should rightly be in-charge of these schemes. Then they will also have information regarding them.

#### **Response by Dr. Narendra Jadhav**

While working on the implementation of the SC/ST Sub-Plan, it was found during a meeting, in a village in TN, with all officials working in that area, that they did not have the right kind of ideas. They were not aware of the schemes and the way they were to be implemented. This brings back a very important point that was made here that information dissemination has to happen in the earlier stage, before implementation. Not only that, even the capacity building for implementation has to be done before implementation.

#### **Kathyayini Chamaraj:**

- There is no analysis in the Approach Paper, as given to us, of why the 11<sup>th</sup> Plan did not meet its targets on inclusive growth, if that was the goal. If there was an analysis, one would know in what way one needed to change direction. Since there has been 8% to 9% GDP growth for many years now, a shift has to be made from fixing the target for the Five-Year Plan in terms of % GDP growth. It should be fixed in terms of the target of inclusive growth that we want. We could fix the target at the end of the 12<sup>th</sup> Five Year Plan in terms of the % of population which we

will bring above the poverty line, the % increase in literacy, life expectancy and purchasing power. Unless that is done, the goal of inclusive growth will again not be met. The targets have to be set in terms of human development, inclusive growth and social justice.

- The very crucial and necessary discussion for inclusive growth, about who is poor, and how many are below the poverty line is not there in the Approach Paper. If we don't know the magnitude of the task on hand, how are we going to plan for it?
- One would have expected an analysis in the Approach Paper on food security and the agricultural crisis and the issues of land, displacement, resettlement and rehabilitation, which are the issues agitating the whole country and causing conflicts right now. That these issues have not been addressed so far is what is preventing inclusive growth.
- Targets need to be set in terms of outcomes. Outcomes have been set in the Approach Paper only in the case of forests, that they will be regenerated to the extent of 5%.
- There is lack of a rights-based approach for achieving inclusive growth. If inclusive growth is really the goal, one would have to say that during the 12<sup>th</sup> FY Plan period, we will ensure minimum levels of service to all the poor in terms of the right to food, housing, water and sanitation, health, education, livelihood and social security. The cost of providing minimum floor level services to all the poor for these rights would have to be set apart, just as it is done for the SC/ST sub-plan, from the budget.

**Ms Piyush:** ICDS has not solved the malnutrition problem. A child grows not in an anganwadi but amidst parents and the family. Nutrition education has to be to communities, the family and parents. 12<sup>th</sup> Plan has to liaise with women's collectives such as SHGs across all States to reduce malnutrition.

**Mr. Mathew Thomas:**

- How to insulate the poor from inflation? Also, procured food is rotting in godowns but cannot be distributed due to fear of inflation. How will you tackle this?
- Also, a lot of non-procured food like vegetables gets destroyed. In Karnataka, every year tomatoes are thrown on the road. What is the solution for that?
- You talk of social justice. But what about access to justice by the poor? Lack of justice leads to two things. One is .....(*cannot follow*) and the other is naxalism, caused by police brutality and other reasons. Unless access to justice is provided, there will be a problem.
- There needs to be continuous consultation with CSOs through an interactive system on the Planning Commission's website. Facebook is a very poor medium.
- Best practices from States could be collected and printed in the form of a catalogue so that others can select whatever they feel is appropriate for their States and replicate.

**Dr. Balasubramaniam:**

- With a number of SEZs, etc., coming, a lot of assets are being taken away from the poor. Have an asset-for-asset, rather than cash compensation for assets taken away.
- All assets to be registered in the joint names of women and men, whenever government hands out anything.
- NREGA may be a very popular scheme. But the local culture is that they get weekly or daily payment for wage employment as they are at subsistence level. Giving wages daily is understandably tedious. But at least have weekly, if not daily payment.
- Provide more incentives for ANMs and ASHAs under the NRHM to go to tribal areas. Have reservation for the posts of ASHAs for tribal people. Only 30% of these persons are tribals currently and the rest are non-tribals who do not reach out to the tribals.
- 30 years ago, vocational skills were part of higher primary and secondary education under the NCERT scheme. In the residential school for tribals run by us, we have integrated vocational skills for becoming electricians, plumbers, etc. This has increased enrolment and retention considerably and also provides dignity of labour to them to pursue these livelihoods in future. There is hence a need to integrate vocational skills in higher primary education.
- The major issue in inclusive growth is local resources. Though 27 MW of electricity is generated in the tribal belt where I come from, the tribal area remains in darkness. There are three dams

built in the area. All the ill-effects of these are felt by the local tribals but only 10% of their area is irrigated. Can we have a policy where local resources, such as electricity, cater to local needs first and only the surplus gets distributed to the main grid.

- In agriculture, a lot of them are moving to cash crops and the cash economy. Could there be incentives or disincentives to make every family first grow their own food and then go on mixed or rotational cropping?

### **Participants:**

- Despite the wisdom gained from all the planning that has been done over the years, the exercise continues to be top-down. Can the 12<sup>th</sup> Plan encourage efforts of gram panchayats to come up with their own plans, which will be responded to and supported by the system, and not expect that people should fit into the plans of the government? Unless this break is made, we will not get away from the issue of top-down planning.
- Funds are needed for running hostels for girls doing higher secondary education. Also for short-stay homes for single women, old-age homes and HIV+ persons.
- In the AP Leasing of Agricultural Land Act, SHG is defined as “formed under Indira Kranti Pata (IKP). Many women will be excluded if this comes into force. We recommend addition of ‘formed under IKP / any other organisation’, so that it will be useful for all women.
- Regarding the Task Force report on SC/ST Sub-Plan, we accept that the model, strategy and implementation of 30 years of SC/ST Sub-Plan has been a failure. Even if the Ministries required to earmark funds for SC/ST Sub-Plan are reduced from 68 to 25, it is not clear how that will work. One has been seeing since 30 years that there is no convergence between any two departments of the government. Is it not time to do away with this rhetoric and repetition of the same experiences? It is time to establish a new ministry for SCs and STs which can take all responsibilities. In AP, a draft legislation is being proposed for this and allocation also needs to be made separately for this Ministry. The same is going to be proposed at the national level also.
- The Planning Commission needs to dwell at length on the issue of governance. The malaise that everyone here has been pointing out is that of poor governance. The scams at the highest levels of governance are proving this. Can there be a Charter of Governance? There need to be discussions on how institutions can be empowered, how e-governance can play a role. There is need for tenurial security for officers so that there’s transparency and accountability. This is a big casualty today as it is determined by political whims and fancies.

### **Response by Prof. Abhijit Sen**

Let me thank all of you for an extremely important and well thought out set of interventions. The main point made out in the first presentation is one that keeps coming again and again, whether it is the subject of governance or this or that scheme: it is information and the ability of people to have that information and then respond to it, and the ability of government to be free with information and to respond to what civil society asks on the basis of that shared information. That really is the architecture of what we need to do but have done very badly. Let me point out that in the process that we have begun on the 12<sup>th</sup> Plan, we have tried in our little way to improve the information sharing that the Planning Commission itself indulges in.

For a start, one of the things we have done, and this is available on our website, is that anything that the State governments send us of their annual plans, is now on the Planning Commission’s website. It is not something any more the Official Secrets Act is defending of what the State and Central governments are talking to each other. These are matters that are available to everybody. Along with that, we have put on the website whatever the industrial organisations, FICCI, CII, etc., are telling us. That of course does not mean that there’s not a lot happening between a particular industry and a particular adviser or a particular ministry. But at least policy positions that the Planning Commission is considering on behalf of industry is now on the Planning Commission website.

The Planning Commission itself does, from time to time, a whole set of evaluations. Almost all of these evaluation reports are now on our website. The Planning Commission has a mechanism called the 'voluntary cell' to actually arrange our organisation with the NGO and CSO sector. It is a poorly managed cell as not enough resources have gone into it, but we are committed to strengthening it. The way it works is that, roughly every week, there is a civil society window. Civil society is free to request participation in windows. I agree that the way the selection is done is not entirely free of.... The choice of officials and members taking part on that day is determined by the particular interests that they have.

But there is a problem. The entire civil society is a very big thing. Who gets represented has to be limited. You cannot allow everyone to come along as that would create chaos. We therefore need a registry of the set of people with whom we must talk. A registry of this kind has been prepared but it can definitely be improved. There is a registry of NGOs of particular sectors, of particular States which States have developed as part of their own functioning. It will be our effort to put some of these things together in a better method. But any method which seeks to create a registry is going to be controversial as there will be people left out. This is something that one should be talking about rather than hiding. Unfortunately, the member in charge of this cell and a number of issues which we have been discussing, Ms Syeda Hameed, is not with us. If she was here, she would be able to give a much better answer than I could.

On the last few points raised: the Planning Commission agrees completely that the iCDS should be a knowledge delivery system and not just a food delivery system.

On the question of why we are not looking at outcomes, why we are only looking at GDP: this is not the case. Under the 11<sup>th</sup> Plan we had 24 monitorable targets, one of which was GDP, the other was poverty. There were a whole lot of targets to look at the HDI type of outcomes – MDGs - IMR, MMR, child education and drop-out rates, etc. One of the lines you would have seen in our presentation is that while we have done fairly well on GDP, we have done much worse on the monitorable targets. Why we have not done it is there already in the Mid-Term Review of the 11<sup>th</sup> Plan. So that is obviously a report available openly on our website and in printed booklets. We know we have failed on these issues and we are not ducking them. We are open to criticism and we welcome the kind of frank and constructive criticism that we have seen today.

**Official from Karnataka:** Dr. Sudarshan has raised a very pertinent issue pertaining to BIMARU kind of districts inside the State. Karnataka has about seven problematic districts when education and health parameters are considered. The Human Development Report that came in 2001 coincided with the census report that came a little earlier. Soon after receiving the report of 2001, we started allocating some additional help from the non-plan savings to these districts and this has been consolidated from 2007 onwards under the D.M.Nanjundappa package. Now the 2007 HDI report for Gulbarga and Bijapur show some improvement. The IMR, MMR and education indices have shown improvement also in all the eight N-E districts. We have been giving Rs. 1,500 to Rs. 2,500 crores every year. Of course, if we take all the 114 backward talukas, many more districts will be covered. We have to see whether all the 114 talukas need assistance or whether we should shortlist after bringing out a fresh HDI report. That would help us to give more focussed attention to these areas.

Very critical reviews and assessments are also being made of the implementation of the SC and ST Sub-Plans, how much is being allocated and how much spent. This is being done during the financial reviews also as it is a major concern. Since reviews are being done at the top level, the idea is percolating to the lower level. Overall we are meeting our financial targets. Rs. 1,06,000 crore expenditure was proposed during the 11<sup>th</sup> Plan. We have spent 1,14,000 crore and overtaken the target. But whether we have met the social targets and the target groups is not clear.

**Mr. Harsh, Planning Commission:** This is in continuation of the comments made by Mr. Abhijit Sen about how the Planning Commission is organising and sorting all the information that is being made available. In the last few months a number of consultations have been held by the Planning

Commission with civil society and business agencies. Their reports are all on the website. We realised that we have so many different comments from so many different sources. To make sense of it we put together a document called, "Listening to India", which is on our website, which says which are the common areas across all the inputs, what are the differences; what have we heard and what have we learnt. In our effort to be transparent, we are not only putting out information but also our own analysis of it. We would appreciate your comments on it and the analysis we are doing.

**Dr.Narendra Jadhav:** This has been the most educative session. A number of well thought out suggestions were made. By and large it would be fair to say, that of the three consultations we have had as far as civil society organisations are concerned, probably the best feedback we have received is from Bengaluru. But consultation is not a one-time event. It is a process and we have made a very strong beginning. All your ideas will be taken on board and once all the five regional consultations are over, we will crystallise all the ideas and feedback and put it on our website for you to correct or comment on. We are very impressed by the feedback you have given us. It is not just a wish-list that you have given us but also concrete ways on how to address them. We go back gratified from here.

**Presidential address by Sri A. Narayanaswamy, Hon'ble Minister for Social Welfare and Prisons, Govt. of Karnataka**

Dignitaries on the dais, ladies and gentlemen,

I am very happy that the Regional Workshop/Discussion Session is being held in Bangalore on the Approach Paper to the 12<sup>th</sup> Five-year Plan, i.e., 2012-2017, by the Planning Commission in consultation with the Planning Department, Govt. of Karnataka.

The Planning Commission is an apex body for formulating Plan guidelines, strategies and policies for launching Five-Year Plans by the Govt. of India. For the purpose of formulating the 12<sup>th</sup> Five-year Plan, it is commendable on the part of the Government to seek civil society inputs for preparing the approach paper and to establish strong policy backing for implementation of various schemes for overall growth and development of the country and the development of undeveloped segments of society.

The Planning Commission has identified 12 strategy challenges to cover many of the issues being faced by the country and to meet the specific needs of each sector. In this regard i would like to request the Planning Commission that the strategy of "Social Justice and Gender Issues" may be made a major challenge for drafting the 12<sup>th</sup> Five-Year Plan, so that adequate policy attention can be given for equal growth and development of disadvantaged sections of society, instead of making it a sub-strategy under decentralisation, employment and information .

The philosophy of social justice as contemplated in our Constitution is seen in the form of equal opportunities in every field, particularly for the deprived sections of society, to live with human dignity, decency and self-respect. It was, and is, the dream of visionary leaders of India, in the past and present also.

Focused attention and more funds are required for helping the people from weaker sections, particularly SCs/STs, and to bring them above the poverty line. Education, skill upgradation, employment, economic assistance and decent living conditions with proper housing, are prime areas of concern. Sufficient fund-flow to SC/ST development is very much required, not only to extend educational and economic support, but also to improve infrastructure and housing in the SC/ST habitats. Clean living conditions may bring changes in their lifestyle.

It is really unfortunate that even now most of the SC/ST people are still living in slums in urban areas and remote localities in rural areas in somewhat unhygienic conditions

Keeping in view the interests of SCs/STs and to give them special attention, guidelines were issued by the Planning commission for implementation of the Special Component Plan (SCP/TSP) by the Central and State Governments. As per the guidelines, the Plan outlay should be earmarked for SCs/STs in proportion to their population and such earmarked funds should be spent for the

development of SCs/STs exclusively. If these guidelines are implemented at Central and State levels, I am sure that there will be perceptible change in the lives of these people. The Planning Commission may review and re-emphasize the implementation of those guidelines in the right spirit.

In Karnataka, the government is making all necessary efforts to invest substantial amounts for the development of SCs/STs in the area of education and economic assistance. In the area of education, we have established a network of about 5,000 hostels for SCs/STs and BCs, and about 545 residential schools with special emphasis for girls. The pre-metric and post-metric scholarships have been increased and fee re-imburement is also being provided by the Government for encouraging admission to higher education. The food charges in the Government hostels are in the range of Rs.750/- to Rs. 850/- per student. In addition, the Government is also extending monetary incentives for encouraging students to secure higher marks in the school final exams, which is in the range of Rs. 5,000/- to Rs. 10,000/-.

House sites and houses are also provided to the site-less and house-less people. On the economic front, income-generating assets like land, irrigation pump-sets and loans and subsidy for procurement of other assets are also provided. But, I agree that much more needs to be done.

In this background, the Approach Paper may contain a specific direction for educational development and to ensure sufficient investment in the educational sector for SCs/STs and women to provide quality education. The literacy levels among women in general, and SCs/STs in particular, are still lower compared to men in many parts of the country and it requires to be rectified at the earliest. Sufficient opportunities are to be provided to equip them to get into higher education in Government and private educational institutions. The emphasis should be on providing education in the field of science and technology.

The other main aspect in the Approach Paper should be providing skill development for gainful employment. Skill development and employment opportunities should be made available so that these sections live with a certain degree of decency and dignity and move up in the social ladder. Many more industrial training institutes, polytechnics, engineering colleges and other professional training institutes need to be started for providing skill development, particularly to youth and unemployed persons. Education at school level in the subjects of science and mathematics and enabling further education at centres of excellence immediately after school education is necessary so that children of these sections get into IITs and IIMs, etc.

Most of the SC/ST illiterate and semi-literate persons are generally working in the age-old sectors of employment like urban sanitation and waste management, etc., which are hazardous in nature to health. They should not be made to stick to such sectors where there is no scope for a bright future. Hence appropriate technology changes have to be brought in such sectors where men and women can work with human dignity and decency. Public and private institutions have to be encouraged to undertake research and development in these areas. The participation of SCs/STs and other weaker sections should also be encouraged in the area of science and technology.

Social inequalities are inherent in our society, but change in economic status may set right these social inequalities to some extent. Economic inequality is the major issue before us. Reducing inequalities should be the main focus. Economic growth and development should be inclusive for all and the poor should be encouraged to reach certain levels by availing the benefits of inclusive growth. Opportunities both in wage and self-employment need to be created. The participation of SCs/STs in the service and manufacturing sectors needs to be increased. There are a number of opportunities in the service sector, both in Government and private, which need to be extended deliberately in favour of SCs/STs for their ultimate upliftment.

It is common that in rural areas the economy revolves around land and cattle. The programmes and schemes and policy directions should be such that these productive assets/resources should be made

available to all those SC/ST families living in remote and rural areas. Improvement in rural livelihoods is most important.

In the field of political and public administration, we have chosen the parliamentary form of democracy and provided the necessary opportunities to all people to participate in governance at various levels. In India, under the able guidance of various visionaries, we could lay a strong foundation for decentralisation of governance by establishing the Panchayath Raj system at village level. There is no doubt that weaker sections are also becoming a part of this decentralisation and becoming chairpersons and members of these Panchayaths. However, it is often observed that the hold of influential persons is still visible over elected chairpersons and members of SCs/STs. The elected members from weaker sections should be equipped with proper information and training in order to enable them to function effectively for the development of weaker sections. These members should be fully involved in implementation of the schemes particularly meant for poor and SCs/STs. The benefits being extended by the Government should reach the target group. Broadly, if you look at it, the change of attitude and mind-set is required.

The other areas which require special attention are health and environment. Today health systems and health infrastructure are covering rural and urban areas fairly well. The mission mode of health administration is giving positive results. However, the health conditions of weaker sections have to be improved because their economic condition depends on the physical condition of their body and mind. Unless they are healthy and fit, they cannot do hard physical work either in the fields or other sectors to earn their livelihood. Therefore, proper health protection is necessary to overcome this problem. But today access to health facilities may be better but affordability of such facilities is the issue. Health insurance covering all the poor and SCs/STs, both in urban and rural areas is necessary. Local bodies and the Government have to come forward to share the cost of insurance. Simultaneously, it is essential to spread health education and healthy habits among the SCs/STs living in slums and other areas. Nutritional care and reduction in infant mortality, MMR and institutional deliveries are the other areas of priority.

Some of the CSOs in today's discussion have said that social audit should be mandatory. This is essential. And some of them said that information, mobilization, implementation, should be transparent, otherwise the schemes will not reach the poor and some of them told that life-skill training is very essential. If you do not provide life-skill training in the rural areas, the employment will not permeate to the rural youth. And reservation in large-scale industries, including private sector, should be emphasized. The rules and amendments should be made in the Centre.

Enforcement of 73 and 74 Amendments is very essential. We are giving nursing training and para-medical training to SC and BC students. Every year we are giving 8000 youth training in nursing and para-medical studies. They are getting employment. My government spent nearly 500 crores for infrastructure development of the SC/ST colonies. This is a special programme of my government which all the other governments may do. Regarding education, my government has established nearly 545 Morarji Desai and Kittur Chennamma Schools. The SCs have got 100% results in these 300 schools. But we get no central assistance for these schools. You can extend it and you can extend it to all the states, not only Karnataka. This is my humble request. Also, the advice given by CSOs is very fruitful. I thank all the participants and the Planning Commissioner for having given me the opportunity to participate in the discussion and share my views.

I am very delighted that many participants in this discussion have given their valuable suggestions and focussed points on the issue of social justice for all and I hope these useful suggestions will find a place in the ensuing Plan document. I am also very thankful to all the participants, organisers and the Planning commission for having given me the opportunity to participate in this discussion and share my views. Thank you all.



**Ramesh Haligudi?**, Deputy Director, Women and Child Development gave the vote of thanks.

#### **Session 4 - Business associations, trade unions and academia**

**Welcome speech by Dr. Raj Kumar Khatri, Secretary, Infrastructure Development Dept. and Director of Industries, GoK:** It is my proud privilege to extend a warm welcome to one and all assembled here. At the outset, I congratulate the Planning Commission for organizing the regional consultation in Bangalore. Today, India is a strong \$ 1 trillion plus economy that has withstood challenges of recession better than many economies of the world. The credit goes to the Planning Commission as well for its planned approach. In this session, the Planning Commission has flagged a few issues and for the industry representatives and trade unions, it is an excellent opportunity to react to those issues.

I am very glad to share with you that the industrial development in Karnataka is being led by a team, with the industry associations taking the drive and the state government being the facilitator.

Recently, we were able to attract large investments, both domestic as well as the FDI to the state of Karnataka because of the team work between the industry associations, like CII led four major sectors, particularly on power and infrastructure and FICCI led on the social sectors. We could get the approvals for the projects worth \$ 87 billion in a span of two days and 60% of those projects are now on the path of implementation. The shining example of one of the projects was that Hon'ble CM laid the foundation for a noodles plant at Nanjangud by Nestle Co. and within 8 months 23 days, the plant was up and operational and the Hon'ble CM inaugurated it.

We were also able to take up a large number of vendor development programmes with organizations like Lagu Udyog Bharati and KASSIA. We were able to put in on-line registration for MSMEs and reserve exclusive place for MSME in the industrial areas with the help of the industry. The Karnataka Vision Document and the New Industrial Policy were led by a vision group headed by Mr. Kris Gopalakrishnan of Infosys. My basic purpose of telling these successful events is that, in Karnataka, it is the teamwork between the industry associations and all the players and this teamwork has led to these positive events. However there are challenges. You would have seen today in the newspapers that IBP was 6.3% in April which is half of what it was last April. I'm sure these issues will be flagged in the introduction by Planning Commission consultants here and I'm sure that the deliberations today will form the basis for useful recommendations. Thank you.

**Dr. Soumitra Chowdhary, Member, Planning Commission:** Thank you very much. It gives me great pleasure to be in this session. I will just correct Dr. Khatri here. We are a \$2 trillion economy, not a \$1 trillion dollar economy and I don't think Planning Commission can take exclusive credit for it. What is really happening is that our society is changing in a dramatic fashion at a pace that has not occurred before; people are moving to new occupations, people are more educated, they have more incomes, there is greater self-assurance, young people are taking loans, not like us, and life is changing very fast. Demand is growing as a result of this transformation. The problem is that we can't very often keep up supply; not across the board but in certain critical areas, as supply falls short of demand. It could be for electricity, power or roads.

In the social sector children are going to school. In 2009, 96% of rural children were in schools so we got over one big challenge. We got the children into schools, but what is the quality of education? I think that is the next big challenge we have to rectify. So, in this Approach, the idea is to listen to

the people on the ground, what are their expectations. The views of many people are always better, always richer in experience than the views of a few.

**Mr. Arvind Modi** then made a presentation of the Planning Commission's Approach to the 12<sup>th</sup> Five-Year Plan. He presented the following discussion points for industry, trade unions and academia.

**Discussion points for manufacturing:**

**What** is the greatest constraint in increasing the growth of Indian manufacturing industry?

- Transportation infrastructure?
- Power?
- Government permissions, procedures, inspections?
- Skilled workers?
- Technology?
- Labor laws?
- Lower cost imports? Land?

**How** can the constraints be overcome most effectively?

- Tax and financial incentives?
- Collaborative problem-solving amongst Governments, business, and stakeholders (land, labor, etc.)?
- Changes in laws?
- Better coordination and implementation?
- Role of Center vis-à-vis role of State Governments?

**Dr. Chowdhary:** In my view, it is a basket of all the issues that are mentioned here. The way to approach is to prioritize some and see how to cut through the roadblocks. In our view, the intent is there, the issues are known. It is about service delivery, it is about how to get things effectively done. Some of the things are going to be stumbling blocks for growth that we are wanting to achieve. If I had to put my finger on one thing, it would be power, land and water.

**Balakrishnan:**

1. We want to be a manufacturing power. So the goal seems to be much clearer this time and that is a very good indication. We need to look at some of the constraints that we have in industry and find out some solutions. I think I will start with the problems related to labour. We do have a problem in our labour rigidity; we normally try to push it under the carpet or gloss over it. We have to face the problems, we have to identify the issues and find solutions. Sir, if you want people to employ thousands of people, it will come with a price. In manufacturing, the technology changes fast, it becomes obsolete very early. If you want people to come in and create jobs, you also want to ensure that if it doesn't work, they can get out. You need an exit policy. That is the challenge. I think, for every new appointment, we should introduce a compulsory insurance policy. Workers should be given full wages, if there is a layoff or plant shutdown or till they find an alternate employment, so that the transition does not become painful.
2. In manufacturing, we are not as competitive as China. We need to have Special Industrial Areas where basic infrastructure is provided like power, water and partnership with landowners. Talking about bottlenecks, connectivity to the ports is important. We have to create infrastructure

corridors. The first one, Delhi-Bombay, is already started. We have to create similar corridors in the south like Mangalore-Chennai, Coimbatore-Cochin. We have to have several such corridors.

3. We have to have a very liberal policy of allowing them to source technology from anywhere in the world.

**Mahesh Desai** from Hyderabad:

1. The first thing for MSME is access to credit, finance, technology and skill development so that MSMEs can integrate themselves in the mainstream of employment generation. Secondly, if one wants to close a business today, one can't do it. Between State and Centre, there should be clear-cut guidelines for exit policies for all types of industry, micro, small or large.
2. Raising the FDI in industry: No American company will come with 30% FDI for sharing their technology with us. There is a limitation of 26% FDI in small-scale sector. These are some of the blocks which we have to address if we want to integrate ourselves in the global market in the 12<sup>th</sup> Plan.

**Lalita Chandrashekhar:** We should go in for small and medium scale industries in a big way. This will increase employment as well as manufacturing. Also, the space required is very little. The productivity per square meter is very high. We should have more of Peenya-style industries. Land is a constraint and a scarce resource. We have a large population. We should have development in our kind of parameters and not some other parameters. Government should give all facilities to small and medium industry, in which case the sky is the limit.

**N. P. Samy,** General Secretary of National Centre for Labour:

1. NCL is an independent labour organization in India. While appreciating the growth you have achieved in the 11<sup>th</sup> Five Year Plan, currently a lot of debates have cropped up and one debate is on poverty. There are several figures thrown up, including that of the Planning Commission, which estimates poverty in India around 27.5%, the NAC says it is 50%, UNDP estimates it as 55%, Suresh Tendulkar Committee at 37.5% and the Arjun Sengupta Commission says that 77% of the unorganized labour is living on Rs. 20 per day. The concern is that at least in the 12<sup>th</sup> Five-Year Plan, the norms that would determine the poverty line should be clear. We should realistically determine the poverty line. Just 2000 calorie intake and some yards of cloth do not determine the poverty line. The UN says that when you talk of poverty line, it should also include education, health and housing. There should be a consensus on what should determine the poverty line and I appeal to the Planning Commission that it should nominate a committee to go into the basic needs of the poor and target that population through your programmes.
2. Parliament's PAC went through the National Rural Mission and said that Rs.30,000 crores was wasted through mismanagement and corruption. Thousands of crores of money is being mishandled and going down the drain. My appeal to you is that you should address this problem of corruption and find out how it is taking place. Monitoring should take place, also of freebies. Freebies can be a temporary measure. The Planning Commission should put its foot down regarding freebies and focus more on skill development and the unorganized sector, because this sector is bulging. 433 million people belong to the unorganized sector in this country out of 459 million workforce. It is an enormous workforce which has no training. Freebies should not come from the Central funding which should focus instead on health, education and skill development of the poor.

**Prof. R. S. Deshpande**, Director of the Institute for Social and Economic Change, Bangalore:

1. I have been associated with the planning process for the last five plans. I am very happy with the presentation of Mr. Modi. At the Planning Commission, excellent brains have put together a lot of material which needs to be implemented. There is one problem which I feel. How does this excellent material go down to the last beneficiary? Firstly, we set the target at the macro-level and do not break them down. When 4% target was given for agriculture, every state said that we will grow at 4.5%. There are winning horses, there are laggards. Therefore, the first thing that we need to do is break down the target, which is done in agriculture but not in the other sectors, which is essential.
2. You have asked the question, what should be the targeted growth rate. The targeted growth rate should not come from the top. It needs to come from the available resources in the State. In my state Karnataka, we did not have the resources, but we tried to get the resources from elsewhere and boost the industrial sector. This was impossible with our own resources in this state. In agriculture and manufacturing, the public investment is so pitiful that, whatever you do, you cannot reach the target you are given. If at all we have to look into governance, we have to have a bottom-up approach. A top-down approach in governance is wishful thinking. We have done it all along; we may do it for the next Plan also.

**Vijay Kumar, Principal Secretary, Tamil Nadu:** Traditionally, the Planning Commission and the state have been promoting industrial development. There are issues of entrepreneur development in TN which is an issue common to all the states. The issue is how to promote entrepreneur development. In the case of large industry, they sign MoUs and by the time the FDI comes in, it takes several years. But an industry in the MSME sector can get off pretty fast. So, there are advantages in promoting MSME. There is the connected issue of how to ensure venture capital funding. We had operated venture capital funds in TN and it is quite a difficult job. Here, government has done it but withdrawn it now and left it to the private sector which is doing a good job but probably not adequate enough. The other issue is of technical promotion. MSME needs technology. They cannot go back to the old technology; they have to get technology. How can we assist them is an issue. Then, of course, we have the usual problems of energy and water. These are location specific, so they have to be sorted out at the local level. All these are issues which are relevant to the Approach to the Plan itself. We should get inputs from industry and incorporate in the Approach Paper.

**Gurudas Bhatt** from Karnataka government: The government should consider giving an attractive incentive to industries if they take up skill development with a rider that they should give employment to the trained. Social security and welfare boards should be adequately funded either by way of levying cess. Or unclaimed provident fund which is lying idle could be distributed to these boards of the State governments with a direction to take up health, medical cashless benefits and insurance. Many social welfare schemes are being implemented which are announced by the Government of India and Karnataka. Labour department has been entrusted with the distribution and administration of the welfare measures, but this mission needs to be strengthened. I don't know whether the Planning Commission will take up this issue or not.

**Jeya Bangerappa**, FKCCI, President-elect: I would like to emphasize two points: the physical infrastructure and the social infrastructure. There should be more investment on roads, particularly rural roads. Last mile connectivity is very important. We are lacking in energy growth; growth has been negative in this sector. Thirdly, the ports; we are languishing here. Karnataka has only one port. Another two ports are required for our industries. Lastly is the land issue. It is very important for industry particularly MSMEs. In the social sector, health - rural health - is very important. Delivery

is not reaching the last person in the village. Secondly, emphasis on skill development; employable skills should be imparted in the schools and colleges. Safe drinking water is very essential, PPP should be given emphasis in this area. Hygiene is very important; when we take a buyer to the rural area, he sees the area in which we are manufacturing.

Investment in R & D is only 0.5-0.8%. We require more investment in R&D. Linking of all research institutions is very necessary; there should be a grant to these R&D institutions. Labour laws are a holy cow. Nobody would like to touch them but their reform is required for productivity. Emphasis on agri-processing, food-processing and some emphasis on MST (Manufacturing, Services and Trade) is necessary.

### **Unnamed participants:**

- Small Industries Development Bank of India (SIDBI) is currently under the control of the Large Industries Minister. It has to be transferred to the control of the Small Industries Minister.
- In the budget, you allocate a lot of funds to SIDBI. It is not a direct financing agency. A majority of the nationalized banks are flooded with funds. They don't want to go for any re-finance from SIDBI, so the funds are mainly unutilized.
- Also, the new generation banks and foreign banks, in order to comply with the RBI norms of priority sector lending, simply deposit that money with SIDBI. So, in addition to the corpus fund of SIDBI, the funds deposited by these new generation banks and foreign banks are also lying idle.
- The banks do not adhere to RBI instructions, especially regarding priorities of lending.
- Majority of the RBI instructions are only informative in nature, they are not mandatory, especially the manufacturing policy which has been submitted recently.
- The RBI has not even a single word about MSME;
- With regard to the exit policy for small industry as well as government purchase, please look into the Small Business Act of America.
- Reserve at least 5% of government purchase from small industries, so that they can flourish.
- Under the credit guarantee scheme, they pursue the case legally against the entrepreneur, even after the bank or the financial institution gets the claim.
- The Sarkasi(?) Act has to be re-looked. In this act, the banker takes all the assets and auctions it. When a large company borrows from the bank, the bank is at the mercy of the company. But a small entrepreneur getting Rs. 5 lakh and pledging his own residential house, has his house auctioned even without giving a chance to him. The Sarkasi(?) Act has to be repealed or at least re-considered.
- For the credit flow to small industry, we are of the opinion that only the Local Area Bank concept should be more helpful; because all these nationalized banks are worried about transaction costs. They are not interested in small loans for Rs. 10 lakhs or Rs. 15 lakhs. We suggest that a local area bank concept should be introduced.
- When you say PPP, why not PPP with a small industry association? The small industry association could be taken as a partner along with nationalized banks on the lines of micro-credit and allow the associations to lend for smaller investors.
- As in Germany, why not we think of compulsory registration of small industries and their compulsory membership in the association. First of all, we have to bring in benchmarking for the associations in this country, because there is mushrooming growth of associations and government is giving funds to the associations.
- The NCBT scheme for vocational training was very good. It is being suspended now. May be there were some malpractices but the scheme should not be suspended because of that. We have to have a re-look and revise the scheme.
- Nobody is looking into the availability of vocational training for skilled workers in this country. Merely by increasing level of higher education by 25% by 2022, what are we going to achieve? If we want India to be a manufacturing hub, we need skilled workers.

- Unfortunately, there is red-tapism in the Centre of Excellence scheme in ITIs. The fund is remaining in the bank. The officials are not allowing private partners to use the fund for any new scheme. The Centre of Excellence ITI has not introduced even 10 or 15 courses out of 1500.
- How about bare-foot doctors? Why not we go in for them?
- NREGA has only taken away workers from small industry. We should have a re-look into that. It could be introduced only in districts where there is a lot of unemployment. Or, you pay the government's share and allow them to work and get the money from agricultural work and industry also, so that we will also get workers. At present, small industry has no skilled or unskilled workers.
- The perception of the Pollution Control Board is that only industries are spoiling the environment. We are not against protecting the environment but at the same time we should not be the only ones faulted.
- The Pollution Control Board should be a facilitating agency instead of an inspection agency. They should give us the technology to protect the environment; not simply collect fees.
- As far as small industry is concerned, we are against FDI in retail.

**Professor Mohan Kumar, Professor of Psychology at Bangalore University:**

- My appeal is, in order to empower health and education, please give tax benefits. Let Section 35G be given liberally to all these universities. To empower these two subjects, please give tax benefits liberally.
- Establish skill development centres on a par footing with a university as the nodal point. Give us a minimum of 10 crores. We will ensure that our boys and girls get vocational training and are employable.
- PPP model is yet to be tried in the higher education sector. There are many legal constraints. We must remove the bottlenecks. I do hope that this 20% gross enrolment ratio will not be a problem. In fact, we can go further, if only the government looks at liberalizing the education loan. Can a person from a BPL family look for any guarantor or immovable property to mortgage to the bank? Certainly, banks should come forward and finance his education, irrespective of his economic position.

**P. Narasimaiah, AITUC, Andhra Pradesh:**

- The Planning Commission has to re-visit its own approach. Even today, 41% of the people of this country are BPL, even after 11 Five-Year Plans.
- As far as the worker is concerned, his job is flexible, his working hours are flexible, his wages are flexible. There is no guarantee for his job.
- Today, India is a \$2 trillion dollar economy. Accepted, but where does this growth go? Growth is most uneven in this country. Today, crores of people live in slums but one gentleman could build a house of 27 storeys at the cost of Rs.8000 crore. That is the position of the economy today.
- Workers are not getting minimum wages. Unless you increase the purchasing power of the people of this country, whatever planning you do will not be successful.
- The target of growth in health, education, agriculture was not achieved in the 11<sup>th</sup> Plan. The people of this country would like to know why this target was not achieved.
- All the unions have demanded that at least 1% of GDP should be allotted for social security. That has not been done. So, the Centre and States have to revisit this in the Approach Paper.

**Damodar, General Secretary of the Small Industries Association of Kerala:**

- In Kerala there is no unemployment. Employment generation schemes need not be implemented in Kerala.
- Government permissions for transportation and infrastructure are a big hindrance.

- Transaction costs are high. In the US, you can set up your own business sitting in your home or office with an internet connection. That should be there for renewal of your licence also. It saves time.
- Labour laws are quite archaic. Labour-related inspections are not needed at the moment. We find it difficult to get people to work and we do our best to retain them. Homemakers are being used as medical representatives.
- Pollution is a big problem in Kerala. Awareness of people regarding pollution is quite high so industry is finding it difficult to function. There should be some sort of incentive for carrying out pollution control measures to the industry.
- Land is another problem. We should have industrial parks that go up vertically since land is scarce there.

**Dr. Chowdhury: ?**

I will pick up four items of the speaker to discuss:

- Cost of doing business also includes the component of time, that is, both the transaction cost and speed. Can government look at outsourcing the transaction? Keep the core and outsource the transaction. Can we look at this model?
- In our view, the crux is about reforms of SEZs. A large number of SEZ reforms should be a priority in the power sector.
- Land for industries should get earmarked. The process of earmarking should be an involved process where all other stakeholders' considerations are taken care of, including agriculture, environment and social issues. The issue of whether it is tribal land/non-tribal land etc. should be sorted out right in the beginning while earmarking land. One option could be to look at land banks.
- Whether you look at the viability of de-salination as a solution, or water management, the issue is about its price. Both water and land are state subjects. How do you put down an institutional framework that percolates down to the States?
- Water management in a river-basin level which cuts across states is required. This will require getting stakeholders on a collaborative platform. One of the important ingredients for this is the availability of information that is open and transparent. The details need to be worked out.

**Kathyayini Chamaraj, Freelance Journalist & Executive Trustee, CIVIC Bangalore:**

- The current conflicts over land are taking away productive land for industry. Farmers are getting displaced without proper resettlement and rehabilitation. This is a major concern all over the country but that issue has not been addressed in your Approach Paper.
- There has to be earmarking of land for agriculture to retain our food security. Has an estimation been made of how much land is required to feed our population? Isn't there enough wasteland to be earmarked for industry? Why are the industrialists not willing to go there? These deep-rooted conflicts of interest need to be addressed in the Approach Paper by the Planning Commission.
- The Minimum Support Price for farmers has not been discussed at all in the Approach Paper. There are only talks about markets, inputs and outputs. What about making farming remunerative for farmers? The non-remunerative nature of agriculture is the major reason for their committing suicides. There needs to be a discussion on this.
- There is no discussion in the Approach Paper on what should be the criteria for fixing the poverty line. Internationally, the poverty line is meant to cover all basic needs and not just food and a little bit of health and education. Estimates at current prices for covering all basic needs, based on the 15<sup>th</sup> ILC norms, arrive at a figure of about Rs. 10,000 per month for a worker, who has to support a spouse and two children. This comes to about Rs. 380 per day, per earner, and Rs. 1,20,000 per year. Any family earning less than this figure should be considered as coming below the poverty line as they will be unable to meet their basic needs with a lesser amount. Is the Planning Commission considering fixing this as the poverty line?

**Prasanna Kumar, General Secretary of CITU, Karnataka State Committee:**

- We appreciate the concern for inclusive growth of the Planning Commission. But, the basic needs of the individual are eating away a large portion of his earnings. Inflation is making our so-called growth-rate utopian. One of the greatest constraints in increasing GDP is inflation. Is there any definite approach to reduce or regulate inflation.
- There is a suggestion for PPP in health and education. This will work against inclusion because it will lead to exclusiveness. Health and education will become costly commodities for the common man. In our experience, PPP is Public Investment-Private Profit. This concept should change. Our submission is that, for health and education, food and housing, there must be state intervention.
- Removing subsidies will further increase the exclusiveness of the economy. Our opinion is that there is a need for tax reforms. Now individuals and corporates are equated with common tax rates. There is a need for change in the approach of the Planning Commission to this. According to the Nanjundappa Committee, almost 90% of Karnataka taluks are defined as backward.
- The BPL categorization must be based on purchasing power parity and index linked.

**Chief Addl. Director of Industries and Commerce, Kerala:**

- We suggest a new scheme in the 12<sup>th</sup> Plan for employment generation in which at least 10,000 enterprises can be set up.
- One of the main problems faced by MSME is the shortage of skilled workers. We propose a mission-based approach to train youth.
- A scheme for the rehabilitation of sick MSME may be formulated during the 12<sup>th</sup> Plan.
- Due to land shortage in Kerala, we are proposing to set up multi-storied industrial parks for MSMEs in all districts.
- We also suggest that the Cluster Development Programme be continued with some modifications.

**Mr. Giridhar, President, Karnataka State Small Industries Association (KASSIA), Bangalore:**

As far as Karnataka is concerned, we have a strong and vibrant MSME. Since the Global Investors' Meet, Karnataka has proved to be an investment destination. A lot of opportunity has been created for MSME sector. We need to be first class.

- Credit to MSME sector is not enough. It is a dream to get credit particularly in tier 2 and tier 3 towns. It has to be looked into.
- Rate of interest is very high compared to large industry and agriculture sector. We have been neglected. Rate of interest has to be competitive in nature. In MSME sector, banks are charging almost 19-20%. The rate of interest with hidden charges, application, processing fees, etc. is almost 20%. There should be a clear, mandatory advice from RBI and Central government regarding rate of interest.
- Loans under Collateral lending scheme of Central government should be increased from one crore to 3 crores.
- Skill development is the need of the hour. There is an urgent need for new PPP model for skill supply and also funding to train the unskilled manpower for skill requirement. Creation of information and skill development centres all over the state is necessary. Setting up vocational training centres in each taluk sector-wise.
- We need eighteen hours quality/power for MSME sector. There should be a separate grid for industrial corridors.
- We find a deficiency in infrastructure, whether it is social infrastructure or tourism infrastructure. It has to be supported in a big way.
- Rural industries infrastructure needs focus. Upgrade the artisans as self-employed entities. Transform micro-industry into small industry. Link the roads, give marketing assistance; make an



exit policy for entrepreneurs; when industry becomes sick, he should be able to come out of it. Implement the PM's Task Force recommendations on MSME. Nothing is happening on this front. It needs to be implemented.

- Inspector raj is increasing. MSMEs are burdened with many laws, PSI, labour, pollution control board, trade licence in Karnataka. Every law has to be simplified.
- New railway lines for Karnataka are needed.
- Alternate sources of energy, wind energy, solar energy has to be encouraged.
- Social security for the entrepreneur is also a need.
- Most backward taluks have to be industrialized.

**Padma Kumar, Secretary, Public Restructuring Board, Govt. of Kerala:**

I would like to suggest certain levers of change from the Central Government:

- Design clusters linked to large scale industry, both in public sector and private sector. A great deal of research has to go into it to design efficient supply chains.
- There was a scheme for textile sector technology upgradation fund but the rules were rigid. Only units which made profits for consecutive 3 years were to be made eligible under the scheme. These are some of the rigidities to be ironed out.
- Regarding improvement of governance initiatives, electronic governance should stretch beyond websites. It could be secured portals for accounting; that would improve the credibility of these enterprises.
- Regarding public enterprises, there have to be some pointers to the states for managing surplus funds. In Kerala, in recent years, units have started making profits; we need to have a policy on how these surplus funds can be deployed.
- How to extend the MoU system. Department of Public Enterprises has started to closely look at it due to nearly Rs. 3 lakh crore investment in State-led public enterprises. For instance, the alignment of Corporate Social Responsibility of the GoI to the state PSUs.

**Woman commentator from Kerala:**

- Planning Commission should ask industries to provide environment friendly plastic.
- There should be provision for agricultural loan facility for group farming.
- Government should provide food-crop seeds as a subsidy to encourage cultivation.

**Dr. Chowdhury:** There have been wide-ranging discussions in this session and certain issues were raised: (a) issue of land; (b) skill sets; (c) infrastructure paucity. It has been a very valuable session. Feel free to access the Planning Commission website and send in your suggestions.

**Dr. V.S. Acharya:**

It has been a new experience. In addition to interaction with other southern States, these three sessions, yesterday and today, have given us a lot of opportunity to participate. It reminded me of my stay in prison from '75-77 when I gained a lot of information. I am very thankful to the Planning Commission.

In this session, you have raised many issues. I am looking after higher education. By about 2020, we should cross 22% gross enrolment in the eligible age group. Now, Karnataka has a GER of 13.5-14. We are on a very fast mode of expansion. We would like to have our graduates with value addition. We are trying to incorporate soft skills, e.g. coaching in English. Let them be useful, employable, human beings.

In medicine, in another 20 years, there will be an integrated systems approach. In these days of specialization, we have lost sight of a good family physician.

Till 2001, we were able to give fiscal concessions to industry: tax concession, tax holidays, etc. But it was not possible to continue with this because States were hurting themselves. Then it was thought to give concessions in infrastructure, land, power. But now, land has become scarce. It is a big issue. In power generation, only hydel power and thermal power plants are reliable. Renewable energy, such as wind and solar power, is not available when needed. The cost is prohibitive. If the new technology comes, we can consider it. Water, which was once plenty and free, has also become costly. These are issues with which the State government is concerned but we are trying our best.

Karnataka started hydel power generation 108 years back at Sivasamudram. In 1905, streetlights in Mysore were electrified. We have the history and tradition. We will continue to do our best with your support. Thanks to the Planning Commission and all the participants of this 4<sup>th</sup> session.

**Dr. Ashok Sahu, Principal Advisor, Planning Commission:**

On behalf of Planning Commission, I thank Government of Karnataka. Your inputs will be taken into account in formulation of 12<sup>th</sup> Five Year Plan. We have been benefited from your knowledge and insight.

**Dr. Khatri**, Secretary of Infrastructure Department, GoK, proposed a vote of thanks.

**Anchor:** This programme has been made possible under the leadership of Shri Sanjiv Kumar, Secretary, Plan Monitoring and Implementation. Thank you.

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**Annexure 1**

**Planning Commission presentation -Issues for Approach to the 12<sup>th</sup> Five Year Plan**

**Eleventh Plan Experience**

Average GDP 8.2% in 11<sup>th</sup> Plan, as against 7.6% in 10<sup>th</sup> Plan.

Short of 9% target, but remarkable given the global crisis and drought.

We have also seen progress on inclusiveness; but this is less than expected.

Meet only some of the Millennium Development Goals (MDG)

Inflation has accelerated in the last two years.

Uncertain international environment

Global pressure on food, oil and other commodity prices

Volatile financial conditions & exchange rates.

**Key Messages from Consultations**

Strong demand from all sectors of society to improve **Implementation, Accountability, and Service Delivery.**

Citizens Groups broadly support the stated objectives of existing government programs. Design and institutional arrangements are weak. Greater **devolution** and **empowerment** needed.

Government programs need a new architecture: greater **localization**, breakdown of **silos**, **feedback** from citizens, and mechanisms for learning and sharing of **best practices.**

**Twelfth Plan Objectives**

**Basic objective:** Faster, More Inclusive, and Sustainable Growth

**Is 10% growth feasible?** Realistically, even 9% will need strong policy action. **Could aim at 9.0 to 9.5 percent**

**Energy, Water, and Environment** present major sectoral challenges. Can we address them without sacrificing growth?

For growth to be more rapid and inclusive we need:

Better performance in agriculture

Faster creation of jobs, especially in manufacturing

Stronger efforts at health, education and skill development

A world-class infrastructure

Improve effectiveness of programmes directly aimed at the poor

Special programmes for socially vulnerable groups

Special plans for disadvantaged/backward regions

### **Agriculture and Rural Development**

Target at least 4% growth for agriculture. Cereals are on target for 1.5 to 2% growth. Concentrate more on **horticulture, animal husbandry and fisheries**.

Land and water are critical constraints. Technology must focus on land productivity and **water use efficiency**.

Farmers need better functioning **markets** for both outputs and inputs. Also, better rural infrastructure, including storage and food processing

States must modify APMC Act/Rules (exclude horticulture), modernize **land records** and enable properly recorded land lease markets.

RKVY has helped convergence and innovation and gives State governments **flexibility**.

Expand in Twelfth Plan

Redesign MGNREGS to increase contribution to **land productivity** and rain-fed agriculture. FRA has potential to improve forest economies and tribal societies.

Convergence with NRLM for enduring rural livelihoods

### **Water**

Re-estimate basin-wise water balance. Map all aquifers over next five years to facilitate **aquifer management** plans

AIBP is not achieving its objectives. Restructure to incentivize irrigation reform and efficiency of resources created. Setting of **Water Regulatory Authority** must be a precondition.

Higher priority to watershed management

Separation of electricity feeders for agriculture: improve quality of power availability and reduce water extraction.

Raise proportion of water **recycled** by urban India and industry to protect water levels, and improve surface and groundwater quality

Rational water use may need:

New Groundwater Law reflecting Public Trust Doctrine

New Water Framework Law (as in the EU)

Need to evolve political consensus. Perhaps discuss in a special **NDC**

Need National Water Commission to monitor compliance with conditionalities.

### **Industry ... 1**

Manufacturing needs to grow at 11-12% per year as against 8% in 11<sup>th</sup> Plan, to create **3 million** additional jobs per year.

Reform FDI and trade policies to attract **quality** investment.

Improve business regulatory framework: “cost of doing business”, transparency, incentives for R&D, innovation, etc.

**Land and infrastructure** constraints are a major problem.

States should develop “special industrial zones” with good connectivity and infrastructure.

“Clusters” need to be supported to enhance productivity of **MSMEs**

### **Industry ... 2**

Active industrial policy, focusing on specific sectors:

large **employment**: textiles and garments, leather and footwear; gems and jewelry; food processing industries

**technological** capabilities: Machine tools; IT hardware and electronics

**strategic** security: telecom equipment; aerospace; shipping; defense equipment

**Capital** equipment for infrastructure growth: Heavy electrical equipment; Heavy transport and earth-moving equipment

**global** competitive advantage: automotive; pharmaceuticals and medical equipment

**MSMEs**: innovation, employment and enterprise generation

Sectoral plans are being prepared with involvement of industry associations and the concerned Ministries.

### **Education and Skill Development**

Universalization of secondary education by 2017

Raise the Gross Enrolment Ratio (GER) in Higher Education to 20% by 2017 and hopefully 25% by 2022

Focus on **quality** of education. Invest in teachers’ training and evaluation.

Reduce social, gender, and regional gaps in education.

Curriculum reforms in vocational/skill development to ensure **employability** in response to changing market needs

Development and operationalization of **PPP models** in School and Higher Education.

### **Health**

Better health through better **prevention**, clean drinking water, sanitation and better nutrition, childcare, etc. **Convergence** of schemes across Ministries is needed

Expenditure on health by Centre and States to increase from 1.3% of GDP to at least 2.0%, and perhaps 2.5% of GDP by end of 12<sup>th</sup> Plan

Time-bound approach to increase seats in medical colleges, **nursing** colleges and other licensed health professionals

Improve **quality** of NRHM services. Structured **involvement** of PRIs/CSOs can help.

Role of **PPP** in secondary and tertiary healthcare must be expanded

Expand health insurance cover to all disadvantaged groups

Focus on women and children; revamp ICDS.

### **Energy ... 1**

Commercial energy demand will increase at 7% p.a. if GDP grows at 9%.

Energy **pricing** is a major issue. Center will have to decide on Petroleum and Coal prices.

#### **Power Sector Issues**

Target of 100,000 MW capacity in 12<sup>th</sup> Plan (against likely achievement of 50,000 MW in Eleventh Plan)

**Coal** availability will be a major constraint

Long term health of power sector seriously **undermined** (losses Rs. 70,000 crore per year). AT&C losses are slowly coming down. State governments must push **distribution** reform

Hydro-power development seriously hindered by forest and environment clearance procedures. Himalayan States complain strongly  
 Electricity tariffs not being **revised** to reflect rising costs. Regulators are being **held back** from allowing justified tariff increases  
**Open access** is not being operationalized

## **Energy ... 2**

### **Coal Production**

Need to import **250 million** tonnes in 2017-18, against 80 mt today.

Corresponding **expansion** of rail and port capacity

Coal India should import and blend coal to meet demand.

Environment and forest **clearances** of coal mining projects, including few private sector captive projects, will be critical. GoM is examining this

### **Petroleum and Natural Gas**

New NELP blocks with stable and clearer production sharing contracts to incentivize exploration and encourage investment

Quick expansion of pipeline network for transportation of natural gas and LNG.

### **Other Energy Sources**

Nuclear power program must continue with necessary safety review.

Use off-grid solar and bio-mass energy for decentralized generation and distribution.

## **Transport Infrastructure**

Complete Railways' Western and Eastern Dedicated Freight Corridors (DFC) by the end of the Twelfth Plan

More PPP in railways and **state highways** to complement government investment

Complete the **linkages** between the ports and the existing road and rail network

Port development is behind target. Deepen existing ports. Increase bulk/container capacity

Ensure **maintenance** of the already-built roads.

Invest in unified tolling and better **safety** on highways.

Improve **bus services**/public transport in **smaller** cities, towns and districts. Metros in urban areas through PPPs wherever feasible.

## **Managing Urbanization**

India's urban population expected to rise from 400 million to **600 million** by 2030.

Critical challenges are basic **urban services**, especially for the poor: water, sewerage, sanitation, solid waste management, affordable housing, public transport

Investment required in urban infrastructure is estimated at Rs. 60 lakh crore over the next 20 years

Develop and propagate **innovative** ways of municipal financing, through Public-Private Partnerships (PPPs)

**Land** management strategies key for good urban development and to finance urban infrastructure development

**Training** and capacity building for urban planning and urban services management for **corporators** and municipal officials

Reform JNNRUM, converge with RAY for an integrated approach

## **Resource Allocation Priorities in 12<sup>th</sup> Plan**

Health and Education received less than projected in 11<sup>th</sup> Plan. Allocations for these sectors will have to be increased in 12<sup>th</sup> Plan

Health, Education and Skill Development together will have to go up by at least 1.2 percent point of GDP in the Centre's Plan.

Infrastructure, including irrigation and watershed management and urban infrastructure, will need additional 0.7 percentage point of GDP over the next five years

Since Centre's GBS may rise by only 1.3 (?) percentage points over five years, **slower growth** for all **other sectors** in allocations

Must **reduce** the number of Centrally Sponsored Schemes (CSS) to a few major schemes.

Create **flexi-fund**, which allows Ministries and States to experiment in other CSS areas

Use of PPP must be **encouraged**, including in the social sector, i.e. health and education.

### **Governance and Empowerment**

Citizen feedback reveals general **dissatisfaction** with public service delivery.

Professionally managed delivery organizations with clear mandates and accountability.

Total Quality Management needs to be introduced at all levels.

Delivery and policy functions to be separated in Government Ministries and State Departments. We need much better mechanisms for **convergence** of government departments on systemic issues

Social Mobilization: People should be active agents of change. Flagship programs to provide **human** and financial resources for social mobilization, capacity building, and information sharing

Devolution can be effective only if the **autonomy** of PRIs/ULBs is increased and their human resource capabilities improved.

Create mechanisms to understand the needs of **vulnerable** sections of the society and to inform policy-makers

Create horizontal linkages for exchange of information and **best practices**

Institutional mechanisms for **conflict resolution**, particularly for land, water

### **Reform Implementation of Flagship Programs**

- Make citizens agents of change: flagship programs to provide human and financial resources for social mobilization and awareness raising.
- Professionalize flagship programs through transparent, open market recruitment and affixing norms of accountability/performance.
- Reform institutions devoted to capacity building (CB); specific human and financial resources for CB in each flagship programme
- Make devolution to PRIs/ULBs more effective by improving their human resource capacities and management systems
- Create space within each flagship programme to foster partnerships with civil society in planning, implementation and social audit.
- Flagship programs to provide flexible pool of financial resources to facilitate and incentivize exemplary innovative practices.
- Flagship programs to yield learnings for improvement through on-going diagnostics of failure and mainstreaming of successes.

### **Broader Reforms of Governance**

- Nation-wide Total Quality Management movement to be scaled up in mission mode.
- Delivery functions must be separated from policy-making functions in government ministries.

- Professionally-managed, specialized delivery organizations with clear mandates, resources and accountabilities to be set up.
- Quality of coordination and oversight across silos can improve by rationalization of existing bodies and fixing tighter accountability.
- Develop mechanisms for alignment/convergence of central Ministries and Departments on systemic issues.
- *Ex ante* resolution of conflicts over land and water is possible by developing institutionalized mechanisms of conflict resolution.

### **Objectives of the Plan**

- 1) What should be the measures of success for the 12<sup>th</sup> Plan?
- 2) What must be emphasized most of all in the 12<sup>th</sup> Plan?

### **Discussion points for manufacturing**

**What** is the greatest constraint in increasing the growth of Indian manufacturing industry?

- Transportation infrastructure?
- Power?
- Government permissions, procedures, inspections?
- Skilled workers?
- Technology?
- Labor laws?
- Lower cost imports?
- Land?

**How** can the constraints be overcome most effectively?

- Tax and financial incentives?
- Collaborative problem-solving amongst Governments, business, and stakeholders (land, labor, etc.)?
- Changes in laws?
- Better coordination and implementation?
- Role of Center vis-à-vis role of State Governments?

## **Annexure 2**

### **3<sup>rd</sup> Session with civil society organisations - Members of Group 1**

1. Ms Nivedita, Special Secretary, Govt. of Puducherry
2. Ms Kathyayini Chamaraj, Executive Trustee, CIVIC Bangalore
3. Ms Bhavana, ISEC
4. Ms Lavanya, ISEC
5. Mr. Mathew Samuel, Special Secretary, Govt. of Puducherry
6. Mr. Thippeswamy, RDPR, Anantapur, AP
7. Ms Piyush, UNICEF, Hyderabad
8. Mr. Balakrishnan, Addnl. Chief Secretary, Kerala
9. Mr. R. K. Sharma, Secretary, Industries, Kerala
10. Ms Dhanvanthi Jain, President AWAKE
11. Dr. Chandrashekar, Govt. of Karnataka

12. Mr. Satyababu Bose, People's Monitoring Committee

**List of participants of 2nd Session – 3<sup>rd</sup> group**

1. Harshanand Guttedar, VP, ZP, Gulbarga, Karnataka
2. P.C Jaffar, DC, Mandya
3. Ramni Nayar, President, Trivandrum, ZP
4. Bhagyamma, President, ZP, Bangalore Rural
5. Wilfred D'Souza, Consultant ANSSIRD, Mysore
6. N. Shivanna, ISEC, Bangalore
7. Sunil Nautiyal, ISEC, Bangalore
8. Bhuvan Halanaik, ISEC, Bangalore
9. Siddarth Swaminathan, ISEC Bangalore
10. Anjum Azad, ISEC, Bangalore
11. V.G. Turmuri, CEO, ZP Gadag
12. Mamata, PDO, Chikabalapur
13. Somasekhar, PDO, Chikamagalur
14. N. Uthaman, Lingewadi Panchayat
15. V. Alageshan, dharmapuri district
16. S.D. Meena, Secretary, UD, Karnataka

**Session 3 -Role of CSOs in ensuring inclusive growth, content, expertise**

**Members of Group 2**

**Group 2:**

1. Mr. Mathew Thomas
2. Mr. Mohammad Ashfaq Ahamed (ISEC)
3. Mr. Paul, Secretary to Govt., Puducherry
4. Ms Akhila, UNICEF
5. Mr. Shivanna, ISEC
6. Mr. Dhanvel, Govt. of TN
7. Dr. R. Balasubramaniam, SVYM
8. Mr. Viswanathan, SPC, TN
9. Mr. Vijayakumar, Govt. of TN

**Group 3 & 4: Role of CSOs in social mobilization, IEC and capacity building in government programmes; implementation of government schemes and improvement of service delivery**

**Members:**

1. Mr. Ravinder Bedi
2. Ms Sujatha Sundaram
3. Ms Tasneem Sultana
4. Dr. Devpal
5. Dr. Hema, N.
6. Ms Priyanka Bagaliya
7. Mr. Khalil Shah (ISEC)
8. Dr. Mahadevappa
9. Mr. Guru S Moger (ISEC)
10. Mr. Sharad Muralidharan
11. Ms Angan Sengupta
12. Mr. Raymond, P.



13. Mr. V.M. Manohar

**Members of Group 5**

1. Prasanna Bhandari, ISEC
2. Sunil Nautiyal, ISEC
3. Aleyamma Vijayan, Saakhi, Kerala
4. V. Alagesan, GP President, TN
5. Dr. H. Sudershan
6. Lalita Chandrashekar, freelance consultant
7. Dr. Samuel Paul, PAC
8. Siddharth Swaminathan, ISEC
9. Anjum Nehu, Shillong, ISEC