SUMMARY RECORD
OF DISCUSSIONS OF THE
NATIONAL DEVELOPMENT COUNCIL (NDC)
MEETINGS

Five Decades of Nation Building
(Fifty NDC Meetings)

Vol - III
(26th to 35th Meetings)

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

Please Note:

Every effort has been made to ensure that the contents of this publication, which has been compiled for making available at one place the Record of Discussions of fifty Meetings of the National Development Council, are as accurate as possible. However, considering that this voluminous publication has been brought out from the Records, some of which are very old, users are requested to refer to the original text in case of any doubt/dispute.

CONTENTS

26th Meeting of NDC 1

27th Meeting of NDC 41

28th Meeting of NDC 67

29th Meeting of NDC 111

30th Meeting of NDC 145

31st Meeting of NDC 199

32nd Meeting of NDC 235

33rd Meeting of NDC 277

34th Meeting of NDC 381

35th Meeting of NDC 431

TWENTYSIXTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

APRIL 19 AND 20, 1969

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYSIXTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

*ITEM I — Draft Fourth Five Year Plan

*ITEM II — Reports of the Working Groups on Identification of Backward Areas and on Fiscal and Financial Incentives.

ITEM III — Change in Financial Year

The question of a change in the present Financial Year has been considered a number of times in the past. More recently, a Study Team of the Administrative Reforms Commission went in detail into this question and after considering the various alternatives and after discussions with all concerned, including the representatives of State Governments, recommended as follows:

"The alternatives are several and the criteria to be applied many. The conclusion one may reach is, in the last analysis, a matter of priorities. Should the accent be on the efficacy of performance or the accuracy of revenue budgeting ? On the convenience of legislators or the accuracy of expenditure estimation ? Since no one solution reconciles all these, what particular balance of advantage should be regarded as justifying a disturbance of the status quo with its attendant disadvantages ? We have considered these questions and feel that, if the status quo is to be changed, the balance of advantage would lie in favour of 1st October, more especially from the point of view of performance on which we lay emphasis throughout this report."

The Administrative Reforms Commission which went into this matter further, made a somewhat different recommendation as follows:

"The Financial Year starting from the 1st of April is not based on the customs and needs of our Nation. Our economy is still predominantly agricultural and is dependent on the behaviour of the principal monsoon. A realistic financial year should enable a correct assessment of revenue, should also synchronize with a maximum continuous spell of the working season and facilitate an even spread of expenditure. For centuries, people in India have become accustomed to commence their Financial Year on the DIWALI day. This practice has its roots in their way of life. The business community and other sectors of society start on the DIWALI day with the feeling that they have finished with the old period of activity and have embarked upon a new one. It is, therefore, appropriate that the commencement of the Financial Year should be related to DIWALI and, in order to prescribe it in terms of fixed date, we have recommended that the 1st of November should begin the Financial Year."

The main considerations which weighed with the Commission in making their recommendation as stated by them in their report are reproduced in the Annexure.

*These documents have been published separately.

2. A reference to the report of the Study Team of the ARC shows that the representatives of the various States who appeared before it held widely differing views in the matter of change in Financial Year—some favoured the status quo, some suggested a change to 1st July, some others to 1st October and a few to 1st January. Since it is necessary that there should continue to be a uniform Financial Year both at the Centre and in the States it would be desirable to arrive at a consensus in the matter of the change in Financial Year.

3. The various alternatives, apart from the status quo, and their pros and cons are briefly discussed below, with particular reference to the following :

(a) Need to take into account the behaviour of the principal monsoon and the crop prospects before finalising the Budget.

(b) Desirability of having a continuous spell of the working season or as much of it as possible within a single Financial Year.

(c) Suitability from the point of view of legislators' convenience as also Election Schedule, and

(d) Other relevant considerations e.g. changes in taxation laws etc.

4. 1st October—The Study Team of the ARC, as mentioned earlier, favoured this date more especially from the point of view of efficacy of performance. A perusal of their report shows that this date has also been favoured from the points of view of accuracy of estimation of resources and expenditures and convenience of Legislators; it is also seen that at least three States favoured this date.

The consideration of accuracy of estimates arises from the ability to forecast realistically the factors which will influence the budgetary position in the following year with reference to the likely agricultural position in that year. There can be no two opinions about the importance of agriculture in Indian economy and considering the extent to which Indian agriculture depends on the monsoon, it would appear that from this angle a Financial Year commencing shortly after the principal monsoon should be convenient. The following points have, however, to be taken into account:

(i) All the States do not have the same principal monsoon. However in this, overall considerations and what is applicable to the country as a whole will necessarily have to be the basis. From this angle, the South-West monsoon and the Kharif are admittedly the principal monsoon and crop respectively for the country as a whole.

(ii) The South-West monsoon generally withdraws in September but the September rains are vital for the crops. A view as to the implications of the last monsoon and the prospects of the Kharif will therefore be possible in October only.

(iii) Some time has to be allowed for the preparation of the Budget and the mechanical processes of compilation, printing etc. This should ordinarily take at least a month and in addition at least another month has to be allowed for passing the Budget. In fact the latter should be two months if the full Budget is to be got passed before the commencement of the Financial Year.

Against the above background, a Financial Year commencing on 1st October would not be suitable from the point of view of realistic estimation after taking into account the crop prospects.

From the working season point of view, a Financial Year commencing on 1st October would certainly be very suitable as it would enable the entire working season (at least in most of the States) to fall within the same Financial Year instead of two as at present. It is of course a moot point whether the existing arrangement affects the smooth progress of work and whether by suitable administrative action this cannot be remedied. This question would assume importance especially if a Year commencing on a date other than 1st October (or 1st July) is ultimately preferred.

From the point of view of Legislators' convenience, a Financial Year commencing on 1st October would be suitable as it is likely to leave more time to the Legislators to tour their constituencies in the fair season. For example, at the Centre, the Budget Session would last from July/August to October/November, the other two shorter sessions being held in December-January and March-April. In an Election Year also, this Schedule will not be upset.

From the angle of taxation laws, the fact that consequent on a change in the Financial Year, the laws will have to undergo a change on the basis of a new assessment year, including a transitional year, will have to be kept in view. With a Financial Year commencing on 1st October, the interval between the close of the assessees' accounting year and of the Financial Year will be very long for those making up their accounts for the calendar year or the Diwali Year. Even those following the existing Financial Year will get a long time. From this point of view, 1st October would not be desirable.

Incidentally, at the Centre, the Budget presentation/discussions in respect of a Financial Year commencing on 1st October will clash with the Annual Meetings of the World Bank and IMF which are held in September and are normally attended by the Union Finance Minister.

5. 1st November—This date has been recommended by the ARC. The ARC Study Team's report shows that no State had suggested this date.

For reasons explained in paragraph 4, this date is not likely to be suitable from the point of view of crop prospects being taken into account in budget formulation.

From the points of view of working season, Legislators' convenience and taxation laws, a Financial Year commencing on 1st November will be slightly more inconvenient than 1st October because it will break the working season, mean one more month in fair season being taken up by sessions, and increase the time between close of accounting year and Financial Year for most assessees. Further, with shifting Diwali—sometimes before 1st November and sometimes after—difficulties from tax-assessment angle would also arise in some years. In an Election Year the session starting in February will also have to be postponed by a month so as not to clash with the Election Schedule.

There is one other aspect of this alternative viz. that 1st November is not the beginning of a quarter in the calendar year. Since most international data are maintained by quarters, a Financial Year commencing on 1st November is likely to be found inconvenient from the point of view of maintenance of comparable statistics.

6. 1st July—This date has not been recommended by the ARC or its Study Team but the latter do point out in their report that from the point of view of working season and efficacy of performance a Financial Year commencing on 1st July would be suitable. It is also seen that several States had favoured this date in their discussions with the Study Team.

From the point of view of crop prospects, a Financial Year commencing on 1st July will be no improvement over that commencing on 1st April. As regards Legislators' convenience, about the same time out of the fair season will be available for touring in constituencies as under the 1st October alternative but on the other hand, the Budget Session will have to be held in the months of May-August, which may be found very inconvenient. From the taxation laws angle, 1st July will be an improvement over 1st October/lst November but not over 1st April.

From the working season or efficacy of performance angle, 1st July will be an improvement over 1st April as the entire period from 1st October to 30th June will fall in one Financial Year, though in most States June may not form part of the working season. The Study Team of the ARC considered 1st July and 1st October equally suitable from this point of view but on balance and after taking into account other considerations favoured 1st October. As mentioned earlier, it would have to be considered whether the drawback about the working season being split by the end of the Financial Year is such that it cannot be remedied by appropriate administrative action.

7. 1st January—This date has not been recommended by the ARC or its Study Team but the latter do mention that from certain angles e.g. accuracy of revenue and expenditure estimates, presentation and passing of budget etc., 1st January would be suitable. It is also seen that at least two States had favoured this date.

From the point of view of crop prospects being reflected in the Budget, a Financial Year commencing on 1st January would be most convenient. This is because the Budget would be presented (at the Centre) on 31st October (without Vote on Account) or on 30th November (with Vote on Account) and this would leave sufficient time after the last monsoon to gauge its effects and to take them into account in the Budget formulation. This was also more or less conceded by the Study Team of the Administrative Reforms Commission.

From the working season angle, the Study Team did not consider 1st January to be very suitable, though they also pointed out that the factors which hinder performance are not such as cannot be remedied.

From the point of view of Legislators' convenience a Financial Year commencing on 1st January is likely to leave less time for them in the fair season to tour their constituencies and is therefore likely to be less convenient than 1st October or even 1st November.

From the taxation laws angle, 1st January is likely to be more convenient because it will leave a shorter interval between the close of the accounting year and of the Financial Year for most assessees.

It should also be mentioned that a Financial Year which coincides with the calendar year is likely to be found in practice more convenient than one which straddles two calendar years.

8. It might be added that any new Financial Year will have to be preceded by a transitional Financial Year. The latter could be either less than 12 months or more than 12 months, but the latter would be preferable from the point of view of Taxation Laws. Such a transitional year could at the earliest start on 1st April 1970, which means that the new Financial Year can first begin on 1st July 1971, 1st October 1971, 1st November 1971 or 1st January 1972 depending on which alternative is preferred. On the operational side, the Union and each of the States will have to amend the General Clauses Acts or the States can authorise the Parliament to do so. Changes in Taxation Laws, Rules and Codes, Plan periods, Finance Commissions devolution etc. will also be necessary.

9. It is evident that no Financial Year can be perfect from all angles especially for a large

federal country like India. A choice has therefore, necessarily to be made between the various alternatives on the basis of their relative advantages and on overall considerations. The problems which any change-over will give rise to especially during the transitional period will also have to be kept in view. The Centre and the States must obviously have the same Financial Year and the NDC may therefore consider whether It would be desirable to change the existing Financial Year and if so whether it should commence on 1st July, 1st October, 1st November or 1st January and in which year—1971 or 1972.

ANNEXURE

(Extracts from ARC's Report on Finance, Accounts & Audit)

21. The following important considerations must be taken into account in any serious discussion of this matter :

(i) India still remains, despite the industrial development of the past decade or so, a predominantly agricultural country with most of the industrial production and commercial activities being dependent to a large extent on agricultural production. This makes it necessary that the financial year should be such that the dominant character of the principal monsoon should be known before the budget is finally settled.

(ii) The continuous spell of the working season or as much of it as possible should fall within a single financial year.

(iii) The period commencing from the end of the monsoon and extending up to the peak of the next hot season constitutes the season of most intense activity.

(iv) The timing of the budget session of Central and State Legislatures should be suitable for the members thereof.

22. The south-west monsoon—which is the principal one—breaks over the Arabian Sea in the beginning of June, in West Bengal by about the 10th of June and at places in northern India at a somewhat later date. The effect of this monsoon which is responsible for over 90 per cent of the total annual rainfall in India cannot be known until after the rains of the crucial month of September. The budget estimates would have, therefore, to be finalised some time after the month of September though the preparation of the budget estimates has necessarily to commence a few months ahead of the commencement of the financial year. By that time (i.e. the end of September and the beginning of October) it would be possible not only to take a final view of the behaviour of the monsoon but also to assess the prospects of the main crop, namely, the kharif crop which accounts for a substantial part of the total agricultural production in the country. Bearing in mind the first of the considerations set forth above, the most suitable time for the commencement of the financial year would, in our view, be the 1st November.

23. As regards the working season, it is generally taken to be from the beginning of October to the end of June. The duration of the present financial year, viz., April-March, splits this working season into two parts falling into two consecutive financial years. If November to October is taken as the financial year almost the whole of the working season (that is the period exclusive of October) will fall in one financial year. We could, of course, put the whole of the working season into the financial year if it were to commence on the 1st October, but that would imply the finalisation of budget estimates by the end of August, if not earlier, and a clear picture of the agricultural prospects will not probably be available so early.

24. A financial year commencing from the 1st November would also seem to be more suitable for Parliamentary business. If the Financial Year is to commence on the 1st November, the budget

discussions can be held at the Centre and in the States during the later part of the monsoon period when touring in general is inconvenient. Moreover, Govt. departments would then be employed in the work of preparation of the budget during the earlier part of the monsoon season, which will suit them better than the hot summer months of April to June.

Another consideration, based on national tradition, may be urged in favour of the above date. Each nation has its own traditions based upon its civilisation, customs and habits. These traditions are evolved over centuries and they continue to remain in force in view of their inherent vitality. In India, whether in the agricultural or in the commercial field, the traditional dividing line between the close of one period of activity and commencement of the next is the Diwali. An accounting year for government transactions conforming to this dividing line will result in considerable psychological advantage. Diwali or some date near about that date can therefore, be taken as the starting point of the financial year. As the date selected must also be fixed one in terms of the international calendar, the 1st of November can conveniently be adopted for this purpose.

25. We recognise that any change in the financial year would cause in the short run considerable dislocation in the administrative and statistical fields of activity. But that consideration should not deter us from adopting a more rational, practical and convenient system, keeping in view the many advantages which will accrue therefrom. We are confident that a change in the Financial Year is less likely to cause dislocation in national life than some of the changes introduced in recent years, for example, the decimal system of coinage, the metric system of weights and measures. Past experience in such matters shows that the process of adaptation to new systems superseding age-old practices will not be unduly protracted or painful.

SUMMARY RECORD

Welcoming the members of the National Development Council, **Shrimati Indira Gandhi**, Prime Minister stated that the deliberations of the Council should help in reconciling different points of view and in securing the commitment of the nation as a whole to the tasks of development as envisaged in the Plan. She expressed her appreciation to the Deputy Chairman and Members of the Planning Commission for the manner in which they had handled this difficult task in getting the Fourth Five Year Plan ready in the limited time at their disposal.

2. The Prime Minister stated that the whole object of a Plan was to assess realistically the potential for development and to spell out in advance the problems likely to be faced in realising it. The analysis made from this angle in the Fourth Plan document showed that while we should not pitch our expectations in regard to improvement in standards of living too high, at the same time we need not be unduly pessimistic in regard to the possibilities of growth. The accent of the Fourth Five Year Plan was on self-reliance. This meant that imports should be kept under strict control and fullest use should be made of indigenous capacity, wherever available. The investments made in the earlier Plans had strengthened the industrial base of the country and in quite a number of fields there was significant surplus capacity. With the increase in the rate of investment contemplated in the new Plan, every effort should be made to make the fullest possible use of this capacity. The reduction in foreign aid had made mobilisation of domestic resources all the more urgent. The total size of the Plan, as it had emerged, was by no means large judging by the real needs of the country. There were many programmes, such as those relating to education, medical relief and provision of water supply, to which the Planning Commission would have liked to allocate larger resources if this were possible, but the programmes had to be adjusted within the resources which could be reasonably expected to be mobilised. It was, however, important to ensure that the investment did not fall below the levels indicated in the Plan. As such the mobilisation of additional resources should be looked upon as a task of highest national priority and the States should refrain from taking any action which would have the effect of eroding the resource base of the Plan.

3. The Prime Minister stated that she had had some discussions with the Chief Ministers individually and in groups and had noted their views about the inadequacy of State Plans. She agreed to explore the possibility of finding some extra resources which could be made available to the States.

4. Referring to the problem of mobilisation of resources, the Prime Minister stated that efficient management and evolution of a rational pricing policy for public sector enterprises should be an important element in the programmes for mobilisation of resources. She hoped that the decisions taken recently in regard to the personnel policy of major industrial enterprises under the Government of India would contribute significantly to improvement in efficiency. The bulk of the investments in the State Plans had been in irrigation and power projects. Here, apart from improvements in the day to day management and fuller utilisation of the potential already built up, it was necessary to ensure a reasonable return on investment already made through appropriate revision of irrigation and power tariff. The Prime Minister observed that there had been a considerable set back in the resources position of both Central and State Governments and this had led to a slackening in the pace of development with all its attendant adverse consequences. Taxation as a percentage of national income had registered a decline from 14.2 per cent in 1965-66 to 12.3 per cent in 1967-68. In order that it should be possible to make a major impact on pressing problems, such as

unemployment, provision of basic amenities like water supply, medical relief in rural areas and full utilisation of industrial capacity, it was necessary to raise additional resources on the scale envisaged in the Plan. She called upon the members of the National Development Council to concentrate attention on the crucial issue of how to step up the rate of investment and thus give a boost to the economy. The outlays in the Central Plan should be looked upon as intended to sustain and support the development efforts of the States. The development of railways, shipping and communications, the provision made in the Central schemes for fertilizers, Central support to financial institutions for the agricultural sector, for buffer stocks, for warehousing, marketing and storage were for economic progress in particular States and the country as a whole. The Centrally sponsored schemes too were for the benefit of the people as a whole.

5. The Prime Minister said that in order that the benefits of development were spread as widely as possible, it was necessary to incorporate in our plans positive programmes for the weaker sections of the people, including in particular small farmers, farmers in dry areas and landless labour. The policies of lending institutions and cooperatives should be reviewed and recast, if need be, so as to provide special help to the small farmer. A great deal had to be done in regard to research and to improve the productivity of land in dry areas as the bulk of farming in India was still carried on under unirrigated conditions. The improvement of agricultural production under the new programmes would itself aggravate economic inequalities and cause social tensions unless suitable corrective steps were taken right from the beginning. Apart from ensuring, through fiscal and other measures, that the more substantial farmers contribute their due shares to development, it was necessary to review the existing legislation in regard to tenancy laws and take positive steps for their effective implementation. The question of assuring certain minimum wages for landless labour had also to be pursued with vigour. Similarly in the industrial field, concrete steps must be taken for a wider dispersal of entrepreneurship. The benefits of development should accrue more and more to the relatively less privileged classes, such as Scheduled Castes and Scheduled Tribes and others. Only thus could a sense of involvement be created in our development programmes among all sections of the people.

6. Referring to the problem of regional imbalances, the Prime Minister stated that positive measures should be initiated to reduce regional imbalances. The normal operation of economic forces was so overwhelmingly weighted in favour of areas which were already developed that a wider dispersal of industries could be secured only through positive intervention of Central and State Governments. It would obviously not be possible to make up for all the backlog of development in these backward areas within the span of one Plan, but a bold beginning should be made in the new Fourth Plan. The Prime Minister referred in this connection to the reports of the two Working Groups which had been circulated and which may provide the basis for action in the coming Plan period.

7. The Prime Minister expressed the hope that the deliberations of the National Development Council would help in evolving a plan of action which would take the country forward.

8. **Dr. D. R. Gadgil**, Deputy Chairman, Planning Commission explained the different stages which were gone through in the preparation of the Draft Fourth Five Year Plan and stated that this document, which was now placed before the National Development Council, was, in the opinion of the Planning Commission, best designed to subserve the goals and targets that were indicated in the Approach document, viz. a yearly 5 per cent growth rate in agriculture, 8 to 10 per cent growth rate in industry and 5 to 6 per cent growth in the gross national product. This Plan was based on resources which it was considered feasible to raise. The estimates of internal resources had

emerged after discussions with the Centre and the State Governments. These included resources that could be mobilised on the basis of current levels of taxation and additional resource mobilisation in the five year period. In respect of external resources, the Commission had been guided by the policy approved in the Approach paper that dependence on foreign aid should be gradually reduced so that at the end of the Fourth Plan period the net aid was half of the current level. Deficit financing had been kept at Rs. 850 crores which, it was considered, would not have any adverse effect on the price situation. The actual quantum of deficit financing in any particular year would be determined chiefly by the then prevailing economic situation. In view of the need for maintaining stability and moving towards self-reliance during the Fourth Plan, the shares of deficit financing and net foreign aid in the financing of the public sector outlay in the Fourth Plan had been reduced to 5.9 and 12.7 respectively as compared with the corresponding percentages of 13.2 and 24.9 in the Third Plan and of 10.8 and 31.0 in the period of the Annual Plans. At the same time, because of the mounting burden of repayment and of interest charges, net foreign aid of the assumed size would become available only if gross foreign aid for the years of the Fourth Plan was of the same level as the annual average of gross aid obtained during the previous eight years. Considerable internal effort would be required to finance even the modest outlays envisaged in the Fourth Plan and for this urgent steps would need to be taken both by the Centre and the States to effect economies and to raise additional resources.

9. Deputy Chairman stated that since the report of the Fifth Finance Commission was still awaited a clear picture of Centre's own liabilities was not available, but notwithstanding this the Central Government had agreed, on the recommendation of the Planning Commission, to keep their contribution to the State Plans at Rs. 3,500 crores.

10. Deputy Chairman referred to the principles for the distribution of Central assistance to States which had been evolved at the meeting of the N.D.C. Committee of State Chief Ministers held in September 1968. It was agreed that the requirements of the States of Assam, Jammu & Kashmir and Nagaland be met through an ad hoc lump assignment out of the total Central assistance, and that the balance should be distributed as follows: 60 per cent on the basis of population, 10 per cent on the basis of per capita income only to the States below the national average, 10 per cent on the basis of tax effort in relation to per capita income, 10 per cent on account of continuing major irrigation and power schemes and the remaining 10 per cent on consideration of the special problems of the States.

11. Indicating the guidelines adopted by the Planning Commission in distributing Central assistance in accordance with the above criteria, Deputy Chairman stated that the population figures for 1st October 1966 supplied by the Registrar General had been taken as the base. As regards the per capita income, the comparable estimates of income prepared by the Central Statistical Organisation for the different States on a uniform basis for the average of the three latest consecutive years for which such estimates were available viz. 1962-63, 1963-64 and 1964-65 had been taken as the basis. Assistance under this head had been distributed to the States of Bihar, Kerala, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh whose per capita income was below the national average according to the C.S.O. estimates. Central assistance had been distributed among them on the 'deviation' methods. This would provide assistance to the weaker States with due weightage to population and was considered more equitable than the 'inverse ratio' method recommended by some States. For the tax effort, the distribution was to be based on the tax effort in relation to the per capita income. For the latter, the C.S.O. figures for 1962-63—1964-65 had been taken. For tax receipts, the data for 1967-68 had been adopted as indicated by the N.D.C. Committee. Only State taxes had been taken into consideration and not the States' share of

the Central tax. The ratio of tax receipts to States income was worked out and thereafter the distribution made on the 'direct proportion' method. The 10 per cent on account of continuing major irrigation and power schemes had been determined in relation to major schemes whose total projects cost was estimated at more than Rs. 20 crores and in whose case it was expected that the expenditure upto the end of 1968-69 would be at least 10 per cent of the estimated project cost. Since actual expenditure for 1968-69 was not available and would not be available till September/ October, this had been interpreted to mean the actual expenditure upto the end of 1967-68 plus the outlay approved by the Commission for the Annual Plan for 1968-69. In regard to the total cost of the project, the estimates approved by the Planning Commission for expenditure on particular projects during the Fourth Plan period had been taken into consideration. The assistance of Rs. 310 crores had been distributed among the various States in a fixed proportion which had been worked out on the basis of the amount to be distributed among States (Rs. 310 crores) in relation to the total outlay envisaged in the Fourth Plan for all these projects (Rs. 915 crores). In respect of the last 10 per cent, the Commission had taken into consideration the various major problems of individual States, such as those for chronically drought affected areas, desert areas, tribal areas, hill areas, metropolitan areas and flood affected areas. Taking various aspects into account such as the expected outlay in relation to these problems during the Fourth Plan and the resources position of each State, the Commission applied their best judgement in distributing the last Rs. 310 crores among the different States.

12. Deputy Chairman also referred to the decision taken by the N.D.C. Committee of State Chief Ministers to abolish different patterns of assistance attached to specific schemes and stated that the total assistance would now be divided among block loans and grants. The matching element in Centrally sponsored schemes had also been abolished and these would now be on a hundred per cent assistance basis. The number of Centrally sponsored schemes had also been considerably reduced.

13. Determination of the distribution of Central assistance to States according to fixed criteria and the abolition of different patterns of assistance attached to specific schemes had made for a very large degree of freedom for State effort in planning. The size of Plans of individual States in the Fourth Plan and for the Annual Plans would be determined by Central assistance and the resources that the State was willing and able to raise. As regards the Union Territories, their Plan outlays were entirely dependent on Central allocations. These outlays had been maintained at about the level proposed in the earlier Draft Outline of the Fourth Plan (1966-71).

14. Deputy Chairman indicated that the Planning Commission had not found it possible to contain the expenditure on Centrally sponsored schemes strictly within the limit of one-sixth of Central assistance to States as had been suggested by the N.D.C. Committee of Chief Ministers. This was because of the Centrally sponsored schemes under family planning and health. Expenditure on family planning, instead of becoming committed at the end of a five year period, was guaranteed to be continued as central responsibility for a ten year period. Similarly, in health, responsibility for control of communicable diseases including malaria had been deliberately retained with the Centre in the Centrally sponsored schemes. If allowance was made for expenditure that might have become committed under family planning and under health schemes, the expenditure on Centrally sponsored schemes proposed by the Planning Commission was well within the limit indicated by the N.D.C. Committee.

15. Deputy Chairman drew attention to the issue of backlog of Central assistance due to States over the period of the three Annual Plans which had been raised by certain States, particularly

Maharashtra. The claim of the States which received less than the proportionate share during the three year period was that the shortfall should be made good out of the total Central assistance given for the new Fourth Plan. This was considered by the N.D.C. Committee of Chief Ministers at its meeting held in July 1968 but the claim was not accepted by the Committee and it was pointed out that no calculations regarding Central assistance were in the past carried over from one Plan period to another. If the claim put forward for making up the shortfall was accepted, this would either have to be done by deducting the amount from those States which received the extra assistance during the three year period or by deducting the amount of the claim from the total of Central assistance before the formula of distribution was applied. It seemed difficult to follow either of these procedures.

16. Deputy Chairman explained that the expenditure proposed in the Central sector in the Fourth Plan was generally related either to the provision of the national infrastructure and super-structure as that of transport and communications, financial institutions, higher education and research, or to building up the industrial structure necessary for continued economic growth, such as in metallurgical and engineering industries, in oil and chemicals, in atomic energy and fertilizer. Other important aspects of Central sector expenditure were (i) the building up of buffer stocks together with storage facilities required for maintaining stability and (ii) expenditure connected with the rehabilitation of displaced persons. In the States, public sector outlays were concentrated heavily on provision of the economic infra-structure and the social services. Expenditure was largely on power, irrigation and flood control. Inclusive of minor irrigation, irrigation and flood control and power together accounted for 52 per cent of the proposed total outlay in the States sector. The other major heads of expenditure were education, roads, water supply, health and soil conservation. In relation to productive activity the emphasis was on provision of financial and technical assistance and of basic facilities including training and education. In both agriculture and small industry, cooperative forms of organisation were sought to be encouraged. Direct participation by the States in productive activity was confined chiefly to a few selected industrial and mineral projects.

17. Deputy Chairman pointed out that while the approach and policy adopted in most States Plans were similar, the constraint of resources operated in some States much more severely than in others. The requirements of individual States on the basis of their needs and possibilities had to be restricted to the availability of funds from the Centre according to the formula and their own resources. This had not allowed for adjustment for variations in the circumstances of individual States. If an approach which allows for such an adjustment was accepted, it would have to resolve problems connected with powers of discrimination and of supervision over use of funds and performance. The Deputy Chairman observed that the various aspects of Centre-State financial relations—transfer of funds from Centre to States for non-plan and plan purposes, the regulation of over-drafts and of other special loans and scheduling of repayment of debts, were all closely inter-related. It was necessary to take an integrated view of all these. Apart from emphasising self-reliance and stability, the Plan proposed a number of steps which should lead to fuller employment and a wider distribution of the benefits of development. In relation to curbing concentration a great deal was expected of the impending monopolies legislation and the social control of banking. Proposals in relation to backward regions, neglected activities and weaker sections, all involved detailed, specific as also local planning and implementation. Deputy Chairman expressed the hope that the required effort in investigation and experimentation, in securing popular participation, and building up democratic institutions would be made and that this would be consistently backed by appropriate economic policies. With the required savings effort and disciplined enthusiasm, the country should soon be on the way to attaining a more prosperous, well-knit and

smoothly functioning economy.

18. **Shri K. Brahmananda Reddy**, Chief Minister, Andhra Pradesh stated that he wished that the ideas and sentiments expressed by the Prime Minister in her opening speech regarding removal of income disparities, regional disparities and about weaker sections were translated into action in the shape of programmes in the Plan itself. The draft Plan which had been presented by the Planning Commission did not attempt to do much in the direction of reducing income disparities and regional disparities. Even within the existing size of the Plan, it should be possible to do much more in this direction. For reducing income disparities, measures such as taxation on luxury goods and services and on profits from non-productive sources, social control and control of policies of financing institutions should be considered. With regard to regional disparities, unless the Centre came to the assistance of backward and poorer States with location of Central projects and by bringing out a change in the policies of financing institutions, the disparities would be further widened.

19. Referring to his own State, the Chief Minister pointed out that the Central investment in Andhra Pradesh in the First Plan was Rs. 1 crore, in the Second Plan Rs. 2 crores, in the Third Plan Rs. 4 crores and in the Fourth Plan it was proposed to be Rs. 1.24 crores. With that investment in Central projects in the State and with hardly any investment by the private sector because of various difficulties, the State would continue to remain backward and the disparity between this and the better off States would get further widened. Such a Plan could not enthuse the people. The Chief Minister was of the view that the Plan needed to be reworked by the Planning Commission so that it should reflect the policies and objectives enunciated by the Prime Minister. In his view the States Plan outlay, which had been fixed at Rs. 6066 crores, should be stepped up either by cutting down the size of the Central Plan or otherwise. At the Centre, economies could be made in non-Plan expenditure. He was prepared to support some more deficit financing if need be provided it was directed towards increased production and these additional finances should go to the benefit of States whose per capita investment was low. Tax effort in a State like Andhra Pradesh would not very much help to increase the Plan size because of large loan repayment liability. The Reserve Bank and other financial institutions should reorient their policies so that backward States like Andhra Pradesh could be helped with larger loan assistance in order to reach a higher level of development. The Chief Minister pointed out that because of the cut in the Plan size, the irrigation and power programmes in particular would be considerably affected in the Fourth Plan. The regional disparities could be reduced largely through State efforts and this required the Plans of backward States to be enlarged and assisted by financing institutions. The Chief Minister suggested that the Planning Commission should give further thought to these ideas and rework the Plan which could then be considered by the National Development Council.

20. **Shri K. P. Tripathi**, Finance Minister, Assam stated that in his view the two most important points which were going to arise out of the Fourth Plan were the unemployment problem and the regional imbalances and if these were not met they would have grave repercussions. It seemed that the position of unemployment at the end of the Fourth Plan would be more serious than at the beginning of the Plan. The Plan did not indicate how this was going to be solved. In the matter of regional imbalance, there had been no great effort at reducing it. He pointed out that compared to other States the per capita income and per capita bank deposits of Assam had gone down. Though the investment in the private sector was estimated at Rs. 10,000 crores in the Fourth Plan, the bulk of this was going to be in three or four States with the result that the disparity between the well of States and the backward States was not going to be made up by the private sector. The imbalances could only be corrected by the public sector. Most of these States were having deficit budgets and so only the investment by the Centre could help in correcting the imbalances and the Centre should

earmark certain funds for this purpose. The Central funds were mostly tied up with spill-over projects with the result that not enough funds were left with the Centre for correcting regional imbalance. This required more resources. The percentage of national income which was used for development had come down from 14% to 12%. In Shri Tripathi's view, it should be at least !7% in the Fourth Plan so that larger resources become available for the Plan. The public sector should be made remunerative in order to have larger resources for investment. In the existing situation it would be necessary to continue to obtain foreign assistance. Resort could also be had to deficit financing provided it was used for quick maturing and productive schemes. In order to encourage industrialisation in backward areas, financing institutions should charge a low rate of interest from entrepreneurs willing to go and set up industries in backward areas. In view of the difficult resources position of States and in order that they may have some worthwhile Plan, the Central Ministry of Finance should agree to make rescheduling of debt repayments. This was particularly necessary to help backward States which deserved special consideration.

21. Referring to loan and grants components of the Central assistance, Shri Tripathi stated that grants should be given for non-productive schemes and loans for productive schemes. He suggested that the Centre should decide to have two or three large industries based on local raw materials in each backward State. This would result in creating a proper atmosphere for cooperation between the Centre and the States. He also referred to the tax policy of port States like West Bengal, which was working to the disadvantage of adjoining States like Assam and Bihar. The West Bengal Government should review its policy of entry tax and octroi so that goods coming from Assam into West Bengal may not be levied tax as otherwise this would hamper the flow of goods either for internal distribution or for export. He suggested that large projects like flood protection on the Brahmaputra should be taken up in the Central sector as the resources of the State were not adequate to handle such projects which were of national character.

22. **Shri Ajoy Kumar Mukherjee**, Chief Minister of West Bengal referring to the approach and policy of the Fourth Five Year Plan, stated that these did not clearly bring out how the trend towards concentration of economic power was proposed to be arrested. He suggested that the approach and policy chapter should be redrafted indicating clearly institutional and economic changes which would create conditions within a reasonable time so that (i) people could have social security and justice, (ii) people willing to work should get work, and (iii) the present trend towards concentration of wealth was reversed. He pointed out that the Fifth Finance Commission had indicated during the course of discussion that the total resources which the Finance Ministry agreed to part might not be sufficient to bridge the gap between the normal revenue receipts and non-plan expenditure of all the States. He requested the Prime Minister and the Finance Minister to see that the gap between the normal revenue receipts and non-plan expenditure was fully bridged by the devolutions of the Central resources. If any gap was left, resources earmarked for the Plan would have to be diverted and consequently there would be a serious shortfall in resources for the Plan. The Chief Minister stated that if the Central Government decide to increase their rate of dearness allowance they should also take the responsibility of sharing the consequential burden of increasing the rates of dearness allowance at the State level. Dearness allowance was necessitated by inflation which was the product of the economic policies pursued by the Centre. He also suggested that there should be a machinery for sanctioning additional Central devolutions to meet additional inescapable liabilities arising subsequent to the award of the Finance Commission.

23. The Chief Minister observed that the Constitution had assigned to the Centre more elastic sources of revenue particularly those arising from the growing industrial sector. On the other hand, the burden of social and development work had fallen mostly on the State Governments whose

sources of revenue were mostly inelastic. In consequence, the State Governments were faced with an inherent imbalance between the resources and their responsibilities. It was, therefore, necessary in his view that more resources should be made available to the State Governments so that they were able to discharge the functions allotted to them under the Constitution. If adequate resources could not be made available to the States under the provisions of the existing Constitution, the Constitution should be suitably amended.

24. In view of the States repayment liability in respect of principal and interest charges for Central loans which in some cases amounted to more than the Central assistance which the States would get during the Fourth Plan, the Chief Minister suggested that -

(a) there should be a moratorium depending on the character and scope of each productive scheme or each category of such scheme;

(b) some relief should be given in respect of interest charges by revising the rates of interest;

(c) there should be rescheduling of the repayment programme; and

(d) so far as the loans advanced to State Governments from the net collections of small savings were concerned, no repayment should be demanded as long as the Centre itself was not called upon to repay any part of such loans.

Unless relief in some form or the other of the above nature was forthcoming from the Central Government, it would not be possible for the State Government to arrest the steady deterioration of State finances. The Chief Minister pointed out that the per capita Plan outlay in West Bengal and also the per capita Central assistance to West Bengal in the Fourth Plan was the lowest. The principal cause of the erosion in the State's resources was the enormous increase in revenue expenditure. Deficit financing, together with poor performance of the Central Government undertakings, had given rise to an inflationary spur which had increased Government expenditure all round. The Central Government had continued to increase the dearness allowance of its employees without any prior consultation with the State Governments. In view of the increase given by the Centre, the State Governments could not possibly resist the demand of their own employees, with the result that the resources of the State Governments available for the Plan had shrunk. The industrial recession which had hit West Bengal particularly hard because of concentration of its heavy and engineering industries had severely affected the tax receipts of the State Government.

25. The Chief Minister observed that the Central Government Plan had been growing at the expense of the State Plans. While State Plan outlays were 48.6 per cent of the total Plan outlay in the Third Plan, it was going to be only 42.1 per cent in the Fourth Plan. It was also reflected in the total figure of Central assistance so far available to States. This trend should be reversed. The Chief Minister was of the view that the quantum of Central assistance should be increased from Rs. 3,500 crores to atleast Rs. 4,500 crores by scaling down the Central Plan correspondingly.

26. Referring to the problem of the Calcutta Metropolitan District, the Chief Minister stated that this should be considered a national problem instead of treating it as a special problem of West Bengal and it should be provided special assistance outside the State Plan. Similarly, the expenditure on refugees from East Pakistan should be borne by the Centre and not passed on to West Bengal Government. Also, resources for the power schemes of D.V.C. should not be a charge on the Plan resources of the State Government.

27. Referring to the principles for the distribution of Central assistance, the Chief Minister stated

that the use of per capita State income figures for apportionment of Central assistance should be given up as the concept of this criterion was not very clear and 80 per cent of the assistance should be apportioned on the basis of population about the magnitude of which there could not be much difference of opinion. He regretted that the Planning Commission had objected to the Santaldih Thermal Project being treated as continuing scheme for the purpose of special assistance even though its estimated expenditure was more than Rs. 20 crores, on the ground that the State Government did not have the Planning Commission's approval for spending upto 10 per cent of the projected expenditure. The Chief Minister pointed out that the problems of Calcutta Metropolitan District, rehabilitation of refugees from East Pakistan, hill areas of Darjeeling, harnessing the vast water resources of the Teesta, were special problems of West Bengal which deserved special assistance from the Centre as the State did not have resources which it could spare for these problems.

28. On the question of regional imbalances, he suggested that the location of industries should be determined mainly by techno-economic considerations while at the same time taking into consideration the needs of the backward areas. He expressed himself against the proposed blanket ban on new industrial units in metropolitan cities of Bombay, Calcutta, Madras and Delhi. He hoped that the Centre would find it possible to locate an adequate number of new undertakings in West Bengal. In view of acute urban unemployment and consequential unrest in West Bengal, a more liberal policy in this regard was called for. He pointed out that a recent survey had shown that between 1946 and 1964 the number of factories as percentage of all-India total had dropped from 29% to 15%, productive capital from 28.3% to 19.3%, employment from 33.6% to 21.7% and other net output from 27.2% to 21%. Bad living conditions were a potent cause of industrial unrest and fall in productivity. He suggested that the Central Government should revive the slum clearance scheme with its old pattern of assistance as it was beyond the State Government to tackle the problem unassisted.

29. Referring to jute industry which was earning the largest proportion of foreign exchange for the nation, the Chief Minister pointed out that it had been stagnating for the last few years. A large chunk of good paddy land had been diverted to jute. With its big foodgrain gap, the State could not divert any more land for the purpose. The other alternative was to bring more land under perennial irrigation so that more of multiple cropping could be adopted. This was feasible if Central Government could come forward with adequate funds for exploiting ground water resources. To enable the jute industry to compete in the foreign market some export duty concession should also be considered. If this was done, the jute industry would be prepared to modernise its plants and machinery.

30. **Shri M. Karunanidhi**, Chief Minister of Tamil Nadu stated that in a federal set up the States should have a major share in shaping the national policies. It was ultimately the responsibility of the States to implement the various decisions of the Centre in regard to various economic matters. As such, the National Development Council should, in his view, be radically and structurally changed. It should be given a permanent basis and should have a continuing secretariat. In all national policies of economic importance, the States should be fully consulted and fully associated through the National Development Council. The Chief Minister regretted that the three Five Year Plans had not been able to provide food, clothing, housing, or even drinking water to the people and the Fourth Five Year Plan did not give out much hope of improvement in the living standard of the people. The reason for this state of affairs was that our Plans lacked boldness; these were merely an arithmetical exercise in financial resources. In order to bring about a social transformation the planning process should be radically changed and our Plan should be a people's Plan. The Chief Minister stated that in order to secure adequate resources and as a first step towards the establishment of a socialist

society in the country, it was necessary to nationalise the banks.

31. Referring to the State Plan, the Chief Minister pointed out that the formula which had been adopted for the distribution of Central assistance to States had resulted in bringing down the share of Tamil Nadu from Rs. 250 crores to Rs. 202 crores. The share of Central assistance to Tamil Nadu had gone down from 10 per cent in the First Plan to 7 per cent in the Second Plan, 8 per cent in the Third Plan and 6 per cent in the Fourth Plan. He supported the suggestion of the Andhra Pradesh Minister for a larger Plan for the country. This required radical changes for raising larger resources, such as nationalisation of banking which he had suggested. He also suggested that in sectors in which there was duplication of functions as between the States and the Centre, the Centre should reduce its expenditure on administrative Ministries like those of Community Development, Social Welfare, Health etc. and divert that money to the States for the State Plans. He also suggested that the public sector undertakings, which were at present incurring losses, should be entrusted, atleast on an experimental basis, to the Governments of States in which they were located and he was confident that the States would be able to run them much more economically and efficiently. The effectiveness of the resources which were at present being spent on Defence needed to be carefully reassessed with a view to effecting all possible economies without in any way weakening the country's striking power.

32. Referring to the two Reports of the Working Groups on Backward Areas, the Chief Minister stated that while he endorsed the recommendations of the Group concerning incentives to be given for development of backward areas, he felt concerned by the manner in which decision had been taken as to how backward areas should be identified. The Report had recommended that only certain States which fell below the national average should be selected. He pointed out that Shri R. Venkataraman, Member (Industry) of the Planning Commission had suggested at the last meeting of the National Development Council that three or four backward areas should be selected in each State and should be industrially developed. The recommendations of the Working Groups were going counter to Member (Industry)'s suggestion. The backward areas in Tamil Nadu had not been at all taken into account. The development of backward areas in the so-called forward States also needed to be looked into. Backward areas like the Ramanathapuram District in Tamil Nadu could not be treated as any more forward than many tracts in the backward States which had been selected by the Working Group. He suggested that the scheme of incentives for the development of industries in backward areas should be extended to atleast one backward area in each State.

33. **Shri Mohan Lal Sukhadia**, Chief Minister of Rajasthan did not agree with the view expressed by some Chief Minister that in the last three Plans the country had made no progress. Considerable achievements had been made in the field of agriculture and in the industrial sector, but there were many difficult problems which had to be faced in the Fourth Plan. He suggested that looking at the trend of agriculture production and after watching this trend for another year it should be possible to provide for additional deficit financing of Rs. 500 crores. The additional deficit financing should be used for three priority programmes, viz. (1) minor irrigation, (2) rural electrification, and (3) drinking water supply. Rural electrification and minor irrigation would give immediate results and would not have adverse impact on the price line. The Chief Minister felt unhappy that the size of the Plan in the States sector, which was 51 per cent of the total Plan size in the Third Plan, had been brought down to 45 per cent in the Fourth Plan. He pointed out that in the last Plan the grant component of Central assistance of some of the States was as much as 50 per cent, whereas in the case of Rajasthan it was only 15 per cent. Thus, out of Rajasthan's total Plan outlay of Rs. 507 crores, the Central assistance was Rs. 342 crores which had a grant component of only Rs. 48 crores the rest being loan. The State had thus a very large loan repayment liability with the result that whatever

additional resources the State might try to raise would, in view of the debt repayment liability, not be available for the Plan.

34. The Chief Minister referred to the problem of Rajasthan Canal and Pong Dam and asked for a higher priority to be given to Rajasthan Canal than to the early completion of Pong Dam. Considering the provision which had been made in the Fourth Plan for the Rajasthan Canal, it would take a very long time to complete this project. The Chief Minister urged on the Centre the need for rescheduling of debt repayment as otherwise it would be difficult for the State Government to make much headway with the Rajasthan Canal and other projects.

35. He referred to the extremely inadequate investment in Rajasthan in the industrial and mineral sector. Rajasthan had large deposits of lead, zinc, copper and also pyrites and rock phosphates, and industry based on these could be developed in the State for which adequate funds were required to be made available. He hoped that the Central Government in deciding on the location of the industries would take into consideration the backward States and their potential for developing industries. In a State like Rajasthan, unless some inducement for setting up new industries, like reduction in power rate, was given it would be difficult to attract industries to the State. The inadequacy of financial resources to meet the special problems of the State naturally resulted in resort to over-drafts.

36. The Chief Minister wanted to know if any view had been taken by the Planning Commission and the Government of India on the Reports of the two Working Groups on setting up industries in backward States. This required early decision. In order to attract industries in backward regions and States it was absolutely necessary to give special concessions in the matter of licensing and financing. He also referred to the lack of adequate railway lines in Rajasthan.

37. As regards financial resources, the Chief Minister stated that he had already suggested resort to deficit financing to the tune of Rs. 500 crores. Certain items which were in the public sector like agricultural tractors, pumps, compressors, gas cylindars, Hindustan insecticides, cement, watch factory, foot wear and fertilizers, could be transferred to the private sector and this would result in some public funds becoming available.

38. The Chief Minister pointed out that the N.D.C. Committee had decided that the expenditure on Centrally sponsored schemes in the Fourth Plan should not be more than l/6th or I/7th of the outlay on the States Plan, but this had been now put at Rs. 727 crores which was Rs. 144 crores more than the figure agreed to by the NDC Committee. Some savings could be made in the Central sector by reducing the outlay on certain schemes of agricultural research, on Posts & Telegraphs, health, office and residential accommodation for Central Government employees and by economising in other directions and in this way a reduction of Rs. 500 crores could be effected in the Central Plan. This plus Rs. 500 crores of additional deficit financing, which he had suggested, could be diverted to the States sector Plan. The Chief Minister pointed out that in a year of failure of monsoon and fall in agricultural production the prices naturally go up and as a consequence the Central Government go in for an enhanced dearness allowance to its employees. It was unfortunate that while one section of the Community was affected by drought and had to put up with hardship, the other section of the community should be compensated by the grant of dearness allowance. This, he said, should not be done as any increase in the dearness allowance by the Centre had immediate repercussions in the States and cut heavily into the State's financial resources.

39. **Dr. D. R. Gadgil**, Deputy Chairman, Planning Commission, referring to some of the points made by the Chief Minister of Rajasthan, informed the National Development Council that in the

Fourth Plan it was proposed to have block loans and grants and the percentage of loans and grants as had been agreed to by the Finance Ministry would be 70 : 30. As regards the reports of the Working Groups on backward areas, the Deputy Chairman explained that these reports had been placed before the NDC as the Working Groups had been appointed under instructions of the NDC Committee.

40. **Shri Harihar Singh**, Chief Minister of Bihar stated that the per capita income of Bihar was the lowest in the country and inspite of three Five Year Plans and three Annual Plans the economic condition of Bihar had not shown improvement. With the gradual enhancement of the dearness allowance and increase in the salary scales of teachers, the financial position of the State had become very difficult. The Centre was also not coming forward with adequate financial assistance to help backward States like Bihar to come up to the level of the somewhat better off States. The Chief Minister urged that considering the difficult financial position of Bihar and the need for having a worthwhile Fourth Five Year Plan, the Centre should agree to reschedule the large debt repayment liability of the State. The problem of the tribal areas, which were extremely backward, was another difficult problem. The situation and the needs of the tribal people required sympathetic study and a high priority. Bihar was rich in mineral resources and if the State Government was permitted to levy 3 per cent tax on them it would be considerably help the State to improve its financial position and this money could be used to provide social amenities in the mining area on being industrialised.

41. The Chief Minister drew special attention to the urgent need and demand for a bridge over Ganga which had been under consideration for a long time and which required to be provided in the Plan.

42. **Shri Bansi Lal**, Chief Minister of Haryana referred to some of the problems which Haryana was facing. He pointed out that in Haryana 60 lakh acres of land were waterlogged, 15 lakh acres of land could not grow any crop on account of drought and only 26 lakh acres of land could be used for cultivation. Besides this, the State Government would need to spend Rs. 40 crores on multi-purpose projects, Rs. 70 crores on power projects and Rs. 27 crores for constructing another lake to save Bhakra Dam from the water of Sutlej which was likely to come in this river from Beas Project. Provision of only a nominal amount had been made for this lake by the Centre in the Fourth Plan. Similarly, against the State Government's demand of Rs. 123 crores for other projects, a provision of Rs. 97 crores had been made in the Fourth Plan. Unless the land was cleared of waterlogging and tubewells were sunk in the drought affected areas, there could not be much hope of a bright future for Haryana. The Chief Minister asked for a larger allocation of Central assistance.

43. The Chief Minister pointed out that in accordance with the Punjab Reorganisation Act, the control of the three Headworks of Canal, viz. Rupar, Haripur and Ferozepore should have gone to the Bhakra Management Board, but Punjab had not so far agreed to do so with the result that Haryana was not able to get the water. He sought Centre's intervention in getting the provision of the Punjab Reorganisation Act implemented. He also referred to the Haryana Government's request for increase in the rates of electricity which was being supplied to the fertilizer factory and also to Delhi. This had been agreed to but the implementation of the decision was being delayed with the result that the State Government was losing something like Rs. 1 crore.

44. **Shri Hitendra K. Desai**, Chief Minister of Gujarat stated that considering the difficulties and the limitations of our economy and of resources, the draft Fourth Five Year Plan, which had been presented by the Planning Commission, was, on the whole, a good document and now it was upto the National Development Council to see how best it could be improved upon. He did not agree with the view expressed by one of the Chief Ministers that the country had achieved nothing

during the last 18 years of planning. The conditions in the villages in terms of village roads, primary schools, medical and health facilities, the condition of agriculturists, of the ordinary man in the cities, of Adivasis and Harijans, had definitely improved and they were much better today compared to what they were 18 years ago, though the conditions may not have improved to the extent to which we had been striving. All efforts should, therefore, the Chief Minister suggested, be made to accelerate the pace of development and to so make the Plan as to enthuse the people to march forward to the goal with greater speed. The size of the Plan and how best it could be enlarged ultimately depended on our capacity to mobilise resources.

45. The Chief Minister observed that the experience of the working of the three Five Year Plans and the three Annual Plans had shown certain defects which had occurred and which needed to be rectified. For instance, there had been concentration of economic power in some hands, the common man had not benefited to the extent to which we would have liked him to benefit. The main approach in the Fourth Plan should, therefore, be to look after the weaker sections of the society, the small holder, the agricultural labourer, the industrial worker, the lower middle class man, so that they may feel that this Plan was for them. With this objective, the Plan in the States sector needed to be a little bigger than what it was at present. This suggestion had also been supported by a number of other Chief Ministers. This could be done by cutting down the Central sector or by effecting some economies in the expenditure of the Central Government or by resorting to some deficit financing or by a combination of all the three measures and this amount might go to increase the quantum of Central assistance to States.

46. The Chief Minister stated that the principles on which Central assistance to States should be distributed had been unanimously decided in the N.D.C. Committee of Chief Ministers and as such it would not be proper to go into that question again. Any additional Central assistance, which might be decided upon, should also be distributed on the basis of the same principles. The element of backwardness was taken into consideration while deciding upon the principles of distribution of Central assistance. If any particular State had really some genuine difficulties that could certainly be considered by the Central Government or by the Prime Minister but it would not be fair to seek a further concession from the total pool of Central assistance on the plea of backwardness. The Chief Minister pointed out that in this country every State in one sense or another was a backward State. Therefore, the assistance should be given not so much to backward States but to backward areas in the States. The unit should not be the State but a particular area which may be well defined. Even in States like Maharashtra and Gujarat there were areas which were as backward or even more backward than in the so-called backward States. In his opinion, the principles which may be decided upon should be such as should ensure that those States which were trying to make some more tax effort and had made better management of their finances were not put in a disadvantageous position and made to suffer. There were States which had depleted their resources by abolishing land revenue, by making secondary education free, by continuing to give subsidies on foodgrains and as a result created deficit budgets. There must be some common norms with regard to income and taxation, as also of expenditure.

47. The Chief Minister was glad that the proportion of grant and loan components of Central assistance would now be made uniformly applicable to all the States. He urged the Central Government to consider if it was possible to have a larger component of grants. He also requested that any scheme for rescheduling of debts which may be agreed to by the Central Government should apply uniformly to all the States.

48. Once the size of the Central assistance was finally fixed, the size of the State's Plan would

depend largely on the State's own effort in mobilising additional resources. The Chief Minister was quite hopeful that the people of Gujarat would support the State Government in its desire to have a larger Plan. For a successful implementation of the Fourth Plan, people's participation was an important element and in order to enthuse the people and to secure their active participation it was necessary to take up some programmes and have economic policies which should really touch the common man e.g. programme of rural roads, local works, rural manpower scheme which would provide employment to those wanting work.

49. **Shri E. M. S. Namboodiripad**, Chief Minister, Kerala stated that the economic policies which had been adopted for reaching the objectives of a socialist society needed a rethinking. According to him, the goal of a socialist society even as a long-term objective could be reached only when all the instruments and means of production, distribution and exchange were socially owned. A mixed economy in which there was a large private sector was, in his view, the basic weakness of the whole concept of the socialist pattern. In the draft Fourth Plan the private sector was being given greater freedom to operate and the sectors in the field of industry and minerals, which used to be reserved for the public sector, were being gradually handed over to the private sector. This was the position even in the ratio of investment as between the private sector and the public sector. Even as between the Third Plan and the draft Fourth Plan, the private sector outlay was getting bigger and the public sector outlay was getting smaller. It was clear from the Plan document that inequality between the rich and the poor was growing and also the inequality between the various regions was growing. Whatever progress had been made during the last 18 years of planning was really progress of one section of the society. So far as the vast masses of people were concerned, either there was an absolute fall in their standard of living in some cases or in the case of the rest in relation to the development of the society or nation as a whole they were lagging behind. This applied to classes and strata of society as well as to States and regions. Compared to the development which other developed countries were making, India's development was lagging far behind. The Chief Minister agreed with the suggestion of the Andhra Pradesh Chief Minister that the Planning Commission should review the draft Fourth Plan in the light of the discussion in the N.D.C.

50. The Chief Minister pointed out that decisions like the quantum of Central assistance to States, the share of the Centre and States in the total Plan outlay should not be taken unilaterally by the Central Government but should be considered jointly by the Centre and the States as equal participants in the national endeavour. He questioned the need for maintaining large Central Ministries to deal with subjects which came within the purview of the States, like agriculture, education, social welfare, etc. He suggested the appointment of a Commission which should go into the entire question of the distribution of powers and resources as between the Centre and the States. If there was any difficulty in the appointment of a Commission, atleast a Committee of the N.D.C. should be set up to go into this question and into the whole question of the policies of planning. There was, in his view, need for re-examining the lines on which the country had been developing and along which the national planning and development had been going on. Pending this re-examination, the draft Fourth Five Year Plan should not, in his view, be adopted as the national Plan.

51. **Shri C. B. Gupta**, Chief Minister of Uttar Pradesh stated that even though in several respects the State of Uttar Pradesh did not receive its due share of the benefits of the Five Year Plans, it would be contrary to facts if the benefits of the planning accruing to the country were under-estimated or distorted. The Plans had benefited all classes of people to some extent but the poor sections had not gained as much as we desired. It takes several Plans to achieve the desired goal of establishing a socialist pattern of society.

52. The Chief Minister said that if inflationary pressures had to be avoided, there was no other alternative except to make the Fourth Plan resource based. The rise in the price level had created tremendous problems. The erosion of State resources through higher dearness allowance to the State Government employees was only one of the major consequences of the rising prices. He therefore, agreed with the approach enunciated by the Planning Commission that "growth with stability" should be the objective. As regards the size of the Central Plan, he said that the responsibility of the Central Government to create the infra-structure and super-structure in the field of transport and communications, mining, heavy industries, etc. had to be appreciated. It was not so much the question of the Central Plan being bigger or smaller than the State Plans, but of assessment of priorities and allocation of resources to achieve the given objectives. The Central and the State Plans should be considered as complementary and supplementary to each other and forming part of a national Plan. It did not mean that the possibility of effecting certain economies in certain Central sectors or of diverting certain additional resources to the States should not be considered. He agreed with the suggestion of some of the Chief Ministers that the Central Ministries dealing with the State List subjects should confine their attention to only such matters as were really of national importance. Enough serious attention had not, it seemed, been given to the rationalization of the functions of these Ministries. There had been rather a rapid growth which had led to avoidable duplication and over-lapping of functions.

53. The Chief Minister agreed that re-scheduling of debt repayment was called for. The possibility of additional devolution on the basis of additional resource mobilization by the Centre should also be taken into consideration. In his view, it should not be difficult to mobilize about Rs. 1000 crores by various measures, which without affecting the essential Central projects and programmes would make additional resources available to the States to that extent. Whatever Central assistance was to be given should be through the common pool and within the four corners of the Plan. Any device by which Central funds were transferred to the States for planning and development through non-plan finance would open the flood gates of lobbying and pressures. Irrigation and power projects and for that matter any other State plan items must continue to be the responsibility of the State Government concerned.

54. Referring to the problems of U.P., the Chief Minister pointed out that out of 58 most backward districts in the country, 22 districts were situated in U.P. The sensitive border area in the north of the State, the peculiar hill problems, unemployment, the problem of drought and floods and that of acute shortage of drinking water in about 35,000 villages posed tremendous problems. The draft Fourth Plan did not provide for any new irrigation project. In the power sector, provision had been made to meet only part of the cost of a single new project. This was going to adversely affect the irrigation and power prospects during the Fifth Plan. Out of a total Plan of Rs. 950 crores, it had been estimated that about Rs. 580 crores would be required for the spill-over items. Thus very little was left for new programmes. In order that certain minimum levels should be aimed at in the fields of irrigation, power, drinking water, agriculture, education, health etc., it was considered that it would be necessary to have a Plan of about Rs. 1,077 crores. This would be possible only if there was an adequate appreciation of U.P.s special problems, the State's limitations to raise resources and the responsibility of the Centre to help in the removal of regional disparities. Full justice had not, in the Chief Minister's view, been done to U.P. Balanced regional development and dispersal of economic activities had been accepted as important objectives of the Fourth Plan. The removal of regional disparities called for a total effort with a full sense of commitment. The investment policy of Central financial institutions and the credit policies of commercial banks had to be effectively re-oriented to accelerate investments in the backward areas. The investments of the Central financial

institutions had been extremely low in the case of U.P. Stagnation was the result of low investment, low productivity and low level of consumption. The vicious circle could, the Chief Minister said, be broken only by bold and positive steps. Private investments had to be supplemented by substantial public investments. The banking and financial institutions could contribute substantially to the loans and debentures floated by the State Government and public enterprises like State Electricity Board, Housing Board, etc.

55. The Chief Minister pleaded for the location of certain Central industrial projects in U.P. In the first two Plans, no Central industrial project was located in that State. The advantages of the Central industrial projects in creating a potential for ancillary industries, increasing employment opportunities and the augmentation of State revenues through sales tax, profession tax, etc. and through building an industrial climate, were not inconsiderable. Price support was an important incentive for agricultural development. The agriculturists had to be assured of remunerative prices. The experience of cane growers in the current season had been very unhappy. It had to be ensured that the agriculturists did not suffer during the current rabi season. The Chief Minister strongly supported the proposal that the Centre should also meet the additional burden which the State Governments had to bear to grant increased dearness allowance to its employees, the local body employees and the teachers. Similarly, if the prohibition policy had to be implemented, the Centre would have to meet at least half of the revenues that were lost as a result.

56. Referring to the suggestion made by some Chief Minister regarding nationalisation of industries, the Chief Minister pointed out that we were working in the context of Industries Policy Resolution that had been adopted by Parliament and unless there was a decision to reverse that policy the mixed economy that was being followed would continue. In our present situation under the Constitution which had been adopted, nationalisation of industries in order to reach the desired goal of establishing a socialist society was not practicable. In the end, the Chief Minister expressed his general support to the draft Plan.

57. **Shri Gurnam Singh**, Chief Minister of Punjab stated that the Plans had not succeeded in providing food, shelter and clothing, which were the basic necessities of life for all the people. Whatever improvement had been made had been neutralized by the rise in the population with the result that between 1960-61 and 1965-66 the per capita income remained the same. Indian economy depended predominantly on agriculture and so efforts should be concentrated on producing more food and consumer goods. The Chief Minister was of the view that a rate of growth of 4.5 per cent suggested for agriculture in the Fourth Plan was not sufficient. He suggested that the Plan outlay in the States sector needed to be increased, whether by reducing the Centre's outlay or otherwise.

58. Referring to institutional finance, the Chief Minister suggested that in the interest of development work it should be made obligatory on the commercial banks to earmark a certain percentage of the deposits for lending within the State, in which they were located, for development purposes. He pointed out that the Central investment in industrial projects in Punjab was very meagre. Nangal Fertilizer Factory was the only Central industrial project in his State. For utilizing the heavy water of this project, he had proposed the setting up of a nuclear power plant as the State was having an acute shortage of power. He hoped that the thermal project at Bhatinda on which action had already been initiated, would be permitted to go ahead. He referred to the Thein Dam project which would benefit both Kashmir and Punjab for the purpose of irrigation as well as supply of electricity and asked for early sanction. He also pressed for an allocation of at least Rs. 20 crores from the amount earmarked for special problems.

59. **Shri R. N. Singh Deo**, Chief Minister of Orissa expressed dissatisfaction with the draft

Fourth Five Year Plan. In his view, some of the major premises on which the draft Plan was based were of doubtful validity. It had been assumed that the average rate of net domestic savings would go up from 8 per cent in 1967-68 to 12.6 per cent in 1973-74. This implied a marginal savings rate of about 25 per cent. Achievement of such a growth of incremental savings might come about in a year of exceptionally good harvest, but it was impracticable to expect such a sustained growth over a long period in the present circumstances of the country. During the last 18 years, the average savings rate had increased by about 3 per cent and during the last 9 or 10 years it had practically not grown at all. Similarly, it had been assumed that public savings would grow from 0.8 per cent of the national income in 1967-68 to 3.8 per cent of the national income in 1973-74. In absolute terms it meant that public savings would grow from about Rs. 223 crores in 1967-68 to a figure of Rs. 1447 crores in 1973-74. It was also not known how internal prices would be stabilised inspite of the planned deficit financing to the extent of Rs. 850 crores. The Plan was inconsistent in many of its aspects. The foremost being that while the expectation of the increase in the national income was based mainly on the growth of agricultural production, adequate financial outlays had not been provided under the sectors influencing agricultural production. Heavy outlays had been provided for Central public undertakings despite their poor performance in the past. Funds had been provided in Central public sector even for consumer goods industries which could very well be left to the private sector with much better results. Again, the targets laid down for education and health would not be achieved in some of the States because of inadequate provision. In the Chief Minister's view, the Plan would adversely affect the interests of the poorer States and the weaker sections. Instead of helping to reduce regional disparities, the Plan would accentuate considerably the existing disparities in the levels of living of the people of different regions.

60. The Chief Minister pointed out that in working out Orissa's share of Central assistance on the basis of the prescribed formula, there were obvious mistakes in the calculations of State's income. This, he said, had been brought to the notice of the Central Statistical Organisation and the Planning Commission. The purpose of keeping a reserve of 10 per cent of Central assistance for completion of continuing major irrigation and power schemes was to enable the completion of all such schemes in the country. An arithmetical distribution of this reserve would not enable the poorer States like Orissa to complete such projects because of the very meagre total Plan outlay. In his opinion, the distribution of this reserve should be based on needs and not on any rigid formula. Similarly 10 per cent of Central assistance meant for 'special problems' should be used as a balancing reserve to ensure for the poorer States outlays at least proportionate to their population. The Chief Minister observed that the difficulty in some of the poorer States like Orissa arose not out of lack of effort on the part of those States but on account of very heavy repayment liabilities of Central loans. In the case of Rajasthan and Orissa, any additional resources which the States might be able to raise through greater effort would go only towards reducing the non-Plan capital deficit without increasing the Plan outlay. This made it extremely difficult for these State Governments to formulate proposals for additional resource mobilisation measures. It was, therefore, essential that the recommendations of the Finance Commission in respect of rescheduling the repayment of Government loans must be accepted in full for Rajasthan and Orissa. Apart from generally depressing the economy of the poorer States, the proposed outlays would hit some of the objectives and targets laid down in the Plan. Expansion of education and health services would have to be completely stopped. Weaker sections of the society including Scheduled Tribes, of which States like Orissa and Madhya Pradesh had a very large population, would be neglected. Targets of food production, power generation, transport, etc. would not be attained. Disparities in levels of living would increase giving rise to discontent. There would be hardly any scope for the under-developed States to provide necessary infrastructure and without this private sector would not expand.

61. The Chief Minister stated that in order to make the Plan acceptable to the States it was necessary that the State Plans of backward States, particularly Madhya Pradesh, Rajasthan and Orissa, should be adequately increased. For this additional funds must be made available, out of which the minimum amount required for Orissa was Rs. 85 crores. This could be done by treating the 20 percent Central assistance, which had been reserved for spill-over schemes and special problems, as a balancing reserve to help the backward States with increased Central assistance. The other alternative was to make a reduction in the Central sector programmes and divert the savings to the State Plans of these three States. A reasonable number of Central industrial projects should be identified for being taken up in the backward States. To provide for procedures and policies to ensure an adequate flow of Central investment and funds from financial institutions to the less developed States, the Chief Minister suggested that two Standing Committees should be set up-one consisting of representatives of the Planning Commission and the six less developed States and the concerned Ministries of the Government of India to review the Central programmes, and the other with the Reserve Bank Governor as Chairman and representatives of Central financial institutions and of the six less developed States to deal with the location aspect of the investment programmes of L.I.C., I.D.B.I, I.F.C.. A.R.C., Agro-industries Corporation, Rural Electrification Corporation, etc. He also asked for the inclusion of and suitable provision for a coal-based fertilizer project at Talchar, development of Paradeep Port and a new railway line between Talchar and Bimalgarh in the Fourth Five Year Plan.

62. **Shri Hokishe Sema**, Chief Minister of Nagaland expressed general satisfaction with the basic aims and objectives of the Fourth Plan but he shared the feelings expressed by some of the other State Chief Ministers in regard to the inadequacy of assistance to the States. He pointed out that while in the last 18 years the other States had built up their infra and super-structure and they had sufficient investments in industry and in agriculture, the Nagaland State had started only now. He added that although the total allocation of Central assistance for the three States of Assam, Nagaland and J&K had been increased from Rs. 350 crores to Rs. 400 crores, the allotment for Nagaland was only Rs. 35 crores. In view of the extremely low per capita income in the industry and agriculture sectors in Nagaland, the Chief Minister pressed for a larger allocation for his State.

63. **Shri Veerendra Patil**, Chief Minister of Mysore expressed his general support to the draft Fourth Five Year Plan. He stated that the economic development of a State depended largely on the total investment made in the State, whether by the State or by the Centre or by various financial institutions. It seemed to him that in the past there had been no uniform policy in this respect. Some States managed to get a larger share of this investment. It was, therefore, necessary to review the policy in the context of the Fourth Five Year Plan. He pointed out that out of Rs. 3,000 crores which were proposed to be invested in the Central industrial sector in the Fourth Plan, the investment in Mysore State was going to be only Rs. 17 crores. During the last 18 years, out of a total investment of Rs. 3,400 crores in the Central industrial sector, the investment in Mysore was hardly Rs. 48 crores.

64. Referring to the criterion for allocation of 10 per cent of Central assistance to backward States on the basis of per capita income, the Chief Minister stated that States like Mysore whose per capita income over the three year period, which had been chosen, exceeded the national average marginally should not be denied the proportional share of Central assistance under this criterion.

65. On the question of mobilisation of resources, he expressed the view that unless the price line was held and a firm decision was taken that during the Fourth Plan no further dearness allowance

would under any circumstances be given, additional resources which may be raised through special effort would not be available for the Plan. Further, there should be a uniform policy in all the States or at least in the neighbouring States on a regional basis in regard to additional taxation measures during the Fourth Plan, as otherwise it becomes difficult for any one State to increase rates unilaterally. The Chief Minister suggested that the National Development Council or a small Committee of Chief Ministers should go into this and make recommendations in regard to the taxation policy and raising of additional resources during the Fourth Plan by all the States.

66. The Chief Minister favoured the suggestion for a larger State Plan. For tackling the problem of educated unemployment it was necessary, he said, to establish more industries, whether in the public sector or in the private sector. He strongly supported the suggestion made by the other Chief Ministers regarding rescheduling of loan repayments as without this it would not be possible to have any worthwhile Plan.

67. **Shri S. C. Shukla**, Chief Minister of Madhya Pradesh, stated that Madhya Pradesh had enormous potential for development because of large mineral resources and deposits, magnificent river systems like the Narmada and the Mahanadi and vast areas of forest. At the same time the State was one of the poorest in the country. It had the largest population of Scheduled Castes and Scheduled Tribes. If the Narmada Project could be launched it could supply power to all the neighbouring States after fully meeting the State's own requirements.

68. The Chief Minister observed that the formula which had been adopted for the distribution of Central assistance worked to the disadvantage of Madhya Pradesh. An additional allocation of Central assistance of Rs. 1000 crores should, he suggested, be distributed on the basis of backwardness of the States in order that the backward States should be helped to come up through exploitation of their potential. The provision made in the draft Fourth Plan for irrigation and power generation fell far short of the State's minimum requirements in these sectors. The Chief Minister stressed the need for having a railway line between Jabalpur and Raipur which were separated by vast stretches of hills and forests and which were populated by tribals and had vast mineral deposits. Another vital link which was required was to connect Bhilai and Raipur with Bastar in order to open up backward areas. The State had large mineral deposits but except for the royalty the State could not get any resources. Under the Constitution, it could not levy any duty. This needed to be looked into with a view to helping the State to raise larger resources from this source. Because of the pattern of Central assistance on the basis of matching grant in the past, Madhya Pradesh, being a poor State, was getting only about 15 per cent or 18 per cent by way of grant, with the result that its loan repayment liability increased and any relief in the direction of repayment would considerably help the State in mobilising resources for the Plan.

69. **Shri V. P. Naik**, Chief Minister of Maharashtra stated that the draft Fourth Plan brought out by the Planning Commission was a good document to serve as a basis for discussion by the National Development Council. The States being nearer to the people, their needs were large and many. The resources would need to be stretched by all possible means in order to provide basic amenities to the people and to raise their per capita income. As such, the State's Plan would, in the Chief Minister's opinion, require to be enlarged by about Rs. 1000 crores in order to create some impact on the people's mind. The problems of metropolitan city, urban population, slum clearance, housing, transportation facilities, water supply, drainage required large sums of money. Because of some difficulty with Koyna, Maharashtra had to borrow electricity from Madhya Pradesh and Mysore and this had badly affected the State's revenues. Maharashtra Government had, therefore, given the first priority in the Fourth Plan to generation of power and extension of electricity to rural areas,

the second priority to irrigation and the third priority to communications, education and drinking water facilities. A large part of Maharashtra was very backward and considerable amount would need to be spent to raise the standard of that area to that of the national average. The additional amount of Central assistance, which may be agreed to be made available, should, the Chief Minister suggested, be distributed on the same principles, as had been already accepted in the N.D.C. Committee. Referring to the question of unemployment, the Chief Minister stated that in his opinion irrigation would help to solve this problem indirectly because a larger number of persons could be engaged on irrigated land. They would be assured of better wages and employment for a longer period. The Chief Minister stated that he was glad that the Draft Plan had laid special emphasis on the need to help the un-economic holders and the landless labourers in the rural areas. He referred in this connection to the scheme which had been started in Maharashtra. Under this scheme the small holder in irrigation land was given seeds and fertilizers, the landless labourer was given a buffalo or a cow or poultry and the cultivator having only dry land was provided with certain facilities such as contour bunding, soil conservation or well digging so that his income could go up.

70. The Chief Minister referred to the accelerated Central assistance which was given to certain States during 1966-67 and 1967-68 and which was to be adjusted in subsequent three years. One-third was adjusted in 1968-69 but with the coming into being of the new Fourth Plan from April 1969 the remaining two-third had remained unadjusted with the result that three States including Maharashtra, which received less assistance during 1966-67 and 1968-69, had not received their full share of Central assistance which was their due. The Chief Minister urged that in fairness to these three States the shortfall should be made good by granting additional assistance over and above what was admissible to them according to the agreed formula.

71. **Shri G. M. Sadiq**, Chief Minister of Jammu & Kashmir stated that since independence the country, which was very backward, had made considerable progress in different fields. Being a vast country with a very large population its problems were enormous and these could not be solved within a few years. The country faced two aggressions from foreign countries and this coupled with bad weather gave some setback to the economic development. The Chief Minister felt unhappy that in the draft Fourth Plan the allocation in the public sector had been proportionately reduced as this would affect the objectives of regional balance, reduction of income disparities, attainment of social justice, meeting the problems of the weaker sections of the society, etc. as laid down in the draft Plan, because for achieving these objectives a greater control of economic resources by Government was necessary. The Plan had also not provided an effective answer to the growing unemployment problem in the country especially the unemployment among the educated. Educated unemployment was posing a very serious problem for the Government of J. & K. and unless there was increased economic activity this problem could not be solved. For increased economic activity more funds in the State sector were necessary. The Chief Minister pointed out that the Plan of Jammu & Kashmir had been reduced by about Rs. 80 crores with the result that even in vital sectors like power, road communications and tourism adequate funds could not allocated. In the industrial sector, there had been hardly any investment on Central projects in J. & K. Private entrepreneurs were not willing to invest their capital in this State for obvious reasons. With the inadequate allocation which had been made for power in the Central sector, the Chief Minister was doubtful whether the Salal power project in J. & K. would be able to make much progress in the Fourth Plan. Similarly, the allocation made for cement in the public sector was quite inadequate and it was doubtful whether the Basoli factory, which was proposed to be started in Jammu for the manufacture of cement, would become a reality. The Chief Minister asked for provision of adequate funds for the purpose and also reiterated the demand of the State for setting up a rayon grade pulp

factory and a watch factory in the Central sector.

72. **Shri Jyoti Basu**, Deputy Chief Minister of West Bengal suggested nationalization of private banks and increase in the allocation of Central assistance to States by Rs. 1,000 crores and a corresponding reduction in the allocation of Centre's Plan.

73. Referring to the Santaldih Thermal Power Project, the Deputy Chief Minister stated that on the basis of expenditure already incurred by the State Government on this project during 1968-69, this project should be treated as a continuing scheme for the purpose of grant of special assistance out of the 10 percent Central assistance reserved for continuing schemes. Referring to the statement made by the Deputy Chairman, Planning Commission, that the continuing schemes should be determined on the basis of actual expenditure incurred till the end of 1967-68 and the approved outlay on the schemes during 1968-69, he stated that this was not the understanding of the West Bengal Government and also appeared to be contrary to the decision of the N.D.C. Committee. Unless the Santaldih Thermal Power Project, on which considerable amount had already been spent, was treated as a continuing scheme and special Central assistance was given for its completion, power shortage would increase considerably in West Bengal. He also urged that the existing incentive of procurement prices of wheat and paddy through Central Government subsidy on food distribution should continue for some time more. He referred to the allocation of Central assistance on the basis of per capita income and stated that this was being worked out by the Planning Commission on the basis of per capita income of 1964 which, in his view, was a little out of date. In any case, in the case of West Bengal there was difference in regard to the actual statistical figure of per capita income as worked out by the Central Statistical Organisation and as estimated by the State's Statistical Bureau. This needed to be looked into and discussed between the officers of the Central Government and the State Government.

74. The Deputy Chief Minister expressed general dissatisfaction with the draft Plan as it did not, in his opinion, serve to safeguard the interests of the common man. The lessons drawn from the previous Plans had not been sufficiently taken note of and the Plan did not help to solve the unemployment problem not only among the educated people but also among the illiterate people in the rural areas. As such the Plan should be reviewed and recast.

75. **Shri Sachindra Lal Singh**, Chief Minister of Tripura stated that in making allocation for the Fourth Five Year Plan in respect of the Union Territory of Tripura, the need and urgency for early development of this backward Territory did not seem to have been fully considered. Tripura, which was surrounded on three sides by East Pakistan and with hardly any lines of communication, had to face thus problem of heavy influx of refugees from East Pakistan. The population of Tripura rose from about 5,13,000 in 1941 to 6,39,000 in 1951 and to 11,42,000 in 1961. The present papulation was estimated at over 16 lakhs. Of the total population, about 30 percent were scheduled tribes and about 50 percent were displaced persons from East Pakistan. Both these categories were economically weak and required Government assistance in different forms for proper rehabilitation. It was necessary to develop the area as quickly as possible for which the first requisite was the construction of a network of roads and supply of cheap power. To meet the demand of power, the State Government had taken up the following three schemes :

(1) Augmentation of generating capacity of Agartala power house as an interim measure;

(2) Supply of bulk power from Assam; and

(3) Gumti Hydro-electric project.

It was necessary to implement all these three schemes as early as possible.

76. The Chief Minister urged that the State Government's original proposal of an outlay of Rs. 787 lakhs for the Fourth Five Year Plan should be accepted and budget provision and Plan outlay for 1969-70 should also be kept at Rs. 267.5 lakhs. Referring to the allocation made for the construction of roads, the Chief Minister stated that out of an outlay of Rs. 700 lakhs for the Fourth Plan, Rs. 250 lakhs would be spent on the improvement and maintenance of the Assam-Agartala road alone. Considering that this was a road of supreme strategic importance, it should, in his view, be taken up as a Centrally sponsored or Central Scheme. If, however, it was considered that it should remain a State scheme, the Fourth Plan outlay would need to be increased. In addition, a network of peripheral border roads costing Rs. 9 crores would be necessary for the Fourth Plan period. This was because of Tripura's extreme strategic importance. From the point of view of security, provision of a railway line through the length of Tripura into Assam was very necessary. The Chief Minister also asked for an extension of railway line from Dharamnagar to Sambroom.

77. **Shri M.O.H. Farooq**, Chief Minister of Pondicherry stated that against a Plan outlay of Rs. 18.43 crores proposed by the Pondicherry Administration, the Planning Commission had agreed to an outlay of Rs. 12. crores only. He agreed with the views expressed by some State Chief Ministers on the need for exercising economy in Defence expenditure, avoiding duplication of work in the Central Ministries in respect of subjects which, under the Constitution, came within the purview of the State Governments, nationalization of banks and handing over the Central sector undertakings and institutions to the Governments of States in which they were located. This would result in considerable economy in the expenditure at the Centre.

78. The Chief Minister expressed himself in general agreement with the national priorities and objectives as indicated in the draft Plan but in his view the provision of drinking water facilities and electricity in rural areas deserved greater attention and the outlay fixed for assistance to the weaker sections of the society needed to be stepped up. Referring to the Union Territory of Pondicherry, he stated that Pondicherry had a high density of population. There was acute unemployment and under-employment in the Territory and as such the setting up of new industries was very necessary to solve this problem. To attract potential industries and to encourage entrepreneurs in the Union Territory, it was necessary to give them special concessions and incentives. He expressed surprise that the report of the Working Group set up by the Planning Commission to identify backward areas had not included Pondicherry among the areas where special incentives were considered necessary. He agreed with the Tamil Nadu Chief Minister that backward pockets in the so-called forward States should be helped and should not be kept out of the scope of special incentives which may be agreed to for industrially backward areas. The Chief Minister pointed out that there was not a single Central industrial project in Pondicherry and he hoped that in the Fourth Plan it would be possible to locate at least one Central industrial project in the Territory. Deep sea fishing with the aid of trawlers and canning of prawns for purposes of export were some of the useful measures that could be undertaken by the Centre in collaboration with sea-faring countries. He assured that the Administration of Pondicherry would try its best to raise additional resources and thereby enable the Planning Commission to increase the Plan size of this Territory.

79. **Shri M. Koireng Singh**, Chief Minister of Manipur stated that an outlay of Rs. 28 crores had been agreed to for the Fourth Plan in respect of Manipur as against the outlay of Rs. 52 crores proposed by the Union Territory. He observed that the objective of national Planning should be not only to raise the national income but also to ensure that benefit was evenly distributed, that the disparities in incomes and living standards were not widened and that the process of economic

development did not lead to social tensions endangering the fabric of democratic society. In view of its geographical situation and its strategic importance as a frontier region, the development of Manipur in various sectors depended largely on the development of transport. The Territory was rich in forest and mineral resources but lack of facilities of movement and non-availability of cheap electric power had rendered the establishment of industries uneconomic in this Territory. Over and above this was the growing problem of unemployment arising out of increasing pressure of population on land. There was, therefore, urgent need for building up infrastructure for facilitating industrial development by developing power and communications. The only land communication within Manipur and the rest of India was the road connecting Imphal with the railhead of Dimapur in Nagaland. The Administration had a total road plan of constructing 1,048 miles of roads, out of which 86 miles had been completed, 421 miles were under construction and 541 miles of road were yet to be taken up. In view of the difficult terrain, the cost of construction was going to be naturally high. In view of rich forest and mineral resources, there was scope for starting a paper mill, a plywood plant, saw-mills, cement factory and spinning mills, but the main bottleneck to the growth of these industries was the absence of cheap power. The Chief Minister urged early action for implementing the Loktak Multi-purpose Project which had already been agreed to as a Central sector project in the Fourth Plan. In the meanwhile, as an interim measure, the Government of Manipur had entered into an agreement for the purchase of power from the Assam State Electricity Board in order to start some medium size industries. The Working Group on identification of backward areas had classified Manipur as industrially backward and had recommended special treatment. The Chief Minister asked for a special allocation of Rs. 195 lakhs for starting one cement factory (100 ton per day capacity), one paper mill (10 ton per day capacity) and a match factory. All these industries had been found technically feasible.

80. **Dr. Y. S. Parmar**, Chief Minister of Himachal Pradesh, stated that the last three Plans and the development activities generated thereby had brought about a considerable improvement in the condition of the masses and of the weaker sections including the Scheduled Castes and the Scheduled Tribes in the mountainous territory of Himachal Pradesh. A proper infrastructure had been created for the prosperity of the hill areas though more had still to be done to achieve the objective of a socialistic pattern of society.

81. The Chief Minister referred to some of the special problems of the hills which required special consideration. Development of vehicular roads, on which depended every other activity, whether of agriculture, industry or irrigation, deserved to be given the first priority. He pointed out that the outlay fixed by the Planning Commission for the Himachal Pradesh's Fourth Plan was Rs. 94.4 crores. This was quite inadequate and on the assurance of the Planning Commission that if the Himachal Pradesh Government could raise additional resources the Territory's Plan size would be increased to that extent, the Himachal Pradesh Government had decided to raise additional resources to the tune of Rs. 14 crores. He suggested that just as State Governments had been empowered to make inter-sectoral allocations within the Plan ceiling without having to take the approval of the Planning Commission, the Union Territories should also he given that authority as otherwise on account of delays involved in sanctions their developmental activities would be adversely affected.

82. Referring to the construction of Pong Dam, the Chief Minister stated that, as pointed out by the Rajasthan Chief Minister, adequate funds must be found for the simultaneous construction of the Rajasthan Canal and for the rehabilitation of oustees who would be affected by the construction of the Pong Dam. He requested the Central Government to ensure that before any land of Himachal Pradesh was allowed to be sunk by the Pong Dam or any other Dam, the interests and rights of

Himachal Pradesh were suitably protected. The claim of Himachal Pradesh in the matter of royalty or share out of hydel generation and water levy from the beneficiary States should be gone into and determined early so that revenues due to Himachal Pradesh were made available to it early. The Chief Minister asked for funds in the form of loan to enable the Himachal Pradesh Government to take up Baira-Siul Power Project in Chamba which had been technically approved and where the generation cost would be the lowest in the country—less than 2 paise per unit. The Chief Minister had no objection to this project being taken up in the Central sector provided the Himachal Pradesh Government was not deprived of the revenue due to it. He pointed out that not a single Central sector project had been put up in Himachal Pradesh. He asked for early sanction to the proposal for setting up cement factory at Rajban which had been approved technically. He also asked for small extensions of the present broadgauge railway lines near Kalka, Santokhgarh (Una) and Nalagarh and provision of adequate funds for a university, a medical college and development of Simla to attract more tourists.

83. **Shri Anthony J. D'souza**, Industries Minister, Goa stated that the draft Fourth Plan brought out by the Planning Commission was a document with a realistic and pragmatic approach. He agreed with the view expressed by other Chief Ministers that the States and Union Territories should be given a greater share in the Plan outlay for a greater part of the development work was the responsibility of the States. The question, however, which required careful consideration was whether the State's share could be increased by reducing the Central outlay or by increasing the outlay itself without endangering an increase in the deficit which might adversely affect the price situation. The Industries Minister agreed with the suggestion made by some of the other Chief Ministers in regard to the nationalisation of banking. Substantial savings could also be secured by streamlining both the Central and State administrative setup which would at the same time generate greater efficiency. The administrative setup of the Union Territories was top heavy and extravagantly costly.

84. Referring to the Plan of Goa, the Industries Minister pointed out that this Union Territory had been allotted Rs. 37 crores as against an outlay of Rs. 60 crores proposed by it. He pointed out that Goa did not produce any hydel power and its requirement was being largely met by Mysore but in order that Goa should be able to get electricity at about the same rate as Mysore enjoyed, either Mysore should agree to provide electricity at that rate or if that was not possible provision for a suitable subsidy should be made. Subsidy on power rate for high tension power for heavy industries was important to Goa not merely for the industrial development of the Territory but also because Goa was basically suited for export-oriented industries which had a direct bearing on the national economy. The Industries Minister also urged for the mechanization of the port of Marmagoa and for the development of a railway line between the port of Marmagoa and Hubli.

85. **Shri V. K. Malhotra**, Chief Executive Councillor, Delhi stated that the Chief Ministers had generally expressed dissatisfaction with the Draft Fourth Five Year Plan. Such a Plan could not inspire the nation and as such it should, in his view, be reviewed and redrawn. The draft Fourth Plan did not indicate any time limit or make any commitment for achieving the various Plan objectives e.g. for bringing down unemployment, for reaching the goal of compulsory primary education, establishing primary health centres all over the country, providing drinking water supply in all the villages, removing backwardness and reducing disparities. No proper schemes for solving these problems had been worked out. The Plan did not spell out any measures to limit the income and expenditure of individuals, to check vulgar demonstration of wealth, to bring out black money and to check wastage of food stuffs. The Chief Executive Councillor did not agree with the suggestion made by some of the State Chief Ministers for nationalisation of banks. The public sector needed to be strengthened before any action was taken to further expand it as otherwise it would only add to

deficit financing. He also expressed himself against any cut in Defence expenditure.

86. Referring to the problems of the Capital, the Chief Executive Councillor stated that the increase in the outlay for the Fourth Plan over that for the Third Plan in respect of the Union Territory of Delhi was much less than the increase allowed in the case of other Union Territories. He pointed out that there had been 600 per cent increase in population in Delhi during the last 20 years compared to 143 per cent increase in the case of Calcutta and 100 per cent in the case of Bombay. In order to cope with increasing population in Delhi, adequate funds were necessary for developmental work. Delhi Administration had levied new taxes of about Rs. 16 crores during the last two years. The Plan outlays of Rs. 155 crores sanctioned for Delhi was quite inadequate considering its needs. This might result in water famine and other crises in Delhi within two or three years, The Chief Executive Councillor suggested a metropolitan fund at the Centre in which all the neighbouring States, such as U.P.. Haryana and Rajasthan, should be the participants. In the end, the Chief Executive Councillor again expressed his disapproval to the draft Plan in Its present form and suggested its revision.

87. **Shri Morarji R. Desai**, Deputy Prime Minister referring to some of the major issues raised by the Chief Ministers, stated that no Plan could be completely satisfying and not be disappointing in some respects because human nature was such that the more we advance the more we want to advance and in the process disappointment was always expressed. It was true that the present Fourth Five Year Plan was smaller than what it should have been in comparison with the past three Plans. The Fourth Plan was of Rs. 14,398 crores which meant that it was 1.66 times the Third Plan and unlike the Second and the Third Plans was not double the size of the previous Plan as it should have been. This was largely because the country had passed through some two or three very bad years and during the whole of the Third Plan period there were a number of difficulties.

88. Referring to the observation made by some Chief Minister that in the type of planning that had been undertaken the country was not moving towards socialism, the Deputy Prime Minister stated that in his view socialism did not exclude mixed economy. What was required was to have social control of all means of production, which did not mean that there should be social ownership of all means of production. Social ownership should be of those means of production which were strategic and which could be utilized for exploitation and this was what was being done. That was what the public sector was meant for and that was why the public sector was being strengthened. Measures were being taken to see that the public sector undertakings should function more efficiently and become more and more profitable and give adequate resources. It did not, however, mean that everything should be in the public sector. Corporate sector also had to be strengthened. Agriculture was being done by individual peasants. In order that agriculture was done in a profitable way and it should give the maximum production and that the available land should be available to as large a number of cultivators as possible a ceiling on land holdings had been put. The question of having a ceiling on urban property could also be looked into and considered how it should be done. All these measures showed that the country was marching towards the goal of socialism, towards a socialist society—a society in which there was no exploitation, where there was equal opportunity for everybody and in which there were not such disparities of living standards as they were today. But in the circumstances in which we were, this goal could not be achieved within 10 or even 20 years. It was not correct to say that the condition of the people had not improved at all and that only some sector had got richer. Every sector had profited to some extent but of course not to the desired extent and that was because the required resources could not be mustered. He did not agree that there was a fall in the standard of living of the people. The living standard of everybody in this country was going up though it was still not satisfactory and had not gone up to the desired extent.

In order that the wages of agricultural labour should go up sufficiently, agricultural production had to go up. Similarly, in order that the employees in a factory should get more, it was necessary that the production should go up. The Deputy Prime Minister pointed out that it was not possible for anyone to specify a time limit for assuring employment to everybody. The important thing was to see whether we were going forward in that direction or not. The country had made significant progress in the different sectors during the last 20 years. With a view to reducing the dependence of agricultural production on the monsoon, efforts were being made to have more and more irrigation, but this required resources to be mustered.

89. In regard to the suggestion made by some Chief Ministers regarding nationalization of banks, the Deputy Prime Minister stated that by nationalising banks, bank money would not become Government money. Legislation about social control had been passed by Parliament only last year and the legislation should be given a chance to function for some time before any further measures were taken.

90. Referring to the suggestion regarding the reduction of the Central Plan and increase in the State plans, the Deputy Prime Minister stated that the Fourth Five Year Plan had been prepared by the Planning Commission after a great deal of thought, deliberation and discussion with the State Governments, and there was hardly any scope for reduction in the Central outlays. It would be no use asking the Planning Commission to redraft the Plan because no Plan could be satisfactory in all respects. The Plan should be accepted for implementation, and improvements could be made from time to time as the Plan progressed and in the light of the developing economy. Referring to the suggestion made by the Chief Ministers that the Central Plan should be reduced, the Deputy Prime Minister observed that the money spent on the programmes in the Central Plan was being spent for the people in the States and Union Territories. The important question was of finding larger resources and unless some way of mobilising additional resources could be found it was obviously difficult to divert more money to the States.

91. The Deputy Prime Minister indicated that the question of rescheduling of debts was under consideration. A final decision could, however, be taken only after the report of the Finance Commission was available.

92. The Plan had to fit in with the resources which were available. The Deputy Prime Minister agreed that the resources should be stretched to the maximum extent possible but these should not be stretched in such a way that the resources become less afterwards and do not go on expanding. It was in accordance with this criterion that the Government of India was trying to husband all the resources that it could. He also explained the difficulty in the way of the Reserve Bank giving to any State Government a loan larger than the capacity of the State to pay back, as otherwise it would only lead to further deficit financing. The Government of India had been having deficit financing from the First Plan onwards, and in view of the position of the resources this could not be helped. It was, however, necessary to ensure that deficit financing was resorted to only to the extent that it did not in any way disrupt the economy and lead to inflation, that is, it did not take the prices to a level where it might be difficult to cope with the problem.

93. Coming to the question of concentration of wealth, the Deputy Prime Minister observed that concentration of wealth in individual hands was decreasing at the top and the incomes were rising at the lower levels. It was necessary to ensure that this process continued but at the same time this should not in any way adversely affect the production effort. With larger incomes in the hands of the people at the lower levels it was necessary to tap resources to some extent from this source.

94. Referring to the question of distribution of Central assistance, the Deputy Prime Minister stated that the principles for distribution had been decided by the N.D.C. Committee of Chief Ministers. Some Chief Ministers now seemed to be disagreeing with those principles. He had no objection to adopting any other principles provided all the Chief Ministers could come to a unanimous agreement. Otherwise the Planning Commission would have to exercise its discretion and judgement. In any case, no formula could be satisfactory in all respects to every State.

95. On the question of drinking water supply, the Deputy Prime Minister agreed that the provision of drinking water was a very vital matter and he hoped that the Chief Ministers would agree to adjust some other priorities and give this problem top priority so that more money could be allocated.

96. **Dr. D. R. Gadgil**, Deputy Chairman, Planning Commission dealing with some of the points raised by the Chief Ministers, stated that the size of the State Plans had been based on the assumptions that (a) after the Finance Commission's devolution award had been made there would be no current deficit during the Plan period, and (b) each State would raise the additional resources indicated in the Plan. Unfortunately, in the current year, which was the first year of the Fourth Plan, the State Governments, with one or two exceptions, had made very little effort at additional resource mobilisation. This was going to affect the total resource mobilisation during the Fourth Plan period. A decision on the rescheduling of debt repayment and the manner in which it should be done could be taken only after the Report of the Finance Commission was available. As such, a clear view on and an integrated picture of the resources position of the Centre and of different States would emerge only after the Finance Commission's award. Therefore, whatever adjustments in the States resources and in the Plans of individual States were feasible and could be made, would be considered then.

97. The Deputy Chairman pointed out that under the new planning procedure the States would have discretion to make adjustments and reallocation of funds between one head and another except in respect of some specific schemes/heads where the Central assistance may be specially earmarked. In the Annual Plan discussions the Planning Commission would only indicate and make suggestions where it considered that in the total framework of planning and overall national priorities there was need for the State to give greater attention and allocate larger resources. Where, however, the matter or scheme related to more than one State e.g., in the case of major irrigation schemes, the Planning Commission would discuss with the State Governments concerned and the Ministry of Irrigation & Power and try to evolve an agreed decision which could then be implemented by individual States.

98. The Deputy Chairman sought the guidance of the National Development Council on how the additional resources, if they at all become available, should be allocated to the States. In this connection, two views had been expressed earlier by the Chief Ministers. One view was that additional Central assistance should be allocated in accordance with the formula which had already been accepted. The second view was that additional Central assistance should be given to certain backward States in order to reduce regional disparities and regional imbalances. On the question of investment in the public and in the private sectors in the Fourth Plan which had been raised by some Chief Ministers, the Deputy Chairman explained that the public sector investment in large scale industries bore the same proportion to the private sector investment as in the Third Plan. It was in sectors like road transport, housing, etc. that it was expected that a great deal more private activity would be forthcoming.

99. Summing up the discussion on the draft Fourth Plan, **Shrimati Indira Gandhi**, Prime Minister stated that she would certainly like to have a larger Plan because a larger Plan in terms not only of

money but of projects would lead to greater and faster development. The demand from the people and urge for faster development was a sign of progress and was a healthy sign. But the price for a larger Plan and faster development was a larger resource mobilisation effort. She pointed out that one of the main aims of the Fourth Plan was a move towards 'Swadeshi' because self-reliance and self-sufficiency meant that we should rely more on our own production, know-how, technicians, scientists, educationists, etc. For this, it was necessary to encourage indigenous production even if in the initial stages it did not quite come up to the standard of imported product or involved some delay. Referring to the criticism about the public sector not making profits, she remarked that public sector was not set up with profit motive alone; it was there to strengthen the nation, to produce those items which were needed very badly in the country and for which the private sector was not coming forward.

100. The Prime Minister stated that it was obvious that there could be no major modifications of the Plan which had been prepared by the Planning Commission after discussion in great detail with the State Governments and the Central Ministries. There was, however, a general feeling expressed in the National Development Council that the outlay for the State sector was inadequate and that it should be enlarged. Taking this into consideration, it was agreed that the Planning Commission would make a re-assessment of resources on the basis of the Report of the Finance Commission. After this Report, the rescheduling or rationalization of the liability of the States for the repayment of debts during the Plan period would also be considered. The Planning Commission would make the necessary recommendations regarding the adjustments that might be necessary after further discussions with the State Governments and the Central Ministries. The Prime Minister hoped that the Commission would be able to report again to the National Development Council some time later this year. The Prime Minister also agreed that the question whether there was any duplication of functions in the Central Ministries in respect of subjects which under the Constitution were in the State List and also whether there was any scope for cutting down the Central expenditure, would be considered. The Prime Minister indicated that the draft Plan, after it was approved by the N.D.C., would be placed before the Parliament and would be discussed in all its aspects both in Parliament and in the country.

101. The Prime Minister said that it was most essential to look at the problem from a national angle and to have some kind of commitment to national development as a whole. She appreciated the difficulties of the Chief Ministers and especially of the backward States. The Planning Commission had, however, gone into these matters from the point of view of the States as well as the overall point of view. In order to get the Plan going it was necessary on the part of both the Centre and the States to make some sacrifice. The draft Plan was by no means an ideal document, but in the difficult circumstances of today this was what was possible. She appealed to the members of the National Development Council to give full support to the Plan so that it could go before the country as a national document. She hoped that on issues of national importance, it should be possible for all the State Governments, irrespective of their political character, to try and pull together. The future development of the States and of the country as a whole depended on the manner in which the Plan was going to be implemented and if from the beginning the task of implementation was made more difficult then the purpose and the cause for which we all stood would be defeated.

102. Subject to these observations made by the Prime Minister, the draft Fourth Plan was approved by majority in the Council. It was also agreed that in case additional resources become available as a result of the review which the Planning Commission would undertake after the report of the Finance Commission, the question of how it should be allocated to the States would be considered by the N.D.C. Committee of State Chief Ministers.

103. With regard to item II on the agenda—Reports of the working Groups on identification of backward areas and on fiscal and financial incentives for starting industries in backward areas, the Council decided that these reports should be referred to the N.D.C. Committee of State Chief Ministers for consideration. It was also suggested that the Planning Commission might furnish to the N.D.C. Committee such supplementary material as the Commission might consider necessary to enable the N.D.C. Committee to form a judgement.

104. With regard to item III on the agenda—Finance Ministry's proposal regarding change in financial year, the Council was generally of the view that no change need be made in the financial year and that it should continue to begin from 1st April each year.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	Chairman
Dr. D.R. Gadgil	Deputy Chairman
Shri Morarji R. Desai	Dy. Prime Minister and Minister of Finance
Shri R. Venkataraman	Member
Shri B. Venkatappiah	Member
Shri Pitambar Pant	Member
Dr. B.D. Nag Chaudhury	Member

STATES

Andhra Pradesh	Shri K. Brahmananda Reddy, Chief Minister
Assam	Shri K.P. Tripathi Finance Minister
	Shri M.M. Choudhury Revenue & Forest Minister
Bihar	Shri Harihar Singh Chief Minister
Gujarat	Shri Hitendra K. Desai, Chief Minister
	Shri Jashwantbhai Mehta Finance Minister
Haryana	Shri Bansi Lal Chief Minister
	Shrimati Om Prabha Jain Finance Minister
Jammu & Kashmir	Shri G.M. Sadiq, Chief Minister
Kerala	Shri E.M.S. Namboodripad, Chief Minister

Madhya Pradesh	.. .. ..	Shri S.C. Shukla, Chief Minister
		Shri Kunji Lal Dubey, Finance Minister
		Shri K.N. Pradhan, Planning & Development Minister
		Shri Vasantrao Uikey Industries Minister
		Miss Vimla Verma Irrigation & Power Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri S.K. Wankhede, Finance Minister
		Shri R.A. Patil Industries Minister
Mysore	.. .. ..	Shri Veerendra Patil Chief Minister
		Shri Ramakrishna Hegde Finance Minister
Nagaland	.. .. ..	Shri Hokishe Sema Chief Minister
		Shri R.C. Chitten Jamir Finance and Planning Minister
Orissa	.. .. ..	Shri R.N. Singh Deo, Chief Minister
Punjab	.. .. ..	Shri Gurnam Singh Chief Minister
		Shri Krishan Lal Finance Minister
Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister

		Shri Mathura Dass Mathur, Finance and Planning Minister
Tamil Nadu	.. .. ..	Shri M. Karunanidhi, Chief Minister
		Shri K.A. Mathialagan Finance Minister
Uttar Pradesh	.. .. ..	Shri C.B. Gupta Chief Minister
		Shri Narayan Datt Tewari Planning Minister
		Shri L.R. Acharya Finance Minister
West Bengal	.. .. ..	Shri Ajoy Kumar Mukherjee Chief Minister
		Shri Jyoti Basu Deputy Chief Minister
		Shri Somnath Lahiri Development & Planning Minister

UNION TERRITORIES

Chandigarh	.. .. ..	Shri B.P. Bagchi Chief Commissioner
Delhi	.. .. ..	Shri A.N. Jha, Lt. Governor
		Shri Vijay Kumar Malhotra Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Shri Anthony J. D'Souza Industries & Labour Minister
Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Manipur	.. .. ..	Shri Koireng Singh Chief Minister

Pondicherry	.. .. ..	Shri M.O.H. Farooq Chief Minister
Tripura	.. .. ..	Shri S.L. Singh Chief Minister
		Shri K. Bhattacharjee Finance Minister

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	.. .. ..	Minister of Industrial Development, Internal Trade & Company Affairs
Shri B.R. Bhagat	.. .. ..	Minister of Foreign Trade & Supply
Shri Y.B. Chavan	.. .. ..	Minister of Home Affairs
Shri Jai Sukh Lal Hathi	.. .. ..	Minister of Labour & Rehabilitation
Shri Jagjivan Ram	.. .. ..	Minister of Food, Agriculture, Community Development and Cooperation
Shri P. Govinda Menon	.. .. ..	Minister of Law & Social Welfare
Shri C.M. Poonacha	.. .. ..	Minister of Steel & Heavy Engineering
Prof. V.K.R.V. Rao	.. .. ..	Minister of Education & Youth Services
Dr. Triguna Sen	.. .. ..	Minister of Petroleum & Chemicals & Mines & Metals
Shri K.K. Shah	.. .. ..	Minister of Health, Family Planning, Works, Housing & Urban Development
Shri Dinesh Singh	.. .. ..	Minister of External Affairs
Dr. Karan Singh	.. .. ..	Minister of Tourism and Civil Aviation
Dr. Ram Subhag Singh	.. .. ..	Minister of Railways
Sardar Swaran Singh	.. .. ..	Minister of Defence
Shri K. Raghu Ramiah	.. .. ..	Minister of Parliamentary Affairs & Shipping & Transport
Dr. K.L. Rao	.. .. ..	Minister of Irrigation and Power
Shri Nandini Satpathy	.. .. ..	Dy. Minister

SPECIAL INVITEE

Shri L.K. Jha	.. .. ..	Governor, Reserve Bank of India.

TWENTYSEVENTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

MARCH 21 AND 22, 1970

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYSEVENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON MARCH 21 & 22, 1970

AGENDA PAPER

***Fourth Five Year Plan—Revised Outlay 1969-74**

SUMMARY RECORD

Welcoming the members of the National Development Council, **Shrimati Indira Gandhi**, Prime Minister expressed her appreciation of the hard work put in by the Deputy Chairman and Members of the Planning Commission in an exceedingly difficult situation. She added that Deputy Chairman would give a detailed analysis of the resources of the Plan and the lines on which it had been recast. Since the last meeting of the National Development Council, many changes had taken place. The relationship between the Centre and the States and between the States themselves had assumed an even greater importance.

2. The Prime Minister said that the Plan was obviously not perfect; in fact no Plan could be, particularly in our difficult situation. But within the general constraint of resources and considering the need to ensure certain minimum tempo of development in all the States, the Planning Commission had been as fair as possible. With the emergence of different political parties in power in the States, the need for a Plan was greater than before. It is only a Plan which is widely discussed and broadly accepted, that can bind all the constituents of the Indian federation together and impart coherence and viability to the economic and social policy.

3. In the Central budget, Government had sought to raise the level of outlays in the public sector to a reasonable extent, and if the State Governments fulfil the targets agreed to in the course of the discussions with the Planning Commission, an increase of Rs. 400 crores in the Plan outlay was realisable in the coming year. This would mean an increase of about 18 per cent over the current year's performance and this would make a significant contribution towards raising the level of production, incomes and employment. In the fulfillment of these objectives, sound fiscal management was essential. Price stability demands that budgetary deficits should be kept within the limits defined by monetary expansion consistent with the growth in production.

4. The Prime Minister pointed out that a major effort was being made to reduce dependence on foreign aid. While this would strengthen the country and the economic base and also help industry and employment and other programmes, it did create difficulties in the interim period and it certainly called for a further enlargement of domestic savings. The Fourth Plan, which had been presented to the National Development Council, spelt out the minimum tasks which need to be done. She was confident that given the necessary will these tasks were not beyond the nation's

*This document has been published separately.

capacity but this would require a determined effort on the part of the Centre and the State Governments to set out to achieve what had been envisaged in this Plan. She called upon the State Chief Ministers to consider these problems not merely in the light of the difficulties faced by their own States but in the larger perspective of the growth of the country as a whole. Though there were certain pressures, it was clear that the local difficulties could be solved only by helping to raise the level of the country as a whole and establishing a firm base for progress and forward movement.

5. **Dr. D. R. Gadgil**, Deputy Chairman, Planning Commission, said that, at its last meeting, the National Development Council had desired that the Planning Commission should re-examine the financial situation of each State after the award of the Finance Commission had been accepted by Government. A detailed examination of the financial position of each State for the five-year period, 1969-74, had been done by the Planning Commission in collaboration with teams of officers from States and from the Ministry of Finance. It was found that a large number of States would have overall deficits on non-Plan account during the Fourth Plan period, even after taking into consideration the devolution of funds from the Centre finally recommended by the Finance Commission. It was difficult to remedy the situation through application of a set of uniform criteria to all the States. The Planning Commission was extremely interested in promoting measures of economy in non-Plan expenditure and in the raising of additional resources by the States to enable them to enlarge, to the maximum extent possible, their outlays on planned development. In the circumstances, the most important issue of policy appeared to be to safeguard the effort of additional mobilisation of resources by States and to ensure that these additional resources were available for the financing of the State Plans and were not eaten into by non-Plan deficits.

6. The Deputy Chairman pointed out that under the Constitution the devolution of taxes by the Centre to the States was done through the award of the Finance Commission. The Plan assistance given by the Centre to States was being distributed in accordance with the formula evolved by the National Development Council. Arrangements in relation to both these tended to be adopted in accordance with certain general established principles. The results of these arrangements, as they would affect individual States, were not necessarily judged of independently by each of the two authorities in making the award and distributing the assistance. At the same time, it was necessary that the total effect of the operation of the arrangement was fully taken into account and it was ensured that they were made operationally effective. This could only happen when all the arrangements together were examined in detail in their operations and it was seen that there was the possibility of adapting assistance requirements of each State to its special circumstances. It is possible to argue that once general principles of division of resources are determined, the residual debt-credit relation between the Centre and individual States is necessarily a matter related to individual circumstances, and if special arrangements are devised to meet the requirements of each case, the most appropriate relief needed will be available with the least cost to the relief granting authority. It was from this point of view that the principle of special accommodation was put forward by the Planning Commission and accepted by the Finance Ministry. The adjustments made in this regard would enable the States to plan development outlays on a realistic basis and would ensure that by and large all States would have resources during the Plan period to carry out the Plans contemplated by them. In no case had the Plan of a State or a Union Territory been left lower than that indicated in the Draft Plan. In the case of a large number of States some addition to Plan size had been possible. The main part played in this regard was that of the special accommodation to be given by the Finance Ministry each year to a number of States to cover their agreed non-Plan deficits.

7. Referring to resource mobilisation, the Deputy Chairman stated that the addition to public

sector outlay proposed in the revised Plan had been made possible because of the additional resource mobilisation effort which the Centre had agreed to undertake and the special accommodation afforded to cover non-Plan gaps. The Centre had agreed to increase its additional total resource mobilisation net of States' share by nearly Rs. 500 crores compared to what was envisaged in the Draft Plan. The other important aspect which made for somewhat larger outlays through public sector agencies emerged after the nationalisation of banks. Revised calculations had indicated that during the next four years it should be possible to step up mobilisation of savings through credit institutions to a much larger extent than before and that a part of this additional mobilisation could be made available in the form of a variety of Plan resources. These had been spread over borrowings by Governments, borrowings by public corporations and funds raised by financial institutions. The total increase of resources available in the public sector had been utilised, by and large, to carry outlays rather farther in directions in which they were earlier undertaken. As a result, the outlay in the Public Sector, both Central and State, had been raised from Rs. 14,398 crores to Rs. 15,902 crores. Of the revised outlay in the public sector, the State sector would account for Rs. 6,606 crores, the Union Territories for Rs. 425 crores and the balance of Rs. 8,871 crores would be Central Sector. The resource position of the Centre and the States, as now assessed, would not render it feasible to increase the States Plan outlays beyond Rs. 6,606 crores unless the States were individually in a position to mobilise additional resources beyond the figures now envisaged. Of the total increase of Rs. 937 crores in the Central sector Plan, Rs. 54 crores was on Centrally sponsored schemes and Rs. 260 crores was on institutional support for programmes in the States. Another Rs. 120 crores would be spent on schemes which would directly benefit the States. Sizeable increase in outlay had been contemplated in the revised provisions under agriculture and allied subjects, irrigation and flood control, industry and minerals, etc. Larger investment on the small farmers development agency, dry farming schemes, dairy development agency etc. were calculated to improve the employment opportunities in the rural sector, while programmes in the industry & minerals and power & transport sectors would take care of the technical, educated and urban employment.

8. The Deputy Chairman observed that with the emphasis on correction of regional imbalances and reduction of disparities between rural and urban areas, greater share of the additional resources had to be given to rural programmes than before. The small farmer agency, which was last year considered largely experimental, had taken concrete shape because of the favourable response of State Governments. It was now thought possible to begin with a larger number of districts and to conduct operations over larger areas than before. Moreover, it was now possible to move in at least a few areas with a comprehensive type of total development oriented to employment. The small farmer agency would itself play a pioneering role in this regard. The idea was to deal as comprehensively as possible with all development outlays in one area and to see that through comprehensive coordination of these outlays some kind of assurance of continuous employment was provided for locally. The problems of the weaker sections and the disadvantaged classes stemmed from their inability to get full advantage of development initiated in other parts of the economy. Detailed and specific planning for helping these particular sections thus became urgent, and local and area planning assumed importance. This general emphasis on making as large a beginning as possible in dealing with problems of disparities and inequalities and employment orientation was being laid in all aspects of planning. In this context great significance attached to the policy of the reorientation of credit institutions after the nationalisation of banking.

9. The Deputy Chairman stated that absence of reasonably efficient institutional finance was a continuing handicap for all the weaker sections and their activities. The possibility of changing the

situation radically and creating for much larger numbers than before reasonable prospects of self-finance and self-employment must be considered as constituting the most important possible breakthrough in a small overcrowded economy. Apart, therefore, from certain advantages to public sector resources for which credit was now being taken, the more important long-term improvement in the operation and finance of our small unit economy constituted what could be looked upon as potentially the most important feature of the development of the economy during the Plan period. The potential was of the utmost importance from all points of view, given proper direction to banking policy and development. These affected not only the operation of nationalised institutions but also those in the cooperative and private sectors and in the context of the great disparities in the operative conditions on the ground they could help in a very large measure of change for the better in the social and administrative economy of the small man everywhere.

10. **Shri M. Karunanidhi**, Chief Minister of Tamil Nadu stated that though the nationalisation of banks had been welcomed by all sections of the people, yet except for a few banks the rest of the nationalised banks had not taken enough interest in meeting the needs of the poor and middle class people of the country. There was not sufficient coordination between the nationalised banks and the State Governments. He suggested that, as in the case of the State Bank of India, Committees should be constituted at the State level with representatives of State Governments to help establish close coordination between the people of the region concerned and the bank management.

11. The Chief Minister pointed out that in the matter of grants to State Governments, the Fifth Finance Commission had adopted certain principles and in accordance with the recommendations of the Finance Commission the Central Government allocated grants to the States after taking into account the resource position of each State, the committed expenditure of the State and the loans to be repaid by the States to the Centre. The result had been that the States which had increased their expenditure without corresponding expanding their resources were able to get higher grants, and States like Tamil Nadu which had expanded their resources and achieved a certain degree of industrial growth by effecting economy and efficient implementation of schemes had been put in a disadvantageous position. Referring to the Planning Commission's proposal to provide additional financial assistance to some nine States, the Chief Minister stated that Tamil Nadu and also other States should have a legitimate share in this assistance. In all the States there were backward regions and as such it would not be doing justice if only nine States were given additional financial assistance. The Chief Minister suggested the constitution of a Central Debt Commission to go into the debt liability of each State and lay down certain procedure in this respect. In the absence of a proper procedure, it was not fair that certain States which were unable to repay the loans should be given additional assistance and the other States like Tamil Nadu be deprived of their share.

12. The Chief Minister was unhappy at the inadequate allocation made in the Fourth Five Year Plan for the solution of unemployment problem. In Tamil Nadu, in the districts of Ramanathapuram, Coimbatore, Tirunelvali and Madurai, there were many chronically drought affected pockets but no share out of the allocation of Rs. 100 crores made for drought relief works in the coming four years had been made to Tamil Nadu for increasing employment opportunities in its drought affected areas.

13. The Chief Minister urged on the Prime Minister to give her approval to the setting up of a steel plant at Salem. He also asked for a suitable provision in the Fourth Plan for (1) additional generation of 200 M.W. of power at Kalpakkam to meet the demand of his State, (2) a second mine cut in Neyveli to help industrial growth of the State, and (3) the Sethusamudram Canal project.

14. Referring to the spiralling rise in prices, the Chief Minister said that if the soaring prices of

foodgrains and cloth could be controlled it might be possible to arrest the rise in prices in general. Wage, price and profit should be linked and stabilised. He suggested the setting up of a Committee comprising economic and industrial experts to examine this matter.

15. In order that there should be efficient execution of Plan projects, it was, in the Chief Minister's opinion, necessary that instead of the powers of formulation and implementation of the Plan schemes being concentrated at the Centre, the States should have full freedom of action in sectors other than Defence, Foreign Affairs, Currency, Posts & Telegraphs and Railways. In the new changed political situation in the country, the States could not be expected to accept the policy framed by the Centre. It was not enough to formulate schemes, but the States should have powers to formulate schemes of their choice and to implement them within their competence.

16. In the end, the Chief Minister expressed difficulty in accepting and giving his consent to the Fourth Five Year Plan unless his demands for a Steel Plant at Salem, proportional share in the allocation of additional financial assistance which the Centre was proposing to give to some nine States and its due share in the allocation made for creating job opportunities in drought affected areas were agreed to.

17. **Shri K. Brahmananda Reddy**, Chief Minister of Andhra Pradesh stated that the past performance of the Plan showed that some States had received massive assistance, specially in the public sector, with the result that the backward States did not receive adequate assistance and continued to remain backward. It was unfortunate that the special accommodation which the Planning Commission had proposed to assist some of the backward States should be grudged by the better-off States. He wondered whether the National Development Council was serving much useful purpose if it could not help to reduce regional imbalances. In his view, the advanced States should not grudge special assistance to backward and poor States to enable the latter to come up.

18. The Chief Minister referred to the recommendation of the Fifth Finance Commission regarding replacement of additional excise duty on tobacco, sugar and textiles by sales-tax and asked for a decision on this in the National Development Council as the acceptance of this recommendation would help the States to augment their resources.

19. The Chief Minister stated that in determining the State Plan outlay and the quantum of Central assistance, the Planning Commission should take into account the extent of backwardness of the State, its development needs and the investment needed to bring it closer to the level of the more advanced States. The Plan should help to reduce regional disparities.

20. The Prime Minister intervened to point out that the Planning Commission had, after detailed discussions with the Chief Ministers of all the States and with their officers, tried to draw up a Plan which, in the existing situation, was, according to its best judgement, as fair as possible to all the States.

21. **Shri V.P. Naik**, Chief Minister of Maharashtra observed that the NDC Committee had evolved a formula for the distribution of Central assistance to States and it was not fair to depart from that formula in allocating additional resources which had become available as a result of the review after the award of Fifth Finance Commission.

22. **Shri D. R. Gadgil**, Deputy Chairman, Planning Commission explained that the budgetary deficits were looked after by the Finance Commission award. The Central assistance of Rs. 3,500 crores for the Plan was distributed in accordance with the formula agreed to by the National Development Council. When the Finance Commission made its award, the Planning Commission,

in accordance with the directive of the NDC, looked into the resources position of each State and found that in a number of States non-Plan deficit had so increased that even the Plans that had been suggested for them in the Draft Fourth Five Year Plan could not be sustained. The Planning Commission accordingly suggested to the Ministry of Finance that special accommodation should be provided to certain States, which were in a very difficult position, to enable them to cover their non-Plan gaps so that their Plan should not go below the size which had been agreed to in the Draft Plan.

23. **Shri Mohan Lal Sukhadia**, Chief Minister of Rajasthan stated that the Finance Commission award resulted in creating non-Plan deficit in certain States and surpluses in certain other States. In the last meeting of the National Development Council, it was agreed that some weightage should be given to backward States in order to reduce regional imbalances gradually and from that point of view certain formula was evolved. The special accommodation would only help to cover the non-Plan gap and would not add to the Central assistance for the Plan. Thus, in spite of the special accommodation, the disparities in the development of different States were not going to be reduced. The old pattern of Central assistance had helped the more advanced States to get a comparatively larger share of grant component, whereas in a State like Rajasthan the grant component was very low and the major portion of the Central assistance was by way of loan. In the Fourth Five Year Plan, the pattern of Central assistance had been revised and the ratio of grant and loan was 30 : 70. Rajasthan suffered from natural calamities like famine and this was not the State Government's creation. All its tax efforts went to the repayment of loans or in covering the revenue deficits and would not be available for development purposes. He pleaded for higher weightage to be given to backward States in the matter of Central assistance to enable them to come up as otherwise the existing disparities would get further accentuated.

24. **Shri Sripati Misra**, Food Minister, Uttar Pradesh stated that out of a total additional mobilisation of Rs. 1,099 crores, which the States had agreed to make, Uttar Pradesh's target was Rs. 175 crores, which showed U.P.'s determination to mobilise additional resources to the maximum extent with a view to augmenting the size of the Plan. Even so, it had not been possible for the State Government to make a worthwhile provision for three extremely backward areas, namely, (1) 15 eastern districts, (2) 8 hill districts, and (3) 4 Bundelkhand districts. The Food Minister recalled that at the meeting of the National Development Council held on April 19 and 20, 1969, it was agreed that if, as a result of the review after the Finance Commission's Report, any additional resources became available, the question how these should be allocated to the States would be considered by the NDC Committee of Chief Ministers. Disregarding the two recognised channels for the flow of Central assistance namely, (i) the devolution of funds to the States according to the recommendations of the Fifth Finance Commission and (ii) the distribution of Central assistance in accordance with the formula unanimously recommended by the N.D.C., and without consulting the NDC or the NDC Committee, the Centre had decided to allocate additional assistance to certain selected States. In his view, the plea that this assistance was being made available to the States for meeting natural calamities or to cover their non-Plan gaps was entirely untenable. There was already a prescribed pattern and mode of giving Central assistance to the States to meet expenditure arising out of natural calamities. The decision to base additional assistance on overdrafts and non-Plan gaps ran counter to the recommendations of the Finance Commission. Instead of backwardness constituting an important criterian for the distribution of additional Central assistance, financial brinkmanship was, in his view, being rewarded. The fact that U.P. did not have a large deficit on non-Plan account was not because the devolution by the Finance Commission was large but because the level of expenditure in that State had been kept low.

25. The Food Minister of Uttar Pradesh remarked that the special problems of the State, namely unemployment, provision of drinking water, drought and floods, extreme poverty, a long and sensitive border, and the absence of a minimum economic infra-structure in the three backward regions, made it imperative to have larger Plan investments. He strongly urged that in order that the objective of reducing regional imbalances should have some message of hope to the States which had been left behind in the race, additional or special Central assistance should be distributed on the basis of the backwardness and not on the basis of deficits and overdrafts. He asked for some Central projects to be located in Uttar Pradesh, as in the first two Plan periods no Central project had been established in that State.

26. Referring to the recommendation of the Fifth Finance Commission on the subject of replacement of additional excise duty on sugar, textiles and tobacco by sales tax, the Food Minister of Uttar Pradesh stated that this additional duty should be abolished and the power to levy sales tax on these commodities should be restored to the State Government.

27. **Shri K.P. Tripathi**, Finance Minister of Assam said that there should be re-scheduling of the loan repayment of the States which were in difficulty, as otherwise it would be difficult for them to have any worthwhile Plan. He expressed the hope that the Chief Ministers of the advanced States sitting in the NDC would appreciate the problems of the backward and poorer States and support their demand for special assistance to enable them to come up.

28. Welcoming the nationalisation of banks, the Finance Minister of Assam hoped that the Reserve Bank would ensure that branches of commercial banks were set up in the rural areas. This would help mobilisation of resources from the rural sector.

29. Referring to the suggestion made by the Planning Commission that Assam Government should raise additional Rs. 25 crores of resources, the Finance Minister of Assam pointed out that the only items which could possibly yield resources were agricultural projects, tea and petroleum. Because of floods every year in Assam, agriculture suffered losses and as such this sector could not yield any resources. On tea, a discriminating duty had been imposed since 1960. Moreover, the cost of transportation of tea to Calcutta had become much greater with the result that both the internal and export market in medium quality tea had become uneconomical. In regard to petroleum, there was no uniformity of prices with the result that petroleum produced in the State was purchased by the State at a very high price. This could not, therefore, yield any resources. Because of the losses suffered by people on account of floods in Assam, it was difficult to realise loans which had been advanced to them.

30. The Finance Minister of Assam asked for increase in the provision made in the Fourth Plan on housing and petro-chemical complex in Assam. He requested that the control of Brahmaputra should be treated as a national problem and it should be provided in the Central sector as it was beyond the capacity of the State Government. He suggested that in order to assist the development of backward States, the financing institutions should provide loan at a lower rate of interest to backward States for development. The Institutions should also set up their offices in the eastern zone to help backward States like Assam. Their assistance should be interwoven with the Plan.

31. **Shri Daroga Prasad Rai**, Chief Minister of Bihar stated that in spite of 18 years of planning the condition of the masses in Bihar had not much improved. There was urgent need for removing regional imbalances and every effort should be made in that direction. The per capita income in Bihar was very low compared to that in other States. Bihar had the special problems of Adivasis, Harijans and other backward classes, as well as the border security problem, and these deserved

special consideration. The allocation made in the Plan for Bihar was very meagre.

32. Referring to the nationalisation of banks, the Chief Minister stated that Bihar had very few commercial banks. There was a block for every 1½ lakh or 2 lakh population. If one credit facility centre was opened in every block, it would be of great help to the people of Bihar. He pointed out that no new Central Government project was being started in Bihar. In north Bihar, there was not even a single industry. He asked for the installation of a power station of at least 300 MW. He supported the suggestion for replacement of additional excise duty on sugar, textiles and tobacco by sales-tax as that would help his State to raise more resources for the Plan. He also sought Centre's special contribution for flood control measures.

33. **Shri Jashwantbhai Mehta**, Finance Minister of Gujarat questioned the grant of special assistance to some States to meet non-Plan gaps in their resources. He pointed out that the Fifth Finance Commission had already gone into the question of non-Plan gaps of States while recommending revenue gap grants to certain States. The N.D.C. Committee of Chief Ministers had evolved agreed principles for the distribution of Central assistance. To give non-Plan assistance to certain States would not, therefore, be correct. As the purpose of providing special assistance to these States was to augment their resources for the Plan, it should not, in his opinion, be treated as non-Plan assistance. To give special treatment to some States for non-Plan gaps would put a premium on extravagence in non-Plan expenditure. He, therefore, pressed that the amount ear-marked for special accommodation should be added to the total quantum of Central assistance for the Fourth Plan and distributed to the States on the basis of principles already evolved by the National Development Council. He suggested that common criteria for social security measures should be uniformly applied to all the States in working out non-Plan gaps in resources of the States so that the States which frittered away their resources in non-Plan expenditure may not stand to gain at the expense of those States which tried to husband their resources for the Plan. He stated that even in the so-called advanced States there were large backward areas which need to be developed. These States also need assistance for the development of backward areas.

34. The Finance Minister of Gujarat welcomed the provision made for rural works programme in chronically drought affected areas but suggested that the provision should be stepped up in view of the magnitude of the problem. He also welcomed the inclusion of the provision of Rs. 20 crores for pilot project for development of dry land farming. He stated that the general problem of unemployment as well as the problem of educated unemployment was one of the most pressing problems of the day and special provision should be made in the Fourth Plan to tackle it.

35. **Shri Bansi Lal**, Chief Minister of Haryana referred to the dispute with the Punjab Government in regard to water supply from Bhakra Nangal and said that unless this was settled amicably through the intervention of the Central Government, it would be difficult to make water available to farmers in Haryana. He expressed dissatisfaction at the fact that no large-scale industries were being set up in Haryana with the result that regional imbalances continued to exist. He suggested the appointment of a Sub-Committee of the Union Cabinet, to look into regional imbalances.

36. **Shri G.M. Sadiq**, Chief Minister of Jammu & Kashmir stated that the revised proposals contained in the Planning Commissions paper were a distinct improvement over the earlier proposals contained in the Draft Fourth Five Year Plan and as such they had the full support of his State Government. He was glad that the overall outlay in the public sector had increased and that attention had been given to problems of some segments of the population which had hitherto remained neglected, such as small holders and dry land farmers.

37. The Chief Minister commended the decision taken by the Centre to take care of the non-Plan gaps of deficit States, although J & K was only a small gainer. He hoped that the actual steps proposed to be taken by the Centre would be realistic and practicable. In this connection, he drew attention to the question of food subsidy in J & K and pointed out that while the State Government was conscious of the heavy burden on it of the food subsidy, there would be increase in foodgrain prices if the subsidy was withdrawn and it would cause a great deal of inconvenience to the common man.

38. The Chief Minister welcomed the special schemes that were proposed to be initiated to improve the productivity of small farmers and farmers cultivating dry lands. In J & K there were large areas which depended wholly on the rains for irrigation. He urged that special programmes should be undertaken in J & K and other hilly States so that solutions were found to their specific problems.

39. Referring to the mention made in the Planning Commission's paper regarding a new project of milk marketing and dairy development to be undertaken with the help of World Food Programme, the Chief Minister expressed the hope that the scheme would be operated also in J & K, where there was great potential for milk and dairy development.

40. Referring to the difficult problem of drinking water supply in J & K, the Chief Minister stated that so far it had been possible to supply drinking water to only 30 per cent of the rural population of the State and another 10 per cent was likely to be covered by the end of the Fourth Five-Year Plan with the amount allocated for water supply. This would leave 60 per cent of the rural population without drinking water. Considering the requirements of other sectors like power generation and agricultural development, it was not possible for the State Government to earmark more than Rs. 4.54 crores for drinking water supply within the existing Plan ceiling. Being a non-remunerative scheme, it was not possible to finance it through any financing institutions. The only practicable way was to have a Centrally sponsored scheme for provision of drinking water supply to the hilly and backward areas of the country with a provision of Rs. 30-40 crores, out of which J & K should get at least Rs. 12 crores starting with Rs. 3 crores in 1970-71. The Chief Minister urged upon the Prime Minister to give serious consideration to this proposal.

41. A Medical College in Jammu, which had been recommended by the Gajendragadkar Commission in addition to the one functioning in Srinagar, was estimated to cost Rs. 6.24 crores, out of which about Rs. 2 crores would be required during the Fourth Plan. The State Government was anxious to implement this proposal but was unable to find funds within the existing State Fourth Plan ceiling. The Chief Minister requested that an additional amount of about Rs. 2 crores should be provided for this project, either outside the State Plan or by proportionate increase in the Plan ceiling. Under the Transport and Communications sector, for which an increased provision of Rs. 72 crores had been made in the Plan, he asked for a larger allocation for J & K for the construction of roads. Alternatively, a special programme for the construction of roads to open up the interior areas and to connect different parts of the State with each other should be undertaken by the Centre as a Central or Centrally sponsored scheme. The scheme might be executed through the Border Roads Organisation, which was very well equipped for operations in difficult hilly terrain.

42. **Shri S.C. Shukla**, Chief Minister of Madhya Pradesh emphasizing the need for taking positive steps to reduce regional imbalance or at least to ensure that the existing disparity was not further accentuated, suggested that those States which had not been able to reach the national average outlay of the Plan per capita should be given additional assistance so that at least they reach the national per capita outlay figure. He further suggested that the States' share in the additional

resources, which may become available to the Centre, should go to augment the Plan and not get lost in closing the non-Plan gap. States which had higher per capita income and higher industrial and economic development were in a better position to do something for their own backward areas, but those States which were industrially and economically backward, like Madhya Pradesh, Rajasthan, Orissa and also perhaps Andhra Pradesh, did not have the resources of their own to be able to make efforts to bring up their backward areas and, therefore, something special had to be done by the Centre about it, Madhya Pradesh had a very large population of Scheduled Castes and Scheduled Tribes. Vast areas in Madhya Pradesh, though rich in natural resources, continued to remain backward because the necessary infrastructure had not been developed. He referred to the need for providing a railway line from Bhilai to Jagdalpur. The Chief Minister also pressed for the setting up of a Steel plant in Bailadila in Madhya Pradesh.

43. The Chief Minister supported the suggestion made by certain other Chief Ministers regarding the conversion of additional excise duty on sugar, tobacco and textiles into sales-tax, as this would help to augment the resources of the States.

44. As **Shri Hokishe Sema**, Chief Minister of Nagaland could not attend the meeting of the National Development Council, he sent a note which was circulated at the meeting. In this note, the Chief Minister pressed his request for increasing the State Plan outlay from Rs. 35 crores to Rs. 40 crores. As it was difficult to find this additional outlay of Rs. 5 crores from the State's revenue surplus, the Chief Minister expressed the hope that this modest requirement would receive the consideration of the National Development Council.

45. The Chief Minister expressed satisfaction that Nagaland had been allowed two industrial projects in the Fourth Plan, namely, a Sugar Mill Project of 1,000 tons crushing capacity at Dimapur and a Pulp and Paper Mill Project of 100 tons capacity at Tuli. The works on these projects were progressing and the Mills would be commissioned during the Fourth Plan period.

46. **Shri R.N. Singh Deo**, Chief Minister of Orissa referred to his note on "Problems of State Plan Outlays of Less Developed States", which he had sent to the Planning Commission in September 1969 and which had also been circulated at the last meeting of the N.D.C. Committee of State Chief Ministers held on September 26, 1969 and stated that neither any discussion had taken place on that note in the N.D.C. nor any action had been taken by the Planning Commission in the direction of reduction of regional disparities. The only development that had taken place was that the Central Government had agreed to give ad-hoc assistance to certain States to cover their non-Plan deficits during the Fourth Plan period. But as this assistance was proposed to be given in the shape of loans, this would increase the debt burden of the States creating difficulties in future. He, therefore, suggested that the deficit should be covered at least partly by ad-hoc grants.

47. Referring to the need for reducing regional imbalances, which had also been stressed by the Prime Minister at the meeting of the N.D.C. held in April 1969, the Chief Minister said that it was the responsibility of the National Development Council to evolve suitable and concrete measures for ensuring balanced regional growth. Neither in the Draft Fourth Plan nor in the paper on 'Revised Outlays', which had been placed before the N.D.C., there was any concrete programme for achieving the objective of reducing economic disparities among the States. Even the modest recommendations of the Working Group on Identification of Backward Areas had been more or less nullified by the subsequent decision to treat one district in each of the advanced States as also qualifying for special incentives and treatment for accelerated development. A big programme for taking up employment oriented works in drought affected areas was proposed to be taken up in some States and for this purpose an outlay of Rs. 100 crores had been provided outside the Plan. An under-

developed State like Orissa with a very high incidence of rural unemployment had been completely left out of the scope of the scheme. The Central Government's power generation schemes had, with one or two exceptions, gone to provide power to the more advanced States. The poorer States had to earmark the bulk of the State Plan outlays for schemes of power generation, with the result that other programmes of development suffered and thus the regional disparities were widening. The Chief Minister pointed out that the Finance Commission's recommendations had given rise to a very large non-Plan revenue surplus in seven developed States, leaving the rest including Orissa with no surplus at all. In his opinion, the Planning Commission had not taken action to suggest counterbalancing methods and this was going to further accentuate the existing regional imbalances.

48. Out of the seven States identified as backward, four States, namely Bihar, Orissa, Madhya Pradesh and Uttar Pradesh had been allocated per capita Plan outlay less than average. For Orissa, as against its barest minimum requirement of Rs. 265 crores of outlay in the State sector, only Rs. 223 crores had been allocated. The State Government had tried its best to mobilise additional resources for the Fourth Plan and had gone almost to the limits of the taxable capacity in undertaking to raise about Rs. 35 crores as additional resources. The Chief Minister suggested that for such of the States as had a lower than average per capita Plan outlay, as in the case of Orissa, the net loans from public and the share of small savings should be available for Plan financing instead of being adjusted against non-Plan deficits. He also suggested that the 10 per cent assistance for spill-over irrigation and power projects should be given only to those States which were facing difficulty for paucity of resources in completing their incomplete projects. Similarly, the low per capita Plan outlay in the case of a less developed State should be recognised as a special problem of planned development and the entire reserve for special problems should be distributed to such States.

49. The Chief Minister referred to his State Government's proposals for (1) taking up the Talcher-Bimlagarh railway line to connect Paradeep Port to its rich hinterland and also to exploit the mineral resources in the region, (2) filling up gaps in the national highway network in the State, (3) setting up a paper plant in Koraput district in the Central sector by the Paper Corporation, (4) setting up a Steel plant in Bonai which had been identified as the best location for a Steel plant, and (5) putting up a Central sector Refractory plant in Orissa based on the availability of raw materials. Investments in these large scale sector on raw material based industries would provide scope for small scale ancillary and subsidiary industries.

50. Summing up, the Chief Minister suggested the following special approach for the less developed States which had low per capita State Plan outlays :

(1) Net amounts from loans from public and the share in small-saving collections should be made available for financing the State Plan.

(2) The 10 per cent spill-over on account of continuing major irrigation and power schemes should be distributed to only those States which were finding it difficult to complete the projects with their meagre Plan allocations.

(3) The 10 per cent special assistance for special problems should be distributed only among those poor States which had very low per capita Plan outlays.

(4) The schemes to be taken up under the Central sector and outside the Plan should be so distributed that the under-developed States get a larger dose of investment under these schemes.

In case the measures suggested were not adopted, a new Finance Commission should, he suggested, be set up to have a fresh look at the problems of federal devolution with special reference to the needs of weaker States. In that eventuality, the Fourth Five Year Plan should also be deferred.

51. **Shri Gurnam Singh**, Chief Minister of Punjab observed that the present procedure of National Development Council meeting was not work-oriented. Most of the time was utilised in speech making and the deliberations of the Council seemed to have little effect on the decisions ultimately taken. He felt that in order to have proper understanding of the problems of various States, the duration of the National Development Council meeting should be at least five days and a Standing Committee should be formed of officers rather than of Chief Ministers who could seldom spare time for detailed preparatory work. This step would, in his opinion, ensure proper and unbiased distribution of Central allocations. Referring to "Special accommodation" for certain States, he said that neither the amount under this title nor the criteria for allocation had been indicated to the Chief Ministers before the meeting of the National Development Council. This sizeable amount naturally reduced the funds available to the States from the Centre. Certain States which had large non-Plan deficits would be able to get additional financial assistance from the Centre with the result that States like Punjab, which because of good financial management did not have such deficits, would be disqualified from getting a share of additional Central assistance.

52. The Chief Minister also reiterated that Punjab had not received its due share of Central assistance earmarked for "Special problems" despite the fact that a large area in Punjab was water-logged. He affirmed that Punjab was an industrially backward State as no big project was located in the State by the Central Government even though Punjab had the necessary infra-structure. Even the new licencing policy of the Union Government would draw the entrepreneurs away from Punjab because it was not incumbent on the enlarge de-licensed sector of industry to invest in the industrially backward areas. The new entrepreneurs therefore would like to locate their industrial units at the well known centres of industry only.

53. The Chief Minister suggested that money deposited in the savings accounts by the people in the nationalised commercial banks should be treated in the same way as savings fund amounts in post offices and the whole of this amount with the banks should be available as a loan to the State for development. In fact where the nationalised banks have branches in rural areas, the work in the post offices should be transferred to the banks. The Chief Minister pointed out that at present 72 per cent of the amounts deposited by the people in Punjab in commercial banks were invested by banks outside Punjab. He suggested that the investment policy of the banks should be so regulated that at least 75 per cent of the deposits from Punjab should be invested in the State. He also suggested that Regional Boards with State Government representation on them should regulate such investments.

54. **Shri Veerendra Patil**, Chief Minister of Mysore expressed his appreciation of the exercise done by the Planning Commission in preparing the paper on the revised outlays for the Fourth Plan which was before the National Development Council and which was prepared after taking into consideration the various views expressed earlier by the members of the N.D.C. Committee on the Draft Plan. He did not agree with the view expressed by one or two Chief Ministers that the Fourth Plan should be deferred. It was a very difficult exercise and the Planning Commission had, in the circumstances, done their best. The Chief Minister stated that some of the States which had got good resources at their disposal had also been able to get more from the Finance Commission award. The Central sector schemes too were largely concentrated only in a few States. The result

was that three or four States had benefited most. The investment by financial institutions had also gone to three or four major cities of the country. These institutions had been nationalised in order to see that the investment was done in such a way that there was a reasonable balance. It was high time to consider how best the money available with the financial institutions could be invested for the development of the country as a whole and particularly the development of the backward areas.

55. Referring to the special accommodation, the Chief Minister stated that this was meant to bridge the revenue gap as otherwise there would be no resources at all. Certain States like Mysore had been hard hit by the Finance Commission award.

56. The Chief Minister pointed out that in the last meeting of the N.D.C. Committee all the Chief Ministers had demanded that the size of the State Plan should be bigger than the size of the Central Plan. But in spite of this, the Central Plan had been increased by Rs. 937 crores as against an increase of only Rs. 540 crores allowed for the Plan in the State sector. Similarly, there was an increase in the provision made for Centrally-sponsored schemes. In view of the larger responsibility falling on the States, he suggested reduction in the size of the Central Plan and transfer of the extra money to the States which were deserving.

57. The Chief Minister stated that in the National Development Council only the State Plans were discussed and the Council was not given an opportunity to discuss the Central Plan. Matters like industrial policy and the location of Central industrial projects were not brought before the N.D.C. for discussion. In his opinion, the State Chief Ministers should be associated while taking such important policy decisions. He urged on the Prime Minister to consider setting up a Steel plant at Hospet in Mysore.

58. **Shri V.P. Naik**, Chief Minister of Maharashtra expressed dissatisfaction at the Planning Commission's proposals for allocating additional resources of Rs. 800 crores to certain States on a new ad-hoc and discriminatory basis. These proposals went against the formula governing the distribution of Central assistance to the States which had been approved by the National Development Council after a great deal of discussion. Under that formula, States whose per capita income was below the national average had already been shown special treatment by giving them 10 per cent of the total pool of Central assistance. This was in addition to the special higher allocation to the border States of Assam, Jammu & Kashmir and Nagaland. It had been agreed at the last meeting of the National Development Council that in case additional resources became available as a result of the review which the Planning Commission would undertake after the Report of the Finance Commission, the question how it should be allocated would be considered by the N.D.C. Committee of Chief Ministers.

59. The Chief Minister pointed out that the Finance Commission, after having examined the non-Plan financial position of the States, recommended under Article 275(i) of the Constitution grants of Rs. 637-8 crores to the States deemed to be financially week. After this, the action of the Planning Commission in suggesting non-Plan special accommodation to some States to help them to bridge their non-Plan gaps was not justified. In his view, the Planning Commission's proposal would encourage financial imprudence in the non-Plan financial management. The Chief Minister strongly urged that whatever additional financial resources were in sight should be distributed amongst all the States according to the formula earlier agreed to by the National Development Council. He also urged that a considerable portion of the expanded loanable resources resulting from the bank nationalisation should be directly available for larger loans/ debentures flotations by State Governments and statutory Corporations.

60. The Chief Minister stated that it had been recommended by the Finance Commission that it would not be desirable to maintain the existing arrangements in respect of additional excise duties in lieu of sales tax on sugar, textiles and tobacco formerly levied thereon. He urged the National Development Council to consider and approve this proposal as a fair means of helping States to enlarge their own resources. In his view, the strategy of denying financial resources to States where potential and tempo for growth were large and proven might retard overall industrialisation of the country with adverse effect on the Central tax receipts, cause all round stagnation and lead to a levelling down of all States to a common denomination of backwardness.

61. **Shri M.O.H. Farooq**, Chief Minister of Pondicherry expressed his dissatisfaction at the inadequate outlay of Rs. 15 crores made for the Union Territory of Pondicherry for the Fourth Plan. He was not clear on what basis this had been worked out as the Union Territory Administration had not been consulted. He pressed for a higher allocation and also urged that as in the case of States any additional resources which Pondicherry Administration may be able to mobilize should go to increase its Plan size.

The Chief Minister demanded the establishment of some Central public sector project, like a power project or a fertilizer Plant in Pondicherry.

62. **Dr. Y. S. Parmar**, Chief Minister of Himachal Pradesh stated that the special problems of hilly regions of the country and the need for development of these areas had not received the attention they deserved. He pointed out that the Himalayan region had been neglected in matters of road construction, development of power potential, utilisation of electric energy, development of irrigation facilities, location of industries, drinking water supply and many other aspects of planned progress. In Himachal Pradesh, the availability of motorable roads, both surfaced and unsurfaced, was only 9.23 kms. per hundred sq. kms. as compared to 30 km. in the country as a whole. In order to bring it up to the all-India average, 3690 km. of roads involving an investment of Rs. 200 crores would be required. The total allocation made for road construction in the Fourth Plan was only Rs. 28 crores which was very inadequate. Road construction programme was the most important programme in the Himalayan region as the entire progress of these areas depended on the provision of roads. He urged the Central Government to earmark a sizeable amount of money out of the allocation of the Central sector for the construction of roads in these areas.

63. The Chief Minister pointed out that Himachal Pradesh had on the present assessment, a power potential of 85 lakh KW by the end of the Fourth Plan. The cost of generation of hydro-electrical power for Parbati hydro-electric scheme was only 1.44 paise per unit. An allocation of Rs. 13 crores had been made for hydro-electric generation, rural electrification, transmission and distribution put together in the Fourth Plan for Himachal Pradesh, which was extremely inadequate. Something like Rs. 60-70 crores was required for the first stage of the Parbati Project and an investment of a similar magnitude for the second stage. Himachal Pradesh, being a Union Territory, could not even borrow money from the public. In the interest of conservation of timber, which was one of the basic raw materials of the country, as also of soil conservation, it was necessary that cheap electricity should be provided to the people in the hilly areas and this required provision of additional resources for development and utilisation of hydro-electric energy in the Himalayan region.

64. Referring to the problem of rehabilitation of outstees as a result of the construction of power projects in the hilly areas, the Chief Minister stated that it must be decided at the national level that no project would be constructed unless adequate provision was made for proper compensation and resettlement of the families who would be rendered homeless as a consequence of the construction of these projects, and it must also be decided that in future agricultural lands were not

destroyed by the construction of dams. 20,000 families were going to be uprooted by the construction of Pong Dam in Himachal Pradesh and the question of rehabilitating the outstees on land to be made available by Rajasthan had not so far been satisfactorily settled.

65. Referring to the Planning Commission's decision to earmark outlays under certain heads or sub-heads and for a few special schemes which included agriculture and allied sectors and elementary education, the Chief Minister suggested a re-examination of the criteria for identification of earmarked sectors and recommended that for hilly regions earmarked sector should include roads, hydro-electric power generation and rural electrification. The Himachal Pradesh Government should, he suggested, be authorised to make marginal reallocation wherever necessary without having to make a reference to the Planning Commission.

66. The Chief Minister asked for Central help in a big way for the development of tourism which had a great potential in Himachal Pradesh. He pointed out that not a single industrial project had been set up in this Union Territory in the Central sector. Himachal Pradesh offered ideal conditions for the location of light industries and industries for which dust-free climate was required e.g. electronics industry, pharmaceutical industry, light engineering industry including scooter manufacture. The Chief Minister wanted a 600 ton cement factory to be put up at Rajban near Paonta which, on the basis of feasibility report, proximity to a deficit area and on economic consideration, was considered one of the best projects. For developing wool industry and to help small weavers, the Chief Minister asked for early action on the request made by his Government for setting up a 2400 spindles worsted mill in the public sector in Himachal Pradesh.

67. Referring to the Plan size which had been fixed at Rs. 101.40 crores, the Chief Minister stated that it was very inadequate and fell short of the Territory's essential requirements. He pointed out that while the State Governments could increase their Plan size to the extent of additional resources that they could raise, in the case of Union Territories only 50 per cent of the additional resources which they raise could be allowed for addition to the Plan size. Himachal Pradesh Government expected to raise more than Rs. 18 crores by way of additional resources during the Fourth Plan period. He requested that the principle applicable to the States should be extended to the Union Territory.

68. The Chief Minister expressed the hope that early decision would be taken by the Government of India to bring forward necessary legislation to declare Himachal Pradesh a full fledged State so that it should be an equal partner with the States in the process of improving the standard of living of its people.

69. **Shri V.K. Malhotra**, Chief Executive Councillor, Delhi stated that in the case of States it had been agreed that if they had a non-Plan gap and so long as this gap was contained, the entire proceeds of the additional resources mobilisation during the Plan period would be available to the States for expenditure on development schemes. In all fairness, similar treatment should, in his opinion, be meted out to the Union Territories also. Only when this principle was accepted, the Union Territories would have the necessary incentive to mobilise additional resources. Coming to the question of revised outlays, he said that their was no indication in the Planning Commission's paper on what basis the amount of Rs. 27 crores allocated to the Union Territories as additional outlay had been worked out and how it had been distributed among the different Union Territories. The additional outlay of Rs. 7 crores allocated to Delhi was extremely inadequate. With this additional outlay the total Plan outlay for Delhi stood at Rs. 162.69 crores. Delhi Administration had proposed an outlay of Rs. 400.5 crores for the Fourth Five Year Plan. Even if this outlay was pruned, an amount of Rs. 268 crores was the barest minimum required for the Fourth Plan for providing a

reasonable level of public utilities and social services in this Territory. Delhi's status as the Capital of India, its rapidly increasing population, a very heavy backlog of development and the predominantly urban character of the Territory, were some of the important factors which required to be taken into account in fixing the outlays of this Territory. The sector-wise distribution of the additional outlays in the case of the Union Territory should, as in the case of States, be done in consultation with the Administration. The Chief Executive Councillor pointed out that his experience in the past had been that even after the outlays of the Five Year Plan were fixed, the outlays in the Annual Plans were not made available proportionately. Even the full outlay provided in the Annual Plan do not become available for utilisation with the result that the progress of certain vital sectors like water supply, transport and power was affected. If in actual practice funds were not made available to Delhi in accordance with Plan outlays, there was no meaning in fixing outlays for the Fourth Five Year Plan.

70. The Chief Executive Councillor pointed out that in spite of the stress laid on regional planning in the Draft Fourth Plan, no amount had been allocated for the purpose in the revised outlays. The long term planning of Delhi was linked with the development of the larger region known as the National Capital Region which had an area of about 5500 sq. miles and which comprised parts of the neighbouring States of Haryana, Uttar Pradesh and Rajasthan also. It was essential that the National Capital Region was developed and ring towns established around Delhi having adequate employment opportunities as well as public amenities and facilities so that they might attract the immigrants who would otherwise go to Delhi proper. In order that the scheme of the development of the National Capital Region is workable, there should be a separate Metropolitan fund for this purpose. The Chief Executive Councillor urged that out of the additional resources becoming available to the Centre, at least an amount of Rs. 25 crores should be earmarked for the development of the National Capital Region as a Central Plan programme.

71. The Chief Executive Councillor also circulated to the Members of the National Development Council at the meeting a paper entitled "An Alternate Approach to the Fourth Five Year Plan".

72. **Shri Mohan Lal Sukhadia**, Chief Minister of Rajasthan, stated that it was because of historical and geographical reasons and other factors and not due to any lack of effort on the part of the State Government that Rajasthan had remained backward. In Rajasthan, 90 per cent of its area had to depend on less than 20 inches of rainfall and was subject to drought and famine conditions year after year. It had a very large area with the result that its administrative expenditure was naturally high. A huge capital investment had to be made to bring water and electricity across Punjab and Haryana to Rajasthan. In spite of this, the State Government had made the maximum tax effort. Compared to other adjoining States, the incidence of tax in Rajasthan, particularly sales tax, irrigation rates and land revenue was the highest. It was because of the inherent difficulties faced by Rajasthan and natural calamities that the State Government had to take Central loans and resort to overdrafts. The per capita investment on Plan outlay in Rajasthan was less than in other States. The Chief Minister pointed out that Rajasthan was rich in some of the mineral resources like zinc, lead, copper, pyrites deposits, rock phosphate, and these need to be exploited. If Rajasthan was having deficit because of Finance Commission award, it was due to no fault on the part of the State Government. Its non-Plan gap deserved to be covered by special accommodation by the Centre.

73. The Chief Minister stated that in the running of the Central public sector projects and in the working of the nationalised banks, the State Government, should be closely associated. In the matter of setting up of private industries, the more advanced States were able to attract the industries by offering various concessions which the backward States like Rajasthan could not afford to give.

The Chief Minister wanted a clear licensing policy to be laid down in the matter of dispersal of industries and in giving weightage to the back-ward States. A clear policy in regard to the protection to be afforded to the small-scale sector from competition from the large-scale industrial sector had to be laid down. It should be decided as to what items should be reserved for manufacture by the small-scale industrial sector.

74. The Chief Minister supported the suggestion made by other Chief Ministers that the additional excise duty on textile, sugar and tobacco should be transferred to the States. This would enable the States to have some more resources. The Chief Minister said that it should be the objective of the Planning Commission to see how the economy of backward States like Rajasthan could be improved so that they may not face the situation which they were facing for no fault of theirs. In the end, the Chief Minister again suggested that the National Development Council should lay down a uniform tax effort to be made by adjoining States as otherwise the State which attempted to make a larger tax effort faced difficulty.

75. **Shri S.S. Dhawan**, Governor of West Bengal stated that the Draft Outline of the Fourth Five Year Plan, which was brought out in October 1966, visualised an investment of Rs. 593.88 crores for industrial projects in the Central sector in West Bengal. For the new Fourth Five Year Plan (1969-74), this had been reduced to Rs. 93.18 crores. The provision for the expansion of Durgapur Steel Plant, which was Rs. 312.20 crores in the Draft Outline had been completely cut down. The reason for this drastic reduction was not clear to him. Shri R. Venkataraman, Member (Industry), Planning Commission explained that the expansion of Durgapur Steel Plant had not been provided for because Durgapur was working to only 51 per cent of its installed capacity. Apart from that, West Bengal had got the largest share in industrial investment in the Fourth Plan. The Prime Minister intervened to point out that the Draft Outline, which was drawn up in 1966, had to be completely given up as the conditions changed very much and a new Draft Fourth Plan was drawn up after discussion with the State Governments. The Prime Minister assured that as soon as Durgapur Steel Plant was able to reach production to its installed capacity the question of its further expansion would be considered. The Governor stated that the blame for the failure of Durgapur Steel Plant to work to its maximum production could not be placed entirely on the local conditions.

76. Referring to the amount of Rs. 73 crores which was being allocated to West Bengal as special accommodation to fill up the gap in the non-Plan expenditure, the Governor observed that the amount was much too low. It did not take into account a sum of Rs. 9 crores which had been budgeted this year for the increase in the pay of employees in implementation of the Pay Commission Report. Moreover, this assistance which was being given in the form of loan would add to the burden of an already burdened State because the non-Plan expenditure did not give any return. The Governor referred to the problem of refugees, which was throwing a very heavy burden on the resources of the State. He also referred to the problem of Calcutta and stated that the Planning Commission had not provided in the Plan any funds for the rehabilitation and improvement of Calcutta to make it a modern city. In his view, Calcutta deserved to be treated as a national problem.

77. **Shri C. Achutha Menon**, Chief Minister of Kerala, who could not attend the meeting of the National Development Council, sent a note which was circulated at the meeting. In this note, the Chief Minister stated that in spite of the assertion in the Fourth Plan that emphasis was placed on the common man, the weaker sections and the less privileged, concrete measures had not been thought of for the uplift of the poor masses. The inequalities between classes and sections of the people had widened during the last two decades and the inequalities between different regions in India had increased. In his view, the Fourth Plan did not go far to halt this process and move in the

direction of socialism. It was neither desirable nor realistic to frame a programme of development which was dependent on foreign aid except marginally. In order to bring about reduction of dependence on foreign aid immediately, it was necessary to introduce drastic changes, in the level, content and rate of growth of consumption among the higher income groups. The policy should be to raise larger part of the savings required for investment from profits of public enterprises. These enterprises should function efficiently and yield profits.

78. The Chief Minister expressed dissatisfaction at the Planning Commission's decision to freeze the quantum of Central assistance to States at Rs. 3,500 crores in spite of the strong feeling expressed by all the State Chief Ministers at the earlier meeting of the NDC Committee that the quantum of Central assistance should be increased. The evolution of public finance in the last 18 years had resulted in disproportionately large absorption of resources at points of development at the Centre and corresponding inadequate funds at the level of the States where in fact was the largest area of development activities. The Central Government had also the exclusive right to negotiate and obtain foreign loans. It had complete control over the resources raised from the LIC and similar other financial institutions. The Chief Minister asked for a reformulation of the Centre-State relations in respect of resource allocation and mobilisation so that the States that had lagged behind in development should be assured adequate financial resources to meet their Plan needs. Industrial licensing policy of the Government should be directed in such a way that investments were channelled to less daveloped regions with a view to reducing regional imbalances.

79. Stressing the need for giving priority to State sector schemes, the Chief Minister's note pointed out that out of an estimated public sector outlay of Rs. 15,902 crores, as much as Rs. 8,900 crores i.e. more than 55% was earmarked for the Central Plan excluding outlay on Union Territories. Thus, in allocating the available national resources for the Plan between the Central and State sectors, the State sector did not receive a fair share. In certain spheres of activity which constitutionally came under the functions allocated to States, large outlays were provided in the Central sector. In the Chief Minister's view, if the development requirements of the State Governments and Central Government were assessed on a functional basis, State sector could get a substantial increase in its share of available resources for development purposes. Though one of the aims of planned economic development was to reduce regional imbalances, actually the implementation of plan programmes during the last 18 years had only widened the disparities in the matter of development between regions and States. Kerala's per capita income was below the all India average. No doubt this backwardness in terms of per capita income had been taken note of in formulating the principles for allocation of Central assistance to the States, but that alone was not going to solve the problem of disparities between States. In order that the gap between Kerala's per capita income and the all India average be closed at least over a period of next 15 years, investment of the order of Rs. 1,200 crores would be required during the Fourth Plan period. The plan as now formulated envisaged an investment of only around Rs. 350 to 400 crores in the State during the Fourth Plan period (State, Central and private sectors together). The totality of the investment in the State/region, whether it was from the State sector, Central sector or private sector, should be the main factor for determining the allocation of the national outlay so as to ensure balanced economic development of all regions. The Chief Minister asked for a reappraisal of the distribution of the Plan outlay with more emphasis on reducing regional disparities. Though techno-economic consideration should be the main factor in deciding the location of major Central industrial projects the need for balanced economic development of every region should also be an important consideration in the matter of location of new industrial units. As Kerala did not get adequate share of Central sector investment in the last three Plans, the Chief Minister asked for a size-able share in the Fourth Plan

in order to give a fillip to its industrial development. He pressed for the establishment of a Steel plant in the State and a Petro-Chemical Complex in the Ernakulam-Alwaye region.

80. Coming to the question of resources for the Fourth Plan, the Chief Minister stated that the award of the Finance Commission had left an uncovered gap of around Rs. 83 crores in the non-Plan revenue account. With the anticipated huge non-Plan budgetary gap of about Rs. 125 crores it would be difficult for Kerala Government to undertake any development activity during the Fourth Plan period. Even if the non-Plan budgetary gap was fully covered by special Central assistance, the capacity of the State to raise resources for the Plan was very limited. The Chief Minister suggested that the "needs criterion" should be the main factor for determining the Plan outlay of each State as otherwise the States which were already advanced in the matter of economic development and which received a sizeable share of the Central resources through the award of the Finance Commission would forge further ahead of the others and the disparities between the States would only get accentuated.

81. The Chief Minister also touched on the problem of unemployment and laid particular stress on the need for giving priority in the matter of allocation of Plan outlay to labour intensive schemes with a view to solving the problem of unemployment and under-employment.

82. Referring to the criteria adopted by the Committee on Identification of Backward Areas, according to which Kerala did not quality for inclusion in the list of backward States, the Chief Minister stated that even in an industrially advanced State there were areas which were very backward and the application of State averages of indicators would not be an appropriate method for identification of backward areas. In his view, the identification of really backward areas should be left to the State Governments concerned and the special assistance proposed to be made available by the Government of India and other financial institutions should be distributed among the States on a rational basis. The quantum of special assistance proposed for accelerated development of backward areas should be fixed for each State by a Committee which should include representatives of the State Governments. The suggestion of the Planning Commission to sanction special assistance to "two districts" in backward States and "one district" in forward States would not help to achieve the ultimate objectives of reducing regional imbalances in development. In the Chief Minister's opinion the proposal for giving special assistance to States for development of backward areas should be further examined by another Committee which should include the representatives of the State Governments as well.

83. The Chief Minister referred in his note to the Idikki Hydro-Electric Project and stated that since the Canadian aid was specifically earmarked for the project, that aid should be passed on in full to the State Government over and above the Central assistance of Rs. 175 crores which had been arrived at on the basis of the formula agreed to by the NDC Committee.

84. **Shri K. Brahmananda Reddy**, Chief Minister of Andhra Pradesh stated that because of the location of large Central projects in a few States, private sector industry was attracted there and these States had thus large resources and therefore larger Plans. The result was that the other States lagged behind and remained backward. He attributed this to defective planning. Rectification of regional imbalances was a national commitment which was embodied in the Second Plan, in the Third Plan and also in the Draft Fourth Plan. The Chief Minister suggested that the extra resources which the States might be able to mobilise and the special assistance which the Central might give should go to benefit the Plan, as otherwise if these extra receipts, made either by the States or by the Centre, go only to cover the non-Plan deficits it would not help the States in development. He welcomed the special accommodation that the Centre had agreed to provide to

help the weaker States and wished that this allocation was much larger. The Chief Minister pointed out that on the basis of per capita investment, Andhra Pradesh was almost at the bottom. In order to reduce regional imbalances, it was necessary that the weaker States should be given a sizeable share of loan assistance from L.I.C. and other financial institutions. Similarly, a little larger share from the Centrally sponsored schemes should go to the weaker States.

85. The Chief Minister asked for the setting up of a dairy development project, a Steel plant, a scooter plant and an atomic-power unit in Andhra Pradesh.

86. Summing up the discussion, **Dr. D. R. Gadgil**, Deputy Chairman referred to some of the points made by certain Chief Ministers and stated that the advice of the Planning Commission to the Union Ministry of Finance on 'Special accommodation' for the States in no way infringed the directives of the National Development Council. The total Central assistance of Rs. 3,500 crores for the Fourth Plan had not increased, and none of the special accommodation sought to be given to several States added to their Plan outlays. Deputy Chairman recalled that the Administrative Reforms Commission and other bodies had examined the whole question of financial relations between the Centre and the States and had found that there was dichotomy between Plan and non-Plan expenditure. It was also pointed out by them that because Plan expenditure and non-Plan expenditure were considered separately, the total effect on implementation of programmes could not be judged properly. After the award of the Finance Commission, the Planning Commission had drawn the attention of the Union Ministry of Finance to the possibility of dealing with the question of non-Plan deficit of all States. As a matter of fact, the Union Ministry of Finance had each year in the past been dealing with this problem in the form of loans, R.B.I, overdrafts, accommodation or other type of assistance to States from year to year. In relation to eight or nine States, which were in a financially procarious position the Planning Commission suggested a programme of action for the entire period of the Fourth Plan which would also cost least to the accommodation giving authority. The aid was to enable these States to raise and mobilise additional resources which could be utilised for planned development, to commit the States to hold their non-Plan expenditure as much as possible to the 1968-69 base line and to ensure that the total Plan outlay of each of these States did not in any case fall below the figure mentioned in the Draft Plan document. This was one step forward in integrating Plan and non-Plan finances. In this way, special accommodation, which was hitherto uncoordinated adhoc and was determined afresh each year, had been integrated over a five-year period. This enabled the Union Ministry of Finance to take a long-term view on non-Plan deficits and, at the same time, look on planning as a continuous process.

87. Referring to the question of per capita outlay raised by the Chief Ministers of Madhya Pradesh and Andhra Pradesh, the Deputy Chairman said that if the N.D.C. so decides, the Planning Commission would be willing to prepare notes bringing out various aspects of federal finance and Plan finance so that the whole question could then be carefully considered by the N.D.C. Committee of Chief Ministers.

88. With regard to the suggestion made by the Chief Executive Councillor, Delhi that the Union Territories should also, as in the case of States, be allowed to utilise the additional resources, which they may raise in any year by specific taxation measures, for augmenting the Plan the Deputy Chairman stated that the Ministry of Finance had agreed to allow 50 of the additional resources mobilisation for the purpose. He, however, agreed to pursue the matter further with the Ministry of Finance.

89. Concluding the deliberations, **Smt. Indira Gandhi**, Prime Minister said that a consensus had emerged in the National Development Council on the revised outlays for the Fourth Five-Year

Plan as presented by the Planning Commission. She remarked that the finalisation of the Plan and determination of Plan outlays was only the beginning of the real Plan and if the plan outlays and targets were implemented in right earnest and necessary follow-up measures were taken, it would be possible to succeed not only in achieving the rate of growth envisaged in the Plan but something more. The public sector Plan outlay of Rs. 15,902 crores represented a substantial increase, and the rate of growth of 5-6 per cent sought to be achieved also represented a considerable quickening of economic progress. But it could not be taken for granted that these would be automatically followed by higher production or better amenities for the people. She stressed that there should be determination to raise the resources required for the Plan. The Centre had agreed to increase its responsibilities for raising additional resources and she was glad to find that the Chief Ministers would play their part in raising the resources.

Referring to the suggestion made by the Chief Executive Councillor, Delhi in his paper "An Alternate Approach to the Fourth Five Year Plan" for getting resources through auction of import licences or raising duty on imports to the tune of Rs. 7,500 crores every 5 years, the Prime Minister stated that in her view this was not a feasible suggestion because at such high rates of duty the volume of duty itself would either shrink greatly or there would be sizeable increase in the prices of various categories of goods. One immediate effect would be that a great part of the resources raised by higher import duty would be neutralised by the increase in the money cost of investment programmes.

90. Emphasising some of the positive aspects of the Plan, the Prime Minister said that apart from taxation, resources would have to be mobilised by way of borrowings as well. Here again the Centre and the Chief Ministers had to play a part in the expansion of banking facilities, mobilisation of small savings, and so on. A strict watch would have to be kept over non-Plan and other expenditures. The need for better financial management was not confined to a few States which might be currently running into deficits but existed in relation to other States and also the Centre.

91. The Prime Minister went on to say that the Central Government was anxious to accelerate the growth of backward regions, but this did not mean that the rate of growth of other States should, be slowed down. States which were relatively better-off should make larger contribution from their own resources and the backward and poorer States should receive somewhat higher assistance from the Centre. This was the general policy which the Government of India was advocating internationally also in regard to the richer countries helping the developing countries and the same approach should apply within the country in relation to industrial development. Therefore, the more established houses should make a greater contribution from their own resources and should rely to a lesser extent on financial assistance. It was because of the Finance Commission's recommendations and the position as had emerged that it became necessary to provide for special accommodation. It was intended to give some States a chance to have a reasonable Plan and to raise additional resources without fear that these would not be available for their own Plan.

Referring to bank nationalisation, the Prime Minister said that it had already produced significant results even during the initial period of stabilisation. The response to State borrowings was better than in the previous year and this was partly because of bank nationalisation. To encourage mobilisation of local resources or local development, a scheme for rural debentures had been announced. The nationalised banks would also try to meet local needs for agriculture and small industry to an increasing extent.

92. The Prime Minister said that India was a federal State and was, by and large, a poor country. The question before them was of adjustment of the limited resources so that the country could go

forward in such a way that the gaps which existed between different States and between different regions within a State were gradually diminished. She appealed to the members of the National Development Council to get on with the job and implement the programmes included in the Fourth Plan.

93. In regard to the suggestion made by certain Chief Ministers for the replacement of additional excise duty on sugar, tobacco and textiles by sales-tax, the Prime Minister said that the subject would be gone into by the Chief Ministers Committee of the N.D.C. At the suggestion of the Chief Executive Councillor, Delhi, it was agreed that he and the Chief Ministers of Union Territories should also be associated when the subject was discussed in the N.D.C. Committee.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	.. .. ..	Chairman
Dr. D.R. Gadgil	.. .. ..	Deputy Chairman
Shri R. Venkataraman	.. .. ..	Member
Shri B. Venkatappiah	.. .. ..	Member
Shri Pitambar Pant	.. .. ..	Member
Dr. B.D. Nag Chaudhury	.. .. ..	Member

STATES

Andhra Pradesh	.. .. ..	Shri K. Brahmananda Reddy, Chief Minister
		Shri J.B. Narsingh Rao Deputy Chief Minister
Assam	.. .. ..	Shri K.P. Tripathi Finance Minister
		Shri Mahendra Mohan Choudhury Revenue & Forest Minister
Bihar	.. .. ..	Shri Daroga Prasad Rai Chief Minister
		Shri Chandra Shekhar Singh Plg. & Revenue Minister
Gujarat	.. .. ..	Shri Jashwantbhai Mehta Finance Minister
Haryana	.. .. ..	Shri Bansi Lal Chief Minister
		Shrimati Om Prabha Jain Finance Minister
Jammu & Kashmir	.. .. ..	Shri G.M. Sadiq, Chief Minister

		Shri G.L. Dogra Finance Minister
Kerala	.. .. ..	Shri M. Gopal Menon Chief Secretary
Madhya Pradesh	.. .. ..	Shri S.C. Shukla, Chief Minister
		Shri K.N. Pradhan Planning Dev. Minister
		Shri Kunji Lal Dubey Finance Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri S.K. Wankhede, Finance Minister
		Shri S.B. Chavan Irr. & Power Minister
		Shri B.J. Khatal Minister of State for Plg.
Mysore	.. .. ..	Shri Veerendra Patil Chief Minister
		Shri Ramakrishna Hegde Finance Minister
Nagaland	.. .. ..	Shri R. Khathing Chief Secretary
Orissa	.. .. ..	Shri R.N. Singh Deo, Chief Minister
Punjab	.. .. ..	Shri Gurnam Singh Chief Minister
		Shri Balwant Singh Finance & Planning Minister
		Shri Satnam Singh Bajwa Minister of State for Fin.

Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister
		Shri Mathura Dass Mathur, Finance and Plg. Minister
Tamilnadu	.. .. ..	Shri M. Karunanidhi Chief Minister
		Shri K.A. Mathialagan Finance Minister
Uttar Pradesh	.. .. ..	Shri Sripati Misra Food Minister
West Bengal	.. .. ..	Shri S.S. Dhawan Governor

UNION TERRITORIES

Chandigarh	.. .. ..	Shri Joginder Singh Finance Secretary
Delhi	.. .. ..	Shri Vijay Kumar Malhotra Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Shri D.B. Bandodkar Chief Minister
Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Pondicherry	.. .. ..	Shri M.O.H. Farooq Chief Minister

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	.. .. ..	Minister of Industrial Development, Internal Trade & Company Affairs
Shri B.R. Bhagat	.. .. ..	Minister of Foreign Trade
Shri Y.B. Chavan	.. .. ..	Minister of Home Affairs
Shri Jagjivan Ram	.. .. ..	Minister of Food, Agriculture, Community Development and Cooperation
Shri Gulzari Lal Nanda	.. .. ..	Minister of Railways

Prof. V.K.R.V. Rao	.. .. ..	Minister of Education & Youth Services
Shri D. Sanjivayya	.. .. ..	Minister of Labour & Rehabilitation
Dr. Triguna Sen	.. .. ..	Minister of Petroleum & Chemicals and Mines & Metals
Shri K.K. Shah	.. .. ..	Minister of Health, Family Planning, Works, Housing & Urban Development
Shri Dinesh Singh	.. .. ..	Minister of External Affairs
Dr. Karan Singh	.. .. ..	Minister of Tourism and Civil Aviation
Sardar Swaran Singh	.. .. ..	Minister of Defence and Steel & Heavy Engineering
Shri R.K. Khadilkar	.. .. ..	Minister of Supply
Shri K. Raghu Ramaiah	.. .. ..	Minister of Parliamentary Affairs & Shipping & Transport
Dr. K.L. Rao	.. .. ..	Minister of Irrigation and Power
Shri P.C. Sethi	.. .. ..	Minister of State in the Ministery of Finance

SPECIAL INVITEE

Shri L.K. Jha	.. .. ..	Governor, Reserve Bank of India.

TWENTYEIGHTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

MAY 30 AND 31, 1972

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYEIGHTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPER

TOWARDS AN APPROACH TO THE FIFTH FIVE YEAR PLAN

The basic premise of our Five Year Plans has been development along socialist lines to secure rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power, and creation of the values and attitudes of a free and equal society.

2. In elaborating our strategy of development in earlier Plan documents, we seem to have assumed that a fast rate of growth of national income will by itself create more and fuller employment and produce higher living standards for the poor. We also seem to have assumed that, for reduction of disparities in income and wealth, the scope of redistributive policies is severely limited.

3. Economic development in the last two decades has resulted in an all-round increase in per capita income and the proportion of the poor, defined as those living below a basic minimum standard of consumption, has slightly come down. Yet the absolute number of people below the poverty line today is just as large as it was two decades ago. And these people living in abject poverty constitute between two-fifths and one-half of all Indian citizens. Available projections suggest that if one were to rely on growth alone without directly tackling the problems of unemployment and income distribution, it may take another 30 to 50 years for the poorer sections of the people to reach the minimum consumption levels. It will neither be feasible nor desirable to contemplate a waiting period of anywhere near such a duration.

4. The assumed conflict between growth and social justice in earlier Plans has been premised on arguments which assert that whatever surpluses can be mobilised from the richer classes are needed for investments primarily directed at raising the future rate of growth. There might have been some justification for this view in the initial years of planning. However, the economy now has reached a stage where larger availability of resources makes it possible to launch a direct attack on unemployment, under-employment and poverty, and also assure adequate growth.

5. There would seem to be a very conspicuous element of historic inevitability in a direct approach to reducing poverty becoming the main thrust of the Fifth Five Year Plan. The Plan is being formulated by a Government that has won a massive mandate from the people both in the Parliamentary elections of 1971 and the State elections of 1972, on the basis of a programme whose centre piece is 'Garibi Hatao'. The homogeneity of the Governments in the Centre and most of the States during the formulation and early years of the Fifth Plan is guaranteed. This should enable bold and imaginative proposals being put through on the basis of an enlightened national consensus. Another element which lends support to a strategy of development being directly anchored to the objective of removal of poverty in the Fifth Plan is the existence of some sustained thinking on the part of economists in this country on this very problem in the last three years.

6. Poverty is both an absolute and a relative concept. When we talk about the elimination of poverty as a goal of development, what we have in mind is not the relative concept but a definition

of what could reasonably be considered as an absolute level of poverty. This poverty line has to be defined in terms of a minimum level of consumption. Available estimates show that at 1960-61 prices, private consumption of Rs. 20 per capita per mensum would be needed to assure a reasonable minimum level. In present day prices, these figures will have be to multiplied by a factor of about 1.86. At present over 220 million people are estimated to be living below this level. The size of the problem and absolute numbers vary from State to State. The urban poor, to a large extent, are an over-flow of the rural poor. The main attack will therefore have to be on rural poverty. A little less than half of the rural poor are landless labour and a little more than half are small and marginal farmers. The two categories overlap since small farmers also work as agricultural labour.

II

7. The main causes of abject poverty are :

(1) open unemployment;

(2) under-employment; and

(3) low resource base of a very large number of producers in agriculture and service sectors.

As indicated earlier, the elimination of abject poverty will not be attained as a corollary to a certain acceleration in the rate of growth of economy alone. In the Fifth Plan, it will be necessary to launch a direct attack on the problems of unemployment, under-employment and massive low end poverty. The essential ingredient of this line of attack would have to be provision of employment opportunities on as large and wide a scale as necessary and to make this effort technically and administratively feasible.

8. In order to improve their lot the poor would have to have incomes. Incomes will accrue to them only if they have meaningful employment. However, the generation of employment (with low per capita incomes) by itself would not be enough to provide a minimum level of consumption for the poor unless prices of essential goods such as foodgrains including pulses, edible oils, standard cloth, sugar and cooking fuels are stabilised. Ensuring stable prices at a reasonable level for these basic elements of consumption must, therefore, be one of the dominant objectives of the Fifth Plan. Appropriate price and distribution policies will be necessary for this purpose.

9. Price stability in items of essential consumption can be ensured only if production policy is also oriented to increasing availabilities of these items. The pattern of investment and the composition of output in the Fifth Plan will specifically need to take into account this aspect, and the implications for industrial policy to achieve these objectives will have to be studied in detail. Secondly, the potential of science and technology for increasing production, locating substitutes and substituting imports will have to be fully exploited. At the same time there will have to be a much more determined restraint on inessential consumption of the relatively well-to-do classes than in the past so that national resources are effectively mobilised for priorities. A consumption policy of this kind will have to include an approach towards wages, incomes and profits and its implications will also have to be thoroughly studied.

10. Our march towards a minimum level of income for all can be conceived only on the basis of a programme of maximising all possible avenues for productive employment. Leaving aside the question of employment generation in an expanded programme of social services in the Fifth Plan

(which is dealt with separately in the latter part of this paper) employment-intensive heads of development would include the following :

(1) Minor Irrigation;

(2) Soil Conservation;

(3) Area Development;

(4) Dairying and Animal Husbandry;

(5) Forestry;

(6) Fisheries;

(7) Ware-housing and Marketing;

(8) Small Scale Industries including agro-industries ;

(9) Roads; and

(10) Special programmes such as SFDA, MFAL, CSRE, and Drought Prone Areas Programme.

11. The outlay on these heads of development by the Centre and the States (including institutional finance) during the Fourth Plan works to about Rs. 3600 to 3900 crores. The level of outlay on these employment-intensive programmes in the last year of the plan would be around Rs. 1075 crores. The tempo of investment in these employment-intensive programmes as well as on similar other programmes such as construction activity, road transport, processing and the like could be substantially stepped up in the Fifth Plan.

12. While the goal of the Garibi Hatao programme will have to be the provision of a guarantee of minimum level of income from work, the working hypothesis for the Fifth Plan, however, should be to explore to what extent employment can be expanded by stretching administrative, institutional and financial efforts to the maximum. In this context a number of questions arise. These are :

(i) The maximum possible employment that can be provided in the rural areas in a way that the assets created increase productivity and the welfare of the people;

(ii) The maximum employment that can be provided in urban areas in small scale industries, trade and services;

(iii) The extent to which the present institutional, administrative, technical and financial constraints on the expansion of productive employment can be removed;

(iv) The extent to which the quantum of employment likely to be created will fall short of that needed to bring the poor upto the minimum levels; and

(v) Any further measures to this end that will be necessary.

13. The general programmes for expanding employment opportunities will have to be supplemented and coordinated with specific programmes to tackle the problem of the educated unemployed. The special schemes that have been introduced during the Fourth Plan are a recognition that the original programmes included in the Plan were inadequate for the purpose. In formulating the Fifth Plan we will have to bring these special programmes into the Plan itself. Many of the programmes outlined above for tackling rural unemployment and the programmes for meeting

basic minimum needs outlined in Section III below will provide employment to teachers, doctors, para-medical personnel, engineers, veterinarians, agronomists and other educated unemployed. In addition, the programmes for surveys of natural resources and those in the field of science and technology can substantially increase employment opportunities for the educated.

14. As indicated earlier, unemployment under-employment and low resource base of a multitude of producers, particularly in agriculture, are the principal causes of poverty. An expanded programme of employment generation will, therefore, have to be supplemented by redistributing the means of production in favour of the poor, in part by providing the self-employed with the wherewithal to achieve greater productivity from land and also through a programme of land redistribution and other transfers. Profiting from past experience, Land policy decisions on the nature of the legislation and the processes of implementation will be necessary. The problem of an appropriate balance in the redistribution of available surpluses as between farmers with small holdings and landless labour is also an issue which will have to be faced. An assessment will have to be made during the current year of the impact of the envisaged land reform measures on the problem of rural poverty. The employment programme for the rural areas will have to be so designed that it can meet the requirements of the small and marginal farmers and the landless labour after allowing for the effect of the land reform measures as finally decided upon.

15. We have to ensure a credit structure that provides money to the smallest farmer and is capable of recovering it from him. Further, in order to expand employment opportunities for the rural landless labour to the maximum and to cut down the degree of under-employment from which the small and marginal farmers suffer at present, it will be necessary to re-orient and integrate various schemes of rural development such as minor irrigation, soil conservation, area development, animal husbandry, forestry, fisheries, roads, and certain special programmes like SFDA and MFAL, Crash scheme of Rural Employment and Drought Prone Areas programmes, into a comprehensive programme of land consolidation, land and water development, drainage and other infra-structural activities in the rural areas.

16. Even if we succeed in producing vast employment opportunities for the poor, they will not be able, with their level of earnings, to buy for themselves all the essential goods and services which constitute quality of life. The programme for providing larger employment and incomes to the poorer sections of the population will, therefore, have to be supplemented by a national plan for the provision of social consumption in the form of education, health, nutrition, drinking water supply, housing, communications and electricity up to a minimum standard.

III

17. In the above context, it is necessary to identify the items of public consumption that need to be included in the list of basic minimum needs and to lay down the minimum acceptable norms for these. Further, taking into account the constraints, it would be necessary to work out a reasonable time-phasing for meeting these needs fully. Furthermore, it will also be necessary to work out (i) the order of financial outlays required to fulfil the above commitments, (ii) the financial mechanism to ensure that these outlays constitute a prior charge on national resources and (iii) administrative innovations that would ensure efficient implementation of the programme.

18. The list of basic minimum needs will have to be short and self-evident so that realistic time-frames could be adopted. The following are suggested:

(i) Elementary education for children up to the age of 14;

(ii) Minimum public health facilities integrated with family planning and nutrition for children;

(iii) Rural water supply;

(iv) Home-sites for landless labour;

(v) Rural roads;

(vi) Rural electrification; and

(vii) Slum improvement in the larger towns.

19. In respect of elementary education, the Constitutional directive is that children upto the age of 14 should be provided with free and compulsory education within a period of ten years of the commencement of the Constitution. That date was passed in January 1960. The likely enrolment at the end of the Fourth Plan wilt be 84% in the age-group 6-11 and 40% in the age-group 11-14. There are wide regional disparities in aggregate enrolment particularly in the case of girls. While it should be possible to cover fully boys in the age group 6-11 by 1975, the problem in regard to full enrolment of girls will pose special difficulties. The constraints are mostly social and non-availability of women teachers in adequate numbers. Special measures will therefore be called for tackling these difficulties and stepping up enrolment of girls to acceptable levels. In respect of age-group 11-14, while it may not be possible to go beyond overall coverage of 50 % by the end of the Fifth Plan special efforts at accelerated enrolment could achieve the target of 100 per cent in respect of boys in the early years of the Sixth Plan. The problem being basic to our objective of creating a socialistic society, special attention will be required for devising a set of measures that will improve enrolment and reduce wastage at all levels.

A primary school within 1.5 Kms. and a middle school within 5 Kms. of each village appear to be an adequate geograhpical norm. At the same time, expenditure will have to be stepped up on items such as free text books and mid-day meals. Adequate provision will have to be made for school inspectors. Large expenditure will also be necessary on the construction of class-rooms. This, incidentally, will also provide employment. Taking into account the conditions in each State, detailed State-wise plans will have to be drawn up covering the manpower, financial and other requirements for the implementation of the programme by the target date.

20. In regard to minimum public health facilities, generalised norms such as improvement in the doctor-population ratio or the bed-population ratio or per capita expenditure on health are not enough since the availability of health facilities in rural vis-a-vis urban areas has continued to be extremely lopsided. Instead, the norm will have to be related to adequate extension of medical care in the rural areas. The present standard is one public health centre for a block population of 80,000 to 100,000 supported by 8 to 10 sub-centres, each serving a population of 10,000. Accepting this as the minimum, the programme should consist in filling up deficiencies in construction of buildings, provision of staff, equipment and drugs in a coordinated way. This may be a realistic target for the Fifth Plan. Ultimately, the coverage of a sub-centre will have to be reduced to a population of 4,000 to 5,000. In order to provide an adequate number of doctors for the Fifth Plan programme and as advance preparation for a more intensive coverage later, it would be necessary to consider the revival of the 3-year Medical Diploma. Indigenous systems of medicine will also have to be utilised for the purpose. The emphasis in rural health will have to be on prevention, family planning, nutrition and detection of early morbidity with adequate arrangements for referring serious cases to an appropriate higher echelon such as the Tehsil or the District Hospital. Such a multi-tier system

cannot be built on a national scale on the basis of the present expensive system or prolonged medical education. A new approach towards the raising of suitable medical and para-medical cadres for the lower tiers has to be worked out. It is also necessary that health education should be woven into the general education system.

21. The Family Planning programme will need continued emphasis. Apart from the intensification of methods currently adopted, rapid progress will have to be made in integrating family planning with health and nutrition facilities. It is only in this manner that the concept of small families on a durable basis among our people can be promoted.

22. As part of the minimum needs programme, it will be necessary to take care of pregnant mothers and pre-school children so as to attack the problem of protein malnutrition at its root. The benefits of schooling can be safeguarded and the problems of wastage and stagnation tackled only if nutrition programmes are commenced right at this stage. Nutrition facilities to pregnant mothers and young children will therefore need the highest priority consistent without ability to design an adequate delivery system.

23. There is also the need to take care of the old and the handicapped who, being unemployable, cannot be brought into the mainstream of economic activity. Outlays will have to be enlarged, to the extent feasible, on special programmes for this segment of the population.

24. In the matter of drinking water supply it has been estimated that about 150,000 villages out of a total of 567,000 villages suffer from either scarcity and health hazards or special problems such as salinity, iron and fluorides. In addition, there are villages which do not have an adequate supply of drinking water or where the provision of water supply to Harijans and backward classes is inadequate. Currently the States spend about Rs. 40 crores annually on rural water supply. This provision has been increased by Rs. 20 crores in 1972-73. In order to meet this basic minimum need by the end of the Fifth Plan, it may be necessary to step up expenditure to an average of Rs. 100 to 120 crores per annum.

25. Homesites for landless rural labour also fall in the category of minimum needs. They are as important to them as employment opportunities. A considerably enlarged programme in this respect will have to be taken up in the Fifth Plan with a view to securing a substantial coverage of landless labour in all the States. The need for land reform of the kind referred to earlier is further underlined by the scope it would offer for providing homesites to the landless.

26. Roads and Electricity in rural areas have so far more or less been conceived as part of the productive infrastructure; roads being primarily intended for marketing, and electrification for the energisation of agricultural pump sets. It is expected that by the end of the Fourth Plan about 40 per cent of the rural population will have electricity. There are, however, very wide regional variations. The highly industrialised State of West Bengal for instance, has less than about 10 per cent of its rural population enjoying the benefits of power. Similarly, a large majority villages do not have the facility of an all-weather road. The time has come to recognise that roads and electricity also contribute to quality of life. It is necessary to aim at providing all-weather roads by the end of the Fifth Plan to all villages above a minimum population size, say, 1500 people. The strategy of linking these villages will automatically attract feeder roads to them from villages with smaller populations and eventually cater to about 80 per cent of the entire rural population. Similarly electricity will have to be extended so that by the end of the Fifth Plan, in all States at least 30-40 per cent of the rural population receive this facility. For both these items planning will have to be on an integrated basis. Village roads should be properly linked to district roads and plans for rural electrification will have to

be on minimum cost-maximum population coverage basis, consistent with generation and transmission capacities.

27. The long-term solution to urban poverty lies in tackling the root of it which is rural unemployment. In the interim, the living conditions of the poorest section of the population such as slum and pavement dwellers have to be brought up to some minimum standards. The approach to the problem of slums will have to consist in a mix of slum clearance and re-development and environmental improvements. Acquisition of land will be necessary, subject to local conditions, for both types of schemes. In 1972-73 a beginning has been made with a Rs. 20 crore scheme for slum clearance and re-housing and slum improvement in eleven cities. These are Calcutta, Bombay, Delhi, Madras, Hyderabad, Bangalore, Ahmedabad, Kanpur, Poona, Lucknow and Nagpur. In respect of the remaining areas, it will be necessary to identify problem cities and devise suitable programmes of urban development for their improvement. Considering that many of our existing programmes have been launched but recently, the further experience we gain in the next two years should prove valuable in designing an appropriate programme to cover more cities.

28. In the light of the above, the immediate programme for action will consist of the following:

(1) States will be requested to prepare detailed district plans for ensuring full enrolment of all children up to age 11 during the Fifth Plan and spell out the expenditure required on teachers, buildings, text books, midday meals and special incentives for the enrolment of girls. In regard to the age group 11-14 States will be requested to outline the maximum programmes for possible enrolment by the end of the Fifth Plan, the target being to push up the enrolment percentage to a minimum of 50 per cent in all States.

(2) The implication of reviving the 3 year medical diploma course will have to be examined in detail. States will be requested to undertake detailed planning for providing a primary health centre in each block with the full complement of sub-centres, adequate staff, equipment and drugs by the end of the Fifth Plan.

(3) States will be requested to draw up detailed plans for providing drinking water supply to all villages by the end of the Fifth Plan.

(4) States will be requested to estimate the financial requirements of providing all-weather roads to villages with a population of 1500 or more. These plans will have to be ranked in order of priority having regard to population, availability of main roads to which they can be linked and marketing requirements so that a phased programme of road construction can be formulated.

(5) The backward States will be requested to work out, consistent with generation capacity, an economical programme for rural electrification which may cover up to 40 per cent of the population.

(6) The States will be requested to prepare master plans for slum clearance and improvement in respect of towns with a population of 5 lakhs or more.

(7) The States will be requested to authorise expenditure for technical investigations and preparation of suitable programmes and projects reflecting the new approach.

The minimum needs programme will naturally have to be based on the active involvement of all sections of the population. For the success of this programme, financial and administrative decentralisation will be necessary which will ensure public cooperation as well.

29. Both in regard to the intensive employment programme and the basic minimum needs programme, the importance of implementation cannot be overemphasised. There is need to avoid delays, leakage and waste. Part of the problem of implementation arises because programmes are not soundly conceived and properly structured. Coordination of the various schemes for rural employment and those for the benefit of small and marginal farmers and landless labour would ensure a more effective and fruitful implementation. Secondly, there will have to be considerable decentralisation of planning, decision-making and implementation. This would call for an effective system of multi-level planning.

30. A very tentative estimate of the cost of the proposed needs programme is Rs. 3000 to Rs. 3500 crores for the five year period. The concept of a national programme designed to provide facilities in every state to satisfy minimum norms entails that the necessary financial resources should be made available to each State in accordance with proven needs. To ensure effective utilisation of funds released for these programmes, the implementation capacity of each State will have to be adequately strengthened. Effective mechanism to ensure both these objectives will have to be evolved.

IV

31. The level of development outlays on employment intensive programmes, enumerated in paragraph 9, during the Fourth Plan is anticipated at Rs. 3600 to Rs. 3900 crores. The outlay on these and other employment intensive programmes indicated in paragraph 10 may have to be about twice as much in the Fifth Plan. The national Plan for the provision of basic minimum needs in education, public health, nutrition for pre-school children, drinking water supply, rural homesites, rural roads, rural electrification, and slum improvement and clearance in the larger towns may involve a further outlay of Rs. 3000 to 3500 crores during the Fifth Plan. It may be noted that these programmes are also labour intensive. The above two sets of programmes will involve an outlay of the order of Rs. 10,500 to Rs. 11,500 crores during the Fifth Plan. While these estimates will have to be firmed up by detailed calculations, nonetheless they are fairly indicative of the order of effort that could make a substantial impact on employment and on the progress towards the objective of Garibi Hatao.

32. It is needless to say that the above programmes, while they are very important from the point of view of social justice, would nevertheless be a comparatively small part of the total Plan. In order to ensure adequate development of agriculture, industry, transport and communications to support the above programme and to safeguard sustained growth in the period beyond 1978-79, the total level of outlay in the Fifth Plan period would have to be around twice the size of the Fourth Plan. To firm up the content of the Fifth Plan, profiles of investment and output in different sectors will have to be worked out. In order to carry out these exercises in the proper context it is essential to have a prior consensus about the orientation of the Plan towards the provision of larger employment opportunities and basic minimum needs. Given such a consensus, the implications of different rates of growth of national production and the composition of investment and the implied efforts for resource mobilisation in the Fifth Plan can be worked out in detail.

33. In order to finance an outlay of the required order, it would seem necessary to raise Rs. 6,000 to Rs. 7,500 crores by way of additional resource mobilisation. This would compare to the effort of about Rs. 4,000 crores undertaken during the Fourth plan period. The effort would call for the States raising around Rs. 2500 crores, the Centre making up the balance. Besides the efforts on convention lines, major thrust will have to be in the following directions :

(i) Comprehensive direct tax reform to check evasion and avoidance of all kinds and to make the tax system elastic to income growth, and

(ii) To bring agricultural incomes within the tax net. In this effort it may be necessary to go beyond the recommendations of the Wanchoo Committee. It is expected that the Raj Committee would provide valuable suggestions in regard to taxation of agricultural incomes. The remaining two years of the Fourth Plan must be utilised to push through this comprehensive tax reform.

34. The resource mobilisation effort will also have to take into account the need for mopping up surpluses arising from existing wealth. Large unearned incomes accrue in urban areas from property and from transactions relating to land. The recent constitutional amendments have cleared the deck for an approach oriented to changing property relationship, both in urban and rural areas. Reforms in the tax system will have to take fully into account the redistributive aspects and ensure that a significant proportion of wealth as well as income arising from wealth is channelled into public resources.

V

35. The profile of balance of payments, the size and pattern of investment in the Fifth Plan and the quantum of domestic resource mobilisation are inter-linked. It is, therefore, necessary to clarify the approach to self-reliance at this initial stage of the Fifth Plan exercises.

36. The objective of self-reliance within a definite time-schedule was formulated for the first time in the Third Plan in the following terms :

> "The balance of payments difficulties the country is facing are, it must be stressed, not short-term or temporary ; they will continue for several years to come. The external assistance is essential for this period but the aim must be to make the economy more and more self-reliant, so that it is able to support within a period of 10 or 12 years an adequate scale of investment from its own production and savings. Normal inflow of foreign capital may continue but reliance on special forms of external assistance has to be reduced progressively and eliminated. The Third Plan represents a very crucial stage in this process."

37. While the Third Plan gave an indicative schedule of 10 or 12 years from 1961 for the terminaton of aid, the Fourth Plan adopted a more concrete policy objective which was defined as follows :

> "........... reducing foreign aid net of debt servicing (inclusive of interest payment) to half of the current level by the end of the Fourth Plan and to eliminate it altogether as speedily as possible thereafter."

38. In the Chapter, "Long-term Perspective of Development" in the Fourth Plan document, there is also projection for 1980-81. This shows that on certain assumptions regarding the growth of exports, the foreign exchange resources generated would be adequate to meet import requirements as well as interest obligations on foreign debt. The position anticipated for 1980-81 was a projection based on certain assumptions and was neither meant to be nor presented as an objective.

39. Net aid in 1965-66, the last year of the Third Plan, was Rs. 701 crores including food aid and Rs. 472 crores excluding food aid. The corresponding figures for 1971-72 are estimated as Rs. 328 crores and Rs. 202 crores respectively. With continued restriction of imports and promotion of exports, it will be possible to do even better than the Fourth Plan objective of reducing net aid in 1973-74 to half the level in 1965-66.

40. The balance of payments gap during the Fifth Plan period and in the last year of the Plan can be worked out only on the basis of certain detailed assumptions. These include growth rates in the commodity producing sectors, size and content of the investment programme, rates of utilisation of existing capacities, availabilities from capacities under construction, likely performance of exports taking into account also the exogenous factors pertaining to the world markets, trends in invisibles and so forth. This kind of projection has to be consistent with the rest of the Plan and can therefore be firmed up only as an integral part of Plan formulation. Secondly, the projection cannot be a static extrapolation of present trends and policies but will have fully to take into account the feasible policy changes in regard to exports, invisibles such as shipping, tourism and remittances, import substitution, accent in investment policy for stimulating new capacity in critical sectors and the like.

41. In view of the paramount need to achieve by the end of the Fifth Plan, self-reliance in the sense of zero net concessional aid, the magnitude and kind of effort required on the different aspects relevant to the balance of payments will need to be carefully worked out. It will be necessary to examine the policy, organisation and resource mobilisation implications of this objective. It is only on the basis of such a thorough exercise that it will be possible to say whether the zero net aid position can be achieved without too great a cost in terms of growth and, if not, in what ways the investment pattern needs to be adjusted to fulfil the objective. On the other hand, if the exercise were to reveal that with some additional effort it may be possible to improve on the initial criterion of zero net aid, we could explore to what extent and in what fashion the objective itself can be enlarged in the direction of elimination of gross aid as well. In other words, it is suggested that, to start with the exercises connected with the Fifth Plan may proceed on the basis of zero net aid position by 1978-79 with the clear understanding that the implications brought out in the exercise will be reviewed once again before the firm and final operative decisions are taken.

42. The objective of bringing down net aid to zero implies that gross aid will be required only to the extent of repayments of principle and interest. To the extent that debt rescheduling is available, the requirements of other gross aid can be reduced. Where debt repayments have to be met from free foreign exchange, debt relief is in fact equivalent to untied aid. For these reasons, it is necessary to emphasise debt relief more and more as a preferred form of assistance.

43. Approval is sought for the following basic elements of policy in the approach to the Fifth Plan :

(1) The direct line of attack on the problem of unemployment and poverty proposed in Section II (paragraphs 7 to 16) ;

(2) The National Minimum Needs Programme as outlined in Section III (Paragraph 17 to 30) ;

(3) The size of resource mobilisation effort of the magnitude indicated in paragraph 33 as the initial working hypothesis for the Fifth Plan exercises ; and

(4) The approach to self-reliance indicated in section V (paragraphs 35 to 42).

44. The approval sought above is necessary for initiating detailed exercises for the formulation of the Fifth Five Year Plan. There will, no doubt, be a number of auxiliary and essential policy issues which will emerge in the course of the exercises. These will be brought up for discussion in due course.

45. The time schedule for the formulation of the Fifth Plan is given in the appendix. The Fifth Plan document will be finalised by 31-3-1974 at the latest.

APPENDIX

Time Schedule for the Fifth Five Year Plan

The following time schedule for the preparation of the Fifth Plan has been drawn up so as to finalise the document at the latest by 31-3-1974, that is by the beginning of the Fifth Plan period :

30-9-72 : Preparation of an Approach Paper on dimensional hypotheses for the Fifth Plan, the policy and resource (domestic and foreign exchange) implications of alternative rates of growth (macro and sectoral) and of other objectives such as employment, income distribution, regional balance, satisfaction of basic minimum needs, self-reliance. (Prof. Mahalanobis' model in the Second Plan, the PP Division's Paper on Certain Dimensional Hypotheses in the Third Plan and PP Division's Notes on Perspectives of Development in the Fourth Plan are examples of such first exercises).

15-10-72 : Consideration of the Approach Paper by the full Planning Commission and approval of guidelines for (a) preparation of Draft Outline and (b) size and content of State Plans.

30-4-73 : First version of Draft Outline.

15-5-73 : Consideration of Draft Outline by full Commission.

1-6-73 : Consideration of Draft Outline by N. D. C.

30-6-73 : Publication of final version of Draft Outline after incorporating NDC's views.

30-1-74 : Preparation of Draft Fifth Plan document after discussions with Ministries and States and after updating resources estimates.

15-2-74 : Consideration and approval of Draft Fifth Plan document by the full Commission and later by the Cabinet.

28-2-74 : Consideration by NDC.

31-3-74 : Publication of the Fifth Plan document.

SUMMARY RECORD

Welcoming the State Chief Ministers and other members of the National Development Council, **Shrimati Indira Gandhi**, Prime Minister stated that the most Important problem before all of us was the poverty of large sections of the people. Inspite of several Plans and many programmes on which considerable money had been spent, not much dent had been made on problems faced by the lowest strata of society. In the Approach document, placed before the National Development Council, a new priority was given of providing basic amenities to meet the needs of the poorest and the weakest sections of the people. This was a departure from our earlier documents. The programmes indicated in the Planning Commission document were very practical programmes, which were absolutely essential not only to help the people directly but also to get peace in the country which was a pre-requisite to any kind of progress. During the last one year or so the country had shown unity, solidarity and endurance and was able to face many problems fairly, calmly and confidently. It was because of this attitude, this faith, that the country was moving in the right direction. This faith and trust may have to be justified not merely by talking about them but also by showing that these programmes could be implemented in the most effective manner.

2. The objective of ensuring the minimum standard of living to every one could be achieved only with a substantial increase in production. It was not enough to provide employment ; the income generated must be matched with increase in production of the consumer goods so that they were not eroded by rise in prices. Also, educational facilities, electricity, water to the rural areas and better amenities to the urban slum dwellers could not be provided without a corresponding increase in the production of such vital things as steel, cement, power generation equipment and so on. The objective of self-reliance should also take us in the same direction of increasing production. What we were really concerned with was that we should have those kind of things without which life would be difficult for our people in times of war or in time of peace. This should receive overriding consideration. It was rather difficult to remove or eradicate poverty without this kind of approach. The programme of self-reliance would impose great responsibility and burden on the Centre and also on the State Governments.

3. The Prime Minister observed that while matters like those of land reforms or the concentration of economic power or great inequalities in income had been dealt with in the past, much advance in the matter of implementation had yet not been made. That was why there was a need for a new approach and to see how we could make a dent which was tangible and which made a difference in the structure of our society so that not only commodities and services were available but they reached those who needed them most. This was possible only with the help of States as many of those subjects were State subjects. This was essential to peaceful progress and towards an egalitarian society to which all parties were committed. Any step which we take should not take us backward economically and socially. There should be an overall view of what exactly was to be done and how soon it was to be done. There must be a give and take policy. If every State were to say that its responsibility was only this much and it was answerable to only its people and it did not matter what happened to others, in the long run it would not help the State itself. It was necessary to talk in a constructive manner, in a harmonious manner and take decisions. The Approach paper was still not very definite and perhaps deliberately so. A Plan of this size naturally demanded a commensurate effort in terms of mobilisation of the required resources as well as in the formulation and implementation of the projects and programmes. The need to mobilise the economy fully for an effort of this magnitude was all the greater because of our determination to reduce our

dependence on external assistance. India was faced with the greatest economic and political challenge of a self-reliant economy in an egalitarian society. This stressed the need for all State Governments, even if some of them belonged to different political parties, working together and seeing problems in the national perspective and even in the international perspective. The Prime Minister requested the State Chief Ministers to see all their problems in the context of national needs, demands and interests and also in the context of international affairs.

4. **Shri C. Subramaniam**, Deputy Chairman, Planning Commission, welcoming the Chief Ministers to the meeting of the National Development Council, stated that the purpose of this meeting was to have some collective thinking on what should be our basic approach to the Fifth Plan so that the Approach paper can have the widest consensus behind it. After the Approach paper was finalised in the Planning Commission in October- November, 1972, indicative guidelines could be given to the States in respect of the size and content of the State Plans. The Deputy Chairman hoped that draft outlines from all the States would be available by about the end of January, 1973 so that the Draft Outline of the Fifth Plan could be got ready for consideration by the N. D. C. by about April-May, 1973. Thereafter the Plan document would be finalised by 31st March, 1974, in time for the beginning of the Fifth Plan period. The Draft Outline would also provide the basis for the Annual Plan for 1974-75.

5. Turning to the substance of the paper ‘Towards an Approach to the Fifth Plan', the Deputy Chairman explained that it had a two-fold purpose. Firstly, it sought the N. D.C.'s approval to the outline of an approach to the Fifth Plan. Secondly and subject to the approval of this approach the paper was meant to provide the basis for taking some immediate steps. The paper outlined an approach to be initiated in the Fifth Plan for a direct attack on the problem of poverty. It explained that such an approach would have to consist in vastly expanded opportunities for employment and income in the rural areas where they were most needed, an effective programme of land reforms, the provision of basic minimum needs, the raising of adequate resources for the purpose and the determination to put through the process within a framework of self-reliance.

6. In the matter of rural employment, a three-fold approach had to be adopted. Firstly, there was need for better formulation and better implementation of all the programmes which had a high content of employment in rural areas, like minor irrigation, soil conservation, area development, dairying and animal husbandry, forestry, fisheries, warehousing and marketing, small-scale industries including agro-industries, roads and the special programmes for rural development and employment, such as those for small farmers, marginal farmers and agricultural labour, crash scheme for rural employment, dry farming and drought prone areas programmes. Each State would have to explore the extent to which these programmes could be usefully expanded in the Fifth Plan, examine what were the administrative, financial and technical constraints, in the way of such expansion and how these could be tackled. Secondly, it would have to be examined to what extent the existing schemes in these sectors could be coordinated and, if necessary, reformulated so as to get the maximum impact in terms of development and employment for a given level of expenditure. The Deputy Chairman said that we should not be content with a merely quantitative expansion of existing schemes but undertake, wherever necessary, a restructuring of existing programmes, based on experience and evaluation, so that the ratio of benefits to costs could be significantly improved. Thirdly, the scope for taking up new schemes which may have a large-scale potential for employment and development in the future would have to be fully explored. Soil surveys, for instance, was one illustration of a programme which, while creating employment, would be of lasting benefit for agricultural improvement.

7. Coming to land reform, the Deputy Chairman observed that land reform was crucial for

redistributing the means of production in favour of the poor and for increasing their purchasing power. It was an integral part of our approach for reducing poverty. Ceilings would have to be fixed low enough to result in significant availabilities of surplus land in each State for redistributions. Implementation would have to be efficient and quick so that substantial and real benefits accrue to small farmers and landless labour. A determined and purposive approach to this question was urgently necessary.

8. Expanded opportunities for employment and private consumption for the poor had to be supplemented with public consumption outlays to meet the basic minimum needs, such as education, health, drinking water, homesheds, etc. This was the object of the national programme for basic minimum needs. The implementation of this programme would in turn create additional employment for skilled and unskilled workers. As indicated in the note, the list of basic minimum needs consisted of(i) elementary education for children upto the age of 14,(ii) minimum public health facilities integrated with family planning and nutrition for children, (iii) rural water supply, (iv) home sites for landless labour, (v) rural roads, (vi) rural electrification and (vii) slum improvement in the larger towns. In respect of each of these items, the plan should lay down precise norms on the basis of which the facilities and services involved would be provided to the people and specify the time-frame within which such norms would be met. The Deputy Chairman sought the views of the members of the N. D. C. on whether this list could be considered a reasonable and realistic statement of basic minimum needs from the point of view of being able to fulfil specific commitments. The next issue would be the adequacy of the norms suggested in the paper in respect of each of these items. Each State would have to refine these norms on the basis of its own needs, capabilities and constraints. Adequate data on the manpower and physical and financial resources required to undertake this minimum programme was not available. Much detailed local-level planning would be required both in order to build up the data as well as to take up rapid implementation of the programme in the Fifth Plan. It was with a view to getting this process started that the special schemes for elementary education, employment, rural water supply, slum improvement and nutrition had been included in the Annual Plan for 1972-73. The Deputy Chairman requested the Chief Ministers to ensure that there were no shortfalls in implementing these schemes so that they could serve their purpose as advance action for the Fifth Plan.

9. In connection with both the employment and the minimum needs programmes, the Deputy Chairman emphasised the need for multi-level planning and implementation. Delegations of authority and participatory planning had to be enlarged to the fullest extent possible not only between the Centre and the States but also further down from the States to the districts and the blocks. It would not be possible to implement these large and diffused programmes with economy and efficiency unless there was effective local participation. In recent months most of the States had taken action to strengthen the planning capabilities. This was required to be followed up by strengthening planning and implementation at district and block levels. There was much potential in those programmes to involve the people at large and to demonstrably link local savings to local benefits. This potential must be fully harnessed to mobilise local financial resources as well as to ensure that they were effectively utilised.

10. The question whether the present arrangements for sharing Central assistance for the Plan among the States was suitable for the new strategy had also to be discussed at the appropriate time. Both the quantum and the sharing of Plan assistance to States would have to be consistent with the objective that the programme for basic minimum needs would form the core of State Plans. The principal objective of this programme was to bring the backward regions in the country up to agreed national minimum levels in items of public consumption, such as education, health,

water supply, etc. To fulfil this purpose it would appear that more weightage would have to be given in Central assistance for those States which were below the minimum level in these respects at the beginning of the Fifth Plan. Also, the concept of backwardness would have to be concretely redefined in terms of public consumption levels in the items included in the minimum programme. The present N. D. C. formula had the merit of giving a large measure of autonomy to States in using development assistance from the Centre. It had also provided an acceptable consensus during the Fourth Plan. While preserving this essential spirit of the formula, necessary adjustments to it would have to be carried out in order to meet the requirements of the new approach.

11. The Deputy Chairman pointed out that the emphasis in the paper on employment and basic minimum needs did not mean that less emphasis was being given to the production programmes or to the growth aspects of the Plan. In fact without adequate growth it would not be possible to generate or sustain employment to meet the consumption requirements of the poor who would have to provide for adequate rates and pattern of growth in agriculture, industry and infrastructure to sustain the approach of a direct attack on poverty. Growth, employment, social justice, price stability and self-reliance were a highly inter-related set of objectives.

Turning to the question of resources, the Deputy Chairman pointed out that the indication given in the paper in regard to the size of the Fifth Plan and of the resource effort necessary was a very rough and broad indication as considerable detailed exercises would have to be done to firm up the estimates. At a later stage of Plan formulation, it may be necessary to set up one or more committees of the N.D.C. to give direction to the resource mobilisation effort. The Deputy Chairman suggested that in the next two years highest priority should be given to restoring taxes and levies which had been given up in the past in several States due to political instability or other reasons. As soon as the recommendations of the Committee on Agricultural Taxation were available, the N. D. C. may have to meet again to take early and comprehensive decisions. Urban property was another source which would have to be tapped for mopping up large unearned incomes. The earlier the beginnings were made in these directions, the larger would be the yield available for the Fifth Plan.

12. The Deputy Chairman informed the Council that the Planning Commission intended to maintain close coordination with the Sixth Finance Commission which would be notified shortly. Both the bodies would need the fullest and most responsive cooperation from every State in working out an adequate approach to the entire set of related problems involved in Plan and non-Plan financing.

13. In conclusion, the Deputy Chairman stated that the individual problems of different States were in one way or other different manifestations of the pervasive problems of poverty, under-employment, unemployment, illiteracy, malnutrition, poor living conditions, etc. Faced with so many common problems it should not be too difficult to work out a national approach for tackling them. He was confident that with the goodwill and cooperation of all those present it should be possible to forge a consensus on such an approach in the N.D.C.

14. **Shri P.V. Narasimha Rao**, Chief Minister, Andhra Pradesh expressed his satisfaction that the concept of district as a unit of planning had been accepted. This would help solve the problem of regional imbalances as also the imbalance within the State. The Chief Minister suggested that rural housing programme should be added to the list of minimum needs programme as in the absence of proper housing in rural areas incidence of fire was very high in certain States and considerable sum of money had to be spent year after year on assistance to the victims of fire accidents. For generating more employment, new employment schemes would have to be thought of. For example, soil conservation should absorb a number of agricultural graduates and engineers

or the middle technology graduates.

15. The Chief Minister asked for a careful look to be given to the institutional framework to help the weaker sections as the existing institutions had not really benefited this class. Coming to the subject of resources, the Chief Minister felt that it might be difficult for States, particularly the backward States like Andhra Pradesh, to raise additional resources, on the scale indicated in the programme.

16. Subject to these observations the Chief Minister agreed with the broad approach indicated in the Planning Commission's paper.

17. **Shri Sidhartha Shankar Ray**, Chief Minister, West Bengal stated that the remaining two years of the Fourth Plan were crucial and the work done during this period would determine the success of the Fifth Five Year Plan. For the proper implementation of various programmes during the next two years it was necessary to ensure that basic raw materials required like steel, cement, etc., were made available. He suggested that a task force should go into this.

18. The Chief Minister suggested that the State allocation for eradication of poverty and unemployment and provision of basic needs during the Fifth Plan should be made on the basis of population. For making a direct attack on poverty and unemployment, the Chief Minister suggested the following strategy :

- (i) Provision of drainage and perennial irrigation.
- (ii) Removal of constraints on the utilisation of capacity of existing manufacturing units. This would imply provision of basic materials, wagons, etc. This would help expansion of existing units.
- (iii) Development of new industries, expansion of existing industries and modernisation of agriculture.
- (iv) Provisions of infrastructure like power, roads, etc.
- (v) Provision of primary education for all and secondary education for 60 percent of population.
- (vi) Provision of health centres for all villages.

These steps would reduce increasing population pressure on the towns and metropolitan areas.

19. **Shri S.C. Sinha**, Chief Minister of Assam referred to the problems of Assam and other States in the Eastern region. Agriculture in this area was still being carried out in the old traditional way with the result that agriculture was poorly developed. For eradicating poverty it would be necessary to provide electricity and other facilities and necessary resources which the States did not have the means to provide. Transport was another bottleneck. There was a large number of educated and semi-educated people in the rural areas who were unemployed and under-employed. They needed to be absorbed in agriculture and this could be done by modernising agriculture. In the industrial sector also Assam was very backward. There was need for setting up a large number of small scale industries which should be job oriented and which could absorb a large number of engineers and graduates and post-graduates who were coming out of universities. The Chief Minister stressed the need for manpower planning for Assam in order to ensure that the educated youth coming out of universities was enabled to find employment in agriculture, industry or trade.

20. The Chief Minister felt that in view of the backwardness of the State it was difficult for the Assam Government to raise large resources and he sought guidance from the Central Government and the Planning Commission on how additional resources of the magnitude indicated in the Planning Commission's paper could be raised.

21. Subject to these observations, the Chief Minister endorsed the approach to the Fifth Plan indicated in the paper.

22. **Shri Kamlapati Tripathi**, Chief Minister, Uttar Pradesh supported the broad approach set forth in the Planning Commission's paper to tackle the problems of poverty, unemployment and regional imbalances. This approach was not only in consonance with the election manifesto but it also emerged as a corrective to some of the distortions obtaining in the country. He felt that it was a very opportune time for the re-definition of our approach and objective in the light of new aspirations and expectations of the people. The problem of poverty could be solved by providing employment and by increasing the productive capacity of the economy and neglected sections of the society and by strengthening the social and economic infrastructure. The programmes which had been initiated in the recent past to increase the employment opportunities could be made more broadbased and comprehensive. There were problems relating to landless labour, small and marginal farmers, weavers and other artisans. The programmes which had been envisaged for tackling the problems of unemployment would no doubt help in reducing poverty. It would, however, be necessary that the outlays for these programmes were allocated in accordance with their magnitude.

23. The Chief Minister was glad that the subject of a minimum level of private consumption and that of basic minimum needs had been given primacy in the Approach paper. It had been stated in the paper that all-weather roads should be provided to all villages above a minimum population size, say of 1500 people. The Chief Minister suggested that this target should be revised so as to provide roads to all villages above a population of 1000. Similarly, electricity should be extended so that by the end of the Fifth Plan at least 75% of the rural population received this facility. In view of the limited resources of the States, it was, in his opinion, necessary that programmes should be fully Centrally assisted as otherwise it would be difficult to achieve these targets. Also, without adequate expansion of irrigation and power it would be difficult to achieve any worthwhile rate of growth in agriculture and cottage and village industries.

24. The Chief Minister suggested that there should be an all India power policy. Electric power was the basic need for economic development. There were, however, wide disparities in the availability of power and the per capita consumption of electricity. Among different States there should be a crash programme for making power available to the deficit zones and in future all Central power projects should be located in a manner which would remove disparities in generation and availability of power. The Chief Minister referred to the difficulty in executing power projects due to non-availability of plant and equipment. There was shortage of steel, components and other raw materials. The non-availability of wagons was also holding up programmes of road construction, construction work and other programmes. He suggested that the Planning Commission should constitute a cell to study these problems and to draw up a plan so as to ensure the timely availability of all the factors in accordance with the requirements of the State Plans.

25. The Chief Minister stressed the need for having an all India policy regarding wages, incomes and profits. Dealing with the subject of resource mobilisation, the Chief Minister stated that while all the States must make a total effort to mobilise the requisite resources, it would be necessary to keep in view the taxable capacity of the various States. There were certain States which due to the

accidents of history and due to certain other factors remained economically backward. In the Chief Minister's opinion, the taxable capacity of a State should be related to the surpluses above the minimum level of private consumption.

26. The Chief Minister suggested that the market borrowing limits of the States and State Corporations should be related to objective criteria like population, backwardness and the Plan outlays. The banks and financial institutions should take a more active and positive part in the economic development of the States, particularly the backward States, in the preparation of feasibility and project reports.

27. Subject to the above observations, the Chief Minister supported the recommendations contained in the Planning Commission's paper.

28. **Shri Kedar Pandey**, Chief Minister, Bihar stated that economic growth with social justice should be the basic philosophy of the Fifth Plan. He agreed with the broad approach indicated in the paper that the raising of income of people below the poverty line should be accompanied by social consumption in the field of education, health, nutrition, family planning facilities, drinking water, home sites, rural roads, slum clearance, etc. and that there should be massive assault on unemployment, under-employment and the problems faced by small and marginal farmers and labour in the agricultural and service sectors. While agreeing with the strategy to pump in larger investments in employment intensive heads of development, he suggested that investment should also be made in mining and mineral based industries because of the higher growth and employment potential of this sector.

29. Referring to the problem of resources, Shri Pandey stated that Bihar had a low economic base and capital formation as well as taxation was not easily possible in a poor and backward State. He hoped that while devising the strategy, special consideration would be given to the poorer states. Bihar had an enormous debt servicing burden vis-a-vis its capacity to repay. A very substantial portion of the public debt was the result of repeated and recurring floods and droughts. These loans had been unproductive and money was spent to provide relief to the people in famine-relief conditions. The position of Bihar today was that it paid more towards the repayment of loans and interest than it got as plan assistance. He suggested that there should be a scaling down of debts and rescheduling of repayments. This should be regarded as a part of the strategy to remove poverty which existed in a larger degree in the poorer states than in the better off States. Keeping in view that the rise in prices was inevitable, the people below the poverty line must be allowed to get food, cloth, etc. at cheaper and subsidised rates and this burden must be borne by the nation as a whole.

30. The Chief Minister observed that the remaining two years of the Fourth Plan were very crucial and this period must be utilised as the preparatory period for launching the Fifth Plan. Resources should be made available to the backward States during this period.

31. **Shri M. Karunanidhi**, Chief Minister, Tamil Nadu, endorsed the emphasis laid in the paper on removal of poverty, the attainment of national minimum norms and the eradication of unemployment. He was glad that the Planning Commission had turned its attention from an exclusive emphasis on per capita incomes and decided to look at basic human needs also. The highest priority should, in his opinion, be given to the schemes which would eradicate both rural unemployment and educated unemployment. He pointed out that in Tamil Nadu a planning effort based on growth and welfare had been initiated and the State Government had started implementing programmes based on this strategy.

32. The Chief Minister indicated the progress made and further steps being taken in Tamil Nadu

in the field of education, electrification of villages and hamlets, supply of drinking water to villages, linking of villages with a population of 1500 to the main roads, slum clearance, nutrition for children and pregnant and lactating mothers, beggar rehabilitation, health, distribution of house sites to landless peasants and riots and employment of the educated and the technical personnel. These were some of the directions in which this State Government was moving forward to eliminate the problem of poverty and social backwardness. The Chief Minister fully shared the national consensus, on the urgent and imperative need to emphasise employment and minimum welfare goals in our Plan.

33. The Chief Minister stated that welfare measures needed resources and they also needed steps to ensure stability of prices and availability of essential goods. In his view, only if the means of production were increasingly controlled by society that the surpluses could be got hold of and used for welfare. He suggested that as a first step all units now controlled by monopolistic interests should be nationalised. For an effective implementation of plan effort it was necesasry to ensure that powers were suitably decentralised so that it should not be necessary to refer minor details back and forth to Central authorities.

34. The Chief Minister observed that constitutional powers of judicial review had tended to delay social and economic change. At the national level, those areas of policy in which judicial review should not be allowed to delay our efforts to bring about a new society should be redefined.

35. Referring to the resources of States, the Chief Minister stated that arrangements should be evolved by which the States could expand their tax base; more tax resources should be placed within the State Government's jurisdiction. He suggested that measures such as a State levy or a surcharge on Central excise and on Corporation tax would enlarge the States' tax resources without increasing administrative expenditure. Pointing out the difficulty which the State Government faced whenever the Central Government increased the pay and allowances of its employees, the Chief Minister urged that the Government of India should adopt a policy of financing the increases in emoluments of the employees in States whenever the Government of India itself set the pace by increasing the emoluments of its employees. On the question of debt rescheduling, the Chief Minister suggested that the forthcoming Finance Commission should look into this issue. He also suggested that we should try to increase the non-tax resources of both the Centre and the States by ensuring the more efficient management of our enterprises in the public sector.

36. The Chief Minister endorsed the approach towards self-reliance spelt out in the paper. He pointed out that self-reliance should not mean turning away from new technology. India should be willing to buy latest technical know-how from any part of the world. But, in order to avoid multiplication of efforts, there should be a Central agency to negotiate and purchase such know-how. As a first step, units already set up in the country should be compelled to share their know-how with new units coming up. If such an effort could not be taken at Central level, State Government should at least be empowered to negotiate such transmission of know-how from both existing units in their States and manufacturers abroad.

37. The Chief Minister said that implementation of national Plan should fully involve States in both planning and operation of the various schemes at the State level. It was because of this that Tamil Nadu had set up a State Planning Commission to draw up a 10-year Plan. Effective implementation of such a Plan would demand more resources and powers for the States. Decentralisation was particularly necessary if a large country like India was to cope with the problems of a modern economy. Greater decentralisation of power and authority to the States would help in more efficient management of the country's resources, enable the Centre to be strong in areas of

vital national concern and enable the minimum demands of the people to be met in the quickest time and in the most efficient manner.

38. **Shri Ghanshyambhai Oza**, Chief Minister, Gujarat stated that the Planning Commission should make sure that the assumptions which had been made for the Fifth Plan were correct. He was doubtful whether the assumption regarding the availability of additional resources indicated in the Planning Commission's paper was correct.

39. Referring to the question of price stability, the Chief Minister stated that this could be ensured if production also was oriented to increasing availability of the specified commodities. The pattern of investment and composition of output in the Fifth Plan would have to take into account this aspect. The various implications, e.g. whether any change in the industrial policy was called for, would need to be carefully considered. Unless it was ensured that large investment which as proposed to be made in the Fifth Plan was commensurate with production and the money spent was well spent and wastage was avoided, it would lead to inflation.

40. The Chief Minister pointed out that the social services in the form of basic needs, which were proposed to be provided in the Fifth Plan would become committed expenditure and become fixed liability of the budgets of various States at the end of the Plan period and he was not sure whether out of the future resources of the States it would be possible to maintain those services.

41. The Chief Minister stated that even in the so-called progressive States there were backward areas and poor sections of society as in any other backward State. He suggested that the future pattern of Central assistance should be on the basis of backward areas and not on the basis of whether the Stale as a whole came into the category of developed or backward State.

42. **Shri S. Sen Gupta**, Chief Minister, Tripura, slated that the new outlook as embodied in the Approach paper had placed our basic problems in proper perspective and if these policy formulations were vigorously pursued the current imbalances in growth would disappear. Referring to the economic situation in Tripura, the Chief Minister stated that in terms of per capita income Tripura occupied a very low position among the States. With a very large number of educated unemployed in the State it was necessary to launch a direct attack on the problem of educated unemployed. Such an assault could be mounted by fixing top-most priority on infrastructural activities like roads, minor irrigation, contour bunds, rural electrification, rural water supply and at the same time making adequate provisions for social consumption like education, etc., on a much larger scale.

43. The Chief Minister pointed out that the Joint Institutional Study Team, sponsored by the Industrial Development Bank, the Reserve Bank of India, the Industrial Credit and Investment Corporation and the Industrial Finance Corporation, had recommended that any programme for development should aim at motivating and absorbing these educated unemployed for skilled manual work and setting them in modernised agriculture and organising the subsistence cultivators for unskilled and semi-skilled non-farm jobs. The expansion of the infrastructure would not only absorb the unemployed, existing as well as prospective, but would also lay the foundation for the growth of productive resources in agriculture and industry. Lack of adequate irrigation facilities accounted for the sluggish agricultural development. Another impediment to economic growth was the chronic shortage of power.

44. The Chief Minister pointed out that the imperatives before the State Government were two-fold. Firstly, opportunities had to be created for skilled manual work in rural areas for absorbing the unemployed with little formal education in modernised agriculture. Large scale inputs on village roads, minor irrigation, rural water supply, power, etc. would create necessary conditions for such

absorption. The schemes under the State Plan would, the Chief Minister indicated, be so designed as to derive maximum advantages from the Central schemes like Crash Programmes for Rural Employment, etc. Secondly, new opportunities for non-farm jobs and employment in urban areas were to be created. The process could be accelerated by(i) launching a vigorous industrial programme based on agro-forest resources of the State and (ii) undertaking elaborate housing projects by taking advantage of different Central schemes in this regard. The State Government proposed to form a Housing Board for this purpose.

45. In the absence of any appreciable mineral resources in Tripura, the only industries which could have opportunities for growth must necessarily be based on agricultural and forest resources. The Chief Minister pointed out that difficulties in implementing various schemes arose mainly from (i) transport bottlenecks and (ii) inadequate credit facilities. Extension of the railway line from Dharamnagar to Agartala was a long-standing demand and the Chief Minister desired that preparatory action in this regard should be immediately undertaken so that the anticipated benefits may accrue during the Plan period.

46. The Chief Minister emphasised that special consideration should be given to the problem of backward areas and that they should not be equated with other areas occupying a more advantageous position with higher levels of development. He indicated that the State would minimally need a sum of Rs. 75 crores for effectively tackling the problem of poverty in Tripura during the Fifth Plan period. He urged that a liberal view should be taken while making financial allocations for the State of Tripura so as to enable the State Government to fulfil the basic minimum needs of its people.

47. The Chief Minister referred to the problem of tribals who formed a substantial portion of the State population and indicated the measures which the State Government proposed to undertake in the rehabilitation of these people. He asked for adequate financial assistance from the Centre for the purpose.

48. **Shri Bansi Lal**, Chief Minister, Haryana welcomed the broad approach to the Fifth plan indicated in the Planning Commission paper. He said that in his opinion the order of priority for various schemes should be as follows :

(i) Irrigation and Power.

(ii) Construction of roads to link villages with the main roads.

(iii) Provision of drinking water in every village.

(iv) Provision of medical facilities in villages.

(v) Animal husbandry and dairying.

(vi) Other programmes.

49. The Chief Minister referred to several inter-State water disputes which were lying pending and he urged upon the Planning Commission and the Prime Minister to help in the settlement of these disputes as early as possible. He also suggested that multi-purpose projects should be financed by the Centre and this money could be recovered from State Governments in instalments later.

50. **Shri Barkatullah Khan**, Chief Minister, Rajasthan expressed his general agreement with the broad strategy and priorities for the Fifth Plan indicated in the Planning Commission's paper.

The Chief Minister stated that in order to check inflation it was necessary to control the price line and to do that either the State should take up production of consumer goods in a big way or it should have sufficient powers to ensure that consumer goods for the common man were not in short supply.

51. The Chief Minister referred to the repercussions in the States and the local bodies consequent on the grant of increased dearness allowance by the Centre to its employees. He was doubtful whether it would be possible for the States to raise additional resources of the order of Rs. 2,500 crores indicated by the Planning Commission. Unless the adjoining States in a region agreed to have uniform rates of taxes and strictly enforced them, it would be difficult to raise the required resources. Even after the nationalisation, attitude of some of the banks had not changed with the result that the weaker sections of the society did not get the requisite assistance. The Chief Minister did not agree with the suggestion made by some other Chief Ministers that Central assistance should be based on the criterion of population. Other factors like backwardness should be the main determining factors so that it should lead to removal of disparities.

52. **Shri Trilochan Dutta**, Agriculture Minister, Jammu & Kashmir expressed his general agreement with the basic elements of policy and approach to the Fifth Plan indicated in the Planning Commission's paper. The formulations made in the paper were in line with the directives of the election manifesto and the pledges which were given to the people.

53. The Minister was glad that so far as the backward States were concerned, the Deputy Chairman, Planning Commission had made it clear that the Central assistance would be given more to the backward States so that the level of development of different States was the same. The levels to be reached in various sectors during the Fifth Plan for States like Jammu & Kashmir would require a greater degree of emphasis so that the snags in development were levelled up as far as possible. For the backward States it would be possible to provide basic minimum needs only if there was a special effort in respect of key infrastructure activities. The backward States had to make a break-through in various sectors, like power generation, agriculture, transport, communication, etc. In the case of the backward States, alongwith the employment oriented programmes and basic minimum needs, which had been envisaged in the paper, emphasis had to be given to building up of the infrastructure. Considerable research had taken place in the country in agriculture, but so far as the temperate zones were concerned research had been more or less non-existent and that was why the Government of Jammu & Kashmir was planning to have an Agriculture University. In a State like J & K, horticulture had great importance and much of the State's economy or even the generation of employment depended upon the development of horticulture. Similarly, handicraft was important as this would give employment to a large number of people. He considered that handicraft and tourism should find a place in the employment programme for a State like Jammu & Kashmir. The Minister asked for the railway line to be extended from Jammu & Kashmir to Udhampur and a ropeway to be constructed from Udhampur to the valley so that the transport cost was brought down.

54. In regard to resource mobilisation, the Minister suggested a comprehensive tax reform by making it more, elastic, bringing agriculture income within the tax net and mopping up of surplus which arose from wealth or the unearned income like transactions in property, etc. He also suggested nationalisation of some of those sectors where large investments had taken place. For example, in Jammu & Kashmir it was proposed to nationalise forest exploitation. Nationalisation would not only generate more income and help in mobilisation of more resources for development, it would also ensure the supply of necessary items to the common man. In order that should be possible to

provide essential basic items like edible oil, cloth, etc. for the common man and at stable prices, the Minister suggested nationalisation of textile Mills, sugar mills, and mills producing edible oils and other items of consumption.

55. **Shri Zail Singh**, Chief Minister, Punjab, was glad that the new approach to the Fifth Plan was aimed at bettering the condition of those who di d not have the basic minimum amenities of life. In spite of the economic development which had taken place in the country, the gap between the rich and the poor had not been reduced. Even in a State like Punjab where the per capita income was higher than in most other States, 42 per cent of the population was living below the poverty line. In the Chief Minister's view the Plan should aim at not only improving the living condition of those people who were living below the poverty level but also at bettering the life of other people.

56. The Chief Minister stated that employment schemes should be production-oriented and should be such as to be able to generate further employment. For mobilising large financial resources which would be required, some new schemes would have to be thought of. He cautioned against making commitments and promises which it may not be possible to fulfil for want of required resources. The Chief Minister added that while trying to help the backward States, the States which had a higher rate of growth should also be encouraged to develop further. In giving Central assistance to States there seemed to be no need for a change in the existing formula. The Chief Minister suggested that if there was any intention to revise the present formula for Central assistance the matter might first be discussed in a meeting of officials from all State Governments and then the report of the official committee should be discussed in the N.D.C. The Chief Minister stressed that while formulating schemes for the Fifth Plan special importance should be given to schemes for promoting technology and providing employment to technical personnel. For encouraging trained technical persons they should be given better salaries and other facilities.

57. The Chief Minister was doubtful if it would be possible for States to raise additional resources to the extent of Rs. 2,500-3,000 crores. In Punjab, out of the total amount deposited in banks hardly 20 per cent was invested on industry or trade in the State and the remaining 80 per cent went to other States. There was no major industry in the State. For its development, the Punjab could not depend on agriculture production alone. The Chief Minister asked for the setting up of some major industries in Punjab. Being a border State, the industrialists hesitated to set up industries and the banks hesitated to lend money and as such the State had a claim for special treatment in the matter of setting up of industries in the public sector.

58. Commenting on the Approach paper, **Shri C. Achutha Menon**, Chief Minister of Kerala observed that the concept of development strategy would have to be laid down in terms of specific decisions and the programme of Garibi Hatao would have to be much more concretised and dovetailed into a common strategy and minimum time horizon. He said that the present document was a welcome deviation from the past in that it stressed the need to tackle problem of unemployment and income distribution. While the paper stressed on the need to control prices of essential goods linked to a production policy oriented to increase the availability of these items, the agrarian and industrial policy to achieve these objectives had not been stated in any detail. Nor was there any clear statement on the policy of restraining conspicuous consumption. The Chief Ministers stated that the success of the programme to provide employment and income in our war against rural poverty would largely depend on the speed with which radical reform measures could be implemented. Experience in Kerala had shown that land reforms, specially ceiling laws, could not be implemented by depending on the ordinary machinery of revenue officials and Land Tribunals alone without popular participation. The Kerala Government was, therefore, amending the land

reform laws providing for popular committees with statutory powers.

59. The Chief Minister stated that the rate of growth of output of rice since 1964-65 had not shown any improvement compared with that over the previous 15 years. It was evident from experience so far that significant increases in rice output through introduction of new varieties was being achieved only in areas where there was controlled irrigation. Considering that only a small part of the area under rice was under controlled irrigation, the measures visualised for controlled supply of water to achieve higher rate of growth and the regions where concentrated effort in this direction were proposed to be taken needed to be indicated.

60. The Chief Minister pointed out that the growth output in manufacturing industry was at a low rate and the investment rate was stagnant. He suggested that the Planning Commission should spell out the steps for discouraging the use of industrial capacity to cater to the less essential consumption demands of the upper income groups. The production of luxury goods, which generally had a high import content, needed to be curbed. This would release resources for the manufacture of essential items needed by those below the poverty line. In the name of stepping up production and employment, the subsidiaries of foreign companies in India were introducing new luxury products like cosmetics, soft drinks, etc. Time was ripe for immediate take-over of industries like textile, paper, sugar, cement and other building materials, fuels and such other industries which produced essential commodities for the consumption of the people. The Chief Minister was of the view that the commanding heights of economy should be State-owned and all Monopoly Houses should be nationalised. Wages in all industries, services, areas of employment should be fixed ensuring a minimum level of living. Workers participation might be ensured at all levels of public and private industries.

61. The Chief Minister welcomed the step in regard to multi-level Planning as emphasised by the Planning Commission and asked for details so that some consenus on the precise structure and procedure of multi-level planning could be reached as that was essential for making the financial arrangements between the Centre and the States, local authorities and other agencies to conform to the financial needs of development. The Chief Minister also stressed the need for project evaluation of at least all the major projects on a uniform basis irrespective of whether it was a Central or a State project.

62. Considering the very limited effectiveness of price control on the high rate of profit remittances by firms in the pharmaceutical industry, and the obvious economic gains from amalgamating the different plants engaged in the manufacture of automobiles, the Chief Minister suggested the nationalisation of these industries. Similarly, the question of nationalising foreign trade and wholesale trade needed to be examined. It was also equally important to organise an efficient State distribution system to ensure the supply of essential articles of mass consumption at reasonable prices.

63. Coming to resource mobilisation, the Chief Minister suggested that the Central Ministry of Finance might consider appointing agents on a large scale to expose evasions or gross under-statements of income, wealth, sales, etc., by tax assessees. A large number of educated employed could be recruited for the purpose, given training and employed on a commission basis. A wide vigilance network at the grass would thus be built up and it would be surplus over the expenditure incurred considering the enormity of tax evasion going undetected at present.

64. The Chief Minister welcomed the emphasis given in the Approach document on the need for increased investments in infrastructure like education, health, drinking water supply, and house sites for the poor. The burden of securing an adequate level of social services would depend on

differential prices charged to different classes of consumers. The long-term national targets of energy output, road, rail and water capacities should be broken up into regional goals to ensure some sort of a regional balance and fair distribution.

65. Referring to self-reliance, the Chief Minister stated that the need for special foreign assistance should be eliminated by the end of the Fifth plan and concrete measures, such as negotiations for scheduling of repayments, adoption of procedure or repayments in Indian rupees, as in the case of repayments to the East European countries, to reduce foreign aid net of interest and amortisation payments should be drawn up and implemented. The requisite capacity for machine building industry and design engineering should be created within the shortest possible time.

66. Referring to the problem of Centre-State financial relations the Chief Minister stated that while the Finance Commission was enjoined to prove the scope for better fiscal management and economy in the States' administration, maintenance, developmental and other expenditures, the expenditure by the Central Government was never exposed to the scrutiny of the Commission. As a result, the Finance Commission had no role in determining the part that should be retained by the Centre out of the aggregated resources mobilised and the part that should be made available to the States. In actual practice, the Central Ministry of Finance had been deciding upon the quantum of resources to be placed within the jurisdiction of the Finance Commission for distribution among different States. The entire structure of development finance in the country called for a critical review. The Chief Minister remarked that the rate of growth in the indebtedness of the States to the Centre had been essentially due to the arbitrary manner in which plan assistance was being dispensed. It was necessary to recognise the fact that a substantial portion of the capital expenditure of a State in its early stages of development would be on infra-structure like roads, bridges, irrigation facilities, buildings for education and social services and so on. That was essential but not capable of yielding direct returns in the manner investment on industries and transport was expected to yield. However, practically the entire Plan assistance for capital expenditure had been in the form of loans, grants being of negligible dimensions. The Chief Minister requested the Planning Commission and the Central Government to take these facts into account in drawing up the terms of reference of the next Finance Commission so that full and equal justice was done to every State.

67. Intervening in the discussion, **Shri C. Subramaniam**, Deputy Chairman, Planning Commission, stated that the Planning Commission was seized of most of the points raised by the Minister of Kerala and these were under examination and that detailed exercises were being done. The result of the exercises would be brought up at the appropriate stage.

68. **Shri Biswanath Dass**, Chief Minister, Orissa stated that he was glad that for the first time planning from the base was being attempted. He welcomed the new approach which aimed at tackling the problem of poverty, meeting the basic minimum needs and providing employment. The Approach document also indicated that for fulfilling these objectives the necessary financial resources would be made available to each State in accordance with its proven needs. The Chief Minister pointed out that different States had different degrees of backwardness or level of poverty. He stressed the need for equality in the position of the States as the measures taken in the previous Plans did not really help to remove the imbalances. A mathematical formula of providing certain percentage of Central assistance for backwardness on the basis of population would not help a large number of the very backward, scheduled caste and scheduled tribe population and other backward classes of Orissa. The depth of poverty in Orissa needed much greater intensity of activity, higher per capita invested and a more special approach in employment. Unless special case was taken to meet the needs particularly of weaker and poorer States or backward areas

within a State, the formula for providing Central assistance were apt to help the more advanced States. For example, any concept of confining slum clearance to a city with a population of 5 lakhs and above would automatically eliminate Orissa as the State had no such city. The limiting of roads to villages with 1500 population would also work to the disadvantage of Orissa.

69. Referring to the resource mobilisation, the Chief Minister stated that inspite of the fact that Orissa was one of the poorest States it had made maximum effort at raising resources for the Fourth Plan. The State was left with very few resources untamed. The State Government had agreed to undertake some measures in the fourth year of the current Plan in order to be able to raise resources for the Fifth Plan. The revenue accruing on the basis of the measures in the fourth year of the Plan should not be taken into account on the non-Plan side but should be available for the Fifth Plan.

70. The Chief Minister touched on the subject of national wage policy and pointed out that any increase in the pay scale or in dearness allowance by the Centre had serious repercussions on the overall resources of the States. He also suggested a common electricity tariff as otherwise the weaker States were placed in a disadvantageous position because the more affluent States could attract private investments by offering lower electricity tariff. He stressed the need for developing the human element as part of the Plan.

71. **Shri P.C. Sethi**, Chief Minister, Madhya Pradesh stated that the approach to the Fifth Plan prepared by the Planning Commission went a long way in fulfilling the promises made to the people and he was in general agreement with the two-fold approach of fighting poverty—one for fighting under-employment and unemployment and the other for providing the basic minimum needs of the people. The Chief Minister stated that in order to fulfil the backlog of development of the under-developed States, these States should be given special weight. He agreed with the Chief Minister of West Bengal that for implementation of Plan programmes it was necessary to ensure that basic raw materials like steel, cement, etc. were made available and transport bottlenecks were removed. He also wanted that the States, instead of having to refer each scheme to the Centre for sanction, should have greater authority in sanctioning such schemes as otherwise this would lead to delays in implementation.

72. On the question of employment the Chief Minister observed that this required a reorientation of educational policy so that the educated youth may not be looking for only white-collared jobs. There was need for starting more of vocational institutions and polytechnics. The Chief Minister suggested the setting up of Boards of consolidation of holdings at the national level and also at State level. Fragmentation of law below a certain economic level should be stopped. In regard to river water disputes which were holding up major irrigation projects, the Chief Minister sought early settlement.

73. **Shri Alimuddin**, Chief Minister, Manipur, endorsed the general approach to the Fifth Plan indicated in the paper. He referred to the special problems of Manipur which was economically very backward and asked for Centre's help in big way for financing the development of the infrastructure like roads and communications and also horticulture. He also asked for a large allocation for carrying out technical surveys and preparing feasibility reports.

74. **Shri Hokishe Sema**, Chief Minister, Nagaland stated that he was in agreement with the basic approach to the Fifth Plan which aimed at removal of poverty and unemployment. He pointed out that in the past the benefits of planning had not been equally shared by all the States. While some States were able to develop the necessary infrastructure, States like Nagaland did not get

the benefits of planning and remained backward. He hoped that in the Fifth Plan special attention would be given to backward areas and that small scale industries would be established in the rural areas. This would create self-generating employment opportunities in the rural areas and prevent the influx of population to the cities. Nagaland lacked technical personnel and the Chief Minister sought the help of Planning Commission in providing technical assistance so that the State may be able to solve some of its difficult problems. Since the State of Nagaland had recently come into being it was not well-conversant with various procedures and was facing considerable difficulties in procuring basic materials like cement, iron and steel. He hoped that Central Government and the Planning Commission would help the State Government in this regard. Unless the backward States were given special assistance the disparities would continue.

75. **Shri Williamson A. Sangma**, Chief Minister, Meghalaya while agreeing with the approach to the Fifth Plan outlined in the paper circulated by the Planning Commission, referred to some of the special problems of States in the North-Eastern region and other backward States. He stressed that the removal of poverty should be achieved in a manner which should not slow down the rate of growth of economy. In the case of Meghalaya and other States in the North-Eastern regions, a balanced approach ensuring agricultural improvement and emphasis on animal husbandry and poultry programme, together with the development of transport and communications and social services sector had to be made. The Chief Minister pointed out that the approach paper did not contain due emphasis on the problems of regional imbalances and the peculiar difficulties felt by the backward States. The programmes undertaken by Government on the recommendations of the Wanchoo Committee were designed to provide accelerated industrialisation in industrially backward States and areas but this had not made much impact in areas like Meghalaya. The Chief Minister asked for intensification of the programme and extension of more concessions in this regard. With a view to continuing the attack on the problem of under-development, the Chief Minister suggested that as was done at the time of fixing of allocations for the Fourth Plan, a sizeable portion of the Central assistance should be earmarked for allocation to back-ward States. For the newly constituted States like Meghalaya, adequate allocation of Plan outlays should be made for setting up of institutions, research stations and for taking up schemes of training of personnel, etc. He emphasised that in view of the fact that the size of the Fifth Plan would be double that of the Fourth Plan, concrete measures to keep inflation and rise in prices under control would have to be worked out and implemented.

76. The Chief Minister cautioned against the suggestion made in the paper for a three-year diploma course for medical personnel. The questions, he said, needed to be examined carefully in terms of availability of medical personnel in the country and the rate of output during the next Plan period while ensuring availability of medical personnel in the rural areas. The Chief Minister asked the Government of India to take up special programmes which would help the economic rehabilitation of the people in the border States whose economy was linked with the economy of Bangla Desh. He expressed himself against the allocation of Central assistance on the basis of population. He also referred to the shortage of building material like iron, steel, cement, etc. due to non-availability of wagons. He sought the assistance from the Central Government in this regard in order that existing Plan projects may not be held up.

77. **Shri Farooq Maricar**, Chief Minister, Pondicherry expressed himself in general agreement with the approach to the Fifth Plan. Even after 25 years of independence, over 220 million people were living below the poverty line. It was, therefore, necessary that concrete measures should be taken on a war footing to bring these people to the minimum level of living. The tempo of employment intensive programme needed to be stepped up but the investment on these should be such that it

could create increased productivity so that it should be possible to continuously provide employment opportunities for further additions that would accrue to the number of unemployed people. In the Chief Minister's view, the banks were still conservative in advancing loans to the educated people for setting up business or industry. Each State should have a cell for preparing comprehensive and workable projects for small scale industries so that any young educated man wanting to undertake such projects should be able to get help from financial institutions quickly and without any harassment. For tackling the problems of rural unemployment, development of agro-industries alone was the solution. The development of agro-industries would serve the double purpose of providing incentives to increased agricultural production as well as providing large scale employment opportunities.

78. The Chief Minister agreed that it was necessary to make education compulsory for all children upto the age of 14. So far as the health facilities were concerned, more emphasis should be given to the preventive side. Immunisation of children and education of mother in taking care of infants had become very essential. Another important thing that needed greater attention in the Fifth Plan was the nutrition programme for the young children and the expectant mothers. The special nutrition scheme launched by the Social Welfare Department in urban and tribal areas would have to be taken up on a big scale in the urban areas. The programme should become the joint endeavour of the Health and Social Welfare authorities so that an integrated approach to the health care of all children was developed.

79. Welcoming the proposal made by the Planning Commission for undertaking a mass programme for rural water supply, the Chief Minister said that it was necessary to provide some source of clean drinking water to every village within the shortest possible time. The same should be the approach to rural roads and rural electrifications. Also housing was another field where concentrated attention had to be given in the Plan both for urban as well as rural areas. In many urban areas slums were developing in the absence of proper housing facilities. The Fifth Plan should aim at removing this evil and a massive programme of cheap houses should be taken up. This would also indirectly provide employment opportunities. Referring to the concentration of wealth, the Chief Minister suggested that certain basic industries like textiles and sugar should be nationalised in a phased manner. The fruits of development would not reach the common man if prices were not controlled. Drastic steps to achieve this goal should now be taken. So far as the resource mobilisation was concerned, he expressed himself in favour of bringing the agriculture income within the tax net. The quantum of taxes would of course have to be left to the individual States and Union Territories. The Chief Minister agreed with the need for achieving self-reliance, and also with land ceilings and ceiling on urban property.

80. **Shri Chal Chhunga**, Chief Minister, Mizoram referred to the state of economic backwardness of Mizoram and the extreme poverty of the people. In the matter of food, the State was dependent upon supplies from outside for almost eight months of the year. The state of roads and other means of communication was extremely backward. Health and medical facilities were lacking. He requested that in formulating the approach to the Fifth Plan the need for providing special assistance to underdeveloped and isolated regions like Mizoram should be kept in mind. He hoped that the Government of India and other State Governments would extend their cooperation to the people of Mizoram in their effort to improve their lot and march with the rest of the country to the goal of economic progress.

81. **Shri A.K.S. Usgaonkar**, Planning Minister, Goa stated that he was in general agreement with the approach to the Fifth Plan which aimed at tackling the problems of unemployment and under-employment and poverty and thereby uplifting the poorer sections of the country. The Planning

Minister referred to the iron ore mining industry in Goa which had vast potential for employment. It had so far employed one lakh people. There had been huge accumulation of a mining rejects during the last 20 years and this had created a problem as it was resulting in silting of navigable rivers, obstructing water-ways and agricultural activities. For every ton of mining ore exported, there was a ton-and-a-half of mining rejects. This accumulation of mining waste near a good harbour was a great national loss. The Chief Minister suggested that in order to make use of the mining waste, an expert team should be sent to Goa to study the problem. Perhaps a steel plant could be set up in Goa which could make use of low grade ores. Considering the power requirements of the industries in Goa and the new industries for which there were vast potentialities and as Mysore and Maharashtra were not likely to meet the future power requirements of Goa, the Chief Minister asked for a thermal power station based on oil or a nuclear energy project to be set up in Goa. In the field of education, health and family planning, Goa had done very well. So far as the mobilisation of resources was concerned, the Planning Minister assured that the State Government would take necessary steps and do its best.

82. **Shri Radha Raman**, Chief Executive Councillor, Delhi endorsed the basic elements of policy in the approach to the Fifth Plan. He pointed out that alongwith the need for providing housing sites to the rural poor the problem of the urban poor was equally pressing and special efforts were needed to make some minimum housing facilities available to them also. A ceiling on urban property would give a new impetus to the programme of urban development by making available the much needed cheap land. On account of natural increase in population and the migration of people from the rural areas in search of jobs there had been very rapid urban growth in recent years. In Delhi, which was the capital of the country, there were lakhs of people who were living in slum areas and in Jhuggi and Jhonpri colonies without even the minimum civic amenities and facilities. In the general programme of improvement of the lot of the poor, it was essential that the requirements of these people were kept in view. For betterment of their lot, a two-pronged strategy would have to be adopted. On the one hand the programme of improvement of slums would have to be taken up in a big way and on the other conditions were required to be created so that people from the rural areas were not induced to migrate to cities and further strain their civic facilities and resources. For this, the living conditions and employment opportunities in the areas around the metropolitan cities were required to be improved and growth centres in ring towns were needed to be developed around them. As in some cities like Delhi, the development of the surrounding areas involved more than one State, attention had to be focussed on regional planning also and specific schemes included in the Fifth Plan for this purpose.

83. In the field of education, the Chief Executive Councillor stressed that while trying to provide elementary education for children upto the age of 14, the quality of education should be improved. He advocated a vocational-oriented education with emphasis on the dignity of labour and self-reliance. The Chief Executive Councillor wanted a conscious effort to be made to curb obstentatious and non-essential expenditure. As the resources of the country were not infinite, their allocation should be made in such a way that more and more goods which were consumed by the poor means were produced. In this connection the question of restricting the production of a large variety of consumer goods for the richer and more affluent classes should also be considered seriously so as to conserve our resources. In order to hold the price line, a careful watch would have to be kept on the production and distribution of essential commodities. Similarly, the supply of essential building materials would have to be taken care of, for otherwise it would not be possible to give employment to a large number of persons on projects like minor irrigation, roads, etc. Moreover, the effort should be not merely to make jobs available but to create productive employment. Unless

the jobs were productive and contributed to the overall national growth it would not be possible to sustain the effort of providing more and more jobs. For this, particular attention would have to be paid to increasing the productivity in industrial as well as other sectors and suitable incentives devised for this purpose.

84. The Chief Executive Councillor suggested that we should take advantage of the increase in wages in some of the prosperous countries of the world and utilise our valuable human resources for setting up such labour-intensive light and medium industries for which we had a comparative advantage. This would not only make available many new jobs, but would also bring in valuable foreign exchange.

85. Referring to the problems of pollution the Chief Executive Councillor stated that if through unimaginative planning the natural resources like water were allowed to be polluted it would not be possible to make available even the bare minimum quantity of drinking water to our huge number of people and one of the key parts of the proposed minimum need programme for the poor would not be fulfilled.

86. The Chief Executive Councillor pointed out that Delhi had to bear larger burden in the form of migration of educated and uneducated unemployed who come from all over India and particularly from neighbouring States. To meet this situation, he asked for adequate financial assistance from the Centre. He drew particular attention to some of the urgent problems facing Delhi, for instance, urgency of improving water supply, implementation of ring railway, establishment of a dry port, rural housing, speedy implementation and improvement in transport, underground markets, over-bridges, etc. He also stressed the need for simplifying administrative procedures and improving administrative efficiency.

87. **Shri B.P. Bagchi**, Chief Commissioner, Chandigarh welcomed the approach suggested in the Planning Commission paper. He stated that certain problems were peculiar to Chandigarh because of its location and predominantly urban character. As Chandigarh was a fast developing city the population of the Union Territory was expected to grow at a faster rate than in most other parts of the country. Besides, two satellite towns—Mohali in Punjab and Panchkula in Haryana were coming up in the neighbourhood. Pressures on the social services of Chandigarh would increase on account of increased population of the Union Territory as well as the anticipated population of the satellite towns. This factor would have to be taken into account while formulating the Fifth Five Year Plan of Chandigarh.

88. As Chandigarh was a planned city, very high priority would have to be accorded to the clearance of slums in this city by providing adequate housing for the slum dwellers. Another important priority would be the augmentation of housing facilities for low paid persons. A larger and speedier housing programme would also generate additional employment potential.

89. The Chief Commissioner stated that in the limited rural hinterland of Chandigarh the emphasis would be to develop these areas for the supply of daily needs of Chandigarh, such as vegetables, milk, eggs and poultry. The Chief Commissioner asked for the establishment of an Undergraduate Medical College at Chandigarh, which could cater to the needs not only of Chandigarh but also of other Union Territories.

90. **Shri Deva Raj Urs**, Chief Minister, Mysore agreed with the socio-economic principles and objectives in the Approach paper. The Chief Minister observed that the ambitious programme of providing basic amenities and employment presupposed that the basic production in key sectors was adequate. He pointed out that in the Fourth Plan period, Rs. 4,000-5000 crores were spent on

basic amenities and employment programme. During the Fifth Plan period, out of a total of about Rs. 29,000 crores, Rs. 11,000 crore were proposed to be spent on employment and basic amenities programme. A careful assessment would also have to be made of the investment requirement for certain basic programmes such as irrigation, power, steel, cement, fertilisers, etc. All these would need heavy investments and would have to be taken into account in determining the basic demands on our total resources.

91. The Chief Minister referred to the regional imbalances and disparities with regard to the development of irrigation. States like Mysore, Maharashtra. Gujarat, Rajasthan were far below the all India average in respect of irrigation. In the Chief Minister's view it was necessary to reduce the imbalances in irrigation between State and State. He suggested that when through these major and medium irrigation projects a large area of land was likely to be developed, the Government, instead of imposing betterment and other types of levies, might take a portion of the land which got the benefit of development for distribution to the landless. In this way it would not only benefit those who had land but would also benefit the landless to whom the developed land could be distributed.

92. With regard to resource mobilisation, the efforts of the States had been uneven. The Chief Minister pointed out that the States which had done more than their share of resource mobilisation effort during the Fourth Plan period should not be at a disadvantage in any system of devolution of funds that may be worked out. States which had not made a comparable tax effort would find it relatively easier to raise resources during the Fifth Plan. He hoped that the Planning Commission would take all these factors into account in deciding the effort that different States should make during the Fifth Plan.

93. The Chief Minister observed that even in States where the level of basic amenities was not so low the rate of improvement would have to be at least double in order to keep pace with the expectations of the people. Of course, within a State the effort made in the backward districts would have to be relatively more than in the less backward districts depending on the level of amenities and development already achieved. The employment and basic amenities programme proposed during the Fifth Plan period was expected to make a tangible dent on the problem of unemployment and under-employment and put adequate purchasing power in the hands of the poorer section of society. However, a detailed quantitative analysis would have to be made to see how many people could be brought above the poverty line as a result of implementing a programme of this magnitude. Price stability was crucial to the whole strategy of development because on price stability depended the physical achievement which was possible against a given level of outlay. It was essential to protect the real income of the poorest sections of society by strictly controlling the prices of at least essential commodities. But the financial and administrative implications of such a policy had to be carefully worked out and strictly implemented. It was in this context that a national policy on salaries and incomes was necessary as whatever the Central Government did with regard to salaries of its employees had inevitable repercussions at the State level which could not be ignored.

94. The Chief Minister welcomed the idea of the Finance Commission and the Planning Commission working in close cooperation. The distinction between Plan and non-Plan was unreal and often misleading. The bulk of the committed expenditure on essential schemes and services was described as non-Plan. The important thing was to maintain the tempo of essential development and ensure that apart from the effort made by the State adequate resources should flow from the Centre to the State in the right manner. The loans given to the State Governments would have to be rescheduled as they were seriously distorting the State financial resources. In soms States, including

Mysore, repayment of Central loans with interest was already more than the loans received from the Centre in a given year. This situation had arisen because in the past loans were given for all purposes irrespective of whether a particular activity yielded financial return or not. Keeping these factors in view, the Chief Minister suggested that the Fifth Plan for States should be divided into two separate sections—one, for dealing with basic amenities and social services and the other with exploitation of natural resources, such as irrigation, power, etc. While loans could be given for the development of irrigation and power, grants would have to be given for the purpose of basic amenities. In the ultimate analysis, basic amenities and social services could grow only at the rate at which the revenues of the Centre and States grow. Much of the revenues were already committed to maintain social services and amenities created in the previous Plan period. The growth of these amenities at State level would have to enjoy sufficient priority in the application of the revenue surpluses of both the States and the Central Government. The bulk of the other development would have to come from loan assistance and deficit financing within certain well planned limits. The Chief Minister observed that the Centre's capacity to raise resources was far greater than that of States. The elastic taxes responsive to growth in income were mainly with the Centre. This also caused a heavy responsibility on the Centre to devolve funds to the States in adequate measure and in a manner which was equitable so that the plan objectives could be smoothly realised. The States should have adequate freedom to plan within these limits on a decentralised basis. The Chief Minister suggested that if and when States mobilise the resources within the State through the bank system, the State should be allowed to make use of this mobilisation. If this kind of freedom was allowed, greater effort would be made to mobilise financial savings through the banking system.

95. On the subject of land ceilings, the Chief Minister thought that it was very necessary that at the very beginning of the Fifth Plan or even earlier steps should be taken to introduce measures to put ceiling on land and urban property. He suggested that along with the ceiling of upper level there should be a floor level below which land should not be allowed to be divided. Law of inheritance should be changed so as to see that land was not divided below a certain economic level.

96. **Dr. Y.S. Parmar**, Chief Minister, Himachal Pradesh, who could not attend the meeting of the National Development Council, sent a note giving the views of his Government on the approach to the Fifth Plan. The following were the main points made in his note :

97. Though the per capita income had gone up in the country the per capita income of the poor, who were living below the poverty line and whose number was estimated at 220 million, had declined. To ameliorate the lot of the poor it was essential to reorient future Plans with a pronounced bias towards the under-privileged. Since overwhelming majority of the poor lived in the villages, efforts would have to be made to open up avenues of productive employment on as large a scale as possible in the rural areas. Stabilisation of prices of essential goods would call for increased production for which investment priorities may have to be changed and effective control exercised on essential consumption of the relatively well-to-do classes. The Chief Minister and his Government were in agreement with the proposed approach to the Fifth Plan and with the proposals numerated in the Planning Commission paper for meeting the minimum needs of the people, subject to the following conditions which had specific relevance to the requirements of a hilly State like Himachal Pradesh :

(i) Geographical norm of 5 Kms. for locating a middle school may be reduced to 3 Kms. in the interior areas of Himachal Pradesh because of the terrain.

(ii) In the hills, Primary Health Centres should normally cater to a population of 25,000 and a Sub-centre to a population of 3,000. Because of the distant location of district hospitals, the Primary Health Centres in the hills should be better staffed and better equipped than what they were today.

(iii) In the scheme proposed for the provision of home sites for the landless rural labour during the Fifth Plan it is laid down that it will be available only to such places as do not have either the government land or the Panchayat land available. In Himachal Pradesh there is not a single village where either of these or both of them are not available. In the higher hills the place chosen as a home-site has to be immune from land slides during rainy season and from avalanche during winter. Where there is no suitable Government land or panchayat land available either in the Abadi Deh or nearby, the benefit of this scheme should be available to Himachal Pradesh notwithstanding the availability of Government or panchayat land in the villages which may not be suitable and safe for this purpose.

(iv) In the Approach paper it is suggested that during the Fifth Plan all the villages having a minimum population of 1500 should be connected by all-weather roads. This condition needs to be waived with regard to hilly areas as there are very few villages in Himachal Pradesh having a population of 1500 or more and the average population of a village is less than 200.

(v) The cost of rural electrification in the hills is much higher than in the plains with the result that it is uneconomical for the State Electricity Board to carry out rural electrification unless subsidised by Government. Unless rural electrification in the hills is subsidised and electricity is provided for consumption in the rural areas at subsidised rates, it will be difficult to protect the rich forest wealth whose deforestation to meet the daily fuel requirements of the household cannot be avoided. Preservation of the forests is necessary to prolong the lives of major hydel projects which have been constructed at huge cost.

98. **Shri V.P. Naik**, Chief Minister, Maharashtra stated that the main thrust of the policy proposed in the Approach paper consisted of (i) a direct line of attack on the problem of unemployed and poverty in the rural areas by guaranteeing a minimum income for meeting the essential human wants, and (ii) adoption of national norms for minimum basic needs of the community at large living in villages. This was a welcome change. Poverty pockets in different districts would have to be identified and resources would have to flow into these areas to raise the levels of living as also to improve the environment to attain desirable minimum standards. This strategy would prove useful in the removal of disparities as between districts and areas within the district. The identification of specific basic needs and fixation would provide a suitable yard-stick for measurement of improvement in the conditions of villages in backward areas and would ensure that the minimum levels were attained by specified dates. It would be desirable to fix goals for the attainment of desirable norms or standards in a longer perspective of say 15 years and to request the States to suggest suitable phased programme for fulfilment of these goals by the end of the Fifth, Sixth and Seventh Plans so that at the end of 15 years all the districts in the country could be brought on par.

99. The Chief Minister pointed out that vast potentialities of direct and indirect employment existed on major irrigation projects which should be included in the programmes for additional employment generation. Apart from employment on construction works, irrigated farming would increase employment potential of the Plan five to six times and would also secure opportunities for higher wage incomes to the rural population. The idea of a national watergrid should, therefore, be

quickly translated into action. Other programmes involving large employment content, such as construction of new railway lines, would not only generate direct employment both for unskilled and educated persons, but would open out several areas in the country for building up a market economy.

100. Referring to the proposed programme of land redistribution, the Chief Minister stated that mere redistribution would not be enough; provision for all the inputs on redistributed land, such as seeds, fertilizers, pesticides and provision of irrigation facilities and other capital formation, would be vital components of such a programme. Moreover, there was not enough surplus land for distribution to every family in the rural areas. A large number of families would have to be provided with other means of self-employment, such as village industries, rural arts and crafts, sheep and poultry rearing, etc. The Chief Minister referred to the integrated area development programmes undertaken in Maharashtra in 25 blocks—one block per district. This programme benefited small holders and landless labourers and was designed to bring up the income earning capacity of the beneficiaries for securing a minimum standard of living. For those who could not be covered by redistribution of land or by programmes of self-employment, Maharashtra Government had recently introduced the employment guarantee scheme throughout the rural areas of the State. Every able bodied adult of 18 years and above would be provided with work anywhere within the block area at a reasonable wage which would not be lower than the distress wage but not higher than the prevalent agricultural wage in the area. The operation of the employment guarantee scheme was so designed as to ensure that the employment potential of other plan and non-plan works in the district was fully utilised before a new work was started under the employment guarantee scheme.

101. The Chief Minister suggested that in the situation of abundance of labour and scarcity of capital obtaining in the country, labour saving devices should be discouraged and productivity of capital optimised. At present for rural industrialisation and dispersal of industries to backward areas incentives and concessions were being given which were all capital oriented. Incentives based on labour intensity, such as sharing of contribution for Employees Provident Funds, Employees State Insurance, etc., should be thought of. This would entail detailed social cost-benefit analysis of every project.

102. The Chief Minister suggested that to supplement the programme of provision of home-sites for landless rural labour, rural housing should be provided. Improvement of rural houses with the help of locally made materials would provide necessary protection to rural families and at the same time generate additional employment for the local people.

103. For the vital programmes to combat unemployment and poverty, all-out efforts would need to be made by all the States and the Centre to raise adequate resources. It would have to be assessed closely whether all the tax revenue potential of each State was properly exploited under each of the various sectors of the State economy. The fertility of land being vastly different in different States, land taxes and levies should be related to the potentialities obtaining in each State. The Chief Minister thought that it would be worthwhile to include in the terms of reference of the next Finance Commission this question of detailed examination of the tax potential of each State and assessment of the performance of each State in discharging its responsibility of exploring properly the tax potentiality. The Chief Minister suggested that those who had jobs and were a privileged class could be taxed by way of an employment tax for giving benefit to the unemployed.

104. For holding the price line it was necessary to increase production, strengthen the market facilities and to take over progressively the distributive trade in regard to basic necessities of human life. The Maharashtra Government had in this context adopted a price support policy for the

benefit of the producer and policy of monopoly procurement of selected commodities for securing supplies to the consumer at reasonable prices through State control of distributive trade in respect of essential commodities. The primary objective of this programme was to secure a minimum level of income to the primary producer and to check the price rise for the consumer. Price increases had led to large expenditure on the part of State Governments on payment of dearness allowance to public employees. The resources raised by the States were thus being continuously eroded by such non-developmental expenditure. Positive direction and steps for price stabilisation were necessary if the goals proposed for the Fifth Plan were to be achieved.

105. The Chief Minister stated that with the shift of emphasis in planning strategy and yardsticks of measurement of advancement from per capita incomes to basic minimum needs and levels of development, the present formula for allocation of Central assistance to States also needed to be re-oriented. The focus of attention in identification of backwardness would now shift to districts and villages in the districts. The measurement of backwardness with reference to lags in the availability of basic minimum needs and disparities should form one of the important criteria for allocation of Central assistance to States. Irrigation facilities being a vital factor in providing continuous employment and wage incomes to the rural population should also be considered for allocation of Central assistance and all the States below the all-India average in irrigation facilities should be assisted so that they come up on par with other States. The Chief Minister also suggested that metropolitan areas should be treated as special areas for the purpose of Central aid, because, apart from the programme of slum clearance which had been included in the national minimum programme, there were other problems of metropolitan areas such as housing for economically weaker sections, industrial workers and middle income groups, transportation and drinking water supply, which involved enormous costs and were beyond the pale of the State Government and the Municipal Corporation.

106. Shri C. Subramaniam, Deputy Chairman, Planning Commission stated that the purpose of this meeting was to obtain the general approval of the National Development Council to the broad approach to the Fifth Plan indicated in the paper. Detailed exercises on various issues involved were going on in the Planning Commission. He requested the Members of the Planning Commission to briefly explain the various exercises undertaken, how the Planning Commission was trying to identify the various policy decisions to be taken and the work being done by various Steering Groups, Task Forces, which had been set up and on multi-level planning, project appraisal and monitoring and information system.

107. **Prof. S. Chakravarty**, Member, Planning Commission stated that the concept of multi-level planning was based on the desire to reconcile decentralisation with efficiency. In order that the approach outlined in the paper might succeed it had to be accompanied by evolution of planning machinery which would combine both these objectives of de-centralisation and efficiency. The programmes referred to in the Approach document, which were important from the point of view of removal of poverty and unemployment, would have to be based on local level and called for a good deal of local participation. So decentralisation was self-evident. Similarly, problems of regional imbalances could be corrected through more decentralisation of financial responsibilities in plan making and implementation. It was at the same time extremely important that the process of decentralisation should be made efficient. At the district level, the form of district unit of planning was very important as close coordination had to be kept between Central, State and local levels. For example, the provision of scarce raw materials for implementing various programmes had been raised by some of the Chief Ministers. In order to ensure that the required materials reached the local level in right time, it was necessary to put the demands of the States and the districts and

correlate them and ensure that these were made available. So the problem of working out priorities at different levels becomes absolutely necessary. The Planning Commission envisaged a continuing interaction between the planning units at the State Level and at the district levels and between the district and block levels. The Planning Commission had, in the light of this, worked out certain distribution of activities which were best done at different levels. Prof. Chakravarty stated that for dealing with the question of unemployment the whole approach towards planning had to be much more oriented to human resource development. He also stressed the need for setting up Planning Boards in the States as this would lead to much better planning at the State and local levels.

108. **Dr. B.S. Minhas**, Member, Planning Commission stated that the additional resource mobilisation efforts indicated for the states during the Fifth Plan was not an impossible task and was well within the capacity of the States. A considerable amount of revenue had been given up by the States in the last few years under certain political circumstances which no longer existed. Dr. Minhas indicated that some exercise had been done and it was found that if the land revenue, which had been given up by some States, was revived and supercharge on land revenue levied on a graded scale according to the size of holding, suitable increase was made in water rates on irrigated land, surcharge levied on electricity bills and on municipal property tax, it should be possible for States to raise roughly Rs. 1900 crores in the Fifth Plan on the basis of these measures alone.

109. Dr. Minhas indicated that the Sixth Finance Commission, which was being set up, and the Planning Commission would be working in very close coordination and the recommendations of the Finance Commission in regard to devolution of funds between the Centre and the States would be available in time for being taken into account in finalising the Fifth Five Year Plan. He also indicated that this time the five year period to which the recommendations of the Sixth Finance Commission would relate would coincide with the Fifth Five Year Plan period. For undertaking local devlopment it would be necessary for States to devolve funds to local bodies and to think in terms of district planning. It was necessary to involve people at the local level in planning and this required financial and administrative decentralisation. For carrying out proper land and water development, various programmes like consolidation of land holdings, land levelling, irrigation channels and drains have to be integrated and developed at the same time. All these elements must be incorporated into our approach to planning.

110. **Shri M.S. Pathak**, Member Planning Commission gave a resume of the work done by the Action Committee appointed for identifying steps necessary to improve the performance of public sector undertakings. This Committee was formed early in January 1972. The Committee endeavoured to see what were the constraints which were coming in the way of full utilisation of installed capacity and how these could be removed within the shortest possible time. A note on the progress of work done so far by the Committee and by the Working Groups set up by it was circulated to the Chief Ministers. Shri Pathak hoped that as a result of the efforts of the Committee it should be possible for the public sector projects to reach full or near full capacity within 1973. He also indicated the progress being made and the steps which had been taken in the field of development of power to meet the country's requirements.

111. **Shri Mohan Dharia**, Minister of State for Planning stated that the problem of backward areas, of regional imbalances and of meeting the basic needs of those living below the poverty line should be looked at as a national problem. The country as a whole should take up that responsibility and it should be given the highest priority. Essential articles required for the common man to meet his basic needs would have to be produced in abundance and suitable arrangements for their procurement, marketing and distribution at reasonable prices would have to be organised. Unless

this was done, the vicious circle of price rise would come in the way. The public sector may have to take up production of some of the consumer articles required for the common man.

112. Referring to the multi-level planning, the Minister stated that for making it a success a special effort would have to be made throughout the country for decentralisation of power to Zila Parishads and Panchayat Samitis. For formulating proper district plans peoples' participation at the local village level was very necessary.

113. The Minister referred to the seriousness of the problem of unemployment of educated and uneducated in the rural and urban areas. Implementation of schemes for tackling this problem would need to be given a high priority.

114. Coming to resource mobilisation, the Minister stated that it was high time to decide the relationship between the individual and his income and property and said that serious thought should be given to the question of imposing a ceiling on property, on land and on incomes, rural as well as urban, and the surplus should be mopped up without compensation for the good of the under-privileged.

115. Summing up the discussion and referring to some of the important points made by Chief Ministers, **Shri C. Subramaniam**, Deputy Chairman, Planning Commission stated that he was very glad to note that there was a general consensus with regard to the approach to the Fifth Plan. The details would be worked out and he was confident that if the problems were approached in the right spirit it should be possible to find a solution to even the most controversial of questions. It was because of the infrastructure built up, the productive capacities developed and the resources mobilised in the earlier plans that it was now possible to move in the direction of the new approach indicated for the Fifth Plan and to make a frontal attack on poverty.

116. The Deputy Chairman observed that in order to be able to tackle the problem of unemployment, poverty and self-reliance and also to ensure future growth, it was necessary to find the requisite resources for making investment. The investment could be made on the basis of savings and this required restraining consumption. Resources would have to come from those who were consuming more than the national average and who were in an advantageous position. It was by restraining the consumption of this category of people that more resources should be raised.

117. Deputy Chairman indicated that for meeting the basic minimum needs of the people, the Industrial Policy would require reorientation. A suitable plan for the provision of these commodities which served the basic needs and at fair prices would have to be drawn up. It would need to be considered to what extent available resources would, after providing for the basic needs, permit the production of luxury goods and to what extent such luxury goods should be licensed at all.

118. Deputy Chairman indicated that the next Finance Commission was being shortly appointed and would look into the devolution of resources between the Centre and the States.

119. Deputy Chairman referred to the hill areas, the Himalayan areas and the Western Ghat areas, which had special problems and required special programmes to tackle their problems. These were backward areas and the first step would be to carry out a proper survey of the resources available in these regions.

120. On the subject of price stability, Deputy Chairman stated that this also required a new approach. It was proposed to take up certain selected commodities of essential consumption for the common man and to ensure their production, procurement and distribution at fair prices.

121. Deputy Chairman made a reference to some of the river water disputes and indicated that taking a national view it was proposed to have a National Water Grid which would help solve the problems of States. Similarly, in regard to power generation it was proposed to have regional grids for better utilisation of available power and ultimately a National Grid. The National Water Grid and the National Power Grid were inter-connected.

122. Deputy Chairman stressed the need for improving the administrative machinery as the implementation of Plan projects and programmes would depend largely on the administrative efficiency. He was confident that given the mutual cooperation and taking advantage of the committed leadership, the Centre and States together would be able to overcome all obstacles and take the country forward.

123. Concluding the discussion, **Shrimati Indira Gandhi**, Prime Minister expressed her satisfaction at the manner in which the deliberations had taken place and the constructive nature of the speeches made by the Chief Ministers. She was glad that all the Chief Ministers had endorsed the outline of the new strategy of the Fifth Plan.

124. The Prime Minister stated that new ground was proposed to be broken in two important aspects. One was that certain basic needs must be provided to all sections of society. Second was that the problem of unemployment and under-employment should be tackled directly and that we should not wait assuming that economic growth by itself would automatically solve this problem. Economic growth was essential to the solution of the problems but direct efforts had to be made in order to make a tangible dent. The Prime Minister was glad that all the State Chief Ministers were unanimous in their desire to uplift the people and bring about the changes which were necessary for this. Since the paper before the National Development Council was couched in very general terms it was easier to agree, but when the exercises were done in greater details and the proposals were more specific there was sure to be some difference of view. There was occasionally a difference of outlook between the advanced and the backward States. The new strategy was not in any way against the advanced States. It was not intended to hold up their progress in any way. Certain areas which had, for historical and other reasons, lagged behind the rest of the country needed special help to be brought up to a certain minimum level of development in certain sectors. It was similar to the concern we had expressed for weaker sections of society.

125. On the question of resource mobilisation, the Prime Minister pointed out that the targets when viewed in overall terms might look formidable, but when the details were gone into and specific measures were indentified the targets may not appear so. There were affluent sections even in backward areas. These sections, whether they were in forward areas or in backward areas, needed to be tapped. Inequalities of income and wealth were sharp in backward areas as in advanced areas. The distribution of resources between the Centre and States' posed some problems. The allocation of larger resources on statutory basis to the States should mean that the Centre would have less resources to deploy for the benefit of the weaker areas.

126. The Prime Minister remarked that there was a general tendency to get preoccupied with the size of the plan, the magnitude of investment programmes and the quantum of Central Assistance. In this process the need for proper project formulation and proper implementation was often over-looked. Many of the employment-oriented projects initiated in 1971 had still not got off the ground. The Prime Minister stressed the need for looking into the administrative and financial procedures both at the Centre and in the States. The efficiency of technical and administrative staff at the district and block levels should be raised. Only in this way would it be possible to discharge the responsibilities cast on the Central and State Governments as envisaged in the Fifth Plan.

127. The Prime Minister expressed herself in agreement with the suggestion made by the Union Minister of State for Planning for a speedier programme to bring socialism. Experience in these 25 years had shown that there could be no gradual percolation of better living. Though India was committed to the democratic method and to the evolutionary process this evolution needed to be speeded up. She referred to the competition that was going on between the private and the public sector, between one State and another and between the States and the Centre and observed that while some competition was good, what was needed was not merely competition but much greater spirit of cooperation. After identifying the urgent needs we must go ahead towards meeting them making whatever sacrifices or hard work that was essential, there was need for creating a great discipline in Government as well as in our society. We had undertaken tasks of great magnitude and every step that was being taken was likely to be a task that would test the strength of our democratic system. There was not much possibility of succeeding without tremendous hard work and sacrifice and this required close cooperation knowing well the difficulties that stood in the way. The Prime Minister urged upon the Chief Ministers to look at the problems from the national point of view. All States were dependent on one another for the marketing of their goods and for meeting all kinds of demands. So it would be in the interest of advanced States that whether States should also improve their purchasing power.

128. The Prime Minister ended by saying : "Let us try to solve our problems in a spirit of partnership and in a spirit of unity. If we are disciplined and determined to stand together to solve our problems, we should be willing to go ahead with those changes and face the dislocation that may be caused. Unless we go ahead with those changes, we are in for a much bigger dislocation. We are now committed to those programmes and certainly we have to show the strength and discipline to go through them."

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	.. .. ..	Chairman
Shri C. Subramaniam	.. .. ..	Dy. Chairman
Shri Y.B. Chavan	.. .. ..	Minister of Finance
Shri Mohan Dharia	.. .. ..	Minister of State for Planning
Prof. S. Chakravarty	.. .. ..	Member
Dr. B.S. Minhas	.. .. ..	Member
Shri M.S. Pathak	.. .. ..	Member

STATES

Andhra Pradesh	.. .. ..	Shri P.V. Narasimha Rao Chief Minister
Assam	.. .. ..	Shri S.C. Sinha Chief Minister
Bihar	.. .. ..	Shri Kedar Pandey Chief Minister
		Shri Daroga Prasad Rai Planning and Finance Minister
Gujarat	.. .. ..	Shri Ghanshyambhai Oza Chief Minister
		Shri Kantilal Ghiya Finance Minister
Haryana	.. .. ..	Shri Bansi Lal Chief Minister
Jammu & Kashmir	.. .. ..	Shri Trilochan Dutta Agriculture Minister
		Shri G.L. Dogra Finance Minister
Kerala	.. .. ..	Shri C. Achutha Menon Chief Minister

		Shri K.G. Adiyodi Finance Minister
Madhya Pradesh	.. .. ..	Shri P.C. Sethi Chief Minister
		Shri S.N. Mushran Industries & Commerce Minister
		Shri K.C. Tiwari Finance and Planning Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri M.D. Chaudhari Finance Minister
		Shri H.G. Vartak Revenue Minister
Manipur	.. .. ..	Shri Mohamad Alimuddin Chief Minister
Meghalaya	.. .. ..	Shri William A. Sangma Chief Minister
		Shri B.B. Lyngdoh Planning Minister
Mysore	.. .. ..	Shri D. Devaraj Urs Chief Minister
		Shri M.Y. Ghorpade Finance Minister
Nagaland	.. .. ..	Shri Hokishe Sema Chief Minister
Orissa	.. .. ..	Shri Biswanath Dass Chief Minister
Punjab	.. .. ..	Shri Zail Singh Chief Minister
		Shri Hans Raj Sharma Finance Minister

Rajasthan	.. .. ..	Shri Barkatullah Khan Chief Minister
		Shri G.M. Abid Planning Minister
Tamilnadu	.. .. ..	Shri M. Karunanidhi Chief Minister
		Shri S. Madhavan Industries Minister
Tripura	.. .. ..	Shri S. Sen Gupta Chief Minister
		Shri D.K. Chaudhuri Finance Minister
Uttar Pradesh	.. .. ..	Shri K.P. Tripathi Chief Minister
West Bengal	.. .. ..	Shri Sidhartha Sankar Ray Chief Minister
		Shri Sankar Ghose Finance Minister

UNION TERRITORIES

Chandigarh	.. .. ..	Shri B.P. Bagchi Chief Commissioner
Delhi	.. .. ..	Shri Baleswar Prasad Lt. Governor
		Shri Radha Raman Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Shri A.K.S. Usgaonkar Planning Minister
Mizoram	.. .. ..	Shri Chal Chhunga Chief Minister
Pondicherry	.. .. ..	Shri M.O.H. Farooq Chief Minister

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	Minister of Agriculture
Shri Jagjivan Ram	Minister of Defence
Sardar Swaran Singh	Minister of External Affairs
Shri Moinul Haque Choudhury	Minister of Industrial Development
Shri Umashankar Dikshit	Minister of Works and Housing and Health and Family Planning
Shri G.R. Gokhale	Minister of Law and Petroleum and Chemicals
Shri K. Hanumanthaiya	Minister of Railways
Shri S. Mohan Kumaramangalam	Minister of Steel and Mines
Dr. Karan Singh	Minister of Tourism and Civil Aviation
Shri H.N. Bahuguna	Minister of Communications
Shri D.R. Chavan	Minister of Supply
Shri R.K. Khadilkar	Minister of Labour, Employment and Rehabilitation
Shri Om Mehta	Minister of State in the Department of Parliamentary Affairs
Shri Ram Niwas Mirdha	Minister of State in the Ministery of Home Affairs
Prof. Nurul Hasan	Minister of State in the Ministry of Education, Social Welfare and Culture
Dr. K.L. Rao	Minister of Irrigation and Power
Shri K.V. Raghunatha Reddy	Minister of Company Affairs
Shrimati Nandini Satpathy	Minister of Information & Broadcasting
Shri Kedar Nath Singh	Dy. Minister for Parliamentary Affairs

SPECIAL INVITEE

Shri S. Jagannathan	Governor, Reserve Bank of India.

TWENTYNINTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

JANUARY 19 AND 20, 1973

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYNINTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPER

***Approach to the Fifth Five Year Plan**

SUMMARY RECORD

Welcoming the members of the National Development Council, **Shrimati Indira Gandhi**, Prime Minister stated that at its last meeting the Council had considered the paper outlining the basic ideas which would go into the making of the Fifth Plan. The National Development Council and the Parliament had unanimously endorsed that paper. The two main features of the Plan were removal of poverty and attainment of self-reliance. The next task of the Planning Commission was to work out and suggest a feasible approach to attain these objectives. One basic aim was to achieve higher rates of growth so as to raise the living standards of the people and attain self-reliance. As brought out in the Approach paper, reduction in inequalities and growing self-reliance were complementary and reinforced each other to some extent. The conditions of the poorest sections could be improved only by modifying the pattern of production and increasing the supply of mass consumption goods, particularly foodgrains and essential commodities. It was also necessary to ensure that these goods were available at reasonable prices. The employment opportunities had to be expanded and a national programme of minimum needs had to be implemented.

2. The Prime Minister pointed out that our emphasis on self-reliance called for better utilisation of capacity and a notable expansion in basic industries such as steel, coal, chemicals and machine building. This emphasis on expanding the basic industries did not conflict with the efforts at removing poverty. Both were essential to achieving the two objects that we had set before ourselves. Planning means choosing between many valid claims. But in a country like India which had a variety of problems, there could not just be one single objective to the exclusion of others. Growth and social justice were both important; and one should reinforce the other. A great deal depended on the nature of growth and on the distribution of the benefits of growth. With higher outlays in many sectors it was supremely important that no funds were dissipated.

The approach paper was a step towards formulation of the Fifth Plan. Programmes had to be so drawn up that the objectives were in fact achieved and benefitted those for whom they were intended. It was necessary to ensure that considerably enhanced outlays in many sectors did not get diverted into the wrong programmes. In this context, the States had to play an important role. Many programmes, particularly those relevant to rural areas, were implemented by States. Land reforms, agriculture, irrigation, education and water supply were the more significant among them. In addition to the detailed programmes, it was necessary to have an outline of policies to be adopted in different sectors. The Planning Commission was engaged in working out the policy frame to go with the Plan. The National Development Council could meet again to discuss this policy frame.

3. The Prime Minister observed that the Plan was just not a matter of outlays and a share of

*This paper has been published separately

Central assistance. There was at times unhealthy competition on the part of States to push up their demands and get Central assistance on some account or the other. There were requests for release of funds and despatch of Central teams even from places where there was no real need. This was not, the Prime Minister felt a healthy approach to our problems. Our resources were limited and the demands of the really needy were themselves very large.

4. The Prime Minister stressed the importance of ensuring that there was no shortfall in the procurement targets. Also, determined efforts were needed to realise the targets indicated in the Approach paper. The performance on procurement had so far been rather disappointing and required to be improved. The national programme of minimum needs would be the biggest undertaken so far for rural reconstruction. It called for new forms of organisation, procedures of implementation and methods of involving the people. These aspects required immediate attention for ultimately the Plan was only as good as its implementation, and the Governments, both at the Centre and in the States, would be judged by the results.

5. Referring to the Plan for science and technology, the Prime Minister stated that it was necessary to view this plan in the proper perspective. Science and technology should not be looked upon as a separate subject but should permeate our thinking. The overall research programmes should cover all sectors.

6. Referring to the shortages in the country, the Prime Minister stated that some of them were caused by abnormal developments. There was the emergence of Bangla Desh. There was failure of rain. Some shortages owed themselves to increasing demand caused by the growth of the economy and of the population. While the people deserved sympathies who had been affected by drought, floods or cyclone, care should be taken to see that our difficulties were not exaggerated and competing demands were not made. India was faced today with vast problems which could be solved only by united and concerted efforts. It was particularly important to redress the genuine grievances—whether they were of people living in the hills, desert areas or of other minorities. While an attitude of bringing pressures for sectional or State advantage should be discouraged, it was necessary that genuine difficulties were solved before they took the form of fissiparous tendencies. In dealing with weaker sections and tribal people and others who deserve special attention, we must act with foresight.

7. The Prime Minister suggested that the meetings either of the National Development Council or perhaps some body under any other name with or without officials should be held more frequently not only for discussing the Plan but also other major problems and broad matters of national policy. There could be events, such as strikes which affected production and distribution of essential goods. That could cause suffering to the people and harm to the nation. Sometimes a decision taken by a particular State Government, which that Government might consider good or even necessary for itself, might adversely affect the other States. It was, therefore, necessary that the National Development Council or some other body of Chief Ministers should meet more frequently to find common solutions for common issues. Our problems were gigantic. No one in the world had faced the like of them. It was, therefore, necessary to see how we could cooperate rather than compete with one another.

8. **Shri D. P. Dhar**, Deputy Chairman, Planning Commission thanked the Prime Minister for her address on the social and economic philosophy underlying the Approach paper. Dealing with some of the more important features of the Approach paper, Deputy Chairman stated that the formulation of this paper was foreshadowed in the Commission's earlier paper entitled "Towards an Approach to the Fifth Plan" which the National Development Council had approved in May 1972.

The Approach paper identified two basic objectives of the strategy of development, namely, removal of poverty and self-reliance. There was, therefore, no contradiction between the earlier document and the present exercise. What had been done now was, as was contemplated earlier, that the main ingredients of the strategy for redistribution of incomes in favour of the poorest sections of the population had been integrated into an overall pattern of growth. Only a sustained increase in the levels of production, not only in agriculture but also in the core sector of industry, would enable us to give the people a better standard of living. On the other hand, our specific socio-economic situation imposed on equally clear imperative of intensifying and accelerating the broad historical thrust for social and economic equality. Thus, these two basic concepts had to be welded together in a internally consistent model of growth in the seventies. This was what the Approach paper attempted to achieve. Naturally in this strategy there were many elements of continuity with the basic formulations in the previous Plans. This was because the fundamentals of the strategy for India's development as a prosperous, self-reliant and socialist society were thought over deeply and elaborated clearly by Pandit Nehru. His basic insights into the problems of under-developed colonial economies and into the solutions for backwardness and poverty remained as valid today as when they were first given expression to in the strategy of the Second Plan. His emphasis on the capital goods section and on other basic industries like fertilisers, oil and power had given to the country a strong and diversified industrial base. It was the comparative neglect of this sector in the later years that had created many difficulties which were being faced today. The Fifth Plan would restore Pandit Nehru's basic in-sight to the position of centrality in the planning process. It had been possible to do so because of the direction provided by the Prime Minister to the Planning process in the country.

9. Dealing with the conception of redistributive growth on which the Fifth Plan was based, the Deputy Chairman pointed out that if we left the structure of production intact and resorted exclusively to measures for redistribution of income through fiscal devices or through other programmes, we might achieve something by way of social justice but we would not make any appreciable impact on the standards of living of the poor because the things they would need and consume would be in short supply. Incomes accruing to them through fiscal and other methods would not enable them to buy cheap housing, nutritive food or clothing, because the production system was not so oriented. Imbalance between demand and supply would inevitably push up prices and their real incomes would be steeply eroded by inflation. Therefore, unless the pattern of production itself served the goal of redistribution of wealth by producing goods for mass consumption and by drastically curtailing production of goods for elitist consumption, it would not be possible to move forward in the direction of an egalitarian social order. Therefore, what should be aimed at was a redistribution of consumption in favour of the poor through suitable changes in the mechanism and priorities of production. This was precisely what the Approach attempted to do. The emphasis on the core sector and the use of production in the core sector for production of goods and services for the common people, constituted the basic logic of the Plan. It was from these concepts that details regarding the rate of growth, the sectoral pattern of growth, the financial outlays, the detailed physical targets of production of various commodities, the targets under the national programme of minimum needs, etc., were derived. In view of the constraints imposed by the shortcomings revealed in the Mid-term appraisal of the Fourth Plan by the lags in the creation of new capacity in the key sectors of economy, by the under-utilisation of existing capacity and by diversion of scarce resources for drought relief, and considering at the same time our problems of a growing population, the international situation and the consequent need for implementation of a bolder Plan, the rate of growth proposal for the Fifth Plan had been kept at 5.5 per cent per annum. Moreover, the overall rate of growth was composed of the production targets of various commodities. Looking at our needs, specially in the core sectors of the economy,

we would, even at the proposed rate of growth, not be producing enough and would be obliged to import considerable quantities of steel, fertilisers, finished petroleum products, machinery, etc. It was after a careful balancing of the needs of different sectors and after taking into account the perspective of long term growth that this figure of rate of growth was arrived at. In allocating outlays to different sectors, the inter-dependence of the commodity producing sectors and the services sector had to be kept in mind.

10. Coming to the main features of the Plan in relation to the two main objectives, namely, removal of poverty and self-reliance, the Deputy Chairman stated that the first and foremost programme for reduction of inequality and for augmenting the productive resources of the community was the expansion of productive employment opportunities. The Approach paper had tried to deal with this problem without any equivocation. While framing inter-sectoral growth programmes, care had been taken to maximise employment opportunities. Employment was generated not only by the obviously employment intensive projects like road building, social services, rural works, etc., but in a real sense it depended on the totality of the development process, on the balance between different types of activities. For example, if emphasis was concentrated only on the growth of small industry, its capacity would remain unutilised in the absence of development of steel and power. The net result would be after some time a decrease in employment owing to under-utilisation of capacity which happened to be the case today in many areas.

11. Whatever was done in the field of wage employment and there would be considerable increase in wage employment due to stepping up of outlays on industry, transport, construction and the like-attention would have to be concentrated on generating productive employment in the agricultural sector itself for the bulk of the labour force. It was here that the role of land reforms was crucial. Land reforms were not simply a matter of social justice, but their even more potent rationale lay in the opportunity they provided for a very large number of small and landless agriculturists to find for themselves productive employment. Taken in conjunction with policies and programmes designed to improve agricultural productivity on small and marginal farms, land reforms held the key to a significant expansion of productive employment in the rural areas. A whole package of policies involving provision of vital inputs like water, fertilizers, improved seeds, credit, marketing and extension facilities would have to be deployed in a massive way in order to modernise agriculture. Therefore, the main thrust of the Fifth Plan strategy in agriculture lay in integrated development of land and water resources in the country with a view to enabling the small man to come into his own. All existing programmes, whether they came under the crash employment schemes in rural areas or the drought-prone area programme or the small and marginal farmers' assistance programmes, would have to be integrated into a viable pattern to raise productivity in agriculture so that a larger work force could be profitably employed. It was in this direction that concentrated effort would be made in the Fifth Plan.

12. As regards educated unemployment, the expansion of social services and the programmes envisaged for industry, transport and power would absorb practically all the job seekers who were technically qualified. For the liberal arts and pure science graduates, special programmes would have to be undertaken. Schemes for generating 5,00,000 job opportunities for educated unemployed in 1973-74 were being formulated and this rate was proposed to be kept up. There were two major considerations governing this scheme. First, the employment generated should be socially useful and productive. And secondly, weaker sections and minorities should be given preference in obtaining the benefits of this programme. Families which had no means of livelihood would be given priority in selection for jobs. A cell had been set up in the Planning Commission under the Minister of State, Shri Mohan Dharia, to formulate the schemes in consultation with the Ministries and the State

Governments. This cell would function directly under the overall guidance of the Prime Minister. This kind of programme could, however, alleviate distress only temporarily. The real solution lay in making fundamental changes in our higher education. It was no use turning out graduates and post-graduates in such large numbers in disciplines which were not relevant to the structure of our developing economy. It needed to be considered seriously what these changes should be, how they should be introduced what was the time period over which they should be phased, what skills should be imparted to those who had already spent time and money on acquiring degrees and diplomas which nobody seemed to want. It was obvious that in a delicate matter like this which touched the lives of a large number of young men and women, the present structure could not be dismantled all of a sudden. But it was equally obvious that the process of change must begin sooner rather than later.

13. Alongside the employment orientation of the production pattern, another important plank for reducing inequalities was an increase in expenditure on social consumption in the form of elementary education, health, nutrition, drinking water and housing. In this connection, a provision of Rs. 3,300 crores had been made for the National Minimum Needs Programme. Thus, the outlay mentioned in the earlier paper had been maintained. After a reconsideration of the programmes for elementary education, it had been decided that in the Fifth Plan facilities for 75 percent children in the age-group 11-14 would be provided—50 percent on a full time basis and 25 percent on a part time basis. It should not be beyond the capacity of the country to provide education to all children in the age-group 11-14 during the Sixth Plan period. In the Fifth Plan every effort must be made to ensure that talented children belonging to the economically and socially deprived classes were provided with the opportunity of receiving education of the highest quality.

14. One of the main features of the Approach paper was the emphasis on expanded production of mass consumption goods, such as foodgrains, sugar, edible oils, standard cloth and cooking fuel. Without appreciable increase in the production of such goods, no impact could be made on mass poverty. But it was equally important to emphasise a sound and equitable distribution system. Today, the rise in prices of essential commodities had agitated the public mind. Without a public distribution system that could at all times ensure supply of essential commodities to the common people at reasonable prices, it was not possible to insulate the planning process from the havoc caused by price rise. A public distribution system of this kind could not be built without achieving strategic control over the marketable surplus of such commodities. It was for this reason that the take-over of the wholesale trade in foodgrains was important and essential. The financial and organisational aspects of the arrangements to be made were being worked out. But ultimately it was the State Governments and the Chief Ministers who had to carry this burden on their shoulders. It was only in the context of a vigorously functioning public distribution system that the instrument of prices could be used to channel resources into priority areas.

15. Referring to the other major goal of attainment of self-reliance, the Deputy Chairman stated that in the earlier paper the formulation of the objective of self-reliance in terms of zero net aid (net of debt repayment and interest) was somewhat provisional. In the Fourth Plan it was postulated that net foreign aid should be reduced to half of the current level by the end of the Fourth Plan. This objective was likely to be achieved. The Fifth Plan would strive to carry this process forward by a giant step and all net foreign aid was proposed to be eliminated by the end of the Fifth Plan. Some external assistance would still be required to take care of debt repayments and servicing charges. However, it should be possible to do away with all external assistance within a time frame of 10 years or so after the end of the Fifth Plan. Even this period could be further reduced if the economy grew at a rapid pace. A gross external aid of Rs. 3,000 crores over the five year period had been

assumed. This appeared to be a reasonable realistic estimate of what could be obtained. But the important thing was to get out of the mentality in which assumption of foreign aid was crucial to plan making. Today our balance of payments was in a difficult position because a large number of items which could and should be produced within our own country were being imported. Therefore, if in the next four or five years a supreme effort was made to expand and install additional capacity in the core sector—steel, power, non-ferrous metals, fertilisers and oil—we would have taken a big step forward towards ending our dependence on external assistance for further industrialisation and for improvement in agricultural production of our country.

16. Referring to the important role of science and technology, to which the Prime Minister had drawn attention, the Deputy Chairman stated that we had to develop reliance on our own technology and on our own capacity to enable this technology to grow, flourish and serve the needs of the community. The allocations which had been mentioned in the Approach paper were merely tentative and the Planning Commission was working out the details of the funds which were available to the various Ministries for purposes of science, research and development in this sphere and as soon as greater funds were available, this size of the outlay would substantially increase.

17. Self-reliance in our context means a rapid growth of basic industries. The targets presented in the Approach document should in fact be taken as the minimum to be achieved. Our effort should be to go much beyond them in crucial areas. The real problem therefore was not so much as paucity of financial resources as our capacity for project formulation and for implementation according to a rigid time schedule. Our implementation capabilities would need to be drastically improved. Self-reliance was the single focus around which national will had to be harnessed and put to action. The answer to our balance of payments problem was not a low rate of growth but a much faster rate of growth in basic industries.

18. The Deputy Chairman pointed out that for financing a Plan of the size indicated in the Approach paper an additional resource mobilisation of the order of Rs. 6,600 crores was required. The States were expected to raise a little over one-third of this. In addition, domestic savings had to be stepped up substantially. This implied a strict degree of fiscal discipline and a rigorous restraint on all inessential private and public consumption. Internal resource mobilisation of the projected order was a necessary condition of a purposeful advance towards self-reliance. The Deputy Chairman was confident that there was no ground for pessimism in regard to our future prospects. Vigorous and determined action in the remaining period of the Fourth Plan and in the Fifth Plan would constitute our answer to our current difficulties. The Fifth Plan was not merely a blue-print for growth, it was not merely a major step forward in the direction of social justice, but it was in a fundamental sense the charter of our economic independence and under Prime Minister's leadership the country would go forward to achieve that independence, whatever be the cost.

19. **Shri S. C. Sinha**, Chief Minister, Assam welcomed the Approach to the Fifth Plan which provided for the basic minimum needs, reduction of inequality, more adequate consumption for the poorer sections, self-reliance and removal of regional imbalances. In his opinion, a 4.7 percent rate of growth in the agricultural sector as against 5.5 percent in the economy as a whole was likely to further extenuate poverty in the agricultural sector. It was, therefore, necessary to think in terms of measures which would step up the growth rate in the agricultural sector so that a real dent could be made on rural poverty. While the Approach paper made special mention of measures needed for the development of dry farming and farming in the rain-fed areas, the problem of floods had not been mentioned. The problem of floods in States like Assam, Bengal and Bihar needed special attention. For removal of regional imbalances, it was necessary to earmark outlays in the Central

Sector for creating necessary infrastructure in isolated and backward regions like Assam. This would apply specially to sectors like railways, inland water transport, national highways, central power stations and major flood control and irrigation works. It was indicated in the Approach document that provision for administrative and residential buildings, loans to government servants for house building and provision for inventory accumulation would be in the Plan account during the Fifth Plan period. In the past this expenditure was debited to the non-plan account and in the case of deficit States like Assam it was covered by appropriate grants under the Finance Commission award. The reclassification was likely to add to the debt burden of the States, as in respect of Plan financing, the major part came as a loan. In any case, if these amounts were to be included in the Plan account, the pattern of Plan financing should be so adjusted as not to lead to hardship for States like Assam.

20. The Chief Minister stated that there should be a national policy on employment whereby a certain percentage of the lower category jobs was reserved for the local inhabitants as otherwise it would lead to social tensions which might tend to impede the developmental process. He hoped that, as in the Fourth Plan period, a special allocation of Central assistance would be set apart for border States like Assam, Jammu & Kashmir and Nagaland.

21. **Shri Daroga Prasad Rai**, Planning Minister, Bihar stated that it should be the responsibility of the country as a whole to bring the backward States to the national minimum standard and for that a special effort had to be made. He pointed out that 74 percent of the deposits of nationalised banks was invested in three or four major States and the balance of 26 percent was spread over the other States. He suggested that a policy decision should be taken that the deposits in nationalized banks and the LIC should be invested in the States according to the population and the backwardness of the States concerned. Then only the backward States could come up to the national minimum standard in the country.

22. Referring to the unemployment problem, the Minister stated that only some large scale schemes of employment based on agriculture could help solve the unemployment problem. Shortage of diesel pumping sets, steel, hume pipes, electrical pumps, road rollers, railway wagons and raw-material for agro-industries and small industries was hampering the implementation of Plan programmes in the rural sector with the result that adequate employment in the rural areas was not being generated. Unless measures were taken to provide these simple and ordinary things in adequate quantities, the unemployment problem could not be solved. He pointed out that though 90 percent of the rural people in Bihar and elsewhere were living below the standard of the lowest paid Government employees, they did not create any problem; it was the employed class, whether working in Government or in factory or in school or college, which created most of the trouble by resorting to strikes and agitations. Unless some social discipline was enforced, it would be difficult to fulfil our Plan targets.

23. Intervening in the discussion, Shri D. P. Dhar, Deputy Chairman pointed out that the Crash Scheme for Rural Employment and the special rural programmes, like MFAL and DPAP, etc., had taken off the ground. In 1971-72, under the Crash Programme for Rural Employment 700 lakhs man-day work was created. These programmes had been very well received by the States and there was demand for their expansion.

24. Stressing the need for improving implementation in the Fifth Plan, **Shri M. Karunanidhi**, Chief Minister, Tamil Nadu staled that the shortage of basic materials, such as steel, cement, fertilizer and power, had been largely responsible for distorting the Plan. With the availability of more raw materials, and power, the small scale industries could provide more jobs and help in the

removal of unemployment. If necessary, the country's requirements of these materials may be obtained, by entering into long-term arrangements, from abroad. Delay in the commissioning of power projects had led to disruption of industry and agriculture. As such the highest priority should be given to measures to complete power projects already initiated, by allowing, if necessary, the import of equipment if that could not be manufactured in India. Electricity Boards should also the Chief Minister suggested, be allowed to raise necessary resources from banks and from the money market through floatation of additional debentures.

25. The Chief Minister welcomed the emphasis in the Approach paper on the removal of poverty and unemployment. In this context, he pointed out that many of our Plan schemes went to benefit not the real poor but the relatively better off and privileged sections. The people below the poverty line deserved all our attention and it should be ensured that more jobs and opportunities were given to them. The Chief Minister observed that the Approach paper did not bring out fully the administrative arrangements envisaged for the minimum needs programme of the rural areas. He suggested that the funds needed to bring all backward parts of the country up to certain agreed national norms should be devolved to States through the Finance Commission and not through Central Sector Programme. There was no need for having separate organisations at the Central level for implementing programmes which were essentially State subjects. The Finance Commission had been set up under the Constitution to look into the needs of the States. The distinction between Plan and non-Plan outlays and current outlays was confusing and should be given up. The Chief Minister suggested that all the requirements of the States, both Plan and non-Plan, should be gone into by the Finance Commission in consultation with the Planning Commission. On this basis, the Finance Commission should recommend devolution of grants and taxes for both Plan and non-Plan outlays and revenue accounts of States. Only this arrangement would, the Chief Minister thought, restore to the State Governments the freedom and initiative for planning and development and give a meaning to the concept of decentralisation and multi-level planning. He pointed out that during the Fourth Plan while the Central assistance to States was kept at Rs. 3,500 crores, a number of new schemes costing an equally large amount were introduced on an ad-hoc basis by various Ministries either as Central schemes or as Centrally sponsored schemes. In his view, growth of Central and Centrally sponsored scheme in areas such as education, health and agriculture should be stopped and the amounts available for these schemes should be placed at the disposal of the Planning Commission and the Finance Commission for disbursement as Central aid for devolution to the States. The criteria adopted for Central assistance needed reconsideration now that a minimum needs programme had been put forward. Once the backwardness of States had been taken care of through such a programme, there was no need to give weightage in Central assistance or devolution of taxes.

26. In regard to the assistance for Central projects, the Chief Minister suggested the setting up of an Inter-State Development Bank which should finance schemes for water supply, power and industry on a continuing project basis instead of allowing them to be delayed , and long drawn out because of the State's temporary financial difficulties. This Bank should work under the supervision and advice of the Planning Commission and the State Governments should be represented on it on a system of rotation.

27. The Chief Minister stressed the importance of giving special attention in the Fifth Plan to metropolitan problems like slum clearance, urban water supply, urban roads and transport. Referring to the emphasis laid in the Approach paper on the need to curb the growth of population, he stated that the States which put a curb on population growth stood to lose, to that extent, representation in Parliament and also by way of Central assistance. There was need for evolving a new policy which

should set these fears of the States at rest. He suggested that the State Industrial Development Corporation which was now the main nuclei for future growth, should be encouraged by the Centre and helped with share capital by the Central financial institutions.

28. The Chief Minister pointed out that taxation of commodities like fertilizers add to the cost of agricultural production and results in increase in prices. Similarly, considerable part of goods such as cement and steel was used in governmental outlays. The rise in the cost of these commodities increased the cost of the goods in general and this had an impact on prices which in turn impinged on wage levels of State and Central resources. He suggested that the Government of India might set up a comprehensive Taxation Enquiry Commission to look into the whole question and suggest solutions. As a result of the present structure of taxation, large sums of money were getting out of the accounting system. Prohibitive rates of income-tax at the higher levels, while justified from the point of view of egalitarianism, were also leading to the drying up of enterprise. The Government and the public sector could not provide jobs for all and unless a large number of enterprising investors could be created it would not be possible to solve the problem of unemployment. From this point of view the professionals and the middle-income groups should be given inducement to earn more and invest more. Tax evasion carried with it not only loss to the exchequer but also an incentive to ostentatiousness and this resulted in reduction of savings available for the country. The Chief Minister suggested that if the professionals and the persons falling under the middle income group earn more, they should be allowed to invest in surpluses in various remunerative industries in backward areas and the entire investment should be treated as liable to much lower taxation, say 15 to 20 percent. This could also be referred to the Taxation Enquiry Commission, which he had suggested.

29. In the end, the Chief Minister assured the Prime Minister of his Government's full support to the Central Government in all the socialist policies, decisions and measures taken with a view to eliminating poverty and unemployment from the country.

30. **Shri Ghanshyambhai Oza**, Chief Minister, Gujarat welcomed the approach to the Fifth Plan spelt out in the paper. Referring to the employment problem, he suggested that the employment projects, which may be taken up should be both capital intensive and labour intensive. He cited the example of Amul factory in Gujarat which, while it was a capital-intensive operation, had generated, through direct or indirect link projects, employment potential for thousands of milk suppliers and others engaged in the distribution of milk products. By following a similar pattern round about a capital-intensive project in other industries, it should be possible to build up labour-intensive ancillary projects. It would create a better employment potential and that employment would be gainful employment. The Chief Minister stated that in setting up industries for production of goods required for the common man at stable prices it should be ensured that natural endowments and locational advantages were not ignored. Otherwise, the prices of goods produced would not be within the reach of the consumers for whom the goods were intended.

31. Stressing the importance of proper implementation of the Plan, the Chief Minister stated that fulfilment of the physical targets according to schedule was much more important than merely in financial terms. A suitable machinery should be evolved for the implementation of the Plan in a thorough manner.

32. The Chief Minister referred to some of the sectors in which Gujarat was lagging behind many other States and also behind the national average. Gujarat had a large scheduled caste and scheduled tribe population. The State lagged far behind the country in the field of irrigation development and in the development of forestry. Of the 19 districts in Gujarat atleast 10 districts

were drought-prone areas. The State was deficient in the field of road development. It had to depend very largely on thermal power generation which was costly because the State was situated away from the coal fields of the country. The potential for developing hydro-electric power was limited except from the Narmada project. The State had an international boundry with Pakistan. The border areas of the State posed a peculiar problem and it was necessary to develop the economy of these areas in the interest of national security and effective defence against external aggression. The Chief Minister hoped that these problems of the State would receive special attention during the Fifth Plan period. For the removal of backwardness the State should not be taken as the unit; attention should be paid to the regions which were backward and which required planned development.

33. **Shri Bansi Lal**, Chief Minister, Haryana welcomed the emphasis laid in the Planning Commission's paper on removal of poverty and attainment of economic self-reliance. He referred to the Ravi-Beas water dispute which was pending with the Central Government. The Government of Haryana was paying 40 percent cost of the project but the State’s share in the water had not been decided so far. He asked for an early decision in the matter. He suggested that all these multi-purpose projects should be fully financed by the Central Government and the recovery should be made only after the projects were commissioned. He referred to the shortage of power which was having an adverse effect on industry and agriculture in the Punjab and Haryana. In view of the difficulty which was being faced, the Central Government should have some big projects by which power could be supplied to Punjab, Haryana, Rajasthan, Uttar Pradesh and other States. In the matter of grant of Central assistance, the Chief Minister suggested that performance basis should be one of the main criteria.

34. **Dr. Y. S. Parmar**, Chief Minister, Himachal Pradesh did not agree with the suggestion made by the Chief Minister Haryana that the Central assistance should be given on the basis of performance. This criterion could not be applied in the case of every State or region, e.g. Himachal Pradesh was a hilly region and with its difficult terrain, it was difficult to achieve results in the same way as in the plains. The Chief Minister was not sure whether considering the size of the Fifth Plan, the magnitude of deficit financing had been properly taken into account because that might create inflationary tendencies. The proposed size of the Plan viz. Rs. 51,165 crores had assumed a surplus of Rs. 942 crores from the States' current revenues. The Chief Minister was doubtful whether this surplus would materialise because the report of the Third Pay Commission which, though applicable to the Central Government employees, would have an effect on the State Government employees and any increase in the revenues would be eaten away by expenditure of this type. Again, in the matter of the surplus of the Centre also on current revenues, much would depend on the award of the Sixth Finance Commission. The claims which the States were making in the matter of sharing Central revenues and the devolution of funds and the postponement of the payments of debts might result in a sharp fall in the assumed surplus of the Centre. The Chief Minister suggested that all these factors might be taken into account by the Planning Commission in taking a view on the final size of the plan.

35. In the context of minimum needs which had been outlined in the Approach Paper, the Chief Minister suggested that different criteria should be laid down for achievement of this objective in the hill areas. The poverty line in the hills should be deemed to be a monthly per capita income of Rs. 60 as against Rs. 40 in the plains. The norms of distance for schools, requirement of population per primary health centre/sub-centre, economic viability of rural electrification, etc. would have to be different for the hill areas in view of the nature of their terrain. In regard to the hills and backward areas, the social needs of a project and not the economic viability should be the

overriding consideration.

36. Referring to regional imbalances, the Chief Minister stated that the low level of private sector investment and poor credit-deposit ratio of nationalised banks in backward States, especially in the hill States, had been retarding the process of industrial growth, the private entrepreneurs as well as the banks were shy of investing in such areas because of inherent locational disadvantages and comparatively lower returns from investment in such regions. These factors, if allowed to remain unchecked, would continue to keep such areas industrially backward. The Chief Minister suggested that the Fifth Plan outlay envisaged for the private sector at about Rs. 15,500 crores should be divided up, as far as possible. State-wise, and in the process of implementation, the Central Government should ensure that the requisite level of private sector investment took place in a given State. Some conceptual changes, especially in the matter of operation of commercial banks, would need to be brought about. A different rate of interest for backward areas and a different concept of viability of a project in the hills than that applicable to the plains would need to be considered if these areas are to benefit from these banks.

37. In view of the power shortage which adversely affected both industry as well as agriculture, the Chief Minister agreed with the suggestion of the Chief Minister, Haryana that power generation should be taken up in a big way. Where power generation was possible special funds for financing the projects should be provided outside the Plan so that the projects could come up as early as possible. Stressing the need for preservation of forests, the Chief Minister stated that a bold policy would have to be adopted by the Planning Commission. While preserving forests, it would be necessary to provide alternative facility in the form of cheap electricity for cooking and heating to the people living in cold regions on the condition that they do not use fuel. Considering the size of the construction programme in the Fifth Plan, the Chief Minister stated that it should be ensured that the production of cement was suitably stepped up to meet the country's requirements.

38. **Shri S. Sen Gupta**, Chief Minister, Tripura expressed his full support to the basic objectives set forth for the Fifth Plan, which, if implemented sincerely, would take the country forward along the chosen course. A major part of the Plan and non-Plan expenditure of Tripura was being met by the Centre and the Chief Minister assured that it would be the endevour of his State Government to generate resources to the best of its ability during the Fifth Five Year Plan. While agreeing with the approach, the Chief Minister felt that the State Plan should be target-oriented rather than expenditure-oriented. Targets should not only be fixed for the State but also down to the district level and the block level. Once these targets were fixed the responsibility for achieving them should also be properly fixed so that their performance could be watched and in case of failure action could be taken. Before doing so however, necessary infrastructure should be provided to make the implementation effective.

39. The Chief Minister agreed that in the sphere of education large employment could be generated. He suggested that provision should be made for compulsory education for all children in the age group 6-11 and 50 to 60 per cent for children in the age group 11-14. There should also be a well integrated system for teachers' training so that good trained teachers were available to teach the children in their formative years.

40. **Shri Syed Mir Qasim**, Chief Minister, Jammu & Kashmir expressed himself in agreement with the broad approach indicated in the paper and as elaborated by the Prime Minister and the Deputy Chairman in their opening remarks. Through democratic processes the nation was trying to have a quick change from a feudal society to a progressive socialist society and this objective was being achieved through the process of planned economic development. The papulation in the

age group of 20-30, which was quantitatively more would also be qualitatively more useful for productive employment and as such this age group needed special attention. The Chief Minister felt that for dealing with problems like land reforms, public distribution system, monopoly procurement, educated unemployment, all kinds of measures would need to be taken, but because of our legal systems certain legal hurdles always came up in the way. The whole structure of our legal system and the method of its interpretation did not take notice of the problems that we were confronted with while transforming our society from the old feudal order into a modern socialist society. Something would have to be done about it and this aspect would require consideration for the purpose of implementation of the Plan.

41. The Chief Minister stressed the need for involvement of the people in the process of planning. At the stage of Plan formulation the discussions should take place not only at the national and State levels but also on the district and block levels so that there could be a real national approach evolved from the very basic unit onwards.

42. **Shri C. Achutha Menon**, Chief Minister, Kerala stated that while there was a welcome attempt in the Approach paper to spell out in greater detail the specific objectives and the strategy involved, the most crucial areas of policy instruments and agencies had been left rather vague. He expressed himself in agreement with the stated objectives viz. removal of poverty and attainment of self-reliance by 1978-79. The removal of poverty required that all persons falling below a minimum level of consumption equivalent to Rs. 20 per capita per month at 1960-61 prices should be atleast brought up to this minimum level of consumption expenditure. The second objective of the attainment of economic self-reliance implied that the amount of net foreign aid would be reduced to zero in the terminal year 1978-79. The Chief Minister observed that while growth was important as it led to an increase in the average per capita income, growth per se would not bring about the removal of poverty by assuring the minimum level of consumption to each and every one. He was glad that the redistribution of consumption from the rich to the poor was incorporated in the Approach document as an integral instrument for removing poverty. The Approach paper assumed an increase in the gross domestic product of 5.5 percent per annum as feasible. Considering the performance of the economy during the Fourth Five Year Plan, the Chief Minister feared that unless positive measures were taken immediately by the Centre and the States to accelerate the rate of growth of the sluggish sector, this rate of growth might remain a paper target and not a reality. Even with a 5.5 percent rate of growth in the Fifth Plan period, the extent of redistribution envisaged in the Approach document would be feasible only if a radical change in the present political and sociological milieu was brought about. The attainment of economic self-reliance was also linked to the scale of redistribution of consumption postulated in the Approach paper. The curtailment of consumption of the rich and the liberal increase allowed for the consumption of the poor were supposed to reduce the import bill since the basket of consumption would shift from luxury items to items of mass consumption. The policy instrument which should bring about this redistribution of consumption had not, the Chief Minister felt, been spelt out with sufficient clarity by the Planning Commission.

43. Referring to the problem of unemployment, the Chief Minister stated that creation of adequate self-employment in the agricultural sector called for redistribution of land introduction of multiple cropping, extension of irrigation, etc. The redistribution of land was one of the instruments for bringing about the desired reduction in inequality in consumption and as such land reforms required to be pushed forward vigorously. While the success or failure of the Plan depended crucially on the success or failure of the redistribution of consumption, the document was silent on how this was to be achieved. It also did not mention anything about reducing the inequalities in the

distribution of income and wealth or about providing adequate incentives for savings. The Approach paper assumed a substantial increase in the marginal rate of savings and this would call for not only additional taxation but also a high degree of fiscal discipline.

44. Referring to the problem of wage-price stability, the Chief Minister observed that unless the prices were stabilised, the national wage freeze would not be acceptable. In the ultimate analysis, the stability of prices and wages was intimately linked with the question of the distribution of income. An appropriate wage-income policy for the economy could not be implemented without a full State ownership of the commanding heights of the economy. The Chief Minister asked for nationalisation of all the monopoly houses in the country and pointed out that unless industries like textiles, paper, sugar, cement, fuels and other industries which produced essential commodities were fully brought into the public sector, it would be meaningless to talk of a price-wage-income policy. He also emphasised the need to nationalise trade in a number of key items, which should be accompanied by an efficient public distribution system. He pointed out that there had been a slide-back in the accepted policy of developing fuel-oil industry in the public sector by allowing private foreign interests to come into the sphere of off-shore exploration.

45. Referring to the role of the working class and the need to involve this class in the whole process of development of the public sector and to entrust it with the responsibility of running and making a success of it, the Chief Minister stated that for this a whole series of bold policy measures in recruitment, training, promotion and managerial policies would be necessary. An equal responsibility was cast on the trade union leadership in the country in educating the working class on its historic responsibility. The administrative structure, to which a reference had been made in the Approach paper, required much more serious attention. This was the basic requirement for the whole success of the Plan.

46. In conclusion, the Chief Minister stated that while the objectives were praiseworthy and he was in full agreement with them, these called for hard decisions and the whole energy, determination and dedication of Government and the people.

47. **Shri P. C. Sethi**, Chief Minister, Madhya Pradesh stated that the production target of foodgrains in the Fifth Plan should be increased to about 145 to 150 million tonnes and it was possible to do so if care was taken to provide the necessary assistance and inputs to the States which had the potential and the capacity to produce the results. For example, while Madhya Pradesh had the potential with regard to agricultural production, its average irrigation was hardly 8 percent as against the national average of 23 percent. He urged that scope and opportunity should be provided to Madhya Pradesh to increase its irrigation potential to at least 23 percent during the Fifth Plan period. The other important items which needed to be increased were fertilizers, power generation and rural electrification. Madhya Pradesh had ample scope of and possibilities for super-power thermal stations and through the National Grid the State could supply electricity and energy to the Northern Grid from where not only the needs of Punjab, Delhi and also if necessary, of U.P. could be catered, but also meet the needs of Maharashtra and the nearby States. The next most important problem, in the Chief Minister's view was that of supply of drinking water, which had to be resolved. He suggested that a National Rural Water Supply Corporation should be formed. This would create employment potential, reduce incidence of disease and also go a long way in the fulfilment of the minimum needs programme. In regard to rural roads, the Chief Minister stated that in his opinion every village with population of 1,000 instead of 1,500 suggested in the Planning Commission's document should be connected with pucca roads.

48. Referring to the problem of unemployment, the Chief Minister stated that land reforms by

themselves would not be able to solve rural unemployment because there would not be enough land available for distribution. Unless structural changes were brought about and this was possible only by a positive programme of agro-based industries, cottage industries, animal husbandry, poultry farming, fisheries and a great push towards industrialisation and unless the rural population was drawn out for more positive work outside, it would be difficult to give employment to all in spite of land reforms. The Governments of Kerala and Jammu & Kashmir had enacted a good Land Reforms Act and the measures taken by these Governments should serve as a guide to other State Governments.

49. On the question of educated unemployment, the Chief Minister stated that such changes as were required to be made in the educational system should be carried out within a specified period. Except for very brilliant students, others should be discouraged from going in for higher university education; they should after the Higher Secondary Stage be diverted to some vocational or professional type of education, which should be job-oriented. From this point of view, detailed man-power planning should be undertaken. In the field of industrial development, the Chief Minister wanted a clear communication of Government's policy in regard to areas open for the private sector and the public sector. The success of the Plan would depend upon the ability to hold the price line and an efficient distribution system for essential articles of mass consumption.

50. **Shri V. P. Naik**, Chief Minister, Maharashtra expressed himself in general agreement with the Approach document. He suggested that in considering development, district should be taken as the unit of planning. Irrigation and generation of power were the two sectors which needed to be given the highest importance. For dealing with the problem of removal of poverty, it was necessary that the Fifth Plan should guarantee employment to every able-bodied person who wanted to put in manual labour. In order to help the weaker sections, the rural population would have to be given a higher priority in respect of communication, irrigation, inputs in land and supply of electricity. Referring to the indication given in the Approach paper that 30 to 40 percent of the rural population would be covered by supply of electricity during the Fifth Plan the Chief Minister stated that instead of thinking in terms of population, the target should be fixed in terms of the number of villages to be covered.

51. The Chief Minister was of the view that those States in which irrigation was below the all-India average should be treated as backward States for all purposes and it should be so planned that in the Fifth and the Sixth Plans it should be possible to complete all the irrigation projects. The clearance of projects took a long time. The Chief Minister hoped that all the inter-State disputes would be over and a simple procedure for clearance of projects would be evolved. For speedy implementation of Plan schemes, decentralisation was necessary. In regard to the production of fertilizer, the Chief Minister felt that the estimate indicated in the Approach paper was not up to the requirements. This needed to be stepped up and a higher target fixed. A number of inter-State thermal power stations or super-thermal stations, would need to be put up and for this a higher provision should be made in the Fifth Plan.

52. Referring to educational system, the Chief Minister said that education should be such as should create dignity of labour in the minds of our students. Proper vocational training and diversification from the Higher Secondary level should be thought of on a national level. There should be reduction in the wide gap in the wages of the manual worker and the intellectual worker. The rural people should be given a better deal in order to raise their standard of living and to remove their poverty. In the distribution of public funds between the Centre and the States, larger share should be given to the States because it was the plans of the States rather than the Central plan which touched the masses and provided employment and necessities of life. The Chief Minister

pointed out that the monopoly procurement scheme was being implemented in Maharashtra for the last 8 years and no dealer was allowed to deal in rice and jawar which were the main food crops in that State. In view of the drought which Maharashtra was facing, the Chief Minister hoped that the Central Government would come to the help of this and other States which were suffering from scarcity.

53. **Shri Alimuddin**, Chief Minister, Manipur endorsed the broad approach to the Fifth Plan indicated in the paper. The Approach did not, in his opinion, lay adequate emphasis on the development of the new States and the border States. Manipur achieved Statehood 25 years after other States. The financial burden of the State under the normal pattern of Centre-State relationship had preceded far ahead of its economic development and the development of basic infrastructure. There was urgent need for a network of communication and an all-out drive for modernising agriculture and raising its productivity. Special schemes to channelise the energies of the youth in the border areas were needed to be undertaken and in this respect greater emphasis on career planning and guidance was required to be laid. All the frontier States must be thrown open to free flow of exchange of trade and ideas as also social inter-course with the remaining parts of the country. The Chief Minister suggested that in the national interest border States like Manipur should be given special dispensation as distinct from the one that had been advocated for the backward States in the Approach paper. Timely availability of steel, cement, aluminium fertilisers, etc., which was an important pre-requisite in implementation, should be ensured in the required quantities.

54. **Shri Williamson A. Sangma**, Chief Minister, Meghalaya expressed his agreement with the objectives and strategy outlined in the Approach paper. He stated that the removal of regional imbalances and bringing up the backward areas to the level of development of the rest of the country should be one of the main objectives of the Fifth Plan. He pointed out that in Meghalaya the progress of a number of road construction programmes had been hampered because of lack of materials like cement, steel etc. In the circumstances, performance should not be the only consideration for giving assistance to backward States and border States. To achieve the objective of removal of poverty and economic self-reliance, the necessary infrastrucure had got to be created.

55. The Chief Minister suggested that the backward states and areas like Meghalaya which was a border State and had a pre-eminently tribal population, should get preference and a liberal treatment in the matter of allocation of Central assistance. The rate of growth in different sectors in the backward areas should be fixed in a manner that would bring the level of development in these areas to the level of advanced areas within the next Plan period. For the back-ward areas within the backward States, there should be a special integrated programme for all-round development. It was also necessary to take effective measures to accelerate industrialisation of the backward areas. The programmes undertaken so far, including the measures taken up in accordance with the recommendations of the Wanchoo Committee, had very little impact in areas like Meghalaya. Apart from intensification of the programmes and further liberalisation of the concessions, setting up of more Central-sector industrial projects, depending upon the natural and mineral resources available, in the backward areas like Meghalaya and other States in North-Eastern India would be necessary during the period of the Fifth Plan. The Chief Minister pointed out that the problem of shifting cultivation or 'Jhum' also required to be tackled effectively in Meghalaya and other hill States and Union Territories of the North-Eastern region with a view to increasing agricultural production and settling the tribals in more compact villages so as to fulfil the objective of minimum needs programme and to make available to them the basic necessities of life.

56. The Chief Minister suggested that a suitable mechanism may be evolved for periodical

appraisal of the performance of the private sector, and the National Development Council may be informed from time to time of the progress in achieving the targets and fulfilment of the objectives not only in the public sector but also in the private sector as both the Sectors were inter-dependent. Referring to the proposal to evolve a national wage structure and a coherent and consistent policy relating to prices, wages and incomes, the Chief Minister suggested that the wage structure should cover the State Government employees also, as disparities between the emoluments of State Government and Central Government employees and frequent changes in either give rise to various problems and erode the resources of the State Governments affecting the resources for the Plan.

57. **Shri Deva Raj Urs**, Chief Minister, Mysore, expressed his full agreement with the basic features of the Approach paper. He observed that the overall outlay of Rs. 35,595 crores in the public sector and of Rs. 15,571 crores in the private sector would give the necessary push to the economy for providing a better standard of living to the people. A better standard of living should mean first and foremost food in adequate quantities. The aim should, therefore, be to accord the highest priority to agriculture, supported by an inter-sectoral balance of irrigation, power and manufacturing industries which provided the necessary inputs for agriculture. The problem of unemployment, especially in the rural areas, could be solved only by providing more and fuller employment opportunities in the agricultural sector. One great bottleneck which inhibits all attempts at increased agricultural production was the acute shortage of fertilisers. The Approach document had rightly taken note of the crucial importance of fertilisers and had accordingly set high targets for their production. The Chief Minister pointed out that in agricultural production, Mysore could make a significant contribution, particularly in respect of maize, cotton, oilseeds, sugar, etc. Mysore was among the principal cotton growing States in the country and its soil was well suited for growing both short as well as long staple cotton and oil-seeds if only water and fertilisers were made available. The State had the water-resources potential by way of rivers to achieve this. Assistance to the State Government by way of Rs. 300 crores during the Fifth Plan would enable many of the major projects being brought to a stage when they could yield returns resulting immediately in an increase of 10 lakhs bales of cotton and 4.8 lakh tonnes of oilseeds, apart from stepping up the production of cereals. Most of the projects had the further merit of being situated in areas which were chronically drought affected areas in the Deccan Plateau. In order to relieve the famine stricken and drought affected areas in the State permanently, irrigation projects, which were in various advanced stages of completion, should, the Chief Minister urged, be fully supported by the Centre. Such an approach would impart the necessary corrective to the regional imbalance which obtains in irrigation.

58. In the matter of exports, the Chief Minister stated that besides cotton and oilseeds Mysore could make a significant contribution in silk and silk fabrics. Even more important than the export potential of the silk industry was its employment potential. It had provided employment in Mysore State to about one million persons. Mulberry cultivation was being extended to new areas and it had the great advantage of being drought resistant. Measures to stabilise cocoon prices, establishment of additional seed farms, etc. must be given greater thought. Developing the full potential of sericulture fitted in very well with the objective of productive employment creation in rural areas for the poorer sections at low cost.

59. The Chief Minister observed that another major problem facing the country had been the shortage of power. The stepping up of the outlay on power in the Fifth Plan was a step in the right direction. Although power required more of capital at the stage of generation and distribution, it had a very large employment impact at the subsequent stages of its utilisation. States which were in a

position to produce cheap hydro-electric power should be given all financial assistance. In Mysore, the various projects could provide cheap power. The State was in a position to generate 1600 m.w. of power within the Fifth Plan period provided the necessary money was made available through Central assistance and through institutional finance outside the Plan. Taking into consideration the infrastructural facilities which were available in the various States and backward regions, a more equitable Central investment and investment of institutional finance should take place in order to bring about regional balance.

60. The Chief Minister stated that the overall approach to industries in the Fifth Plan must have a greater accent on the small scale industries and the handloom industry. The handloom industry had provided employment to over 3 million persons. In spite of such a high employment potential and its direct impact on poverty, handlooms were not being given the required help for their sustenance. A bold step should be taken to reserve the entire production of dhotis and saris for the handloom sector and the varieties permitted to be produced by the mills should be restricted to a few essential ones. There were lakhs of weavers in the country who were living below the poverty line and whose standard of living and earning capacity could be raised substantially by concentrating more attention on the handloom sector.

61. The country was suffering from mal-nutrition on account of lack of protein diet. Schemes for milk production, piggery and poultry should be given their due place of importance in the detailed Fifth Five Year Plan. The coastal wealth of the country needed to be developed by modernising fishing industry and by providing for the construction of fishing harbours thus enabling fishermen to do deep sea fishing.

62. In the field of education, the Chief Minister asked for improvement in the quality of education. It was necessary to examine how far the present system of education had been instrumental in the development of skills needed for economic growth as well as in the orientation of attitudes to promote national integration, self-reliance, secularism and ethical values needed to assist the cohesion of society. It was imperative that special efforts should be made to link education with economic development and job opportunities.

63. The Chief Minister observed that a massive investment of the order of Rs. 51,166 crores in the Fifth Plan would add to the inflationary pressures which were already there in the economy. It was of critical importance that the average rates of savings in the State and Central budgets and the household sectors were stepped up to reach the targets mentioned in the Approach document in order to contain the inflationary forces. It called for great economic discipline, especially in the matter of non-developmental outlays and inessential private and public expenditures. As indicated in the Approach paper, there must be proper balance between prices, wages and incomes and an appropriate income policy would have to be worked out. The Chief Minister suggested in this context the setting up of a Prices and Incomes Board on the model of the U.K. All organisational matter relating to the implementation of such a policy, including greater control over procurement and distribution system, should receive careful attention.

64. Increased production was the only solution to the problems of poverty, unemployment and rising prices. For a speedy growth of output, there should be guaranteed peace in the industrial and labour spheres. With increased public ownership of the means of production, and the Government having taken initiative on its own to improve that lot of the working class, to associate labour with management and even to create a new order wherein the topmost responsibilities of management were put on the shoulders of those drawn from the rank and file, labour should appreciate the need for a change in outlook whenever a choice was open to it in the matter of strikes. The Chief Minister

felt that a time had come to consider whether the strikes and lock-outs should not be banned atleast in the public sector in the national interest and in the interest of the common man and the down-trodden.

65. **Shri Hokishe Sema**, Chief Minister, Nagaland stated that only after Nagaland became a State during the Fourth Plan that the economic development of the area really started. In the case of this State the first priority had to be given to the construction of roads. There were very few all-weather roads and a few that had been constructed were not linked up properly because the bridges had not been constructed. Ninety percent of the population in Nagaland was dependent on agriculture and there was scope for development of agriculture, and particularly rice, but for want of irrigation facilities the agricultural production had suffered. The Chief Minister hoped that Nagaland would be assisted not only with funds but also with expert guidance to develop irrigation facilities and agriculture. He also sought assistance and guidance in the matter of cultivating hill areas into permanent terraces with the help of tractors and developing horticulture and forests. There was also the problem of supply of drinking water in Nagaland as the villages were largely located at the top of the hill and the water source was below. The Chief Minister stated that time had come to consider banning or atleast reducing strikes by legislation because these affected development and progress of economy.

66. The Chief Minister mentioned that Nagaland had the potential of mineral resources which could be exploited. There was no Central project in Nagaland and in the larger interest of the country this border State should be helped with some large industrial project. As a border State it had a responsibility for guarding the country, but for this the State needed strengthening in its economic progress.

67. **Smt. Nandini Satpathy**, Chief Minister, Orissa said that the paper on Approach to the Fifth Plan assigned the highest priority to the elimination of poverty through the expansion of productive employment opportunities and appropriate policies for reduction of inequalities. Different States were in different stages of development and some States like Orissa had been left far behind in the race for development for reasons beyond their control. Over 70 percent of the State's population was estimated to have per capita consumption expenditure of less than Rs. 20 at 1960-61 prices. Thirtyeight percent of the State's population belonged to Scheduled Castes and Scheduled Tribes. In the Chief Minister's view, the national efforts towards the overall growth rate of 5.5. per cent should include, as an in-built feature adequate investments for a proportionately higher growth in the backward States like Orissa. The principles for allocating Central investments and Central assistance among States should take care of this. The total investment in Orissa during the Fourth Plan had been meagre. In size, it was almost the same as in the Third Plan and in real terms it worked out to be even less due to price rise. The Central investments had also not flowed into the State to make up for the short-fall in total effort. Consequently, the gap between Orissa and developed States was widening. The Chief Minister emphasised the need for devising policies and procedures to prevent the repetition of past experience despite the acceptance of the objective of removing regional disparities. Without infrastructural development, there was no possibility of backward areas being exposed to modernity and economic growth. The conventional idea of remunerativeness for sanction of railway lines had stalled the process of growth of the areas, halted the exploitation of rich resources which was the key to Orissa's growth, stunted the future prospect of Paradeep Port and had negatived the integration of Adivasis and non-Adivasis. In this connection, the Chief Minister referred to the delay in taking a decision on Banaspani-Thakapura railway line. Along with the Central investments, the size of the State Plan itself of the backward States would have to be so fixed as to enable these States to come up atleast to the all-India level.

The existing formula for the distribution of Central assistance to the States required to be altered to bring it in accord with the objectives and philosophy of the Approach document. In the Chief Minister's opinion, the criteria of general population had to yield place to the number of people below the poverty line and the number belonging to Scheduled Castes and Scheduled Tribes. The special problems of dis-advantageous areas would have to take into account the untapped natural resources, proneness to natural calamities and lack of infrastructural facilities. Any formula linking assistance to tax efforts should relate the tax efforts to a realistic assessment of the net-income of the people of the State.

68. Referring to the national programme of minimum needs, the Chief Minister expressed the hope that this programme would be fully supported by the Central Government by allocating the necessary physical and financial resources over and above the State Plan. Further, suitable modulations in the national norms would become necessary in view of the geographic and demographic diversities. For example, in areas of low density of population and absence of larger villages, clusters of villages may have to be focal points of rural communications.

69. Welcoming the emphasis laid in the Approach document on integrated development of rural areas with a view to maximising employment in such areas and optimising their growth prospects, the Chief Minister stated that the special problems of people in the low income and poverty groups, such as small farmers, marginal farmers and landless labour, required continued special attention and the agencies and programmes developed for their specific benefit should not be allowed to suffer.

70. **Giani Zail Singh**, Chief Minister, Punjab stated that it was necessary that the country should become fully self-sufficient in foodgrains and in order to achieve this objective States like Punjab, Haryana and Western U.P., which had the potential and capacity to produce foodgrains, should be encouraged to produce the maximum amount and should be assisted with necessary funds and the required inputs. Similarly, States which had the potential for manufacturing and producing import substitution items deserved to be assisted with more Central assistance and given other help in order that the country may become self-sufficient and self-reliant as early as possible. For developing agricultural production, the Chief Minister asked for larger prevision for power, irrigation, fertilizers and pesticides. While every effort was being made to increase agricultural and other production, the increasing population was undoing all the developmental efforts. As such the Chief Minister stressed the emphasis on family planning. In Punjab, population had increased by 22 percent in the last 10 years. Unless the growth of population was checked, it would not be possible to remove poverty.

71. In addition to developing agriculture, animal husbandry, dairying, etc., it was necessary to set up small, medium and large industries in order to tackle the problem of unemployment and under-employment. Though there was a large number of small industries in the Punjab, in the absence of large industrial units it was difficult to absorb all the skilled and qualified persons in the State. In the absence of mineral and other natural resources, Punjab's economy depended largely on agriculture and small industry. Small industries could not, however, survive unless large industries were set up to help them. Nangal Fertilisers was the only large industry which had been established in Punjab. Due to its process, it was consuming all the power generated. It was necessary to change its process so that consumption of power could be curtailed and production increased. The Chief Minister feared that due to power cut in Punjab and consequent stoppage of tubewells, there might be a shortfall in foodgrains production in the State to the extent of 6 to 8 lakh tonnes. The shortfall in other agricultural products would also adversely affect the industrial production.

The Chief Minister urged that something should be done to save the situation. While he had no objection to the backward States being helped, in the interest of making the country self-reliant, it was necessary that those States which had the potential and capacity and which on the basis of past performance could show better results should be helped with more investment and larger Central assistance.

72. **Shri Barkatullah Khan**, Chief Minister, Rajasthan stated that there should be some criteria like per capita income or level of industrialisation which should determine whether a particular State came in the category of backward State or not. The per capita income of Rajasthan was much below the all-India average and it was a backward State. States like Rajasthan had not been able to build up the infra-structure as they did not have the resources and had to depend heavily on the Centre. The private sector was not interested in investing in backward States which were subject to drought, cyclones or floods. In their case the Centre would have to come in a big way and create the necessary infra-structure to enable the States to stand on their own feet. He hoped that the nationalised banks would give priority to the backward States in giving financial assistance.

73. The Chief Minister observed that mere taking over by Government of whole-sale trade in foodgrains was not enough the production of other consumer goods which were required by the common man also needed to be increased considerably. He suggested that there should be a common policy on prohibition which should be followed by all the States. So far as the basic minimum needs programme was concerned, the Governments, both at the Centre and in the States, were committed to it. It was a step towards removing poverty and had given hope to the people and it should be ensured that their hopes materialised.

74. **Shri Y. B. Chavan**, Union Minister of Finance stated that in the past the meetings of the National Development Council were generally used by the Chief Ministers for expressing the problems of their individual States, their grievances etc. He was glad that this time the States, while taking this opportunity to point out some of their problems, had tried to project them in terms of the national objectives and problems. Emphasis was more on the national character of the Plan than on the specific pleadings for the State problems. This showed that our experience in Plan formulation and implementation had increased and this certainly argued well for the inauguration of the Fifth Five Year Plan and its implementation. There was complete unanimity as far as the national objectives of the Plan were concerned. The Fifth Five Year Plan was going to form a very important phase of the development of our economy. Not only the preparation but also the completion of the Fifth Five Year Plan in a more effective manner was going to give a boost to our socio-economic structure.

75. The Finance Minister stated that in addition to the twin objectives of greater social justice and self-reliance, it was necessary to accelerate the growth of the economy which was also one of the important objectives. Talking about self-reliance, the Finance Minister said that the climate for external assistance was very uncertain for two reasons. There was some sort of aid weariness and unwillingness on the part of some of the leading developed countries, may be for their own domestic political reasons or for their external political strategy. Secondly, it was necessary to ensure that the external aid was obtained on terms and conditions which were consistent with our own policies and priorities and national self-respect. The only substitute for foreign assistance was a major share in the foreign trade in the form of increased exports. The world trade was expanding very fast and India was very well qualified and prepared for taking a very major share in this expanding world trade. The completion of the last four Five Year Plans had diversified our economy. We had cer-tainly got a base for our industries and India could contribute and take its own place of pride in the expanding trade. The point that we should keep in mind was that we should undertake all the

major instruments of policy and administration to carry it on.

76. Referring to the role of the States in the Plan preparation and Plan implementation, the Finance Minister stated that the performance test, to which the Haryana Chief Minister had made a reference, was not merely a question of performance in fulfilling the targets of expenditure but of achieving the physical targets. It also required raising of resources. It was a very unpopular and difficult task but unless this task was taken up it would not be possible to pass the performance test. The Fourth Plan target for additional resource mobilisation for the Centre was Rs. 2,100 crores and the measures taken so far would yield nearly Rs. 2,900 crores by the end of fourth year of the Fourth Plan. Thus the performance by the Centre in the matter of resource mobilisation had been over exceeded; but in the case of the States the target was Rs. 1,100 crores and so far they had yielded only Rs. 900 crores. The remaining part of the Fourth Plan, that is the next year, was going to be very important because the performance in the last year of this Plan would create problems at the beginning of the Fifth Plan. The Finance Minister requested the Chief Ministers to give serious thought to the recommendations contained in the Raj Committee Report which had been circulated to all the Chief Ministers. The country had taken the view that the agricultural sector, on which large amounts had been spent, had to make some contribution to the national exchequer and to the Plan resources. He suggested that after the State Governments had considered the Raj Committee Report and were ready with their reactions, a meeting could, if necessary, be called to discuss the matter.

77. The Finance Minister pointed out that the most important aspect of Plan implementation was the administrative machinery. The major effort in the Fifth Plan, as in the earlier Plans, was going to be in the agriculture sector. Any disturbance in the agricultural economy brought about distortions in the economy as a whole and in the performance of the Plan. The fact was that there was not more than 20 percent of irrigation potential in this country and the climatic fluctuations brought about a very major distortion in our economy. So a major effort would have to be made in the agricultural sector. In the case of commercial crops, except in raw cotton there was very little that had been done for increasing the productivity of other commercial crops. These were important industrial raw materials which not only affected the agricultural economy but industrial production as well. It was, therefore, necessary to find out some new administrative instruments in the field of agriculture. The Finance Minister suggested that some form of democratic decentralisation which would help bring about the necessary change in the implementation of the Plan might be considered.

78. Due to climatic conditions, natural calamities like drought, flood, cyclone, etc., kept on coming in this vast country. This required that a very concentrated effort should be made in the development and research field and some new dry farming techniques should be developed and this must be given priority. The Finance Minister suggested that there should be a contingency plan which should be a part of the Fifth Five Year Plan particularly for States which were more chronically prone to drought, so that it would be immediately put into operation during such difficult conditions. Again, the resources should not be spread out in such a way that they did not give concrete results. In order to meet the minimum needs of the people and to make our Plan more employment-oriented, it would be necessary to depend upon the agricultural economy. Organised large scale industries, though they were the major growth sectors, offered very little scope so far as employment was concerned. The problem of un-employment could be met by taking care of the decentralised small scale industrial sector and the agricultural sector.

79. **Shri Kamlapathy Tripathi**, Chief Minister, Uttar Pradesh expressed his full support to the approach to the Fifth Plan which had been outlined in the Planning Commission's paper. The Chief

Minister observed that for tackling the problem of regional imbalances in an effective manner the resources of the economically backward States were inadequate to create in the near future the infrastructure required for the development of these areas. The backward areas in Uttar Pradesh were already identified. The regional plans, which were being framed, required to be substantially financed by the Centre. The Chief Minister emphasised the need for rapid development of power, particularly in the backward States, as power was one of the most important factors for economic and social development. Creation of additional employment opportunities in agriculture, small industries and medium and large scale industries was mainly dependent on the availability of adequate power. Unless there was greater generation and effective inter-State transmission, National Grid would not be of much use. There was tremendous scope for harnessing perennial Himalayan rivers to generate power and there were several focal points where thermal power could be generated and transmitted to benefit a group of States. The Chief Minister stressed that unless spatial distribution of Plan outlays was deliberately tilted in favour of the comparatively backward areas, the regional disparities would not be reduced.

80. The Chief Minister drew attention to the limits of market borrowings fixed by the Reserve Bank for different State Governments and Government undertakings which were unrelated to any fair and objective criteria. In his opinion, the market borrowings should be related to objective criteria like population, backwardness and Plan outlay. Similarly, in regard to bank credit, the percentage of loans to deposits was very low in the case of certain States. There had been a continuous diversion of bank resources from backward to comparatively developed States. With the nationalisation of banks it should be possible to revise the mode of distribution of market borrowings amongst the States.

81. Referring to the prices-wages-incomes policy mentioned in the Approach paper, the Chief Minister said that if for any reason it became necessary to give additional allowance to the Central Government servants, the approved State Plan outlay should be immunised from any erosion in the State's resources through corresponding increase in the dearness allowance of the State Government servants. Any increase in the dearness allowance or pay scales of Central Government employees had an inevitable repercussion in the States.

82. The Chief Minister hoped that the employment intenstive and the minimum needs programme and the programme for the reduction of regional disparities would be substantially financed by the Centre. Also, the Centre should take up power generation projects in the economically backward States and assist the States in accelerating their own generation and transmission projects and irrigation schemes. The formula adopted for giving Central assistance to the States during the Fourth Plan period had failed to act as corrective to the variations in the rates of growth in the State incomes and per capita incomes of different States. In order that economically backward regions may be able to catch up with the more advanced ones, it would be necessary for the Centre to assume full financial responsibility in the next Plan towards accelerating the rate of growth of the backward regions through various concrete and time bound measures. In the Chief Minister's view, the outlay of Rs. 3,300 crores proposed for the minimum needs programme needed substantial upward revision. The Chief Minister urged that there should be a well defined and comprehensive national strategy for reducing regional disparities. Substantial Central assistance would be necessary to finance the employment intensive and minimum needs programme and the building up of the infrastructure particularly in power and irrigation sectors.

83. Referring to the national programme for minimum needs, which covers health, nutrition, water supply, slum clearance and education, **Shri Uma Shankar Dikshit**, Union Minister of Health

and Family Planning stated that this programme was a major measure for the removal of poverty and for attaining self-reliance. For removal of regional imbalances, family planning, like science and technology, permeated all the subjects of any importance which were concerned with national planning. He laid particular emphasis on the importance of family planning and although there was already awareness and some knowledge of the subject, yet its acceptability was still very poor. In the poorer and backward sections of the community and in village areas, family planning was not really making much headway. The Health Minister stressed that special attention should be paid to these backward areas.

84. **Shri Sidhartha Sankar Ray**, Chief Minister, West Bengal stated that the Approach paper brought out by the Planning Commission deserved the unanimous support of all the members of the National Development Council. He stressed the following points which, in his opinion, were very important and required careful consideration :

(i) Education: It was necessary to purge the universities of politics and politicians and some way should be found whereby the student should feel that he was involved in the process of development, planning, reconstruction and bringing about vast social changes.

(ii) Trade Unions: The Trade Unions Act should be amended so as to provide that no trade union would be registered under the Act unless atleast 20 percent of the workers or 1000, whichever was less, were members of the trade union. Small trade unions, which were coming up in large numbers, neither catered to the needs of the labour nor did they help increase production. The growth envisaged in the industrial sector in the Fifth Plan would not be achieved unless discipline was brought about in the trade unions. Small unions, that were coming up were putting up demands which were not only exaggerated but were impossible.

(iii) Administrative set-up: Unless the administrative set-up was geared to the tasks of the Fifth Plan, the extra money that would be pumped into the economy would not give the desired results.

(iv) Corruption: This needed to be dealt with in a determined way as otherwise the programmes and projects would not be properly implemented.

(v) Constraints and Inhibitions which restrict progress: It should be considered as to how the various checks and obstacles which stood in the way of speedy implementation of many of the Plan projects as well as industrial growth could be done away with.

(vi) Family Planning: This had already been referred by the Union Health Minister.

The Chief Minister suggested that these six factors should form the basis of discussion at another meeting of Chief Ministers as these were serious national problems and unless these were tackled it would be difficult to implement the Plan satisfactorily.

85. The Chief Minister referred to the special problems of West Bengal and of Calcutta in particular and sought greater Plan allocation. He observed that a large number of districts in West Bengal were backward and for removing regional imbalances and disparities in the levels of development, attention should be focussed on areas, defining them in terms of districts, rather than on States. Similarly, backward classes in each State should be identified and selective measures to deal with their problems should be considered. As regards the principles for the

distribution of Central assistance, the Chief Minister suggested that it should be on population basis particularly when we were going to implement the minimum needs programme and the employment programme. The per capita income was variable and a fluctuating yardstick and as such should not be used as yardstick for determining the quantum of Central assistance for the States. As regards the pattern of Central assistance, each State was given 30 percent of Central assistance in the form of grants and the balance 70 percent by way of loans. The Chief Minister suggested that it should be so devised that development schemes and social services which did not yield any financial return were financed through grant assistance and not by loan assistance. Capital expenditure on account of social services, such as hospitals, educational institutions, etc., which were not remunerative from monetary point of view, should be made out of capital grants and not loans.

86. In West Bengal, there was limited scope for extensive cultivation although there was scope for intensive cultivation which would require massive investment in rural electrification, irrigation and other agricultural inputs. This would necessitate larger Plan outlay, particularly in intensive area development programmes for modernising agricultural sector and for bringing about all round development.

87. **Shri Radha Raman**, Chief Executive Councillor, Delhi referred to the special problems of the Union Territory. Delhi was a miniature India and as such its problems deserved special attention. The Chief Executive Councillor suggested that new schemes which may be conceived by the Planning Commission should be first implemented in Delhi on a pilot basis and every effort should be made to make them a success here so that they may serve as examples for other States. He stressed the need for giving wide publicity to the various schemes and programmes intended for the common man so as to secure the cooperation of the public in their implementation and in making a success of these schemes.

88. Delhi's population was increasing at a much faster rate than that of other States. Further, with the influx of people from the neighbouring States, the problems of transport, maintenance of law and order, housing, provision of other civic amenities and employment were getting difficult. In order to tackle these problems, the programmes and schemes required larger allocation of funds. Delhi had no large and medium industries; it had only small scale industries which too were experiencing great difficulty due to shortage of required raw materials. There were other problems like high prices of land, shortage of water and power, due to which the industries could not run to their full capacity. There were about 1.70 lakh people who were unemployed in Delhi and for whom special schemes had to be thought of. Due to urbanisation, a large number of people whose lands had been taken away and who were thus getting uprooted needed to be provided with alternative employment.

89. The Chief Executive Councillor asked for early decision on the proposal for having a dry-port in Delhi as this had been considerably delayed. He also laid emphasis on pre-primary education and the need for reduction in inequalities and disparities among people. In the end, the Chief Executive Councillor expressed his full support to the Approach paper.

90. **Shri A. K. S. Usgaonkar**, Minister for Planning and Development, Goa, Daman and Diu expressed himself in broad agreement with the guidelines and policies laid down in the Approach paper. Referring to some of the sectors which, in his opinion, were very important, he made the following suggestions:

(i) Family Planning: In the national interest there should be a common civil code for all communities irrespective of any caste, creed, groups or religion. Facilities such as grants and subsidies under various schemes and free education etc. should be withdrawn from the families of middle and low income groups if they acquired more than three children. The rich families should be made liable to penalties in respect of each child after the third one. It would be worth-while to spend money on preventing births by free supplies of contraceptives.

(ii) System of Education: There should be a comprehensive survey of the man-power requirements, skilled and unskilled, for the various sectors and the training facilities available and it should be published in the form of a periodical publication for the benefit of industries, job seekers and the State Governments. This should be continuously reviewed and the results published periodically. Setting up of schools, colleges and universities in the country should be so controlled that the number of diploma and degree holders produced may not exceed the need for such people in the country, baring some marginal increase.

(iii) Mining Industry in Goa: This was a highly labour intensive industry and was the backbone of Goa's economy. Ore was comparatively of low grade and in order to compete in the international market, export duty should be abolished as a measure of incentive for exporting more ore thereby fetching more foreign exchange. The loss of export duty could be easily made up by fetching far more foreign exchange from accelerated export. Completion of Mormugao Harbour Development Project, which was going slow, should be accelerated.

(iv) Slum clearance: The scheme of slum clearance which was at first confined to 11 big cities with a population of 8 lakhs and above should be extended to some other cities with smaller population like Vasco and Panaji in Goa which too had slums.

(v) Irrigation and Power: In the Fifth Plan, maximum funds should be made available for irrigation and power which were the basic needs for increasing agricultural and industrial production, which consequently would create an infrastructure for wage employment and self employment. Development of agriculture would give boost to many agro-industries and other industries such as chemical fertilizers, pesticides, agricultural machinery, road building, warehousing, marketing, transport etc. Avenues for different services in agriculture and allied industries would be created at village level.

91. **Shri Chal Chhunga**, Chief Minister, Mizoram expressed his general approval to the basic objectives of the Approach to the Fifth Plan, viz. removal of poverty, giving adequate employment, providing minimum needs of the people and attaining economic self-reliance, which were the common problems throughout India. The removal of regional imbalance was as important, if not more, as the removal of poverty and unemployment and it should be given equal emphasis.

The Chief Minister stated that the rehabilitation of the people who, because of disturbances, had to be shifted from their places and were facing extreme poverty, would be one of the principle tasks of the State Administration. Expansion of communication, reclamation of lands for the purpose of agriculture, animal husbandry, horticulture and starting of forest and agro-based industries were the prior needs of the area.

92. **Shri K. A. A. Raja**, Chief Commissioner, Arunachal Pradesh gave an account of the special problems of Arunachal Pradesh and stated that the chief objectives of the Territory's Fifth Plan

were:

(a) self-sufficiency in agricultural production and its allied fields; and

(b) rapid growth in infrastructure especially in the field of communication and power, construction of lateral roads between different districts and providing adequate road transport.

The Chief Commissioner expressed his full support to the Approach paper.

93. **Shri N. P. Mathur**, Chief Commissioner, Chandigarh endorsed the basic approach to the Fifth Plan, viz., removal of poverty and attainment of the self-reliance. He drew special attention to the need for providing in Chandigarh a large number of houses for the economically weaker sections and the low income groups, as a sizeable portion of the population was living in sub-standard and unhygienic conditions in sharp contrast to the civic amenities enjoyed by the majority of the citizens. He hoped that the outlay for the Union Territory of Chandigarh in the Fifth Plan would reckon with these urgent requirements.

94. **Shri Kedar Pandey**, Chief Minister, Bihar expressed his general approval to the Approach paper. He stated that the country as a whole should have one per capita income. With the rate of growth indicated in the Approach paper, it would take the backward States a very long time to reach the level of developed States. The Chief Minister suggested that it might be considered whether a higher rate of growth than that envisaged in the Approach paper could not be attempted. Perhaps some more thought could be given to this matter and an all-out endeavour made to achieve better performance through optimum use of available manpower and land and water resources of the country. A faster rate of growth should be deliberately promoted in States which, for various reasons, had remained backward and poor. The Chief Minister suggested that for achieving the objective of equitable distribution of income, there should be, in addition to the minimum floor income, also a ceiling on incomes, and policy guidelines for regulating income suitably should be formulated.

95. Referring to the national minimum needs programme, the Chief Minister stated that this programme should be accepted as a national responsibility as the resources required for reaching the norms would be beyond the capacity of the socially and economically backward States.

96. The Chief Minister observed that the relatively backward States like Bihar had suffered in the matter of market borrowings and utilisation of the resources of commercial banks and L.I.C. The allocation of the share of market borrowings and the loans should be related to the developed needs of the different States. The Chief Minister suggested that the issue should be comprehensively examined and fair guidelines laid and in implementing the guidelines the States should be taken fully into confidence. The resources of commercial banks and other financial institutions should be available and should be used for the development activities in the farming and small-industries sector. The Chief Minister advocated a freeze of wages and prices in order to keep inflation within check.

97. The two main obstacles which, in the Chief Minister's opinion, were hampering the economic development were trade union trouble and student trouble. Trade union movement was a socio-economic movement which could not be stopped by ordinance as that would curtail the democratic rights of the citizens. This problem had to be approached psychologically and to do this the labour must have a sense of participation in the management. The student trouble was a psychological and not a socio-economic problem. Students must have a sense of participation in

the management of the universities. Because of the natural calamities like droughts and floods which kept coming, the Chief Minister agreed with the Union Finance Minister that there should be a Contingency plan within the Fifth Five Year Plan. He also stressed the need for man-power planning.

98. Summing up the discussion, **Shri D. P. Dhar**, Deputy Chairman Planning Commission expressed his gratitude to the members of the Council for their whole-hearted endorsement of the Approach document. He hoped that the Draft Plan would be presented before the Council by the end of September 1973. The many valuable suggestions that the Chief Ministers had made, while discussing the Approach paper, would be adequately reflected in the final Draft of the Plan.

99. Referring to some of the issues which had been raised during the discussion, the Deputy Chairman stated that in considering the problems of backwardness and regional imbalances, we should stop thinking in terms of large entities like States because different regions, different districts and even different tracts within the same district presented a diversity of problems. Therefore, we should get down to micro-level in order to do real justice to the problems of backwardness. Otherwise, the more advanced centres within the backward States would attract investment which should have gone to the needy area. It was not frequently the lack of money that stood in the way of doing something for under-developed or undeveloped regions. In spite of making financial allocations, giving incentives and drawing up plans, the money would not flow into these areas. The reason was that there was no proper organisation to draw up well-conceived plans for an integrated development of the area and subsequently to implement them. Therefore, the resources meant for the poorer regions were frequently diverted to the better developed regions within the State. A more important failing was the lack of a sound strategy. A very large amount of money had been and was being spent on relief measures. For a systematic development, it was necessary to go about the tasks selectively, identify areas and their natural resources and concentrate efforts on items that would raise productivity and incomes in such areas. If even half the money that had been spent on test relief works had been deployed to provide water, to develop animal husbandry, dairying and so on, the conditions of a large number of backward regions would have by now been considerably improved. The Deputy Chairman indicated that schemes were now being devised for doing something substantial in the next two to three years for the drought-prone areas which were among the most backward of the backward regions in the country. Dr. B. S. Minhas, Member, Planning Commission, was heading a Task Force on this problem and his report should be ready in the next two months. Then the Planning Commission would hold discussions with States to evolve suitable programmes.

100. Referring to the question of Central assistance, which had been raised by some Chief Ministers, the Deputy Chairman stated that the existing formula for the distribution of Central assistance had been evolved in consultation with the Chief Ministers at an earlier meeting of the NDC Committee. In the light of the Fifth Plan priorities, particularly the Minimum Needs Programme and other imperatives, the formula may need to be reviewed. But this review would have to be done very carefully and in consultation with the States. This was being looked into. In any formula that may be evolved, it would be necessary to keep the total national picture and priorities in view. A choice had to be made as to where the investment would give quick returns without impairing the development standards or development process or the development speed of other States.

101. The Deputy Chairman stressed that the whole programme of minimum needs would depend for its success on the way in which the people's involvement in the planning process was organised. This Plan could not become a people's Plan unless it was taken to the people, not as a collection of

statistics of growth and outlays but as something that would give meaning to their daily life. He indicated that the Planning Commission was going to publish very soon a popular version of the Approach paper which would be translated into all the regional languages. Thereafter, it could be discussed and debated at innumerable forums—in the villages, towns, factories, educational institutions, offices, trade unions, political and social organisations. Such a process would lead to an identification of the people with the Plan. So, as a first step, the Plan should get the widest circulation and a national debate, in which the broad masses of our people participate, should be purposefully organised.

102. On the question of implementation, the Deputy Chairman indicated that the Prime Minister had recently appointed a group of Ministers to look into the question of improving our administrative performance in relation to the requirements of the Plan. Certain problems in key sectors had been identified and the changes that were needed in our procedures and methods of work to achieve the plan targets were going to be recommended. The planning capabilities at the State and district levels needed to be strengthened, particularly in terms of project formulation, evaluation and monitoring. This was necessary not only in the States but also at the Centre, specially in key economic Ministries. That was why multi-level planning was being emphasised. While the new procedures, better project formulation and better monitoring of projects would, no doubt, help to speed up things, keep costs down and enable us to take remedial measures in time, it was necessary that without waiting for the structural changes to take place a determined effort should be made to get the best out of what administration and managerial resources we have.

103. Concluding the discussion, **Shrimati Indira Gandhi**, Prime Minister expressed satisfaction at the esteemely constructive manner in which the discussions and speeches had proceeded. She hoped that later when the details and allocations relating to the Plan were discussed, the members would show the same spirit of cooperation and sense of purpose.

104. The Prime Minister emphasised the need for setting up Planning Boards at the State level and laid stress on the need for resource mobilisation and on the importance of family planning. Involvement of the people, she said, was one of the very basic needs of planning. Some people seemed to think that the ordinary man was illiterate and his opinion did not count. This was a wrong way of looking at things. It was this poor and unlettered man who had fought and sacrificed for freedom and had shared whatever little he had at times of crisis. Mere literacy or formal education had nothing to do with an understanding of difficulties and local problems. This had to be kept in mind when drawing up the Plan. It was the relatively better off class and not the real poor and the backward who resorted to agitations and indulged in destructive activities. The Prime Minister stated that the same spirit of cooperation and energy which was exhibited by people and the Government in times of crisis should be maintained in normal times and used for the economic development. We should not hesitate to change the old structures and old methodology which had become outdated and which caused delays.

105. The Prime Minister observed that while on the one hand there were pressing demands for allocation of greater resources, on the other hand the resources already allocated remain unutilised in a number of States. She felt that if MPs and MLAs and other political leaders were to work with the people in development programmes and set an example in hard work to the people, it would make a tremendous impact and that would bring about socialism. This was the attitude which must come about not only in Government but in the entire administration. What State like Kashmir and Kerala had done to associate local people, for instance with land reforms, was praiseworthy and needed to be done with development, with small industry and in many other fields. Unless we learn

to be resourceful, nothing would be done even with the best of the Plans. We must learn to make do with what was there and not look for something to turn up. We could touch the small people only if simultaneously with the big industries, we have the small, village industries, handi-crafts and all that touched the local people. Man should be regarded not as a statistic but as a living individual, with his own personality. Removal of poverty and everything we wanted to do were a means to this and not the end. A poor man did not have the strength or the ability or the opportunity to be a good citizen. So removal of poverty and disparities was necessary just as freedom was the first necessity. These were many phases of development but not our ultimate aim. The ultimate aim was to change man and to change the face of this country. This had to be done in a way that it did not spoil anything which was worth preserving, whether people or nature or buildings. And yet there must be radical change. The Chief Ministers had the exciting and challenging task of being instruments of this change. The country depended on their functioning, on their being able to implement, on their being able to enthuse the people and keep up the involvement and participation of the people. If they could organise, they could help in strengthening the national will for the achievement of our goals. That in itself would be a major achievement.

106. On behalf of the Union Education Minister, the Prime Minister asked the Chief Ministers to ensure that there was no un-planned and haphazard growth of universities, colleges and enrollment in institutions of higher education. Efforts should be made to make higher secondary education a terminal stage for the overwhelming majority of students. Atleast half of the students at the higher secondary stage should be diverted to the vocational stream. That meant that Government should also provide sufficient opportunity at that level. For this, changes in the recruitment policy of Government and public sector undertakings would need to be made. This should not mean that there were only certain classes which were left out from college or university education. We must see that the whole caste complexion of education was changed. Those who had not had the opportunity of higher education so far should be helped to get it with scholarships.

107. In the end, the Prime Minister urged upon the members of the National Development Council to think seriously of the small things that escaped notice, not just of the spectacular things.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	.. .. ..	Chairman
Shri D.P. Dhar	.. .. ..	Deputy Chairman
Shri Y.B. Chavan	.. .. ..	Minister of Finance
Shri Mohan Dharia	.. .. ..	Minister of State for Planning
Prof. S. Chakravarty	.. .. ..	Member
Dr. B.S. Minhas	.. .. ..	Member
Shri M.S. Pathak	.. .. ..	Member

STATES

Assam	.. .. ..	Shri S.C. Sinha, Chief Minister
Bihar	.. .. ..	Shri Kedar Pandey Chief Minister
		Shri Daroga Prasad Rai Finance Minister
Gujarat	.. .. ..	Shri Ghanshyambhai Oza Chief Minister
		Shri Kantilal Ghiya Finance Minister
Haryana	.. .. ..	Shri Bansi Lal Chief Minister
Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Jammu & Kashmir	.. .. ..	Shri Syed Mir Qasim Chief Minister
		Shri G.L. Dogra Finance Minister
Kerala	.. .. ..	Shri C. Achutha Menon Chief Minister

Madhya Pradesh	.. .. ..	Shri P.C. Sethi Chief Minister
		Shri S.N. Mushran Finance Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri M.D. Chaudhari Finance Minister
Manipur	.. .. ..	Shri Mohamad Alimuddin Chief Minister
Meghalaya	.. .. ..	Shri Williamson A. Sangma Chief Minister
Mysore	.. .. ..	Shri Deva Raj Urs Chief Minister
		Shri M.Y. Ghorpade Finance Minister
Nagaland	.. .. ..	Shri Hokishe Sema Chief Minister
Orissa	.. .. ..	Smt. Nandini Satpathy Chief Minister
		Shri Banka Behary Das Finance & Planning Minister
Punjab	.. .. ..	Shri Zail Singh Chief Minister
		Shri Hans Raj Sharma Finance Minister
Rajasthan	.. .. ..	Shri Barkatullah Khan Chief Minister
		Shri C.M. Baid Finance Minister
Tamilnadu	.. .. ..	Shri M. Karunanidhi Chief Minister

		Shri S. Madhavan Industries Minister
Tripura	.. .. ..	Shri Sen Gupta Chief Minister
Uttar Pradesh	.. .. ..	Shri K.P. Tripathi Chief Minister
		Shri N.D. Tiwari Finance Minister
		Shri O.P. Singh Planning Minister
West Bengal	.. .. ..	Shri Sidhartha Sankar Ray Chief Minister
		Shri Sankar Ghose Finance Minister

UNION TERRITORIES

Chandigarh	.. .. ..	Shri N.P. Mathur Chief Commissioner
Delhi	.. .. ..	Shri Baleshwar Prasad Lt. Governor
		Shri Radha Raman Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Shri A.K.S. Usgaonkar Planning Minister
Mizoram	.. .. ..	Shri Chal Chhunga Chief Minister
Pondicherry	.. .. ..	Shri S. Ramaswamy Home Minister
Arunachal Pradesh	.. .. ..	Shri K.A.A. Raja Chief Commissioner
Dadra & Nagar Haveli	.. .. ..	Shri S.K. Banerji Lt. Governor

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	..	..	..	Minister of Agriculture
Sardar Swaran Singh	..	..	..	Minister of External Affairs
Shri Umashankar Dikshit	..	..	..	Minister of Works and Housing and Health and Family Planning
Shri S. Mohan Kumaramangalam	..	..	..	Minister of Steel and Mines
Shri T.A. Pai	..	..	..	Minister of Railways
Shri Raj Bahadur	..	..	..	Minister of Parliamentary Affairs and Shipping and Transport
Shri C. Subramaniam	..	..	..	Minister of Industrial Development
Shri H.N. Bahuguna	..	..	..	Minister of Communications
Shri D.R. Chavan	..	..	..	Minister of Supply
Shri R.K. Khadilkar	..	..	..	Minister of Labour and Rehabilitation
Prof. S. Nurul Hasan	..	..	..	Minister of Education, Social Welfare and Culture
Shri K.C. Pant	..	..	..	Minister of State in the Ministery of Home Affairs
Dr. K.L. Rao	..	..	..	Minister of Irrigation and Power
Shri K.V. Raghunatha Reddy	..	..	..	Minister of Company Affairs

SPECIAL INVITEE

Shri S. Jagannathan	..	..	..	Governor, Reserve Bank of India.

THIRTIETH MEETING
OF THE
NATIONAL DEVELOPMENT COUNCIL

DECEMBER 8 AND 9, 1973

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE THIRTIETH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

*I. DRAFT FIFTH FIVE YEAR PLAN

II. ADDITIONAL RESOURCE MOBILISATION BY STATES

The problem of additional resource mobilisation by States has to be viewed in the context of the immediate economic situation as well as in the long-term perspective regarding our social and economic objectives during the Fifth Plan. Without doubt, the immediate economic priority before the country is to stabilise the level of prices. To this end, the Government have taken a number of measures to control the level of aggregate demand by controlling the level of budget deficits and credit expansion in the private sector. Similarly, on the supply side, measures have been taken to augment supplies and ensure equitable distribution of essential commodities.

2. While the Government is trying to curb the size of the budget deficit, it must be pointed out that the task of budgetary management this year has proved to be extremely difficult in the light of large scale resource transfers to the States for normal expenditure as well as for drought and flood relief. Total loans and grants to States in 1972-73 are estimated at Rs. 2,507 crores as against Rs. 2,141 crores in 1971-72. (Details are in Annexure I). In the first six months of the current year, (1973-74), transfers to States have amounted to Rs. 1,400 crores, including Rs. 430 crores for States' share of taxes and duties levied by the Centre. Compared with the first half of 1972-73, this represents an increase of roughly Rs. 320 crores.

3. For the Government's price stabilisation efforts to succeed, it is imperative that the level of transfers to States as well as other items of Central expenditure are kept severely within our financial capacity. Given the inflexible nature of many of our expenditure requirements, an effective control of transfers to the States by the Centre is possible only if the States are able to moblise a higher level of resources. Success of current efforts to stabilise prices and control inflation is, therefore, dependent among other things, on the success of the States in mobilising additional resources themselves in the near future to meet their own requirements. While the desirability of the objective of relieving suffering from natural calamities through Central and State assistance is beyond dispute, it is also clear that resource mobilisation efforts have to keep pace with our normal as well as abnormal commitments for expenditure.

4. In the longer-term perspective, it is also clear that the success of the Fifth Plan largely hinges on the success of both the Centre and the States in raising resources required to finance the Plan. As is now well-known, the Fifth Five Year Plan would require additional resource mobilisation, over and above the likely yields at current rates of taxes, of Rs. 6,850 crores—Rs. 4,300 crores at the Centre and Rs. 2,550 crores in the States (at 1972-73 prices). So far as the States are concerned, this would represent a level of additional resource mobilisation which is at least 2½ times the actual additional resource mobilisation of Rs. 1,058 crores effected by them

*This has been published separately.

during the Fourth Plan period. Needless to say this magnitude of resource mobilisation would call for a number of new initiatives in addition to the greater use of our fiscal instruments.

5. It is in this context of the current economic situation as well as future growth requirements that action is now required on some of the long pending proposals for additional resource mobilisation by States. While there are a number of steps that need to be taken in the future, immediate and urgent action by State Governments is indicated in the following three areas:

(a) Agricultural Taxation;

(b) Revision of Irrigation Rates;

(c) Revision of Electricity Tariff.

Agricultural Taxation

6. This is a long-standing issue. While a number of recommendations have been made and a number of committees have considered the problem, hardly any action to mobilise a higher level of resources from agricultural sector has been taken. While resistance to agricultural taxation is understandable, it needs to be stressed that a proposal to tax this sector does not violate the principle of giving it more favoured treatment for purposes of taxation than the industrial sector. The proposals that have recently been made are in the nature of tapping some revenue from this source; as a proportion of total output, such resources would still be well below the level of taxes raised from the industrial sector.

7. At present the incidence of direct taxes on agriculture is extremely low, being less than 1 per cent of the net domestic product from agriculture at current prices; this is much higher in the industrial sector. The total yield from direct agricultural taxes has remained more or less stationary (at around Rs. 130 crores on an average during the period 1967-68 to 1971-72), and their share in the total tax revenue of States has shown a declining trend (from 12 per cent in 1967-68 to 6.8 per cent in 1971-72). Similarly, for lack of adequate institutional facilities mobilisation of savings from the rural sector through financial institutions has also remained relatively low.

8. In view of low average incomes in rural areas, as well as the crucial position that agriculture enjoys in our economy, the favourable treatment of the agricultural sector is economically sound. The question is one of degree, i.e., whether the present extent of preferential treatment to the agricultural sector is sustainable in the long run. If the investment requirements of the Fifth Plan are to be met, which in turn would determine the prosperity and prospects of the agricultural sector itself, there can be no doubt that the time has now come for us to make a beginning towards raising a higher level of resources from this sector.

9. This is specially true at the present time. With the anticipated growth of agricultural production in the Fifth Plan and guaranteed support prices for agricultural products, it is only reasonable that this sector should be called upon to make a larger contribution towards the financing of the development effort. Since distribution of income in agricultural areas is also not satisfactory, it is necessary that a part of the additional incomes of agriculturists who benefit from public outlays should be mobilised by the State for development purposes on the basis of a progressive system of taxation.

10. In order to examine the question of agricultural taxation, the Centre last year appointed a

Committee under the chairmanship of Prof. K. N. Rai. The Committee went into various related aspects of the direct taxation of agricultural wealth as well as measures required for reducing economic disparities, etc. Among the Committee's recommendations are proposals to levy an Agricultural Holdings Tax, partial integration of taxation of non-agricultural income with income derived from agriculture, and the taxation of capital gains on transfer of agricultural land. (The principal recommendations are summarised in Annexure II).

11. Some recommendations within the purview of the Union Government (e.g. inclusion of agricultural income of a tax payer for purposes of determining the rate of tax on non-agricultural income) were incorporated in the Finance Act, 1973. This Committee’s other recommendations, falling within the jurisdiction of the States, are now under consideration by State Governments. It is of the utmost importances that a time-bound programme should now be adopted either to implement the recommendations of the Raj Committee and/or to raise revenue through a combination of measures like withdrawal of concessions on land revenue, imposition of surcharge on land revenue at graduated rates, greater use of cesses on commercial crops and imposition of a betterment levy.

Revision of Irrigation Rates

12. The State Governments are currently incurring huge losses on their irrigation works. In 1971-72, the loss on commercial irrigation works and irrigation works within multi-purpose river valley projects amounted to about Rs. 140 crores (Annexure III). In fact, there are only a few States which have been able to cover even the working expenses on major and medium irrigation projects from irrigation receipts. In view of huge further investments required for bringing irrigation to more and more farmers, it is clear that a loss of this magnitude cannot be allowed to continue from year to year. This is particularly true since the benefit available from irrigation is not distributed equally among farms of all sizes. Extensive subsidisation of irrigation therefore, amounts to subsidising farmers who enjoy irrigation facilities at the expense of those farmers and such areas as do not now enjoy irrigation facilities but could be provided with these facilities in the future if larger resources were available. Therefore, it is suggested that the subsidies on irrigation should be reduced progressively and ultimately eliminated.

13. The matter of irrigation rates has also been subjected to extensive discussion by Committees and Commissions in the past. As early as 1964, the Najalingappa Committee had recommended that irrigation rates should be fixed at a higher level. More recently, the Irrigation Commission has emphasised the need to improve the financial position of irrigation works. To this end, among other measures suggested, it is their recommendation that water rates should be fixed in such a manner that irrigation projects are not a burden on general revenues, except for uneconomic projects in the scarcity areas. The Commission have further pointed out that in view of the key role of irrigation in increased production, there is full economic justification for levying adequate irrigation charges. The capacity of the farmers to bear higher charges is also evident from the fact that the Commission came across several instances where cultivators were purchasing water from owners of neighbouring tubewells or hand-pumps at a price several times higher than the rates on government projects. Finally, the Raj Committee has also recommended that water supplied by public irrigation projects should be priced like any other input so as to cover costs.

14. The State Governments should therefore seriously consider suitable revision of irrigation rates before the end of the current financial year. The need for fixation of water rates at reasonable levels to eliminate recurring subsidies can no longer be postponed, and State Governments should

adopt a time-bound programme for recovering at least the full working expenses on irrigation projects through irrigation receipts. This move would not only yield additional revenue, but also discourage wasteful use of water resources financed by the public exchequer. In addition to revision of rates, efforts have to be made to effect economics in maintenance expenditures.

15. It has to be recognised that the problem encountered in revising irrigation rates varies from State to State depending, among other things, on the extent of availability of irrigation facilities, as well as productivity of irrigated land. While the specifics of the rate structure may differ from State to State, the general principle that has to be kept in mind in revising rates is the imperative necessity for water rates to be consistent with the cost of providing irrigation facilities.

Revision of Electricity Tariffs

16. What has been said above about irrigation applies with even greater force to electricity tariffs, since the consumption of electricity is concentrated in the industrial sector and in the urban areas in the country. Today a number of electricity boards are not even in a position to pay their current dues of interest on loans taken from State Governments. These interest arrears amounted to Rs. 280 crores at the end of 1971-72, and are increasing. Some of the State electricity boards have not even been in a position to make their obligatory contribution to their depreciation Reserve Funds, and some are not in a position to pay interest charges on loans from the market and from financial institutions. The overall rate of return on the investments of State electricity boards has tended to decline over the Fourth Plan period and is currently estimated at less than 5 per cent, inclusive of electricity duty. Total investment of electricity boards is expected to reach or exceed Rs. 5,000 crores by the end of the Fourth Plan period. In the Fifth Plan, a further investment of about Rs. 6,200 crores is contemplated.

17. In 1964, the Committee on the Working of State Electricity Boards (The Venkataraman Committee) had recommended that the rate of return on capital employed in electricity undertakings should be raised to 11 per cent per annum (inclusive of duty) over a period of time. Although since then substantial tariff revisions have been undertaken, the yield has already been absorbed by increases in working expenses. As a result, State electricity boards are far from achieving an adequate rate of return.

18. In view of the size of investment in this sector as well as the need to strengthen the management of power stations and undertake further investment in this sector, it is important that steps are taken to enable electricity boards to earn an adequate rate of return by suitable revisions in the price of electricity. An appropriate tariff structure would, apart from yielding considerable additional revenue, also go a long way towards promoting better use of electricity and eliminating its wasteful consumption. Since the benefit from electricity consumption varies from user to user, it is only appropriate that those who derive greater benefit from electricity should pay for it, rather than have this burden transferred to the tax resources of the State Governments. In addition to revision in electricity rates it is, of course, also important to take effective measures to prevent the high transmission losses that now take place. A saving in transmission loss, apart from increasing the availability of power in a situation of power scarcity, would add to the revenues of the electricity boards.

19. To sum up, the principal recommendations of the paper are as follows:

(i) In view of the need for price stabilisation as well as for fulfilling our resource requirements in the Fifth Plan, it is necessary that concrete steps are taken to mobilise additional resources by States. Among areas which need immediate action are: agricultural taxation, revision of irrigation rates, and revision of electricity tariffs.

(ii) In order to raise more revenue from the agricultural sector, the States should adopt a time-bound programme to implement the recommendations of the Raj Committee and/or raise more revenue through a combination of measures like withdrawal of concessions on land revenue, imposition of surcharge on land revenue at graduated rates, greater use of cesses on commercial crops and imposition of a betterment levy.

(iii) The State Governments should revise irrigation rates suitably before the end of the current financial year with a view to recovering the full working expenses on the irrigation projects through irrigation receipts. In addition to revision of rates, efforts have to be made to effect economy on maintenance expenditure.

(iv) State Governments should take steps to earn an adequate rate of return on investment in the electricity projects by suitable revision in the rates levied for electricity. In addition, effective measures should be initiated for preventing high transmission losses that now take place.

ANNEXURE - I

Resources transferred to States and Union Territories

(Rs. Crores)

		1971-72 R.E.	1972-73 B.E.	1973-74 B.E.
1.	States' share of Taxes and Duties	945	1,066	1,178
2.	Non Plan Assistance	1,261	1,165**	986
	(a) Grants	580	366	300
	(b) Loans	681	799	686
3.	Assistance for States and Union Territories Plan Schemes	743	793	864@
	(a) Grants	239	253	259
	(b) Loans	504	540	605
4.	Assistance for Central Plans and Centrally Sponsored Schemes	179	549	373
	(a) Grants	146	363	322
	(b) Loans	33	186	51
5.	Total grants and loans (2+3+4)	2,183	2,507	2,223
6.	Less Repayment of Loans and Advances	850	725	850
7.	Net Resources Transferred	2,278	2,848**	2,551

**Excludes Rs. 421 crores of loan assistance to States for clearance of overdraft with RBI.
@In addition Rs. 56 crores are provided for Union Territories without legislature.

ANNEXURE II

Committee on Taxation of Agricultural Wealth & Income-Chairman, Dr. K.N. Raj

The main recommendations of the Committee are listed below :

(i) An Agricultural Holdings Tax should be imposed by the State Governments. This tax should replace land revenue and should be levied on all operational holdings of rateable value of Rs. 5000/- and more in the first phase. The extension of AHT to holdings of smaller rateable value may be made by the State Governments later.

(ii) Irrigation water should be so priced as to cover the cost of providing it.

(iii) A Land Commission should be set up in each State and vested with powers to acquire, manage and dispose of land and thus secure the financial support for development programmes.

(iv) Agricultural and non-agricultural incomes should be aggregated for purposes of determining the rate of tax to be levied on non-agricultural incomes.

(v) The levy of Wealth tax should be streamlined by removing many of the current exemptions, raising the basic exemption limit to Rs. 1.5 lakhs, adopting the 'family' as the basic unit of assessment and adopting the income-capitalization method for purposes of farmland valuation.

(vi) The definition of 'Capital asset' in the income-tax Act should be suitably amended in order to bring the gains arising from the transfer of agricultural lands irrespective of their location under the charge of Central Income-tax.

(vii) Exemption from income-tax for income from livestock breeding and poultry and dairy-farming should be removed.

ANNEXURE - III

Net contribution* of Multipurpose Irrigation and Commercial Irrigation Schemes in State during 1967-68 and 1971-72

(Rs. Crores)

	1967-68		1971-72	
	Multipurpose Irrigation Schemes	Commercial Irrigation Schemes	Multipurpose Irrigation Schemes	Commercial Irrigation Schemes
Andhra Pradesh	—8.23	—7.67	—10.91	—12.02
Assam	—	—	—	—
Bihar	—2.34	—0.70	—10.89	—3.63
Gujarat	—1.62	—4.06	—5.35	—5.01
Haryana	—0.73	—0.54	—0.98	—3.15
Jammu & Kashmir	—	—0.52	—	—0.49
Kerala	—	—1.31	—	—1.63
Madhya Pradesh	—	—**	—	—
Maharashtra	—	—5.63	—	—12.82
Mysore	—	—7.94	—	—14.95
Nagaland	—	—	—	—
Orissa	—4.04	—3.58	—5.78	—4.25
Punjab	—2.29	—2.02	—3.63	—3.33
Rajasthan	—2.39	—3.01	—3.29	—5.28
Tamil Nadu	—	—4.69	—	—6.66
Uttar Pradesh	—	—9.45	—4.84	—17.03
West Bengal	—2.39	—0.61	—4.02	—1.09
Total	**—24.03**	**—51.73**	**—49.69**	**—91.34**

* Net contribution does not constitute a commercial surplus/loss but represents excess/shortfall of revenue over non-Plan working expenses and interest charges on capital outlay.

** No commercial accounts are kept.

Source : 1. Fifth Finance Commission Report.

2. Reserve Bank of India Bulletin; June 1973.

III. SOME ASPECTS OF FOREST POLICY

The Estimates Committee (1968-69) of the Fourth Lok Sabha inter alia made the following recommendations in its 76th Report (March 1969) :

"The Committee regret to note that an area of about 11 lakh hectares under forests has been lost since 1951 for cultivation and other developmental projects etc., in the country. No attempts have simultaneously been made to bring an equivalent area under forest as stipulated in the First Plan and recommended from time to time by the Central Board of Forestry. It appears that the data furnished to the Committee is also incomplete. The Committee feel very much concerned over these continuous inroads into the forest area which is already below the required proportion laid down in the National Forest Policy. In their opinion, if the trend is allowed to continue unchecked, the situation may assume alarming proportions particularly in States having a small forest area. The Committee, therefore, strongly recommend that Government should immediately pay serious attention to this problem and take effective measures to ensure that simultaneous steps are taken to afforest suitable areas equal to those which have to be deforested on account of the implementation of plan projects etc. The Committee suggest that besides exploring other avenues, this matter may be considered by the National Development Council which is an appropriate forum for taking decisions on such important matters."

2. The National Forest Policy, adopted in 1952 laid down as follows :

"The proportion of land to be kept permanently under forests would naturally vary in different regions. Practical consideration suggests, however, that India, as a whole, should aim at maintaining one third of its total land area under forests. As an insurance against denudation a much larger percentage of the land, about 60 per cent should be kept under forests for their protective functions in the Himalayas, the Deccan, and other mountaineous tracts liable to erosion. In the plains, where the ground is flat and erosion is normally not a serious factor, the proportion to be attained should be placed at 20 per cent ; and in view of the pressure of agriculture, effort at the extension of tree-lands should be concentrated on river banks and other convenient places not suitable for agriculture. At the same time it must be realised that even distribution of forests in all physical regions is as important as its overall proportion. In certain localities deficient in forests, therefore, afforestation of marginal lands, and eroded river and village wastelands, should be undertaken. Forest areas in excess of the indicated proportion, if any, should, however, not be sacrificed. To maintain an overall average, it is essential that States better suited for the growth of trees should help to make good the deficiency in those parts where climatic and edaphic factors militate against tree-growth."

3. Appendix I shows the forest area in different States and Union Territories and its percentage to the total geographical area as it stood in 1968-69. It also gives the area deforested in each State and Union Territory (a) for agricultural purposes, and (b) for other purposes including the lands submerged for river valley projects, establishment of industries, townships etc. and the total forest area lost during the period 1951 to 1969. It would be seen that while India has only 24.7 per cent of its total area, for which land use statistics are available under forests, during the period 1951 and 1969 an area of 16.69 lakh hectares (11 lakh hectares mentioned in the Estimates Committee

recommendation relates to incomplete information for the period 1951-66), has been deforested for various purposes.

4. Forests are a powerful ecological factor affecting environment in India, as elsewhere in the world, and are among the most important natural and renewable resources. Forests moderate extremes of temperatures and slightly lower the mean temperature, effects which are particularly important on the main continental land masses in the tropics like Northern India. They tend to increase local precipitation, at least to the extent of increasing the number of rainy days, regulate water supplies, reduce the intensity of floods and arrest shifting sands. Conservation and intensive management of our forests is a vital ecological necessity, without which serious results are widely in evidence and disastrous consequences can follow. Heavy investments have been made in the construction of multi-purpose river valley projects for irrigation, power and flood control. Unfortunately, on account of insufficiency of forests and inadequate forest protection in the catchments, the rate of siltation in a number of the reservoirs has been found to be much higher than the original estimates, adversely affecting the life and economics of such projects. Forests have also important biological, aesthetic, wild life and touristic values. Many of our wild life species are in danger of extinction and need to be rigorously protected.

5. Besides the role of forests in the protection of environment, forests are a major resource for utilisation and development. While the information regarding the overall forest resources of India is fairly incomplete, according to the tentative estimates, the present ‘growing stock’ in our forests is of the order of 2,600 million cubic metres of wood valued at about Rs. 26,000 crores. The present annual recorded outturn of wood is about 9 million cubic metres of industrial wood besides about 12 million m^3 of fire-wood, or a total of about 21 million m^3 of wood. The potential productivity is several times over, despite the many difficulties of social and biotic factors. Our forests are at present yielding a surplus of about Rs. 75 crores in revenue or for exploitable forests about Rs. 12.5 per hectare per annum. This is also meagre, the potential being easily 5 to 7 times or more. The growing stock in the forests is a valuable and ready resource. The fellings from most of the forests, even from the poorer ones yield revenue which is often considerably higher than the investment needed for planting it up, yet adequate resources for essential works like planting, construction of extraction roads, fire protection etc. are often not available. With the uncertainty of even the limited funds that are provided, development programmes suffer seriously, and a state of inaction which is highly unsatisfactory often continues indefinitely.

6. Forests supply vital raw materials for the important forest based industries, like paper, pulp, news-print, rayon, matches, wood panel products, resin, gums, medicinal plants etc. and provide widely dispersed employment particularly in the backward regions and tribal areas. Our 35 million tribal people have special affinity with forests, and particularly depend on them for their essential needs. Compared to an estimated consumption of about 16 million m^3 of industrial wood in 1970 (including the estimated production from unrecorded sources), the projected requirement by 1980 and 1990 is 25.5 and 40.1 million m^3 in terms of round wood. There has existed a chronic shortage of fire wood in the country side, particularly in the north Indian plains and locally in most places. The results of Energy Survey of India Committee have revealed that out of the total energy consumed in the domestic sector in India, about 60 per cent is derived by burning wood. With over 80 per cent rural population, according to the present trends for considerable time to come, the main source of energy will continue to be that from fuel wood. The supply of forest raw materials for industries is also insufficient even with the very low standards of consumption, and there is lack of a well defined forest industrial policy. The country at present imports about Rs. 35 crores worth annually of products of forest based industries, among the important items being newsprint (about Rs. 20 crores),

dissolving pulp (Rs. 10 crores), special varieties of paper etc. This is despite sizeable forests in parts of Assam, Arunchal Pradesh, M.P. and Jammu and Kashmir and other places remaining un-utilised or inadequately utilised.

7. Although the pace of forest development has been accelerated in recent years, it continues to be very insufficient. Appendix II is a statement showing the forest revenues in 1969-70, 1970-71 and 1971-72, the figures for Plan and non-Plan expenditure for these years, including also the expenditure incurred on forest development programmes during the first, second and third Five Year Plans, 1966-69 period of Annual Plans and the anticipated expenditure for the Fourth Five Year Plan for all the States and Union Territories. Against the total forest area of 75 million hectares, plantations have been raised over an area of about 1.5 million hectares from the beginning of organised management up to 1968-69, while such plantations raised during the Fourth Plan are about 0.6 million hectares.

8. The Fifth Plan specially aims to initiate measures for increasing production of wood by a changeover from conservation oriented forestry to a dynamic programme of production forestry, aiming at clear felling and creating large scale man-made forests with the help of institutional financing. In accordance with the recommendations of the National Commission on Agriculture, a network of Forest Corporation will be set up. Social forestry including farm forestry and improvement of degraded areas to increase rural areas will be aimed at. Special attention will also be laid on a much larger programme of forest research, meaningful surveys, and careful evaluation and monitoring of forest development programmes. The Fifth Plan target of raising man-made forests including social forestry is 1.3 million hectares.

9. Judging from the national and international standards, the forest area in our country is substantially sub-normal. As compared to the population, we have 2 per cent of the world forest area with 15 per cent of world population. Per capita forest area is 0.15 hectares as compared to the world average of 1.19 hectares. India has also 11.3 per cent of world's area under agricultural crops ; per capita area under agricultural crops being 0.32 hectares as compared to the world average of 0.41 per hectare. The position with respect to forest area is thus exteremely unsatisfactory.

10. Despite the imperative need of maintaining adequate land area under forests, as recommended by the National Forest Policy, unfortunately, during the period 1951-1969 an area of 16.69 lakh hectares has been deforested for several purposes as detailed in Appendix I. Of this 16.68 lakh hectares, an area of 11.33 lakh hectares has been released for agriculture alone. Besides the area deforested, there are sizeable encroachments on government forests in many places. The figure of 16.69 lakh hectares deforested during the years 1951-69 collected by the Ministry of Agriculture from the State Forest Departments is incomplete, as no information could be obtained for two States. The information also seems defective. It is clear that the area of private forests of Kerala deforested (about one lakh hectares) and possibly other States are not included in this figure. The reported figure for Maharashtra is 1.09 lakh hectares, while according to another report, the area of government forests deforested in Maharashtra during the 10 year period 1960-70 is about 4 lakh hectares.

11. India has at present about 45 per cent of the land area under agriculture. Increased agricultural production in the next decade is most essential. The strategy for this in the Fifth Plan consists of increasing productivity in existing cultivated area through new varieties, intensification of cropping, extension of irrigation facilities, increase in use of modern inputs and other measures to accelerate yield improvement. The Fifth Plan also aims at increase of gross area under agriculture. The new

areas will include the lands to be brought under cultivation with the spread of irrigation in arid areas like the Rajasthan Canal tracts, reclamation of saline or water-logged lands and culturable wastes etc. The introduction of improved soil and moisture conservation practices, the spread of irrigation and the increased use of chemical fertilisers are expected to augment the net sown area through a reduction of fallows. The major part of additions to cropped area will, however, have to come from multiple cropping. The increase in cropping intensity is largely a function of the expansion and improvement of irrigation combined with development of crop varieties.

12. The importance of maintaining adequate vegetal cover and its effective development cannot be over-stressed. Its contribution to our economic values directly and indirectly through its protective, productive, touristic and nature conservation aspects is substantial and lasting. It is necessary to recognise the need for a balanced integration and harmonious blending of the various objectives and national requirements for multiple and compatible uses of the forest and other lands by understanding of ecological relations of both its, flora and fauna so that there is no upsetting in the balance of nature in order to cater to the immediate short-lived gains.

13. In view of the above, the National Development Council may approve the following approach :

(i) Intensive programmes of forest protection and development be implemented for effective soil conservation, regulation of water supplies and protection of environment, as also to create more financial resources, yield bigger quantities of forest produce and offer higher level of employment immediately, simultaneously also building up bigger forest resources for the future. Intensive attention be given to the programmes of social forestry ;

(ii) Aid of institutional financing agencies, and the financial resources generated from forest development programmes over the present level of forest revenues be utilised in additional forest development programmes; such programmes be also organised as public sector undertakings, where necessary ;

(iii) Forest policy be specially oriented to meet the requirements of forest based industries, and time bound programmes framed and implemented for eliminating imports of products of forest based industries and substantially increasing exports of such products ;

(iv) Effective programmes of periodic surveys of forest resources, of potential productivity in different areas, and of evaluation and forest research be put into action. Special attention be given to the conservations of wild life; and

(v) No forest areas be deforested in future for extension of agriculture, and to compensate for the forest area already lost, efforts be made to afforest equivalent area out of the wastelands in different States.

APPENDIX I

Statement showing Geographical and Forest Area as on 1-1-1968 and Forest Area lost for various purposes from 1951 to 1969 by States and Union Territories

('000 hectares)

Sl. No.	State/Union Territory	Geographical area	Forest area	Percentage of forest area to geographical area	Forest Area lost 1951-1969 For agriculture	For other purposes	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
States							
1.	Andhra Pradesh	27,524	6,651	24.2	60	31	91
2.	Assam	9,952	4,565	37.4	14	48	62
3.	Bihar	17,401	3,085	17.7	48	14	62
4.	Gujarat	18,709	1,940	10.4	18	34	52
5.	Haryana	4,406	136	3.1	*	*	*
6.	Himachal Pradesh	5,566	2,165	38.7	NA	NA	NA
7.	Jammu and Kashmir	22,287	2,081	9.3	1	—	1
8.	Karnataka	19,176	3,520	18.4	80	56	136
9.	Kerala	3,887	1,041	26.8	81	20	101
10.	Madhya Pradesh	44,346	17,299	39.0	381	124	505
11.	Maharashtra	30,727	6,686	21.8	49	60	109
12.	Manipur	2,235	602	26.9	—	—	—
13.	Meghalaya	2,243	Included under Assam				
14.	Nagaland	1,649	310	18.8	—	2	2
15.	Orissa	15,586	6,816	43.7	NA	NA	NA
16.	Punjab	5,038	188	3.7	1	—	1
17.	Rajasthan	34,227	3,764	11.0	31	16	47
18.	Tamil Nadu	12,997	2,218	17.1	2	46	48
19.	Tripura	1,045	633	60.6	5	—	5
20.	Uttar Pradesh	29,437	4,571	15.5	40	72	112
21.	West Bengal	8,768	1,183	13.5	313	9	322
Union Territories							
1.	Andaman and Nicobar Islands	829	635	76.6	7	—	7
2.	Arunachal Pradesh	8,143	5,154	63.3	—	—	—
3.	Delhi	148	5	3.4	Neg.	Neg.	Neg.
4.	Goa, Daman & Diu	373	103	27.6	2	4	6
	Total	**326,809@**	**75,351**	**24.7£**	**1,133**	**536**	**1,669**

*Haryana figures included under Punjab.
@Includes area 101,000 hectares of other Union Territories.
£Percentage of forest area has been calculated on the reporting area which is 305,956,000 hectares.
N.A. : Not available.
Neg.: Negligible

APPENDIX II

Statement showing Revenue and Plan and Non-Plan Expenditure in Forestry Sector—India

(Rs. lakh)

Sl. No.	State/Union Territory	Forest area 1966-67 (sq. kms)	Forest Revenue		Expenditure				First to Fourth Plan				
			1969-70	1970-71 (budget)	Non-Plan		Plan		First Plan	Second Plan	Third Plan	1966-69	Fourth Plan (antici-pated)
					1969-70	1970-71 (budget)	1969-70	1970-71 (budget)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1.	Andhra Pradesh	66,510	601.15	668.87	253.72	258.66	47.22	43.20	26.46	97.13	149.69	176.50	287
2.	Assam+	45,650	365.17	346.28	130.94	121.23	54.75	67.11	47.40	110.00	112.39	91.37	420
3.	Bihar	30,850	424.00	449.00	141.60	146.00	76.60	67.20	124.20	286.89	274.64	115.78	405
4.	Gujarat	19,400	415.88	398.00	156.94	187.73	51.40	78.85	19.69	102.19	177.18	215.17	479
5.	Haryana	1,860	28.00	30.23	52.39	51.72	16.24	26.30	*	*	*	77.06	177
6.	Himachal Pradesh	21,650	652.33	675.00	386.14	413.83	78.50	96.72	11.77	35.40	192.23	258.23	809
7.	Jammu & Kashmir	20,810	520.00	550.00	152.00	162.73	23.20	40.00	3.34	36.83	74.20	67.68	180
8.	Karnataka	35,200	1471.00	1101.00	505.53	574.95	127.80	112.00	8.52	106.00	324.65	356.26	522
9.	Kerala	10,410	882.80	875.00	261.52	256.53	51.31	75.35	—	51.35	216.22	246.01	384
10.	Madhya Pradesh	172,990	2600.00	2610.00	668.13	634.36	118.92	150.70	122.61	196.00	472.55	347.73	886
11.	Maharashtra	66,860	925.34	1357.40	728.67	888.58	172.73	220.03	22.91	124.00	452.77	459.67	987
12.	Manipur	6,020	5.33	6.33	5.35	7.45	1.34	6.75	3.00	4.00	18.25	11.32	35
13.	Nagaland	3,100	13.00	10.50	22.18	26.04	11.13	18.13	(a)	5.00	79.51	63.49	95
14.	Orissa	68,160	640.00	665.00	170.00	167.00	51.50	59.54	13.29	49.38	252.91	202.67	405
15.	Punjab	1,880	61.00	65.04	60.81	63.80	58.03	44.00	59.44	117.90	267.19	105.11	311
16.	Rajasthan	37,640	71.72	85.00	123.46	120.25	17.04	44.00	31.60	131.00	148.47	68.64	132
17.	Tamil Nadu	22,180	336.00	337.99	196.87	237.62	75.74	90.72	30.43	147.27	286.89	217.39	464
18.	Tripura	6,330	19.24	18.00	39.17	46.16	8.29	20.90	7.43	14.57	56.72	41.51	112
19.	Uttar Pradesh	45,710	1931.53	1945.70	536.48	515.52	208.54	201.45	138.82	246.00	675.20	438.18	1236
20.	West Bengal	11,830	235.00	238.00	182.85	203.09	23.48	42.90	53.02	121.00	165.10	208.66	193
	Total	**694,540**	**12198.49**	**12432.34**	**4774.75**	**5083.25**	**1273.76**	**1506.45**	**723.93**	**1981.91**	**4396.76**	**3768.43**	**8519**
1.	Andaman & nicobar and other Islands	6,350	153.27	162.03	137.96	164.69	8.63	15.23	—	12.37	42.07	24.44	74
2.	Arunachal Pradesh	51,540	103.95	105.00	53.11	63.50	14.52	31.45	23.15	28.48	56.56	43.28	158
3.	Goa, Daman and Diu		15.70	15.00	8.81	9.90	21.37	22.36	—	—	31.32	57.86	125
	Total	**57,980**	**272.92**	**282.03**	**199.88**	**238.09**	**44.52**	**69.04**	**23.15**	**40.85**	**129.95**	**125.58**	**357**
	Grand Total	**752,430**	**12471.41**	**13012.15**	**4974.63**	**5321.34**	**1318.28**	**1575.49**	**747.08**	**2022.76**	**4526.71**	**3894.01**	**8,876**

Notes: (*) Included under Punjab.
(a) Included under Assam.
(+) Meghalaya & Mizoram included in Assam.
Chandigarh, Dadra & Nagar Haveli and Delhi negligible.

SUMMARY RECORD

Welcoming the Chief Ministers and others to the meeting of the National Development Council, **Smt. Indira Gandhi**, Prime Minister stated that the present economic situation in the country, which had caused deep concern, did not in any way lessen the importance of the Plan; on the other hand, it gave a very special significance to the process of planning. What was important was how much could be achieved and what effort the country could put in. This was what was really to be decided by the National Development Council. The country's progress was affected by many events outside its control, such as war, natural calamities, international events, and almost every country in the world was facing difficulties similar to our own. Although all countries were affected by such or similar events, the poorer countries always suffered more and it was the poorer sections who suffered more from any difficult situation. The Prime Minister had, however, full confidence in the country's strength and capacity to face the difficulties. What was needed was to make our effort immune to such shocks, whether there were shocks within our system or shocks due to what was happening in other parts of the world.

2. The Draft Fifth Plan, which was prepared by the Planning Commission after detailed consultations with the State Governments and the Central Ministries, could not naturally satisfy every demand. But even so, the production targets, which had been set, called for a high degree of discipline. Increases were envisaged in important sectors contributing to greater availability of mass consumption goods, in coal production, fertilisers, steel, metals, petroleum, etc. In these fields, the Central Government and the Central Public Enterprises would have to put in tremendous effort. The programmes for minimum needs and for agriculture, irrigation, power, rural education and health would call for major efforts on the part of the State Governments. The State Governments and the Centre would have to completely rearrange the organisations and methods of work especially at the rural level. The Prime Minister observed that our main failure in development had been because we had not been able to mobilise the rural community. Unless production increases throughout the countryside, large sums of money given to these programmes may merely add to the problem of too much money chasing too few goods. In the drought situation, which many States had faced, a great deal of help was given to the States and they in turn helped the people affected by providing relief work foodgrains and took many other steps. But how much of this expenditure had actually resulted in the creation of productive assets was not certain. The plan should not be thought of as merely a collection of projects, as the projects themselves did not constitute the entire effort at growth and development. The vast programmes for rural development in the Fifth Plan would call for a re-orientation of approach at all levels of the State administration.

3. The Prime Minister said that our aim was to have self-supporting growth. In working towards this, it was necessary to understand the new forms which international co-operation was assuming. Increasingly, assistance was taking the form of co-operation in productive programmes which benefits the lending country as much as it benefits the receiving country. Some of the recent agreements which India had made with the Soviet Union and Czechoslovakia were of this nature. They add to the economic strength, productive capacity, as well as to the export capacity of India.

4. The Prime Minister pointed out that the objective of India's development had been to chalk out a distinctive path of its own. It was not a small achievement to have an effective planned development in a multi-party democracy in a parliamentary system. In its international relations and economic co-operation, the Government of India had always followed an independent line and would continue to do so. Our aim was the economic upliftment of the society. There cannot be any

development without work unity and discipline and cooperative work. The Chief Ministers had a very great responsibility in keeping the engines of production running in their respective States. The Prime Minister said that she was fully aware of the States' difficulties and it was natural for the Chief Ministers to ask for more allocations for their States for their projects and programmes. She suggested that at this meeting the Chief Ministers should, instead of merely looking at the Plan from the State's angle, give the benefit of their advice on the totality of the Fifth Plan and its strategies and priorities. The recommendations of the Finance Commission's report had yet to be worked out for various States and as such State-wise allocations could be discussed more usefully in due course later.

5. The Prime Minister remarked that it was difficult to foresee the crisis which could arise inter-nationally or nationally. In all our endeavours, the most important thing was to try to get the best expert opinion available and to have faith and confidence in ourselves and in our people. Without this it was not possible to succeed.

6. Referring to the question of ecology, that is, conserving things like forests, the Prime Minister observed that in many States there was a tendency to cut down forests indiscriminately and this was resulting in climatic and other troubles. It was necessary to pay attention not only to industrial forests but it was equally important to preserve certain areas in their original natural condition in the interest of wild life as all these things had an effect on the life of the community, on the climate and on many things. It was necessary to conserve as much as possible. Instead of thinking always in terms of revenue to be earned, it should be considered as to what sort of life, what sort of country we want to build and what can be the long term effects of any step that we might take.

7. **Shri D. P. Dhar**, Deputy Chairman, Planning Commission thanked the Prime Minister for focussing attention on some of the basic issues of the planning process in the country. The Draft of the Fifth Plan, which was before the Council for its consideration, had some new features. Perhaps in a modest way it had made a contribution to the planning process in India, but the basic issues had not changed significantly since the inception of planning in 1952.

8. The Deputy Chairman stated that the important features of the Draft Fifth Plan had been summarised in a separate note which had been circulated to the members of the National Development Council and as such it was not necessary for him to go into these. Touching on some of the problems that appeared to him to be relevant for development effort both in the short run and in the context of the five year plan the Deputy Chairman stated that this plan had been formulated against a background of considerable strains in the economy. There were some people who thought that the difficulties were so overwhelming that no plan could be made. Others, who had broadly similar views, argued that the economy must be stabilised first before resuming the planning process. In general it was being asserted that a plan holiday in effect was what the Planning Commission was going to offer to the country. An atmosphere of doubt and pessimism was being deliberately created. Drought and consequent shortages of essential articles, rising prices and the resulting social and economic unrest were harsh realities for vast numbers of people. Government tried as best as it could to deal with these social and economic problems of serious proportions. A public distribution system which, at the peak of drought intensity, looked after the minimum needs of nearly 180 million people was organised. It was a colossal task but it was done. The Central and State Governments were not content with merely putting on the ground a machinery of distribution, they strengthened the public distribution system of socialising the wholesale trade in wheat. It was a bold step and, in retrospect, a historically correct decision. Without it, the public distribution system would have been unable to function. Steps were also taken to increase production of items

in short supply. The very good kharif crop and the prospects of a rabi crop, which would surpass last year's production, provide ground for hoping that it would be possible to stabilise the price level. Necessary modifications in fiscal and monetary operations of Government to contain the inflationary pressures had already been made by the Ministry of Finance.

9. The Deputy Chairman said that it was the factor of rising prices, more than any other, which was at the back of people's minds when they doubted whether the plan could be made at all or whether it could be implemented even if it was made. The debate, in any case, had brought into sharp focus the whole question of inflation and its impact on the growth process. All the doubts and misgivings about the feasibility of the plan of the magnitude that had been put forward before the country derived from the inflationary pressures in the economy. In order to control inflation and promote growth simultaneously, it was necessary to step up the growth of output, particularly of goods and services needed by the common people. Therefore, looking both at the short term and the medium term problems, a properly conceived plan for increasing production of essential goods was our prime instrument for fighting inflation. To look upon the plan as a vast expenditure programme was thus to miss the essence of it. Thus cutting down on investments in essential areas was no way of solving the problem of inflation. It could only build up more shortages in future, and in our situation the total impact of such a policy could well be socially and politically explosive. Inflation in our economy was fundamentally a manifestation of some of the structural deficiencies in the field of production and of the existing distribution of incomes. There were cyclical fluctuations in agricultural production. Also, the production process was characterised by inelasticity of supply due to a variety of causes. In the short run the problem was aggravated by factors like expansion of money supply. Such factors could and should be kept in check. The Finance Ministry were doing all that they could in that respect. However, unless the basic problems of production were attacked, the situation would worsen in future. And these problems could not be tackled without a systematic plan which projects and carefully balances the choices made by the national community. The plan and the question of its size had to be seen and judged in terms of these basic problems—in terms of the ever growing needs of the people.

10. Explaining the implications of a small plan with a lower rate of growth, the Deputy Chairman stated that agriculture could not be starved of adequate investments for growth. It was important for improving the well-being of the poorest sections of the population. Moreover, a sufficiently high rate of growth in agriculture was imperative for avoiding serious balance of payments difficulties as India could not afford to go on buying foodgrains from abroad. Again, beyond a point the expenditure on essential social services, like education and health, could not be reduced. In fact the expenditure had to grow to keep pace with the requirements of the population. The core sector of the industry, which was the very basis of accelerated industrialisation, could not be reduced. If investments on steel, coal and power were reduced, the process of industrialisation would slow down and our dependence on external resources would increase. Moreover, if industry did not grow resources would not be available for tackling the problems of poverty. Over the next 12 years the population was going to increase by 124 million. Nearly 65 million people were going to be added to our work force. With an increase in industrial production at the rate of 2 to 3 per cent, it could not be possible to take care of these millions of people. Thus the prescription of lower rate of growth was the very negation of the planning process.

11. Referring to the question of resources required for financing plan of the size indicated, the Deputy Chairman stated that resources had to be raised in such a way that it should not lead to inflation. The Planning Commission had proposed a non-inflationary scheme of financing the plan, but for this the investments have to be matched by real savings in the community. There were a

variety of compulsions, political and economic, which generate pressures for increased consumption in private and public spheres. Some of these factors were beyond our control, like droughts or armed conflicts which are brought about by international events and forces. There were many such inescapable commitments which cannot be foreseen with any degree of certainty. In order that the plan should succeed, it was necessary to curb inessential consumption. This required enlisting the cooperation of all sections of society for stepping up the rate of savings in the economy and various policy measures had been suggested in the plan for this purpose. The Draft Plan had adopted a set of policies which would ensure the availability of essential commodities at reasonably stable prices to the vulnerable sections of the people through a public distribution system. It was an indispensable pre-requisite for increasing the volume of savings in the economy. The consumption of those who were in a position to afford cuts in their consumption standards had to be curbed. The Government had already taken a bold step in this direction by raising the price of petrol. Many such steps would have to follow both at the Central and State levels. It was not correct to look at the problem of mobilizing resources in isolation from the process of growth. If the physical targets of production in agriculture and in industry were not achieved, resources cannot be generated in the manner and in quantities envisaged. Investments have to be related to physical production in a proper time phasing.

12. Referring to the Annual Plan, the Deputy Chairman observed that the Annual Plan should be used as a lever for actualising the priorities of the Plan in the light of the objective economic situation. This could be done only if the States and the Central Ministries bring to bear on the choice of investment projects a qualitatively different set of considerations than have guided their decisions in the past. The Deputy Chairman indicated that he had discussed the question of outlays for the Annual Plan for 1974-75 with the Finance Minister and it was agreed that adequate funds should be provided as far as possible for priority sectors of agriculture and industry, especially for the completion of on-going projects in productive areas.

13. The Deputy Chairman stated that the Resources Group, consisting of experts from the Ministry of Finance and the Planning Commission, had unanimously come to the conclusion that the resources of the order visualized in the Plan would be available. Other concerned Ministries and State Governments were also associated with this exercise. Referring to the balance of payments position, the Deputy Chairman stated that since the Approach to the Fifth Plan was endorsed by the Council in January, 1973 there had been a sharp rise in the prices of some of the essential commodities which were imported. They were mainly steel, non-ferrous metals, fertilisers and petroleum products. The terms of trade had turned against us and this situation might last for quite some time. This had put a tremendous strain on our balance of payments position. A big effort had therefore, to be made to produce at home the commodities which were being imported in large quantities. Our resources, both natural and human, were such that it was possible to move forward rapidly in this field. In this sense the strategy for industrialisation, which emphasises import substitution in the core sector of industry and export promotion, grows out of the objective situation in the country. Creation of large capacities in basic and capital goods industries had helped to scale down imports of commodities and machinery which were vital for industrial development. A good part of the capacity was, however, unutilized. It was necessary not only to improve utilization of capacity that existed but also to create additional capacity in these fields to keep pace with the growing requirements of the economy. As a result of discussions with friendly countries, the core sector of the Plan had been, by and large, protected against the uncertainties of the flow of external assistance. Supply of adequate quantities of fertilisers for promoting agricultural development had also been assured. Equally with the problem of mobilising resources, obtaining equipment and

machinery, components and designs, was the problem of improving efficiency in the implementation of projects and in their operation and maintenance. The public sector in industry had made a tremendous contribution to the growth potential of the economy. The Deputy Chairman was confident that both the working class and the management in the public sector would respond to the challenge of its further development in the Fifth Plan.

14. The Deputy Chairman referred to the new element of social justice in the Fifth Plan which owed its inspiration to the leadership of the Prime Minister. Social justice is an integral part of the strategy of growth. The lot of the poor could not be improved by providing to them some minimum purchasing power irrespective of the way in which the production process was organised. It was only by making the poor more efficient producers that their incomes could be really increased and hence their living standards. The sectoral programmes in the field of agriculture and small and village industries had been designed from this point of view. Basic institutional changes like land reforms, allocation of resources for improving health, education and nutrition, etc., under the programme of minimum needs, and special programmes like the drought-prone area programme, the small farmers and marginal farmers programme and the animal husbandry programme were all inter-related. The detailed composition of overall growth of the economy was so structured as to move the economy in the direction of removing existing disparities of wealth and income. It was true that over a five year period poverty could not be abolished. It was however, equally true that once the strategy of redistributive growth begins to be implemented firmly, the process of generation of adequate resources to solve the problem of poverty in the foreseeable future would gather swift momentum. The problem of implementation in this area was of even greater magnitude than in the field of industrial development. The basic issue here was of involving the people in the implementation of different schemes. So the problem would have to be attacked simultaneously in several fronts—organisational, political and social.

The National Development Council had, at its last meeting, given a mandate for a plan of self-reliance and removal of poverty. The Draft Plan which was before the Council, had given a concrete shape to these objectives. The Deputy Chairman sought a reaffirmation of the Council's mandate and through it a strong commitment to the realisation of these goals.

15. The Deputy Chairman informed the Council that it had not been possible to complete examination of the recommendations of the Sixth Finance Commission. A preliminary examination of the implications of the recommendations of the Finance Commission in regard to the devolution of Central assistance for the Fifth Plan of the States had just been completed and it was now proposed to hold a second round of discussions with the States to take fully into account their needs and priorities of development and to determine the overall size of the plan for the States and of the Annual Plan for 1974-75. Another meeting of the National Development Council would be convened sometime in February-March, 1974 to seek its approval for the pattern and quantum of Central assistance which, in actual practice, would be the product of the discussions between the Centre and the States.

16. **Shri S. C. Sinha**, Chief Minister of Assam expressed himself in agreement with the observations made by the Prime Minister and the Deputy Chairmen, Planning Commission. He stated that the country was passing through a phase of inflationary economy which had been subjected to spiralling rise of prices. The economy had also been affected by certain events like liberation of Bangladesh, droughts and floods, on which we had no control. The principles enunciated in the Draft Plan were all right, but in their application to particular region's difficulties arise. The State of Assam, and as a matter of fact the whole of North- East region, was an agricultural region

where agriculture was the main occupation of the people. The economy of the region was dependent on increased production in agriculture but because of the havoc caused by floods year after year agricultural production was affected. Unless the Brahmaputra river was controlled, agricultural production could not be increased. For raising winter crop, irrigation system needed to be improved. In the North-Eastern region, the total power potential was 12.644 KW but it had been exploited to the extent of only 0.068 KW which was very insignificant. Without power it was not possible to develop irrigation system and therefore agricultural production. The infrastructure required for the development of industries in the North-Eastern region, like railways and roads, was lacking. The State Government had been asking fur the expansion of the broad gauge to Gauhati. If this type of infrastructure was not there it would, in the Chief Minister's view, be very difficult to strengthen agriculture. The Chief Minister reiterated the State Government's demand for the Silighat and Jogi projects.

17. Referring to rising prices, the Chief Minister expressed the view that unless the production and the distribution were taken over it would be difficult to control the prices. The Govt. of Assam had started procurement of food stuff and were also distributing through public distribution system and therefore so far as the food stuff were concerned it should be possible to control the price rise. The Chief Minister suggested that there should be some mechanism to control the price of other commodities too, at least the commodities which were required by the poor man. It would then be possible to make an impact on the rising prices. As some of these commodities had to be brought from outside Assam, lack of proper transport facilities worked as a big bottle-neck. The construction programme suffered not for want of cement but for want of transport facilities in bringing cement. In order to increase production, the transport difficulty would have to be solved.

18. Referring to the problem of unemployment, the Chief Minister slated that the special programmes for providing employment to the educated unemployed did not seem to have been included in the Draft Plan. He suggested that appropriate allocation should be made for creating jobs for the unemployed.

19. The Chief Minister asked for provision for the setting of seven sugar mills and three jute mills in Assam as there was ample scope for these to meet the local requirement and also to keep up the supply of jute to the Calcutta market. This would give more incentive to agriculturists and thereby help the economy of the State. The Chief Minister suggested taking of some counter measures to control black money and imposition of some discipline on all expenditure so as to avoid deficit financing.

20. In the end, the Chief Minister reiterated that the State Govt. would do its best to increase production, but to facilitate this necessary basic facilities that were needed in the State should be considered favourably by the Planning Commission and the Centre. He referred in particular to the expansion of the broad gauge line to Gauhati provision of two bridges at Shalga and Brahmaputra and another small line of 20 miles connecting Meghalaya and the development of power for which there was considerable potential.

21. **Shri Abdul Ghafoor**, Chief Minister of Bihar congratulated the Planning Commission for the timely presentation of the Draft Fifth Five Year Plan and for its high quality and comprehensive coverage of the problems of planning and development. He stated that the proposals presented in the Draft Plan were generally well conceived and the programmes for the next five years had been charted with great deal of thought and wisdom. In his opinion, in any planning highest priority must be accorded to measures which protect and strengthen the integrity of the nation. The emotional cohesion and solidarity of the nation was an issue which deserved to be borne prominently in mind

in the consideration of problems of planning and economic development. A serious danger to this cohesion and solidarity could arise from the wide economic and social disparities between the States and with the growth of political consciousness could become more and more intolerable. The Chief Minister feared that even after the lapse of next five years the backward regions and States may stand at the same comparative level as at the end of Fourth Plan. The Plan document did not indicate the relative position of the States with reference to per capita income, the size of their population below the poverty line or rates of growth during the last 20-25 years of planning. Nor was there any indication as to how their per capita incomes would stand at the end of the Fifth Five Year Plan and to what extent the size of their population below the poverty line would be reduced. If this analysis had been carried out, an overall view of the policy considerations involved could have been taken by the Planning Commission and the National Development Council.

22. The Chief Minister stated that it would be generally agreed that the State Plan and the Central Plan should be so devised in different States that the Planned removal or at least moderation of disparity was achieved. Inspite of declarations made time and again over the last 10-15 years that the regional disparities must be brought down, such disparities had, in fact, become wider than before.

23. The Chief Minister observed that agriculture contributed the largest share in the domestic production of India. Agricultural production had however, remained subject to large fluctuations from year to year and enormous sums of money had to be spent not very profitably for relieving distress caused by drought and floods. If agriculture income was to be stable, agriculture must be freed from the vageries of weather by the provision of adequate irrigation. Thus in Bihar the per capita availability of land was also very low, and the unexploited irrigation potential was colossal (about 69 per cent of the total). It would be not only in the interest of the State but of the nation as a whole to do all that was feasible to push ahead ground water irrigation programmes. Another measure that may lend stability to agriculture, particularly in the large riverine areas, was to reduce the incidence of floods which washed away valuable crops or delayed agricultural operations. The Chief Minister suggested that there should be a detailed perspective plan for flood protection in vulnerable areas and effort should be made to implement a substantial part of this programme within the Fifth Plan itself.

24. Referring to the resources, the Chief Minister said that the States would have to mobilise their own budgetary resources to the maximum extent and economise on non-essential and non-development expenditure for ensuring fulfilment of their Plan target. States which were lagging behind in economic development for one reason or the other and whose resource base was, therefore, weak needed generous Central assistance. During the Fourth Plan the Gadgil formula was devised laying down a number of criteria. The Bihar Government had written to the Planning Commission making specific suggestions for introducing further improvements in this formula. The Chief Minister suggested that Bihar's formula alongwith other suggestions that may have been received on this subject should be examined in consultation with the States and a revised formula worked out.

25. The Chief Minister stated that the success in implementing the Fifth Plan of the nation would depend largely on three factors :

(i) the will and determination of the Central and State Govts. to achieve the planned targets and objectives and to mobilise the additional resources needed ;

(ii) adoption and implementation of a policy-frame oriented to the objectives that we need to achieve ; and

(iii) ensuring better coordination of planned programmes at different levels and taking necessary measures for improving the efficiency of administration and management.

He hoped that the Central and all State Governments, regardless of their party affiliations, would bend their energies to the implementation of the Plan. The policy-frame in regard to resource mobilisation, public investment, private investments and savings, black money and income distribution, etc. had no doubt been spelt out by the Planning Commission, but it would be necessary to arrive at concrete decisions to be implemented by the Government and other authorities concerned. There may be need for further consultations between the Centre and the States in regard to some of these matters. There would also be need for a dialogue between the Central agencies and the States in regard to adoption and implementation of the suggestions made for improving the organisational and industrial frame-work and procedures for securing effective implementation of the Plan.

26. On the subject of industrial relations, the Chief Minister stated that unless effective measures were taken for dealing with the menace of strikes and work dislocations there was little hope of improvement in the national output or control over price inflation or implementation of the Fifth Plan programmes. He agreed with the view expressed in the Draft Plan that an equitable system should be established for sharing the gains of the higher productivity in the organised sector and for giving adequate protection to the earnings of workers in the unorganised and depressed sectors of industry. What was however, more important was that a decision should be reached very early at the national level regarding the mode for determining the representative union. There was also need for providing more expeditious arrangements for settlement of the workers' demands and grievances which were not resolved by negotiations between the workers and the management. At the same time determined efforts were required to be made by not only the Central and State Governments but also the organized unions to ensure that there was no disruption of production and movement due to activities of one or the other section of workmen and that they give legitimate public support to Government and the managements in dealing with illegal strikes or indiscipline by individual workmen or a section of them. Disruption of transport or production due to private quarrels among workmen or sections of them should be publicly condemned by all concerned and dealt with firmly by the management under the disciplinary rules as such actions had little or nothing to do with labour-management relations.

27. The present steep rise in the price level was primarily due to a set-back in agricultural production for two successive years resulting in shortage of food-grains and other essential commodities and substantial increase in money supply due to heavy expenditures that had to be incurred on relief measures among other things. The growth of black money over the years had also complicated the situation. While it was generally agreed that public expenditure on unproductive items should be cut down as far as possible, the inflation might get worse if attention was given at the present juncture mainly to restraints on public consumption and credits to the private sector. In the Chief Minister's opinion, it was vitally important that full provision should be made in the Annual Plan for 1974-75 for :

(a) promoting optimum utilization of existing capacities in irrigation, power and other production sectors ; and

(b) accelerating irrigation and power projects or other productive projects that were already in a very advanced stage of construction and development so that the large investments that had already been made should yield results within a year or two.

It would be necessary at the same time to make full provision for pushing ahead new projects at any rate in the power and energy sectors.

28. The Chief Minister also referred to the crash programme for rural employment which, he thought, was being given up. This programme had begun to create an impact on the problem of rural unemployment and the decision to discontinue it altogether should, he suggested, be reconsidered. Similarly, cutting out rural roads from the programmes of special agencies like SFDA, MFAL, DPAP would adversely affect rural employment and on-going projects under these programmes at least should be allowed to be completed.

29. **Shri Chimanbhai Patel**, Chief Minister of Gujarat expressed himself in general agreement with the policy and approach indicated in the Draft Fifth Plan. He stated that in order that the Plan should be able to take care of the rural India, the weaker sections of the society and Adivasis it was necessary to go in a big way and have a bold plan. The Plan implementation organisation would need to be carefully looked into and restructured where necessary. The development of power required to be given the highest priority, for without enough power it would not be possible to develop industry and agriculture. The Chief Minister suggested that the allocation and targets for power should be further stepped up. Agriculture was the basic industry for all industries. In the field of agriculture it was necessary to concentrate firstly on those projects which were on hand so that they could be completed as early as possible and secondly on dry farming technology. The Chief Minister hoped that the award on Narmada would be given soon so that the Stale Government could start building up the dam within a reasonable time and thereby speed up agricultural development.

30. In regard to the production of fertilizers, the Chief Minister suggested that wherever on economic considerations there were possibilities for expansion of the existing capacity or for putting up new units these should be sanctioned without regional considerations.

31. For the educated unemployed, the Chief Minister asked for some provision to be made in the Plan so that the youth coming out of the Universities were provided an opportunity for work. There should also be facilities for training in the industrial and agricultural field.

32. Coming to industrial relations, the Chief Minister suggested that it might be considered whether it was possible to have some agreement with the labour and also with the management and industrialists that there would be no strikes or lock-outs in the Fifth Five Year Plan.

33. **Shri M. Karunanidhi**, Chief Minister of Tamil Nadu endorsed the objectives of removal of poverty and the attainment of self-reliance put forward in the Plan. The Chief Minister pointed out that in the Fourth Plan the actual annual rate of growth was only 3.7 per cent as against the target of 5.7 per cent. He hoped that in the Fifth Plan at least the target would be realised through more effective means of coordination and implementation. The basic goods like steel, cement, coal fertilizers needed to implement the Plan were in short supply. To assume a larger plan without ensuring the availability of these essential goods was to continue the errors of previous plans. It was time that the causes for the shortages of basic goods were looked into and remedied in order to attain higher rates of growth and bring about removal of poverty.

34. The Chief Minister was unhappy over setting apart large outlays for the Central sector in areas such as agriculture, education and health, which were in the State List. These outlays should,

he suggested, be transferred to the State Plans and there should not be any Central sector schemes in subjects, which, under the Constitution, were the responsibility of the State Governments.

35. Turning to the core of the Plan, the Chief Minister stated that in the field of power there had been a serious crisis in recent years which had hampered all economic activities in the country. Unless more power projects were immediately approved and implemented in time, shortage of power would continue for the next ten years. In Tamil Nadu, the only new thermal project which had been cleared was Tuticorin. Even with Tuticorin the State would continue to have shortage of nearly 25 to 30 per cent of its demand in the next ten years. He asked for early clearance for the Mettur Thermal Project or another nuclear project and also provision for the Neyveli second mine-cut and the associated 1000 MW station.

36. Referring to price rise, the Chief Minister said that unless the prices were stabilised during the Fifth Five Year Plan the real rate of growth would be substantially lower than what was being projected. The various monetary and fiscal measures at the Centre indirectly lead to increase in prices and the State Governments had to face the consequences of the price rise without the attendent benefits which the Centre gets through deficit financing or increased excises. One of the factors responsible for price increases was the very high excise imposed by the Centre on basic goods like petrol, steel, cement. It was indicated in the Draft Plan that the increase of taxes proposed in the Plan would contribute to not more than a three per cent of increase in prices. This, in the Chief Minister's view, was an under-estimate. While this may be the direct increase in prices, there was a multiplier effect and the ultimate increase of prices at the consumer level was bound to be far larger. The Chief Minister urged that the scope for reducing the price level by reduction of taxes, especially indirect taxes on commodities of mass consumption, should be explored by the Government of India. For this purpose he suggested the setting up of a Taxation Enquiry Commission. More taxes lead to higher prices and higher wages and a cycle of further increases. Tax evasion also goes on increasing. The whole problem of raising resources for a larger plan from the point of view of a radical transformation of our economy needed to be looked into. The Chief Minister suggested that all production of basic consumer goods should be brought under the commanding control of Government.

37. The Draft Plan contemplated investment of nearly Rs. 14,000 crores in the Central sector under mining and manufacturing, transport and communications. The Chief Minister hoped that a reasonable share of the large investment would be given to his State and provision would be made for the various important projects which the State Government of Tamil Nadu had proposed, such as the second mine-cut at Neyveli, Sethusamudram Project, nuclear power plant at Tuticorin, Oil exploration, a shipyard and industrial refinery at Tuticorin, which were of vital significance to the future economic growth of the State. He pointed out that unless the Neyveli second mine-cut was immediately approved, Tamil Nadu would have a famine in power through the Fifth and Sixth Plans.

38. **Shri Siddhartha Shankar Ray**, Chief Minister, West Bengal strongly criticised the view expressed in some quarters in the country that there should be a Plan pause or plan holiday. The present difficulties were, in his opinion, due largely to the Plan holiday before the Fourth Plan was launched. The Governments at the Centre and in the States should be prepared to face the present difficulties boldly. The Government was committed to bring about economic and social growth in a planned manner through the process of planning.

39. Referring to the expansion of employment opportunities, the Chief Minister stated that the various employment programmes which had been taken up in the Fourth Plan had created considerable enthusiasm in the country. These should be taken as productive schemes and should

be continued in the Fifth Plan.

40. The Chief Minister stated that having regard to the present state of the economy and the need for increased production, it was necessary to ensure that the trade unions as well as the management were properly disciplined. It should be the endeavour of all, irrespective of political affiliation, to see that the production efforts were not jeoparadised in any way. Some suitable machinery should be evolved under the industrial Disputes Act to settle expeditiously the legitimate grievances of the workers and other disputes.

41. The Chief Minister observed that if the inflationary tendency was allowed to continue at the present rate the entire plan would be meaningless. A mechanism for effectively checking price rise had to be evolved. He pointed out that increases in the dearness allowance or in the salary scales of Central Govt. employees had a repercussion in the States and it was difficult to resist the demand of State Govt. employees for similar increases.

42. The Chief Minister pointed out that under the formula for allocation of Central assistance to States during the Fourth Plan, West Bengal was placed in a disadvantageous position *vis-a-vis* other States and this had created some imbalance. He hoped that the first year of the Fifth Plan would be given a good start. He was glad that a special allocation of Rs. 400-500 crores was being set apart for the development of hill areas and tribal areas in the Fifth Plan.

43. **Shri Bansi Lal**, Chief Minister, Haryana referred to the acute shortage of power in his State and asked for larger supply of power from the projects within and outside Haryana to meet the State's requirement. He indicated that Haryana was the first State to accept and implement the recommendations of the Raj Committee on agriculture taxation. He referred to the increase in the dearness allowance of Central Govt. employees and its effect on the finances of the States as the latter found it difficult to resist similar demands from the State Govt. employees. The Chief Minister stated that the strikes and lock-outs were having a very adverse effect on the country's production and it was necessary in the interest of the success of the Plan to consider imposing a ban on strikes and lock-outs for at least a period of five years.

44. **Giani Zail Singh**, Chief Minister. Punjab was glad that the Draft Fifth Plan had given due attention to the development of agriculture. He said that efforts should be made to double the production of foodgrains and ensure their supply to the people at reasonable prices. He suggested that while considering the problem of price rise the Planning Commission should consider how the purchasing capacity of the people could be raised.

45. The Chief Minister pointed out that unless suitable measures were taken to curb the black money, the financial position might get worsened by the parallel economy of the black money. He suggested that either the Government should adopt the course of demonetisation or the people should be asked to disclose their movable assets in the shape of hundred rupee notes, gold and jewellery. The gold and jewellery which was lying with the people unutilised should be available for national development and it could be returned in an appropriate manner and at an appropriate time.

46. The Chief Minister stated that some of the bigger Houses were able to secure industrial licences by establishing new companies with the result that young entrepreneurs were deprived of the opportunities of setting up industries and thus unemployment went on increasing.

47. Unless the targets of production in key sectors like steel, coal, fertilizer, irrigation and power were achieved, the Plan could not be said to have succeeded. For power, the Chief Minister suggested the setting up of a national grid. He also suggested early imposition of ceiling on urban

property as this was the one way to curb black money. The Chief Minister was unhappy over the reduction in the outlay for the Minimum Needs Programme, which had been brought down from the figure of Rs. 3,300 crores given in the Approach document to Rs. 2,800 crores as indicated in the Draft Plan. He also asked for a higher priority to be given to programmes for providing employment.

48. **Shri Achutha Menon**, Chief Minister, Kerala stated that for achieving the objectives that had been laid down for the Plan viz. removal of poverty, lowering of the disparties in income and attaining self-reliance, it was necessary that the size of the Plan should be of the order that had been set out in the Draft Plan. In fixing the total of public outlay of Rs. 37,250 crores, the Draft Plan assumed that more than one-third i.e. Rs. 13,336 crores would accrue by way of current revenue, budgetary surplus of the Government and surplus generated by the public enterprises. To push up public savings to the levels contemplated in the Draft Plan would call for financial discipline and supreme effort at mobilization of resources of an order that had not been achieved or even attempted so far. If the stipulated savings did not take place in the public sector, the Govt. would be compelled to go in for a much larger amount of deficit financing than the amount of Rs. 1000 crores assumed in the Plan and this would result in intensifying the inflationary pressures that already prevailed in the economy. The States were required to raise more than Rs. 2,500 crores within the next five years by way of additional resource mobilization. The resource raising capacity would differ from State to State taking into account the avenues available to them under the Constitution and also the fact that the Central Government had, of late been resorting to stiff dozes of commodity taxation which limited the ability of States in exploiting some of their main fiscal instruments. The Chief Minister was doubtful whether the States could raise such a large amount by way of additional taxes even with their best of efforts. In this context, he suggested that the Planning Commission should have a detailed discussion with each State Government on the scope and capacity to raise further resources before finalising the targets of additional taxation by the different States.

49. The Chief Minister referred to the allocation of investment outlays between the Central Govt. and the State Governments and stated that larger share of the aggregate investment was in the Central sector. Even in a sector like agriculture, which under the Constitution was strictly a State subject, the Centre had retained an allocation of 40 per cent of the aggregate investment. This was not, in the Chief Minister's view, consistant with one of the plan objectives of equalising the spread of development in the country. He suggested the setting up of a Sub-Committee of the National Development Council to examine this vital aspect and lay down proper rationale and guidelines for the allocations of Central investments keeping in view the primary need to bring out rapid development of the backward regions in the country.

50. On the question of principles for the distribution of Central assistance, the Chief Minister desired that in case it was proposed to reconsider the Gadgil formula the matter should be referred to a Committee of the National Development Council and a collective formula evolved.

51. In regard to the Minimum Needs Programme the Chief Minister suggested that some flexibility should be allowed to the States so as to enable them to draw up their own Plan schemes on the basis of felt priorities. Insisting on uniformity in the pattern of the Minimum Needs Programmes was bound to come into conflict with regional priorities because situations differed from State to State. Referring to the tribal area development programme, the Chief Minister stated that the Kerala Government had made a detailed study of the problems and had submitted to the Planning Commission a concrete programme for tribal area development. He hoped that the Planning Commission would provide adequate Central assistance to enable the State Govt. to implement

the programme.

52. Regarding the financing pattern of some of the special schemes, the Chief Minister stated that it appeared from the Draft Plan that certain schemes were to be financed partly by the Centre and partly by the States on a matching basis. If schemes which used to be financed fully by the Centre were now sought to be financed by the Centre and States on a matching basis that would add to the burden of the States. He urged that the anti-sea erosion scheme in Kerala should be included in the Central sector for the purpose of financing.

53. The Chief Minister stated that he did not find any clear and coherent implementational frame-work in the Plan document. The document did not indicate how the price stability would be brought about and inflationary financing minimised. In his opinion the only solution was to bring out a nation-wide public distribution of essential commodities at controlled prices. Though the Draft Plan had mentioned this idea, there was no specific expression of whole-hearted commitment towards such a public policy. The imperatives of the present situation demanded a determined effort to achieve a growth rate of not less than 5.5 per cent per annum alongwith an equitable distribution of the gross national product between the investment and rising consumption of the 30 per cent of the lowest income strata. In order to achieve this, the strategy outlined in the Plan document was confined to (a) investment in agriculture, rural industries and allied sectors where the low income group could be employed; (b) enhancement of the outlays in construction again as a means of bringing into the employment group people who were wholly or partly unemployed; and (c) increasing the wage share in the organised sector by reducing the consumption of the owners of property. The document was silent on the basic question of transfer of the source of income, namely, ownership of property and means of distribution from private hands to community.

54. The Chief Minister said that it would not be necessary to go through an irksome process of taxation and develop a costly apparatus for dealing with tax evasion and black money if the very right for accrual of income in the corporate sector was transferred from private hands to the community. This transfer could only be carried out in a phased manner and on a selective basis to start with. But the Plan should incorporate the strategy of transfer of ownership as a means of increasing the mobilization of resources in the public sector as a means of avoiding evasion of taxes and as a means of ensuring the efficient growth of a public distribution system. He suggested that a start could be made with the transfer of ownership of metallurgical industries, cement, paper, textiles and sugar in the areas of household consumption. Similtaneously there should also be a transfer of ownership of urban property.

55. Coming to the question of wage policy in public administration, the Chief Minister drew attention to the repercussion which the Report of the Third Pay Commission and the decisions of the Central Govt. thereon would have in the States. In his opinion, a better way would have been if a formula or a method was evolved for compensating for the increased cost of living of Government employees, both Central and State Govt. together.

56. In the end, the Chief Minister expressed his full support to the Draft Plan and hoped that the points made by him would be duly taken into consideration.

57. Referring to the point made by the Chief Minister of Tamil Nadu and Kerala about greater allocation having been made in the Central sector of agriculture the Prime Minister stated that the amount in the Central sector for the Fifth Plan was marginally lower in terms of percentage than it was in the Fourth Plan. Further most of these funds were in the nature of re-financing funds to assist the State Plans e.g. funds provided for Agriculture Refinance Corporation, agricultural

research, command area development, land reforms and central support for the Small Farmers Development Agency, Drought Prone Area Programme, Agro-Industries Corporation, State Warehousing Corporation, etc. In any case, the Planning Commission would take another look on this and see whether any funds could be diverted to the States.

58. **Shri V. P. Naik**, Chief Minister, Maharashtra expressed satisfaction that in the Draft Fifth Plan significant emphasis had been given to the problem of implementation, the welfare of the weaker sections of the community, the needs of backward, hilly and tribal areas and particularly to the completion of those schemes which would subserve the objectives of removal of poverty and achievement of self-reliance. The Draft Plan envisaged substantially higher output of goods of mass consumption which would ensure a higher per capita availability and also help stabilise prices. A positive shape had been given to the concept of participation of the people and due emphasis had been given to the concept of multi-level planning.

59. Referring to the need for spelling out a more proper relationship between the inescapable objectives set out in the Plan and the programmes or projects through which these objectives were proposed to be realised, the Chief Minister stated that the Draft Plan did not specify very clearly the time horizon within which the objective of removal of poverty was to be achieved. In the Chief Minister's view, the only remedy for direct attack on poverty and for the removal of unemployment, under-employment or thin employment was a guarantee of work. As a part of the 15 Point Programme, the Maharashtra Government had given a guarantee of employment to all able-bodied persons in rural areas willing to render un-skilled labour for a reasonable wage. The Chief Minister suggested that a massive employment programme on the lines of Employment Guarantee Scheme of Maharashtra should form an integral part of the National Programme of Minimum Needs. It was imperative to find funds by any means for employment of at least 5 lakh persons on average per day. The cost implication of this was Rs. 150 to 200 crores over the five year period.

60. The Chief Minister pointed out that based on the projections of the growth model in the document it was estimated that about 45 per cent of the papulation was likely to be below the poverty line. The Draft Plan did not, however, indicate the total percentage of population below the poverty line nor did it estimate the proportion of population which would be lifted above the poverty line by the end of Fifth Plan. The Plan was extremely concerned about lifting the bottom 30 per cent of the population above the poverty line but was silent with regard to the intermediate group of 15 per cent i.e. 45 per cent as estimated now and the bottom 30 per cent. The Chief Minister considered that the investment outlays on sectors like agriculture, irrigation, rural electrification, village industries, which could provide large employment opportunities for the rural population, were too inadequate to realise the assumptions made in the Plan document that the additions to the rural labour force would be absorbed in agriculture and allied activities. The disparities in the growth of agriculture and irrigation in the different parts of the country were great. The investment pattern suggested in the Plan should, the Chief Minister suggested, be changed so as to provide substantially larger outlays for rural developmental activities. Otherwise, the present trend of migration to urban areas could not be averted. Small urban areas were growth centres which had a high potential for employment opportunities. Adequate infra-structural facilities would have to be provided for such centres for dispersal of industries.

61. The Plan identified certain drought prone districts and projected a programme for making these areas drought proof. The Chief Minister suggested that, in addition to these areas which had been identified, there were extensive areas which were susceptible to drought conditions periodically. The investment in agriculture, minor irrigation and soil conservation, with a view to making these

areas also drought proof, should form a part of the Central sector of the Plan as in the case of the provisions made for identified drought-prone areas.

62. Referring to the programme relating to the provision of house sites, the Chief Minister stated that this programme, which was in the Central sector and which made positive dent in the conditions of the landless people in several States, had now been made a part of the Minimum Needs Programme which was in the State's sector. The landless people in some States constituted 40 to 50 per cent of the agricultural population and it would be beyond the resources of the States to provide for any impact making programme for such persons unless larger resources were made available. Similarly, adequate provision had not been made with regard to the programme for construction of houses for the landless persons. The Chief Minister hoped that for the development of hilly and tribal areas substantial provision would be made in the Central sector.

63. Referring to the problem of Bombay where conditions had been deteriorating slowly over the last two decades, the Chief Minister stated that a detailed memorandum had been submitted to the Planning Commission and he expressed the hope that after the Working Group, which had been constituted, had gone into the matter in all its aspects, adequate financial provisions would be made for the improvement of Bombay.

64. On the question of financial resources, the Chief Minister observed that while estimating the resources for public sector in the Fifth Plan the break-up as between the Centre and the States had not been given in regard to the market borrowings. Over the last several years, the Centre had been appropriating an increasingly larger share of the market loans at the cost of requirements of the States. Since the States had to bear the brunt of the programmes for removal of poverty, it was essential, in the Chief Minister's view, that the market borrowings were equally divided between the States and the Centre. He also asked for a uniform policy of taxation in all States or at least in the neighbouring States so that there was no disparity in the rates of taxes. Only in this way would it be possible for a State to levy a heavy tax on luxury goods and thereby raise revenues. The Chief Minister suggested that a meeting of Chief Ministers or Finance Ministers may be called to consider a new taxation policy which should enable Government to raise more resources and also help to stop the future generation of black money in the economy. In his view Government should take over all production and have a systematic distribution system so that black money was not generated and wholesalers and semi-wholesalers were eliminated.

65. The Chief Minister stressed the need for stepping up agriculture production in order to make the country self-sufficient in foodgrains, bring down the industrial cost and improve the balance of payments position. The Chief Minister added that even though a sizeable area of Maharashtra State was periodically affected by drought, the State Government would make its best endeavour to step up its peak target of food-grains production in 1978-79 from 85 lakh tonnes as shown in the Draft Fifth Plan to 105 lakh tonnes, which would make the State almost self-sufficient in foodgrains. He hoped that the Government of India would help the State Government in this task by allocating the necessary quantities of fertilizers and pesticides for sustaining this production. The Chief Minister stated that the targets of Cooperative development prescribed for Maharashtra was low and could be stepped up significantly since Maharashtra was one of the few States in which the Cooperative movement had been highly developed and various measures had been taken by the State Government for improving and streamlining the administration of cooperative societies.

66. The Chief Minister pointed out that the frequent visits of drought in Maharashtra showed that agriculture in this State continued to be vulnerable to the vagaries of the monsoon. It was, therefore, imperative that all utilisable water resources of the State were fully exploited in the shortest possible

time. For the attainment of this objective, the Chief Minister asked for a minimum provision of Rs. 500 crores in the Fifth Plan. As regards power, the Chief Minister asked for Centre's approval to the extension of the Khaperkheda and Parli Power Stations (120 MW) each and the commissioning of the Chandrapur and Umred Thermal Power stations and pending hydro-power projects. He also suggested that the Koradi-Kalwa Scheme should be a Central sector scheme because it would be part of the Inter-State Grid. The Chief Minister also asked for the expansion of Tarapore Atomic Power Station and establishment of a new atomic station near Bhima project.

67. In the field of industry and minerals, the Chief Minister made the following suggestions :

(i) In view of serious shortage and high prices of naptha and fuel oil, the question of setting up coal-based fertilizer plants should be actively pursued. However, in view of the substantially higher initial investment involved, it would be necessary to give a few incentives like captive coal mines, higher depreciation allowance, reduction in excise duty exemption from customs duty on imported machinery and equipment, subsidisation on electricity tariff, etc.

(ii) Provision for the Ratnagiri Aluminium project, which had been included in the Fifth Plan, should be stepped up from Rs. 50 crores to Rs. 80 crores, not only because the project would require at least 55 months for completion but also because it was necessary to avoid escalation of the costs which would be inevitable if the construction of the project was spread over a long period of seven to eight years.

(iii) In view of the need for advance action on long gestation projects, action to set up a steel plant in Chandrapur, which had large and rich iron ore deposits, should be taken up. A definite provision should be made for this project and action on the integrated steel plant be taken on a priority basis so that the construction work could begin in the Fifth Plan and the production could commence from the beginning of the sixth Plan.

(iv) With a view to meeting the deficit in coal consumption by the Maharashtra State Electricity Board, the State Government would have to take the responsibility for manning 3 million tonnes of coal through the State Mineral Development Corporation. For this, the proposed provision of Rs. 50 lakhs would need to be stepped up.

(v) A meeting of the Chief Ministers and State Labour Ministers should be convened at an early date so as to evolve a new national Labour Policy.

68. Dealing with the transport sector, the Chief Minister stated that the provision made for new railway lines was very inadequate with the result that there would be not much of a prospect of completing even a part of the two strategic railway lines sanctioned for Maharashtra i.e. Konkan Railway and Vani-Chanaka line. There was also no provision for conversion of metre gauge lines into broad gauge lines with the result that two such schemes which were sanctioned in 1972-73 to relieve the unprecedented drought i.e. Manmad-Parli and Miraj-Latur lines would have to go by default. The Chief Minister was unhappy about the decision indicated in the Plan to restrict the outlay in Inland Water Transport to schemes sponsored by the Inland Water Transport Committee 1970 (Bhagwati Committee). He pleaded for a revision of the Government of India's policy so that it may be possible to develop good and useful passenger ferry services in many areas of Maharashtra without restricting it to projects sponsored by the Committee. In view of the increased demands of public transport, the provisions indicated in the Plan for this sector were inadequate. It was necessary, in the Chief Minister's view, to provide for public borrowings by State Transport Corporations outside the State ceilings to increase the availability of funds for expansion of such transport.

69. While appreciating the importance being given in the Plan to the National Programme of Minimum Needs, the Chief Minister stated that the effect of this programme would be considerably diluted and distorted if a rigid adherence to the norms and programmes specified was insisted on. He suggested that the scope and initiative in the effective implementation of this programme should be left to the State Governments. While determining outlays for rural water supply under the Minimum Needs Programme a higher priority should be given to States with large tracts prone to drought.

70. Laying stress on the concept of district planning, the Chief Minister said that district should be the unit of planning and in this way it would be possible to develop the backward districts and areas.

71. The Chief Minister observed that since the major responsibility for meeting the challenge and realising the objective of removal of poverty and self-reliance fell on the States, it was logical that Plan outlay for the States was proportionately enhanced. He expressed his confidence that the country, under the leadership of the Prime Minister, would not merely accept the challenge but also come successfully out of it. He assured the full cooperation of the Government and the people of Maharashtra in this task.

72. **Shri Syed Mir Qasim**, Chief Minister, Jammu & Kashmir stated that inspite of the set-back in development because of war the country was on its way to progress and it was prepared, under the leadership of the Prime Minister, to face the difficulties.

73. The Chief Minister agreed that it was necessary to develop the core sector along with production of essential goods of mass consumption, particularly in the village and small-scale sector which helped to provide large employment. The consumption of mass consumption goods had increased during the last few years and would go up further in the coming years, which showed that the fruits of development had started reaching the weaker sections of the society.

74. The Chief Minister stated that Jammu & Kashmir was an under-developed State and should be helped with adequate outlays so that things in the field of agriculture and industry, for which the State was dependent on other States, were produced within the State itself. He urged that in allocating Central assistance, the backward areas and States should be given special consideration. There were many inaccessible areas in Ladakh for which there was no direct road approach. The cost of construction and material was much more in Ladakh compared to that in the valley. These factors had to be taken into account in fixing the physical targets and the financial allocation for projects and programmes in Ladakh. The border States and border areas had to share extra responsibility like maintenance of security police, which imposed an unavoidable burden of non-plan expenditure. This factor should also be borne in mind while making allocations.

75. Referring to the problem of unemployment among the educated, the Chief Minister stated that the special programmes started in the Fourth Plan should be continued as it was the responsibility of the State to provide employment to the youth.

76. **Shri D. Devaraj Urs**, Chief Minister, Karnataka stated that the Draft Fifth Plan embodied the country's determination to achieve the two goals of removal of poverty and self-reliance. The good kharif crop and the signs of industrial production picking up during the first half of the current year had given greater confidence in facing the task ahead. He expressed his appreciation of the efforts put in by the Planning Commission in preparing the Draft Fifth Plan keeping in view the pressing needs of the country. The rise in prices was because of shortfalls in production, lack of a proper distribution system, prevalence of black money and, to some extent, because of the pricing

policy followed. Shortfalls in production need to be taken care of by making all possible arrangements for full utilization of capacity in different sectors—public, cooperative and private. A realignment of the credit policies of commercial banks was necessary to make them conform strictly to national priorities. It was essential that a satisfactory public distribution system should be quickly established because otherwise even with increased production it might be difficult to bring down the prices.

77. The Chief Minister stated that because of the protection given to industries many of them had not cared to modernise their plants by ploughing back the profits for further investment. The unfortunate result of the dual price policy had been to protect inefficient producers. A more rational approach was, in the Chief Minister's view, to take control of the distribution of the entire production. The need to generate more employment, together with maintaining a flow of goods and services, should be kept in view in taking decisions on cuts in developmental expenditure. One of the major causes for the present difficulties was the existence of high idle capacity in many sectors, both in industry and in agriculture. High irrigation potential had been created but it was not fully utilised. In the manufacturing sector, un-utilized capacity was as high as 80 per cent in many items including some agro-industries. For over-coming shortages and holding prices every effort must be made to achieve full capacity utilization.

78. Referring to the distribution of public sector outlays between the Centre and the States, the Chief Minister pointed out that out of the total public sector outlay of Rs. 36,650 crores excluding Rs. 600 crores shown for Union Territories, the Central outlays amounted to Rs. 19,577 crores accounting for nearly 54 per cent. While the Central investments had, no doubt, a role in achieving national objectives of development, the Chief Minister was not happy over the Centre making huge investments and building up large parallel organisations at the Centre for subjects like agriculture, education and social welfare, which were State subjects. This needed to be looked into. The Centre should confine itself to laying down broad policies in these matters and allow the States a larger leeway in determining programmes and their implementation. The Chief Minister suggested that this distribution of public sector outlays should be reconsidered and more outlays should be given to the States.

79. The Chief Minister referred to the recent international development in the field of oil, and stated that against this background it was necessary for the Government of India to reshape its policy regarding oil exploration and imports. Every effort should be made to improve the competence of our own exploratory activities taking advantage of any foreign collaboration which may be forthcoming from friendly countries. On the fertiliser front, a similar situation obtained in the country. The gap between demand and availability of chemical fertilizers had seriously widened. In this connection, the Chief Minister welcomed the Indo-Soviet and Indo-Czech joint agreements. The offer of assistance for raising the output of basic items like steel, oil, power, newsprint over a perspective of 15 years in exchange for the sale of Indian goods had opened a vista for development through trade instead of depending on aid only.

80. Referring to the drought prone areas in the country, the Chief Minister pointed out that the recurrence of droughts in as many as 12 States of the country affecting nearly 200 million people in 1972-73 had thrown productive activity and budgetary policies of the Centre and the States out of gear. If the irrigation potential in the drought-prone States had been exploited fully, it should have been possible to accomplish with the same amount, a considerable security against drought. The target of foodgrains production could also have been maintained. Apart from the vagaries of the weather, the improper use and management of water resources had added to this situation. All-out efforts were necessary to complete a number of irrigation projects, especially those which were in

progress, as quickly as possible. If this was done, the production of foodgrains, cotton and oil seeds could rise as per the plan projections and plan perspective. In order to get an adequate direct return from the irrigation projects, revenue from water rates and betterment levy should be increased and collected.

81. The other primary need for stimulating industrial production and maintaining the buoyancy in the economy was power. During the Fourth Plan there was a big gap between the physical targets and achievements, the shortfall being of the order of nearly 35 per cent. The shortfall in achievements and low capacity utilization had resulted in decline in agricultural and industrial output.

82. Referring to his own State, the Chief Minister stated that in Karnataka it should be possible to bring under irrigation about 5 lakh hectares of additional land during the Fifth Plan period if the water resources of the States were allowed to be fully developed with an investment of about Rs. 350 crores on major and medium projects. In the matter of exports, Karnataka could make a significant contribution in silk fabrics besides cotton and oil seeds. Karnataka produced 80 per cent of the raw silk in the country and could step up the exports if the Sericulture industry could get all the assistance it needed. Apart from its contribution in improving the balance of payments position, it had a very high employment potential. Karnataka had the potential for generating 5500 MW of cheap power. To exploit this the State would require about Rs. 800 crores. By providing this amount the country could ward off a power crisis for a long time to come. When the capital was scarce, such resources should be utilized in areas where generation of cheap power was possible and priority should be given for completion of all such cheap power projects. There were 442 irrigation schemes in the country with an ultimate potential of 145 lakh hectares, of which only 80 lakh hectares had been utilized. By merely fully utilising these projects, it should be possible to bring another 65 lakh hectares under irrigation. The Chief Minister stressed the importance of developing small-scale industries and handloom industry. Handloom industry had a very high employment potential, particularly for the weaker sections of the society. Mill-made dhotis and sarees offer an unfair competition to them. In the Fifth Plan out of the target of 10,000 million metres of cotton cloth, the share of handloom was only 3000 million metres. The Chief Minister urged that a bold step should be taken to reserve the entire production of dhotis and sarees for the handloom sector and the number of varieties of cloth allowed in the domestic market for the mill sector should be reduced.

83. The Chief Minister pointed out that the Draft Plan did not give any idea of how much employment would be generated by the Plan outlays. The major cause of poverty was large scale unemployment and under-employment. The Chief Minister stated that it should be possible to introduce an employment guarantee scheme in rural areas by which any one wanting work could earn Rs. 3 per day and it should be possible to employ more people on productive works as a part of normal development than had been possible in the past. Adequate number of productive rural works should be investigated in advance so that they could be taken up at short notice whenever there was failure of monsoon and the need for employment was more than in a normal season. Relevant skills would also have to be imparted in an organized manner as part of a system of on-the-job training so that the persons could improve their employability and become fit to seek better jobs in the normal way in the open market. The land army could play an increasingly useful role in this context.

84. Speaking on the implementation aspect of the Plan, the Chief Minister said that a new generation of administrators should be trained and equipped with the techniques necessary to handle the over-growing complexities of planning and implementation. A thorough restructuring of education to eliminate the maladjustments between the supply of the educated and the need for

them was urgently required. There was no point in expanding the present system of higher education. Efforts were required for improving the quality of education and for integrated education with work. This was possible by securing utmost coordination between industry and agriculture on the one hand and the universities on the other. If a policy of growth with redistributive justice was to be vigorously followed, the frame work of an income policy that should go along with it should be clearly spelt out.

85. The Chief Minister pointed out that at a time when resources were scarce and when efforts were being made to reduce income disparities, the action of the Central Govt. in raising the rates of pay of Central Govt. employees without consideration of the repercussion on State employees and unorganized labour would have serious consequences on the nation as a whole. The Chief Minister observed that sufficient emphasis had not been placed in the Plan on the role of the radio and the television. He strongly supported increase in the provision for both these sectors because for the successful implementation of the Plan it was necessary to reach as large a number of people as possible.

86. Referring to the Finance Ministry's note on additional resource mobilization by the States, the Chief Minister stated that some of the States which had made the required effort in the past had suffered either in receipt of Central assistance or under-dispensations of the Finance Commission. He requested that in fixing the targets for mobilisation of additional resources and in determining the quantum of Central assistance this aspect should be kept in view.

87. **Shri Hokishe Sema**, Chief Minister, Nagaland stated that the Draft Plan had rightly emphasized that growth and social justice must go hand in hand. The 'minimum needs' approach had also recognised that first priority must be assigned to the consumption needs of the people living below the poverty line. The declared objective of the Fifth Plan to improve the quality of life of the tribals and other backward people and to narrow down the gap between levels of development would encourage States like Nagaland with large tribal population to more sustained efforts to build rapidly on the basic structure that had been provided during the Fourth Plan period. The Chief Minister suggested that the concept of self-reliance should be given a larger dimension and the various backward parts in the country should be provided with the required infrastructure facilities so that they do not become a drag on the prosperity of the country as a whole. In addition to ensuring that public investment follow the broad pattern of priorities accepted in the Plan, special measures would be necessary to ensure that a proportionate share of the substantial investment of over Rs. 16,000 crores envisaged for the private sector also flows into the backward regions. Some important steps in this direction, such as the transport and capital subsidies and the all-India uniform prices for steel, etc., had been taken, but the Fourth Plan experience had shown that these had not provided sufficient incentives to private entrepreneurs to invest capital in the Hill tribal areas of the North-East region. Some additional incentives like special tax concessions, both in direct and indirect taxes, to new industrial units set up in the region for a reasonable time of say 10 years were necessary. Such industries might also be allowed special quotas of scarce raw materials required both during the construction stage and in the manufacturing process. The financial institutions, including the nationalized banks, should also relax their normal lending terms not only in regard to rates of interest but also in respect of the security cover. These concessions should be announced well in advance of the commencement of the Fifth Plan period.

88. Referring to the need for improvement in the communication link between the North-East region and the rest of the country, the Chief Minister asked for the road and railway line to be connected not only upto Gauhati, as suggested by the Chief Minister of Assam, but right upto

Dimapur. It would serve Manipur, Nagaland and Arunachal Pradesh. The Chief Minister pointed out that new industrial units in the area would not be economically viable unless the means for transport and the raw materials and finished products were provided at reasonable cost. The North-East region including Nagaland had, in addition to other untapped mineral resources, enough potentialities for exploration and exploitation of petroleum. The entire Eastern region had potentialities for power.

89. Referring to the manpower deficiencies in Nagaland, which was perhaps the most important single factor in slowing down the development process in this area, the Chief Minister suggested that a substantial portion of the proposed outlay of Rs. 85 crores in the Central sector for welfare of backward classes should be earmarked for setting up a training institute for tribal boys and girls. He also suggested that the Union Government and the Governments of more advanced States should agree to depute experienced technical personnel for working in the tribal areas and other backward areas and there should also be provision in the Central sector of the Plan for financing expenditure involved in making available the services of such persons to work in remote and difficult areas.

90. The Chief Minister supported the proposed system of dual pricing for essential commodities, such as foodgrains, sugar and edible oils so as to protect the vulnerable sections of the population, particularly those living below the poverty line. He assured that the Government of Nagaland would gear up the public distribution system so as to make this policy effective.

91. **Shri Williamson A. Sangma**, Chief Minister, Meghalaya stated that the Draft Fifth Five Year Plan provided a realistic model for the growth of national income He expressed himself in full agreement with the objectives and the strategy as contained in the Draft Plan and assured the full support of his State Government in achieving and fulfilling the objectives and the targets laid down in the Plan.

92. Referring to the problem of shifting cultivation, the Chief Minister stated that forests were being destroyed because of the extensive 'jhum' cultivation. He stressed the need for taking up a suitable programme to tackle this problem. The villages in Meghalaya, where 'jhum' cultivation was being carried out, were very small and were sparsely populated. In order to carry out any scheme, whether it related to providing a school or water supply, it was necessary to group these small scattered villages.

93. The Chief Minister supported the request made by the Chief Minister of Assam for construction of a railway line in the North-East region, as provision of infrastructure in the form of transport facilities was a prerequisite for development in any State. He was glad that for the hill and tribal areas additional allocations of Central funds would be made for the execution of integrated area development plans. He hoped that the financial allocations and the programmes for the tribal areas would be such as would bring the level of development in these areas to the level of advanced areas within the next Plan period. He suggested that in the industrially backward areas with rich natural resources the Centre should put up, jointly with the State Governments, industrial and power projects. He hoped that the North-Eastern Council, which had been set up with a view to accelerating the development process in the region as a whole, would provide adequate outlays for financing schemes of inter-State and regional importance in the region.

94. On the question of pattern of Central assistance to States, the Chief Minister stated that for the Fourth Plan the National Development Council had decided that financial assistance to States would be released on block loan and block grant basis and the States would be free to make adjustments and modifications in the Schemes within the overall framework of national priorities except for the earmarked sectors and schemes. He hoped that the same procedure would be

followed in the Fifth Plan.

95. **Dr. Y. S. Parmar**, Chief Minister, Himachal Pradesh stated that he agreed with the growth rate of 5.5 per cent assumed in the Plan document, but to achieve this growth rate considerable sacrifices and self-discipline were called for. The administrative machinery would have to be geared up and the strikes and labour problem would have to be handled firmly.

96. Referring to the need for the protection and conservation of forests, the Chief Minister stated that for conserving water and avoiding soil erosion protection of forests was very necessary. The Chief Minister was glad that a special allocation was being set apart in the Fifth Plan for the development of hill and tribal areas to supplement the effort and resources of the State Governments concerned in this respect.

97. Coming to the industrial sector, the Chief Minister expressed his dissatisfaction at the inadequate provision in this sector for the hills. A newsprint plant was proposed to be set up in Himachal Pradesh and for this letter of intent had also been issued to a private party. He requested that provision for this project should be included in the Fifth Plan. Looking at the outlays provided for hydro-electric power it appeared to the Chief Minister that hydro-electric schemes had been given a somewhat lower priority on account of heavy cost involved and longer gestation period. The Chief Minister cautioned against placing excessive reliance on thermal power plants. Coal resources, however large they may be, were not inexhaustible or self-generating and as such there was need for conserving them. It would be better, in the Chief Minister's view, to take up as many hydro projects as possible so that maximum benefit could be obtained from the flowing water for generating power. The Chief Minister was glad that it had been agreed that large hydel schemes would be planned on a regional basis and the usual pattern of financing would be adopted. A 1500 MW project was proposed to be taken up in Himachal Pradesh and the Chief Minister presumed that the resources which Himachal Pradesh and other States would be required to contribute would be in line with the agreement that had been reached. He also stressed the need for extending broad gauge railway line and also facility for air transport in Himachal Pradesh.

98. Referring to the frequent demands of employees for increases in pay and allowances consequent on rising prices, the Chief Minister suggested that instead of allowing occasional increases in pay and allowances it would be better to make basic necessities of life available to employees at reasonable prices.

99. **Shri S. Sen Gupta**, Chief Minister, Tripura stated that the main cause for the price rise had been the shortage of foodgrains in the country which had been the result of unfavorable climatic conditions. The prospects of a bumper kharif crop this year had already slowed down the rise in prices, and in view of the different economy measures taken up by the Central and State Governments, at the instance of the Union Ministry of Finance, the prices were likely to stabilise at or about the present level. The Chief Minister observed that considering the fact that the overall growth rate during the Fourth Plan period was about 3.7 per cent per annum, the achievement of 5.5 per cent annual rate of growth during the Fifth Plan would call for a much higher level of investment and unless investment projects were executed efficiently the desired rate of growth may not be achieved. The Planning Commission had rightly underlined the importance of raising resources for the Plan through non-inflationary measures. It had also been quite appropriate to lay stress on augmenting the production of mass consumption goods and the development of the core sectors, that is, steel, coal, oil, cement, fertilizers, power, etc.

100. The Chief Minister said that as pointed out in the Draft Plan the creation of employment was

going to be the single most important challenge to development planning in the country. In Tripura because of migration of displaced persons from the erstwhile East Pakistan now Bangladesh, the population of the State had increased by 150 per cent over the last two decades and this had led to a serious structural imbalance in the economy. Pressure on land was so high and the average size of operational holding was so low that the scope for extending employment opportunities in the agricultural sector was becoming more and more limited. Uptil now employment for the educated youths had been available only in the service sector, but likely expansion of this sector in the coming years would be utterly inadequate to match the rising number of job seekers in the State. It was, therefore, necessary to bring about a significant change in the structure of the State's economy by setting up some large and medium scale industries besides expanding the small-scale industries sector. The industries that were proposed to be started in Tripura would produce consumption goods like paper, sugar and jute goods in the large and medium scale sector and cloth, processed fruit products, utencils, foot wear, glass ware, etc. in the small-scale industries sector. These industries would not only generate more employment opportunities but would also augment the supply of essential consumption goods in the State.

101. The Chief Minister stated that the Government of Tripura, while stressing the need for undertaking an industrialisation programme, had given equal importance to the development of agriculture and forestry in the State. This would help in diversifying the agricultural economy and employment opportunities in the State. Similarly, the afforestation programme in the State was proposed to be stepped up for increasing forest products as well as for meeting the problem of shifting cultivation through popularising ‘Taungya’ system of plantation in the State.

102. The Chief Minister pointed out that Tripura had a large number of scheduled tribe and scheduled caste population. As much as 68 per cent of the State's population was living below the poverty line. The Minimum Needs Programme had got a very special relevance to the State of Tripura and as such special emphasis was being given by the State for carrying out this programme with all determination.

103. The Chief Minister stated that successful implementation of different schemes and projects in the Fifth Plan for Tripura would depend on the expansion of infrastructure of the State. The State had practically no railway line excepting a short stretch of about 17 Kilometers. Roads also were few and not fully developed to meet the needs of agriculture, forest and industries. Available power supply was also meagre. The Chief Minister stressed the need for the development of the State's infrastructure, particularly the expansion of railway lines, roads and power supply.

104. The Chief Minister assured that the State Government would do its best to exercise utmost economy in non-plan expenditure and to find out some ways for mobilizing resources locally for the Plan, but the scope for raising additional resources in the State was very limited. He hoped that the State Government would be helped with adequate Central assistance to carry out the proposed development projects in the State during the Fifth Five Year Plan period.

105. The Chief Minister expressed himself in full agreement with the steps outlined in the Draft Plan for improving the implementation process. The State Govt. had adopted measures to remove weaknesses in organisational structure of the planning machinery of the State and to streamline procedures to avoid delay in executing Plan projects. An effective monitoring and evaluation system was also being set up at various levels so that the State could fully realise planned targets in every sector of the State's economy.

106. **Shri P. C. Sethi**, Chief Minister, Madhya Pradesh stated that the Draft Plan had taken into

account the two cardinal objectives of removal of poverty and attainment of economic self-reliance. In addition to the above objectives, it had laid emphasis on the provision of full employment and adoption of special measures and policies for the accelerated development of the regions and communities which had hitherto lagged behind. This should start the process of narrowing down the disparities between the various regions and the classes. The rate of growth of 5.5 per cent. i.e. 3.89 per cent for agriculture and 8.1 per cent for industries, was the absolute minimum. It was unfortunate that in the Fourth Plan the postulated growth rate of 5.7 per cent could not be achieved; it was around only 3.7 per cent. The postulated growth rate of 5.5 per cent for the Fifth Plan was not beyond the nation's capacity but it would require rigorous discipline in all sectors.

107. The Chief Minister stated that while mention had been made in the Plan document that special attention should be paid to build up infra-structure in back-ward areas, but no special programmes and outlays had been indicated for the purpose. Lack of transport facility had been the most important factor which had been retarding the development of backward areas. In Madhya Pradesh, there were as many as 14 districts which had no railway facility worth the name. In the Chief Minister's view, a State like Madhya Pradesh, which had got very limited surface road mileage, should be considered as a special case for the purpose of allocating funds for road development.

108. The Chief Minister suggested that greater reliance and emphasis should be placed on setting up coal-based fertilizer plants. In view of the recent international developments in the field of oil, it was imperative that more coal-based fertilizers should be manufactured in order to free the vital sector of agriculture from the uncertainties of international politics. The Central India coal fields offer strategic and suitable sites for coal-based fertilizer plants and measures should be initiated to set up these fertilizer plants. Referring to the development of power, the Chief Minister stated that power was not only the king-pin of industry but also the life line of agriculture. It should, therefore, be ensured that the gap between the demand and supply of power was bridged. On techno-economic considerations, pit-head power stations or super thermal stations were the only choice before us. The Chief Minister wanted an action plan for the proper use of the extensive low grade coal fields of Patha-Khode-Pench Valley, Korba and Singrauli coal belt in Madhya Pradesh. Referring to the Minimum Needs Programme the Chief Minister asked for a higher allocation for water supply in his State.

109. **Shri Harideo Joshi**, Chief Minister, Rajasthan stated that the Draft Plan did not indicate the size of Plans of individual States and of outlays of different sectors within the State Plans, nor did it give a picture of the Central assistance to the States. He hoped that a decision on this would be taken early so that advance action for the implementation of the Fifth Plan may be initiated by the States. Since Rajasthan was a comparatively backward State, the rate of investment in the State would need to be raised in order that its per capita income should come up to the national average. The Chief Minister suggested that while determining the size of Plans of backward States, their available resources and need should be taken into account, and the extent of backwardness of a State should be one of the main criteria for fixing the amount of Central assistance. In this context, he also suggested that while formulating the Centrally sponsored programme, States should be consulted by the concerned Ministries and the Planning Commission.

110. Referring to the Rajasthan Canal Project, the Chief Minister stated that for want of adequate resources, this project had been going slow. As it had a great potential, it needed to be completed as early as possible. The State was rich in mineral resources. Rock phosphate was available in Rajasthan in large quantity and was considered to be a high quality mineral. The Chief Minister suggested that a fertilizer complex based on this mineral should be set up in Rajasthan as early as

possible and the survey work on existing mineral resources should be speeded up so that they could be developed to the maximum extent possible.

111. The Chief Minister suggested that in considering the policy for mobilising of resources, the potentialities and possibilities of every State should be kept in view. Commending the national Programme of Minimum Needs, he stated that the backward States, which were really in need of such programmes, did not have the strength to bear the financial burden and would, therefore, require more financial assistance to implement these programmes.

112. Stressing the need to check price rise and inflation, the Chief Minister stated that it was necessary to strengthen and expand the public distribution system and to evolve a system to provide essential goods at fair prices to vulnerable sections of the society. The industrial licensing policy should provide suitable incentives for encouraging the setting up of industries in backward areas. The Chief Minister expressed his confidence in the country's capacity to successfully implement the Fifth Five Year Plan and march forward in the direction of socialism and economic self-reliance.

113. **Shri M. O. H. Farooq**, Chief Minister, Pondicherry stated that in a small Union Territory like Pondicherry the possibilities of raising resources were very meagre and as such it depended largely on the grants-in-aid given by the Centre to meet its requirements. The Chief Minister gave a brief account of the progress made in the different sectors of development in the Union Territory during the Fourth Plan period. He stated that in the Fifth Plan, the Pondicherry Administration would make all possible efforts to remove poverty and attain economic self-reliance by providing the minimum needs, expanding employment opportunities, undertaking radical land reforms, providing housing for the poor and backward classes, ensuring protective drinking water supply and making qualitative improvement in the sphere of education. For achieving all this, the Administration had asked for an outlay of Rs. 79.50 crores, but the Planning Commission had recommended an outlay of only Rs. 32 crores. With this outlay it may not be possible for Pondicherry to push through some of its more important schemes like schemes meant for the backward classes, slum clearance, providing free house sites for the Harijan population, construction of boys' hostel for Harijans and setting up homes for the orthopaedically handicapped, aged and infirm, the destitute, and orphan children. The Chief Minister pressed for an outlay of Rs. 422 lakhs proposed by the Union Territory for the welfare of backward classes.

114. The Chief Minister indicated the broad features of the Union Territory's Fifth Plan proposals in the field of agriculture, employment, power, small scale industries, education, health and water supply and in regard to the Ariyankappan river project. He particularly stressed the need for making adequate provision for housing and for setting up a thermal power station and a Central university in Pondicherry. The Chief Minister asked for a higher Plan allocation and was confident that the Union Territory would be able to mobilise additional resources to the extent of Rs. 4 crores in the Fifth Plan.

115. **Shri Radha Raman**, Chief Executive Councillor, Delhi stated that the broad policy objectives which had been endorsed by the National Development Council at its previous two meetings and the strategies for the development of various sectors had been clearly spelt out in the Draft Fifth Plan. The shortcomings and the reasons which had hampered the achievement of the targets in the Fourth Plan had also been identified and analysed. The various aspects of Plan implementation had been elaborately dealt with and improvements in the operational machinery at various levels had been suggested. There was no doubt that unless the implementing machinery was properly geared and a regular system of monitoring and evaluation was evolved the Plan could not succeed.

The Chief Executive Councillor assured that the Delhi Administration would take all necessary action to strengthen and streamline its planning and evaluation machinery.

116. The Chief Executive Councillor referred to the growth of population in the country, housing shortage in urban areas and the rising prices of essential commodities which called for some positive and concrete action. The population of Delhi at present was nearly 46 lakhs and was growing at a rate of about 5 per cent as against 2.3 per cent for the country. The Chief Executive Councillor felt that with the outlay of Rs. 305 crores provided for the Fifth Plan of Delhi it would not be possible to maintain even the existing rate of social and civic amenities. In order to maintain a reasonable standard of social and civic amenities, the heavy influx of population had to be deflected and the solution lay only in the development of the National Capital Region. He hoped that the Central Government and the State Governments of Haryana, Uttar Pradesh and Rajasthan would, jointly with the Delhi Administration, undertake development of the area expeditiously. The higher rate of growth of population, coupled with acute housing shortage, was resulting in the emergence of jhuggis, jhompris and slums on a large scale. In the Chief Executive Councillor's view the total additional requirements of houses in Delhi during the Fifth Plan would be over 4 lakh houses. With the allocation of Rs. 28 crores, which had been provided by the Planning Commission, it was not possible to construct more than 20,000 houses during the whole of the Fifth Plan. He asked for provision of adequate funds in order that a meaningful dent could be made on the problem of shortage of houses in the Union Territory.

117. Referring to the power shortage in Delhi, the Chief Executive Councillor stated that with the present capacity available it was not possible to meet the total demand of industry, trade and commerce and agriculture. He requested that the entire power available from Badarpur Thermal Power Project should be earmarked for Delhi and the Territory's future demand should be met from the atomic plants being set up in Rajasthan and Uttar Pradesh. Inadequacy of transport system, especially of public transport, in Delhi was another phenomenon affecting the life of the people and this required immediate action to be taken to increase the number of buses and also to take all possible administrative steps to improve and streamline the public transport system. Referring to the small scale industry, which was the main stay of Delhi's economy and was going to play a very vital role in the years to come, the Chief Executive Councillor stated that it was necessary that all facilities conducive to the growth of small scale units should be provided. In this connection, he emphasised that the legislation proposed by the Bhatt Committee should also be enacted for providing protection to the small scale industrial units.

118. **Shri B. D. Jatti**, Governor of Orissa commended the approach and policy framework which aimed at bringing about non-inflationary development in the economy during the Fifth Plan period. He pointed out that removal of imbalance in the development of different regions of the country had been put forth as a major objective even in the previous plans, but the actual experience had shown that the disparities between States like Orissa and other developed States had been increasing over the years. It was necessary, therefore, to review the policies and programmes in this regard. Central sector investments were an important instrument through which these imbalances could be corrected. If a State-wise break-up of the Central sector investments could be indicated, it would be possible to know if the policies and programmes were in furtherance of this objective or not. Such a break-up should, the Governor suggested, be brought out as soon as possible so that necessary preparatory steps could be taken in good time.

119. The realisation of the objective of removal of regional imbalance was intimately bound up with the attainment of another basic objective of the Plan, namely, raising the consumption levels

and economic welfare of the people living at the low end of the poverty line. It was necessary that specially tailored programmes and policies which would help in realising the twin objectives should be incorporated in the Plan. Further the objective of removal of backwardness would require that the size of the Plans of backward States like Orissa was substantially larger than in the past. For these States, the quantum of Central assistance for the Plan was quite important in fixing their sizes. The Governor asked for a fresh look to be given to the principles governing the distribution of Central assistance for the Plan.

120. The Governor referred to another aspect of development process which, he thought, had an important bearing on the question of balanced regional development of the country. For backward States and areas, development of infrastructure facilities, which include railway, transport and communications, etc., were the basic requirements, as without these facilities any amount of financial and fiscal incentives would not have the desired result of bringing about industrial growth and development. There were many areas of development of infrastructure where the Centre alone could bring about some improvement. In this connection, he referred to the Paradeep Port and the development of its hinterland. Paradeep was, perhaps, the deepest sea water port in the country and its hinter-land had rich mineral resources, particularly iron-ore which had considerable potentiality for export. The State Government had suggested the construction of a railway line—the Jakhpura-Bansapani railway line—to connect this major port with a rich mineral area inhabited by Adivasis. This had not been so far sanctioned on grounds of unremunerativeness but without taking into consideration the larger social and economic aspects in the interest of removal of regional imbalance. For the development of the area around the port it was also necessary that large industrial projects were set up as was being done in the case of other ports. As it was difficult to attract private sector investments for these projects, it was necessary that there should be large Central investments in setting up a number of industrial projects around the Paradeep port. In the absence of large urban agglomerations and market centres, it was difficult to bring about the development of small scale industries in a backward region. These industries come up more easily as ancillary units to large-scale and heavy industries. These projects bring in their trail modern urban communities and also ready markets for the products of small scale units. The Governor pleaded for the location of a number of large and heavy industries in Orissa in order to give an initial push to the development of some of the most backward regions of the country.

121. The Governor was glad that the Planning Commission had given special priority to the expeditious development of hilly and tribal areas. About 24 per cent of Orissa's population comprised of tribals and as many as 117 blocks out of 314 blocks were predominantly inhabited by tribals. These were situated in two compact areas—one in the North and the other in the South of the State. Special efforts were necessary to improve these areas and bring them up to the level of other areas within a reasonable time. The new strategy of a sub-Plan for these areas and earmarking of reasonable funds for financing such schemes as would provide the necessary infrastructure and act as catalytic agents for general development would be extremely helpful and would break new grounds. The Governor hoped that Orissa would get a fair share of the funds earmarked for this purpose.

122. On the question of mobilization of resources, the Governor stated that while he agreed in principle to the suggestion made in the Plan for agriculture taxation and revision of irrigation rates and electricity rates, the local conditions in each State had to be carefully studied before detailed measures in this behalf were determined. Appropriate policies and programmes, which would help in realising the basic objectives of removal of regional imbalances in the development of different parts of the country and also reducing the economic disparities among people in different income

groups, were needed to be devised in the Fifth Plan.

123. **Smt. Shashikala G. Kakodkar**, Chief Minister, Goa expressed herself in full agreement with the two principal objectives of the Fifth Plan i.e. self-reliance and removal of poverty. Being a Union Territory, Goa was depending upon the Centre for resources in a large measure. Planned development started in Goa, Daman and Diu only a decade back but even in this short time the Union Territory had made good progress in the field of social services, particularly education and health. Its main deficiency was in respect of agricultural production. It was having only a single crop economy and in order to change it to a double crop economy it was necessary to develop irrigation on a large scale. Northern Goa was so far without any irrigation project. The Chief Minister requested for the early clearance of the Tilari project and the Daman Ganga project.

124. Referring to the problem of labour unrest in the country the Chief Minister stated that some disruptive elements had entered into the labour classes and were trying to create an atmosphere of discontent and dissatisfaction. This was one field where a national code of discipline had to be devised and implemented. She hoped that the Planning Commission and the Ministry of Labour would take care to ensure that the labour classes were provided with responsible leadership.

125. The Chief Minister referred to the problem of slums in Goa which was the result of a fast rate of urbanization in recent years coupled with a faster rise in rental of dwelling houses. This problem needed to be tackled during the Fifth Plan as otherwise there would be unrestricted growth of slums in all parts of the beautiful Territory and this was bound to severely affect the tourism. The Chief Minister asked for an adequate allocation to be made in the Plan for the purpose.

126. **Shri H. N. Bahuguna**, Chief Minister, Uttar Pradesh stated that agriculture had suffered through ages for want of technology and adequate industrial support and, therefore, it was obvious that agriculture could prosper only when the basic requirements, such as steel, power, fertilizers, etc. were provided. The Draft Fifth Plan had taken all these factors into consideration and dealt with various aspects of planned economy. The Chief Minister was glad that with a view to achieving economic self-reliance the Fifth Plan was proposed to be financed from internal resources to the extent of 95 per cent. The Plan document had taken into account both the financial as well as physical aspects of the plan from the point of price rise. The Chief Minister hoped that in the final Plan it would be possible to indicate the strategy for dealing with the problem of black money which had been raised by some of the Chief Minister. He was confident that the country would be able to move forward towards the goal that had been set before it in the Plan.

127. **Shri V. K. Rao**, Adviser to Governor, Andhra Pradesh referring to the mobilisation of resources, stated that there was scope for raising additional resources from the agricultural sector. The irrigation rates could be stepped up. Measures like surcharge on land revenue, betterment levy, cess on commercial crops could in his opinion, yield more revenue than tax on agricultural holdings. Apart from the tax in the agriculture sector, the only elastic source of revenue with the States was the sales-tax. But with all these, the Adviser was doubtful whether it would be possible to raise the resources that had been envisaged for the States.

128. Referring to the question of Central assistance, the Adviser stated that the formula should be such as should help to correct the imbalances between the States. In regard to the Minimum Needs Programme he suggested that while certain norms might be laid down by the Centre, there should be a measure of flexibility left to the State Governments in its implementation. Some of the other suggestions made by the Adviser were as follows :

(a) Provision should be made in the Plan for payment of compensation for the surplus land under land reforms implementation as the Finance Commission did not make any provision for this.

(b) Power generated from projects set up by the Centre should be available to the neighbouring States also and not merely to the States where these projects were located.

(c) Provision, for minor ports for a State like Andhra Pradesh with a long coast line should be increased.

(d) Out of the five new fertilizer projects which were proposed to be set up in the public sector, at least one should be set up in Andhra Pradesh.

(e) Supply of steel, cement, explosives, drilling rods, etc. should be made on a priority basis for the on-going irrigation and power projects so that their completion may be expedited in the next Plan period.

129. **Shri S. K. Chhibber**, Adviser to Governor, Manipur stated that though the Fifth Plan proposals of Manipur were pruned down by the Planning Commission but sectors which were vital to the requirements of the State were kept intact. He hoped that the State's resources would be supplemented with adequate Central assistance.

130. **Shri R. Thangliana**, Development Minister, Mizoram was glad that the Prime Minister and others had expressed their sincere desire to develop the backward areas, scheduled tribes, and scheduled castes and other backward classes and the need for this had also been mentioned in the Draft Plan. He hoped that this feeling would be fully translated in actual practice and would be fully reflected in the financial allocations which would be made for the purpose in the Fifth Plan.

131. **Shri K. A. A. Raja**, Chief Commissioner, Arunachal Pradesh stated that as observed by the Chief Minister of West Bengal, there was no dearth of manpower, human resources and natural resources in the country and these resources, if fully exploited could bring about prosperity in the country. This required a sense of sacrifice, discipline and will to move forward. There was power potential, both hydel and thermal, in the North-East region, which needed to be exploited to the full for the benefit of the country. The real problem of North-East region was of communication and this required to be solved expeditiously.

132. The Council, thereafter, unanimously adopted the following Resolution :

"Having fully considered the Draft Fifth Plan in terms of the Approach approved by the National Development Council in January 1973 ;

Taking note of the current national and international economic situation; and

Recognising the need for urgent and disciplined effort for achieving the objectives of self-reliance and eradication of poverty ;

Endorses the strategy for development worked out in the Draft Fifth Plan, and emphasises the necessity of achieving a growth rate of 5.5 per cent per annum to secure a rapid advance towards self-reliance and reduction of social and economic disparities, and

Since the production targets can be achieved only through a determined national effort;

Appeals to all sections of the people to cooperate in the national effort to fulfil the targets set out in the Draft Plan."

133. **Shri Y. B. Chavan**, Union Finance Minister, referred to the note on 'Additional Resource Mobilisation by States' which had been circulated and stated that this note dealt with only one aspect of the problem, namely, the effort that the States had to make in the field of agricultural taxation. Dealing with the general problem of resource mobilisation, the Finance Minister stated that in the Fourth Plan the Centre had mobilised Rs. 3,222 crores as against the target of Rs. 2,100 crores and the States mobilised only Rs. 1,098 crores which was somewhat less than their target of Rs. 1,185 crores. While some States, no doubt, exceeded their target, the other States could not, for various reasons and difficulties, reach their targets.

134. Referring to the criticism about indirect taxation, the Finance Minister stated that while efforts, would, no doubt, continue to be made to raise additional resources through direct taxation, but the scope there was limited and in the Indian situation indirect taxation did play and would continue to play an important role and would have to be resorted to for raising resources. The levy of indirect tax on a particular commodity had sometimes the effect of being felt on other commodities and it was, therefore, somewhat inflationary. The recent additional taxation on oil commodities had to be resorted to because there was no other alternative. The main objective was to bring down the consumption of these commodities and not so much as to have more resources, which was only incidental. The only other course was to have rationing, but the administrative organisation required for the purpose was not ready, and in the absence of a proper organisation it would have resulted in greater hardship to the people and also financial loss. The other thing which was necessary for the consumption of petrol was to keep the price of kerosene at par with the price of HSD so that there should be no adulteration.

135. Coming to the targets fixed for additional resource mobilisation in the Fifth Plan, the Finance Minister stated that the target of Rs. 2,550 crores for the States had been fixed after a series of discussions and exercises which the Planning Commission had with the different States' representatives and this target, in his opinion, was quite realistic. The States' resources comprised of four components, namely, (i) what the States get by way of recommendations of the Finance Commission by devolution of Central taxes and by certain grants for non-plan expenditure, certain revenue gaps, etc. in different forms; (ii) the Central assistance for the Plan; (iii) the public borrowing; and (iv) the taxation efforts that the States themselves make. The first three would be finalised before the Fifth Plan was launched. The most important thing was the fourth component, namely, the States' own efforts and that was going to be the most flexible thing and on this would depend the entire success of the Plan. The Finance Minister pointed out that it was necessary to have some sort of financial discipline as the country could not afford to have large deficit financing as this would create more difficulties in the form of inflationary forces and price rise.

136. The Finance Minister indicated that the only State which had so far accepted and taken action on the Raj Committee's recommendations on agricultural taxation was Haryana and as a result the State would get about Rs. 3 crores from agricultural land taxation. The agricultural sector was making hardly one per cent contribution to the national product. The agricultural taxation, in its present form, was really more for the small farmers than for the big farmers. This was not merely an economic matter but a political matter and required a political will so that the agricultural taxation policy may be so oriented that the agricultural sector, in which a large part of the investment was going, should make its rightful contribution to the resources of the nation. Looking at the investment that had been made during the last four Plans in the irrigation and power sectors, it was seen that in the power sector the State Electricity Boards were not even in a position to pay back the interests on loans taken by them. The same was the position in the irrigation sector.

137. The Finance Minister stressed the need for working out and implementing the various schemes and projects on commercial lines and in an efficient manner so that the investment on them should give adequate return. He urged that maximum effort at resource mobilisation should be made in the very first year of the Fifth Plan so that larger resources were obtained in the later years. Schemes which would yield quicker results should be selected and implemented.

138. The Finance Minister suggested that it would be useful if the Chief Minister of Maharashtra or any other Chief Minister could indicate the commodities which could be brought within the ambit of indirect tax system so that the matter could be examined in the Ministry of Finance and then, if necessary, a meeting of State Chief Ministers or Finance Ministers could be called to consider the matter further.

139. **Shri Fakhruddin Ali Ahmed**, Union Minister of Agriculture stated that after two successive crop failures, this year's kharif crop was very good and the target of 6 to 7 million tonnes of foodgrains production was likely to be achieved. On this basis, a procurement target of 5 million tonnes of rice and 1.6 million tonnes of course grain had been fixed but the trend of procurement by the States was not so far very encouraging. The Agriculture Minister urged the Chief Ministers to make serious efforts at procurement of the targeted amount.

140. The Agriculture Minister explained the Centre’s difficulties in making the required amount of fertilizers available to the States. The production of indigenous fertilizers had gone down and the fertilizers which had been contracted to be imported from abroad had also not become available. The situation called for serious efforts to be made both by the Central Government and also by the States where fertilizer factories were located so that the indigenous production could be stepped up as early as possible. To a considerable extent the existing shortfall in the availability of fertilizers could be made up by taking pest control measures e.g. application of weedicide in the case of wheat, mixing chemical fertilizers with organic manure and using green manure in the form of leaves.

141. Referring to the shortfall in the supply and production of fertilizers, **Shri D. K. Borooah**, Union Minister of Petroleum and Chemicals stated that his Ministry had, in consultation with the Planning Commission, taken a number of steps to ensure that in the Fifth Plan the targets were achieved. A number of plants, which were started in the Fourth Plan, would be completed and commissioned in the early part of the Fifth Plan. In the Fifth Plan, seven new fertilizer plants—5 in the public sector and 2 in the private sector—were proposed to be set up. The foreign credit required for these projects had already been tied up.

142. The Petroleum and Chemicals Minister explained the difficult position in regard to the petroleum products and its effect on the country's foreign exchange position. It was obvious that the consumption of these products had to be severely curbed and all measures necessary in this direction had to be thought of and taken.

143. **Dr. Karan Singh**, Union Minister of Health and Family Planning stated that demographic situation underlined all the estimates of the Plan. If the rate of growth of population was not restricted, all efforts towards productive activities would be ultimately diluted. It was expected that in the Fourth Plan the birth rate would come down to 32 per thousand but it was still 35 per thousand. For the Fifth Plan, a target of reducing the birth rate from 35 to 30 per thousand had been laid down and this required a major effort. The Minister urged the Chief Ministers to give the highest priority to the family planning programme. He also requested that the funds allocated for health programmes should not be diverted to other heads.

144. **Prof. S. Nurul Hasan**, Union Minister of Education stated that it was necessary to ensure that the allocation for education in the State sector, particularly for elementary education which formed part of the Minimum Needs Programme, was not reduced. As regards higher education, its expansion needed to be restricted. The Minister suggested that in regard to establishment of new universities or expansion of colleges, the State Governments should consult the University Grants Commission, the Planning Commission and the Union Ministry of Education before making any public announcement.

145. **Prof. D. P. Chattopadhyaya**, Union Minister of Commerce stated that the export target for the Fifth Plan had been fixed at 7.6 per cent. He was confident that, given the necessary support from the State Governments, this target could be reached and even exceeded. In order to ensure the supply of essential commodities to the common man the Minister said that it was necessary that a proper distribution system should be worked out and set up by the State Governments.

146. **Shri Umashankar Dikshit**, Union Minister of Home Affairs drew the attention of the Chief Ministers to a large number of cases of freedom fighters that were pending for a long time and which needed to be settled. He suggested the setting up of Pradesh level and District level Committees to settle these cases quickly. Early action was also required to be taken for the distribution of Tamra Patras to the freedom fighters. The Minister referred to communal disturbances in the country and asked for suitable measures to be taken by the State Governments for safeguarding and protecting the minorities.

147. **Shri T. A. Pai**, Union Minister of Heavy Industry stated that the State Governments should look into the problems of industries located in their States and try to solve them so that the production was maximised. He referred in particular to the aluminium industry which was very important because the use of aluminium was being increasingly resorted to in preference to copper which had to be imported. This industry needed to be given all assistance in the form of power supply so that its production did not suffer. Similarly, there were certain other essential industries which, in view of their special importance, needed assistance from the State Governments in the form of adequate supply of raw materials. The Minister suggested that the State Governments might work out the requirements in terms of steel, cement, etc. for essential industries in their States so that these may receive the first priority and the production programme of these industries should be pushed through as early as possible.

148. **Shri Bhola Paswan Shastri**, Union Minister of Works & Housing asked for early action to be taken for completing the record of rights and title to the land given to the landless, as otherwise the landless workers continued to live under the threat of getting evicted.

149. **Shri I. K. Gujral**, Union Minister of Information and Broadcasting stated that special emphasis had been laid in the Draft Plan on people's participation. In order that it should be possible to reach the people, particularly the vulnerable sections of the society, it was necessary to take action to reduce the communication gap. The Minister pointed out that the radio, which was one of the most important media for communication with the people, was being categorized as a luxury item for the purpose of sales tax. This needed to be looked into by the State Governments. A number of radio stations could not come up in the Fourth Plan because of the difficulty of getting land for the purpose. The Minister suggested that the State Governments should consider giving land free of cost for setting up Radio and TV stations.

150. The Minister observed that in many States the close coordination between the Departments concerned was lacking with the result that the programmes were apt to suffer. He also stressed

the need for production and exhibition of good documentary films so that the people, particularly in the rural areas, should get to know what the Government was doing and intended to do for them.

151. Summing up the discussion, **Shri D. P. Dhar**, Deputy Chairman, Planning Commission expressed his gratitude to the Chief Ministers for the views expressed by them on the Draft Plan with such unanimity and for their whole-hearted endorsement of the document. He assured the Council that the many valuable suggestions made at the meeting would be adequately reflected in the final Plan document.

152. On the question of distribution of outlays between the Centre and States, which had been raised in the course of the deliberations, the Deputy Chairmen stated that the planning process was designed to strengthen the States because if the States were strong and economically prosperous, the country's unity would be strengthened. The problem of economic development in the country had to be looked from the angle of a total effort of cooperation and partnership between the States on the one hand and the Centre on the other.

153. The Deputy Chairman pointed out that the Prime Minister had referred to the increasingly diminishing quantum of the outlays at the Centre as against the States in the field of agriculture. In the matter of health, rural house sites, urban slum improvement, rural water supply, the transfer of allocations from the Centre to the States had been on a very large scale. As a matter of fact, in some of these sectors the Centre's share had gone down from 33 to 30 per cent. Even in education, in order to ensure a certain amount of central direction, not in the sense of control of Central Government but in the sense of there being a synchronisation of the policy of eduction certain amount of money resources should be available to the Central Ministry of Education. But here also in the Fifth Five Year Plan, the share of the States as against the Centre had considerably increased and conversely the Centre's share had fallen from 32.5 to 28 per cent. This would have to be a continuing process and it would be the endeavour of the Planning Commission to see that there was increasing flow of resources from the Centre to the States in areas which belong to the States. Even in an altogether different field, where the authority constitutionally rested entirely in the Centre, it was proposed to make some experiments of partnership with the States. For example, in the field of mining the Centre was already in partnership with Andhra Pradesh. The Centre was going in for the development of rock phosphate in partnership with the Government of Rajasthan. A similar experiment was proposed to be introduced in Maharashtra where the administrative structure was fairly strong and stable. These were some of the experiments in the Centre-State relations on the basis of expanding productive capacities irrespective of the constitutional position. In regard to power, the Planning Commission had taken full care that there was complete linkage between transport, coal and the availability of equipment for the setting up of a very large thermal power generation programme in the Fifth Plan. The BHEL had become a model of efficiency in the public sector today and it would be in a position to supply the thermal equipment to satisfy the needs of the country as envisaged in the Fifth Plan period. As far as hydel was concerned, the possibilities of imports and of materials planning for our projects had been taken into account. In other words, all the quantities of cement, steel and other materials, which were needed by the States and the State Electricity Boards, would be made available to them. Thus, as far as power was concerned, the Planning Commission had tried to insulate it against all the uncertainties, against all the apprehensions of lack of equipment and of material. Almost 90 per cent of the projects which had been submitted to the Central Government had been cleared before the Fifth Plan is even launched. The other projects were in the process of being worked out.

154. The Deputy Chairman drew the attention of the Chief Ministers and of the Central Ministries,

particularly the economic Ministries, to the need for preparing urgently physical programmes and projects for all that was proposed to be undertaken. The physical programmes of the States and the Central Ministries for the first year of the Fifth Plan should be such as should give a push to the economy and the plan should gather momentum in the years to come. It should also be such as to protect the core sectors like Irrigation, Power, Agriculture and Industries like fertilizer, coal, steel and those producing mass consumption goods. In the end, the Deputy Chairman again thanked the Chief Ministres and other members of the National Development Council for the generous and the unequivocal approval and endorsement given by them to the Draft Plan.

155. Concluding the deliberations of the Council, **Smt. Indira Gandhi**, Prime Minister expressed her appreciation of the forthright manner in which the Chief Ministers had assured that they would make strenuous efforts to fulfil the Plan targets, because that was the starting point of the real plan and its implementation.

156. The Prime Minister observed that planning was a continuous process and in order to ensure that this process becomes a cumulative one the logic of the Plan had to be accepted in the course of decision making at all levels. Discipline was needed not only in decision making but as much in implementing those decisions. With the growth of population and the increasing disparities not only within India but between the developed countries and the developing countries, our problems were going to be more difficult in the days to come if they were not tackled adequately today. Problems like fuel situation and energy situation had affected the entire world. Planning required deployment of our total resources for socially desirable objectives and priorities in the most efficient manner possible.

157. Referring to the suggestion made in certain quarters for increasing the procurement price of foodgrains, the Prime Minister stated that this obviously meant that either the issue price would have to be increased or deficit financing would have to be increased which also had its own implications and impact on our society. But usually the very people who argued for increase in procurement price were against either increase in the issue price or in deficit financing. The impact of different things had to be fully recognised and worked out. And no one item could be considered in isolation and without assessing its effect on other parts of the country or other aspects of the economy. In a great national effort it was absolutely essential to recapture the spirit of involvement of the people and this could be done not merely through big projects but through involvement in the smaller projects. It was the small projects and village industries which directly impinge on the lives of the vast magnitude of the people.

158. The Prime Minister emphasized that in order that planning should yield the best results the Centre-State allocation should be judged by the criterion of what could be done best by whom. Difficulties that may sometimes arise because of unimaginative functioning or unnecessary delays and complications which might develop were not beyond being solved if they were properly discussed.

159. On the question of educated unemployment, the Prime Minister stated that special allocation could find employment at best only for a small number. The structure of the Plan had been conceived in a way that should maximise the employment of the educated. A great deal would however need to be done to change the nature and quality of education. New tasks were required to be undertaken and trained people were needed to do these but neither our educational facilities nor our attitude towards education were really adequate to meet this challenge.

160. The Prime Minister said that the need for harnessing every possible resource was a must for the implementation of the Fifth Five Year Plan. If the first year was not successful it would have

a very bad effect on the implementation of the Plan. It would not be enough to have new taxes but what was important was how these taxes were collected and whether the people who should be taxed were really being taxed. She referred to the question of world shortages. For many of these things there were alternatives—may be the alternatives were not so good. For example, organic fertilisers did not yield the same results as chemical fertilisers but if there was shortage of chemical fertilisers, organic fertilisers must be used. Similar was the case with construction material. Steel and cement were needed for big projects and factories, but it should he possible to have school buildings or ordinary houses without these scarce materials. The Prime Minister requested the Chief Ministers to take a personal interest and see how these items which were in short supply could be saved and greater employment could be given to the local people by using local material and resources.

161. The Prime Minister once again thanked the Chief Ministers for participating in this meeting and hoped that they would bear in mind the various aspects that had been put before them. The Plan would have to be put across to the people in the proper perspective. The Chief Ministers and their colleagues had a special responsibility in putting forward and explaining all the different aspects and thereby getting involvement and active participation of the people. She hoped that the Chief Ministers and the Central Ministers would do their best to make this Plan a success and if possible to over-fulfil these targets.

162. The Council considered the note on 'Some Aspects of Forest Policy' which was placed before it and endorsed the approach as incorporated in the Draft Plan.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	.. .. ..	Chairman
Shri D.P. Dhar	.. .. ..	Deputy Chairman
Shri Y.B. Chavan	.. .. ..	Minister of Finance
Shri Mohan Dharia	.. .. ..	Minister of State for Planning
Prof. S. Chakravarty	.. .. ..	Member
Shri M.S. Pathak	.. .. ..	Member
Shri B. Sivaraman	.. .. ..	Member

STATES

Andhra Pradesh	.. .. ..	Shri V.K. Rao Adviser to Governor
Assam	.. .. ..	Shri S.C. Sinha, Chief Minister
Bihar	.. .. ..	Shri Abdul Gafoor Chief Minister
		Shri D.P. Roy Fin. & Plg. Minister
Gujarat	.. .. ..	Shri Chimanbhai Patel Chief Minister
		Dr. Amul Desai Fin. & Plg. Minister
Haryana	.. .. ..	Shri Bansi Lal Chief Minister
		Shri R.S.C. Mittal Finance Minister
Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister

Jammu & Kashmir	.. .. ..	Shri Syed Mir Qasim Chief Minister
		Shri G.L. Dogra Finance Minister
Karnataka	.. .. ..	Shri D. Devaraj Urs, Chief Minister
		Shri M.Y. Ghorpade, Finance Minister
Kerala	.. .. ..	Shri C. Achutha Menon Chief Minister
Madhya Pradesh	.. .. ..	Shri P.C. Sethi Chief Minister
		Shri S.S.N. Mushran Finance Minister
		Shri C.P. Tewari Planning Minister
		Shri Tejlal Tembhre P.W.D. Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
Manipur	.. .. ..	Shri S.K. Chhibber Adviser to Governor
Meghalaya	.. .. ..	Shri Williamson A. Sangma Chief Minister
Nagaland	.. .. ..	Shri Hokishe Sema Chief Minister
Orissa	.. .. ..	Shri B.D. Jatti Governor
Punjab	.. .. ..	Giani Zail Singh Chief Minister
		Shri Hans Raj Sharma Finance Minister

Rajasthan	.. .. ..	Shri Harideo Joshi Chief Minister
		Shri C.M. Baid Finance Minister
Tamilnadu	.. .. ..	Shri M. Karunanidhi Chief Minister
		Shri S. Madhavan Industries Minister
Tripura	.. .. ..	Shri S. Sen Gupta Chief Minister
Uttar Pradesh	.. .. ..	Shri H.N. Bahuguna Chief Minister
		Shri N.D. Tiwari Finance Minister
West Bengal	.. .. ..	Shri Siddhartha Shankar Ray Chief Minister
		Shri Sankar Ghose Finance Minister

UNION TERRITORIES

Chandigarh	.. .. ..	Shri N.P. Mathur Chief Commissioner
Delhi	.. .. ..	Shri Baleshwar Prasad Lt. Governor
		Shri Radha Raman Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Smt. Shashikala G. Kakodkar Chief Minister
		Shri A.K.S. Usgaonkar Planning Minister
Mizoram	.. .. ..	Shri R. Thangliana Development Minister

	Shri P.B. Nikhuma Dy. Development Minister
Pondicherry	Shri M.O.H. Farooq Chief Minister
Arunachal Pradesh	Shri K.A.A. Raja Chief Commissioner
Laksha Dweep	Shri W. Shaiza Administrator

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	Minister of Agriculture
Shri Jagjivan Ram	Minister of Defence
Sardar Swaran Singh	Minister of External Affairs
Shri D.K. Borooah	Minister of Petroleum and Chemicals
Shri Umashankar Dikshit	Minister of Home Affairs
Shri H.R. Gokhale	Minister of Law, Justice and Company Affairs
Shri L.N. Mishra	Minister of Railways
Shri T.A. Pai	Minister of Heavy Industry and Steel and Mines
Shri K. Raghu Ramaiah	Minister of Parliamentary Affairs
Shri Raj Bahadur	Minister of Communications and Tourism and Civil Aviation
Shri Bhola Paswan Shastri	Minister of Works and Housing
Dr. Karan Singh	Minister of Health and Family Planning
Shri C. Subramaniam	Minister of Industrial Development and Science and Technology
Shri Kamlapati Tripathi	Minister of Shipping and Transport
Prof. D.P. Chattopadhyaya	Minister of Commerce
Shri I.K. Gujral	Minister of Information and Broadcast-ing
Shri R.K. Khadilkar	Minister of Supply and Rehabilitation
Prof. S. Nurul Hassan	Minister of Education, Social Welfare and Culture

Shri K.C. Pant	.. .. ..	Minister of Irrigation and Power
Shri K.V. Raghunatha Reddy	.. .. ..	Minister of Labour

SPECIAL INVITEE

Shri S. Jagannathan	.. .. ..	Governor, Reserve Bank of India.

THIRTYFIRST MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SEPTEMBER 24 AND 25, 1976

SUMMARY RECORD

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GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE THIRTYFIRST MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPER

Draft* Fifth Five Year Plan (As finalised)

SUMMARY RECORD

Welcoming the Chief Ministers and others to the meeting of the National Development Council, the Prime Minister, **Smt. Indira Gandhi** stated that since NDC's last meeting which was held three years back the Nation had to face serious political and economic challenges. The fact that a meeting of the NDC had been convened to consider the final version of the Fifth Five Year Plan was indicative of the fact that the Nation had been able effectively to cope with these challenges.

2. Referring to the international economic scene obtaining at the time of the presentation of the Draft Fifth Plan, the Prime Minister pointed out that the sharp increase in the prices of food, fertilizers and oil and the resultant international inflation, had seriously upset the Fifth Plan assumptions. This situation had resulted in the urgency for achieving a measure of self-reliance in food and energy and of taking measures for controlling an inflationary presence which had been caused due to both domestic and international factors. As a result of the anti-inflationary plan launched in 1974-75, the country had succeeded in curbing inflation and these measures had attracted world-wide notice.

3. These measures had been followed by the new Economic Programme launched last year with the objectives of stimulating production, promoting social justice and inculcating in the Nation a spirit of discipline and efficiency. There has been as a result, allround improvement in the performance of almost all the key sectors, including production of foodgrains, fertilisers, steel, irrigation and energy, so much so that in some of these sectors the Nation has had to face the problem of surpluses rather than shortages. There has been a striking and major breakthrough on the oil front which, coupled with a well articulated export effort, has led to a welcome accretion to our foreign exchange reserves. These encouraging trends, the Prime Minister observed, had enabled the finalisation of the Fifth Plan. The Prime Minister congratulated the Deputy Chairman and his colleagues for working out a coherent and feasible plan which sought to make good the loss of momentum sustained in the first years of the Plan. Refuting the allegation that there had been a plan holiday, the Prime Minister pointed out that work on the various schemes included in the Plan had commenced from the very beginning. The document presented now to the Council was essentially by way of being a mid-term review *of* the Plan and the Planning Commission had taken

*This has been published separately

this opportunity to assess the progress already made and to allocate adequate funds for the remaining two years of the Plan for on-going schemes, with a reasonable provision for essential new starts. The present size of the Plan called for the utmost discipline in the management of the country's finances. It was necessary to ensure an effective enforcement of taxation laws, timely recovery of loans and other dues, avoidance of over-staffing and other forms of wasteful public expenditure, the selection of projects on sound techno-economic consideration and a close monitoring of the programmes were some of the essential ingredients of sound management without which no Plan could succeed.

4. The Prime Minister pointed out that while the outlook for the medium term was heartening, the longterm problem of raising the rate of domestic savings remained as Intractable as ever and the situation would brook no complacency on our part. If the country was to maintain a steady rate of growth of 5 to 6 per cent, it was essential to aim at a significant increase in investment. This was the crux of the message which emerged from successive Plan documents. The Prime Minister emphasised the need for seeking the cooperation and involvement of the people in the implementation of the Plan programmes and pointed out that no Plan could succeed if it ignored the deep-seated urge of the people for greater equality and reduction in disparties of all kinds—social, economic and regional. This had to be the central objective of all planned development. In this context, the Prime Minister laid particular emphasis for ensuring provision of fuller employment, particularly in the rural sector.

5. The Prime Minister asserted that planning had become an inseparable part of the Nation's Life and there could be no diminishment in the commitment of our planned process of development. She recalled that, according to her father, this process implied the application of science to national problems. While there had been considerable development of Science and technology in the country, the demands were becoming more and more sophisticated placing on our scientists the compulsion for rising to the occasion and contributing to the overall development effort.

6. Concluding her address, the Prime Minister stated that in view of the new climate of improved discipline and efficiency the Plan had a better chance to succeed now than at any time during the last 25 years. A Plan ultimately is neither merely a catalogue of schemes nor a sophisticated exercise in numbers. It is a charter of the progress of a people who refuse to be overwhelmed by the magnitude and vast variety of their problems and difficulties and who are courageously struggling to map out a programme of action which will, step by step and year by year, help to overcome them. Some times this programme may prove over-ambitious and cause stresses and strains. This should, however, not frighten the country into settling for what some might mistakenly call a more "realistic" Plan, a Plan which does not call for any special effort or sacrifice. Progress is possible only when the Nation stretches its efforts and abilities almost to the point of breaking. Experience shows that actually, far from breaking, such a endeavour gives greater strength, confidence and satisfaction.

7. **Shri P. N. Haksar**, Deputy Chairman, Planning Commission, sounded a note of caution, that the difficulties, which arose on the eve of the launching of the Fifth Five Year Plan should not be forgotten and that slightest mis-management might create those difficulties again. He underlined the need to ensure continuance of conditions of price stability in the wage-goods sector of the economy and management of monetary and fiscal policies with due care and sophistication. Better instruments were available now, with adequate physical stocks of foodgrains, diminishing dependence on imported fertilizers, comfortable foreign exchange position and better capability to deal with energy requirements. Future could be faced with a measure of confidence, provided the

discipline accepted by the nation earlier to combat the terrible economic circumstances, was continued.

8. The Deputy Chairman explained that the most important constraint for a faster rate of growth, was limited savings and investments. Consequently, resource mobilisation and its most effective use in terms of management lay at the heart of the matter. This resource constraint was not mitigated by accumulation of foreign exchange. On the contrary these needed matching rupee resources. While foreign reserves provided a degree of flexibility in import and export planning, they did not add to rupee resources. The coming years would demand a meticulous examination of investments made in every sector and the returns on it. Accumulated losses during the Fifth Plan period of Rs. 700 crores on irrigation system, 300 crores on Electricity Boards and losses in transport undertakings in the States indicate failure to generate resources from past Investments. An amount of Rs. 500 crores invested in different kinds of corporations in various States yielded negative return. The role of these corporations, apart from their being employment-oriented, deserved closer examination.

9. Referring to the question of Gadgil formula, the Deputy Chairman said that the revision of Gadgil formula, as indicated by his predecessor, could not be taken up due to the changed circumstances in the wake of the recommendations of the Sixth Finance Commission and the difficult economic situation thereafter. In the Sixth Finance Commission the devolution from the Centre to the States was increased from Rs. 7,900 crores during the Fourth Plan period to Rs. 11,187 crores. In addition, Rs. 1,970 crores of debt was rescheduled. Several suggestions made on this subject to the Planning Commission would be examined in detail and depth. He explained that any change in the Gadgil formula would involve more than a State's concern to think of itself and its problems. It could only be done in the wider perspective of the country as a whole. It should not be viewed as a mechanism to augment a State's own resources, but should reflect the national concern for historical backwardness of some States and regions within the States. Any hastily devised formula would be self-defeating because one man's meat could be another man's poison. The Deputy Chairman pleaded for the continuance of Gadgil formula at least for the next two years with suitable updating. The population criteria had been brought up to 1971 census, per capita income had been taken on the basis of 1970-73 data, and the tax effort on the basis of the year preceding the Plan i.e. 1973-74. An exercise carried out for revising the tax effort on the basis of 1974-75 figures did not make any difference, except marginally, within the overall limit of Rs. 2 crores to each State, with the sole exception of Tamil Nadu where due to particular decisions taken by that State some time ago, it may come to Rs. 5 crores. All this suggested that any change in the formula at this juncture was not worthwhile.

10. Referring to the planning processes, the Deputy Chairman observed that this involved coming to grip with the life in the raw. Therefore, in the Plan Document, a disaggregated picture was given of agricultural production and of non-renewable resources. Similarly, the picture of employment and unemployment had been presented with analysis of the problem. The very analysis suggested approaches to remedies. The Deputy Chairman finally called for reinvigoration of the faith in the planning processes and to arm the planning process with necessary expertise and set up organisations/institutions, which were nearer the ground. Micro level and district planning exercises in the past have ended in preparation of "dream books". There was need for realistic empiricism in this regard. He concluded by mentioning that the planning machinery, planning systems and planning boards need to come to their own in various States, not merely as decorative pieces, but as functioning systems.

11. **Shri J. Vengal Rao**, Chief Minister of Andhra Pradesh congratulated the Planning Commission on the final draft of the Fifth Plan as now prepared. He agreed with Planning Commission in laying emphasis on the importance of a strategy for ensuring that the prices remained stable in future. He suggested that the role of the public distribution system be enlarged and besides foodgrains and sugar, bring within its purview more items such as edible oil and other essential manufactured goods of mass consumption. For this purpose, tie up arrangements with major manufacturing sectors could be established and a dual pricing policy adopted.

12. As in the case of food grains, it was necessary to evolve a National Pricing Policy for other important agricultural commodities. Greater attention should be paid to storage marketing and processing facilities to assure proper price to the farmer.

13. Referring to problem of unemployment, the Chief Minister stressed the need for tackling this problem in the rural sector as part of the area of regional plan. The problem educated unemployment in urban areas needed to be tackled through special measures in addition to increased developmental outlay, self-employment programmes and coordination with financing institutions had already yielded good results in some of the States and might be continued with advantage.

14. In regard to additional resources mobilisation, the Chief Minister suggested that Andhra Pradesh had already done well. Land Revenue and water rates had been doubled in the Fifth Plan and there were limitations to further increases. There was, however, scope for mopping up savings in the rural sector through other means such as opening of new and attractive avenues of investment for the purpose by way of issuing bonds with a maturity of 10 years bearing interest at 12 per cent per annum. A portion of the yield could be earmarked for taking up local schemes of importance.

15. Referring to the principles and procedures for allocation of Central assistance, the Chief Minister suggested that the additional assistance given for world bank assisted projects, should not be limited to 25 per cent of the world bank disbursement, but the entire World Bank disbursement should be passed on to the States executing the projects. Such additional assistance should also not be linked up with the financial position of the State.

16. The Chief Minister stressed the need for coordinating credit with Plan investment. He suggested an increase in the availability of institutional finance and other resources for the Housing Sector. Besides providing more houses in the urban areas, this would also generate greater employment and provide better conditions of living for the slum dwellers and other categories of urban poor.

17. **Shri S. C. Sinha**, Chief Minister, Assam pointed out the need for laying greater stress on the building up of the heavy and basic industries. He suggested that less resources should be spent in the development of consumer industries. He also referred to the increase in price index. He suggested that trade in pulse and edible oil should be taken over by the State. Because of the occasional rise in the prices of these commodities, the State was compelled to pay more in the shape of dearness allowance. This told upon the national economy. In this context, the Chief Minister referred to the setting up of Pay Committees and stated that while these committees took note of the grievances of the Government employees they did not take into account that the per capita income of the people in general and their capacity to pay. He, therefore, suggested that in future whenever a Pay Committee was constituted to consider the pay and allowances of the employees, the per capita income of the people should also be taken into consideration.

18. **Dr. Jagannath Mishra**, Chief Minister, Bihar, thanked the Planning Commission for presenting a bold and practical Fifth Plan document. He felt that most of the difficulties experienced

at the time of initiation of Fifth Plan had been overcome, primarily due to the measures adopted by the Government. The directives of the Central Government to the States for fixing priorities according to national policies and mobilisation of resources were scrupulously followed by all the States including Bihar. All these made it possible to implement a plan of bigger size.

19. When the Fifth Plan was launched, the foreign exchange position was a cause of greater concern. The situation had remarkably improved and now we had built up substantial foreign exchange reserves, boosting the morale and confidence of the people. This was a vindication of Government's stand that our economy was on a sound footing.

20. The Chief Minister stated that there were two main variations between Draft Fifth Plan and the final document viz. that the outlay on Minimum Needs Programme had been reduced and the outlay under Social Services Sector including Education had been curtailed.

21. The Chief Minister felt that in Bihar Plan, the cut in outlay under the Education Sector was 49 per cent as against 25 per cent for all States. Since only 20 per cent of population of Bihar were educated, the question of restoration of the cut under Education was necessary. The 20-Point Economic Programme of the Prime Minister had raised a new hope among the poorer sections. The Programme had become an integral part of our national plan. The problems created with the implementation of the 20-Point Economic Programme, however, had to be attended to on a priority basis. For example, along with the implementation of Loan Remission Scheme for agriculturists and weaker sections of society, some alternative arrangements should be made for fulfilling the barest minimum needs of these persons. Similarly, with the allotment of land to the landless, these persons should be provided necessary implements for cultivation purposes. More funds needed to be provided in the co-operative sector so as to instil the spirit of co-operation amongst landless agriculturists and weaker sections of society in Bihar.

22. The Chief Minister stressed the dire need to mobilise additional resources particularly from rural areas for the implementation of developmental plans. He endorsed the suggestion of the Planning Commission in regard to mobilising additional resources from agricultural sector and felt that proper machinery for collection of savings had to be set up for this purpose. The question as to how and in what manner this could be affected needed consideration at the national level.

23. The Chief Minister further stated that plan investments in backward States like Bihar had remained considerably below the national average. Economically advanced states had higher rates of investment which made their foundation very sound. As a result of this, these states were in a position to mobilise more resources for developmental works. He suggested that gradually, imbalances of investments in different States should be removed.

24. The Chief Minister drew the attention of the Council to the problem of natural calamities. He stated that certain States were normally flooded every year by Himalayan rivers. As a result of recurrence of these floods every year, the developmental work had been pushed back. This question should, be considered at a national level. He thanked the Planning Commission for increasing the allocation of funds under flood control from Rs. 32 crores in the Draft Plan to Rs. 60 crores in the final document. He, however, felt that this was not adequate and something more had to be done to solve the problem on a permanent footing.

25. The Chief Minister also pressed for reconsideration of the formula relating to Central assistance, market borrowing and negotiated loans etc., to remove regional imbalances.

26. **Shri S. B. Chavan**, Chief Minister, Maharashtra congratulated the Planning Commission for re-emphasising the objectives of removal of poverty and attainment of economic self-reliance and for fixing the targets of growth rates in respect of important sectors consistent with these objectives. Praising the emphasis laid on multi-level planning by the Planning Commission he pointed that his State had already adopted the philosophy of district planning and plans for different districts were being worked out. Referring to the present methodology of distribution of open market borrowings, he stated that some advanced states enjoyed a higher per capita borrowing than some backward States. He suggested that a just formula would be one in which the per capita open market borrowings and Central assistance put together was more or less the same for all States. Continuing, he stated that the Centre's share in market borrowings had been on the increase and suggested that considering the responsibilities of the States, the ratio should be nearer 50 : 50 than the present 68:32. The entire amount or at least a substantial portion of IDA/World Bank assistance for specific projects should be given to the States. Further, direction should be given to LIC and REC to ensure that the assistance earmarked for the States was in fact given to them and the State Governments allowed full initiative for implementing schemes conforming to guidelines without complicated procedures. He suggested that the schemes for social defence necessitated by the problem of rapid urbanisation should be categorised as a 'Centrally Sponsored Schemes'. He urged that the release of contribution of the Railways to the share capital of the State Transport Corporation should be expedited. Similarly, he requested, expeditious decision by the Government of India on the State Government's proposal to raise the limit of professional tax from Rs. 250 to Rs. 1,000/-.

27. For successful implementation of the scheme of monopoly procurement of cotton, the Chief Minister suggested that at least 80 per cent of the proceeds should be paid in advance since the holders had no other means for sustenance and production. Considering the economic conditions of the landless labourers who had been allotted surplus land, particularly those belonging to the scheduled castes and scheduled tribes, instructions should be given to the cooperatives, nationalised and newly formed rural banks to adopt a policy of giving liberal loans for agricultural operations with a moratorium of 2 to 3 years.

28. He urged the establishment of the proposed aluminium project in Ratnagiri at an early date. The conversion of Manmad-Parbhani-Parli metre-gauge railway line into broad-gauge should be expedited. With a view to easing the hardships of urban commuters, the Chief Minister suggested improvement of the Metropolitan Transport system. He also stated that the commencement of the Mani-Chenaka railway line, already sanctioned, should be synchronised with the Commissioning of the cement factory in the Chenaka area. With a view to realising the objective of a uniform pattern of education (10+ 2 + 3 formula), within a given time, he urged the Central Government to give substantial assistance to the State, which had adopted the pattern fully.

29. He suggested that for the purposes of giving capital subsidy, identified growth centres which would be nuclei of industrial development should be selected in place of a district. Further, a package of incentives/ disincentives for regulation of investment in industries where existing capacities were more than the projected demand for encouragement of investment in industries manufacturing mass consumption goods was necessary.

30. **Shri Banarsi Das Gupta**, Chief Minister, Haryana, thanked the Prime Minister for the right and effective decision to declare Emergency and stated that they could now visualise clearly the creative effects of Emergency in the country's economic field.

31. The Chief Minister emphasized the need of population control and enhancement of irrigated

area. In order to avoid any deficiency of power in future, he proposed setting up of more hydel and thermal power plants as early as possible. For this he stressed the need of a change in the Gadgil formula before the next plan started. He proposed that in the new formula, 20 per cent should be provided on the basis of principal irrigation and power schemes, 60 per cent on the basis of population and remaining 20 per cent on the basis of taxation efforts, per capita income and backwardness.

32. The Chief Minister proposed that besides the Central assistance for major irrigation and power projects, it would be more appropriate to set up a Power Generation Refinance Corporation and Irrigation Development Corporation. Funds might be provided at lower rates of interest through these Corporations. It was feasible for such Corporations to mobilise short term additional funds through borrowings.

33. Besides laying emphasis on irrigation and power projects, the Chief Minister suggested that more attention be given to water management, area development and water drainage programmes. Another source of mobilising funds could be utilisation of food-bonus for multi-level development. He pleaded that the present policy of distribution of food bonus as cash subsidy and subsidised inputs should be reconsidered.

34. Referring to the progress of the 20-Point Programme, the Chief Minister stated that in Haryana, the per capita expenditure on this programme was higher than the all-India average. He suggested that for the development of the handloom sector and for the prosperity of rural artisans, such institutions should be established which could provide financial assistance at minimum interest rates and help them in marketing their products in internal as well as in foreign markets.

35. For the agriculture sector, the Chief Minister wanted that the Banking sector should provide loans at lower rates than at present. Also, there should be uniformity in the interest rates charged by different Banks.

36. **Dr. Y. S. Parmar**, Chief Minister, Himachal Pradesh welcomed the various steps like proclamation of Emergency, 20-Point Economic Programme etc. taken by the Prime Minister and stated that the National Development Council should congratulate the Prime Minister for the dynamic effort of the Prime Minister in saving Democracy from chaos and in bringing about economic reconstruction. He also congratulated the Planning Commission for keeping the Fifth Five Year Plan of the State at the level of the Draft Plan size. On behalf of the State, he assured that they would do their best to mobilise more and more resources, which he hoped, would be reflected in the higher allocations to be made by the Planning Commission.

37. He pointed out that the condition of hill areas all over the country was different from other areas and suggested a change of priorities and programmes to meet the objectives set out by the Planning Commission for these hilly States. The State of Himachal Pradesh had made very good progress and the Plan had made a real impact on the people. However, there were certain additional steps required to be taken. The Government of India had already initiated certain steps in this direction. In ICAR, research schemes were now drawn on regional basis and one of the region consisted of the hilly States of Jammu & Kashmir, Himachal Pradesh and Uttar Pradesh. This reorganised set-up for research work would certainly make an immense effect on improvement and development of this area. He suggested that as in the field of agriculture, this measure may be adopted for all other sectors. Only those schemes may be chosen which would really benefit these particular areas and achieve the set objectives and bring in more or less the same standard of living all over the country.

38. He expressed his gratefulness to the Planning Commission for taking steps to change the Plan priorities for the hill areas like Himachal Pradesh. He suggested that priority should be accorded to the development of Road and Communications followed by Power, Horticulture and Forest farming. Some hill States might want to give higher priority to Tourism also. He drew attention to the absence of an airport in Simla—the only State Capital without any airport.

39. Referring to the exploitation of hydel power, the Chief Minister pointed out that crores of rupees were being spent on super thermal power projects while immense water resource was going waste every year. He laid special stress on the importance of plantation of trees in the country side, in rural areas both in the hill and in the plains. More and more trees were needed not only to prevent soil erosion but also to prevent floods. That is why, Himachal Pradesh had fixed a target this year of planting 360 lakhs of trees which meant 10 trees per person in the State. Recognising the importance of soil erosion, he stated that the State was trying to ensure that all lands are brought either under forests or developed as grassilands where animal fodder is grown. In regard to the method of irrigation, he felt there was need for using the sprinkler method of irrigation. He suggested that this question may be gone into some depth in future experimentations. The Chief Minister then pointed out that it had become very difficult to get meat in the hills. It was very expensive. The State Government was therefore, undertaking an experiment on the possibility of developing goat farming in the State.

40. The Chief Minister thanked the Centre for changing the pattern of Plan finance from 70 : 30 to 90 : 10. He expressed the hope that Himachal Pradesh would not be denied help from the funds kept apart for hill areas in view of the fact that they had already gone ahead with certain major projects. Although there were a few fairly developed areas in the States, there were other areas specially on the border, which were very backward and for reaching them, one had to travel over hundreds of miles. Such areas should get their proper share for the balanced development of the State. He concluded with an appeal for including schemes for the revenue department in the Plan in order to strengthen and modernise the district administration.

41. **Giani Zail Singh**, Chief Minister, Punjab congratulated the Planning Commission for solving some of the States' problems mentioned in the previous meeting of the N.D.C. He wished that the economic progress achieved during emergency should become a normal feature. He endorsed the proposal of the Chief Minister, Haryana for a change in the Gadgil formula to meet the changed situation with regard to future requirements. He stated that the priority given to Power and Energy was commendable and pleaded for the formation of a National Power Grid.

42. Stressing the need to curtail the un-productive expenditure, the Chief Minister wanted more doctors and teachers in the institutions instead of big buildings. Referring to the problem of unemployment he desired some arrangements to provide stipend or pension type of remuneration for the unemployed even if some special cess was required to be imposed on the rich class. He suggested that either demonetisations should be conducted or people should be asked to disclose their possession of hundred rupee notes and jewellery. Government should try to unearth such money and the wealth of Rajas and Maharajas.

43. The Chief Minister emphasised a need for well-planned publicity of the country's progress and achievements in order to counteract false propaganda. He stated that foreigners should not be allowed to take undue advantage of our loose democracy. He concluded by hoping that all the promises made by the Centre to the Punjab state would be fulfilled.

44. **Shri D. Devaraj Urs**, Chief Minister, Karnataka recalled the major developments that had

taken place in the country since the National Development Council met last to consider the Draft Fifth Plan. He stated that there was galloping inflation till December, 1974. The balance of payments position worsened due to fourfold hike in oil prices. The money supply was far in excess of what the economy could absorb. Together with unaccounted money, it created conditions of excess demand in a situation of shortage. Indiscipline in several walks of life affected the industrial and agricultural production. Thanks to the economic and monetary policies adopted by the Government, inflation had been contained and production had picked up on all fronts. From a languishing growth rate in 1974-75, the national income had now improved to over 6 per cent in 1975-76 and could be sustained at a higher rate henceforth. The country had adequate buffer stocks to stabilise and improve the public distribution system. Export had increased substantially and the foreign exchange reserves had reached a record level of over Rs. 2000 crores. The time was appropriate for regaining the initiative for planned investment and growth in terms of a longer time frame.

45. The Chief Minister welcomed the finalised Fifth Plan and endorsed the overall perspective, rate and pattern of growth visualised therein. He stated that among other things, it emphasised the development of a strategy of balanced use of all resources such as land, water, minerals and emphasised the development of energy resources. The bulk of the additional outlay over the Draft Plan was under Irrigation and Power which was in accordance with the Plan priorities. He was, however, concerned at the reduction in outlays on Social Services, some of which were included in the Minimum Needs Programme. He pointed out that the break-up of the Central sector outlays between the Central Plan schemes and Centrally Sponsored schemes had not been indicated in the Plan Document. A better appreciation of the investment would have been possible if these were given statewise. The Plan did not make it clear as to how much additional employment would be created with the proposed outlays. The problems of unemployment and under-employment were on the increase despite additional employment created through substantial development effort. In Karnataka, the number of unemployed persons registered with the Employment Exchange had risen from about 2.8 lakhs in 1972 to 4.1 lakhs in August, 1976. The National Commission on Agriculture had estimated that additional employment for 111 million persons would have to be found by the end of this century. Unemployment threatened to become the major unstabilising factor in our economy unless measures were taken to contain it. In this connection, he emphasised the role of Animal Husbandry, Dairying, Fisheries, Sericulture, handlooms and Khadi and Village Industries which had very high employment potential. Attention has also to be paid to development and promotion of appropriate technologies to improve labour productivity and enlarge employment opportunities. For producing an essential item like cloth, the Lok Vastra Technology of Mini-Textile Mill could be introduced. With an investment of Rs. 5 lakhs it could employ 150 workers in three shifts and produce cheap and quality yarn and cloth. The Central Government might consider establishment of a large number of such units all over the country.

46. The Chief Minister pointed out that the public sector banks were implementing the differential interest rate scheme in all the backward districts of the country. But the lot of artisans and other weaker sections in the developed districts had not improved. The Government of Karnataka, therefore, had extended the scheme to other districts by providing subsidy from the State budget. The scheme should be extended to all the districts in the country.

47. The Chief Minister made the following points regarding the pattern and quantum of Central assistance for States' Plans.

(i) Central assistance constituted 49 per cent of the State Plan outlays during the Fourth

Five Year Plan. This had been brought down to 32 per cent in the Fifth Plan.

(ii) The Central revenues were more elastic and additional resource mobilization by the Centre was expected to increase by nearly 100 per cent during the Fifth Plan. The Sixth Finance Commission's formula for providing Central assistance for meeting expenditure on natural calamities relief was weighted against the State Plans. Central assistance to the State Plans should, therefore, be substantially stepped up from the proposed level of Rs. 6000 crores.

(iii) In the matter of allocation of 10 per cent of the Central assistance among the States with per capita income below the national average, the Distance Formula as adopted by the Sixth Finance Commission was more appropriate and it should be adopted.

(iv) For distribution of 10 per cent of the Central assistance on the basis of special problems; it was desirable to define the nature of special problems and criteria for giving weightage to these problems.

(v) He supported the suggestion that a portion of IDA/World Bank disbursements should be given to the States as additional Central assistance. This would help the States to implement the aided projects on schedule without affecting the outlays on other sectors. He suggested that percentage of Central assistance against the IDA/World Bank disbursements should be increased from the level indicated in the Draft Plan.

48. **Shrimati Nandini Satpathy**, Chief Minister, Orissa stated that she was glad that generous allocations had been made for the core sectors, particularly for irrigation and power. She was of the view that if the present emphasis on irrigation was continued over a period of time, food scarcity would vanish. Besides, it would also generate considerable additional employment which had rightly been emphasised by the Prime Minister. The growth of employment in the secondary sector was uneven in different parts of the country. Compared to the national average, the size of industrial employment was very small in backward areas. Orissa did not enjoy the advantage of industrially advanced States which had reached the stage where a certain rate of growth was automatic. To correct this situation the Chief Minister suggested two programmes.

49. Firstly, the individual licencing policy should be so designed that applications for licences should be considered liberally if the unit was proposed to be located in backward areas with preference in supply of institutional finance and also such industries may be required to set up ancillary units in backward areas.

50. Secondly, Central sector projects should be located in backward areas on a preferential basis.

51. While referring to the resources of the State, the Chief Minister realised that the State should augment its resource position. She pointed out that the States with rich mineral resources were unable to mobilise sufficient resources from this sector. Normally, the mineral wealth should make a contribution to the development effort which could be in two forms—utilisation of minerals in industrial processes and the acrual of royalty rates. Royalty rates for iron ore which were last fixed in 1972 and for manganese ore in 1968 were required to be enhanced in the light of market conditions. The royalty rates could not be revised except with the approval of the Government of India. Further she was glad to take note of the caution the Planning Commission had sounded in the matter of exploitation of mineral resources at page 18-20 of the Plan document.

52. The Chief Minister pointed out that it was time we took an overall view at the national level

and determined the optimum size of exports which the country should not exceed in any area. If this was not done now, difficult conditions for posterity might arise.

53. **Shri Mohan Lal Sukhadia**, Governor, Tamil Nadu suggested that the Gadgil Formula should be properly and suitably revised so that the problems of the States who did not get assistance above a certain level were looked into sympathetically and the imbalance corrected. The recovery of advance plan assistance sanctioned for Famine Relief should be spread over a longer period instead of being adjusted in the next year itself so that an adverse impact of States resources is avoided. The provision of 10 per cent Central assistance for Irrigation and Power Projects, as laid down under the Gadgil Formula also required reconsideration.

54. Referring to the serious unemployment situation due to the closure of the textile mills, the Government Stated that if the National Textile Corporation could not to take over the sick mills, the State Corporations should be allowed to take them over. It was also necessary to have definite policy about edible oil as there was for sugar, cereals and cotton. He suggested that a complete ban should be imposed on the use of edible oil for Vanaspati and other industrial uses to check the rise in oil prices. It would also be advisable to have some sort of a levy on oil Mills to build up buffer stocks.

55. Regarding resources, the Governor suggested that the State Government should be allowed to float rural debentures so that the savings available to areas where generally the State and central loans did not operate, could be mopped up. The L.I.C. which has so far been able to cover only urban areas should increase its operation in rural areas. The funds so generated should be utilised for housing and other schemes. He further pointed out that besides the state plans, it was also necessary to have plans at the regional and national levels particularly in the matter of power generation and irrigation so as to utilise the national potential to the maximum. It was necessary that consideration was given to the question of major inter-state river projects or big thermal power or hydel projects so that they could be used to the maximum advantage.

56. The Governor referred to the discussions he had with the Agriculture and Irrigation Minister regarding saving 100 TMC of water in the existing Cauvery Delta so that the projects which were coming up in Karnataka might have water. The extra funds required for this might be provided separately so that the size of the state plan did not suffer.

57. **Shri C. Achutha Menon**, Chief Minister, Kerala stated that the Fifth Plan had started with the twin objectives of achieving self-reliance and removal of poverty for which the growth rate of economy in important sectors had to be considerably accelerated. It was recognised that the goal of removal of poverty required that the growth strategy must also seek "reduced inequality in the distribution of income and consumption" and that "the composition of growth must be such as favoured the rural and urban poor". He referred to the programme envisaged for massive employment generation which would sustain and would be sustained of greater availability of wage goods. He referred to the economy's rate of growth now estimated at 4.37 per cent which was lower than the earlier stipulated annual average of 5.5 per cent and stated that though the compulsions to set lower targets might be beyond nation's immediate control, effective implementation of early plans would substantially reduce their impact of these compulsions. He broadly agreed with the growth strategy adopted for the future.

58. Regarding employment generation, he expressed concern at the picture presented in the plan document. His impression was that excepting, perhaps, agriculture and mining sectors, the rates of growth contemplated for other sectors were inadequate to meet the requirements. He

wondered whether within such a growth profile it would be possible to make any serious dent into the problems of unemployment, particularly rural unemployment resulting in shortages of wage goods in the economy. He expressed his concern at findings reported in the document that employment in the house-hold manufacturing sector including cottage industries had not increased in the required magnitude. He emphasised the need to restructure the house-hold sector in the light of changes taking place in other rural occupations particularly agriculture in order to increase the demand for the products of this sector.

59. Discussing the question of self-reliance, he emphasised the need for the development of a production capacity that would be able to cater both to the domestic and export markets in a balanced manner. He pointed out that the demands of the export market were often qualitatively different from those of the domestic market.

60. Dwelling on maintenance of price stability, he explained that short-term measures such as restriction in expansion of money supply and credit etc., although important could not form the core of the efforts required to attain price stability consistent with resource mobilisation, level of investment, employment generation and improvement in the standard of living of the masses. In his view, for lasting solution to contain inflation, one had to attack the root causes of low productivity and inadequate investment in the economy. He emphasised the urgency of formulating an appropriate national wage policy keeping in line with the national investment and income policy and a national pricing policy in consultation with the states. Appreciating the recognition accorded by the Planning Commission to area planning particularly, in the field of agriculture and allied sector, the Chief Minister drew the attention of the Council to the lack of a clear-cut policy on such a multilevel planning strategy. He was in favour of giving serious thought to the specific areas and activities which were fit for the decentralised planning.

61. As regards Central investment he urged that the definition of the Plan 'Core' should include not only areas crucial for the national economy as a whole but also such areas which were crucial to the development of different regions in the country. Speaking of Kerala, he listed fisheries, forests, plantations and minerals as crucial to the State.

62. Regarding institutional funds he argued that 55 per cent to 65 per cent flow of these funds at present, were attracted by three or four advanced States. It was necessary to ensure a more equitable distribution to the undeveloped states so that the problem of regional imbalances could be rectified.

63. On agricultural planning, he was of the view that while there had been improvement in the productivity of Wheat, Maize and Jowar over the last 25 years, it had not proved successful in raising the overall rate of growth. He said that the problem was essentially one of social organisation of production and questions of inputs and management were becoming more a problem of organisation rather than of finance.

64. Referring to the development of plantations in Kerala, he said that a major part of perennial crops were under the control of Central Commodity Boards—tea, coffee, cardamom, rubber. He requested that while transferring the rights from foreign owners of the companies managing many of these states to private Indian parties, the concerned States must be consulted and the state must be given the pre-emptive right to acquire the plantations on terms considered fair by the Government of India.

65. Referring to the industrial and commercial policies, he emphasised a thorough re-orientation of the industrial policy frame-work and a curb on the production of luxury goods and pleaded for the

release of more resources for the manufacturing of essential items needed by the masses. In this connection, he also stressed the need for expansion of public sector into pharmaceuticals, textiles, paper, sugar, cement and building materials and pleaded for prevention of monopoly houses. He also emphasised the importance of efficient organisation of public sector distribution system.

66. Dispelling the Central Government's impression about the inadequacy of raising additional taxation, he stated that measures undertaken by Kerala in the first three years of the Fifth Plan for additional taxation were expected to fetch an additional revenue of Rs. 170 crores over the Five years period as against the target of Rs. 100 fixed for the Fifth Plan. He said that some more additional resources mobilisation would be undertaken in the remaining two years also. However, considerable erosion took place due to DA payments to the employees. As a solution to the problems, he suggested evolution of a national wage policy for the country as a whole. He also gave a brief account of the progress made under the 20-point Economic Programme of the Prime Minister and said that the progress would have been more rapid if sufficient funds were made available to the State. He sought permission of the Planning Commission to get back a part or whole of the compensation given to the land-owners to increase States' borrowings.

67. Referring to the recent amendment to the Central Sales Tax Act by the Parliament, he cautioned that the Act would affect adversely the fiscal interests of the States. He stated that nothing had so far been done regarding the demand of the State for allowing them to levy sales tax on inter-state consignment transactions. He pleaded for systematic consultation between the Centre and the States on matters affecting the fiscal interest of States.

68. In his concluding remarks the Chief Minister, Kerala, said that eradication of poverty and promotion of self-reliance would necessitate a radical social transformation. He urged the Centre and the States to think in terms of setting up an appropriate instrument of change which should encompass both the civil servants and cadres of political parties. He also emphasised the urgent need to reform, train and equip the bureaucracy to take the challenge thrown up by the nation.

69. **Shri K. K. Viswanathan**, the Governor of Gujarat endorsing the basic approach enunciated in the final draft of the Fifth Plan stated that in the state of Gujarat the programmes of development during the first three years had a similar thrust, and the scheme of priorities for investment in the remaining two years had also been conceived in the same light. Referring to the progress in the implementation of the 20-point Programme, he stated that after a luke warm beginning during the days of the earlier Government, the programme had gathered considerable momentum. The highest priority had been assigned to the programme of land reforms and the distribution of house-sites to the rural poor. The programme for the uplift of tribals had been taken up in right earnest. Efforts were also under way to achieve in full and even exceed the target for the creation of additional irrigation potential and its utilisation and to speed up power generation programmes. On the agricultural front, despite the series of floods in parts of the State, efforts had been made to harness the full production potential. Contrary to the general impression that Gujarat was prosperous State, its economy was be-set with several problems. While the State had valuable assets in industry and enterprise of her people, in terms of natural resource endowment, the state was not happily placed. These constraints not-withstanding, the State had striven to Achieve the national economic goals and make its contribution towards building the national economy.

70. He expressed his gratitude for the support and understanding of the State's problems from the Central Government on problems like settlement of revision of the royalty on crude oil and clearance for Wanakbori Thermal Power Project. The announcement of the decision to constitute a Regional Development Board for Kutch was also welcome. He urged an early solution to the

Narmada Water dispute.

71. Turning to the major issues of development strategy for the future, the Governor suggested that highest priority should be accorded to the augmentation of power generation in the Western Region, which was expected to face both peaking and energy deficits. He urged for location of atomic power station in the State and adequate flow of power from the proposed Kobra-Super Thermal Station to relieve anticipated future shortages. For the immediate future, he urged the setting up of a super thermal power station some-where near Tarapur by utilising some part of the available Gas. He expressed anxiety for effective solutions for the transport and utilisation of oil and associated gas.

72. Referring to the employment policy, the Governor suggested that it would be essential to evolve a unified integrated employment policy to effectively tackle the problem of rural unemployment as also the urban unemployment in terms of a time-frame and spatial planning. He suggested the taking up of a programme of developing viable minor ports for the benefit of the economy. He laid special emphasis on the problem of providing drinking water to the villages and to the smaller towns without such supply.

73. Referring to the importance of mobilisation of budgetary resources, the Governor stated that Gujarat had made its humble contribution. As against the target of Rs. 150 crores set for the State, the measures already undertaken were expected to yield Rs. 425 crores, not taking into account the figure of Rs. 60 crores suggested for the next two years. But the problem of a resources gap remained and required to be tackled with understanding.

74. **Shri Shyama Charan Shukla**, Chief Minister, Madhya Pradesh, stated that after a period of stresses and strains, the economy had stabilised, inflation had been halted and the upward trend of prices curbed. This had lightened the burden and the task ahead had become much easier. Referring to the inaugural address of the PM regarding mopping up the savings of the rural community, the Chief Minister stated that in a backward state like MP, the rural surpluses might not be considerable. However, efforts were under way to collect tax from the rural community and new legislation entitled "Gramin Vikas Kar Adhiniyam" had been promulgated. The Taxes collected were being given to C.D. blocks and Janpath Panchayats to match the voluntary labour provided by the Community for local Development Works.

75. The Chief Minister emphasised the need for reviewing the procedure for distribution of market borrowings among various states so that the gap in the levels of development of various states could be narrowed down. He also suggested that investment by LIC, IDA, World Bank, the licensing of industrial units, and public sector project allocation should also be systematised keeping this in mind.

76. The Chief Minister pointed out that the Electricity Board in Madhya Pradesh was being run on commercial lines and no losses were being incurred on sale of power. As regards irrigation losses, he stated that Madhya Pradesh was a backward state where assured irrigation was available only in 9 per cent of its area. Most of the potential available had yet to be tapped and it might not be prudent at the stage to revise, irrigation rates with a view to making such projects self-sustaining.

77. The Chief Minister further stated that the Sixth Finance Commission had distributed an amount of Rs. 2510 crores under Article 275 of the Constitution. No amount was allotted to Madhya Pradesh for the reason that it had sound financial management. In the circumstances, sound financial management had operated against the interest of the state and Madhya Pradesh had been ranked with advanced states like Punjab, Haryana and Maharashtra etc. Had the Finance

Commission followed the criteria of per capita income in each state, Madhya Pradesh would have secured a sizeable amount as a grant-in-aid from the Centre. The Chief Minister pointed out that Madhya Pradesh had made heroic efforts to mobilise additional resources. As against Rs. 684 crores of additional resource mobilisation envisaged at the time of the formulation of draft Fifth Plan, the state would raise over Rs. 1000 crores, during the Fifth Plan period. Despite this massive resource mobilisation effort, the share of Central assistance for implementing the Plan had gone down from 49 per cent to about 35 per cent. In view of this, he pleaded for a review of the Gadgil formula.

78. The Chief Minister stated that the scope of further taxation of the primary sector viz. agriculture, being extremely limited, states like Madhya Pradesh should be allowed to exploit mineral resources in the state public sector to augment their own resources. The Central Government could if necessary be associated either for providing technical expertise, or the projects could be undertaken jointly by the Centre and the States.

79. The Chief Minister further suggested that in such of the areas of Madhya Pradesh where irrigation facilities were not available or adequate, agricultural inputs should be available on a concessional basis by the excise duties on fertilisers being suitably adjusted.

80. The Chief Minister stated that the state of Madhya Pradesh had been endowed with excellent natural resources. There was an enormous potential for generating hydel power and for exploitation of coal deposits, etc. He suggested that these projects could be taken out of the state plan and considered for inclusion in the Central Sector. He also suggested that funds received from international agencies for big projects of national importance should be allocated in their entirity of the concerned projects instead of the present practice of putting them into the total foreign aid available and then distributing it all over the country as part of Central assistance.

81. Referring to the expenditious implementation of inter-state irrigation projects, the Chief Minister pointed out the difficulty of a state like M.P. which is surrounded by many States and is therefore concerned with a number of Government projects. He suggested that such projects should be included in the Central Sector programme to ensure their early completion.

82. The Chief Minister stated that in M.P. investment on priority sectors such as irrigation, power, agriculture was of the order of 78 per cent of the total plan outlay. This had led to a lopsided development which needed to be rectified. He suggested construction of more super thermal stations with the aid of international agencies. If super thermal stations were established as joint projects of the State and Central Governments, the State would be in a position supply power to neighbouring States.

83. The Chief Minister referred to tribal sub-plans and stated that Madhya Pradesh had the largest concentration of tribal population in whole of the country. Despite the fact that substantial resources had been allotted by the Planning Commission for development of tribal areas, no allocation was available for Roads and Electricity. Development of roads in the tribal areas should be considered as a core programme. Further, there should be a separate provision for building the connecting power supply lines as support lines in the Tribal Sub-Plan area.

84. The Chief Minister stated that the scheme of impounding additional dearness allowance by the Central Government might be relaxed to the extent that it was not made applicable to the dearness allowance granted by the State Government to its employees and of which 50 per cent was compulsorily deposited in their Provident Fund Account. If this suggestion was accepted it would augment State's resources for financing the Plan outlay.

85. The Chief Minister concluded that higher outlays than what were proposed for all States in the Plan document might not be desirable, but Inter se allocations between States and between various projects might be readjusted for reducing the regional disparities as also for exploiting the untapped potential in the States.

86. **Shri Siddhartha Sankar Ray**, Chief Minister, West Bengal, complimented the Planning Commission on bringing out a vigorous and imaginative document and putting at rest all talk of a plan holiday. He pointed out that as far as the total outlay was concerned, it was certainly a leap forward as compared to the investments made in the earlier plans.

87. He agreed with the Deputy Chairman's suggestion that Gadgil Formula could be, by and large, kept unchanged but suggested that for certain States like, West Bengal, exception might be necessary. He pointed out that the last six years were years of anxiety and trouble in West Bengal and if 10 per cent of Central assistance was allocated on the basis of additional tax efforts in 1973-74, it would not be just as the situation was not normal in that year whereas in the latter years the situation in West Bengal had greatly improved. It was clarified by the Minister of State for Planning that the total taxation made since planning started till 1973-74 would be taken into account and not the tax efforts of 1973-74 alone.

88. Referring to the problems being faced by the Jute industry, the Chief Minister pointed out that a solution would have to be found very quickly as 20-25 per cent people of the state were dependent on it.

89. He welcomed the step up in the collection of indirect taxes by the Government. He was of the view that the accrual of funds from indirect taxes was of Paramount importance and that a rationalised indirect tax system should be evolved for raising resources needed for development. Referring to question of taxing the agriculture sector he pointed out that in West Bengal, land tax had been rationalised and the State Government had imposed cess and surcharges on the agriculture and mining sectors. The Chief Minister also emphasised the need for a well regulated credit policy. He pointed out that the availability of adequate Finance from Commercial Banks was becoming increasingly significant to the overall development effort. While there were regulated procedures governing the flow of credit from the RBI and the LIC, similar procedures in respect of Commercial Banks were yet to be developed.

90. The Chief Minister welcomed the suggestion made in the document that a portion of Central assistance be ear-marked for being released against performance in family planning as this would create a national consensus to streamline the demographic profile.

91. Referring to the question of power development, he pointed out that there was a need for expanding the generating capacity in the eastern region. He was of the view that measures should be devised to link up thermal and hydel systems on the basis of regional grids so that the existing generation capabilities were more optimally utilised.

92. Referring to agriculture programmes, the Chief Minister pointed out that under-ground water resources were available in plenty in the eastern region. The emphasis had to be on better management of soil and water as well as resolute implementation of land reforms. He pointed out that so far as the permanent settlement areas were concerned, the solution of the land problem was very difficult and a time consuming task. He was of the view that inputs and water had to be provided in a manner as would ensure the optimum utilisation of these scarce resources.

93. He suggested that though adequate outlays had been provided for irrigation and flood control,

diversion within the overall ceiling between the outlays proposed for irrigation and flood control, depending upon the exigencies of the situation, should be allowed. He hoped that if there was a buouancy in the resources of the State, the Planning Commission would permit the over-all limit to be exceeded subject to the productivity of investment and national priorities.

94. The Chief Minister pointed out that allocation of outlays for transport sector has so far been given a residuary treatment and suggested that this sector should be viewed as being complementary to the key sectors of development. He also pleaded for a clear policy decision regarding employment programmes. He was of the view that while in the long run, generation of employment opportunities would be through increased production in agriculture, industry and activities ancillary to them, special employment programmes should be continued in the rural areas to take care of the immediate problem of seasonal unemployment.

95. Referring to the utilisation of non-renewal natural resources, he pointed out that it was imperative that greater care was given for conservation of coal as suggested the adoption of a technology which would ensure full recovery of all utilisable chemicals before coal was burnt as fuel.

96. In regard to the additional central assistance for IDA/World Bank Projects, he suggested that the assistance should be raised from 15-20% proposed by the Planning Commission to 50-75%.

97. Referring to the 20-point programme, he pointed out that with the liquidation of the debts, alternative arrangements both for the production and consumption needs of the weaker sections would have to be made. For this, a universal membership of cooperatives might have to be introduced in every state. He pointed out that funds would be needed for constructing huts on the house-sites allotted to the 3 lakh shelterless rural people in West Bengal. Central guidelines in this regard would be needed as this was a very vital measure under the 20-point programme.

98. The Chief Minister suggested that in respect of Central and Centrally sponsored schemes to be taken up in the states during the sixth Plan, it was desirable that joint teams were constituted at an early date to work out details so that there was full coordination and understanding at the implementation stage.

99. **Shri Sukhomoy Sen Gupta**, Chief Minister, Tripura stated that while developed states would always get a higher allocation because they were in a position to augment their own resources, poor and backward States like Tripura deserved more Central patronage and assistance.

100. **Shri Narayan Datt Tewari**, Chief Minister, Uttar Pradesh, stated that the document presented was quite in keeping with the spirit of optimism and confidence generated by the signal achievements of the last two years. In tune with the objective of self-sufficiency in foodgrains, a target of 7.4 million tonnes of additional foodgrains, production had been proposed for Uttar Pradesh for the Fifth Plan period. For non-foodgrain crops, ambitious targets had been fixed in respect of sugarcane, cotton and oilseeds. These would be achieved through the optimum use of the irrigation potential, multiple cropping, extension of area under high yielding varieties, adoption of improved agricultural practices, conjective use of surface and groundwater and an integrated programme for the provision of credit and inputs. He pointed out that while planning for increased production, the long-term objectives of conserving land resources and preserving the ecological environments had also been given adequate attention. He pointed out that under Prime Minister's economic programme in Uttar Pradesh 2 million hectares of additional irrigation potentials would be created through major and medium irrigation works against the national target of

5.8 million hectares.

101. Referring to the objectives of growth with stability, he pointed out that there was a need for keeping strict control on prices and suggested that the investment strategy should be radically reoriented. He was of the view that it would be desirable to immediately take stock of the long-term implications of the strategy from the point of view of balanced inter-sectoral and inter-regional growth and start work on evolving an appropriate framework for action in the Sixth and subsequent plans. He was of the view that it would be essential to pay more attention to communications and social services sector in the coming years as they contributed to improvement in the quality of life and the development of human resources.

102. The Chief Minister emphasised the need for giving immediate attention to the progressively widening gap between states as regards to per capita income. He suggested that an appropriate and equitable policy for direct Central investment and distribution of Central assistance, market borrowings, flow of funds from term lending by financial institutions and investment made by commercial banks should be formulated. He also suggested that the nationalised banks should extend help for developing backward areas, for which they should equip themselves with a capability for assessing the development potentials of different areas and actively encourage entrepreneurs.

103. He pointed out that the States often found themselves constrained to distort their priorities in order to take advantage of funds offered on matching basis under a variety of Central and Centrally sponsored schemes. The necessity of these schemes was studied in great detail by the Administrative Reforms Commission and later certain substantive decisions were taken by the Committee of Chief Minister appointed by the NDC. He pointed out that these decisions had been modified without prior referring to the NDC. This called for a detailed examination at an early date.

104. Referring to multi-level planning, he suggested that the Planning Commission should provide a national model for the Sixth Plan for the States to follow.

105. In regard to power programmes, the Chief Minister pointed out that by the end of the Fifth Plan a number of States would have a problem of imbalance between hydel and thermal projects with reference to their generating capacity. He suggested that a liberal provision should be made to enable the States to take advance action in relation to new generation projects so as to avoid recurrence of power famine, which seriously retarded economic growth during the last years of the Fourth Plan and the first two years of the Fifth Plan.

106. He suggested that a detailed analysis should be taken up immediately to get an idea as to what percentage of population would be below the poverty line by the end of the Fifth Plan. He also desired that the impact of investment in the Centre and State Plans on employment should be quantified. He was of the view that the problem of unemployment should be tackled not by special employment schemes but by adopting investment policies and formulating development schemes in a manner which would take care of the problem without any artificial crops. He also wanted a review of the policy regarding Central assistance for meeting natural calamities as suggested by the Sixth Finance Commission.

107. **Shri Harideo Joshi**, Chief Minister, Rajasthan congratulated the Planning Commission on the preparation of the Fifth Plan document in its final form. Expressing his agreement with the priorities indicated in the document, he stated that the emphasis placed on irrigation and power development would accelerate production in the field of agriculture and industry. He also stressed the need to control the expansion in the money supply along with the increase in public expenditure.

108. Referring to the Rajasthan Canal Project, the Chief Minister stated that the progress of work on this project had been very slow due to paucity of funds. The project required an investment of Rs. 400 crores before it can be completed. This order of outlay was beyond the capacity of the Rajasthan Government. If the entire responsibility continued to be that of the State Government the project which could be completed within 3 years would stretch on for 10 years or more. It was in the National interest to complete the project as quickly as possible since it could provide an additional production of 30 lakh tonnes of food-grains per annum.

109. The Chief Minister was of the view that there was need to remove the restrictions imposed by the Government of India and the Reserve Bank on State Electricity Boards in the matter of raising financial resources from commercial banks.

110. The Chief Minister referred to the progress made by the State Government in land reforms measures. After July, 1975 the State Government had distributed 4.05 lakh hectares to 2.60 lakh persons. 50 per cent of the beneficiaries belonged to scheduled castes / scheduled tribes. The Chief Minister emphasised the need for an early decision to convert the Railway system in Rajasthan from Meter gauge to Broad gauge. He mentioned the need for the setting up of a fertiliser complex in Rajasthan in the context of the vast availability of pyrite and rock phosphate. The feasibility report of the Fertiliser Complex had already been completed. It would be in the larger interests of the country to take an early decision in the matter.

111. The Chief Minister mentioned that the State Government had taken a decision to set up District Planning Committees with representatives of the people, progressive farmers and specialists in various fields. These District Planning Committees would prepare detailed district plans, keeping in view the requirements of the local population and fully enlisting their co-operation.

112. He emphasised the need to bring about a change in the attitude of the nationalised banks towards the weaker sections of the community who were in dire need of financial assistance. He mentioned that Rajasthan has been handicapped because of the initial back-wardness inherited by the State as also the large number of scheduled castes inhabiting the State and its vast desert areas. He pointed out that while allocating central assistance, these factors might be kept in mind. Also, while determining the size of the State Plan, the development needs of the State had to be taken into account along with the State's own resources. This would help to reduce the regional imbalances as between different areas of the State.

113. **Shri B. D. Thakur**, Finance Minister, Jammu & Kashmir expressed the State's gratitude and indebtedness to the Prime Minister for her dynamic leadership which had made it possible to consider the Fifth Plan in an optimistic note. He commended the Gadgil formula of determining Central assistance to States as it aimed at a balanced development of the country. In case this formula was modified the Minister emphasised the need to ensure that backward regions and backward States were given favourable treatment. The Finance Minister suggested that accruals from Corporate Taxes should also be divided amongst States and utilised for narrowing the gap between the backward and affluent States.

114. On unemployment, he pointed out that with the scientific development in the agricultural field and also other technologies advances, the pressure on land was decreasing and there was a tendency for inflow of people from rural areas to the urban areas. If this trend continued, he expected that after a decade or two, the concentration of population in urban areas could bring about an imbalance in the total economy. Hence, while considering solutions for unemployment, the parallel question of in which sector of the economy would the unemployed be absorbed would

have to be considered. The development of cottage industries was the only means to prevent this influx of population from rural areas to the urban areas. The other step in this respect, was the speeding up of vocationalisation and diversification of education. Thirdly, there was need for having a specific employment policy. This was the point on which the State Government and the Central Government should act immediately. He feared that in the absence of a clear concept as to what was going to be the ultimate magnitude of job opportunity for the absorption of the skilled, unskilled, educated and un-educated labour forces, the State Government would find themselves in a somewhat confused state. The State of Jammu & Kashmir, had for example, 20 per cent more engineers and 10 per cent less doctors than the State's requirements. Such imbalances in requirements and availability of man-power had to be tackled by the Planning Commission in collaboration with the Ministry of Education.

115. Regarding the development of the Himalayan territory, the Minister supported the views expressed by the Chief Minister of Himachal Pradesh. He welcomed the formation of a region consisting of the hill areas of Himachal Pradesh, Jammu & Kashmir and the Kumaon Division of Uttar Pradesh. At the same time, he recommended the demarcation of other areas also which could possibly be united together for the purpose of development. The Government of Jammu & Kashmir, had already declared regions like Ladakh as backward areas and had also demarcated certain districts as backward districts and were concentrating on road construction and other infrastructures development in these areas.

116. The Minister expressed the nation's indebtedness to the Prime Minister for initiating the 20-Point Economic Programme, he pointed out that if the growth rate was 4.4 per cent and if the total number of people living below the poverty line was 30 million in the country, it would perhaps take more than 30 years to remedy the situation. He, therefore, suggested concentration of schemes which would provide alternate source of livelihood to such poor people even if it meant exclusion of minor and medium irrigation schemes from the 20-Point Programme.

117. Regarding the problem of immediate growth, he pointed out that unless there was some rethinking regarding redistribution of incomes, it would not be possible to achieve the desired results. He felt that the complexion of the Indian economy had changed and we could consider having a more radical, more basic and fundamental look so far as distribution of incomes was concerned. He also suggested that steps might be taken to bring about an amendment in the State's Finance Corporation Act in order to increase the limit of assistance to the developing industries from the present limit of Rs. 20 lakhs to about Rs. 1 crore. Regarding incentives to the new industries in the States, he pointed out that many States were competing with each other in this respect. In such a state of competition, the richer States like Haryana, Punjab and Maharashtra would naturally offer greater incentives and thus wean away industrialists from the other weaker States. The Central Government could, therefore, consider some uniform policy in this respect.

118. Regarding the wage policy, he stated that there was a demand for revision of pay scales every third year on the ground that the adjoining States of Himachal Pradesh or Haryana or Punjab had done so. There was, thus, a need for a national policy.

119. Referring to tapping of resources, he felt that the agricultural sector had not been adequately tapped. About 40 per cent of the people in the villages must be affluent and in a position to bear some taxation. In Jammu & Kashmir, they had already started charging a higher rate of irrigation cess and land revenue. This has yielded additional revenue of Rs. 20-25 crores in one year. He expressed the view that there should be a uniform all-India policy in this as this could result in more effective resource mobilisation.

120. **Shrimati Shashikala Kakodkar**, Chief Minister, Goa expressed satisfaction that the Fifth Plan, outlay of the Union Territory had been retained at Rs. 85 crores. The Administration had taken steps to mobilise additional resources to the extent of Rs. 8.83 crores against the original estimate of Rs. 2.73 crores.

121. The Chief Minister requested that the Tillari Irrigation Project should be given priority and sufficient funds made available for execution. Similarly, the Daman Ganga Project and the Anjunem Irrigation Project should also be given priority. After completion of these projects, 37,000 hectares of land would be brought under irrigation in the next few years. The Chief Minister emphasised the need for having a long-term agreement with the power supplying States of Maharashtra, Karnataka and Gujarat to ensure adequate and coordinated availability of power for the various industries.

122. The Chief Minister stated that the 20-Point Economic Development Programme was being implemented with great enthusiasm in the Territory. A High Level Committee with Chief Minister as Chairman and leaders from other political parties had been constituted to review the progress of this programme. The Cadestral Survey work of all the 429 revenue villages had been largely completed.

123. **Shri Williamson A. Sangma**, Chief Minister, Meghalaya, felt that the finalisation of the Fifth Plan was an important event. It reflected and symbolised the will of the Nation to march forward on the path of planned process. While the economy had shown some stability, constant vigil was still necessary to curb inflation and achieve the goal of growth. The revised Fifth Plan had taken into account the relevant factors and provided a realistic model for the growth of the national economy.

124. The States in the North-Eastern region and particularly the hill states had certain common characteristics. These States were predominantly inhabited by tribals. The difficult hilly terrain and the traditional practice of jhum or shifting cultivation practised extensively by the tribals living in these States, made agricultural practices unremunerative. The lack of infrastructure development had resulted in a backlog in respect of industrialisation. As a result, 70 to 80% of the tribal population in these areas lived below the poverty line. These factors highlighted the necessity for special and preferential treatment to the backward hill States in the North-Eastern region.

125. As regards the problem of communications in Hill areas, the Chief Minister suggested that there should be a phased programme for growth of railway communications in the area. With the assistance from the North Eastern Council, the railways had completed surveys for a few new railway lines. Adequate provision of funds for taking up these lines would be necessary.

126. Simultaneously measures should be taken to make road transport cheaper in these areas by provision of special incentives to transport operators.

127. The Chief Minister pointed out that while the revised plan outlays with the stepping up of allocation for core sectors i.e. power, irrigation, flood control, industries and mining, was in consonance with the national priorities, a shifting of emphasis was necessary in the case of hill States of the North-Eastern region. Referring the minimum needs programme, he stated that the programme seemed to have been merged with the 20-Points Economic Programme. However, a reduction in the outlay for certain selected items under minimum needs programme i.e. elementary education and rural water supply was rather dis-appointing. The Chief Minister pleaded for adequate outlays for tourism as it was a very important sector for development of the north eastern region.

128. The Chief Minister further referred to the reduction of outlay on tribal development and for North Eastern Council schemes. He pointed out that initially Nagaland was not a member of the

Council. Recently they had joined the Council. As such it was thought that the allocation would be increased but indeed the original allocation of Rs. 100 crores had been reduced to Rs. 90 crores for North Eastern Council. Further the Chief Minister pointed out that an amount of Rs. 50 crores sanctioned for the North Eastern Council in the Fourth Plan should be made available during the current plan period.

129. The Chief Minister stated that although more than 80 per cent of the population of Meghalaya consisted of tribals, the State had been denied any special assistance on the plea that States like Meghalaya and Nagaland had no tribal sub-plan. He pleaded for a share for Meghalaya and Nagaland also from this fund.

130. Regarding banking facilities, the Chief Minister stated that the hill areas of the North Eastern Region satisfied the criteria for setting up of a Regional Rural Bank. The early setting up of a Regional Rural Bank to serve these areas will accelerate the process of development. A revival of the assistance to the tribal development blocks under the hill and tribal area development sectors would accelerate the process of development in these areas and serve the objective of removal of regional imbalances.

131. The Chief Minister pleaded for incentives for setting up of industries and stated that it had to be done to attract entrepreneurs and industrialists to come and start industries in the eastern part of the country.

132. The Chief Minister pointed out that the provision for the on-going Kyrdemkulai hydro electric project was included in the Assam's Plan. This project had been transferred to Meghalaya. The provision of Rs. 12.62 crores for Kyrdemkulai hydro electric project has been accommodated with in the revised State Plan ceilings of Rs. 89.53 crores, which means a virtual reduction of original plan of Rs. 84.21 crores to Rs. 76.91 crores. The Chief Minister pleaded for restoration of this cut in the plan size. He stated that the minimum plan size for Meghalaya should be Rs. 84.21 crores plus Rs. 12.62 crores making a total of Rs. 96.83 crores.

133. **Shri R. K. Dorendra Singh**, Chief Minister, Manipur stated that Manipur had no major industry. The average availability of roads per 100 sq. krns. was only 12.5 kms. Most of the district and subdivisional headquarters had no all-weather motorable roads connecting them with the State capital. Manipur had no hydel power yet. Per capita consumption of power was very low—7 KWH against 93 of all India. Hardly 10 per cent of the villages in Manipur had water supply and the remaining villages and sources located at a distance ranging from 2 miles to 10 miles. Out of the 20 hill sub-divisions of Manipur, 14 were acute scarcity areas. The mounting unemployment problem was aggravating the situation in this strategic state. Manipur had a sizeable tribal population and while a sub-Plan for the Tribal areas had been formulated the monetary provision was not sufficient to provide even the minimum necessities in order to bring it at par with other States.

134. The Chief Minister suggested that an area approach where plans are formulated taking some of the districts together might be attempted for minimising regional imbalances. The hill areas in North Eastern Region had a special problem. Since 92 per cent of the area in the State was in difficult hill areas the State Government should be permitted to construct minor roads in the hilly areas out of the sub-plan Funds.

135. The Chief Minister further stated that there was a marked improvement in the mobilisation of resources by State Government. Measures like increase in sales tax, electricity tariff, cess on maize, passenger fare and freight rates tax on motor vehicles, forest royalty, hill tax, etc., had been adopted since 1974-75. As a result of these measures, the anticipated additional resource

mobilisation had gone upto Rs. 4.88 crores from Rs. 1 crore, anticipated earlier. The state Government was striving to further augment its resources. Some steps such as imposition of irrigation levy, professional tax, water tax, imposition of royalty on minerals after survey by Geological Survey of India were under consideration of the State Government.

136. Consistent with the general increase in the Fifth Plan outlay for the country and taking into consideration Manipur's efforts towards the raising of resources and the various special problems, the Chief Minister pleaded for the stepping up of the Fifth Plan outlay of the State from Rs. 92.86 crores to Rs. 109 crores. He mentioned that additional funds were needed for:

(i) the construction of all-weather roads, connecting districts and sub-divisional head-quarters with Imphal;

(ii) a spinning mill, cement factory, a small paper mill, Handloom Corporation and a small Industrial Estate;

(iii) Improving the water supply position in all sub-divisional headquarters;

(iv) providing buildings for primary schools;

(v) public administrative buildings; and

(vi) accelerating the electrification of the remaining fifteen hill sub-divisions and villages.

137. The Chief Minister also stated that in view of the large tribal population in the State, the original Fifth Plan provision of Rs. 180 lakhs for the "Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes" Sector should be restored.

138. The Chief Minister briefly outlined the achievements made by the State Governments in the implementation of the 20-point Economic programme.

139. **Shri K. L. Dorjee**, Chief Minister, Sikkim thanked the Prime Minister for helping the people of Sikkim in fulfilling their desires by making Sikkim the 22nd State of India. He expressed the hope that Centre would take care of non-plan liabilities of Sikkim also. He also desired that the Sikkim's Fifth Plan should be for 3 years.

140. **Shri L. P. Singh**, Governor of Nagaland stated that the admirable document circulated by the Planning Commission left hardly any scope for doubt or reservations about the perspective and the base on which the proposed Plan outlays and programmes of development had been determined.

141. He stated that there should be proper man-power planning. This was very important and ought to be carried out on the basis of the output from educational training institutions and the requirement of educated and trained man-power. In North Eastern States excepting Assam, shortage of trained man-power had been felt and continued to be a major factor impeding development. He appealed to the Chief Ministers of the developed States to help by admitting as many candidates from the North Eastern States as possible, by relaxing standards in respect of tribal and scheduled castes candidates. He appealed to the Central Government that some sort of development corps consisting of trained personnel should be raised. Composite units from the corps could be sent out to the States which needed them, for three to five years. He also suggested that the Planning Commission might set up a Group of Experts in the field who could examine the planning machinery and procedure, evaluation and monitoring arrangements in the States and Union Territories and make suitable recommendations early.

142. Very little had been done to survey surface water in the hill areas. The Governor suggested

that there should be a national programme for survey of surface water in the hill areas as there was very little scope for utilization of ground water for irrigation.

143. The North Eastern Council had been in touch with the National Remote Sensing Agency and was considering the possibility of getting data for certain areas through a set of satellite images and from aerial photography. The Governor suggested that the question of getting surveys made through aerial photography and satellite imagery for all suitable areas in the North Eastern region as a part of the Central programme might be considered.

144. The Governor pointed out that while 47.41 per cent of the reported area in this region was under Forests as compared to 22.06 per cent for the country as a whole, the outlay for forestry in the Plan was only 8 per cent. In the matter of geologically mapping also the Plan document recognised that the area mapped in this region was far below the national coverage, yet the Geological Survey of India's budgetary provision for this region continued to be too small to bring the mapping of this region to the national level within a reasonable time.

145. Regarding railway development the Governor stated that the share of the North-Eastern region had been disproportionately small. The route length per 100 Sq. Kms. in this area was only about a half of the national figure and 4 of the 7 political units in the region were not connected by rail. Yet, out of a provision of Rs. 97.2 crores for new lines, only 2.3 crores would have been spent on the sole new line viz. Bongaigaon-Gauhati Broad-gauge line upto the end of the current year. The Governor pleaded that the region should get a fair share of the Central sector allocations so that its progress would not continue to lag behind the rest of the country.

146. The Governor suggested that Planning Commission should have a Unit to look after the various problems of the North-Eastern Region. The procedure for getting approval and sanction for schemes of the region was so complex that it took three to five months and sometime longer to get the approval. Such problems should be discussed at an inter-ministerial meeting which the Secretary of the Council and the Governor could be asked to attend. He appealed to the Planning Commission to increase the allocation for the North-Eastern Council to the original figure of Rs. 100 crores. Referring to the size of the revised Fifth Plan, the Governor pointed out that the allocation for Nagaland was Rs. 83.63 crores but this included Rs. 4.5 crores for purchase of about 70 Sq. miles of village forests and Jhum Lands for ensuring adequate supply of raw material to the paper and pulp mill at Tuli which was a joint undertaking of the Centre and the State Government. This provision was not included in the initial Draft Plan. This had resulted in the reduction of the provision for power, water supply and for buildings including those needed for new offices. The Governor suggested that the question of providing Rs. 4.5 crores for purchase of forests may be dealt with on a separate footing.

147. The Governor regretted that due to constitutional, economic and other reasons, the state was not in a position to raise substantial resources.

148. **Shri B. T. Kulkarni**, Lt. Governor, Pondicherry expressed satisfaction that the Administration had succeeded in mobilising 100 per cent additional resources and that the family planning target had been exceeded. He suggested that the Government of India might start an Institute of Linguistics in the Territory as there was a great demand from foreign countries for such scholars. Referring to the flow of foreign tourists into Pondicherry, the Lt. Governor requested for the construction of a small aerodrome and provision of railway communication in the territory. He pleaded for a reorientation of our educational process.

149. **Shri Radha Raman**, Chief Executive Councillor, Delhi complimented the Planning

Commission for having made a correct and appropriate appraisal of the needs of Delhi and also for sympathetically appraising Delhi's additional resource mobilisation efforts.

150. The Chief Executive Councillor stated that massive resettlement operations had been undertaken wherein, more than half a million people living in slums had been removed from the congested areas of the city and settled in planned colonies. He also stated that in the field of family planning, the Delhi Administration had done about 65,000 sterilisations which are more than twice the target envisaged for the year. A large scale capital works programme had also been undertaken to provide better building for schools, social welfare homes, 'Balwadis' and quarters for low paid civil and police personnel. The accent of Delhi's Plan had always been on the weaker sections of the society and a large proportion of the approved outlay had been earmarked for the 20-Point Economic Programme of the Prime Minister.

151. The Chief Executive Councillor pointed out that Delhi was a growing metropolis with diversified programmes of development. As the standard of living of the people improved with planned development there was an ever increasing need for more and better civic amenities. Therefore, environmental improvement programmes needed to be undertaken on a large scale in the over-crowded and congested parts of the walled city. There was also the need for reversing the inflow of population into the city and for achieving this, the implementation of National Capital Regional programmes should be accelerated. For this purpose, the reduction in the Central sector allocation for NCR needed re-consideration.

152. The Chief Executive Councillor stated that Delhi's economy largely depended upon small scale industries and the nature of its business was essentially distributive and export oriented. In this context, Delhi appeared to be the most suitable location for establishing a dry port. This matter which had been pending for long, needed an early decision. Also, the schemes of Delhi Administration for establishing new industrial estates needed early clearance. There was a growing apprehension in Trade and Industry that the industrial units might be shifted to the conforming area in the National Capital Region, even if the units were not hazardous and obnoxious. This apprehension needed to be removed, keeping in view the nature of industry and distributive trade to maintain economic balance and stability of the metropolis.

153. The Chief Executive Councillor stated that the Town and Country Planning Corporation had made a review of the Master Plan of Delhi and made certain recommendations which were under consideration of the Ministry of Works and Housing. An early decision needed to be taken on this.

154. The Chief Executive Councillor pointed out that the Delhi Administration had raised substantial additional resources through new levies and by taking effective steps against tax evasion. He suggested that the allocation of Rs. 171 crores for the last two years required augmentation especially in view of the Administration's demonstrated ability to utilise fully its outlays. He stated that while Delhi Administration was being given benefit of resources raised by new levies; additional collections as a result of administrative steps taken were not allowed. He suggested that a formula might be evolved so as to co-relate Plan funds with the total resource availability and not merely to resources raised by new levies.

155. **Shri T. N. Chaturvedi**, Chief Commissioner, Chandigarh submitted that with the growth of two satellite towns of Mohali and Panchkula around the territory, the pressure on social services in Chandigarh had increased. There was, therefore, need to strengthen the social services in Chandigarh, particularly, relating to housing, health and educational facilities. He also submitted that in the course of the implementation of the capital project, a number of distortions had crept in.

Efforts were being made to interpret the town planning concept in conformity with the economic and social compulsions of the day. This, obviously, meant a fair amount of efforts at slum clearance and also on providing massive housing facilities.

156. Referring to the problem of afforestation of the Sivalik range a project which was necessary to prevent the silting up of the Chandigarh lake, the Chief Commissioner stated that cooperation of both Haryana and Punjab Governments was needed. He also mentioned of the need for augmenting the water supply in Chandigarh. There was an agreement in principle in regard to the Bhakra main line from both the Chief Ministers of Punjab and Haryana, but the operational concurrence was yet to come from the Chief Minister of Punjab. Meanwhile, as an interim measures to augment water supply, the Chandigarh Administration might be allowed to dig some tube wells in Chandigarh. Referring to the peripheral developments around Chandigarh, the Commissioner made a mention of the distortions which had crept in the built up area of Chandigarh. He stated that the committee headed by Secretary, Ministry of Works and Housing, would take note of these distortions so that the undesirable growth around Chandigarh was prevented particularly from the point of view of putting a shop to the speculative activities of the people around it.

157. The Chief Commissioner emphasised the need for putting Chandigarh on the main railway line and suggested that the Jagadhari-Chandigarh-Ludhiana railway line might be taken up on a priority basis. He also submitted that the project to start a T. V. Relay Centre at Kasuali in Himachal Pradesh might also be taken up soon. This would help in educating the cultivators of the area in new methods of farming.

158. **Shri M. C. Verma**, Administrator, Lakshadweep, stated that the Union Territory of Lakshadweep was the smallest and the most isolated territory in the country. It was also a very sensitive area in the Indian Ocean. Because of the inadequate development of shipping and communications, the backwardness of this Territory had not so far been removed. Since there was no air-strip in the Islands, shipping constituted the most important sector and a higher investment in this sector would be required. The Islands had enormous potential for the development of Tuna fishing which could be exploited if modern refrigerated vessels were available. Some of the islands specially Minicoy had already done very well with Tuna fishing in the existing small mechanised vessels. The Administrator hoped that a favourable decision would be taken for the establishment of an A.I.R. Station in the Territory for which some lands had already been set apart.

159. In the course of his speech, the Finance Minister **Shri C. Subramaniam** stressed the need for raising resources to sustain the revised Plan outlay. He pointed out that the financing of the Plan envisaged the Centre raising another Rs. 900 crores and the States Rs. 701 crores during the next two years and that unless resources were raised to match the Plan size, the implementation of the Plan would not be possible. The resources estimates for the Plan have taken into account all the resources in sight, and if there is any reallocation of the various sources of revenue between the States and the Centre, the resources of the Centre would get reduced and the envisaged Central assistance to States of Rs. 6000 crores will also have to be correspondingly scaled down. He therefore, underlined the need for the States raising resources to the maximum extent possible and in this context suggested that in order to provide some incentive to the States, it could even be considered separately whether their additional resource mobilisation effort could be matched to some extent, say 10 to 15 per cent, by Central assistance. The Finance Minister expressed the view that resources could be raised in two ways, namely through taxation and savings, and that in the present context, it should be our endeavour to encourage savings as much as possible, and we should, therefore, consider the various forms in which savings could be brought about. One method

could be to ask the agriculturists to deposit compulsorily every year an amount equivalent to the land revenue payable by them and to pay interest on such deposits. This could fetch about Rs. 50 to 100 crores every year. Another method could be to mobilise savings through rural debentures. Because of the high levels of procurement, nearly Rs. 2300 crores of liquid money has been pumped into the rural areas and unless some portion of it is absorbed, inflationary pressures would be generated. The rural debentures could be utilised to mop up a part of this liquid money. The mobilisation of savings through LIC, small savings schemes and deposit mobilisation by Banks, especially in the rural areas, would also need to be pursued with much greater vigour.

160. Referring to the comfortable foreign exchange position, the Finance Minister cautioned that its impact on the expansion of the money supply in the country should not be lost sight of and that the foreign exchange should be used in a meaningful manner so as to compensate for the increase in money supply. This is a complicated matter and a committee is going into its various aspects.

161. The Finance Minister emphasised that what is important about the Plan is not so much its size in monetary terms, but the achievement of the real targets. This can be done only if the inflationary pressures concomitant to the size of the investment and the foreign exchange accumulations are effectively contained. For this purpose, it is of utmost importance that the demand-supply balance of essential commodities, like foodgrains, edible oil, sugar, domestic fuel and cloth is efficiently managed so as to ensure that their prices do not rise. Fortunately, we have a very comfortable reserve of food stocks which should help to dispel the psychology of scarcity. As regards edible oil and non-agricultural raw-materials which are somewhat in short supply, we should evolve a suitable import plan for our requirements in the next few years.

162. The Finance Minister also referred to certain other factors which are relevant to the curbing of inflationary pressures. One important factor is the efficient implementation of the various projects. The delay in the implementation of the projects accentuates inflation as investment lingers on without output being achieved. He, therefore, suggested the toning up of the administrative machinery for the purpose of implementation of the Plan as we have toned up the machinery for the implementation of the 20-point Programme. Another important factor is better financial management both at the Centre and in the States. The whole approach must be based on a national perspective and whether it is the Centre, the States or the local bodies, the need for sound fiscal management cannot be over emphasised.

163. The Finance Minister referred to the perspective that we have to keep in view in planning ahead and said that with regard to the establishment of basic industries, building up of infrastructure, giving priority to agriculture, irrigation, power, communications etc., our planning has been in the right direction. As a result, our economy has acquired the necessary measure of strength and resilience to cope with inflationary situations. But we have still a long way to go in attacking rural poverty. Our strategy should be to produce the essential commodities needed by the common man in abundance and to put purchasing power in the hands of the people by providing them with gainful employment. The rural unemployment problem cannot, however, be solved through mere redistribution of land and income. The National Commission on Agriculture has pointed out that at least 30 per cent of the population would have to be diverted to other activities by 2000 AD. It is, therefore, essential that we evolve a strategy of micro level planning by which the natural resources of a particular area or region are identified and the manpower available is effectively utilised to exploit those resources. We have a strong base of science and technology which could be fruitfully employed for this purpose. He, therefore, appealed for the adoption of a strategy of micro level planning for the Sixth Plan so that the problem of rural poverty could be attacked in a meaningful

way through the strategy of integrated rural development.

164. Summing up the discussion, **Shri P. N. Haksar**, Deputy Chairman, Planning Commission referred to the finalised Fifth Five Year Plan document as the result of planned effort and collective wisdom of many people. The Members, the Secretary and officials of the Planning Commission, officials of the Finance Ministry, State Chief Ministers, the Governors and their officials had all laboured hard in preparing the document.

165. Referring to the question of market borrowing, the Deputy Chairman outlined the history of how the borrowings and capital market were progressively brought under planning discipline and how a deliberate policy of increasing the share of the backward States in market borrowings was started from 1971 onwards. Distortions of earlier period were progressively remedied through increasing the share of backward States in the interest of greater regional balance. During the three year period from 1971-72 onwards, per capita market borrowings of Bihar registered an increase of 221 per cent, of Rajasthan of 135 per cent and of U.P. of 119 per cent, while the average for all the States was 62 per cent. Though the disparities have not all been removed, the effort to even them out was there. In 1970-71, the ratio of highest to lowest per capita borrowing among States was 7.17 to 1. It had come down to 2.67 to 1 by 1973-74. But in view of the severe constraints on the resources of the Centre, resulting from large devolution of funds to the States in terms of the Sixth Finance Commission’s recommendations, market borrowings for 1974-75 and 1975-76 had to be pegged at the 1973-74 level. However, in 1976-77, it was stepped up by 10 per cent and it should be possible to do a similar kind of step up in the next two years.

166. The Deputy Chairman referred to the funding of important sectors in the Fifth Plan. Agricultural sector had been fully funded to the extent of 132 million tonnes of foodgrains, postulating a growth rate of nearly 4 per cent in agriculture. Even if the weather played unfair, the nation should have 125 million tonnes of food grains per year by the end of the Plan. In the irrigation sector, on the basis of an exercise done, further assistance has been given in the current year. Financial provision is made for providing irrigation to 7 million hectares, though the overall perspective is to reach 5.8 million hectares through major and medium irrigation works, and a little over 7 million hectares through minor irrigation works. Regarding power sector, Deputy Chairman emphasised the truth of the adage "No power is more expensive than no power". Delay in clearing projects was either due to incomplete project reports or inter-State disputes standing in the way. He was heartened at the statement of some Chief Ministers on the utter necessity of looking upon power projects in terms of regions rather than States and of the importance of working towards a proper thermal-hydel mix and stated that the Planning Commission fully endorses this approach. A national grid alone can strike balance between base load and peak load or between thermal and hydel power and facilitate optimum use of investment of resources. Power like blood, he stated must flow in the entire system and not merely to the heart or the kidney or any one part. He emphasised the need for greater awareness of the fact that Electricity Boards have still a long way to go in achieving a rate of return of 11 per cent on the block capital as envisaged in the Venkataraman Committee's report. On education, the Deputy Chairman was firmly of the view that education was an important input into development and that within the constraints of resources, the Planning Commission had sought to keep up a reasonable tempo of development in this sector.

167. Finally, the Deputy Chairman reiterated the need for strengthening the planning machinery at the State level with proper inputs, technical competence etc. and involving the State Planning Boards in real decision making. He stressed that this was urgent and important especially in the context of preparation for the Sixth Plan. In conclusion, he reiterated the inescapable necessity of

maximising the collective efforts for resource mobilisation; without substantial improvement in savings and investment, the nation just cannot go forward. He urged constant scrutiny and restriction of non-Plan expenditure.

168. The council thereafter adopted the following resolutions:

Resolution on Power and Irrigation Systems

Heavy investments have been made by the country in irrigation and power systems and it is certain that these sectors will, in the foreseeable future, continue to absorb a large share of plan resources. It is, therefore, a matter of prime importance that these sectors should no longer be a burden on the States' finances but should contribute something to them.

In the case of power systems, while there is scope to raise tariffs, the improvement in financial results should come largely from a higher level of utilisation of the existing capacity, particularly thermal power plants, reduction in overheads and operating expenses, reduction in transmission and distribution losses, better collection of dues, prevention of theft and timely completion of projects. In addition, full advantage should be taken of the opportunities for the exchange of surplus power between States and regions and for integrated operation of hydel and thermal plants so that capacities are optimally utilised.

The major opportunity for covering expenses and increasing revenues in irrigation projects lies in raising water rates wherever they are far below the cost. There is also considerable scope for improved management of the irrigation systems and for ensuring that projects are implemented on schedule.

Taking note of the above-

The National Development Council hereby resolves that irrigation systems should cover working expenses and yield, if possible, something more and that power systems should cover working expenses and yield reasonable returns on investment by taking steps expeditiously to-

(1) make maximum use of the capacity already created in the power and irrigation systems,

(2) reduce costs by cutting overheads and operating expenses, minimising losses and thefts and improving collection of dues,

(3) complete projects on schedule through efficient project management,

(4) raise rates where necessary.

169. Fully considering the Draft of the Fifth Five Year Plan as finalised;

Reaffirming the objectives of self-reliance and removal of poverty;

Noting, the effective steps taken to curb the inflationary tendencies;

Endorsing the emphasis on agriculture, irrigation, energy and related core sectors; and

Appreciating the strength and purposiveness of the Nation in its desire to implement the New Economic Programme;

Realising the continued need for maximising return on the massive investments made and the imperative necessity for mobilising resources;

The National Development Council at its meeting in September 1976 hereby adopts the Fifth Five-Year Plan; and

Appeals to all sections of the people to cooperate in the national effort to fulfil the targets set out in the Plan.

170. **Dr. Karan Singh**, Minister for Health & Family Planning, congratulated the Chief Ministers on their excellent performance in the field of Family Planning. As against 4.45 lakh sterilisations during April-August, 1975, the number of sterilisations during April-August, 1976 was over 20 lakhs. The Minister observed that due attention had not been paid by the States to the other aspects of the family planning programme like Maternity and Child Health Care and urged the Chief Ministers to give special attention to it.

171. Referring to the recurrence of malaria throughout the country, the Minister stated that a revised anti-malaria strategy had been recently approved by the Centre. He urged the Chief Ministers to gear up the administrative machinery in the states to fight the menace of malaria as had been done in the case of small pox.

172. The Minister also urged the Chief Ministers to adopt a national cleanliness programme to have clean cities and clean villages. Special attention should be paid to physical fitness for which expensive equipment was not needed. Another area to be taken care of was that nutritional inputs in our food were not destroyed due to faulty cooking and eating habits.

173. Concluding the deliberations of the Council, **Shrimati Indira Gandhi**, Prime Minister congratulated all the Chief Ministers for responding to her suggestion to deal with the issues of general importance rather than with questions exclusive to their own States. This had made the discussions purposeful.

174. The Prime Minister drew attention to two major points, namely, price stability and national wage policy. Price stability, she said, was the corner stone for the success of our Plans. Since March, 1976, there had been a mild revival of the inflationary pressure particularly in edible oils and cotton. Last year, the oil seeds production was excellent, the country had however failed to take steps to ensure even supplies throughout the season. Another good crop of groundnut and other oil seeds was expected and the Ministries of Finance and Civil Supplies and Cooperation were working on a plan for essential commodities. A similar plan was also being drawn up for cotton. She added that the State Governments sometimes took measures that were not conducive to price stability. She emphasised the need for caution when dealing with matters relating to the pricing and marketing policies in regard to essential commodities like rice, wheat, cotton or edible oils.

175. On the question of national wage policy, the Prime Minister suggested the need for taking progressive steps towards it. The distortions which had already crept into the wage structure over a period time rendered it difficult to make any major move on the rationalizations of existing scales of pay and D.A. There were practical difficulties and the first thing was to rectify some of the existing anomalies. She pointed out that in the last two years an attempt had been made to correct distortions due to high wage Islands in our economy. She expressed the hope that would be possible to evolve a wage policy which was fair to employees as well as to the rest of the society.

176. With regard to the mobilisation of resources, the Prime Minister referred to the suggestion of the Chief Minister of Andhra Pradesh, Governor of Tamil Nadu and some others about tapping savings of farmers through a special scheme of rural debentures. She pointed out that the record

harvest last year and the promising outlook for the current year was not due entirely to the rains. The fact that over Rs. 2000 crores of bank finance was put into the rural areas through the procurement of the grains had contributed to this. This bank finance would add significantly to money supply, and the rural debentures as such constituted a medium to collect at least a part of the payments made to farmers through some form of rural savings. She added that the chances of success of rural debentures were now much brighter. A group of officers of the Planning Commission, Ministry of Finance and Reserve Bank of India should, therefore, immediately examine this suggestion and give guidelines for the floatation of debentures. Funds thus raised could be used for schemes of local benefits like rural roads, bridges, school buildings and cooperative processing units. If necessary, a measure of latitude could be allowed in regard to the rate of interest and other terms of repayment of these loans so long as care was taken to ensure that such loans were not supported by bank finance.

177. Referring to the Gadgil Formula, the Prime Minister recalled that it was accepted by all States without dissent at the N.D.C. meeting. The Fifth Plan was now running in the third year and all States, advanced or backward, had proceeded on the assumption of certain figures of Central assistance. It would therefore not be wise to upset their expectations at this stage, and on this practical consideration the present formula would have to continue for the next two years.

178. The Prime Minister referred to certain doubts expressed in certain quarters whether planning was proceeding in the right direction. She affirmed that even when going in for heavy industry or industrialisation, there had been no deviation from the objective of raising the lot of the poor. Without a firm foundation it would not be possible to take up programmes either for the backward areas or for the weaker sections of the people. It was quite possible that some policies might have tended to benefit certain better off sections. The constant effort was, however, to counter-balance this by helping the smaller and the marginal farmer/worker in the agricultural or industrial sector. What mattered was whether the steps being taken were going to strengthen the foundation that had been laid for the future and whether that would serve the interests of the poorest of the people.

179. The Prime Minister emphasised that the question of employment was of crucial importance and in order to have more employment it was necessary to have basic development. If the plan were over-fulfilled, that might not solve unemployment but it would be a major step towards creating greater employment. Citing the example of the Punjab, she urged, that people should be aroused to help themselves on their own, for it was only by dint of self-imposed assiduous work that people could improve their lot, and indirectly that of the nation.

180. The Prime Minister emphasised that involvement of the people was a prerequisite for implementation of the development programmes. She exhorted the Chief Ministers and senior officers to dedicate themselves to this task. Referring to the country's poor performance at the recent Olympic Games, she said that probably we were not able to raise to the occasion. The world was moving forward not only in sports but in everything—in industry, in science and every other sphere. To keep up with this, it was necessary for us to run much faster than anybody else. In conclusion, the Prime Minister stated that the kind of spectacular change that people wanted was possible of achievement on a much shorter time frame than that envisaged by the Planning Commission, if we could enlist the active support of the people.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	Chairman
Shri P.N. Haksar	Deputy Chairman
Shri C. Subramaniam	Minister of Finance
Shri Sankar Ghosh	Minister of State for Planning
Prof. S. Chakravarty	Member
Shri B. Sivaraman	Member

STATES

Andhra Pradesh	Shri J. Vengal Rao, Chief Minister
	Shri P. Ranga Reddy, Finance Minister
Assam	Shri Sarat Chandra Sinha, Chief Minister
	Shri C.S. Teron, Planning Minister
Bihar	Dr. Jagannath Mishra, Chief Minister
Gujarat	Shri K.K. Viswanathan, Governor
Haryana	Shri Banarsi Das Gupta, Chief Minister
Himachal Pradesh	Dr. Y.S. Parmar Chief Minister
Jammu & Kashmir	Shri B.D. Thakur, Finance Minister
Karnataka	Shri D. Devaraj Urs, Chief Minister

		Shri M.Y. Ghorpade, Finance Minister
Kerala	.. .. ..	Shri C. Achutha Menon Chief Minister
Madhya Pradesh	.. .. ..	Shri Shyama Charan Shukla, Chief Minister
		Shri K.P. Singh, Planning Minister
Maharashtra	.. .. ..	Shri S.B. Chavan, Chief Minister
		Shri Y.J. Mohite, Finance Minister
Manipur	.. .. ..	Shri R.K. Dorendra Singh, Chief Minister
		Shri R.K. Ranabir Singh, Finance Minister
Meghalaya	.. .. ..	Shri Williamson A. Sangma, Chief Minister
		Shri B.B. Lyngdoh, Minister of Planning
Nagaland	.. .. ..	Shri L.P. Singh, Governor
Orissa	.. .. ..	Smt. Nandini Satpathy, Chief Minister
Punjab	.. .. ..	Giani Zail Singh Chief Minister
		Shri Hans Raj Sharma Planning Minister
Rajasthan	.. .. ..	Shri Harideo Joshi Chief Minister
		Shri C.M. Baid Finance Minister

		Shri S.C. Mathur Planning Minister
Sikkim	.. .. ..	Shri Kazi Lhendup Dorji Chief Minister
Tamilnadu	.. .. ..	Shri Mohal Lal Sukhadia Governor
Tripura	.. .. ..	Shri Sukhamoy Sen Gupta Chief Minister
Uttar Pradesh	.. .. ..	Shri Narain Dutt Tewari Chief Minister
West Bengal	.. .. ..	Shri Siddhartha Sankar Ray Chief Minister
		Shri Bholanath Sen Minister of Public Works & Housing
		Shri Motahar Hossain Minister of State, Finance

UNION TERRITORIES

Chandigarh	.. .. ..	Shri T.N. Chaturvedi Chief Commissioner
Delhi	.. .. ..	Shri Radha Raman Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Smt. Shashikala Kakodkar Chief Minister
Lakshadweep	.. .. ..	Shri M.C. Verma Administrator
Pondicherry	.. .. ..	Prof. Bidesh Kulkarni Lt. Governor

UNION MINISTERS

Shri Y.B. Chavan	.. .. ..	Minister of External Affairs
Shri Jagjivan Ram	.. .. ..	Minister of Agriculture & Irrigation
Shri Kamalapati Tripathi	.. .. ..	Minister of Railways

Shri Bansi Lal	.. .. ..	Minister of Defence
Shri H.R. Gokhale	.. .. ..	Minister of Law, Justice and Company Affairs
Shri Keshav Deo Malaviya	.. .. ..	Minister of Petroleum
Shri T.A. Pai	.. .. ..	Minister of Industry
Shri Raj Bahadur	.. .. ..	Minister of Tourism & Civil Aviation
Shri K. Brahmananda Reddi	.. .. ..	Minister of Home Affairs
Shri P.C. Sethi	.. .. ..	Minister of Chemicals and Fertilizers
Shri Shankar Dayal Sharma	.. .. ..	Minister of Communications
Dr. Karan Singh	.. .. ..	Minister of Health and Family Planning
Syed Mir Qasim	.. .. ..	Minister of Civil Supplies & Cooperation
Shri Ram Niwas Mirdha	.. .. ..	Minister of Supply and Rehabilitation
Shri Pranab Mukherjee	.. .. ..	Minister of Revenue & Banking
Prof. Nurul Hassan	.. .. ..	Minister of Education, Social Welfare and Culture
Shri K.C. Pant	.. .. ..	Minister of Energy
Shri K.V. Raghunatha Reddy	.. .. ..	Minister of Labour
Shri Vidya Charan Shukla	.. .. ..	Minister of Information & Broadcasting
Shri Chandrajit Yadav	.. .. ..	Minister of Steel and Mines
Shri H.K.L. Bhagat	.. .. ..	Minister of State for Works & Housing
Shri H.M. Trivedi	.. .. ..	Minister of State for Shipping and Transport
Shri Dalbir Singh	.. .. ..	Deputy Minister in the Ministry of Shipping and Transport

SPECIAL INVITEE

Shri K.R. Puri	.. .. ..	Governor, Reserve Bank of India.

THIRTYSECOND MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

MARCH 18 AND 19, 1978

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE THIRTYSECOND MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPER

DRAFT* FIVE YEAR PLAN (1978-83)

SUMMARY RECORD

Welcoming the Chief Minister and others to the meeting of the National Development Council, Shri MORARJI DESAI, Prime Minister, observed that it was the first meeting of the NDC after new Governments were formed at the Centre and in the States. The meeting of the NDC could not be called earlier because the Plan priorities had to be gone into very carefully after considering all the results of planning since its inception. It was not possible to consult the States in the course of formulation of the Draft Five Year Plan as it had to be prepared under considerable pressure of time. The States had been consulted for the next year's Plan. The Five Year Plan also had to be discussed with States, and this would be done after the present meeting.

2. The Prime Minister referred to the new approach in the method of planning, referred to as the 'Rolling Plan'. There had been some expression of concern from certain States with regard to this change, and some fun had also been made of the word 'Rolling'. That happened whenever any innovation was made. The doubts expressed were more a question of misunderstanding than any real objection to the change. It was necessary to take into account what had gone on in the field of planning from 1951 onwards. Much progress had been made in several directions, especially in industrial development, and in the matter of heavy industries, and technology and scientific advance we had gone ahead much more than was ralised by many people. Some advance had been made in agriculture too, but for which so much food could not be produced or near-self-sufficiency achieved. All this was the result of so many years' working. Despite these advances, however, the benefits of development could not be taken to the major portion of the population, and that must be a matter for concern.

3. The Prime Minister said that planning was introduced by Pandit Jawaharlal Nehru with great foresight and imagination. Plans were essential and but for them the advance that had been made could not have occurred. But the introduction of planning was a new exercise in this country and, therefore, every thing could not have been foreseen.

4. About forty or fifty percent of our population was living below the poverty line. The advantage of planned development had gone to about thirty per cent or at the most forty per cent of the people. For nearly sixty per cent of the people, conditions had worsened in comparative terms. That was a very disturbing factor and had to be attended to. It was necessary to give much more attention than before to the basic needs of agriculture, particularly in view of the fact that ours was an agricultural country and our civilisation sprang from rural roots. That did not mean that other areas could be neglected. People who considered that industries, even heavy industries, were going to be

*This has been published separately.

neglected, were mistaken. The country could not remain outside the world; modern trends, the scientific age and new technologies had to be taken into account. These things had to be properly studied so that the country could be saved from the harmful effects which followed from racklessly taking up those kinds of industrialisation or scientific advances which led to human destruction. The country had to be on guard against them and yet take advantage of Science, technology and industry which was useful for man's happiness and development and could make life more satisfactory for all. The advances made in science had to be utilised for rural development also.

5. An argument which was commonly made, and which was true to some extent, was that the Plan were all right but their implementation was not adequate. Not enough attention had been paid to the implementation systems. It was necessary to make up for this now and, Planning must be done in such a manner that it kept up-to-date and went on correcting the deficiencies in implementation or distortions which might have taken place in any area. This was what gave rise to the idea of continuous planning which was called the rolling plan. The Plan would be for five years but what would happen was that, at the end of five years, the Planning Commission would take stock again of the next five years and if any change was required to be made, in the light of the experience, that would be done. So one more year would be added to the plan. All this would be done in a perspective of twenty years or perhaps fifteen years.

6. The Prime Minister said that he would have been happy if the Commission had had time to consult all the Chief Ministers before preparing the Draft Plan. That would perhaps have been more satisfactory from all points of view. But if the Commission had done that, months would have gone by. And it would not have been possible to come to any conclusions quickly. It was the responsibility of the Commission to present an adequate draft plan before the NDC for its consideration. It was because of this that the NDC meeting could not be held earlier than this.

7. The Prime Minister went on to say that there were perhaps some objections to ending the Fifth Plan this year and beginning a new Plan from next year, which would have been the last year of the Fifth Plan. That had to be done because it was necessary to make changes in the next year's Plan so that a new direction could be given to planning. Next year some changes would be made and more changes could be made in the next four years. That was what the Commission proposed to do. In the draft of the new plan, the State Plan outlays put together would be more than the Central Plan which was quite a new thing. Formerly, the Central Plan was much larger than all the State Plans put together. This was a marked change and showed what importance was being attached to the development of rural areas and in the State sector generally. Both the States and the Centre had to be made strong. Unless 80 per cent of the people, who lived in the rural areas came up, it was not possible to say that the country had come up. More employment opportunities had to be created through cottage industries and village industries if the ill-effects of wholesale or large-scale industrialisation had to be avoided.

8. Referring to the Draft Plan document, the Prime Minister said that the outlays and plan targets could be discussed further: they had not been presented in final form for acceptance by the N.D.C. Prime Minister appealed to the Chief Ministers to appreciate the process of thinking which was behind the proposals put before them and give it careful consideration and make whatever suggestions they wanted to make.

9. There were also issues, he said, about the revision of the Gadgil Formula and the allocation of resources between the States and the Centre. There were matters which could be considered. Different interests had to be harmonised and conclusions reached which were acceptable to all.

10. The Prime Minister pointed out that the Planning Commission had emphasised the need to raise agricultural productivity. The smaller farmers, who had not been attended to as much as they should have been, should particularly be helped. Much depended upon their advancement. More attention has also to be paid to irrigation, power, rural development, cottage and village industries. Housing, roads, drinking water supply—all of these were being taken up in earnest under the new plan.

11. Stressing the need for proper implementation of programmes, the Prime Minister said that better implementation could improve the results of planning. Deficiencies in the plans could be remedied during implementation. In this, the Centre, and the States should cooperate with each other.

12. It was also necessary to raise larger resources for the Plan: without resource mobilisation there could be no development. Conditions in the country were such that resource-raising would not be easy. But it was not possible to go on with deficit financing all the while, because that would bring in inflation, which the country could not afford. Deficit financing had to be controlled; this year it had not been possible to avoid it altogether. Of course there were limits to taxation. But if the Plan size was to be increased, it was necessary to consider from which source the finances could be raised. If a particular source was not thought feasible, other sources would have to be suggested.

13. The Prime Minister underlined the fact that the happiness of the people in the country, the common goal of all and on which there was no difference of opinion had to be achieved in a proper manner consistent with democracy. He emphasised the need to avoid any extravagance and solicited the cooperation of the Chief Ministers in that regard. He then requested the Deputy Chairman, Planning Commission, to present the Plan.

14. **Dr. D.T. Lakdawala**, Deputy Chairman, Planning Commission at the outset expressed his regrets for not being able to send the Draft Plan to the States earlier. He, however, said that the Commission did not spare any pains in drafting the plan as far as they could and it was only because of the exigencies of circumstances that the Plan could not be sent well in advance of this meeting.

15. The Deputy Chairman said that benefitting from past experience and also from the experiences of other countries, the new Plan concentrated on the basic objectives of elimination of un-employment within a period of ten years, making an appreciable impact on persons below the poverty line within the same period and of providing people, especially the rural people with public goods and services in a way in which they had not been provided before. All these objectives were inter-connected. One could not be achieved without the other or sometimes even if one had been achieved, it had no meaning without the other also being achieved. The question of growth rate was also important and, therefore, the Commission had tried to ensure that the growth rate in the next Plan would be more than what had been achieved in the past. But that was subsidiary to the increase in employment and the fight against poverty which would be the basic objectives of the Plan. The plan, as far as its strategy was concerned, since employment and poverty were its basic objectives, would naturally concentrate first on those sectors which gave largest amount of employment and which were the most labour intensive and which had the largest amount of self-employment. As far as other sectors were concerned, they were mainly regarded in a supporting light and efforts would be made to make them as labour-intensive as possible. Obviously, the greatest employment generating activity was agriculture, and in this sphere a growth rate much more than what had been achieved in the past was expected. Care would be taken to ensure that the growth rate was achieved in as labour-intensive a manner as possible. Increase in irrigation—

medium, major and minor extension work, command area development, watershed management approach as far as rain-fed areas were concerned, and encouragement of allied activities to agriculture like dairying and fisheries (in which in the last few years there had been quite a momentous development) would form the main features of the Plan. At the same time care would be taken to see that mechanisation was regulated in such a way that it would be resorted to only when it had considerable advantages in terms of increase in production and when its employment effects were negligible. In all other cases, mechanisation would be strictly controlled.

16. Village and small industries would be encouraged in all possible ways. The question that would naturally arise was how to ensure that the benefits of increase in agricultural growth and also the benefits of increase in employment would go to the smaller people. For this reason, a number of institutional changes were contemplated. What was happening by and large in the past was that the institutions worked in our dualistic economy in such a way that they discriminated against the smaller people - against the poor people - whether it was the question of credit institutions, supply of raw material, market, or the larger question of the direction of technology. What was now being tried to achieve was to give all these institutions such directions and orientation that the benefits from them would flow mainly to the poorer people. Emphasis would also be laid on implementation of land reform measures and on up-dating the land records. Further, in order to ensure that the benefits went to the poorer people, a degree of organisation among them was inevitable and it would be encouraged. They would be associated with the decision-making body as far as possible so that the local authorities which decided distribution of land would see that the benefit of land distribution went to them to the expected extent.

17. As a result of employment-intensive measures, the estimate was that employment opportunities in terms of man-years would accrue at the rate of 5 per cent a year during the plan. This would be enough not only to take care of the increase in working force expected over the five years but also, to a very large extent, to take care of the backlog in unemployment which already existed. This was how the unemployment problem was expected to be tackled immediately in the five years and completely within the next ten years.

18. The Deputy Chairman said that about half the jobs created would be in agriculture. He pointed out that what had greatly hampered our economic progress in the past was the slow rate of growth in agriculture. The rate of growth in agriculture would, therefore, ensure that one of the obstacles to rapid development would be removed. It would also simultaneously ensure that there would be greater employment.

19. The second favourable feature with regard to the creation of employment was that in this Plan economic and social infra-structures would be more rural-biased and would be for the benefit of the poor, so that care would be taken to see that public goods and services were provided to the poor, especially the rural poor. There were very massive programmes for provision of public goods and services, rural goods, rural drinking water, adult education, elementary education, rural health services, rural electrification etc. More than Rs. 4,000 crores had been set apart in the Plan for this purpose. The result of this also would be a very favourable impact on employment, because many of these activities would be service-intensive and construction-intensive.

20. The third reason for a favourable impact on employment was the fact that the poor consumed goods which were more labour intensive than those consumed by those above the poverty line; so that, to the extent that more employment was created and the benefits of this went to the poorer people, it would function as a self-reinforcing process. In terms of percentages, employment would grow at the rate of five per cent a year.

21. The next question was that of investment. Naturally, the pattern of investment reflected the basic strategies. The total increase in public plan expenditure that was visualised as compared to the last plan, was roughly of the magnitude of 75%, and the sectors which would notice an increase of more than cent per cent were agriculture, rural development, irrigation, village and small industries and power all of which deserved as much as they could get.

22. In fact, as far as village and rural industries were concerned, much more could be spent provided the necessary organisational measures were forthcoming. There the major bottleneck was regarding the organisation of rural industries in an effective way rather than the lack of finance. As far as large-scale industries were concerned, while more money was allocated to them, in terms of percentage the increase was only thirty per cent. In judging the allocation for social services, it had to be remembered that the non-plan expenditure was a much more important constituent than the plan expenditure and at the end of every plan, unlike in many other areas, 75 or 80 per cent plan expenditure on social services became part of the non-plan expenditure. Therefore, expenditure on social services in every plan in percentage terms, not in absolute terms, naturally diminished.

23. The Deputy Chairman said that in going through these allocations one should remember that in certain spheres private investment and institutional finance which were outside the plan were more important that some other sectors. For example, in the sphere of minor irrigation, in the sphere of agriculture, in the sphere of village and rural industries, private investment, in which institutional finance could also be included, had a very important role to play.

24. The next question that arose was about the growth rate. The growth rate that could be got out of the proposed allocation of investment was roughly of the order of 4.7%. Compared to what had been achieved in the past, this was a much greater increase and in terms of agriculture and growth rate was 4% and it was certainly much bigger than what had been achieved in the past. The reason why one could not get a bigger growth rate was partly the result of the priorities. This Plan was devoting more attention to employment and persons below the poverty line. It, therefore, needed a certain restructing of investment. Efforts were being made to concentrate more on rural areas and spending a lot of money on creating infrastructure there, both economic and social. But it would take time before it yielded results because the infrastructure would take time to build up first and, secondly, it would take time before it began to yield really viable results. It is also estimated that if the same strategy was followed in the next plan period the growth rate would be bigger, namely 5.5 per cent.

25. The Deputy Chairman added that the growth rate which was being thought of was rather a conservative estimate, because the Planning Commission wanted it to be as realistic as possible and did not want to have, as in the past, chronic inflation and all the other consequences which had accompanied it. Further, in the present Plan, more than in the past, if reliance was going to be on the mass of the people - and reliance was going to be on the rural areas - there would be more uncertain elements in the sense that one could not know what the response of the people would be. There was no doubt that it would be favourable and the rural people might suddenly respond very favourably. Then the growth rate might go up. In the measures which were now being continued, there were enough safeguards. In the next two to three years, it might be that a higher growth rate would be achievable. But the Commission thought that it would be dangerous to provide for it unless they were sure of it.

26. The Deputy Chairman said that the next question was the excessive expansion of finance, the other side of the Plan. The financing of the Plan had to be thought of in two ways - firstly, how

would the community finance plans, and, second, how would be public exchequer finance plans. From the view point of the community, the size of the plan was Rs. 1,16,000 crores and, by and large, the Plan was expected to be financed by a big increase in savings. The increase in saving was expected to be from 19.8 per cent to 23.4 per cent. The Deputy Chairman added that a large part of the increase was expected to be in the form of public savings. As far as household savings were concerned they were expected to increase only by 1% in the course of five years. It was very often argued that as a result of redistribution, the propensity to consume increased and the propensity to save decreased. The Deputy Chairman was not fully convinced about this. But if were any such symptoms, it would be necessary to take measures to ensure that the household savings kept up to that level, because if they did not, there would be many adverse consequences. As far as foreign aid was concerned, there were many ways in which one could regard it. One could regard it as a percentage of public investment, as a percentage of total investment, as a percentage of gross national product and as a percentage of net national product. Calculated in every possible way, the element of foreign aid in the Plan would be much less than in the last Plan. In terms of the net aid, the percentage of investment would decline from more than 5 per cent in the last Plan, to 3 per cent so that there would be a distinct decline in the matter of foreign aid. In addition to this, a part of our foreign exchange reserves, roughly of the magnitude of over Rs. 1200 crores would be used for the sake of meeting the balance of payments deficit.

27. As far as the public Plan was concerned, and as far as the question of Government's meeting its own expenditure was concerned, the Public Plan outlay was roughly of the magnitude of Rs. 69,000 crores, for which, in addition to its normal resources, additional resource mobilisation of Rs. 13,000 crores would be needed. This was little less than what had been done in the last plan. But, it had to be remembered that as compared to the beginning of the last Plan, the tax levels today were higher and more tax measures were rather difficult to devise. A large part of the Plan financing would have to come from better return on public investment. After all, from Plan to Plan, if more money was to be spent, the only sure way of doing it was to see that the Public Sector yielded better return, atleast as much return as was normally expected on the average in the private sector.

28. The Deputy Chairman pointed out that the magnitude of the Plan was such that it required the maximum effort from the people and the Government for its fulfillment. The question of a further increase in the size of the Plan had to be thought of with the utmost caution. He underlined the fact that the Plan was largely a States' Plan. It was a rural Plan and so it was dependent on block level planning in a very large measure. Therefore its success would depend on the cooperation that one could get both from the States as well as largely from the people at large. He was confident that such cooperation would be forthcoming.

29. **Shri Jyoti Basu**, Chief Minister of West Bengal, seeking a clarification on the scope of discussions at the meeting, pointed out that the State Governments had very little time to study the document. He suggested that general discussions might be held at the meeting and thereafter discussions should continue between the Planning Commission and the States. After a few months, the results of those discussions should be placed before another meeting of the National Development Council where it would be possible to arrive at some conclusions. The Chief Minister said that the State Government had sent their suggestions with regard to the procedure to be adopted and also general comments on the draft plan document.

30. The Prime Minister agreed that the Five Year Plan had to be discussed further before coming to final conclusions. But the next year's Plan had to be approved. The new method of planning

would help in this process. Discussions could continue. The States could discuss with the Planning Commission and later the National Development Council could meet and finalise the Plan.

31. **Dr. M. Channa Reddy**, Chief Minister of Andhra Pradesh, felt that as the Finance Commission's recommendations were expected to make a great impact on the financial position in different states, this year could remain as part of the Fifth Plan. The Sixth Plan could be started from 1979, so that in the meantime a thorough overall review could be made and the States could also get ready for its implementation.

32. **Shri A.K. Antony**, Chief Minister of Kerala said that the State Government could not study the document in depth as it was received late. He felt that it was better to have a general discussion on broad policies, the strategy and other issues in the present meeting, and after a few months, by which time the Seventh Finance Commission would give its award, it should be possible to go into the matter of Central allocations and other details in another meeting.

33. The Prime Minister intervened to say that that was what the Planning Commission had also said. That was the real advantage in adopting the Rolling Plan. Next year there would be one additional year's plan. Every year this exercise would have to be done.

34. The Prime Minister added that there was another aspect also to be considered. There were shortfalls in implementation in various fields. On irrigation, a large amount had been invested, but the whole of the potential command area was not actually being irrigated. With regard to power development, actual production was only 56% and in some States only 30% of the generating capacity. It was, therefore, necessary to make sure that full advantage was taken from the investments already made. The same was the case with tubewells. There were many tubewells where there was no electricity. There were pump sets which were lying idle. All these things had to be gone into and, therefore, proper implementation was more important than anything else.

35. **Shri. K. Manoharan**, Finance Minister of Tamil Nadu agreed with the suggestion that further discussions by the NDC to finalise the Plan might take place after the Finance Commission submitted its report.

36. **Shri Babubhai Patel**, Chief Minister, Gujarat said that 1978-79 Plan had already been discussed by the Planning Commission with the States and that there was general agreement on it. With regard to the rolling plan, there was no difficulty in discussing it and expressing views on various aspects so that they would be useful in finalising the plan for the next five years after the current year's plan was over.

37. About the Five Year Plan, the Prime Minister observed that the Planning Commission would continue the work on it, and for the present it could be considered a draft plan for the four years 1979-83, but for the first year it was an approved plan. At the end of the year or the beginning of next year, the National Development Council could meet again to finalise the plan and add one more year to it.

38. The Council then took up the Draft Plan for consideration.

39. **Dr. M. Channa Reddy**, Chief Minister of Andhra Pradesh, said that while the allocation for the public sector was about 70% in the Fifth Plan, it had been brought down to 60% in the present Plan. He thought that the public sector had to play a greater role even in the interest of rural development because a stage had been reached where many industrial inputs were needed for agriculture and rural development.

40. With regard to the proposed growth rate of 4.7%, the Chief Minister recalled that in the last plan the target was 5 to 5.5 per cent while the actual achievement was 3.4 per cent. He said that the Planning Commission and the Central Government should take care to see that achievement did not fall short of the target of 4.7 per cent. the savings rate could be increased from about 19 per cent to 23.8 per cent as in the draft plan. This effort needed cooperation from all sections of society.

41. As regards the questions of raising resources, the Chief Minister felt that yields from taxes were more important than tax rates. The tax-base should, therefore, be enlarged and rates could even be lowered. He pointed out that the States had a very limited field for taxation. The recent step of levying excise duty on electricity generation by the Centre had created misgivings in the States as to whether the Centre wanted to leave any field at all for the States. This was neither proper nor, perhaps, legal. The Electricity Boards which were already suffering heavily from various other factors would suffer more because of this additional burden on them.

42. Referring to the Minimum Needs Programme, which he said had been properly conceived, the Chief Minister pleaded for greater attention and greater care in the matter of allocation for the social services. He suggested that the Planning Commission should see how far they could increase the percentage of allocation to this programme.

43. Referring to the problem of backward areas, the Chief Minister said that the time had come when the Planning Commission and the Central Government had to persuade all the relatively affluent States to agree voluntarily to a drastic cut in their share of Central assistance so that the really backward States could receive greater attention for some time. The equalisation of levels of economic activity was very important for the integrity of the country and would go a long way in creating a harmonious atmosphere.

44. **Shri Jyoti Basu**, Chief Minister of West Bengal, said that since the Annual Plan for 1978-79 for States and Union Territories had already been agreed to by all concerned, it would appear more logical to start the new medium-term Plan in 1979 and terminate it in 1984. This would then make the period of the Plan coterminous with the period over which the award of the Seventh Finance Commission would apply. He further said that it would be somewhat unrealistic to discuss the issue of planning and economic development in the country without linking it up with the general problem of Centre-States fiscal and monetary relationship. The present fiscal arrangements whereby nearly two-thirds of the total financial resources transferred to the States were at the discretion of the Central Government, constituted a major roadblock, thwarting the States in their efforts to hasten the pace of planned economic endeavour.

45. The Chief Minister reiterated the State Government's suggestion that the present meeting of the NDC should not be used to seek a general consensus on either the Draft Plan and its contents, or on the merits or otherwise of the concept of Rolling Plans. The State Government was expecting to receive an explanatory document from the Centre about the Rolling Plan but no such document had been received. If such a document had been given, the State Government would have given its considered views with regard to its advantages and disadvantages.

46. Making his tentative observations on the Draft Plan, the Chief Minister said that the draft referred to the need to promote distributive justice, curb concentration of economic power and ensure self-reliance and steady growth. These were goals which had gained wide-spread currency. A more reiteration did not by itself mark a major step forward. While the policies suggested for particular spheres, such as the reservation of output for small and cottage industries, were unexceptionable, the broad programmatic picture presented in the draft lacked the

firm outline necessary to inspire confidence that future developments in these spheres would be noticeably different from those in the past. Despite the general remarks on the necessity for a substantial modification in the output, investment and science and technology policies, the priorities and patterns of development in the draft document hardly differed from the earlier plans.

47. Referring to the growth rate proposed in the Draft Plan, the Chief Minister said that unless a correct analysis was made of the factors underlying the failure to achieve higher rates of growth in the earlier Plans and special measures were introduced to remove these impediments, it was useless to talk of raising the average annual rate of growth from around 3 per cent to 4.7 per cent. This was where discussions were necessary in detail. How exactly it was going to be achieved, taking into account the past experience, had not been discussed in the Draft Plan. The draft lacked any attempt to identify the factors responsible for the economic crisis in the country. A proper diagnosis of the malady was an essential step before a planned effort for a faster development could be made. The crux of the crisis in India's industrial and commercial sectors was in the narrow base of the domestic market despite the vast number of our people. Over the years, the purchasing power of the common man had been eroded by the anti-people policies of the ruling groups. This negative factor had been recognised ever in the draft plan. The crisis had been aggravated by the policy of inflation which had led to practically uninterrupted increases in the prices of essential articles, such as food, textiles, edible oils, etc. Only a broad-based rural development programme comprising agriculture and allied activities, together with a bold programme of investment in the public sector and key industries could create the conditions for a sustained and more rapid economic growth in the country. The draft document scarcely made any reference to this most over-riding issue.

48. The Chief Minister said that the agricultural development, a pre-condition was a radical change in agrarian relations. The draft indeed mentioned the need for land reforms. It also mentioned the problems of small and marginal farmers and the need to extend irrigation facilities to these groups. However, it was not at all clear what measures were proposed to achieve these objectives. Without this, it just became an academic exercise. The draft recommended no new positive action to improve upon the record of past achievements in this regard. This was of vital importance. The Chief Minister noted the concern expressed in the document about tackling the problem of rising unemployment and said that the intention to eradicate it within a decade was welcome. The desirability of adopting labour-intensive technology in industry was certainly a step in the right direction. But the question was how the private sector was going to be made to pursue this policy. Again, how were the capitalist farmers going to be prevented from ousting the small farmers and creating more unemployment. In the past, concessions granted to the agricultural sector had been invariably monopolised by landlords and big farmers. Organisations of the village poor had to be set up. There should be Kisan organisations especially for poor farmers.

49. The Chief Minister pointed out that the country today was in a far better position than before with regard to the stock of food grains and foreign exchange reserves. What exactly was to be done with these reserves? He did not think that there was any well-conceived plan for the utilisation of these two national reserves. A bold investment programme to utilise the food stocks for purposes of development was the key to creating additional employment opportunities in the countryside and raising the productivity of land. Closely related to this issue was the general problem of public distribution. The Chief Minister recalled that in the meeting of Chief Ministers, called by the Prime Minister earlier, the State Government had stated that the public distribution system was one of the key sectors. But uptil now practically nothing had been done. Eight or ten essential articles could easily be chosen. This had not, however, been discussed in the draft plan document. He also

strongly felt that the policy on price and freight equalisation, currently practised in respect of a few selected items such as coal and steel, should be extended to the principal items of mass consumption as well as to the more important industrial raw materials.

50. The Chief Minister thought that the attitude towards science and technology in the document was quite conventional. No clear thrust was discernible in the Plan document in respect of the objective of self-reliance in technology.

51. Referring to the resource raising aspects of the plan, the Chief Minister observed that according to the draft's elaboration of targets and priorities, the States would have to shoulder a much greater responsibility in implementation. There was, however, no corresponding provision for augmenting the resources in the hands of the States.

52. The Chief Minister expressed serious reservations about the additional resource mobilisation for the public sector as proposed in the draft. He said that the bulk of the reliance would still have to be on direct taxation. With the massive expansion of commodity taxation during the Fifth Plan, it was unlikely that, other things remaining the same, the States would have much scope left for further action in this area. The inflationary impact of continued dependence on indirect taxation to raise a major part of the additional resources had also to be considered.

53. The Chief Minister said that the Draft Plan document did not make any major departure from past Five Year Plans. The economic crisis confronting the nation was a crisis of structure. As long as major productive assets in the economy were not drastically redistributed and the ownership and control over them diffused over wider sections of the community, there could be little economic growth in the country. Planning had, therefore, to address itself to this fundamental issue. It was necessary to redistribute the most important productive asset, namely, land, in favour of the rural poor. Similarly, it was important to take over under public command the major instruments of production in commerce and industry.

54. The Chief Minister felt that with this draft plan, there would be a further accentuation of the existing inequalities in income and assets and a further aggravation of the problem of worklessness for the millions. Even in the matter of resource-raising, the emphasis was on avoiding direct imposts on the richer classes and depending either on those taxes that fell heavily on the toiling masses or on blatant inflationary means, which would further erode the economic conditions of the poor. In conclusion, the Chief Minister suggested that consultations with the Governments of the States and Union Territories be made so that a proper direction could be given to the task of finalising the Sixth Plan.

55. **Shri Golap Borbora**, Chief Minister of Assam, expressed his appreciation for the method adopted by the Planning Commission for discussing the Draft Plan. He felt that the Draft Plan broadly reflected the political mandate of the Government as well as the economic imperatives of the new situation. It displayed much greater realism and pragmatic wisdom in that it provided for adjustments and readjustments to reckon with the realities of circumstances which disturbed the projections and forecasts. He expressed his gratefulness to the Planning Commission and the Government of India for appreciating the special problems of the State of Assam. The Chief Minister welcomed the revision of priorities in the draft Sixth Plan in favour of employment generation, irrigation, agriculture, small scale industries etc., as this had special relevance for the situation prevailing in Assam. He observed that a Plan with such major shifts to the rural sector could not be implemented without speedy devolution of functions and decentralisation of power. Much thought needed to be given to radical changes in the process of the decision making in Government and in

administration. With the emphasis on rural development in the Plan, there would be need to build up monitoring and evaluation cells at every level so that there was adequate feed back about the effect of schemes.

56. The Chief Minister said that in the North Eastern region there was very poor resource generation, making heavy dependence on Central assistance necessary. Assam's capability barely measured up to the needs of financing schemes in various sectors of the Plan.

57. Referring to the demand for the review of the Gadgil formula for Central assistance, he said that the N.E. region as a whole and Assam in particular would continue to require substantial support from the Centre and he suggested that the State administration should be fully associated with the review of the pattern of distribution of Central assistance.

58. **Shri N. Chakroborty**, Chief Minister of Tripura, said that the Draft Plan did not analyse why earlier Plans had failed to end disparities and to reduce poverty and unemployment. While food production was increasing, semi-starvation conditions continued over a large part of the country. While industrial production rose, essential commodities became scarce. The domestic market did not expand and unemployment was on the increase. Without providing answers to these questions, the present Draft Plan could not be considered as a significant break-through from the earlier Five Year Plans.

59. The Chief Minister said that another aspect which the draft did not take into account was the present Centre-State relations which needed review. The hurdles that the present relations had created in the past in the adoption and implementation of the National Plan and the imbalances that had been created had all to be reviewed. He felt that without more structural and fiscal autonomy for States and regions, no plan could bring about the desired development in the States and regions.

60. The Chief Minister referred to the welcome attempts to make the Draft Plan rural and agriculture—biased and also employment-oriented. The Draft Plan did not, however, suggest how to protect the rural poor from exploitation so that they might devote themselves to productive activities.

61. The Chief Minister pointed out that no attempt had been made to lay down a proper criterion for identifying backward areas. The condition in the Eastern region was bad in respect of roads, railways, power, irrigation and bank credit. The economic base of Eastern States being very narrow, there was a tremendous income leakage and a major part of the Plan money flowed outside the region inspite of the Plan exercise. His state had to import everything. He suggested that there should be compulsory procurement of foodgrains and that all essential commodities should be made available to the public at the same price right upto the remotest corner of the country through a dependable public distribution system.

62. The Chief Minister said that the Draft Plan had mentioned about land reforms but it had not put emphasis on it nor had it specified the manner or the time frame for its completion. This should be given priority and a time-bound programmes drawn up. The Plan must attack rural indebtedness which was on the increase at present. Without more equitable distribution of land and the liquidation of tenant-landlord relations, outlays on agriculture would continue to benefit the rural rich and also the urban well-to-do sections. It might not create the domestic market which the Plan envisaged. In respect of the un-employment problem, he said that the measures proposed envisaged jobs to those who were below the poverty line. There was no scheme which would guarantee employment opportunities to the educated section.

63. The Chief Minister said that the Draft Plan envisaged that the percentage of population below the poverty line would be brought down to 37.95% by 1982-83 on the basis of 1976-77 price levels. In Tripura, on official records, it was 68% at the moment. There was no likelihood of the percentage coming down. The proposal to resort to deficit financing to the extent of Rs. 2225 crores in five years was likely to have an adverse effect. The price increase and inflation due to deficit financing might be much more than what had been envisaged in the Draft Plan. Subsidies of as much as Rs. 7,400 crores were estimated in Draft Plan. A good part of this would go to the rich farmers and industrialists. There was provision for ploughing back into the general revenue part of the profits, with the result that this section of the population which was already affluent would continue to grow more affluent.

64. Referring to the question of reviewing the Gadgil Formula, the Chief Minister expressed the view that so far as Tripura was concerned, the formula should not be applied. He wanted a need-based Plan. The Draft Plan provided certain things for the big industries. There was no programme for nationalisation of industries. Scarcity of cement had been a great bottleneck; the Plan money could not be spent because of scarcity of cement. The Draft Plan laid emphasis on cottage, village and small industries. In the north-eastern region, it was possible to develop agro-based and forest based industries. The need to provide sufficient facilities for marketing the products was not sufficiently emphasised in the Draft Plan. The Chief Minister added that the Draft Plan should make a break with the past, to attack the monopoly interest either in land or in industries in order to take the benefits of the Plan to the weaker sections who alone could help in its implementation.

65. **Shri Karpoori Thakur**, Chief Minister, Bihar, suggested that the Sixth Plan should commence from 1979 instead of 1978. He considered the Draft Plan as the first agriculture-oriented and relatively decentralised plan. He also appreciated the other aspects of the Plan such as its time-bound programme for removing poverty and unemployment. He drew attention to the disparities existing between states in respect of the level of development, standard of living etc. and suggested that these should be removed by first fixing a national minimum and helping the less developed states to reach that minimum by providing them with special assistance. The Chief Minister appreciated the schemes formulated for achieving distributive justice and said that great stress should be laid on their implementation. He supported the Planning Commission in giving the Public Sector its due importance by earmarking increased outlay in the Draft Plan. Stressing the need for the development of backward areas, the Chief Minister said that the Planning Commission should evolve a realistic and objective method for identifying such areas. He pointed out that multiplicity of development programmes implemented by numerous agencies had created confusion and had in fact hampered the process of development. He thought that the Nationalised Banks could play an important role. State Government representatives could also be included in the administration of such Banks.

66. The Chief Minister was of the view that the freight equalisation formula in respect of steel should also be made applicable to essential commodities of mass consumption. With regard to the development of village and small industries he stressed the need for creating adequate organisational network for marketing the products.

67. The Chief Minister also recommended higher priority to National Highways as their construction could provide self-employment to thousands of people. He suggested that flood control work in States might be taken up by the Centre. Regarding the Central assistance pattern of 70 per cent loan and 30 per cent grant, the Chief Minister suggested to reverse it to 70 per cent grant and 30 per cent loan. Referring to the Central tax on power generation, he pointed out that it would

increase the burden on State Governments. The Chief Minister said that the surcharge on income tax should be included in the divisible pool.

68. **Shri Kazi Lhendup Dorji**, Chief Minister, Sikkim referred to the problem of power shortage in Sikkim and other North Eastern States and expressed the hope that adequate grants would be provided for power development.

69. **Shri Babubhai Patel**, Chief Minister, Gujarat welcomed the emphasis laid on rural development in the Draft Plan. Justifying the starting of the new Plan from 1978, he pointed out that the Plan approach was changing this very year. The State Government had already accepted many suggestions in the Plan such as the objectives of removal of unemployment and alleviation of poverty, laying greater stress on rural development, more village water supply schemes, more funds for rural roads; and these had been included in the Plan beginning from 1st April, 1978.

70. Regarding decentralisation, the Chief Minister thought that this would not work unless the financial strength of the State was increased. If the idea was that the States should handle more and more responsibilities, it would be making inroads into their meagre resources. The States should be enabled to enlarge their responsibilities by enabling them to retain their own resources and also to enhance them. But, unfortunately, the steps taken were in a different direction. The States had been asked to discontinue Sales Tax. The result would be that the States would be left high and dry. They would be required to raise other revenues by additional taxation. Commenting on the Central levy on electricity and coal the Chief Minister pleaded with the Centre not to take away the capacity of the State to raise resources. He expressed the view that the present policy of providing 30 per cent assistance as grant and 70 per cent as loan was putting a strain on the State's resources. The State had been finding it difficult to repay the debts. About allocation of Central assistance, the Chief Minister suggested a revision of the Gadgil Formula. He suggested that 50% should be given on population basis, 10% on scheduled tribes, 20% on urban population, 10% based on composite factors, based on level of development, regional literacy, drinking water, road rural electrification etc. and 10% based on the State's particular needs.

71. The Chief Minister said that Gujarat had a special problem. It was surplus in the matter of cotton and groundnut but was deficit in the matter of foodgrains. The poor people were finding it difficult to purchase wheat at the current price of Rs. 1.30 per kilo. It was necessary to meet the demand for foodgrains at reasonable prices for the poor. Import of edible oil was suggested for bringing down its price. It was also suggested that free medical aid might be given to school-going children upto the age of 14 years. Concluding, the Chief Minister expressed his support to the approach to the Plan.

72. **Shri Devi Lal**, Chief Minister, Haryana expressing his approval of the Draft Plan said that it was necessary to gear up the Government machinery and also to involve the common people in its implementation. However, the allocation for the rural sector in the plan was low : agriculture got only 11 to 12.5 per cent of the outlay which was discouraging.

73. The Chief Minister said that the Plan should pay greater attention to the needs and problems of individual States. For example, he said that according to the Plan more sugar mills were not required in the country. But the mills would be in a position to purchase only 33% of sugarcane produced in the country by 1982-83. Haryana produced 80 lakh tonnes of sugarcane every year and the crushing capacity available in the State in a year was only 18 lakh tonnes. Therefore, more mills were necessary in Haryana. He said that the principles for fixing the price of sugarcane suggested in the Draft Plan would favour only mill-owners and not the farmers.

74. Regarding subsidies, the Chief Minister observed that they were necessary for poor farmers in getting quality agricultural inputs like seeds and fertilisers at cheap rates. Reduction of subsidies would result in reduction in production and that would weaken the condition of farmers. He referred to the schemes proposed for supply of water for irrigation purposes and said that attention was not paid to conservation and proper use of water already available. He mentioned that introduction of the system of sprinkler irrigation, useful in desert and undulating areas, had achieved great success in Haryana. He suggested that the Planning Commission could undertake a study of the system. Referring to cotton and cotton seed, the Chief Minister suggested that it was necessary to build up enough buffer stocks for which there seemed to be no scheme in the Draft Plan. He also wanted the working of the Cotton Corporation to be improved and streamlined.

75. The Chief Minister said that devolution of resources might be on the basis of needs and performance of the States and not according to their population and area. He said that while allocating Central assistance, separate allocations should be made for big and small schemes. Assistance provided for floods etc., should be given as grants. Supporting the policy of prohibition, he said that the loss on account of implementation might be fully compensated by the Centre. Regarding Sales Tax, he was in favour of uniform rates.

76. The Chief Minister welcomed the emphasis laid in the Plan on developing rural industries. He suggested that the amount of Rs. 1410 crores allocated for rural industries should be increased to at least Rs. 2000 crores. He pointed out that in the interest of both Government and people, fluctuations in agricultural prices should be effectively checked.

77. **Shri Prakash Singh Badal**, Chief Minister of Punjab recalled that the economic policy statement of the Janata Party had set the goal of 7 per cent rate of growth. It was true that this was much higher than the rate actually achieved in the past but there were certain favourable factors now. The Draft Plan had, however, set the rate of growth at only 4.7 per cent. In the Document certain constraints had been mentioned, mostly, deficiencies in planning and implementation. These were, however, remediable maladies. These called for redoubled efforts rather than lowering of sights. Another constraint seemed to be the view that more equitable distribution of income went with a lower rate of growth. Growth and fair distribution were not competitive but complementary goals. Growth alone provided the State with resources and instruments for the uplift of the masses. He urged the Planning Commission to overcome any lurking fear that growth necessarily produced inequality. Given progressive public policies, growth would facilitate greater equality. As for Punjab, the State Government was determined to realise at least 7 per cent rate of growth during the next five years and he wanted the Centre to lend due support.

78. The Chief Minister said that the Draft Plan Document made a comparison with the Fifth Plan with regard to public sector provision for rural development. Of the items mentioned, only the first two related to agriculture. The others fell in other sectors. If only the provision for agriculture was taken, it was 25 per cent of the total public sector outlay as against 20 per cent in the Fifth Plan. It was certainly a step up, but nevertheless fell short of the declared target of 40 per cent by a wide margin.

79. The Chief Minister pointed out that import projections for the Sixth Plan included a provision of Rs. 2,515 crores for contingency imports of agricultural commodities. Self-sufficiency in agriculture necessarily referred to good and bad years taken together. It required provision of adequate stocks to supplement output in poor seasons. If it was the considered view of the Planning Commission that the provision for agriculture was insufficient to ensure true self-sufficiency, there was an obvious case for further stepping up agricultural development and for

making the necessary additional financial provision.

80. Referring to the foreign aid component in the Draft Plan, the Chief Minister said that in no previous Plan had it been of this order. Such large foreign aid had been justified by projecting a large balance of payments gap. This order of gap had emerged because import requirements had been over-estimated and the inward remittances under-estimated. The imports had been projected to grow by more than 100 per cent during the Plan period, whereas the exports were estimated to grow only by about 50 per cent. There was no reason why India's trade balance should be allowed to suffer such drastic deterioration. The estimates of remittances for the five years might be exceeded in just two years. At the projected rate of growth of 4.7 per cent the estimated balance of payments gap was almost impossible unless a colossal failure on the agricultural front made it necessary to undertake large imports of farm produce. If the envisaged order of foreign aid was feasible from the side of availability, it would be necessary to increase the absorptive capacity of the economy. To this end the Plan must envisage a much higher level of development effort. This alone would enlarge the import requirements to the level commensurate with the envisaged foreign aid. Thus internal consistency of the Plan required that we must raise our sights.

81. The Chief Minister said that the employment projections were highly optimistic. The fact was that at the projected rate of growth, there could be no serious dent into the most urgent problem of unemployment and under employment which was quite widespread. The Plan must give it the attention that it demanded.

82. Commenting on the concept of the rolling plan, the Chief Minister said that the main purpose of the new concept seemed to be to provide flexibility in planning. He caution that this new concept must not be allowed to make planning so flexible as to have no long-term perspective. The flexibility must oberate within a narrow range around a set long term objectives.

83. In the Draft Plan, the projections were given only in terms of the national economy as a whole. There was no distribution between the Centre and the States. The Chief Minister said that the shift of emphasis towards agriculture, village and small industry and the rural economy involved enhanced role of the States in development. The distribution of the Plan outlay between the Centre and the States would have to fully reflect this shift in development priorities. Further, it was imperative that the States must be enabled to have adequate resources for the implementation of their part of the Plan. In this context he expressed that there was an urgent need to recast the Centre-State financial relations. In the present scheme of the Constitution, the States had a major responsibility in economic development, while the fiscal resources available to them were not only in-elastic but also politically explosive. Over concentration of financial resources and economic decision making, especially in the field of planning and development at the Centre, had greatly depressed local initiative and State level enterprise. No major headway could, therefore, be made in the matter of economic development till the initiative was restored to the States and the financial and economic powers were radically decentralised.

84. The Chief Minister suggested that taxes on income in all forms should be included in the divisible pool and should be shared equally between the Centre and the States. To the extent determinable the net proceeds from the excise duty might be distributed among the States in proportion to their respective shares in total consumption. For the rest, 20 per cent of the net proceeds might be distributed as at present. The Small Savings' net realisation attributable to the States should be wholly advanced to the States as non-repayable loans in perpetuity. The States' share of market borrowings should be 50 per cent of the aggregate and the share of an individual

State might be determined with reference to the annual accretion to the resources of the principal lending institutions from that State. 50 per cent of the net accretion to Special Deposits of non-Government Provident Funds and of the Deposits of the Income-tax payers should be given to the States as loans at rate of interest payable by the Centre. The IDA loans be made available to the States to the extent of 100 per cent on terms and conditions on which these had been obtained. The banking system should aim at a minimum of 60 per cent credit-deposit ratio in each State. There should be a fairly even distribution of the resources of the term-financing institutions. The Chief Minister said that with adequate and expanding resources and with the obligation to the more or less self-reliant, the States would have every incentive to work energetically for the development of their respective economies.

85. Referring to the problems faced by Punjab, the Chief Minister said that the acute power shortage for several years had seriously hampered the State's industrial development and other activities. It was only this year that a satisfactory supply position had emerged. The improved supply to tube-wells had been an important factor for the remarkable increase of 40 per cent in paddy production this year. The State Government now wanted to avoid any relapse into a position of acute power shortage. This required not only that the Thein Dam Project be executed speedily but also an early beginning must be made on the projected Thermal Station at Ropar. While Agriculture would remain the mainstay of Punjab's economy, it would be necessary also to make up the serious lag in large and medium industries which must necessarily be based on agriculture and raw-materials like cotton and sugar-cane which Punjab produced in abundance. Therefore, the observations made in the Plan that no new sugar plants would be put up and that no increase in looms in either the mill or powerloom sector would be permitted disregarded the requirements of the Punjab economy. The State produced over a million bales of cotton but had no textile industry worth the name. The sugar mills in the State hardly consumed 15-18 per cent of the total cane output as against the national average of around 33 per cent. There were several areas where the only crop which gave satisfactory yield was sugar-cane. Not to permit Punjab to have any more composite textile mills or sugar mills would be a grievous blow to industrialisation and diversification of the Punjab economy. The policy in this regard should be reviewed in respect of States like Punjab.

86. Regarding rural development the Chief Minister said that the programmes in each State and local area had to be suited to the specific situation there. Any uniform schematic pattern all over the country in disregard of local pecularities was bound to reduce the effectiveness of these programmes. The States must have full freedom to devise programmes suited to their specific conditions and these programmes must receive due financial and other support from the Centre.

87. **Shri Shanta Kumar**, Chief Minister, Himachal Pradesh endorsed the objectives proposed in the Draft Plan, namely, removal of poverty and unemployment and elimination of disparities existing between different sections of the society. He felt that the priorities in the Plan could result in increased agricultural production. He was, however doubtful whether the objective of removal of unemployment could be achieved in full as envisaged in the document. It was through development of small scale and cottage industries, he said, that unemployment problem could be tackled.

88. Intervening, the Prime Minister clarified that the Draft Plan visualised generation of more employment not only in the agriculture sector, which would mainly provide full employment to the under-employed but also the village and cottage industries sector which would provide employment to the remaining unemployed persons. The Prime Minister mentioned that eventually the percentage of population dependent on agriculture must decline from the present level of 70%.

89. The Chief Minister observed that fixing a target for the rate of growth for the economy should not be an end in itself, as the most important thing was the attainment of the goal of social justice by distributing the results of growth among larger number of people.

90. With regard to construction of rural roads envisaged in the Plan, the Chief Minister said that in formulating programmes, the pecularities of the villages which varied from State to State, should be taken into consideration. Wherever necessary, instead of taking villages as the basis, a cluster of villages having a population of 1000 to 1500 should be considered for constructing connecting roads. Regarding provision of drinking water, he said that the peculiar problems of hill areas should be given special attention.

91. The Chief Minister felt that for generating electricity, the dependence should be more on hydel power rather than on thermal power. He pointed out that while making provision for power generation, the Plan should take into account the potential generating capacity available in each State. In this respect he said that the provision made for Himachal Pradesh so far was much below the State’s generating capacity. He further said that for the purpose of industrialisation Himachal Pradesh should be declared as a backward State.

92. **Shri Nilomani Routroy**, Chief Minister of Orissa recalled the promises made to the people to remove un-employment and destitution within ten years, to provide the poorest sections with basic needs such as clean drinking water, health care, elementary education etc. and to pursue appropriate policies to achieve these goals. These promises had to be kept. He, therefore, welcomed the incorporation of these as primary objectives to be attained along with a higher rate of economic growth reduction in disparities in the distribution of incomes and wealth, and at the same time moving towards a larger measure of national self-reliance. These declarations of objectives had special relevance for Orissa as they held out hopes of escape from the grip of crushing poverty, growing unemployment and stagnation in economy.

93. The Chief Minister welcomed the proposed developmental strategies emphasising primacy of irrigated agriculture and allied sectors, rural and small industries, integrated area development and upgraded minimum needs fulfilment. He, however, pointed out that their success depended on the deliberate pursuit of a well-conceived implementation strategy and policy which must provide for significant reduction in regional disparities.

94. The Chief Minister observed that to enable Orissa to reach the projected National per capita income level by 1982-83 from its present level below the National average, an outlay of about Rs. 5,000 crores would be needed. This would postulate a growth rate of about 9 per cent. While this might appear physically unattainable, a growth rate of 6 per cent which would call for an outlay of about Rs. 3200 crores and provide employment to about 50 per cent of the unemployed and under-employed was the minimum to be aimed at. This order of investment could be injected through the media of the Central, State and Public Sector Corporation’s Plans. In this context he referred to the proposal for a Shipyard and a few other projects and added that investment by Central Government could flow through these and similar projects.

95. The Chief Minister said that considered from the national angle, the Plan size was quite suitable. There was, however, need for a concerned effort to lesson regional economic imbalances. The States which were today economically backward needed maximum development. At the same time by that very reason they were unable to raise sufficient resources within their own territory. To adopt a standard formula of plan allocations and Central assistance for all States would only accentuate the imbalances with obvious undersirable consequences. The Gadgil formula had not

served this purpose well. Its main weakness was that the major part of the distributable central assistance was divided among States on the basis of their population without any regard for their socio-economic characteristics and composition and their relative developmental needs. A more appropriate system of allocations that could scientifically reflect the relative developmental needs of the States, as determined by the socio-economic characteristics of their population, should not beyond the ingenuity of the Planners to devise. The present pattern of Central assistance for State Plans with a 70 per cent loan component also needed reconsideration and should be scaled down.

96. Since the beginning of the Fifth Plan period a new and wholly erroneous concept of treating expenditure on repair and restoration of public properties damaged or lost due to natural calamities as plan outlay had come into being. Such expenditure did not contribute to development and should not, therefore, qualify as plan outlay. Central assistance for this purpose should take the form of non-plan grants to relieve the States hit by natural calamities of a debt burden. Natural calamities were visiting Orissa regularly. Prevention of such calamities was obviously the best method of tackling this problem. Long term measures were necessary for this purpose. The flood, drainage and saline intrusion in coastal Orissa must be given importance at the national level and dealt with as a Central project. This was one way in which the Centre could pull Orissa out of the present morass of poverty and backwardness.

97. The Chief Minister stressed the role of irrigation in the development strategy, in removing unemployment in rural areas and in increasing the level of rural prosperity. In respect of small scale and cottage industries, he suggested that the Central Government public sector corporations should be obliged by policy directives to promote small ancillary industries by purchase guarantee of goods which they consumed, without, of course, sacrificing quality and cost advantage. Also, the products of such Corporations should be available to set up medium or small industries within the State itself. At present most of such products were being taken to industrially advanced States for further processing.

98. The Chief Minister also stressed the need for a reappraisal of the policy regarding Centrally Sponsored Schemes. The National Development Council had decided a few years ago that such schemes, which should be few in number, should be funded fully by the Centre. In recent years however, there had been a reversal of this policy. It was necessary that the Council reiterated its earlier decision. World Bank assisted programmes entrusted to the States for implementation should invariably be included in this category, since these programmes attracted international aid received directly by the Centre.

99. At the National level, certain sectors were treated as core sectors. The Chief Minister said that the State Government subscribed to this whole-heartedly. In this process, however, some sectors like roads, higher education and medical education were not getting adequate funds. This affected States like Orissa very seriously and condemned them to a perpetual state of backwardness. Industries could not be attracted because of lack of communication and skilled manpower. Therefore, for backward States like Orissa, these sectors should also be included in core sectors.

100. **Shri S.D. Khongwir**, Deputy Chief Minister of Meghalaya welcomed the changes in the Plan objectives and strategy and said that the emphasis on removal of unemployment, poverty and inequality and creation of increased avenues of employments, as also the emphasis on small and cottage industries, were in the right direction, which would give the desired thrust to the national economy. One of the greatest difficulties noticed in the planning process in the past was the lack of scope for re-adjustment in the plan outlays and the revision of targets in the light of the changing

economic situation and inflationary trend.

101. The Deputy Chief Minister agreed that the removal of poverty and inequality was linked with greater attention towards ameoliaration of the condition of the scheduled tribes and scheduled castes. For development to have some meaning, it must be ensured that the living standards of those backward groups and their economic and social status rose significantly.

102. Referring to the revision of the Gadgil Formula, the Deputy Chief Minister pleaded that the procedure for pre-empting of Central assistance for backward States like meghalaya should continue irrespective of any modifications in the formula. The existing pattern of central assistance to these States should also remain unmodified. The outlays for the North Eastern Council should be raised substantially with a view to enabling it to play its due role in accelerating the process of development in the North East.

103. The Deputy Chief Minister appreciated the new orientation in industrial policy as contained in the Plan document with its emphasis on village and small industries. However, the special incentives for attracting entrepreneurs to come to backward areas like Meghalaya, he said, would have to be continued.

104. **Shri D. Devaraj Urs**, Chief Minister, Karnataka said that Centre-State relations should also be discussed at the meeting. He was not happy about the shortening of the Fifth Plan and thought that this had been done in a great hurry as the award of Seventh Finance Commission was yet to be announced. The Gadgil Formula also required review. The Draft Plan had been built up on the old pattern of resource distribution between the Centre and the States. Sufficient time had not been given for its discussion and review. The strategy outlined in the Draft Plan was more or less the same as in the Fifth Plan in respect of target groups, the Minimum Needs Programme and emphasis on agriculture, irrigation and power. The Chief Minister welcomed the time-bound objective for the removal of unemployment within a period of ten years. He, however, did not agree with the concept of a Rolling Plan. He expressed the hope that the objectives and strategies would not be open for annual review under the new procedure.

105. The Chief Minister felt that the Draft Plan was unrealistic so far as investment and resource estimates were concerned. Its impact on price level could not be visualised at this stage. Moreover, the deficit of Rs. 2225 crores for five years did not seem to be desirable. He felt that the outlays earmarked for rural development were not sufficient.

106. As regards the distribution policy envisaged in the Draft Plan, the Chief Minister said that it should be linked with institutions which catered to the needs of the rural people. Most of the credit and inputs were received by influential people and the target groups failed to get them. Membership of institutions like the Cooperatives should be universalised so as to bring about a change in the rural power-structure. He pointed out that the Draft Plan recommended area development plans for full employment planning. Karnataka had already given the lead in the preparation of Block Plans for full employment with the cooperation of research institutions, university departments, voluntary agencies and others in addition to Government machinery. He felt that since removal of un-employment was the principal objective, there should be a continuous employment-orientation to the policies in respect of consumption, public investment, private investment, taxation, debt, wages etc.

107. The Chief Minister said that for the implementation of the Plan targets, the States should be given only broad guidelines and they should be free to decide on the actual choice of schemes and the mode of implementation. The States should be free to determine their specific programmes

within the overall national priorities. He also did not favour parallel central programmes in the States. In this connection he pointed out that in the Annual Plan for 1978-79, on a subject like agriculture and allied Programmes which were in the States' sector, the Centre's outlay was about Rs. 872 crores out of a total outlay of Rs. 1754 crores, which formed about 50%. Similarly, the Centre had parallel programmes in respect of Village & Small Industries, Medical and Public Health which were under the spheres of activities of the States. In addition to this, the Centre had been making serious inroads into the taxation base of the States. The Central excise had been extended to cover almost all commodities without consulting the States. This had adverse effect on the Sales Tax which was the main tool of the States for resource mobilisation.

108. Referring to the devolution of resources, the Chief Minister said that in the interest of healthy and dynamic federalism, the trend in centralisation of resources and making the States excessively dependent on the Centre should be reversed. He was not happy about the manner in which the World Bank credit for development projects were given to the States. There was no justification for the Centre to retain 30 per cent of such assistance as it was given for specific projects. Emphasising the need for the Centre to consult the States on various problems especially on those which affected them severely, the Chief Minister felt that the key to better Centre-State relations was in strengthening the coordination aspect but loosening the grip wherever it was not really necessary.

109. **Shri A.K. Antony**, Chief Minister of Kerala, said that the fundamental approach towards building up a sound Central-State relationship should be based on a spirit of partnership in the task of nation-building. It would be setting a healthy precedent if the Centre entered into prior consultations with States before introducing any legislation which adversely affected the financial interest of States. The Centre as a matter of general fiscal policy must desist from resorting to measures which affect adversely the financial interest of State Governments. He suggested that through a constitutional amendment all the Central taxes should be made sharable, so that a dynamic balance was maintained in sharing the nation's tax resources between the Centre and the States who were equal partners in carrying out and implementing the development plans of the country.

110. Referring to sectoral allocations in the Draft Plan and the suggestion for higher allocation than in the past for agriculture, irrigation and related activities which had a direct bearing on the productivity of rural operations, the Chief Minister observed that it was necessary to decide as to which segment of the population in each sector demanded special care and consideration. He was of the view that the desired orientation had to be in the direction of socialism. The Council must not fight shy of stating this goal in clear terms, and assessing the validity of the allocations and strategies in the light of that goal. In the area of agriculture, whatever be the investment for providing irrigation, or other infrastructure facilities including credit, it was to be ensured that the benefit would flow to the poorer sections who were the majority through (a) completion of land reform measures (b) a minimum wage for agriculture labour (c) homesteads and housing for the landless and the homeless (d) a differential pricing system, which identified the small and marginal farmer and gave this category alone the inputs at concessional prices and (e) state-supported agricultural marketing coupled with a policy of price support for agricultural output so that the small man received an adequate price for his output. In this context, it was necessary to note that the cost of cultivation varied substantially from State to State and from region to region within the State. The situation demanded that a State might have to take into account the higher cost and provide for adequate support for meeting the higher cost. Yet another aspect of agricultural development was that forestry, plantations and fisheries, which were treated as agriculture, deserved to be considered on a separate basis. In these spheres, a large scale expansion of public sector ownership and control was necessary.

111. There was also the need for the States to develop a substantial public sector of their own to ensure that inter sectoral balances were maintained within the State Plans, having regard to regional endowments of each State. Resource-transfer from the Centre to the states on account of tax sharing, borrowings, and plan funds had to be commensurate with this reassignment of tasks and outlays. This also implied that regional resource-endowments and their development projects were more important as determinants than population for allocation of resources among States.

112. The Chief Minister said that it should be considered seriously whether the proposed outlay of Rs. 1,16,240 crores could achieve only a growth rate of 4.7 per cent and also whether the declared objective of removing unemployment in the course of the next decade would be achieved. Past outlays would make their contribution to growth in the coming Plan period. Taking this into account a further outlay of the order now proposed should, if carefully husbanded and deployed, yield a much higher growth than what was postulated. Inability in the past to overcome some of the inherent weaknesses in our planning and implementation machinery, should not be accepted as unavoidable in future also. A critical self-examination of the weaknesses in the institutional framework and the motivational factors was called for and should become a part of the national debate.

113. The Chief Minister said that every day the number of unemployed was increasing. The idea was to eradicate unemployment through development plans in ten years or so. But if this problem was considered realistically, with the present rate of growth it would not be possible to fulfill this task. The number of unemployed would increase every year. The unemployed people were not going to wait for long. Therefore, along with the attempt to industrialise our country and absorb more unemployed people in agriculture, it was necessary to take up massive social security measures as part of our Plan effort.

114. **Sheikh Mohd. Abdullah**, Chief Minister of Jammu and Kashmir, said that he had no disagreement with the new strategy suggested by the Planning Commission. The objectives were very laudable. The question was of achieving the objectives, of implementation of the Plan, of the spirit in which the schemes were formulated and executed. The declared objectives would lead only to frustration, if they were not realised.

115. The draft Plan was realistic in the sense that it envisaged an overall growth rate of 4.7% per annum. It was no use postulating a higher rate of growth if it could not be achieved. Referring to the outlay proposed in the Plan and the question of resource mobilisation, the Chief Minister said that there was a significant shift in the financing pattern of the Plan investment suggested in the document. The mobilisation of additional resources was proposed mainly through additional taxation - primarly indirect taxes. This, he felt, would cast a very heavy burden on the consumer and would have the inherent disadvantages of affecting consumption, effective demand, investment and perhaps, ultimately employment. The taxation by the Centre and the States already took over 18% of the National income, a very high proportion of which fell on the lower and lowest income groups. Even if indirect taxation was progressive in the sense of falling more heavily on upper income than on lower ones, the question still had to be faced whether in absolute terms the lowest income group could be taxed still more. Improvement in the profits of public sector undertakings and withdrawal of subsidies on various commodities were no doubt desirable. Jammu and Kashmir had been doing so each year during the last three years. But this process alongwith other price increases due to indirect taxation would be a cumulative burden on the common man. To raise the ratio of tax to income from 18% to 23% would give rise to the gravest discontent.

116. The Chief Minister said that the financing of the Plan through market borrowings, raising of the term loans with the financial institutions and mobilising organised savings, which were voluntary,

was a healthier method because the savings or subscriptions to public loans did not involve much curtailment in consumption, since it was only the well-to-do people who saved or invested with the financial institutions. Besides, all such investible resources, unlike tax money, carried cost in the form of interest to be paid at the market rate and, therefore, their utilisation pre-supposed financial discipline. It was, however, very likely that, as a result of distributive measures contemplated in the Plan, the incomes of the poor would increase at a much faster rate than incomes of those who were comparatively rich. In fact this was one of the main objectives of the Plan. As a result of this pattern of income distribution, the overall effective demand for consumer goods would increase and consequently the total savings potential of the economy would go down. In order to be able to mobilise savings at that massive scale, specific measures had, therefore, to be identified. No such measures were, however, indicated in the Plan document. Deficit financing was considered a major cause for price increases. It was disturbing to note that the Plan document continued to accept it as a source of funding the Plan. The estimates proposed for the Five Year period appeared to be very low but it was no use adopting a temptingly low figure which would ultimately turn out to be much larger causing distortion in the total scheme of things.

117. The Chief Minister observed that the main emphasis was stated to be on the development of agriculture and allied sectors and also on providing basic-infra-structure for development in this sector. The step-up in outlay pecentage-wise over the Fifth Plan outlay did not, however, confirm this assumption. The document revealed that the increased outlay on sectors like agriculture, irrigation and power was being met by corresponding decrease in the proportion of outlays for communications and social services. Unless we changed the content of facilities to be created under social services sector and under communications, the decrease in the emphasis on the outlays in these sectors would not be reconcilable with the objectives of providing minimum needs like roads, health, education and drinking water facilities. It was a matter of regret that all too frequently it was the programmes and outlay of the two vital sectors of Education and Health which were pruned and axed in dealing with competing claims for scarce resources. Referring to the proposal to reduce unemployment from the present figure of 4.7 crores to 1.55 crores by 1982-83 by using appropriate technologies, the Chief Minister pointed out that the specific technologies of production proposed to be introduced in various sectors of the economy had not been spelt out. The direction in which changes in the present educational system were supposed to take place had not been concretised. Stressing the need for an integrated and balanced development of the National economy and of every part of it the Chief Minister said that in a common market of India’s size and opportunities, to derive the full benefits of “togetherness” there had to be primary emphasis on the development of an inter-dependent economy where each State estabished close and mutually profitable relation with other States, so that the economic opportunities and the benefits generated in the National economy as a whole, could be evenly shared by people living all over the country.

118. The Chief Minister agreed that the considerations on which various sectors and programmes had been given priority in the Plan were sound. However, when it came to State Plans, within the overall national framework, a degree of variability and flexibility had to be allowed in determining the exact package of programmes appropriate for inclusion in the State Plan. This would depend on the special endowment of natural and other resources of the given State. Thus as already recognised by the Planning Commission—Tourism and Handicrafts would obviously qualify for top priority in the case of Jammu & Kashmir, no less than industries and Agriculture.

119. The draft Plan put greater responsibility on the States. The objective of achieving decentralisation, creation of larger employment potential in Agriculture, revamping of Education, providing basic minimum needs like elementary education, drinking water facilities, roads etc.,

would be the responsibility of the States. It was, therefore, necessary to equip the States so that they could discharge that responsibility properly and could also have the necessary degree of maneuverability to raise their own resources. In fact the mechanism for devolution of funds, both regulated through Finance Commission and those coming through the Planning Commission in the form of Central Plan Assistance, would also have to be suitably modified.

120. **Shri V.K. Saklecha**, Chief Minister, Madhya Pradesh emphasised the need to identify various socio-economic problems and said that in the Draft Plan the problem of regional disparities had not been given the importance it deserved.

121. He was of the view that elimination of regional dispartities should be accepted as one of the principal objectives of planning and operational mechanisms as well as working processes should be inscribed in the document. Removal of regional imbalances must become the basic plank of planning strategy. Such a strategy automatically would resolve the problems of poverty and unemployment to a considerable extent. In order to achieve the above objective, the Planning process had to adopt a differentiated approach. An effective system of differential planning had to be introduced if aspirations of the people of all states as citizens of this country had to be fulfilled.

122. Endorsing the emphasis on agriculture in the Draft Plan, the Chief Minister referred to the role of irrigation as a critical in-put and said that in the allocation of irrigation outlays for States, weightage might be given to the States with lower irrigation percentage than the national average. A new strategy should be evolved to treat the major irrigation projects as national projects and the Central Government should provide cent per cent assistance for those projects. Funding policy for internationally aided projects needed review. At present only 70 per cent of the funds committed by the World Bank and other international agencies was passed on to the States. This imposed a severe financial constraint on the State Goverments. Disbursement of full aid amount, without retention of any portion of it by the Central Government, was vital for the successful execution of the projects. For rapid development of agriculture, far greater attention had to be paid towards the lot of agriculturists. It was necessary that a package of agricultural inputs and consumption goods of relevance to the farmer should be identified and a mechanism should be evolved so that any price rise of goods in this package was automatically reflected in the realised unit value of agricultural produce.

123. The Chief Minister said that in the context of planning strategy, another aspect of considerable importance deserved to be high-lighted. It had been the experience that cost of developmental activities when managed by State Government were generally lower. It would be a wise planning policy if all activities which could be handled by the States were not taken up in the Central sector. In the field of industrial wages, a differential approach was necessary if industrialisation of rural areas had to be accelerated. It was not really necessary to insist on payment of same industrial wages in rural areas where the wage structure was comparatively low. Besides, lower wage rates would neutralise the extra cost of transportation which an entrepreneur would have to pay by taking industry to rural areas.

124. The Chief Minister observed that policies with regard to fiscal measures had been outlined and the aim was to continue the progressiveness of those measures. In this respect, a suggestion should be considered whether in the context of the industrial strategy of making fullest use of existing capacity, graded lower taxation structure should not be conceived, beyond a fixed capacity utilisation level, to act as incentive. The base level could be fixed at 75 to 80 per cent, and concessional tax rates should be levied on a graded scale for capacity utilisation beyond this level. In applying such a system there would be no danger of losing revenue; on the contrary, while fullest utilisation

could be achieved reducing the cost of production, the revenue yield would be more than what was being achieved at present.

125. Stressing the need for price stability the Chief Minister said that elimination of poverty could be achieved through price stability and reduction in cost of living index. The planners should enunciate clearly desirable policies to achieve this end. It was also necessary to re-define the cost of living index.

126. In the past, industries had failed to spread significant benefits in the areas in which they were located. In fact, due to increased cost of living, they had adversely affected the living conditions of the people in the neighbourhood. The Chief Minister said that it would be necessary to lay down policies where development of the area as well as the living conditions of the people in the neighbouring areas should be made the responsibility of the industries. He pointed out that the plan document itself contained a statement which illustrated prevalent wide-scale disparity amongst States. In this respect, norms prescribed for minimum needs required to be reviewed. In so far as rural water supply was concerned, the norm should take into account the unsurveyed problem villages also. The serious problem of urban water supply had not received the consideration it deserved. Acute water scarcity in urban areas had potentialities for extreme hardship to the people and law and order problems. The outlay proposed for urban water supply had to be increased considerably to solve this serious problem. Similarly, in the scheme of rural roads, the norm of villages with one thousand population would put States like, Madhya Pradesh to great disadvantage.

127. The Chief Minister said that the plan visualised additional resource mobilisation by the States of the order of Rs. 4000 crores. It should be recognised that the capacity of each State to raise resources depended on its level of development, which was a function of past investments. Consequently, the share of each State should be fixed in relation to per capita income of the people of the States. This would be the most equitable principle of resource mobilisation for the Plan. In most cases, the royalties paid to State Governments for major minerals was an insignificant percentage of the price of the finished goods. Economically, the royalty could be increased substantially. The Planning Commission should examine this issue and recommend clear policies. The recent hike in excise duty on coal and electricity instead of helping the States, would further aggravate their financial condition. A new policy should be prescribed for expenditure on scarcity relief. Natural calamities henceforth should be treated as national problems and Central assistance should be proportionately higher.

128. The principles underlying Central sector and Centrally sponsored schemes needed re-examination as they had financial implications for the States. He said that the formula for determining future pattern of Central assistance should be reviewed. He suggested that 50% should be given on the basis of population, 30% to enable States to reach all India level of development in the sphere of irrigation, roads, school education, water supply, rural electrification etc., and 20% to meet the special problems arising from low density of population, high percentage of scheduled castes and/or scheduled tribe population, hilly areas, desert areas etc.

129. The Chief Minister said that his suggestion to review the formula for Central assistance were conceived to provide a rational basis for economic development of various parts of the country. The rate of economic growth which had been visualised by the Planning Commission could be achieved, perhaps exceeded, because inferences drawn by the Planning Commission were on the basis of past resource allocations which could not be claimed to be rational. If resources allocation was rationalised, the growth was likely to be more than what had been projected.

130. **Shri Vasantrao B. Patil**, Chief Minister of Maharashtra, pleaded for remunerative prices to the cultivators as they were the worst sufferers on account of the economic policy adopted by the Government in the past few months. The prices of agricultural inputs were high and consequently the cultivation of both food and cash crops had become a losing proposition. Policies in this regard needed revision. The Chief Minister wanted that a special allocation to be given for the development of small scale and cottage industries but it should not be at the cost of medium and large scale industries.

131. Referring to the Rolling Plan Concept the Chief Minister expressed the fear that it would introduce a considerable amount of uncertainty in the minds of the people with regard to the goals and Plan targets. The Rolling Plan should operate in a framework of national discipline. The financial discipline of the Plan would be completely disrupted if there were frequent changes in the programmes of the Rolling Plan. The Gadgil Formula also needed some modification. With regard to the open market borrowings, he suggested that an objective formula should be evolved by the National Development Council.

132. The Chief Minister pointed out that there was a gradual reduction in the pecentage of Plan assistance to the States to the Public Sector outlay. The programme regarding rural development would suffer if there was no substantial increase in the Plan assistance to the States as most of the Rural Development Programme formed part of the State Plans. In addition to this, the Centre was also depriving the States of their legitimate revenues by imposing new taxes. The policy of the Planning Commission in respect of pruning the forecast of power requirements is likely to lead to a situation of continuous shortages and this would mean planning for scarcity rather than adequacy. With regard to block level Planning for full employment, Maharashtra was the first State to introduce the Employment Guarantee Scheme. The Chief Minister expressed the view that the number of Centrally Sponsored Schemes should be kept to the barest minimum and that they should be formulated in consultation with the States. He suggested that if in respect of any scheme or project the State Government was normally competent to give administrative approval, then no prior approval from the Government of India should be insisted upon simply because it was part of a Centrally Sponsored Scheme.

133. **Shri Bhairon Singh Shekhawat**, Chief Minister of Rajasthan observed that in conditions of abundant labour force and shortage of capital, it was necessary to identify those areas of production which was labour intensive and which provided employment to larger sections of people.

134. The Chief Minister welcomed the special emphasis given in the Draft Plan to rural development and removal of poverty. He was happy that area development, development of village and cottage industries and the Minimum Needs Programme had also been duly emphasised. However, he pointed out that the outlay of Rs. 4180 crores earmarked for the Minimum Needs Programme was insufficient in relation to the requirements envisaged in the Plan under the Programme. He expressed satisfaction about earmarking of special allocations for schemes relating to primary education, adult education and medical and public health under the Minimum Needs Programme. However, he felt that adequate attention had not been paid to the planned development of backward areas. Considering the imbalances in economic development, the processes of development would have to be changed. He pointed out that the Gadgil formula of distribution of Central assistance did not take into account the requirements of comparatively backward States and it should, therefore, be revised.

135. He said that for the development of backward areas, it was necessary that the Centre invest increasingly through Public Sector projects in those States. In this connection he pointed out

that financial institutions and commercial banks were also apathetic to the development of such areas. He wanted that directions should be issued to those Central financial institutions for expending at least 40% of their investment for development of backward States.

136. Referring to the projects financed by international agencies, the Chief Minister said that the Central Government got assistance from the I.D.A. at the rate of 0.75% interest whereas it provided such assistance to the States at 5.25% interest. Thus the Central Govt. earned 4.5% interest merely by acting as intermediary. Similarly in the case of repayment of such loans also, States were required to repay the loans within 15 years with interest thereon, whereas Central Government received foreign loans on condition of repayment within 50 years. Further the Centre provided only 70% of the amount received from World Bank to the States for completion of projects. He expressed the view that the entire amount of assistance received by the Central Govt. from the World Bank should be provided to the State Govts.

137. The economic upliftment of the poorest in the society had been given high priority in the Draft Plan. In Rajasthan the State Govt. had launched the “Antyodaya Scheme” on 2nd October, 1977, to restore the rights of the poor in the development of the State. Under this Scheme, in all the 26 districts of the State the poor and deprived were being given assistance on a uniform basis. The Chief Minister wanted the whole-hearted support of the Central Govt. to the Rajasthan Govt. in the successful implementation of the scheme.

138. The Chief Minister said that it was well known that the resources of the States were limited and steps taken by the Central Govt. recently, like the imposition of excise duty on power generated in the States, could further make inroads into the already depleted financial resource base of the States. Taking away of the limited financial resources of the State Govts. by the Central Govt. was not justified and would unnecessarily give rise to disputes in Centre-State relations. Therefore, he was of the view that the duty should be withdrawn. With regard to prohibition, the Centre had not so far spelled out its policy about assisting the State Govts. The Chief Minister wanted the Central Govt. to confirm that they would fully compensate the losses in the income of States by providing additional assistance over and above the present quantum of Central assistance.

139. Regarding Centre-State relations, the Chief Minister stated that he was in favour of a strong Centre and strong States which were both complementary to each other. He suggested that, on the lines of the Finance Commission which determined central assistance under Non-Plan, a separate Statutory Commission should determine the quantum of Central assistance to the States for developmental expenditure. The Chief Minister stated that alongwith proper devolution of financial resources, decentralisation of power was also necessary. The issue of Centre-State relations should not be a subject of political debate. They should execute economic and social developmental programmes within their respective limits. Various aspects of this issue should be considered in a spirit of understanding and harmony. The N.D.C. met only at long intervals, and there were many issues which required detailed consideration. The Chief Minister suggested constitution of Committees of the Council to consider such issues. The Central Govt. would thus be regularly aware of the views of the State Govt. through those Sub-Committees.

140. **Shri Ram Naresh Yadav**, Chief Minister of Uttar Pradesh agreed with the objectives and priorities proposed in the Draft Plan. He also welcomed the new employment strategy in the Plan. Referring to the sectoral distribution of plan outlays, he appreciated allocation of higher percentage of the total outlay for rural areas and rural development. He said that the various redistributive measures, other than the instrument of taxation, which would help in reducing the disparities in income and property would be hailed by all.

141. The Chief Minister welcomed the importance given to area development plans especially at the block level. The U.P. Government had already taken the initiative in this regard by placing substantial amounts at the disposal of district-level bodies, to be spent on projects and programmes designed to meet local needs and conceived and approved entirely at the local level. They had taken a number of steps for strengthening the district planning and implementation machinery.

142. While agreeing the broad objectives, strategy and policies of the new plan, the Chief Minister pointed out that it was the right time now to take up programmes for correcting regional imbalances. A time-bound national programme was very essential to lift the economically backward areas to a predetermined national level in respect of clear indicators of economic and social well-being. In this context he pointed out that due attention had not been given to Uttar Pradesh during the entire period of planning.

143. He said that the State Government had prepared a new perspective plan for development over the next decade. The rate of growth per annum would be 5.0-5.2 per cent during the next five year plan as worked out by them. The Chief Minister requested that due share of resources should be made available to the State and the past injustice done to it should be rectified. He said that in per capita terms UP Plan outlays for 18 years from 1951 to 1968 was Rs. 181 as against Rs. 241 for all States. This level of low investment was due to the present mechanism for allocating Central assistance. He suggested revision of the formula for giving Central assistance. The Chief Minister suggested that the critieria adopted should give 50% weightage to population and 25% each to the proportion of small and marginal farmers and those below the poverty line. He also suggested that at least 75% of total collection of small savings should be allocated to the States concerned. The Chief Minister felt that the idea of Centrally Sponsored and Central Sector schemes were counter to the concept of decentralising the planning process. In view of the recommendations of the A.R.C. the number of such schemes should be restricted to the minimum and only such schemes should be taken up which had an all India significance or interstate character.

144. **Shri M.G. Ramachandran**, Chief Minister of Tamil Nadu, welcomed the rolling plan concept and said that the emphasis should be on achieving objectives and not merely on its financial commitments.

145. The Chief Minister said that the Planning Commission should take into account the incomes and the consumption levels of the poor in the rural and urban areas and stressed the need to generate employment opportunities for the educated. He welcomed the indication given by the Prime Minister that the Draft Five Year Plan would be discussed in detail with the State Governments before it was finalised. The Chief Minister sought enlargement of reservation to the handloom and enforcement of reservation orders. He pleaded for a policy of Government purchase support for local industries and cottage & village industries. The Chief Minister sought allocation of more resources to the States commensurate with their responsibilities and also underlined the need for cooperation among the States themselves in various spheres of economic activity for their mutual advantage.

146. **Shri Yangmasha Shaiza**, Chief Minister of Manipur, welcomed the emphasis laid in the Draft Plan on the removal of unemployment, poverty and inequalities. He also agreed with the shift from an approach where the ultimate goal was defined in terms of a rate of growth of the economy to one where the aims were crystalised in terms of desirable social objectives. The introduction of a Revised Minimum Needs Programme was of particular significance in this context. He, however expressed the hope that when detailed plans were drawn up, care would be taken to build in sufficient flexibility in the norms so that the peculiar circumstances in which States in the North

Eastern region could be taken note of.

147. The thesis that Agriculture & Allied activities such as Forestry, Horticulture, Cottage & Village Industries, Plantation and Animal Husbandry offered the main opportunity for employment generation, although sound, might have some limitations. In Manipur introduction of new activities called for skills which had not so far been learnt by the people. The State was also placed at a disadvantage on account of its remoteness and lack of communication with the rest of the country. Under these circumstanes, besides the introduction of new skills by opening technical institutions like Agriculture or Veterinary Colleges within the State, which would offer a long term solution, emphasis would have to be laid on setting up some industries, which could absorb some of the idle labour force quickly. Inadequately developed road net work within the State, the absence of a rail link with the rest of the country, and a more or less total non-availability of power had been the main reasons for the Manipur's inability to industrialise. It was necessary for the various organisations at the National level, including many public sector undertakings, to examine the possibility of setting up industrial projects in the State, particularly those like watch-assembly units which did not have large power or other infra-structure requirements.

148. The Chief Minister was happy to find that the Draft Plan had laid the requisite emphasis on the need for strengthening the Planning apparatus at the States and District levels. He said Manipur had already initiated this work and the plan for 1978-79 had been formulated on the basis of district plans. This work, however, involved considerable strengthening of the administrative machinery at the district level.

149. **Shri Vizol**, Chief Minister of Nagaland, welcomed the changes in the Plan priorities, objectives and strategies. The shift in priorities towards agriculture and allied subjects, village and small scale industries and other sectors with higher emphasis on employment and rural bias in the planning process had been a significant step in the right direction. The emphasis on integrated Rural Development through the concept of Area Planning to alleviate poverty, reduce inequalities, provide employment and bring in social justice was most appropriate.

150. The Chief Minister explained the background to the backwardness of the State and observed that indicators of economic development proved that the State was backward in all respects. He pointed out that because of the high cost of development projects the benefits derived from the money spent should not be judged from expenditure alone; Social benefits also should be taken into consideration. This was how there was a feeling in certain quarters that the per capita development expenditure on Nagaland was very high.

151. By presenting the picture of backwardness, the Chief Minister said he did not mean that there was no potential for development and economic growth in Nagaland. The areas on which Nagaland had to focus attention in its long term and short term plans, were agriculture, horticulture, animal husbandry, forestry, village and small industries, power, transport and communications, education, medical, water supply, development of mineral resources, which were to be appropriately integrated into rural development programmes. There were immense possibilities. But for developing these potentials, higher levels of investments both in terms of human and financial resources were still necessary.

152. The new planning strategy envisaged regulation of farm mechanisation not to uproot agricultural labourers. The daily wages of Naga cultivators was high and at the same time to bring labourers from outside either for farm development or for road construction which might be cheaper from the financial point of view, would not be advisable for political and cultural reasons. The State

Government was planning to open up the foot-hills and valleys all over Nagaland and there the extensive mechanised farming which it was planning would be more practical and fruitful in all aspects. Therefore, the policy of restricting mechanisation should not be agreed to Nagaland.

153. Another point which the Chief Minister wanted to bring to the notice of the Council was that the regional language formula had affected the mobility of students from one State to the other. Naga students or any other tribal students who were coming out to other regions for higher studies were required to study and pass in the language of the region. If he failed in the language, he was declared as failed. This was a wrong educational policy requiring the attention of the Central Education Ministry. Otherwise emotional and national integration could never be achieved.

154. The Chief Minister appealed to the Central Govt. to strengthen the North Eastern Council by allocating more funds and other technical expertise so that the council could get inter-State and regional programmes implemented effectively.

155. **Shri L.P. Singh**, Chairman, North Eastern Council welcomed the objectives and strategy of the Draft Plan. In order to achieve those objectives, the problems of North Eastern Council which were very distrinct had to taken into account. Otherwise, the objectives would not be achieved. He felt that the needs and problems of the North Eastern region happened to be somewhat different from the perception of those who had formulated the plan. Apart from the economic handicap that resulted from lack of infrastructure including a railway system, there was a psychological factor which deserved to be taken into account. There was a widespread feeling of isolation in the North Eastern region particularly in the hilly areas.

156. The development of the North Eastern Region had to be considered in the context of the resources available there. About 46% of the area in the North East was under forest. The Plan document said that there was room for only one more paper mill while the forest resources would be able to sustain four or five mills. This matter deserved further consideration. There were large deposits of cement grade lime-stone in the region, from Meghalaya right up to Arunachal Pradesh Assam and Nagaland. In fact, Meghalaya alone had got more than 2,000 million tonnes of cement grade lime stones. The region was producing today only about 20% of its current cement requirements. There was, therefore, scope for having four or five medium to large size cement plants in the region. The Chairman, NEC, recommended that Coal Mining might also be taken up in the region.

157. **Smt. Shashikala Kakodkar**, Chief Minister of Goa, said that the major national problems today were unemployment, poverty, shortages and inflation. These problems had afflicted people both in urban and in the rural areas. As the bulk of our population stayed in rural areas, the general emphasis on development of rural areas proposed in the strategy was a wise one, and if over a period of time rural areas and the smaller towns grow as self-generating economic centres, the exodus to the cities and consequent strain on the services in the cities would be reduced.

158. In the urban areas, attention should be concentrated on providing employment opportunities by growth of the informal sector which had a large employment potential. Housing programme should be augmented so that houses were available to the economically weaker sections. Simultaneously, equitable access to public services like transport and distribution of essential commodities would need attention. In the rural areas, the thrust could be to improve productivity in the main agricultural sector and to provide subsidiary jobs. There would also be the need to improve infra-structural facilities and services to raise the quality and standard of life. To make the growth in the economy effective in raising the standard of life, family health and population control

programmes would have to be implemented persuasively. She said that these thoughts had been expressed on broad strategy by Planning Commission and the Administration would support this approach. They would also support the approach to decentralise production in the industrial sector. However, care would have to be taken to see that financial resources were not frittered away in non-productive and non-viable schemes. Otherwise, the evil of shortages and inflation would again rear its head. The Chief Minister said that the new approach was appropriate at the present state of our planned development. The strategy called for a total awareness of decentralisation and integrated rural development in concept and in actual implementation of every sector and every project in the field.

159. The Chief Minister observed that in the new development strategy there was emphasis on the concept of area planning based on local strength with the intimate involvement of the local people whom it was hoped to benefit. This was a welcome concept for territories like Goa, Daman and Diu which had their own peculiar situations. There was tremendous potential for growth in the main productive sectors of agriculture, industry, fisheries and tourism. Government's efforts would, therefore, be to secure harmonious and balanced growth in these sectors. Because of the existence of a developed infrastructure including a major part on the west coast located strategically, the Territory had a potential for industrial development, particularly in the export field. Goa was, therefore, implementing a programme for growth of small scale industries. The existence of educated boys and girls who could do skilled, intelligent jobs was another strength of the economy. The Administration was, therefore, keen to promote knowledge and skill-oriented industries like electronics. The spread of infastructure more or less uniformally throughout the Territory also enabled it to plan integrated rural development speedily by adopting the strategy of growth centres. The Territory offered the best place to try out quickly the new development strategy. Referring to Plan implementation, the Chief Minister expressed the view that there was need to train managers at all levels in practices like management by objectives, effective information systems etc. There was also the need for reforming administrative procedures so as to enable quicker decisions being taken close to the field.

160. **Shri D.R. Kohli**, Lt. Governor of Delhi, agreed with the broad objectives laid down in the Draft Plan. There was no doubt that the problem of massive unemployment was one of our major problems, so also the need for providing for integrated development in the rural areas where the majority of the people lived. Also the goods and services which were provided by Government needed to be directed more and more to the poorer sections of the population. He appreciated the revised minimum needs programme and said that even though this was one of the highlights of the last plan, unfortunately, it tapered off with a lot of disappointment among the States. Of particular importance to Delhi were also the two items namely, adult education and rural water supply. Despite being in the metropolitan area, many villages right at the outskirts of Delhi were still without safe drinking water. He was also happy to see for the first time that the outlay on the States and Union Territories Plans was in excess of the outlay on the Central Plan. This again was a step in the right direction.

161. The Lt. Governor said that notwithstanding his acceptance of the broad objectives of the Plan, and he shared the view of the Governor of Assam that the Plan was based on the general needs of the country - he wanted to emphasise that in the country there were different kinds of regional problems. The Chief Minister of Rajasthan had mentioned the problems of a desert area. In Delhi there were imigrants many of whom were still without basic amenities, and thus rural population was increasing. The problems of Delhi were really due to its growth. In this regard he was in agreement with the approach in the Draft Plan which would mean that in the hintereland, it

was necessary to provide for growth centers where all the necessary amenities would be available. The Lt. Governor also agree with the emphasis in the Plan on the strengthening of planning machinery.

162. **Shri S.M. Krishnatry**, Chief Commissionery, Andaman and Nicobar Islands said that his Administration had undertaken an exercise to make a perspective plan for 15 years which would indicate what the Centre could do for the Islands and what the Islands could do for the country.

163. **Shri P.K. Thungon**, Chief Minister, Arunachal Pradesh, pointed out that the Union Territory was a backward area and urged that the National Development Council should consider giving priority for removing regional imbalances. In Arunachal Pradesh 96 per cent of the population lived in rural areas and their essential economic structure was based on agriculture. The main obstacle to development had been lack of adequate means of communication. Therefore next to agriculture, emphasis had to be on development of roads. Arunachal Pradesh had very great potentialities for development of hydel power. He urged that preference should, therefore, be given and adequate allotments should be made for hydel generation of power.

164. The prospects of development of minerals in Arunachal Pradesh were good. Effective measures would have to be taken for the exploitation of those resources. The Chief Minister said that while determining the next Plan allocation, the level of development of the territory should be duly taken into consideration. He expected that the allocation for the Plan would be need-based and would tend to bring the development on par with other parts of the country.

165. Replying to the various observations that were made by the Chief Ministers on the draft Plan, **Dr. D.T. Lakdawala**, Deputy Chairman, Planning Commission said that adequate analysis, in his opinion, had been done in the first chapter of the Draft Plan of the causes that led to the failure of planning in the past e.g. low growth rate in agriculture and inadequate attention to redistributive justice. He further observed that what really mattered was the strategy behind the Plan rather than the allocations in favour of a particular sector, and that the latter should follow as a necessary consequence of the first. He further pointed out that the Plan dealt exhaustively with various preparations safeguards and precautions that would be necessary in order to rephase the existing institutions to meet the needs and requirements of the new approach to planning, for example, credit to the poor against personal security, the problem of past indebtedness of the poor, the question of implementation of land reforms, the question of associating the poor in the distribution of land and in land records etc. As regards the disparities in income and wealth, the Plan postulated the floor approach with three basic objectives, the elimination of unemployment and of an appreciative reduction in the degree of poverty and provision of revised basic minimum needs.

166. As regards the importance of public sector in the Plan, Dr. Lakdawala observed that in pure quantitative terms, the outlay on the public sector was to increase. He further clarified that the Plan was mainly agricultural and rural based, calling for larger investment in agriculture and village & rural industries which necessarily pertained to the private sector. While agriculture and rural industries would require to be supported by a number of financial institutions, marketing institutions, raw materials supplying institutions that would be run by the States, by and large, the direct investment in these lines would be private investment. Private investment was not to be identified with investment by big corporations only.

167. He recalled that certain honourable members had observed that the foreign exchange receipts were calculated at too low a figure and clarified that while that draft Plan had accounted for the possibilities of foreign exchange remittances being at the current year's level for at-least the

next two-three years, one should bear in mind that in foreign trade and remittances, situations could change fast and one could not say for certain as to what would happen after three years. He further observed that if the foreign exchange resources did maintain an upward trend even thereafter, one could think of changing some of the directions of the Plan so as to use them more beneficially.

168. He maintained that a growth rate of 4% in agriculture was fairly high compared to what had been achieved in the past. He conceded the point that the growth rate in agriculture was higher in certain States; the same unfortunately, could not be said of the other States. Exports of agricultural commodities of the value of nearly Rs. 6000 crores had been provided. In his view, increasing the growth rate simply because of large foreign exchange balance or possibilities of getting more foreign exchange was a rather dubious proposition. In the implementation of future developmental programmes, all the surplus foreign exchange reserves, including foreign aid, would be gradually and properly used, at the same time maintaining an accumulated balance at a safe level. He reminded the members that though occasionally domestic resourcs could be substituted for foreign resources, one could not use foreign resources without simultaneously being able to raise more domestic resources. Otherwise, the consequences on domestic economy might be adverse. He clarified that the draft Plan did not propose to raise the rate of growth relying primarily on the foreign exchange resources or foreign exchange receipts without a paralled capacity to raise domestic resources. Coming to the capital output ratio, he maintained that it was much more than 3:1. Even in agriculture, because of larger reliance on irrigation, the capital output ratio was higher than what one would normally imagine. He said that if by some miracle the efficiency improved and it was possible to get much more out of the investments made, that would be an additional bonus which would certainly be utilised. But it was not advisable to count on it at this stage, as doing so could vitiate all the calculations.

169. Dr. Lakdawala clarified that the Draft Plan did not say much about the State Plans or the Plan assistance to the States because it was realised that without consulting the States, without having detailed discussion with them, it would not be desirable to do so. The Draft Plan, therefore, had presented only sectoral allocations; the Statewise allocations would follow after detailed consultations with the States, after deciding what the Central and Centrally sponsored schemes were likely to be and what additional resources each state got from the Finance Commission.

170. **Shri H.M. Patel**, Minister of Finance, said at the outset that he would speak on some points which appeared to have been based on certain amount of misunderstanding of both constitutional position and what the Centre intended. For instance, several Chief Ministers had referred to the problem of Centre-State financial relations. The problem had been dealt with exhaustively in the reports of the various study teams appointed by the Administrative Reforms Commission and also in successive reports of the Finance Commissions. Our Constitution recognised the fact that resources of the States did not fully match the responsibility entrusted to them. Having recognised this lack of matching between resources and the responsibilities, the Constitution also went on to provide for a series of devices for transfer of resources for meeting the needs of the States and ensuring adequate transfer of resources to meet those needs within the overall constraint of resources. In this context, the distinction between the Central and State resources was, very largely, artificial. The resources both of the Centre and States should be looked upon as belonging to the national pool from which allocations were made according to the relative programmes of the State and Central Governments.

171. He observed that whatever progress Indian economy had made since independence, was

due in large measures to the fact that the country had a vast common market. This could be maintained, nursed and nourished only if some of the major sources of taxation, particularly those falling in the modern sector like Income Tax and Excise Duties, were levied and administered by the Centre. No one could seriously suggest that power to levy these taxes should be made over to the States. Taxes with a wide economic base should, in any federation, belong to the Centre. This was precisely what our Constitution had provided for and in the process, had avoided conflicts of jurisdiction which had arisen in some of the earlier federations. The Constitution recognised the elasticity of the major sources of revenue assigned to the Centre. The Constitution had also provided for a scheme of sharing of proceeds of the taxes by the States. The scheme of sharing was itself subject to periodic review by the Finance Commission.

172. He further observed that a point had been made that a significant part of transfer of resources from the Centre to the States was of a discretionary nature. A criticism had also been voiced in the past that transfers to the States under Article 282 overshadowed those under Article 275 of the Constitution. He pointed out that with a formula like the Gadgil formula in operation or any other that took its place in terms of which Central grants and loans were distributed for the Plan, by and large, in accordance with the objective criteria, there was no qualitative distinction between the transfer of resources under Articles 275 and 282. It was, therefore, necessary to concentrate all efforts on evolving a set of principles somewhat analogous to those of Gadgil formula for distribution of loans and grants from the Centre to the States. Planning Commission in his opinion had played a great part in ensuring that even in the area in which Centre enjoyed a measure of discretion, the transfer of resources was made from the Centre to the States in accordance with certain objective criteria. At the same time, Article 282 imparted a measure of flexibility to the Centre in going to the rescue of the States which faced exceptional difficulties such as in situations caused by natural calamities. He reminded that one should not also overlook the fact that transfers from the Centre to the States were designed to subserve the objective of ensuring certain minimum standards of services in all States. He stressed upon the redistributive role of Central assistance to States. While it was gratifying that some of the States had registered a significantly higher rate of growth in recent years, it was also necessary to give special help to the States which had lagged behind, largely for historical reasons and enabled them to catch up with the rest. The financial provisions of the Constitution in his opinion, were flexible enough to bring about such reallocation of resources among the States inter-se.

173. The Finance Minister observed that the terms of reference of the Seventh Finance Commission were wide. The problem of rescheduling of debt had also been referred to them. There could be no doubt that the scheme of allocation of resources which might emerge as a result of the award of the Seventh Finance Commission would meet all the genuine needs of the States. With regard to the excise duty on Power about which reference had been made by several Chief Ministers, the Finance Minister said that first of all, there was no constitutional bar to the levy of excise duty on power by the Centre. While the levy of tax on sale and consumption of power was exclusively the prerogative of the States, the Centre had the right to levy excise duty on power. This was not the only area in which the taxation powers of the Centre and States overlapped. While the Centre levied excise duties on diesel and petrol, States had also the right to levy Sales Tax on these commodities. Likewise, many of the levies imposed by the States, such as taxes on motor vehicles, tax on sale and consumption of electricity had an impact on the working of public enterprises run by the Centre. He maintained that as long as the cumulative burden of taxation was kept within reasonable limits, there could not be any serious objection to the Centre and States both using different tax handles to raise resources from a given sector.

174. The Finance Minister pointed out that the nation invested about Rs. 7000 crores in State Electricity Boards. Despite the fact that 15 years back, a committee, of which he happened to be a member, had recommended that Electricity Boards should earn a minimum return of 11%, there were many Electricity Boards which did not cover even their operation costs. The Centre had been urging he States to improve the operational efficiency of Electricity Boards and make suitable adjustments in tariff structure, but the response so far had been, by and large, poor. It was in these circumstances that he had to step in to raise resources from this sector in which massive investments were proposed to made in the new National Plan. The Centre was determined to end the shortage of power and to see that shortage of resources did not come in the way of implementation of projects. He, therefore, requested the Chief Ministers not to view the Centre's decision to levy excise duty on power in isolation. It should be viewed as part of the growing involvement of the Centre in the generation of power in the overall national interest.

175. The Finance Minister said that a mention had been made by several Chief Ministers about the pattern of assistance from IDA projects and there was a feeling that there was a certain amount of unfairness and that there was no 'moral basis'. He pointed out that before the new Central Government took office in March 1977, only upto 25% of IDA assistance in respect of State projects was being passed on to States as additional assistance. Within a few months of the new Government assuming office he reviewed the matter and raised the State's share to 70%. A question was being raised as to why the State's share should not be raised to 100%. It was also being argued that interest rate of the assistance should be the same as charged by the IDA. In this respect, he pointed out that in any scheme of allocation of IDA assistance and indeed all other external assistance as well, it was necessary to ensure that the benefit of the system accrue to the entire national economy and should not accrue wholly to areas where large number of projects happened to be located. Whatever assistance received from outside was for the benefit of the whole country. The Finance Commission was required to look at the whole question, including the interest burden.

176. Referring to the Central assistance the Finance Minister observed that the present break up of 30:70 between grant and loan was said to be unfair to the states. He said that there was really nothing unfair about the matter. The 30 per cent grant element in central assistance for state plans was, by and large, equivalent to the revenue component of the state plans. The present formula was not therefore unfair to the States. The question whether the present formula for allocation as between grant and loan needed reconsideration could however, be gone into as part of the revision of the Gadgil formula.

177. In his concluding observations, the Prime Minister **Shri Morarji Desai**, expressed satisfaction that there had been a full and useful discussion. He said that all the problems must be looked at from the point of view of the whole country and not merely of individual States. He stressed the need for subordinating local interests to national interest : only then could the country make progress. In a vast country like India and in a democratic set-up, there could be different parties in power in different states and at the centre. Some states were comparatively better off than others. But even the comparatively better off ones could not claim that there was no unemployment in their State or that there were no poor people. Historically, the development process started in those States relatively earlier, and the other States remained backward in the sense that they had not developed to the same extent. It must be ensured that all States developed properly so that there were no marked differences between people in different States because we were all one people. He emphasised that the relations between the Centre and the States should be based on mutual understanding. While there might not be agreement on every thing - and no two intelligence persons

would agree on every thing - they ought not to quarrel because of their differences. Therefore, it was necessary to find out ways and means of discussing things in a manner by which the differences could be reconciled : that was the approach of his Government.

178. Referring to Centre-State relations, the Prime Minister observed that neither could exist without the other : there would be no strong Centre if the States were weak. He observed that if more resources were collected by the Centre and less resources were collected by the States, it did not mean that the Centre would use all the resources it was collecting and the States could use only those resources which they collected. The exclusive sources with the Centre were only few. Important sources of revenue like income tax and central excise were shared with the States. The exact distribution of these resources depended on the Finance Commission and there was no arbitrariness about it.

179. The Prime Minister observed that the Planning Commission, which was an independent body, strove to ensure that the States' needs were looked after. Referring to his being the Chairman of the Planning Commission, the Prime Minister said he hoped it helped to strengthen the Commission and to protect it from attacks. The Centre and the States have to cooperate and to see that they help each other in the process of development and then only the country could progress.

180. Referring to the backward States and backward areas, the Prime Minister observed that while they were required to be helped to develope and progress; any special treatment however should be only temporary and should disappear with time. One should not expect to cry a halt to further progress in the States which were ahead until the others caught up. Every State had to go forward, but not at the cost of another, and each should help the others.

181. As regards to complaints about taxation, he said that taxes had never been popular anywhere even among the most affluent countries in the world. But in the matter of taxation, the principle that it should not retard growth should be observed. Steps should be taken to see that evasion was rare. It was also necessary to rationalise taxes and the methods of collection. Referring to the proposal of replacement of sales-tax by excise duty, he said that the whole amount that would be collected as excise in lieu of sales tax would be given to the States. The Centre would not take even the cost of collection. He observed that in some States, sales tax yielded very high revenue, but in others it did not yield that much. However, unless the States agreed and arrived at some consensus, there was no question of the Centre imposing the replacement of sales tax by excise duty. He emphasised that the proposal could not be implemented partially and restricted to those States which had agreed to it. He suggested that the matter should be taken up later and considered when there was more time for discussion and understanding.

182. As regard the division of central assistance into 70% loan and 30% grants, the Prime Minister observed that when money was given to the States by the Centre out of its own revenue, they were not given as loans at all. But when it was given by the Centre from the loans taken by the Centre, it was treated as loan. If the Centre had to pay a higher rate of interest on loans, it had taken, it had to pass it on to the States. He, however, agreed that the Centre should not profit out of it. In the matter of loans from IDA and other institutions, he observed that it was the duty of the Centre to see that at-least a portion of the assistance was given to smaller States which did not have such special programmes. However, the matter could be further discussed.

183. The Prime Minister emphasised the need to work hard. He said that while in the field of agriculture, some progress had been registered, the large bulk of small farmers, specially those without irrigation facilities, did not make much progress. If more attention was paid to them, they

could earn much more from the same cultivated area. As regards land reforms, he observed that the Centre could only give suggestions and propose modifications but the laws have to be made by the States and implemented by them. Implementation depended upon the efficiency of the administrative machinery. The Government had got to see that the administration had confidence, that whenever they gave their best, they would be enabled to do that and it would be appreciated. The Prime Minister further observed that the N.D.C. would meet again for finalising the Five Year after the Finance Commission report was available.

184. As regards the demand for treating 1978-79 Plan as a part of the Fifth Five Year Plan, he said that the reason for not treating the 1978-79 plan as part of the Fifth Five Year Plan was that there was a change not only in priorities but also in the methods of doing it. Some changes had already been made and more changes would be made in the next four years. That was why it was proposed to have the new method of 'Rolling Plan'. The new method would help in incorporating changes and making the Plan better. But that did not mean that the Plan would go on changing radically every year, it was only in the case of some faults that corrections would be made. The purpose was to strengthen the planning system and to derive full benefit from it and also to see that the Plan was implemented properly. He expressed the hope that the Chief Ministers would look at it sympathetically from that point of view and without any prejudice. He regretted that it had not been possible to hold the NDC meeting earlier; it was not as if the Centre wanted to take the States by surprise. He hoped that the Chief Ministers would appreciate the position that fruitful discussions would not have been possible, if the meeting had been called earlier.

185. The Prime Minister thereafter read out the draft resolution incorporating the important conclusions arrived at during the deliberations of the Council. After some discussion, the following resolution was adopted :

"The National Development Council met on March 18/19, 1978 under the chairmanship of Prime Minister to discuss the document Draft Five Year Plan 1978-83, prepared by the Planning Commission.

"The Council approved the objectives of removal of unemployment, reduction in poverty and inequalities and continued progress towards self-reliance and generally welcomes the proposals in the Draft Plan in furtherance of these objectives. The Council approved the corresponding increased allocations for agriculture, rural development, irrigation, flood control and power and village and small-scale industries. The Council emphasised that these larger allocations alone would not benefit poorer sections of the people unless necessary institutional and administrative changes are made to ensure that benefits do indeed reach those for whom they are intended. Attention was especially drawn in this connection to the importance of speeding up the implementation of land reforms and of mobilising peasant organisations for this purpose.

"While commending the emphasis in the document on the Minimum Needs Programme, the Council recognised that the public distribution system covering essential articles of mass consumption needs to be expanded and strengthened without any delay.

"The projections of employment opportunities indicated in the Plan were discussed and it was agreed that these should be reviewed in detail in consultation with the State Governments.

"The NDC drew pointed attention to the need for making effective changes in administrative and other systems to ensure the success of plan objectives, especially the employment objective and the objective of narrowing down inequalities. The reasons why targets set in the past could not be fulfilled should be fully analysed and corrective actions taken.

"The importance of ensuring that the private sector conforms to the national objectives was also emphasised.

"It was agreed that the Planning Commission would hold discussions with the States in regard to the details of the Draft Plan, especially the State Plans.

"The NDC welcomed the larger role the Draft Plan assigns to the State Governments in development planning and execution. Fiscal arrangements, which would reflect this development, need to be further discussed having regard to the constitutional provisions. A committee of the NDC would be formed for this purpose. The Committee would, *inter alia*, review the Gadgil formula and the scope of Centrally sponsored schemes in the Plan.

"After further discussion with the State Governments, the Plan for 1978-83 would be presented for approval to the NDC at a subsequent meeting. Before this meeting the Report of the Seventh Finance Commission would have been received and taken into consideration."

186. The Prime Minister thanked the Chief Ministers for participating in the meeting.

PARTICIPANTS

PLANNING COMMISSION

Shri Morarji R. Desai	.. .. ..	Chairman
Prof. D.T. Lakdawala	.. .. ..	Deputy Chairman
Shri Charan Singh	.. .. ..	Minister of Home Affairs
Shri Jagjivan Ram	.. .. ..	Minister of Defence
Shri H.M. Patel	.. .. ..	Minister of Finance
Shri B. Sivaraman	.. .. ..	Member
Shri V.G. Rajadhyaksha	.. .. ..	Member
Prof. Raj Krishna	.. .. ..	Member

STATES

Andhra Pradesh	.. .. ..	Dr. M. Channa Reddy, Chief Minister
		Shri G. Raja Ram, Finance Minister
		Shri Y. Venkatarao, Planning Minister
Assam	.. .. ..	Shri Golap Borbora, Chief Minister
		Shri D.G. Barua, Supply Minister
Bihar	.. .. ..	Shri Karpoori Thakur, Chief Minister
		Shri K.P. Mishra, Finance Minister
Gujarat	.. .. ..	Shri Babubhai Patel, Chief Minister
		Shri Dineshbhai V. Shah, Finance Minister

Haryana	.. .. ..	Shri Devi Lal, Chief Minister
		Shri Tara Singh, Development Minister
		Shri Virendar Singh, Irrigation and Power Minister
Himachal Pradesh	.. .. ..	Shri Shanta Kumar Chief Minister
Jammu & Kashmir	.. .. ..	Sheikh Mohd. Abdullah, Chief Minister
		Mirza Mohd. Afzal Beg, Dy. Chief Minister
		Shri D.D. Thakur, Planning Minister
Karnataka	.. .. ..	Shri D. Devaraj Urs, Chief Minister
		Shri S.M. Yahya, Finance Minister
Kerala	.. .. ..	Shri A.K. Antony, Chief Minister
Madhya Pradesh	.. .. ..	Shri V.K. Saklecha, Chief Minister
		Shri R. Gupta, Finance Minister
		Shri Rama Shankar Singh, Minister of State, Planning
Maharashtra	.. .. ..	Shri V.B. Patil, Chief Minister
Manipur	.. .. ..	Shri Yangmasha Shaiza, Chief Minister
Meghalaya	.. .. ..	Shri Darwin Diengdoh Pugh, Chief Minister

		Shri S.D. Khongwir, Dy. Chief Minister
Nagaland	.. .. ..	Shri Vizol, Chief Minister
Orissa	.. .. ..	Shri Nilamoni Routroy, Chief Minister
		Shri Ram Prasad Mishra, Finance Minister
Punjab	.. .. ..	Shri Prakash Singh Badal, Chief Minister
		Shri Balwant Singh Finance Minister
Rajasthan	.. .. ..	Shri Bhairon Singh Shekhawat, Chief Minister
		Shri Tarlok Chand Jain, Planning Minister
Sikkim	.. .. ..	Shri Kazi Lhendup Dorji Chief Minister
Tamilnadu	.. .. ..	Shri M.G. Rmachandran, Chief Minister
		Shri K. Manoharan, Finance Minister
Tripura	.. .. ..	Shri N. Chakraborty, Chief Minister
Uttar Pradesh	.. .. ..	Shri Ram Naresh Yadav, Chief Minister
West Bengal	.. .. ..	Shri Jyoti Basu, Chief Minister
		Dr. Ashoka Mitra, Finance Minister

UNION TERRITORIES

Arunachal Pradesh	.. .. ..	Shri P.K. Thungon, Chief Minister
Andaman & Nicobar Islands	.. .. ..	Shri S.M. Krishnatry, Chief Commissioner
Chandigarh	.. .. ..	Shri T.N. Chaturvedi, Chief Commissioner
Dadra & Nagar Haveli	.. .. ..	Shri Pratap Singh Gill, Administrator
Delhi	.. .. ..	Shri D.R. Kohli, Lt. Governor
		Shri K.N. Sahni, Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Smt. Shashikala Kakodkar Chief Minister
Lakshadweep	.. .. ..	Shri S.D. Lalkar, Administrator
Pondicherry	.. .. ..	Shri S. Ramassamy, Chief Minister

UNION MINISTERS

Shri L.K. Advani	.. .. ..	Minister of Information and Broadcasting
Shri H.N. Bahuguna	.. .. ..	Minister of Petroleum, Chemicals and Fertilizers
Shri Sikander Bakht	.. .. ..	Minister of Works and Housing and Supply and Rehabilitation
Shri Surjit Singh Barnala	.. .. ..	Minister of Agriculture and Irrigation
Shri Shanti Bhushan	.. .. ..	Minister of Law, Justice and Company Affairs
Dr. Pratap Chandra Chunder	.. .. ..	Minister of Education, Social Welfare and Culture
Prof. Madhu Dandavate	.. .. ..	Minister of Railways
Shri Mohan Dharia	.. .. ..	Minister of Commerce, Civil Supplies and Cooperation

Shri George Fernandes	.. .. ..	Minister of Industry
Shri Purushottam Kaushik	.. .. ..	Minister of Tourism and Civil Aviation
Shri Raj Narain	.. .. ..	Minister of Health and Family Welfare
Shri Biju Patnaik	.. .. ..	Minister of Steel and Mines
Shri P. Ramachandran	.. .. ..	Minister of Energy
Shri Ravindra Varma	.. .. ..	Minister of Parliamentary Affairs and Labour
Shri Brij Lal Verma	.. .. ..	Minister of Communications
Shri Chand Ram	.. .. ..	Minister of State for Shipping and Tansport

SPECIAL INVITEES

Dr. I.G. Patel	.. .. ..	Governor, Reserve Bank of India.
Shri L.P. Singh	.. .. ..	Chairman, North Eastern Council.

THIRTYTHIRD MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

FEBRUARY 24 AND 25, 1979

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE THIRTY-THIRD MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

ITEM I — REVISED ESTIMATE OF AGGREGATE PLAN RESOURCES FOR THE FIVE YEAR PLAN 1978-83

1. In the Draft Five Year Plan 1978-83 aggregate public sector Plan resources were estimated to be Rs. 69,380 crores. The Planning Commission has now developed revised estimates of resources in the light of the recommendations of the Seventh Finance Commission, as accepted by the Central Government. The new estimate comes to Rs. 69,783 crores, which exceeds the earlier estimate by a small amount of Rs. 403 crores. Table 1 shows the break-up of this estimate by sources of funds. The corresponding break-up of the earlier figure of Rs. 69,380 crores is also shown.

2. It will be seen that all except three items remain the same. The three items for which estimates are revised are: (i) balance from current revenues at 1977-78 rates of taxation, (ii) provident funds, and (iii) net miscellaneous capital receipts. There is a small increase of Rs. 246 crores in the estimate of the balance from current revenues at 1977-78 rates of taxation. The higher amount of the balance from current revenues has been broken up into Central and State figures after taking into account the Finance Commission devolution. The revised estimate of provident funds now slightly lower at Rs. 78 crores.

Net miscellaneous capital receipts are estimated to be higher by Rs. 235 crores.

3. The estimate of States' own resources includes a sum of Rs. 2947 crores assumed to be available to them on account of market borrowings. This is arrived at on the basis of Rs. 2375 crores as the total of five years at the present annual borrowing level (Rs. 475 crores) plus Rs. 572 crores to allow for 10 per cent annual growth over four-years.

4. The transfer from Central resources to State resources on account of the States' shares in the projected additional resource mobilisation by the Centre during the plan period has been estimated on the basis of the finance Commission’s new formula and comes to Rs. 2650 crores.

5. It is proposed that the excess of Rs. 403 crores of Central resources over the earlier estimate be reserved for meeting expenditure on central grant assistance to States on account of natural calamities in the period 1979-83 in terms of the Seventh Finance Commission's formula. The total size of the Central, State and Union Territory plans is retained at Rs. 69,380 crores as in the Draft Plan document.

6. The proposed outlay on the Central Plan for 1978-83 is given in the Annexure. This amounts to Rs. 33,020 crores (approx.), including the outlay on Centrally Sponsored Schemes, on which a separate Agenda Paper is being circulated. If Rs. 1200 crores are provided for Union Territory Plans, the total outlay on the Central side of the Plan will come to Rs. 34,220 crores. The balance of Rs. 35,160 crores would be the aggregate of the State Plans.

7. This distribution of the plan outlay between the Centre, the States and Union Territories would require a total transfer of Rs. 10,350 crores as Central Plan assistance to the States over the five year period 1978-83.

Table 1

Aggregate Resources for the Five Year Plan 1978-83 (Public Sector)

(Rs. crores)

		Draft Plan Estimates	Revised Estimates			Differ-ence
			Centre	States	Total	
1.	Balance from Current Revenues at 1977-78 Rates of Taxes	12,889	4,074	9,061	13,135	(+) 246
2.	Contribution of Public Enterprises	10,296	7,881	2,415	10,296	—
3.	Additional Resource Mobilisation	13,000	9,000	4,000	13,000	—
4.	Market Borrowings of Government, Public Enterprises and Local Bodies (Net)	15,986	13,039	2,947	15,986	—
5.	Small Savings	3,150	1,105	2,045	3,150	—
6.	Provident Funds	2,953	1,339	1,536	2,875	(–) 78
7.	Term Loans of Financial Institutions (Net)	1,296	—	1,296	1,296	—
8.	Miscellaneous Capital Receipts (Net)	450	1,825	(–) 1,140	685	(+)235
9.	External Assistance (Net)	5,954	5,954	—	5,954	—
10.	Utilisation of Foreign Exchange Reserves	1,180	1,180	—	1,180	—
11.	**Total Resources**	**67,154**	**45,397**	**22,160**	**67,557**	**(+) 403**
12.	Uncovered gap	2,226	2,226	—	2,.226	—
13.	Aggregate Resources	**69,380**	**47,623**	**22,160**	**69,783**	(+) 403
14.	Deduct : Provision for grant assistance for natural calamities		—403			
			47,220			
15.	Deduct : State's Share in Additional Resource Mobilisation by the Centre		(–) 2,650	(+) 2,650	—	
16.	Net Resoures for the Plan		**44,570**	**24,810**	**69,380**	
17.	Proposed Plan Assistance		(–) 10,350	(+)10,350	—	
18.	Plan Size (Public Sector)		**34,220**	**35,160**	**69,380**	
19.	Percentage Shares		(49.3)	(50.7)	(100.0)	

ANNEXURE

Plan Outlays–Fifth Plan (1974-79) and Draft Plan (1978-83)–Centre

(Rs. crores)

Sl. No.	Head of Development	Fifth Plan Outlay (1974-79)	Draft Plan Outlay (1978-83)
	1	2	3
1.	Agricultural and Allied programme	1,903.40	4,144.00
2.	Irrigation and Flood Control	83.08	150.00
3.	Power	825.22	3,147.00
4.	Village and Small Industries	293.52	746.00
5.	Industries and Minerals	9,033.00	12,464.00
6.	Transport and Communication	5,505.90	8,314.00
7.	Education	405.29	471.00
8.	Science & Technology	438.23	665.00
9.	Health	335.83	731.00
10.	Family Welfare	497.36	765.00
11.	Nutrition	27.49	47.00
12.	Water Supply & Sanitation	10.27	75.00
13.	Housing & Urban Development	250.17	519.00
14.	Welfare of Backward Classes	118.88	185.00
15.	Social Welfare	63.53	95.00
16.	Labour & Labour Welfare	14.18	26.00
17.	Others	148.75	486.00
	Total	**19,954.10**	**33,020.00**

ITEM II — ALTERNATIVE FORMULAE FOR THE INTER-STATE DISTRIBUTION OF CENTRAL PLAN ASSISTANCE OVER THE FOUR-YEAR PERIOD 1979-80/1982-83

1. There has been controversy about whether the Gadgil formula for the inter-State distribution of Central Plan assistance should be retained or revised. In order to aid concrete thinking, three alternatives are proposed in this paper. The implications of continuing the Gadgil formula as it is are also presented. For 1978-79 it has already been decided to distribute assistance according to the Gadgil formula. Therefore, the continuation or replacement of the formula would only affect the distribution of Plan assistance over the next four years of the Five Year Plan period (1979-83).

2. In order to develop alternative formulae, the variables which entered the Gadgil formula need to be reconsidered.

3. The Gadgil formula gives 10 per cent weight to tax effort. But it is now felt that since the Finance Commission directly projects States revenues and revenue surpluses on a normative basis, at base-year rates of taxation, and the Planning Commission directly projects the normative additional resource mobilisation by each State from year to year, and the resulting revenue surpluses available for the Plan, it is unnecessary to include any weight for tax effort in the formula for the allocation of Central Plan assistance.

4. The Gadgil formula distributes 10 per cent of total assistance among States whose per capita income is below the 14-States average per capita income in proportion to "income deviation". This "deviation" was measured as the difference between the 14-States average per capita income and the actual per capita income of States below the average. Weightage to "deviation" was intended to allocate a part of the Plan assistance in proportion to the "backwardness" of individual States. In view of growing regional disparities, it is now imperative to give much higher weight to some measure of backwardness. But the issue is the choice of a simple and yet appropriate measure of backwardness. As the Seventh Finance Commission has argued, indices of backwardness built up with a large number of variables have a great deal of in-built arbitrariness depending on the variables included and the relative weights attached to them. Therefore, two alternative measures of backwardness can be considered : -

IATP: (Total Population) x (Inverse of Per Capita Income).

IAPP: (Total Population) x (Poverty Ratio) x (Inverse of Per Capita Income).

The difference between these indicators is that the first (IATP) measures the "Income Adjusted Total Population" and the second (IAPP) measures the "Income-Adjusted Poverty Population". The latter is some-what more progressive than the former.

5. It is proposed that in the first two alternatives, designated (B) and (C), to the Gadgil formula designated (A), 50 per cent and 70 per cent of Central assistance respectively be distributed in proportion to IATP. In another alternative formula (D), it is proposed that 70 per cent of Central assistance be distributed in proportion to IAPP.

6. The inverse of per capita income is in any case a better variable than "deviation", because, while the "deviation" criterion results in a positive transfer only to a few States, the inverse of per capita income would result in some transfer to all States.

7. It should be noted that in both the concepts of adjusted population (IATP and IAPP) total

population is weighted by an objective criterion. It is weighted by the inverse of per capita income in IATP. And it is weighted by the poverty ratio and the inverse of per capita income in IAPP.

8. 10 per cent of Plan assistance was distributed under the Gadgil formula in proportion to the outlay on continuing (major and medium) irrigation projects and power projects (each having a total project cost of Rs. 20 crores or above). This outlay is clearly related to the resource availability and project formulation capability in each State. Therefore, it has been highly unevenly distributed as between different States. Moreover, if a special weight is to be given to outlays on particular groups of projects, it is rational that, with changing priorities, outlays on some other groups of projects should also be given some weight. The general concept relevant here is simply that outlays for sectors or groups of projects to which high priority is attached in any Plan should be given some weight in the allocation of Central Plan assistance.

9. In accordance with this concept, two alternative definitions of priority outlays are proposed.

10. In formulae (B) and (C), priority outlay includes the projected total outlay in each State on all major and medium irrigation projects and all power projects (and not merely continuing projects of a certain size). It also includes the projected outlay on the Revised Minimum Needs Programme (RMNP).

11. In formula (D), the priority outlay in each State is defined to include: (a) the projected total outlay on all irrigation and power projects (major, medium and minor continuing as well as new); (b) the projected outlay on the Revised Minimum Needs Programme (RMNP); and (c) the projected outlay on rural (area) development.

12. The inclusion of RMNP alone or RMNP as well as minor irrigation and rural development outlays in the definition is expected to reduce to some extent the skewness in the distribution of major and medium irrigation and power project outlays.

13. It is proposed that under formula (B) 25 per cent of Central Plan assistance be distributed in proportion to the projected outlay on the Revised Minimum Needs Programme and 25 per cent of the assistance be distributed in proportion to the total projected irrigation and power outlay. Alternatively under formula (C) 15 per cent of Central Plan assistance may be distributed in proportion to the projected outlay on the Revised Minimum Needs Programme and 15 per cent of the assistance may be distributed in proportion to the total projected irrigation and power outlay.

14. Under formula (D) 30 per cent of the Central Plan assistance can be distributed in proportion to the aggregate outlay on major, medium and minor irrigation and power projects, the Revised Minimum Needs Programme and rural (area) development.

15. The basic principle underlying all the three formulae (B), (C) and (D) can be summarised as follows:

(a) Population should be given a non-arbitrary weight.

(b) Tax effort should be given no weight in the allocation formula because it is taken care of in direct resource projections.

(c) Half or more of the Central assistance should be distributed either in proportion to the Income-Adjusted Total Population (IATP) or in proportion to the Income-Adjusted Poverty Population (IAPP) of each State.

(d) Half or less of the Central assistance should be distributed in proportion to alternative concepts of the priority outlay.

16. Whereas IATP and IAPP components of Plan assistance will, by definition, be distributed progressively the priority outlay component will be distributed rather unevenly because of the inequality in projected priority outlays. Thus the progressivity of the adjusted population part of the transfer is diluted by the inequality of the other half, though the inclusion of additional priority outlays in addition to the outlays on continuing major and medium irrigation and power projects, reduces, to some extent, the uneven distribution of the priority outlay itself.

17. It is suggested that 10 per cent of aggregate Central Plan assistance should not be distributed according to any general allocation formula, but kept in reserve for meeting the special problems of particular States which come up in Plan discussions. Thus the allocation of the assistance will be:

10 per cent: Reserve for Special Problems,

45 per cent or 63 per cent: In Proportion to IATP or IAPP,

45 per cent or 27 per cent: In Proportion to Priority Outlay.

18. As regards Special Category States, it is proposed that their aggregate share, in Central Plan assistance be fixed at Rs. 1800 crores for the next four years. This amount is calculated as 30 per cent of Rs. 6000 crores (=Rs. 7900 – 800 – 500 – 600 crores) which is the sum distributable over four years 1979-83 among all States (See below). The corresponding percentage in the Fifth Plan was 20.6. The escalation in the share of the Special Category States continues to be justified in view of their special position. The percentage share of each Special Category State in the proposed sum of Rs. 1800 crores will have to be determined later, keeping in view their shares in the recent past and their needs in the coming years.

19. It is contemplated that the decision made at the time when the Fifth Plan was finalised to the effect that 8 per cent of Central assistance for any year should be released after ascertaining the performance of the family welfare programme in each State in the previous year, will continue to be effective.

20. The total amount to be distributed among other States other than Special Category States according to the chosen formula is computed as follows :

	(Rs. crores)
1. Aggregate Central Plan Assistance (Proposed) for Five Years 1978-83	10350
2. Less Amount Already Allocated in 1978-79	2450
3. Assistance Available for Four Years 1979-83	7900
4. Less Special Category States	1800
5. Less Hill and Tribal Areas and North-Eastern Council	800
6. Less Externally Aided Projects	500
7. Less Reserve for Special Problems	600
8. Formula Amount for 4 Years 1979-83 for Other States	4200

21. To this amount (Rs. 4200 crores) sums will be added back on account of (1) externally aided projects (Rs. 500 crores) and (2) reserve for special problems (Rs. 600 crores). There may

also be an addition due to the transfer to the State Plans of some Centrally-Sponsored schemes.

22. As regards public borrowings, three alternatives can be considered.

23. The first option is that the total estimated State-share of public borrowing for the four years 1979–83 continues to be allocated outside the Gadgil formula or the new formula, as at present. This amount is calculated by taking the present State borrowing level (Rs. 475 crores a year) and adding to it 10 per cent annual growth for each of the remaining years.

24. The second option is that the present level of Rs. 475 crores a year (or Rs. 1900 crores over four years) be distributed on the present basis and the extra sum due to growth (Rs. 572 crores) be combined with other assistance for distribution according to the new formula.

25. The third option is that the entire public borrowing (Rs. 2472 crores) for the remaining four-year period be distributed along with other assistance according to the new formula.

26. Making these three alternative assumptions, the total amount to be distributed according to the new formula in the remaining four years can be (a) Rs. 6000 crores (including no borrowing), (b) Rs. 6572 crores (including Rs. 572 crores for borrowing), and (c) Rs. 8472 crores (including Rs. 2472 crores for borrowing).

27. Table 1 shows the inter-State distribution of Rs. 6000 crores (excluding borrowing) for the four-year period 1979-83 according to the Gadgil formula (A) and formulae (B), (C) and (D). It will be remembered that under the Gadgil formula 10 per cent of assistance due was not distributed according to the general criteria of the formula. Therefore, in calculating the prospective assistance to each State in the next four years according to the Gadgil formula, it has been assumed that 100 per cent of assistance will be distributed according to the general criteria of the Gadgil formula, instead of 90 per cent as in the past.

28. The resulting total State Plan outlays with each formula are shown in Table 2.

29. The per capita[1] Plan assistance and the total Plan outlay of each State over the four-year period 1979–83 is shown in Table 3.

30. Table 4 shows per capita assistance and total Plan outlay of each State for the 5-year period 1978–83 and compares them with the revised (planned) figures for 5-years of the Fifth Plan.

31. Table 5 shows the percentage share of each State in total assistance and in total Plan outlay over the five-year period 1978–83 under alternative arrangements. The five-year totals are derived by adding Annual Plan provisions for 1978-79 and the formula entitlements and estimated resources for the remaining four years.

32. Table 6 present percentage shares of States, in Central assistance over the next four years 1979–83 on two alternative assumptions about market borrowings. The first four columns show the share of each State in assistance on the assumption that entire amount of public borrowing over the four years (Rs. 2472 crores) is distributed on the same basis as other assistance. The last four columns of this Table show the percentage shares of different States in Central assistance on the assumption that assistance other than borrowing is distributed according to the formulae but the total borrowing (Rs. 2472 crores) is distributed across States as at present.

33. State Plan outlays have been calculated in all Tables with the following assumptions :—

[1]In calculating all per capita amounts 1971 Census population figures have been used.

(1) State Plan resources estimates are revised in the light of the Seventh Finance Commission recommendations for the remaining four years of the Five Year Plan 1978-83.

(2) The resource mobilisation projections indicated in the Guidelines are kept unchanged.

(3) Central Plan assistance is distributed in accordance (with alternatives (B), (C) and (D) presented above.

(4) Market borrowings (included in State resources) flow as under present arrangements.

34. The National Development Council can examine the alternative formulae and their implications in terms of the per capita assistance and the per capita Plan outlay of each State and choose one of the alternatives, including the disposition of public borrowing.

35. The Council may also, of course, like to retain the Gadgil formula itself or develop any other formula which it may deem fit for the distribution of the feasible overall Central Plan assistance.

Table 1

Proposed Inter-State Distribution of Central Assistance for Four Year (1979-80/1982-83)

	States	Formula A*	Formula B	Formula C	Formula D
	(1)	(2)	(3)	(4)	(5)
				(Rs. Crores)	
I.	**Special Category States**	**1,800**	**1,800**	**1,800**	**1,800**
II.	**Other States**				
	1. Andhra Pradesh	367	311	321	298
	2. Bihar	471	524	566	637
	3. Gujarat	214	220	200	190
	4. Haryana	106	85	72	62
	5. Karnataka	229	251	232	229
	6. Kerala	166	135	146	166
	7. Madhya Pradesh	370	399	394	423
	8. Maharashtra	447	387	340	307
	9. Orissa	151	195	197	228
	10. Punjab	140	106	88	62
	11. Rajasthan	242	240	231	190
	12. Tamil Nadu	276	264	284	302
	13. Uttar Pradesh	717	816	845	794
	14. West Bengal	304	267	284	312
III.	**Total II States**	**4,200**	**4,200**	**4,200**	**4,200**
IV.	**Total (I+II) States**	**6,000**	**6,000**	**6,000**	**6,000**

*90% of the amount is distributed on the basis of population, per capita income, tax effort and continuing power and major and medium irrigation projects, and the balance 10% is distributed in the same proportion as the 90% component.

Table 2

Estimated Plan Outlays for Four Years (1979-80 / 1982-83)

	States	Formula A	Formula B	Formula C	Formula D
	(1)	(2)	(3)	(4)	(5)
			(Rs. Crores)		
I.	**Special Category States**	**2,301**	**2,301**	**2,301**	**2,301**
II.	**Other States**				
	1. Andhra Pradesh	1,975	1,919	1,929	1,906
	2. Bihar	1,872	1,925	1,967	2,038
	3. Gujarat	1,681	1,687	1,667	1,657
	4. Haryana	845	824	811	801
	5. Karnataka	1,649	1,671	1,652	1,649
	6. Kerala	938	907	918	938
	7. Madhya Pradesh	2,019	2,048	2,043	2,072
	8. Maharashtra	3,934	3,874	3,827	3,794
	9. Orissa	667	711	713	744
	10. Punjab	1,205	1,171	1,153	1,127
	11. Rajasthan	960	958	949	908
	12. Tamil Nadu	1,757	1,745	1,765	1,783
	13. Uttar Pradesh	3,845	3,944	3,973	3,922
	14. West Bengal	1,882	1,845	1,862	1,890
III.	**Total II States**	**25,229**	**25,229**	**25,229**	**25,229**
IV.	**Total (I+II) States**	**27,530**	**27,530**	**27,530**	**27,530**

Transfers on account of externally aided projects (Rs. 5000 crores) and special problems assistance (Rs. 600 crores) will be added to the outlays shown in this Table.

Table 3

Estimated Central Assistance and Total Plan Outlay per Capita for Four Years (1979-80 / 1982-83)

	States	Per Capita Central Assistance[1]				Per Capita Plan Outlay[2]			
		A	B	C	D	A	B	C	D
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				(Rupees)				**(Rupees)**	
I.	**Special Category States**	**665**	**665**	**665**	**665**	**850**	**850**	**850**	**850**
II.	**Other States**								
	1. Andhra Pradesh	84	71	74	69	454	441	444	438
	2. Bihar	84	93	100	113	332	342	349	362
	3. Gujarat	80	82	75	71	630	632	624	621
	4. Haryana	106	85	71	62	842	821	808	798
	5. Karnataka	78	86	79	78	563	570	654	563
	6. Kerala	78	63	68	78	439	425	430	439
	7. Madhya Pradesh	89	96	95	101	485	492	490	497
	8. Maharashtra	89	77	67	61	780	768	759	753
	9. Orissa	69	89	90	104	304	324	325	339
	10. Punjab	103	78	65	45	889	864	851	831
	11. Rajasthan	94	93	90	74	373	372	368	352
	12. Tamil Nadu	67	64	69	73	426	424	429	433
	13. Uttar Pradesh	81	92	96	90	435	446	450	444
	14. West Bengal	69	70	64	71	425	416	420	427
III.	**Total II States**	**82**	**82**	**82**	**82**	**490**	**490**	**490**	**490**
IV.	**Total (I+II) States**	**111**	**111**	**111**	**111**	**508**	**508**	**508**	**508**

[1]Total Central Assistance as in Table 1.

[2]Total Plan Outlay as in Table 2.

Per capita transfers on account of externally aided projects (Rs. 500 crores) and special problems assistance (Rs. 600 crores) will be added to assistance and outlays shown in this Table.

Table 4

Estimated Central Assistance and States Plan Outlay Per Capita for Five Years of Fifth Plan (1974-75 / 1978-79) and Five Years of Plan 1978-79 / 1982-83

States	Per Capita Central Assistance[1]					Per Capita Plan Outlay[2]				
	Fifth Plan	Plan 1978-83				Fifth Plan	Plan 1978-83			
		A	B	C	D		A	B	C	D
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
							(Rupees)			
I. Special Category States	**415**	**814**	**814**	**814**	**814**	**535**	**1,019**	**1,019**	**1,019**	**1,019**
II. Other States										
1. Andhra Pradesh	84	126	113	111	116	303	550	537	534	539
2. Bihar	84	114	124	144	131	230	400	410	430	417
3. Gujarat	79	108	110	98	102	436	754	756	745	749
4. Haryana	99	152	132	109	118	597	1,046	1,025	1,002	1,012
5. Karnataka	79	109	116	109	109	332	662	669	662	663
6. Kerala	111	122	108	122	113	265	520	506	521	511
7. Madhya Pradesh	78	125	131	137	130	330	583	590	596	589
8. Maharashtra	66	122	110	94	101	465	925	913	897	904
9. Orissa	104	110	130	145	131	264	389	409	424	410
10. Punjab	97	141	115	83	102	747	1,080	1,055	1,022	1,042
11. Rajasthan	106	133	132	113	128	269	461	460	440	456
12. Tamil Nadu	72	99	96	105	101	272	500	497	506	502
13. Uttar Pradesh	89	118	129	127	133	276	520	531	529	535
14. West Bengal	68	97	89	99	93	281	508	500	510	503
III. Total II States	**84**	**117**	**117**	**117**	**117**	**325**	**588**	**588**	**588**	**588**
IV. Total (I+II) States	**101**	**152**	**152**	**152**	**152**	**335**	**610**	**610**	**610**	**610**

[1]Total assistance for 1978-79 as in the Annual Plan and for 1979-83 as in Table 1.

[2]Total Plan outlay for 1978-79 as in the Annual Plan and for 1979-83 as in Table 2.

Per capita transfers on account of externally aided projects (Rs. 500 crores) and Special Problems Assistance (Rs. 600 crores) will be added to assistance and outlays shown in this Table.

Table 5

Percentage Shares of States in Central Assistance and Plan Outlay : Fifth Plan 1974-79 and Plan 1978-83

States	Centre Assistance[1]					Plan Outlay[2]				
	Fifth Plan	Plan 1978-83				Fifth Plan	Plan 1978-83			
		A	B	C	D		A	B	C	D
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Andhra Pradesh	8.54	9.16	8.22	8.01	8.40	7.89	7.90	7.72	7.68	7.75
2. Bihar	10.99	10.74	11.63	13.50	12.33	7.74	7.45	7.63	8.00	7.76
3. Gujarat	4.88	4.78	4.89	4.38	4.55	6.96	6.65	6.67	6.57	6.61
4. Haryana	2.31	2.55	2.20	1.82	1.98	3.58	3.47	3.40	3.32	3.36
5. Karnataka	5.41	5.30	5.67	5.30	5.34	5.82	6.41	6.48	6.41	6.42
6. Kerala	5.53	4.35	3.83	4.35	4.01	3.39	3.67	3.57	3.67	3.60
7. Madhya Pradesh	7.59	8.64	9.12	9.52	9.04	8.22	8.02	8.12	8.20	8.10
8. Maharashtra	7.78	10.23	9.22	7.90	8.44	14.02	15.41	15.21	14.95	15.06
9. Orissa	5.33	4.03	4.76	5.32	4.79	3.46	2.82	2.96	3.07	2.97
10. Punjab	3.08	3.18	2.61	1.87	2.31	6.06	4.84	4.72	4.58	4.69
11. Rajasthan	6.36	5.70	5.66	4.83	5.51	4.14	3.92	3.92	3.75	3.89
12. Tamil Nadu	6.89	6.76	6.57	7.19	6.91	6.71	6.81	6.77	6.89	6.84
13. Uttar Pradesh	18.30	17.39	19.04	18.67	19.53	14.57	15.19	15.51	15.44	15.61
14. West Bengal	7.01	7.19	6.58	7.34	6.86	7.44	7.44	7.32	7.47	7.37
Total 14 States	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

[1]Total assistance for 1978-79 as in the Annual Plan and for 1979-83 as in Table 1.

[2]Total Plan outlay for 1978-79 as in the Annual Plan and for 1979-83 as in Table 2.

Table 6

Proposed Central Assistance for Four Years 1979—83 Percentage Distribution

States	Centre Assistance[1]				Central Assistance plus Market Borrowing on Present Basis[2]			
	A	B	C	D	A	B	C	D
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Andhra Pradesh	8.74	7.40	7.65	7.10	7.92	7.04	7.21	6.85
2. Bihar	11.22	12.48	13.48	15.16	9.89	10.71	11.36	12.46
3. Gujarat	5.10	5.25	4.76	4.52	5.89	5.99	5.68	5.53
4. Haryana	2.52	2.03	1.71	1.48	2.87	2.55	2.35	2.19
5. Karnataka	5.45	5.98	5.52	5.46	6.08	6.42	6.13	6.08
6. Kerala	3.95	3.22	3.47	3.96	4.68	4.20	4.37	4.68
7. Madhya Pradesh	3.81	9.49	9.38	10.06	7.78	8.23	8.15	8.60
8. Maharashtra	10.64	9.20	8.09	7.32	10.50	9.57	8.84	8.33
9. Orissa	3.60	4.64	4.68	5.43	3.69	4.37	4.40	4.88
10. Punjab	3.33	2.51	2.09	1.47	3.23	2.70	2.42	2.02
11. Rajasthan	5.76	5.72	5.50	4.52	6.17	6.14	6.00	5.37
12. Tamil Nadu	6.57	6.29	6.78	7.18	7.07	6.88	7.19	7.47
13. Uttar Pradesh	17.07	19.43	20.13	18.90	15.16	16.69	17.13	16.34
14. West Bengal	7.24	6.36	6.76	7.44	9.07	8.50	8.77	9.20
Total 14 States	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

[1]Total assistance as in Table 1. Percentage shares in market borrowing assumed to be the same as in other assistance.

[2]Total assistance as in Table 1 plus borrowing distributed as at present.

ITEM III — CENTRALLY SPONSORED SCHEMES

Outlays in any Five Year Plan are divided between schemes in the Central Plan and the Plans of States and Union Territories. The category "Centrally Sponsored Schemes" was devised in the Fourth five Year Plan, when the allocation of Central Plan assistance to the States scheme-wise was replaced by the system of block loans (distributed on the Gadgil Formula). The "Centrally Sponsored Schemes" were, schemes drawn up by Central Ministries, in consultation with the States, on the basis of national norms, for execution by State Governments through their own agencies. Under most of the schemes the Centre met the full costs, but in a few matching contributions upto 50 per cent were expected from the States. The number and coverage of these schemes were both enlarged in the Fifth Plan, and schemes are now currently in operation in the sectors of Agriculture and Rural Development, Village and Small Scale Industries, Health & Family Welfare, Education, Power, Housing, Urban Development and Water Supply, Transport, Social Welfare and Nutrition and Backward Classes Welfare.

2. The National Development Council had decided, at the time of the Fourth Plan that Centrally sponsored schemes would be limited in total value to 1/6th or 1/7th of the quantum of Central Plan assistance to the States. The Council had also directed that these schemes should conform to one or other of the following criteria viz.

(a) They should relate to demonstrations, pilot projects survey and research, or

(b) They should have a regional or inter-State character, or

(c) They should be such as to require lump sum provisions to be until broken down territorially, or

(d) They should have an overall significance from the all-India angle.

3. In the course of discussions on the Draft Five Year Plan 1978–83 in the National Development Council, the Chief Ministers of States have pointed out that in the Fifth Plan the 1/6th limit has been considerably exceeded. This issue was also discussed in the meeting of the National Development Council Working Group on the 5th October, 1978; the relevant minutes are extracted in Annexure I.

The Chief Ministers have argued that—

(i) Most of the schemes are valuable, but they should be in the State Plan rather than in the Central Plan;

(ii) The enlargement of the coverage of Centrally sponsored schemes reduces the amount of Central assistance available to the States as block loans;

(iii) Some of the schemes are drawn up too rigidly by Central Ministries and are sought to be controlled in unnecessary detail;

(iv) Since new schemes are taken up after the finalisation of a Five Year Plan, States are placed in difficulty when matching contributions are required.

4. As against these arguments, the Central Ministers who had addressed the NDC Working Group pointed out that :—

(a) Additional resources could be chanelled to the weaker States through the device of Centrally sponsored schemes; the resources were also directed to fill specific gaps in the plan structure.

(b) There were many innovative schemes like those for command area development, drought-prone areas and small farmers development agencies, where but for the Central initiative the States development efforts would have been wholly inadequate.

(c) Centrally sponsored schemes were able to achieve a degree of uniformity between the schemes of development in priority areas in different States.

5. A list of the more important Centrally sponsored schemes currently in operation is given in Annexure II, together with estimated outlays on these schemes in the Five Year period 1978-83. This includes a number of schemes which are similar to Centrally sponsored schemes but were not so classified in the Fifth Plan. The statements in Annexure III show the outlays under these schemes state-wise in the period 1974-78.

6. Planning Commission consider that some mechanism is necessary to ensure the following objectives :—

(i) that certain schemes which have a high national priority and have to be implemented by the States are taken up and adequately funded.

(ii) to allocate resources as between States in a manner different from the distribution of block loans/ grants, by relating it to certain high priority schemes whose incidence is uneven as between States (e.g. the Minimum Needs Programme).

(iii) to maintain a degree of uniformity in the flow of benefits to designated groups, and to reduce pressures on States to increase their benefits to levels which cannot be sustained.

7. Although the development of agriculture, animal husbandry, irrigation and power, the social services and rural development generally are mainly in the sphere of the States' responsibilities, this responsibility has also to be shared by the Central Government. The nation is pledged to the achievement of certain targets of employment and welfare which require a particular emphasis on investment in these sectors. The Centre's special responsibilities are also underlined by the inclusion in the Concurrent List of the Constitution of such matters as production of food stuffs (including edible oils) raw cotton and jute, electricity, preventing the spread of contagious diseases etc. (The Forty-second amendment has further added Forestry and Education to this list).

8. The States have in the past recognised the need for Central coordination and intervention through the planning mechanism in areas of activity like family planning, control of communicable diseases, flood control and soil conservation in river valleys. Central initiatives are required to ensure due priority being accorded to projects of a regional nature such as the construction of inter-State power lines or inland water transport links which have to be executed by State agencies. The States have also generally welcomed Central assistance to their cooperative banking systems, ware-housing corporations, Agro-Industries Corporations etc.

9. There are however some areas of high priority in the current Plan where there has been no clear understanding as to the role of the Central Ministries in coordinating and guiding the States' activities. These areas of activity are:—

(i) Command Area Development, Drought-prone area schemes, small farmers development agencies, intensive rural development blocks etc. which would account for about Rs. 1,700 crores in the Draft Plan;

(ii) Schemes for financing agricultural extension, intensive development of particular crops and schemes for promoting animal husbandry and dairy development;

(iii) Fishing harbours and fishery development;

(iv) Investment in State Land Development Banks, State Agricultural crop stabilisation funds etc.

(v) Schemes taken up in the past two years by the Centre to promote the Minimum Needs Programme like those for rural water supply, community health workers' training, adult literacy, maternity and child welfare and supplementary nutrition.

(vi) Schemes for the promotion of village and small scale industries including the district industries centres and centres for handloom and handicrafts production.

(vii) Schemes for assisting State Governments to set up planning and monitoring organisations in different sectors.

10. It is estimated that the total cost during the plan period (1978-83) of all existing Centrally sponsored schemes (and Central sector schemes of a similar nature) in the areas of agriculture and rural development, education, health, power, transport, housing etc., would be about Rs. 6,000 crores. The amount of Central assistance to the State Plans in the form of block loans/grants would be approximately Rs. 10,350 crores. Thus in all Rs. 16,350 crores approximately would be made available by the Centre for plan outlays in the States. It is now to be determined what should be the distribution of this amount between assistance in the form of block loans and grants and assistance through Centrally sponsored schemes or by earmarking in some form.

11. Planning Commission consider that the States' objections to the increase in the number and scope of Centrally-sponsored schemes can be reconciled with the need for a degree of Central initiative and coordination in the fields of agriculture, rural development and the social services. The approach suggested by the Commission is outlined in the paragraphs below.

12. In the first place, in the implementation by States of programmes initiated by the Centre, the insistence on uniformity should be limited to essential features, and the necessary administrative structures should be left largely to the States themselves to determine. Also, detailed scheme-wise sanctions should not as a rule be required from Central Ministries.

13. A limited number of the present Centrally-sponsored / Central-sector schemes may continue to be funded 100% by the Centre. These might include Family Welfare, Malaria Eradication, inter-State power lines, post-matric scholarships for the Scheduled Castes and experimental or pilot schemes initiated by the Centre which have not yet established their utility. 100% Central funding would also be needed in cases where a scheme is initiated by the Centre after the States' Five-year Plans have been finalised.

14. Over a wider area e.g. rural development (including block-level planning and schemes for small farmers and landless labour), the development of cash crops, employment intensive industry, the provision of minimum needs etc., the Central interest in the achievement of time-bound targets and the maintenance of a degree of uniformity in approach may be recognised. In these high priority areas plan formulation, monitoring and evaluation should be in the nature of a joint Centre-State effort. The outlays could be shared 50:50 between the States and the Centre.

The total outlay would be in the State Plans, with the Centre's share being shown as assistance.

15. The total Central assistance to the States in the forms proposed in paras 13 and 14 above—some different nomenclature may be necessary—may, if thought necessary, be limited to some proportion of the Central assistance given in the form of block loans and grants, say one-third.

16. If the Working Group accepts this approach, or some different principles are agreed, it may be desirable to set up immediately a group of State and Central officers to review all existing and suggested Centrally sponsored/Central sector schemes, and to recommend to the full NDC Committee the programmes which would be funded wholly or partly by the Centre.

ANNEXURE I

Extracts from the Record Note of the meeting of the NDC Working Group held on 5-10-1978

Centrally Sponsored Schemes:

1. The scope and limits of Centrally sponsored schemes and schemes in the Central sector similar to them, were then taken up for discussion. In his preliminary observations the Chief Minister (Andhra) emphasised that the "one-sixth limit" had been breached and said that Centrally sponsored schemes now amounted to two-thirds of the amount transferred as Central assistance. This trend showed that the States responsibilities were being curtailed at a time when greater decentralisation of authority was envisaged in the Plan. Finance Minister (Punjab) questioned the existence of Centrally sponsored schemes at all, and suggested they could be dispensed with. Deputy Chairman, Planning Commission, observed that all Centrally sponsored schemes had been brought into being after detailed consultations between the Union Ministries and the State Governments. The issues that had to be considered now were:—

(i) whether States would continue to take sufficient interest in such schemes as the promotion of commercial crops and projects of inter-State importance if they ceased to be Centrally sponsored;

(ii) whether some special assistance would still be needed for these schemes; and

(iii) whether for such schemes a certain degree of Central coordination was essential.

* * * * *

6. The Union Minister of Agriculture and Irrigation then explained the rationale of a number of important schemes which were financed from the Central Plan for execution by the States e.g., intensive crop development, fisheries, forestry etc. He pointed out that in areas like soil conservation, investments were required in one State for benefits accruing in another. In certain sectors such as disease control, an overall view was needed. He further observed that in some sectors within the State sphere, like the construction of link roads, the activity had not been taken up in earnest till a Centrally sponsored scheme was introduced. Commenting, the Chief Minister, Andhra, said that all agricultural development schemes could be planned and executed by the States themselves if sufficient resources were made available to the States. Chief Minister, U.P., said that the division of responsibilities in the plan should be broadly on the basis of the constitutional division of responsibilities. Thus, family planning should be taken over in the State Plans. Chief Minister, Tamil Nadu, suggested that 41 out of the 51 Centrally sponsored schemes in the agriculture sector could be transferred to the States. Finance Minister, West Bengal, said that the Centre should respect the States' judgement and priorities in agriculture. Centrally sponsored schemes tended to distort the States' own priorities. What was required was more decentralisation not only to the State level but to the Panchayats. If technical expertise were needed in scheme formulation, the States could call upon the Centre for assistance.

7. The Union Minister of Education said that the Members who had spoken had not fully appreciated the nature of Centrally sponsored schemes. These were not only implemented by the States but were drawn up in consultation with them. There was a need for a degree of uniformity or consistency between similar schemes taken up in the same region. Centrally sponsored schemes were not imposed on the States; it was only that the Centre offered certain funds to the States. Chief Minister, Andhra and Finance Minister, West Bengal did not accept this argument and said that it amounted to denial of funds to States who did not accept a centrally sponsored scheme. The Education Minister, continuing, urged that the States in fixing priorities were subject to many local pressures, whereas the Centre could take a more detached view. Under these pressures States had distorted the priority as between elementary and college education. In the preparation and the implementation of Plans the Centre and the States were partners, but Plan priorities had to be enforced by earmarking of funds or other methods. Shri Chunder emphasised the need for a coordinated approach in sectors like flood control. There was no question of a confrontation between the Centre and the States. Again it was a Central responsibility to try to reduce inequalities between States, and the system of Centrally sponsoring could be helpful for this purpose.

8. The Chief Minister, Rajasthan, drew attention to the resource distribution implications of Centrally sponsored schemes. Some States might consider that without any such schemes they would get more assistance under the Gadgil formula. Others may consider that without special assistance, e.g. under the drought-prone areas programme, their States would get a smaller share of Central resources. So it might be better to decide an the principle of inter-State allocation of Central resources and the weightage to be given to backward States under any revised formula, before deciding on the scope and coverage by Centrally sponsored schemes. He suggested that schemes costing less than Rs. 1 crore might, in any case, be dropped from this list.

9. The Union Finance Minister observed that same of the smaller States might not be able to sustain the necessary outlay on agricultural development without assistance from the Centre in the form of Centrally sponsored schemes. The Chief Minister, Kerala said that he was not suggesting a wholesale abandonment of Centrally sponsored schemes but only the enforcement of a limit. In their implementation Centrally sponsored schemes had certain set patterns, and even slight modifications suggested by States were often rejected by the Centre. The Finance Minister, Punjab observed that the utility of schemes which were presently Centrally sponsored was not questioned; the only issue was whether these could not be entirely in the State plan. He felt that of the Centrally sponsored schemes in the Agriculture sector only 5 schemes definitely needed to be controlled and financed by the Centre.

10. The Chief Minister, Gujarat said that two practical issues had to be considered. One was that if the Centre draw up Centrally sponsored schemes after a State Plan had been finalised and then sought a contribution from the State, the States' plans were likely to be distorted. The second was that after the initial stage of any new scheme, the continuing expenditure would have to be borne by the State; this was not adequately kept in mind by the Centre in formulating schemes. While he had no doubt that all plans had to be chalked out by the States in consultation with the Planning Commission and consistently with the priorities in the National Plan, he felt that certain actions taken by the Centre unilaterally (e.g. revision of the scales of pay of college teachers) tended to create difficult problems for the States.

11. The Finance Minister, J. & K., said that the extreme view of exclusive States' jurisdiction in certain spheres of planning could not be supported; the division of plan responsibilities was not governed by the legislative list in the Constitution. The Centre had a responsibility for planning and

plan implementation. The question was as to the extent of this responsibility. He suggested that there were three classes of schemes where Central initiatives were justified:—

(i) where the objective was the removal of regional imbalances (e.g. through such schemes as the drought-prone areas programme);

(ii) schemes having a regional or all-India character (e.g. agricultural research);

(iii) schemes which necessarily required coordination at the national level e.g. control of malaria and communicable diseases.

On the other hand he felt that schemes like accelerated rural water supply, integrated rural development and adult education could well be purely State responsibilities, and any national objectives could be achieved by earmarking funds.

12. Finance Minister, J. & K. pointed out that in the operation of Centrally sponsored schemes more equitable distribution should be ensured as between States. In implementing any Centrally sponsored schemes, the Centre should give only guidelines and exercise broad supervisory control.

13. The Chief Minister, Andhra Pradesh, suggested that the Centre might consider unburdening itself of the Centrally sponsored schemes for the better organised States and concentrate on assistance to the smaller or more backward States, who would prepare their schemes under central guidance. In any case, the limit of 1/6th laid down for Centrally sponsored schemes by the N.D.C. earlier, and the established criteria for the selection of such schemes should be rigidly adhered to. The present list of schemes should be reduced during the current year and the majority of the schemes should be passed on to the States with the necessary resources.

* * * * *

26. Summing up the day's discussion, Dr. Lakdawala said that since it was agreed that State Plans had to be framed with due regard to national priorities, and had to be finalised with the Planning Commission, and that the Planning Commission should see that these were properly implemented, there was no dispute about the constitutional position and the argument was only about appropriate means to achieve certain national goals. It appeared that the criterion adopted earlier by the N.D.C. was still broadly acceptable, and that the States were generally inclined to retain the quantitative limit. Further exercises would, therefore, be undertaken by the Planning Commission to see in what way the existing list of Centrally sponsored schemes could be reduced in number and otherwise adjusted to confirm to the accepted criteria. The aggregate size of State Plans would then be calculated on the basis of the reduced outlay on Centrally sponsored schemes. In respect of the Gadgil Formula, the various views that had been put forward by members would be examined. Both issues would be taken up at the next meeting, whose date would be fixed after the Finance Commission report had been received by the Central Government.

ANNEXURE II

Statement I

Centrally Sponsored Schemes—Estimated Outlay 1978–83

	Department/Name of Scheme	(Rs. crores)
Agriculture and allied Sectors		
Directorate of Extension		
1.	Farmers Training & Education in Districts	7.00
2.	Strengthening of Extn. machinery in the States	30.00
3.	Adaptive Research/Tribals in the States	2.50
Agricultural Statistics		
4.	Timely reporting of area and yield of principal crops	3.00
5.	Establishment of an Agency for reporting agricultural statistics in Kerala, Orissa and West Bengal	3.00
Agricultural Inputs		
A.	*Fertilizers*	
6.	Pilot Project for amendment of alkali and acid Soils in Compact areas	5.00
7.	Development arrangement for quality control of inputs	1.00
8.	Fertilizer promotion in selected districts	N.A.
B.	*Plan Protection*	
9.	Eradication of pest and diseases in endemic areas	
10.	Sub scheme for pests of national importance	10.00
11.	Project for weed control	5.00
C.	*Agricultural Implements*	
12.	Introduction and popularisation of improved agricultural implements (new scheme for 1978-79)	6.00
Crop Oriented Programmes		
13.	Intensive Cotton District Programme	18.00
14.	Intensive Jute District Programme	5.00

	Department/Name of Scheme	(Rs. crores)
15.	(a) Intensive Oilseeds Development Programme (b) Extension of Oil seeds in irrigated areas (c) Sunflower Development (d) Soyabean Development	18.00
16.	Development of sugarcane	6.00
17.	Development of sugarbeet	0.20
18.	Development of V.E.C. Tobacco	4.00
19.	Package programme on Coconut	2.50
20.	Package Programme on spices	2.50
21.	Package Programme on cashewnut	5.50
22.	Development of Horticulture	4.00
23.	Intensive Pulses District Programme	14.00
24.	Integrated Dry Land Farming Projects	7.00
Minor Irrigation		
25.	Strengthening of ground and surface water (MI) Organisations in States	4.00
Soil and Water Conservation		
26.	Soil and water conservation in the catchments of river-valley projects	60.00
27.	Pilot project for reclamation of saline alkaline/acidic soils in compact areas	N.A.
Forestry		
28.	Mixed Plantations in Wastelands, Panchayat lands and Forest Areas	30.00
29.	Development of Social Forestry including Reforestation of Degraded Forests	14.00
30.	Integrated Soil & Water Conservation Scheme in Himalayan Region	10.00
31.	Pilot project for amendment of Acid Soils	N.A.
Animal Husbandry		
32.	Renderpest Eradication Scheme	3.00
33.	Large Sheep breeding farms	4.00
34.	Progeny testing units	4.50
35.	Expansion and strengthening of State biological products stations	1.50
36.	Assistance to SE/MF/AL for rearing of crossbred heifers	20.00
37.	Foot & Mouth Disease Control	3.00
38.	Strengthening of A.H. Statistics in States	1.00
39.	Central contribution to sheep and wool Development corporations	2.00

Department/Name of Scheme		(Rs. crores)
40.	Exotic cattle breeding farms	5.00
41.	Grassland development in States	5.00
42.	Development of fodder in States	5.00
43.	All India coordinated poultry breeding programme	0.60
44.	Pilot base farm for goats with extension facilities	—
45.	Setting up of village clusters of sheep at existing sheep farms	—
46.	Carcass utilisation scheme	0.80
47.	Expansion of camel breeding farm, Bikaner	—
Fisheries		
48.	Provision for landing and berthing facilities for fishing crafts at Minor Ports	30.00
49.	Development of infrastructural facilities for coastal fishing villages	12.00
50.	Strengthening of organisation of fisheries extension work (N)	N.A.
Co-operation		
51.	Agricultural Credit Stabilisation Fund (R.D.)	40.00
52.	Provision of Margin money to coops. for raising bank finance for fertilizer distribution (G.S. & Coop.)	—
53.	Development of consumer coops. (CS & Coops.)	25.00
54.	Assistance for rural consumer Coops. (C.S. & Coop.)	20.00
Family Welfare Programmes		
55.	Family Welfare Programme	765.00
Health Sector		
56.	N.M.E.P. (Rural) }	300.00
57.	N.M.E.P. (Urban) }	
58.	Small Pox	3.40
59.	Leprosy	40.00
60.	T.B.	10.00
61.	V.D.	0.43
62.	Cholera	1.50
63.	Prevention of Blindness including Trachoma	15.00
64.	Filaria	5.75
65.	Training of Physiotherapists	0.13
66.	Training and Employment of Multipurpose workers	25.00

Department/Name of Scheme	(Rs. crores)
67. Assistance to Post-graduate Deptts. in Indian System of Medicines	18.25
68. Establishment of I.S.M. Pharmacies etc.	
69. School Health	0.90
70. Combined food and drug lab.	2.00
71. Estt. of Psychiatric Clinics	—
72. Rural Health Services Scheme	200.00
73. Re-orientations of Medical education	15.00
New Schemes	
74. Strengthening of State Education Bureau	0.50
75. Rehabilitation Services	0.30
76. Establishment of Medical Record Depot	0.05
77. Pilot Rehabilitation Therapy Centres	0.30
78. Augmentation of Drug Inspectorate	1.00
79. Assistance to C.F.T.R.I., Mysore	0.15
Nutrition	
80. Applied Nutrition Programme	21.60
Rural Water Supply Programme	
81. Rural Water Supply Programme	500.00
Education	
82. Appointment of Hindi teachers in Non-Hindi Speaking States	9.00
83. Vocationalisation of Higher Secondary Education	20.00
84. Non-formal Adult Education	70.00
85. Experimental Programmes of non-formal Education	50.00
86. Establishment of Information and Monitoring Cell	2.00
87. Book production of University level in Hindi and regional languages	N.A.
88. Development of Sanskrit	N.A.
89. Development of Post-Graduate Courses & Research	N.A.
90. Improvement of Polytechnics & Colleges	N.A.
Power	
91. Inter-State/Regional Transmission lines	—
Village & Small Industries	
92. District Industries Centres	159.00

Department/Name of Scheme	(Rs. crores)
93. Collection of Statistics	—
Social Welfare	
94. Services for children in need of care and protection	10.00
95. Integrated Child Development Services	30.50
96. Special Nutrition Programme	—
97. Welfare of Destitute women and children	4.00
98. Integrated Education	0.50
99. Placement of handicapped	0.30
Development of Backward Classes	
100. Post Matric Scholarships	130.00
101. Girls' Hostel	5.00
102. Coaching and Allied Schemes	3.00
103. Research and Training	2.00
104. Machinery for Implementation of Civil Rights Acts	10.00
105. Tribal Development Blocks	—
106. Co-operation	—
107. Book banks for Medical & Engineering students	2.50
108. New Scheme for development of Scheduled Castes	25.00
109. Aid to Voluntary Organisations	N.A.
Transport	
110. Inland Water Transport	20.00
111. Loans to State Govt. for Developing Roads	58.75
112. Loans for Purchase of machinery for execution of Central Road Works	6.00
113. Minor Ports	25.00*
114. Bridges of National Importance	42.42
115. Roads of Inter-State and economic importance	N.A.
Labour Welfare and Craftsmen Training	
116. Rehabilitation of Bonded labour	—

*This outlay is proposed to be provided in the State sector as no decision is yet taken to retain it in the Centrally Sponsored Sector.

STATEMENT II

Central Schemes which are in the nature of Centrally Sponsored Schemes– Estimated Outlay 1978–83

Department/Name of Scheme		(Rs. crores)
Agriculture and Allied Sectors		
Agriculture Statistics		
1.	Improvement of crop statistics	2.50
Agricultural Inputs		
2.	Grants-in-aid to States for setting of Seeds Certification Agencies	2.00
3.	Assistance to NSC for participation in States Seeds Corporations	6.00
Fertilizer & Manures		
4.	Soil Testing Training Assistance under scheme—Fertilizer (Central Laboratory Strengthening)	1.20
5.	Integrated Scheme for development of local manurial resources	20.00
Plant Protection		
6.	Intensification of aerial spraying on cashewnut	—
7.	Assistance to states for construction of air strips	0.50
Agricultural Implement & Machinery		
8.	Contribution of share capital to State Agro-Industries Corporation	10.00
Crop Oriented Programmes		
9.	Plantation Corporation of Andaman & Nicobar	1.00
10.	Development of Oil Palm in—	
	(a) Andaman & Nicobar	1.50
	(b) Kerala Project	—
11.	State Cashew Corporation	1.00
12.	Establishment of Area Development Project as a Pilot Project for boosting agricultural production in selected areas of Indore (Madhya Pradesh)	—
13.	Assistance for production fo breader, foundation and certified seed	
14.	Development of Cocoa	0.103

Department/Name of Scheme		(Rs. crores)
15.	(a) Minikit programme for Rice, Wheat and Millets	
	(b) New Technology for introduction of implements	7.50
Minor Irrigation		
16.	Soil and Water Management pilot projects	6.50
Soil and Water Conservation		
17.	Strengthening of State Soil Survey Organisations	4.50
18.	Pilot projects on protection of table lands and stabilisation of revinous areas	10.00
19.	Pilot projects for Control of Shifting Cultivation	4.00
Command Area Development		
20.	Command Area Development	450.00
Land Reforms		
21.	Financial assistance to assignees of surplus land-cum-implementation of ceilings	60.00
22.	Consolidation of holdings in Command Area of irrigation projects	16.00
Forestry		
23.	Development of Selected National Parks and Sanctuaries	4.50
24.	Project Tiger	5.00
25.	Central Participation in State Forest Development Corporations	15.00
Animal Husbandry		
26.	I.C.D. Projects in milkshed areas of D.M.S.	—
27.	Frozen semen bank Hessarghatta and new frozen semen stations	—
28.	Regional fuage production and demonstration stations	
29.	Setting up of modern slaughter house Corporation (for equity share capital)	5.00
30.	Assistance to SF/MF/AL for poultry, piggery and sheep production	50.00
31.	Improvement of existing slaughter houses in States	1.00
32.	Expansion of frozen semen programme for production of crossbred calves	—
Dairy Development		
33.	Assistance to cattle-cum-dairy development Corporations	6.50
34.	New dairy schemes in seven States	20.00
Fisheries		
35.	Development of Brackishwater Fisheries	8.00
36.	Fish Farmers' Development Agency	10.00
37.	Centre's assistance to State Fisheries Corporations	5.00

Department/Name of Scheme		(Rs. crores)
38.	Provision for landing & berthing facilities at minor ports	
39.	Development of Reservoir Fisheries	5.00
Storage and Warehousing		
40.	Farm Level Storage	10.00
Agricultural Credit		
41.	Investment in the debentures of land development banks	150.00
42.	Share capital assistance to regional rural banks	10.00
Cooperation		
43.	Rehabilitation of weak central cooperative banks	10.00
44.	Assistance to cooperative credit institutions in under-developed States	25.00
45.	Assistance for the cadre fund for reorganised base level credit institutions	8.00
46.	Assistance to cooperative marketing processing and storage programmes in under-developed States	22.00
47.	Share capital participation in cooperative sugar factories and cooperative spinning mills	25.00
Agricultural Marketing		
48.	Development of Selected Regulated Markets	
49.	Development of Rural Markets	
Community Development and Panchayati Raj		
50.	Sammelans	
51.	Prize competition of selection of best Gramsevak and Panchayat	5.00
52.	Promotion of voluntary scheme and social action programme	
53.	Whole Village Development Programme	3.00
Rural Development		
54.	Small Farmers, Marginal Farmers and Landless Labourers Development Agency	1,000.00
55.	Drought Prone Area Programme	
56.	Tribal Area Development	—
57.	Hill Area Development	—
58.	Desert Development Programme	100.00
59.	Integrated Rural Development	150.00
60.	Rural Link Roads	—

Department/Name of Scheme		(Rs. crores)
Housing & Urban Development		
61.	Integrated urban Development Programme	200.00
62.	National Capital Regional Plan	10.00
63.	Police Housing	45.00
Water Supply & Sewerage		
64.	Conversion of dry latrines into sanitary latrines	6.00
65.	Urban solid waste disposal	5.00
Planning		
66.	Strengthening of Planning Machinery	—
Village & Small Scale Handloom Industries		
67.	Intensive Development Projects	23.44
68.	Export Oriented Production Projects	17.20
Small Scale Industries		
69.	Margin/Seed money Assistance	48.50
Handicrafts		
70.	Training of Carpet weavers	25.75
Sericulture		
71.	Intensive Development Projects	3.51
Industrially Backward Areas		
72.	Investment subsidy	—
Health		
73.	Establishment of Regional Workshops	0.20
74.	Setting up of Hospitals and Dispensaries in Rural areas on 1/3 basis	5.00

ANNEXURE III

Statement I

Statement showing outlay/expenditure during 1974–78 for Centrally Sponsored Schemes and Central Schemes of the nature of Centrally Sponsored Schemes

(Rs. crores)

	State	Centrally Sponsored Schemes	Central Schemes in the nature of Centrally Sponsored Schemes	Total (Cols. 2+3)
	(1)	(2)	(3)	(4)
1.	Andhra Pradesh	72.25	67.52	139.77
2.	Assam	24.05	10.12	34.17
3.	Bihar	45.66	49.83	95.49
4.	Gujarat	77.37	43.42	120.79
5.	Haryana	22.75	21.67	44.42
6.	Himachal Pradesh	13.70	9.56	23.26
7.	Jammu & Kashmir	11.55	8.88	20.43
8.	Karnataka	60.55	45.44	105.99
9.	Kerala	36.62	17.35	53.97
10.	Madhya Pradesh	82.44	50.73	133.14
11.	Maharashtra	91.14	75.73	166.87
12.	Manipur	6.51	2.53	9.04
13.	Meghalaya	3.73	1.92	5.65
14.	Nagaland	5.38	3.49	8.87
15.	Orissa	40.43	31.67	72.10
16.	Punjab	26.27	21.10	47.37
17.	Rajasthan	49.67	62.72	112.39
18.	Sikkim	1.84	1.79	3.63
19.	Tamil Nadu	52.06	42.41	94.47
20.	Tripura	3.95	1.89	5.84
21.	Uttar Pradesh	105.83	88.31	194.14
22.	West Bengal	61.93	66.23	128.16
	Total (States)	917.07	801.47	1,718.54
	Union Territories	21.24	5.89	27.13
Grand Total		**938.31***	**807.36****	**1,745.67**

*Includes Rs. 8.02 crores for fisheries, Rs. 2.50 crores for voluntary agencies and cooperation and Rs. 8.21 crores for DVC, for which State-wise break-up is not available.

**Includes Rs. 74.56 crores for Indian Dairy Corporation—Operation Flood Project—I and Rs. 6.38 crores for share capital assistance to Regional Rural Banks.

Statement II

Summary Statement showing statewise and Sectorwise Outlay/Expenditure for Centrally Sponsored Schemes during 1974-78

(Rs. crores)

Sectors	Andhra Pradesh	Assam	Bihar	Gujart	Haryana	Hima-chal Pradesh	Jammu & Kashmir	Karna-taka	Kerala	Madhya Pradesh	Maha-rashtra	Mani-pur
1. Agriculture and Co-operation	15.23	1.85	5.41	8.57	7.03	4.31	2.74	10.99	4.60	10.52	9.26	0.27
2. Family Welfare and Health	43.04	13.96	28.67	48.75	12.15	3.98	2.79	36.32	16.50	57.64	62.19	1.15
3. Social Welfare	0.54	0.24	0.41	0.31	0.14	0.06	0.09	0.60	0.66	0.24	0.72	0.09
4. Development of Backward Classes	5.35	1.67	3.1	7.69	0.54	0.41	0.09	4.07	1.15	3.48	9.04	0.67
5. Education	1.89	3.30	0.41	0.72	0.30	0.01	0.97	1.25	3.06	0.89	0.71	0.16
6. Power	0.89	1.86	1.45	0.51	0.44	1.35	1.83	3.28	6.64	3.93	3.23	3.27
7. Village and small Industries	1.14	0.32	1.85	0.81	0.41	0.31	0.63	1.16	1.27	0.94	0.99	0.33
8. Transport	2.33	—	0.80	6.44	0.08	0.91	0.85	1.10	1.45	1.79	1.57	—
9. Nutrition	0.34	0.30	0.45	0.45	0.26	0.16	0.06	0.38	0.29	0.51	0.33	0.07
10. Rural Water Supply	1.50	0.55	2.40	3.30	1.40	2.20	1.50	1.40	1.00	2.50	3.10	0.50
Grand Total	**72.25**	**24.05**	**45.66**	**77.37**	**22.75**	**13.70**	**11.55**	**60.55**	**36.62**	**82.44**	**91.14**	**6.51**

Sectors	Megha-laya	Naga-land	Orissa	Punjab	Rajas-than	Sikkim	Tamil Nadu	Tri-pura	Uttar Pradesh	West Bengal	Union terri-tories	Total States	Grand Total
1. Agriculture and Co-operation	0.21	0.30	5.79	7.40	9.62	0.32	9.84	0.28	15.66	6.85	5.13	145.07**	150.20
2. Family Welfare and Health	2.05	1.12	25.95	13.76	31.56	0.27	31.36	2.23	67.95	31.28	12.21	534.67	546.88
3. Social Welfare	0.10	0.07	0.41	0.14	0.70	0.14	1.09	0.12	1.16	0.74	0.40	8.77	9.17
4. Development of Backward Classes	0.92	0.54	2.52	1.28	2.12	—	2.99	0.26	10.81	4.96	0.91	66.87@	67.78
5. Education	0.04	0.69	1.67	0.13	0.43	—	1.41	0.04	0.77	0.59	0.33	19.44	19.77
6. Power	—	1.64	—	—	2.69	0.75	0.60	—	0.25	2.14	0.30	44.96*	45.26
7. Village and small Industries	0.09	0.26	0.80	0.35	0.71	0.01	0.84	0.20	2.17	1.21	0.96	16.80	17.76
8. Transport	—	—	1.16	1.98	1.69	—	1.47	—	2.58	11.51	0.06	37.71	37.77
9. Nutrition	0.10	0.01	0.33	0.23	0.15	0.01	0.31	0.04	0.98	0.23	0.09	5.99	6.08
10. Rural Water Supply	0.22	0.75	1.80	1.00	2.50	0.34	2.15	0.78	3.50	2.40	0.85	36.79	37.64
Grand Total	**3.73**	**5.38**	**40.43**	**26.27**	**49.67**	**1.84**	**52.06**	**3.95**	**105.83**	**61.93**	**21.24**	**917.07**	**938.31**

**Includes Rs. 8.02 crores for fishery schemes for which Statewise figure not available.

@ Rs.15 lakhs : unallocated amount and Rs. 235 Crores for voluntary Agencies (Statewise distribution N.A.).

*Includes Rs. 8.21 crores for D.V.C.

Statement III

Summary Statement showing State-wise and Sector-wise expenditure for the Central Scheme in the nature of Centrally Sponsored Schemes for 1974—78

(Rs. crores)

Sl. No.	Department/Name of the Scheme	Andhra Pradesh	Assam	Bihar	Gujart	Haryana	Hima-chal Pradesh	Jammu & Kashmir	Karna-taka	Kerala	Madhya Pradesh	Maha-rashtra	Mani-pur	Me-gha-laya
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Agriculture and allied Services	51.38	7.60	46.80	36.76	16.82	7.13	4.77	37.06	11.25	39.98	43.50	1.74	1.34
2.	Housing and Urban Development	8.89	0.86	1.27	3.21	2.65	0.28	0.45	2.68	2.53	7.36	25.32	0.28	0.35
3.	Water Supply & Sanitation	0.09	0.14	—	0.25	—	—	—	0.19	—	—	0.71	—	—
4.	Strengthening of Planning Machinery	0.40	0.37	—	0.08	—	0.05	—	0.46	0.43	—	0.29	0.04	—
5.	Village and Small Industries	6.59	1.05	1.64	2.98	2.07	2.00	3.61	4.83	3.01	3.18	5.73	0.44	0.20
6.	Education	0.17	0.10	0.12	0.14	0.13	0.10	0.05	0.22	0.13	0.21	0.18	0.03	0.03
	Total Central Schemes in the nature of Centrally Sponsored schemes	**67.52**	**10.12**	**49.83**	**43.42**	**21.67**	**9.56**	**8.88**	**45.44**	**17.35**	**50.73**	**75.73**	**2.53**	**1.92**

Sl. No.	Department/Name of the Scheme	Naga-land	Orissa	Pun-jab	Rajas-than	Sik-kim	Tamil Nadu	Tri-pura	Uttar Pra-desh	West Bengal	Total States*	Union Terri-torries	Grand Total
1	2	16	17	18	19	20	21	22	23	24	25	26	27
1.	Agriculture and allied Services	2.24	29.40	12.32	56.04	1.51	22.80	1.15	74.46	30.23	612.68	4.33	617.01
2.	Housing and Urban Development	0.36	0.71	6.27	1.35	0.17	11.26	0.42	7.80	34.27	118.74	—	118.74
3.	Water Supply & Sanitation	—	0.16	0.3	0.17	—	0.21	—	0.46	0.10	2.80	0.19	2.99
4.	Strengthening of Planning Machinery	0.09	0.09	0.37	0.50	—	—	0.06	0.08	0.20	4.27	—	4.27
5.	Village and Small Industries	0.74	1.16	1.69	4.48	0.04	7.99	0.20	5.15	16.24	0.02	1.37	61.39
6.	Education	0.06	0.15	0.12	0.18	0.07	0.15	0.06	0.36	0.19	2.96	—	2.96
	Total Central Schemes in the nature of Centrally Sponsored schemes	**3.49**	**31.67**	**21.10**	**62.72**	**1.79**	**42.41**	**1.89**	**88.31**	**66.23**	**801.47**	**5.89**	**807.36**

*Includes Rs. 74.56 crores for Indian Dairy Corporation–Operation Flood Project-I and Rs. 6.38 crores for share capital assistance to Regional Rural Banks.

Supplementary Paper

CENTRALLY SPONSORED SCHEMES

The Working Group of the NDC Committee on Centre-State Relations meeting on the 10th and 11th January, 1979 directed that a Group of officials consisting of Planning/Finance Secretaries of States and Secretaries of the Central Ministries concerned should scrutinise the existing Centrally sponsored and Central sector schemes enumerated in Statements 1 and 2 annexed to Agenda Paper No.3. The Group was to examine the necessity or otherwise of continuing schemes, to suggest which schemes might be transferred from the Central to the State Plans, and in this process to augment the resources proposed to be made available by the Centre to the States (estimated in Agenda Paper No.1 at Rs. 10,350 crores) by atleast Rs. 3,000 crores.

2. The Group of Secretaries met under the Chairmanship of the Secretary, Planning Commission in New Delhi on the 16th and 17th January, 1979. While the scrutiny of the schemes was complete, it was not possible in the limited time available for the Group to prepare an agreed report on their conclusions. On some schemes there was complete agreement as to exclusion, transfer or continuance, on others opinions were divided. It was understood that the Secretaries from the States, while they broadly represented the views of their Governments, had not all been given detailed instructions on the position to be taken on all relevant issues. The State Governments could not therefore be considered to be committed to the particular view that the Secretary might have taken in the deliberations of the Group. The same applied to the Secretaries of the Central Ministries concerned with these schemes, in respect of their Ministers.

3. This report therefore is to be read as the conclusions arrived at by the Secretary, Planning Commission as the Chairman of the Group. In respect of individual schemes, the Chairman has attempted to reflect the consensus where such a consensus was available, and the majority view where there continued to be differences of opinion. The final recomnendations as to the way in which Rs. 3000 crores approximately may be made available to the States towards their Plan outlays, while maintaining a degree of Centre-State collaboration over a wide area, and also ensuring the achievement of plan priorities, are those of the Chairman alone. The other Members of the Group have not taken part in the formulation of these detailed proposals, but it is the Chairman's belief that they represent an acceptable compromise between conflicting viewpoints.

4. At the outset the Group noted that there was a discrepancy between the estimate of Rs. 6,000 crores for the total value of Centrally sponsored schemes in 1978-83 as given in Agenda Paper No.3 and the figure of Rs. 6500 crores indicated in the Opening Address of the Deputy Chairman to the Working Group. The two figures were reconciled as below :—

	(Rs. crores)
Total of lists I and II submitted earlier to the NDC Committee	6,486
Total of statements I & II annexed to Agenda Paper No. 3	5,724
Difference	762

Reasons for difference

(a) Estimate of requirements for inter-State transmission lines omitted	200
(b) Schemes of ICAR wrongly included in earlier list	157
(c) Operation flood I & II wrongly included in earlier list	405
	762

The total value of Centrally sponsored schemes to be scrutinised by the Group was therefore Rs. 5724 crores plus Rs. 200 crores = Rs. 5924 crores i.e. Rs. 6000 crores approximately.

5. Statement 'A' lists the schemes which the Group considered, either unanimously or in a substantial majority, need not continue to be funded directly by the Centre. These schemes could be transferred to the State Plans, and the corresponding resources of the order of Rs. 600 crores could be released for augmenting the State Plans, which of course would include the financing of these schemes to the extent that they were relevant to the Plans of particular States.

6. Suggestions made by the Secretaries of States for reducing the outlays projected under certain Centrally sponsored schemes have been examined, and the Chairman would recommend the adjustments indicated in Statement 'B'. These would release a further Rs. 400 crores approximately, bringing the amount of resources to be transferred to the States, without any scheme-wise earmarking of funds, to Rs. 1000 crores approximately for the period 1978 to 83.

7. However there are two provisos to this:—

(a) Since some expenditure will have been incurred in 1978-79 on most of these schemes, the actual outlay this year will have to be deducted from Rs. 1000 crores to estimate the resource transfer for 1979 to 83.

(b) A decision will have to be taken whether the transfer of these schemes will take effect from 1-4-1979 without any commitment on the part of the Centre to assist sanctioned schemes under implementation in the States in terms of the pattern of assistance under the Centrally sponsored schemes. If past commitments are to be retained for the period 1979 to 83, then some of these funds will also have to be retained by the Centre for meeting such commitments.

8. The balance of Rs. 5000 crores approximately of estimated outlay on Centrally sponsored schemes concerns areas of activity where full or partial Central funding will continue to be necessary. The reasons for this are:—

(a) Some areas like family planning and the control of communicable diseases are of such national importance that outlays on these programmes cannot be allowed to suffer either because of scarcity of State resources or because of inadequate appreciation of their priority in the allocation of the resources by the States.

(b) In other key areas of the new Five Year Plan, programmes have been initiated by the Centre on an experimental basis which have still to be fully established e.g. the community health workers scheme and the adult education.

(c) The programmes of rural development, beginning with those for developing irrigation command areas, schemes for enhancing the productivity of drought-prone areas, and the development of machinery for the channelling of benefits to small farmers and the rural landless are central to the strategy of the Draft Plan. These programmes have to be coordinated at the Central level to ensure the achievement of the Plan targets of employment and poverty alleviation. The Central Government is as deeply concerned as the States in the achievement of these targets.

(d) Some of the schemes including area development and disease control schemes are location specific. It has to be ensured that necessary resources are available to the States concerned for implementing these schemes, in accordance with the Draft Plan. For this purpose scheme-wise earmarking of funds is necessary.

9. Programmes where scheme-wise earmarking of funds is considered necessary have been enumerated and classified sector-wise in Statement 'C'. These total about Rs. 4900 crores in value.

10. The objectives of ensuring Plan priorities, adequate funding of schemes of national or regional importance and allocating funds for location-specific schemes which are critical for the fulfilment of Plan targets, can be attained without necessarily funding of such schemes wholly from the Central Budget. The attainment of the desired goals can be reconciled with the direction of the N.D.C. Working Group regarding the transfer of resources to the States by adopting a system of partial central funding. That is to say a few of the schemes in Statement 'C' may be financed wholly by the Centre, and the rest may be shared between the Centre and the States in agreed pro-portions. As a rule this sharing could be fifty-fifty.

11. In a few of the existing Centrally sponsored schemes there is already provision for sharing of outlays between the Centre and the States. The estimate given in Statement 'C' in respect of these schemes (e.g. adult education, accelerated rural water supply, contribution to land development banks) represent only the Central share. In other schemes e.g. post-matric scholarships, the entire liability in a Plan period is borne by the Centre but it is transferred to the States at the end of a Plan.

12. In estimating the amount of resources which might additionally be transferred to the States, full provision for the following schemes has to be excluded in the first instance.

(Rs. crores)

No.		Scheme	Amount
I	84	Adult education	70.00
I	95	Integrated Child Development Services	30.00
I	100	Post-matric scholarships	130.00
I	51	Agricultural Credit Stabilisation Fund	40.00
		Assistance to N.C.D.C.	50.00
		Accelerated Rural Water Supply	400.00
II	41, 42	Debentures of Land Development Banks and shares of Rural Banks	110.00
			830.00

13. It was unanimous view of the Secretaries that the family planning programme should continue to be financed 100 per cent by the Centre. The same applies to inter-State power lines. If the cost of these two schemes, viz. Rs. 865 crores, is added to the above, the amount to be retained by the Centre for full funding comes to Rs. 1,695 crores. If Rs. 1700 crores approximately is deducted

from the total of approximately Rs. 5,000 crores in Statement 'C', the balance would be Rs. 3300 crores. If all these schemes are divided fifty-fifty between the Centre and the States, Rs. 1650 crores would be retained by the Centre and Rs. 1650 crores would go to the States. Adding the Rs. 1000 crores proposed to be transferred to the States under Statements 'A' & 'B' we would get a total transfer of Rs. 2650 crores to the States.

14. This falls a little short of the target of Rs. 3000 crores of transfer of resources suggested by the N.D.C. Working Group. The figure of Rs. 3000 crores was based on the assumption that the total amount available for allocation by scrutiny of Centrally sponsored schemes was Rs. 6500 crores, it has been explained earlier that the allocable amount is actually Rs. 6000 crores approximately.

15. If the above allocation is accepted, 50% of the cost of area development, control of communicable diseases, rural health care, schemes for the welfare of harijans and adivasis, schemes far assisting landless labour, slum improvement, certain social welfare schemes and the scheme for establishing District Industries Centres would be funded 50 per cent by the Centre.

16. The allocation of resources corresponding to Rs. 6,000 crores of Centrally sponsored schemes suggested above would thus be:—

	(Rs. crores)
Centre	3,350
State	2,650
	6,000

There would be two options available so far as the allocatian of outlays is concerned:

Alternative 1 would be to show Rs. 3,350 crores as "Centrally sponsored schemes" included in the Central Plan, and Rs. 2,650 crores to be added to the aggregate State Plans.

Alternative 2 would be to include the entire Rs. 6,000 crores in the State Plans, while treating Rs. 5,000 crores out of it as "Centrally-aided schemes". These Rs. 5,000 crores would consist of some schemes like family planning and post-matric scholarships which would be 100 per cent funded by Central loans/grants, and other schemes would be shared 50:50 or on other agreed principles between the Centre and the States. There would thus be two types of Central assistance, viz. (a) block loans/grants distributed on the Gadgil or other agreed formula, and (b) earmarked assistance for specific schemes, whether 100 per cent or 50 per cent.

17. It was the unanimous view of the Secretaries that whichever alternative is adopted, whether the continuation of Centrally sponsored schemes or their replacement by Centrally-aided schemes, the system of joint planning by the Centre and the States require to be much more flexible, and the procedures of scrutiny of individual schemes and release of funds had to be streamlined. It was particularly important that Centrally sponsored or Centrally aided schemes should not result in undue pressure on the States to create additional posts. Normally there should be no need for detailed sanctions to be issued by Central Ministries, general guidelines should suffice. The experts in the Central Ministries could be most effective through consultations, inspections and touring of projects rather than through the preparation of schematic budgets and the like. The Secretaries of Central Ministries also agreed that existing procedures would be reviewed and the States should be in a position to adopt all Centrally funded schemes to the particular circumstances and local requirements.

STATEMENT 'A'

Centrally Sponsored Schemes to be transferred to State Plans without earmarking of funds

Sector		Reference	Scheme	Estimated Outlay 1978–83
				(Rs. crores)
Agriculture	I	1.	Farmers Training	7.00
		2.	Extension Machinery	30.00
		3.	Adaptive Research	2.50
		6.	Alkali & Acid Soils	5.00
		7.	Quality Control	1.00
		12.	Improved implements	6.00
		16 to 18, 20	Sugar cane, beet, tobacco, spices	12.70
		22.	Horticulture	4.00
		24.	Dry land farming	7.00
		28.	Mixed Plantations	30.00
		29.	Social Forestry	14.00
		33, 35, 38 to 47	Various animal husbandry schemes	25.90
		49.	Fishing villages	12.00
	II	2.	Seed certification	2.00
		5.	Local manurial resources	20.00
		6 & 7.	Plant protection	0.50
		8.	Share capital of Agro-Industries Corporation	10.00
		11.	State Cashew Corporation	1.00
		14.	Cocoa development	0.10
		16 to 19.	Various soil management and conservation schemes	25.00
		22.	Consolidation of holdings	16.00
		25.	State Forest Development Corporations	15.00
		26 to 29, 31 & 32	Various animal husbandry schemes	6.00
		33.	Cattle Development Corporations	6.50
		35.	Brackishwater Fisheries	8.00
		37.	State Fisheries Corporation	5.00
		38.	Facilities at minor ports	5.00
		39.	Reservoir Fisheries	5.00
		40.	Farm level storage	10.00

Sector		Reference	Scheme	Estimated Outlay 1978–83
				(Rs. crores)
		50 to 53.	Various C.D. Schemes	8.00
			Total	**300.20**
Health & Family Welfare	I			
		65.	Physiotherapists	0.13
		67.	Post-Graduate Departments, Pharmacies etc. for I.S.M.	18.25
		69 to 71.	Various Health Schemes	2.90
		74 to 78.	New Schemes	2.15
		80.	Applied Nutrition Programmes	21.60
	II	73, 74.	Rural Dispensaries etc.	5.00
			Total	**50.03**
Education	I	83.	Vocationalisation	20.00
		86 to 88.	Miscellaneous Schemes	2.00
			Total	**22.00**
Housing etc.	II	62.	National Capital Region	10.00
		63.	Police Housing	45.00
		64, 65.	Latrines and waste disposal	11.00
			Total	**66.00**
Industry	II	67.	Intensive Handloom projects	23.44
		69.	Margin/Seed money assistance	48.50
		70.	Training of carpet weavers	25.75
		71.	Intensive development projects	3.51
			Total	**101.20**
Transport	I	13.	Minor Ports	25.00
		14.	Bridges of National importance	42.00
			Total	**67.00**

STATEMENT 'B'

Adjustments to be made in Centrally Sponsored schemes to release resources for transfer to the States

1. Separate provision of Rs. 20 crores under I.36 and Rs. 50 crores under II.30 for assistance through SFDA's for poultry, piggery, cross-bred heifers etc. may be dropped, and the funds found under the general provision for SFDA's II.54.

2. The provision for inter-state power-lines (I.91) assumed earlier at Rs. 200 crores may be reduced to Rs. 100 crores.

3. Under the head "Cooperation" the provision (I.51-54, II.43-47) is Rs. 175 crores. I.51 for

contribution of Rs. 50 crores to the Agricultural Credit Stabilisation Fund and II.43–Rs. 10 crores for commitments under the cooperative banks' rehabilitation scheme may be retained; and a lump-sum provision of Rs. 50 crores may be made for schemes of the National Cooperative Development Corporation. This will release Rs. 65 crores.

4. In the Transport sector, the provision under I.110 (Inland Water Transport) and I.111 (road links) may be reduced by Rs. 10 crores and Rs. 15 crores respectively to cover only inescapable outlays on inter-state projects.

5. Scheme II.41 provides for Rs. 150 crores investment in the debentures of State Land Development Banks. This may be reduced to Rs. 100 crores and the estimated gap in LDB resources made up by additional inflow from ARDC.

6. Scheme I.81 is for enhancing outlays provided in State Plans for the (RANP) rural water supply schemes. This may be reduced from Rs. 500 crores to Rs. 400 crores.

Total "savings" in paras 1-6 amount to Rs. 390 crores.

STATEMENT 'C'

Schemes to be continued as 'Centrally Sponsored' or 'Centrally-aided', i.e. with schemewise earmarking of funds

Sector		Reference	Scheme	Estimated Outlay 1978–83
				(Rs. crores)
Agriculture	I	4.5	Agri-statistics	8.50
	II	1		
	I	9–11	Plant protection	15.00
		13–15, 19, 21, 23	Intensive development of cotton, jute, oilseeds, pulses; package, programme for coconut	57.50
		25	Ground water organisation	4.00
		26, 30	Soil and water conservation in river-valley projects, and himalayan region	70.00
		32, 37	Rinderpest, foot and mouth disease control	6.00
		48	Fishing ports	30.00
	II	36	Fish farmer's development agency	10.00
	II	3	NSC & State Seed Corpn.	6.00
		23, 24	National Parks, Project Tiger	9.50
		34	New dairy schemes in seven States	20.00
			Total	**236.50**
Health	I	55	Family welfare programme	765.00
		56, 57, 64	Malaria eradication, Filaria control	305.75*
		58–62	Leprosy and other communicable disease control	52.00
		63	Prevention of blindness	15.00
		65, 72	Training of multipurpose workers and community health workers' scheme	225.00
			Total	**1362.75**
Education	I	82	Hindi Teaching	9.00
		84	Adult education	70.00
		85	Non-formal education of children	50.00
			Total	**129.00**
Social Welfare	I	95	Integrated child development services	30.00
		94, 97 to 99	Other schemes	15.00
			Total	**45.00**

Sector		Reference	Scheme	Estimated Outlay 1978–83
				(Rs. crores)
Backward classes Welfare	I	100	Post-matric scholarships for Scheduled Castes & Tribes	130.00
		108	New Schemes	70.00
			Total	**200.00**
Power	I	91	Inter-State/regional transmission lines	100.00
			Total	**100.00**
Co-operation	I	51	Agricultural Credit Stabilisation Fund	40.00
	II	43	Rehabilitation of weak Co-operative banks	10.00
			Assistance to N.C.D.C.	50.00**
			Total	**100.00**
Transport	I	110	Inland Water Transport	10.00
		111, 115	Inter-state roads	15.00
			Total	**25.00**
Housing etc.		In lieu of II.61	(Integrated Urban Development), new schemes for urban slum improvement and development of smaller towns.	200.00
	I	81	Accelerated rural water supply	400.00
			Total	**600.00**
Rural Development				
	II	20, 54, 55 58, 59	Command areas, drought-prone areas and desert-areas development programmes; Small Farmers and Landless labourers development agency; Integrated Rural Development Blocks	1,700.00
			Total	**1,700.00**
Agricultural Credit	II	41	Investment in debentures of Land Development Banks	100.00
		42	Share capital of regional rural banks	10.00
			Total	**110.00**
Land Reforms	II	21	Financial assistance to assignees of surplus land	60.00
	I	116	Rehabilitation of bonded labour	50.00
			Total	**110.00**
Industry	I	92	District Industries Centre	159.00
			Total	**159.00**

*Includes Rs. 109.00 crores of direct central outlay.

** This would be Central outlay.

ITEM IV—FAMILY WELFARE PROGRAMME-REVIEW OF PERFORMANCE-BACKGROUND NOTE ON THE ISSUES FOR CONSIDERATION AT THE MEETING OF THE NATIONAL DEVELOPMENT COUNCIL—24TH FEBRUARY, 1979

The President in his address to the new Parliament had stated in March, 1977 that "Family Planning will be pursued vigorously as a wholly voluntary programme and as an integral part of a comprehensive policy covering education, health, maternity and child care, family welfare, women's rights and nutrition." The Revised Policy Statement on Family Welfare Programme brought out in detail the direction which is sought to be given to this Programme (Copy at Annexure I).

2. The Joint Conference of the Central Council of Health and Central Family Welfare Council have reiterated this feeling of concern at continuing low performance. Even though the Fifth Five-Year Plan had set the goal of reducing the birth rate to a level of 30 per thousand population by 1979, this target date had to be deferred to 1982-83 in view of the setback suffered by the Programme. The Prime Minister had also drawn the attention of the Chief Ministers to the problem in his letter of May 9, 1978 and again on July 14, 1978 (copies at Annexure II).

3. As the revised goal is to bring down the birth rate to 30 per thousand population by 1982-83, the implications of this objective in terms of the operational programme need to be explained. As of December 1978, we had 109 million couples in the reproductive age group and of these about 24 million (or 22.2%) are practising contraception. This coverage will need to be extended to 45 million (or 40.7%) by 1982-83 if the desired drop in the birth rate is to be achieved. A detailed note on the demographic objectives and family planning targets is at Annexure III. The Department of Family Welfare had worked out an operational programme for the period 1978-83 involving 25 million sterilisation, 5 million IUD insertions and an average annual user level of 5 million conventional contraceptive users. This takes into account the fact that the couples currently practising contraception methods will move out of the reproductive age group as they grow older and a larger number of younger age couples will join the stream. Based on the above operation programme of five years, the annual operational programme for 1978-79 had the following components:

(a) 4 million sterilisations

(b) 0.6 million IUD insertions

(c) The level of conventional contraceptive users to be increased to 4 million.

Against this target, the performance during the first ten months (April 1978 to January 1979) has been 952672 sterilisations (31.5% of the proportionate target), 368043 IUD insertions (75% of the proportionate target) and 3368145 conventional contraceptive users (84.2% of the proportionate target). These performance figures are a marginal improvement over the performance figures for the preceding year (1977-78). The performance figures for the last five years and the State-wise demographic picture and performance figures for the current year are at Annexure IV(A) and IV(B).

4. The performance figures for MCH are at Annexure V. The shortfall in performance in 1978-79 together with even lower performance in 1978-79 together with even lower performance in

1977-78 has considerably retarded the progress towards the achievements of the demographic objectives. What is even more disturbing is that as a result of two years of low-key performance, the couple protection level has dropped from 23.9% in 1976-77 to about 22% in 1978-79. The implication of this is that the current birth rate, which is estimated to be 33 per thousand may, instead of declining, actually increase. It is, therefore, necessary not only to arrest this trend but also to retrieve the lost ground. The operational programme for 1979-80 has therefore to take into consideration these dimensions and intensify the programme in several directions.

5. Targets or operational objectives are relevant for any time bound programme and the intention is not to push the States into any situation where the fulfilling of the targets sought to be done through coercion or pressure. Indeed a voluntary programme and adoption of contraception methods by the people of their free accord requires a much greater effort by way of education on motivation. This will be possible only if the programme is viewed as the central theme of all developmental programmes. The support to the programme must come from the people themselves and the leaders at various levels and this will be possible if the level of awareness and knowledge is improved. The Governmental machinery has thus not only to satisfy the demand for services but also to help create a climate where people come forward to ask for services and also to propagate the idea amongst their friends. The crucial role of political leadership at all levels in this matter; as in all development process, is obvious.

6. It is not necessary to single out the States where the performance in respect of various methods of contraception and MCH scheme has been low. However, it may be mentioned that this low performance will adversely affect States' entitlement of the full release of Central Plan assistance if the 8% linkage formula is to be made operative for the release (of Central Plan assistance) in 1979-80. It may be recalled that the Policy Statement on Family Welfare Programme had stated in paragraph 8 as follows :-

".....Assistance for the implementation of the Programme is provided by the Central Government to the States on Cent-Per-Cent basis. In order to ensure a purposeful implementation of the Family Welfare Programme, the principle of linking 8 per cent of Central Assistance to the State Plans with their performance and success in Family Welfare Programme will be continued."

The Prime Minister in his letter dated May 9, 1979 had also mentioned this decision in the following words:-

"Accordingly we have decided to establish a linkage between the performance in respect of family planning work in the States and the release of Central Plan assistance to them. The levels of performance have been arrived at keeping in view the demographic situation in each State and 8% of the Central Plan Assistance to every State will be released on the basis of the evaluation of their performance. This is a healthy procedure which will ensure a fair and just share to each State according to its contribution in this national effort."

7. The details of the formula for establishing a linkage of 8% of the Central Plan Assistance to States and their performance in respect of Family Welfare Programme were communicated vide Planning Commission’s letter dated 18th February, 1977 and 30th June, 1978 (copies at Annexure VI). It will be seen that there are various factors on the basis of which the performance is to be evaluated. The consideration and approval of this formula by the National Development Council was last done in September, 1976 and this was incorporated in the Fifth Five-Year Plan (1974-79)

document in para 4.38 as follows :-

"It may be recalled that 8% of the Central assistance in the next two years is to be specifically earmarked against performance in family planning. Primarily, this will regulate the releases. There will be some savings due to some States not reaching the targets, which will get distributed amongst others. The amounts involved, however, would be small and are not expected to affect significantly the schemes of financing."

The above approval was for two years though the formula was not made operative during 1977-78 and 1978-79. The National Development Council may be requested to kindly consider the approval of this formula for adoption from 1979-80 onwards. The performance during 1978-79 will be the basis, for the releases during the ensuing financial year i.e., 1979-80 and so on.

8. The principle of allocating targets is inseparable from the achievement of the national objective of reducing the birth rate to the level of 30 per thousand by 1982-83. In the absence of these targets and commensurate effort to achieve them, the national objective will only recede further away in time and the problem of population growth rate will become even more complicated as the years passby. We have therefore, to view the problem in all its implications and, reach a concensus for its solution. The case for involvement of all developmental departments and agencies of the Government cannot be over stated. It is hoped that periodic reviews of the programme performance and the efforts being made by concerned departments will provide the desired momentum to the programme. The results of such high-level reviews will provide the necessary impetus for giving further boost to the efforts wherever they are lacking.

9. The Family Welfare Programme is presently a Centrally sponsored scheme and full assistance is provided to the State Governments. There is, however, some apprehension in the minds of certain employees that their services are not secure in the absence of any steps for confirmation and declaration of their permanency. The Department of Family Welfare has requested the State Governments to treat the Family Welfare employees at par with their own employees of health and other Departments in matters of confirmation and pensionary benefits. Some State Govts. have started confirming some of their staff while others have expressed their difficulty in declaring the posts permanent in view of the additional financial liability involved. The State Governments may consider adopting measures for conferring benefits of permanency to their Family Welfare Department employees by treating them at par with Health Department employees so that this staff could work enthusiastically in this programme without fear of sudden retrenchment.

ANNEXURE I

FAMILY WELFARE PROGRAMME

A Statement of Policy

MINISTRY OF HEALTH AND FAMILY WELFARE
GOVERNMENT OF INDIA
NEW DELHI

JUNE 29, 1977

The President in his address to Parliament on March 28, 1977, stated that "Family planning will be pursued vigorously as a wholly voluntary programme and as an integral part of a comprehensive policy covering education, health, maternity and child care, family welfare, women's rights and nutrition". The Prime Minister has on a number of occasions underlined the vital importance of family planning as a means of individual and national development and well-being. This Government is totally committed to the Family Welfare Programme and will spare no efforts to motivate the people to accept it voluntarily in their own interest and in the interest of their children as well as in the larger interest of the nation.

2. Family planning has, however, to be lifted from its old and narrow concept and given its proper place in the overall philosophy of welfare. It must embrace all aspects of family welfare, particularly those which are designed to protect and promote the health of mothers and children. It must become a part of the total concept of positive health. At the same time, it must find meaningful integration with other welfare programmes, viz., nutrition, food, clothing, shelter, availability of safe drinking water, education, employment and women's welfare. It will be our endeavour to bring about this integration in a greater degree. We expect the States to do the same.

3. The change in the name of the programme from family planning to family welfare is a reflection of the Government's anxiety to promote, through it, the total welfare of the family and the community. It is our intention to take the programme forward in the real sense as an investment in man. We wish to make it abundantly clear that in this task there is no room for compulsion, coercion or pressures of any sort. Compulsion in the area of family welfare must be ruled out for all times to come. Our approach is educational and wholly voluntary. There will, however, be no slackening of our efforts in this direction.

4. The Government attaches the highest importance to the dignity of the citizen and to his right to determine the size of his family. We have no doubt that by and large the people of India are conscious of the importance of responsible parenthood; given the necessary information and adequate services, they will accept the small family norm. We will promote all methods with equal emphasis and it will be left to every family to decide what method of contraception it will like to adopt. Employees of the Union Government, State Governments, autonomous bodies, local bodies, etc., will be expected to set an example and to adopt the small family norm.

5. We are totally against any legislation for compulsory sterilisation either at the Central level

or by the States. Sterilisation, both male and female, is a terminal method and suitable for those couples who have reached the optimum family size. Services for sterilisation will be offered free of cost to those who voluntarily wish to adopt this method. Similarly other services under the programme will be available to the people free of charge. The acceptance of voluntary sterilisation and IUD involves to and fro travel to a clinic, a brief stay in the hospital, resulting in possible loss of wages, which the majority of our people cannot easily afford. In view of this, it has been decided to retain the provision for monetary compensation. Any medical complication resulting from a voluntary sterilisation operation will be attended to free of cost; and if in an unfortunate case recanalisation becomes necessary, this facility will also be offered to the individual concerned under the best possible professional care without any charge.

6. Nearly 80 per cent of our population lives in villages. Medical services are not able to reach them in an effective way. An integrated rural health scheme is on the anvil and will be implemented shortly. It is of the utmost importance that adequate antenatal, natal and postnatal care is made available to pregnant mothers. To this end a comprehensive scheme of training of indigenous midwives (dais) will be implemented. Under it maternity services will be made available to all mothers who may need them. The programme of immunising children against common diseases such as a whooping cough, diphtheria and tetanus will be expanded further. We expect that the State Governments will give necessary co-operation and assistance in this direction.

7. The direct correlation between illiteracy and fertility and between infant/maternal mortality and the age at marriage is well established by demographic studies. While on the one hand the Government will pursue its policy of according high priority to the improvement of women's educational level, both through formal and non-formal channels, it will also bring legislation for raising the minimum age of marriage for girls to 18 and for boys to 21.

8. In a federal system, the sharing of Central resources with the States is a matter of considerable importance. In all cases where population is a factor as in the allocation of Central assistance to State plans, devolution of taxes and duties and grants in aid, the population figures of 1971 will continue to be followed till the year 2001. Family Planning and population control is a subject in the Concurrent List, yet the implementation of the Family Welfare Programme is very much the responsibility of State Governments. Assistance for the implementation of the Programme is provided by the Central Government to the States on cent-per-cent basis. In order to ensure a purposeful implementation of the Family Welfare Programme, the principle of linking 8 per cent of Central Assistance to the State Plans with their performance and success in Family Welfare Programme will be continued.

9. Population education has so far not received the attention it deserves. The NCERT have developed some models for the introduction of population education in the school education system. These models have already been adopted by the Central Schools Organisation. We would urge that the departments of education in the States should adopt those models, or their modified versions in the syllabus in the schools. Forty-two per cent of our population is below the age of 15 years. It is this population which will soon be entering in the area of matrimony. We must take steps without any further delay to see that the youth receive population education as part of their normal courses of study.

10. The population of India has been increasing at the rate of about one million every month. It has increased by nearly 270 million since 1947 and is today estimated to be 615 million. If the present rate of growth continues, we will be touching the one-billion mark by the end of the century.

This rate has to be arrested. The birth rate targets of 30 and 25 per thousand by the end of the Fifth and Sixth Plans respectively can be achieved only with the total and willing participation of the community in the family welfare programme. For this purpose it is important that all media of publicity, including motivation through the extension approach, should be utilised fully by the Central and the State Governments. We would very much expect that just as at the Centre we have involved all media units of the Ministry of Information and Broadcasting in the motivational campaigns, in the States also the State Departments of Public Relations and other departments having their own publicity set-ups would be totally associated with the motivational effort.

11. It is of equal importance that trade unions, chambers of commerce, cooperative societies, organisations of women, federations of teachers, village panchayats and all other institutions which can influence public opinion should be associated intimately with the educational campaigns. The village panchayats can play a significant role in this task. Their potential as change-agents needs to receive greater recognition and attention.

12. No programmes will succeed unless voluntary organisations particularly youth and women's organisations participate in its implementation fully and extensively. So far this participation has been very limited. The Government wishes to invite the suggestions of voluntary organisations and such public bodies as are engaged in the general task of Family Welfare for evolving suitable patterns of co-operation and assistance. Full rebate will be allowed in the income-tax assessment for amounts given as donations for Family Welfare purposes to Government, local bodies, or any registered voluntary organisation approved for this purpose by the Union Ministry of Health.

13. While the existing methods of contraception will continue to be available to the people, it is important that the search for newer methods should be intensified. The Government will give special attention to the necessary research inputs in the field of reproductive biology and contraception.

14. The programme and the approach for implementation of the Family Welfare Programme as outlined in the above paragraphs will succeed only if there is willing co-operation from all in full measure. The Family Welfare Programme embraces all the principal areas of human welfare. It will be wrong to leave it only to the Ministry of Health and Family Welfare in the Centre and their counterparts in the States. It is essential that all Ministries and Departments of the Government of India as well as of the States give due importance to this Programme and work for its furtherance. The performance of Family Welfare in the States will be intensively and carefully monitored and the Union Cabinet will review the situation in depth at least once a year. Suitable machinery for ensuring coordination with other connected programmes of welfare may be set up in the States also.

ANNEXURE II

No. 917-PMO/78

New Delhi

May 9, 1978.

My dear

You are aware that in recent months there has been criticism that the family planning programme has received a set back. A slow down in the implementation of the programme was inevitable as a reaction to the coercive measures which were adopted in the past to implement the programme. As a matter of policy and prudence we have decided to give up coercion and compulsion and resort to persuation and propaganda. The changeover from the previous coercive measures to peaceful and persuasive line of action will naturally require some time to achieve results. The fact remains, however, that this changeover would require more concentrated and meaningful application of the programme than has been the case so far.

We have to recognise that it is a programme not so much for the individual as for the family. We cannot single out individual and deal with them. We have to reach every family in order to propagate measures for a check on the population. Success in the programme is indispensable to our economic development. It is also not a matter which can be left only to the departmental initiative. It has to be a national effort in which the Government and the public have to join in a combined team spirit.

It is necessary that the leadership for this propaganda at the grass roots should come from the public and that leadership should get all the support possible from the Administration. In our conditions, however, the Administration would have to provide both the stimulus and direction and create an environment in which gradually the leadership will acquire the initiative which it must have in order to produce results. The levels of performance which are being communicated to the States by the Central Departments of Health and Family Welfare have got to be achieved in the larger national interest and we have to ensure that the birth rate begins to show a significant fall in the matter of a few years, let alone decades. Accordingly we have decided to establish a linkage between the performance in respect of family planning work in the States and the release of Central Plan assistance to them. The levels of performance have been arrived at keeping in view the demographic situation in each State and 8% of the Central Plan assistance to every State will be released on the basis of the evaluation of their performance. This is a healthy procedure which will ensure a fair and just share to each State according to its contribution in this national effort.

In case you come across any difficulties you can always get in touch with the Minister of Health and Family Welfare and if they are of a major nature you can even approach me. The stakes in the programme are so big that we cannot relax our efforts. We have to be vigilant all the time and I do hope that you will set up the necessary machinery in the State to ensure that the programme is implemented as successfully as possible.

With kind regards,

Yours sincerely,
Sd/-
(MORARJI DESAI)

All Chief Ministers.

Copy of Prime Minister's Letter to Chief Ministers

No. 1300-PMO/78

New Delhi

July 14, 1978.

My dear

You would recall that I had written to you on the 9th May, 1978 to stress the importance of family planning programme. We must ensure that no erosion takes place in our economic gains on account of unlimited population growth.

I have since had the opportunity to take a closer look at the working of the programme. I feel concerned at the very low performance during the current financial year. The reports for the months of April and May, 1978 reveal a disquieting, even disturbing, situation. The performance achieved during these months has been lower than that in April and May, 1977. Indications for June are no better and it would not be surprising if the June figures are even lower than those of April and May.

It seems to me that despite all the stress being laid on this programme, it has not generated the zeal and enthusiasm required for its success. We cannot allow this state of affairs to continue, without jeopardy to all our developmental efforts. I would, therefore, like to emphasise once again that it is necessary to pay personal attention to the monitoring of the performance of this programme. I am distressed to know that in some cases, doctors were reluctant to undertake sterilisation operations even though persons had voluntarily offered to undergo them. If doctors have any apprehensions of the possible inquiries being held in the event of cases resulting in complications, they should be assured that they would enjoy the same protection which the law affords to them in their profession except in those cases where there is proof of neglect of duty.

The family planning programme should, therefore, receive full attention of all Departments and at all levels and should not be left only to the functionaries of Health and Family Welfare Departments. For this purpose, you should ensure that all Departments integrate this activity into their scope of normal work.

I want to review the performance of this programme from time to time. I would, therefore, be thankful to you if you would hold monthly meetings to review the work and write to me about the progress being made in this work.

Yours sincerely,

Sd/-

(MORARJI DESAI)

All Chief Ministers.
Chief Commissioner, A & N Islands.
Administrator, Lakshadweep.
Lt. Governor & CEC, Delhi.
Chief Commissioner, Chandigarh.

ANNEXURE III

Demographic Objectives and Family Planning Targets

The population of India as at March, 1978 is placed at 634 million according to the population projections of the Expert Committee constituted by the Planning Commission. With a birth rate of 33 per thousand and a death rate of 14 per thousand, the growth rate is about 1.9% which implies that the annual addition to the population is of the order of 12 million. Our high birth rate together with massive population base implies 21 million birth every year or to put it more crudely, 2 births every 3 seconds. This burgeoning population has in its wake not only nullified the benefits of economic development but has also created pressures, in the field of education, health services, employment and above all, the elimination of poverty. The population structure with high dependency ratio compounds the problem of poverty and unemployment.

2. Although family planning programme started as a component of development plan in 1952, it gathered momentum only from 1966-67 when the programme became target-oriented and time-bound. Since then, the objective of stabilising the growth of population over a reasonable period has been placed at the very centre of plan development. A Working Group set up by the Government of India in April, 1968 suggested the targets for the Fourth Five Year Plan, separately for each method and indicated that the realisation of the targets so set would result in birth-rate of 32 per thousand population by 1973-74. But this target having not been achieved, the Fifth Five Year Plan adopted a demographic objective of reducing the birth-rate from 35 to 30 per thousand population by 1978-79. The trends in the birth-rate, death-rate and natural growth-rate are indicated in the following table:

	1971	1972	1973*	1974*	1975	1976$	1977
1. Birth-rate (per 1000 pop.) %	36.9	36.6	34.6	34.5	35.2	34.4	32.9
2. Death-rate (per 1000 pop.) %	14.9	16.9	15.5	14.5	15.9	15.0	14.0
3. Natural growth-rate (%)	2.2	2.0	1.9	2.0	1.9	1.9	1.9

$ Provisional % Sample Registration System *Possibly under-estimates.

3. The Central Council of Family Planning at its meeting in January, '78, reviewed the performance and its impact on birth-rate and considering impracticability of achieving further reduction of 3 points in birth-rate in 1978-79, recommended the revised objective of reducing the birth-rate to 30 per thousand by 1982-83. The same assumption about the declining birth-rate has been adopted by the Expert Group for Population Projections of the Planning Commission.

4. There are a number of non-programme parameters like age at marriage, age and sex composition of population and proportion of women, currently married in the re-productive age group which have a bearing on birth-rate. It is estimated that as on September 78, there were 109 million eligible couples (wife aged 15-44). The proportion of women of reproductive age group (15-44 years) in the total population, is expected to increase gradually to 21.7% by 1981 and 22.6% in 1986; this increasing trend in the proportion of reproductive women implies that even if the age

specific fertility rates remained unchanged, the birth-rate would go up. This shows the need of determined effort to push up family planning programme in order to bring about even a moderate decrease in the birth-rate.

5. To be able to achieve the revised goal of birth rate of 30 per thousand population by 1982-83, an operational programme of the following magnitude would be necessary:

Year	Sterilisation (million)	IUD (million)	Eq. C.C. users (million)
1978-79	4.0	0.6	4.0
1979-80	4.5	0.8	4.5
1980-81	5.0	1.0	5.0
1981-82	5.5	1.2	5.5
1982-83	6.0	1.4	6.0
	25.0	5.0	25.0

6. In making these calculations revised parameters have been used for the calculation of births averted. Account has also been taken of the current trends in the age distribution of the population and the proportion of married women in the reproductive age group. The possible effect of the proposed raise in the minimum permissible age of marriage to 18 for girls and 21 for boys has, however, not been taken into account. In suggesting the above operational programmes, the limited possibility of pushing up the IUD, CC and OP programmes and the consequent inevitability of emphasis on sterilisation programme have been taken into account. It may be pointed out in this connection that in terms of long-range protection and effectiveness in the prevention of births, sterilisation is rated 18 times as effective as a year of conventional contraceptive usage, 9 times as effective as a year of Oral Pill usage and 4.5 times as effective as an IUD insertion.

7. With achievement of these targets under the various methods, the percentage of couples effectively protected would go up from 22.8% in March 1978 to about 37% in March 1983.

8. In 1977-78 no targets were laid down and a low performance with 0.95 million sterilisations and 0.33 million IUD insertions resulted. The consequences of this low performance was that couple protection which was at the level of 23.9 per cent in 1976-77 dropped to 22.8. Even though the programme became target-oriented in 1978-79 and a programme component of 4 million sterilisations, 0.6 million IUD insertions and 4 million conventional contraceptives and oral pill users were specified, the performance level during the first 10 months (April '78 to Jan. '79) has been only around 24% of the target for sterilisation and 61% for IUD. This slide-back in performance in 1978-79 together with the even lower performance in 1977-78 has considerably retarded the progress towards the achievement of the demographic objective. It is expected that even with the slight improvement in performance from December '78 onwards, the total performance for the year 1978-79 may be only 1.3 million sterilisations (against a target of 4 million), 0.5 million IUD (against a target of 6 million), and 3.5 million conventional contraceptive users (against a target of 4 million). Because of the very low performance during the first 4 months of 1978-79, the effective couple protection has come down to 22.2 in November '78. Though a slight improvement over this percentage might result from the higher level of performance in the period December '78 to March

'79, yet the figure would be far short of the couple protection of 25.5 per cent which should have been attained by March '79 by fulfilling the targets for the year.

9. The implication of this is that the current birth-rate, which is estimated to be 33 per thousand, may instead of declining will actually increase. It is estimated that even to keep the birth-rate at the existing level of 33 per thousand, we require about 2.5 million sterilisations every year in addition to an average of one million IUD insertions and 5 million conventional contraceptive users. Since the performance in 1978-79 would be far below, even this 'maintenance level', it is expected to be reflected in a slightly higher birth-rate. The shortfall in the achievement of targets during the current year will have to be made up in the remaining 4 years, particularly during the first 3 years as the demographic impact of the last year of the plan period (1982-83) will be felt, only in 1983-84. If the shortfall in the achievement during the current year are not made up and the targets for the remaining year of the Sixth Plan, as already envisaged, are achieved (namely 21 million sterilisations, 4.4 million IUD insertions, an average of 4 million conventional contraceptive users), it will result in an estimated birth-rate of 30.5 in 1982-83 (against the target of 30 per thousand).

10. In order to adhere to the demographic objective of 30 per thousand by 1982-83, it is necessary to spread the backlog of 2.7 million sterilisations over the next 3 years. This implies that the targets for 1979-80 would have to be of the order of 5.4 million sterilisations, about 1 million IUD insertions and 4.5 million conventional contraceptive users. Promoting the use IUDs and CCs including oral pills beyond 1 million and 4.5 million users respectively, does not appear to be feasible as the performance in terms of IUD insertions has not exceeded 0.60 million and that of CC users 3.7 millions during the preceding five years. As already indicated, the acceptor requirement in terms of IUD would be 4½ times that of sterilisations, while it would be 18 times for conventional contraceptive users. This higher dimension targets have definitely operational and organisational implications. It is therefore, considered necessary that the targets of sterilisations have to be kept at higher levels if it is desired to push effective couple protection to about 37% by March '83 and thus achieve the demographic goal of reducing the birth-rate to 30 by the end of the Sixth Plan. The operational programme at the national level for 1979-80 has, therefore, to take into consideration all these implications and intensify the programme in several directions.

11. Once the national level targets as indicated in para 10 are accepted, the exercise of distribution of these targets to states would be taken up in accordance with the formula on which the targets are usually distributed to states. After distribution of national targets among the states, some minor variations in the methods-mix could be attempted but no large scale shift from sterilisation levels would be possible as it is feared that the corresponding acceptor rate in other methods may not be feasible.

ANNEXURE IV(A)

Abstract of Performance of Family Welfare Methods and MCH during 1973-74 to 1978-79

		1973-74	1974-75	1975-76	1976-77	1977-78+	1978-79+
I.	F.P. Methods						
(1)	Sterilisations $	942,402	1,353,859	2,668,754	8,261,173	947,597	952,672*
	(a) Vasectomies	403,107	611,960	1,438,337	6,199,158	187,495	N.A.
	(b) Tubectomies	539,295	741,899	1,230,417	2,062,015	760,102	N.A.
(2)	I.U.D. Insertions	371,594	432,630	606,638	580,700	326,292	368,043*
(3)	Eq. C.C. Users %	3,009,995	2,520,939	3,527,606	2,692,291	3,243,931	3,368,145**
II.	Percentage of Couples effectively protected	14.9	15.1	17.2	23.9	22.8	22.2***
III.	M.C.H. beneficiaries						
(1)	Immunisations						
	(a) T.T. for expectant mothers	410,000	740,000	1,447,414	2,142,838	3,431,045	2,190,035**
	(b) D.P.T. for pre-school children	873,000	1,722,000	2,413,082	4,017,206	7,665,894	3,900,411**
	(c) D.T. for school children			1,275,822	2,721,828	6,394,207	3,634,577**
	Total (b+c)	873,000	1,722,000	3,688,904	6,739,034	14,060,101	7,534,988
(2)	Prophylaxis against nutritional anaemia among						
	(a) mothers	6,600,000	6,677,000	3,700,106	3,288,022	5,529,796	6,057,663**
	(b) children			3,516,070	3,046,402	6,792,900	5,327,514**
	Total (a+b)	6,600,000	6,677,000	7,216,176	6,334,424	12,322,696	11,385,177
(3)	Prophylaxis against blindness due to Vit 'A' deficiency	3,42,000	3,89,000	4,484,026	6,999,273	13,348,082	11,740,549**

% Eq. C.C. users since 1975-76 includes oral pill users also.
$ Voluntary since April 1977.
+ Figures are provisional.
* Figures from April 78–January 79.
** Figures from April 78–December 78.
*** Figures from April 78–November 78.
N.A. Not available.

ANNEXURE IV(B)

Demographic picture and performance in Family Planning methods during 1978-79 (uptil January 1979)

Sl. No.	Name of State/U.T./Agency	Pop. in Million (as on Nov. '78)	Birth rate	Death rate	Growth rate (%)	Number of eligible couples in million (as on Nov.'78)	Percentage of eligible couples effectively practising contraception (as on Nov.'78)
1	2	3	4	5	6	7	8
1.	Andhra Pradesh	49.58	34.1	14.5	2.0	8.92	26.5
2.	Assam	18.62	32.3	14.3	1.8	2.73	20.8
3.	Bihar	65.45	31.1	12.1	1.9	12.24	12.6
4.	Gujarat	31.54	37.4	16.1	2.1	5.14	30.0
5.	Haryana	11.87	37.1	13.4	2.4	1.91	32.8
6.	Himachal Pradesh	4.05	32.8	14.4	1.8	0.70	23.8
7.	Jammu & Kashmir	5.65	30.6	10.7	2.0	0.95	10.3
8.	Karnataka	34.12	29.6	11.7	1.8	5.59	22.0
9.	Kerala	24.95	27.0	7.5	2.0	3.49	29.2
10.	Madhya Pradesh	50.56	41.4	17.8	2.4	9.00	21.7
11.	Maharashtra	58.48	29.0	12.2	1.7	10.00	35.3
12.	Manipur	1.37	24.2	7.0	1.7	0.17	8.1
13.	Meghalaya	1.25	34.6	16.3	1.8	0.18	7.1
14.	Nagaland	0.67	20.6	8.4	1.2	0.08	0.9
15.	Orissa	25.88	34.6	16.8	1.8	4.52	24.7
16.	Punjab	15.44	30.3	10.7	2.0	2.20	26.9
17.	Rajasthan	31.62	32.5	14.7	1.8	5.65	13.3
18.	Sikkim	0.25	N.A.	N.A.	N.A.	0.03	6.0
19.	Tamil Nadu	45.95	30.6	14.1	1.7	7.75	28.1
20.	Tripura	1.97	31.9	9.4	2.3	0.30	11.4
21.	Uttar Pradesh	101.62	41.8	20.4	2.1	17.96	12.4
22.	West Bengal	53.31	31.9	11.9	2.0	8.10	22.3
23.	A & N Islands	0.17	42.2	7.7	3.5	0.02	14.4
24.	Arunachal Pradesh	0.56	34.7	19.4	1.5	0.09	1.3
25.	Chandigarh	0.44	29.3	4.6	2.5	0.07	28.7
26.	D & N Haveli	0.09	38.4	19.3	1.9	0.01	13.4
27.	Delhi	5.63	28.4	8.3	2.0	0.88	36.6
28.	Goa, Daman & Diu	1.09	22.4	9.0	1.3	0.15	16.4
29.	Lakshadweep	0.04	29.5	10.0	2.0	0.01	8.1
30.	Mizoram	0.42	N.A.	N.A.	N.A.	0.06	7.8
31.	Pondicherry	0.57	29.7	10.7	1.9	0.09	35.1
32.	M/o Defence	—	—	—	—	—	—
33.	M/o Railways	—	—	—	—	—	—
34.	Commercial Distribution	—	—	—	—	—	—
35.	F.P. Association of India +	—	—	—	—	—	—
36.	C.M.A.I. (F.P. Project) +	—	—	—	—	—	—
	All India	643.11	34.8	15.2	2.0	109.32	22.2

+ : Performance of these Organisations are included in the States/U.Ts. in which their units are located.

N.A. : Not available

Notes :
1. Birth & Death rates are based on S.R.S. Bulletin—June'78 issue and are for the period July 1976 to June 1977. In respect of Bihar & West Bengal for which Birth and Death rates for the period July 1976 to June 1977 are not available, have been taken for the year 1976.
2. For eligible couples state-wise figures may not add-up to All-India total due to rounding of figures.

Sl. No.	States/U.Ts./ Agency	No. of new acceptors enrolled during April 78 to Jan. 79: Vol. Sterilisations ++ Target	Vol. Sterilisations ++ Achievement Number	Vol. Sterilisations ++ Achievement % (prop.)	I.U.D. ++ Target	I.U.D. ++ Achievement Number	I.U.D. ++ Achievement % (prop.)	No. of couples using correctional contra.methods. (condoms & oral pills etc.) Target	April-December'78 Achievement Number	April-December'78 Achievement %
1	2	9	10	11	12	13	14	15	16	17
1.	Andhra Pradesh	302,000	136,880	54.4	45,500	11,180	29.5	153,100	24,071	15.7
2.	Assam	88,100	15,970@	21.8	13,300	4,414@	39.8	44,600	23,036	51.7
3.	Bihar	413,100	28,993*	9.4	62,200	6,700*	14.4	209,300	25,971	12.4
4.	Gujarat	192,500	133,563	83.3	29,000	26,870	111.2	97,600	190,081	194.8
5.	Haryana	60,600	11,295	26.8	7,600	21,748	343.4	26,700	124,390	484.0
6.	Himachal Pradesh	21,700	4,059	22.5	3,300	2,990	108.7	11,000	9,779	88.9
7.	Jammu & Kashmir	37,500	5,977	29.1	5,600	2,693	57.7	19,000	4,781	25.2
8.	Karnataka	231,100	75,721	39.3	34,800	25,148	86.7	117,100	70,284	60.0
9.	Kerala	161,800	62,549	46.4	24,400	8,551	42.1	82,000	42,105	27.0
10.	Madhya Pradesh	281,100	43,915	18.0	42,300	12,132*	38.2	142,500	60,216	42.3
11.	Maharashtra	345,300	117,379	40.8	52,000	14,882	34.3	175,000	104,939	60.0
12.	Manipur	7,700	1,096@	17.1	1,200	684@	68.4	3,900	991	25.4
13.	Meghalaya	4,300	158@@	4.9	1,300	243@@	24.9	4,300	710	16.5
14.	Nagaland	—	69@@	—	—	31@@	—	—	73	—
15.	Orissa	135,800	85,394	75.5	20,400	10,536	62.0	68,700	45,116	65.7
16.	Punjab	91,000	13,087	17.3	13,700	23,851	208.9	46,100	117,360	254.6
17.	Rajasthan	201,100	15,968	9.5	30,300	12,933	51.2	101,900	77,939	76.5
18.	Sikkim	—	246	—	—	607	—	—	935	—
19.	Tamil Nadu	276,700	119,997	52.0	41,700	18,921	54.5	140,200	79,495	56.7
20.	Tripura	11,600	508*	5.8	1,800	104*	7.7	5,900	4,282	72.6
21.	Uttar Pradesh	686,400	19,007	3.3	103,400	130,492	151.4	347,900	281,350	80.9
22.	West Bengal	327,500	32,525@	11.9	49,300	5,830@	14.2	166,000	67,928	40.9
23.	A & N Islands	700	402@	69.0	100	151@	181.9	400	548	136.0
24.	Arunachal Pradesh	1,700	129@@	10.1	500	48@@	12.8	500	378	75.6
25.	Chandigarh	1,800	849	56.6	500	2,758	661.4	1,800	6,862	381.2
26.	D & N Haveli	600	218	43.6	100	2	2.4	1,800	422	23.4
27.	Delhi	25,500	5,771	27.2	7,700	16,973	264.5	25,900	119,802	462.6
28.	Goa, Daman & Diu	7,600	1,618@	25.6	1,100	366@	39.9	3,800	1,173	30.9
29.	Lakshadweep	300	25@	10.0	100	6@	7.2	200	275	137.5
30.	Mizoram	1,600	978£	81.5	500	211£	6.3	1,600	704	44.0
31.	Pondicherry	3,300	2,422*	97.9	500	759*	202.4	1,700	1,287	72.8
32.	M/o Defence	20,000	9,959**	74.7	2,500	3,567**	216.2	45,400	58,286	128.3
33.	M/o Railways	35,000	5,945	20.4	3,300	1,654	60.2	155,800	162,288	104.5
34.	Commercial Distribution	—	—	—	—	—	—	1,800,000	1,666,111	92.6
35.	F.P. Association of India+	—	—	—	—	—	—	—	6,420	—
36.	C.M.A.I. + (F.P. Project)	—	—	—	—	—	—	—	7,857	—
	All India	3,965,000	952,672	31.5	600,000	368,043	75.0	4,000,000	3,368,145	84.2

\+ Performance of these organisations are included in those States/U.Ts. in which their units are located.

++ Figures provisional ** Figures upto November, 78. * Figures upto December, 78.

@ Figures for January 79 are incomplete.

@@ Figures from April 78 to January 79 excluding December 78 and figures for January 79 are incomplete,

£April 78—January 79 excluding the figures for December 78.

ANNEXURE V

MCH Activities—Expectations and Achievements—1978-79 (April-December, 1978)

Sl. No.	State/U.T./Agency	Tetanus Immunisation for Expectant Mothers			D.P.T. Immunisation for children					D.T. Immunisation for children		
		Expectation (in 000's)	Achievement	% Acht. of Prop. Expectation	Expectation in (000's)	Achievement: Primary dose	Achievement: Booster dose	Achievement: Total	% Acht. of Prop. Expectation to col. 9	Expectation in (000's)	Achievement	% Acht. of Prop. Expectation
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	Andhra Pradesh	800	2,20,121	36.7	1,300	4,12,984	13,203	4,26,187	48.7	1200	4,36,195	48.5
2.	Assam*	100	22,627	33.9	170	64,473	8,591	63,064	55.6	160	55,440	52.0
3.	Bihar***	100	12,855	25.7	220	32,377	8,680	41,057	37.3	160	19,466	24.3
4.	Gujarat	400	2,27,743	75.9	600	3,73,413	28,682	4,02,095	89.5	700	4,86,134	92.6
5.	Haryana	100	46,972	61.3	220	1,14,516	9,481	1,23,997	75.1	160	1,01,290	84.4
6.	Himachal Pradesh*	20	10,902	81.3	70	29,692	4,705	34,397	73.7	35	19,694	84.4
7.	Jammu & Kashmir	70	15,430	29.4	170	57,839	3,805	61,644	48.3	100	45,417	60.6
8.	Karnataka	300	1,89,769	84.3	620	3,27,728	24,576	3,52,304	75.8	450	2,62,649	77.8
9.	Kerala**	300	1,12,159	64.1	640	2,29,675	79,396	3,09,071	82.8	450	1,39,652	56.2
10.	Madhya Pradesh*	300	75,056	37.5	610	1,52,868	10,741	1,63,599	40.2	450	1,13,162	37.7
11.	Maharashtra	750	2,84,346	50.6	1,300	3,75,656	42,096	4,17,752	42.8	1,150	5,61,023	65.1
12.	Manipur*	10	1,669	25.0	17	4,481	364	4,845	42.8	25	6,348	38.1
13.	Meghalaya***	12	975	16.3	11	2,196	572	2,768	50.8	20	3,342	33.4
14.	Nagaland**	10	58	1.0	17	21	NR	21	0.1	20	NR	—
15.	Orissa	220	87,049	52.8	220	86,451	9,342*	95,793	86.1	300	1,58,536	70.5
16.	Punjab	110	66,869	81.1	340	1,37,524	13,381	1,50,905	59.2	160	98,530	82.1
17.	Rajasthan	70	62,964	119.9	170	1,11,327	13,922	1,25,249	98.2	110	74,704	90.6
18.	Sikkim**	10	1,302	23.7	12	3,669	1,581	5,250	75.0	20	2,366	20.3
19.	Tamil Nadu	400	1,71,795	57.3	640	2,50,774	30,203	2,86,977	59.8	700	2,60,199	49.6
20.	Tripura	10	637	8.5	17	375	151	526	4.1	20	241	1.6
21.	Uttar Pradesh	400	2,41,503	80.6	800	2,63,264	6,671	2,69,935	45.0	700	3,46,196	69.8
22.	West Bengal*	400	2,73,718	102.6	605	3,41,865	86,602	4,28,467	106.2	700	3,80,584	81.5
23.	A & N Islands*	1	1,688	253.2	2	624	46	670	50.3	1	322	48.3
24.	Arunachal Pradesh	1	595	79.3	2	638	47	685	45.7	1	574	76.5
25.	Chandigarh	15	4,595	40.8	12	5,835	1,170	7,005	77.8	15	5,698	50.6
26.	D & N Haveli	1	320	42.7	1	764	1	765	102.0	1	330	111.7
27.	Delhi	30	20,778	92.3	60	34,620	15,326	49,946	111.0	60	7,894	17.5
28.	Goa, Daman & Diu	10	3,260	43.5	13	10,981	2,207	13,188	135.3	15	6,793	60.4
29.	Lakshadweep	1	2,297	306.3	1	2,484	NR	2,484	331.2	1	2,259	301.2
30.	Mizoram*	1	1,976	296.4	1	13,272	682	13,954	2,093.1	1	—	—
31.	Pondicherry**	10	4,381	75.1	17	6,827	3,011	9,838	99.2	20	5,907	50.6
32.	M/o Defence	—	—	—	—	—	—	—	—	—	—	—
33.	M/o Railways*	30	24,486	122.4	45	28,707	6,492	35,199	117.3	10	12,984	194.8
34.	Labour & Employment	10	NR	—	20	NR	NR	NR	—	10	NR	—
	All India	5,002	21,90,035	61.0	8,943	34,67,910	4,32,501	39,00,411	61.0	7,925	36,34,577	63.9

Sl. No.	State/U.T./Agency	Prophylaxis against Nutritional Anaemia among: Women: Expectation (in 000's)	Women: No. of beneficiaries: Total women	Women: No. of beneficiaries: Exp. & Nursing Mothers	Women: % Acht. of Prop. Exp. to Col. (15)	Children: Exp. (in 000's)	Children: No. of beneficiaries	Children: % Acht. of prop. Expectation	Prophylaxis against blindness due to Vitamin 'A' deficiency: Expectation (in 000's)	No. of beneficiaries: 1st dose	No. of beneficiaries: 2nd dose	%Acht. of annual Expectation: 1st dose	%Acht. of annual Expectation: 2nd dose
1	2	14	15	16	17	18	19	20	21	22	23	24	25
1.	Andhra Pradesh	1,200	6,54,957	4,21,894	72.8	1,200	3,93,529	43.7	2,500	6,75,469	2,79,533	27.0	11.2
2.	Assam*	300	1,29,959	70,605	65.0	300	1,28,922	64.5	400	1,97,136	11,773	49.3	2.9
3.	Bihar***	300	1,70,550	1,13,153	113.7	300	1,35,529	90.4	800	1,87,942	—	23.5	—
4.	Gujarat	500	6,46,146	3,83,276	172.3	500	5,25,185	156.0	1,700	10,63,660	2,14,011	62.6	12.6
5.	Haryana	300	1,45,648	94,467	64.7	300	1,20,246	53.4	600	3,09,106	36,018	51.5	6.0
6.	Himachal Pradesh*	100	68,252	40,476	102.4	100	64,442	96.7	200	71,900	9,093	36.0	4.6
7.	Jammu & Kashmir	100	56,319@@	56,310	75.1	100	20,736*	31.1	400	1,36,262	22,138	39.1	5.5
8.	Karnataka	700	3,99,790	2,67,446	76.2	700	2,43,661	46.4	1,700	11,40,643**	NR	66.8	—
9.	Kerala**	500	2,55,286	1,76,869	87.5	500	2,93,132	101.2	1,700	7,79,960	45,591	46.9	2.7
10.	Madhya Pradesh*	700	3,66,369	2,42,393	78.5	700	3,09,809	66.4	2,100	4,49,438	20,373	21.4	1.0
11.	Maharashtra	1,200	6,55,430	5,29,277	72.8	1,200	5,29,295	58.8	2,100	9,10,995	1,14,471	43.7	5.5
12.	Manipur	50	11,668	10,036	31.1	50	9,396	25.1	100	14,675	258*	14.7	0.3
13.	Meghalaya***	50	22,395	12,927	89.6	50	20,227	80.9	100	17,607	2,245	17.6	2.2
14.	Nagaland**	50	200	NR	0.7	50	310	1.1	100	NR	NR	—	—
15.	Orissa	300	1,85,241	1,23,188*	82.3	300	3,02,578	134.5	1,400	7,73,521	78,362*	55.3	5.6
16.	Punjab	220	1,29,838	87,458	78.7	220	1,12,650	68.3	400	2,21,372	38,583	51.3	9.7
17.	Rajasthan	250	2,68,878	1,99,933	143.4	250	1,63,729	87.3	1,000	4,05,562	1,70,555	40.6	17.1
18.	Sikkim	15	12,557	6,770	111.6	15	16,557	147.2	60	13,729	514**	22.9	0.9
19.	Tamil Nadu	700	2,63,049	1,91,992	50.1	700	2,68,867	51.2	1,900	3,71,934	1,26,397	45.9	6.7
20.	Tripura	50	11,350	3,198	30.3	50	3,877	10.3	100	1,881	126	1.9	0.1
21.	Uttar Pradesh	740	2,90,379@@	2,90,379	52.3	750	3,64,387	64.8	2,400	7,63,916	79,357	31.8	3.3
22.	West Bengal*	1,200	8,38,272	92,504	104.8	1,200	9,10,202	113.8	1,700	9,86,257	1,39,282	58.0	8.2
23.	A & N Islands*	15	11,840	6,561	118.4	15	5,327	53.3	4	2,447	428	61.2	15.7
24.	Arunachal Pradesh	15	7,873	6,987	70.0	15	7,542	67.0	4	944	28	23.0	0.7
25.	Chandigarh	15	6,073	5,845	54.0	15	6,490	56.9	15	13,270	1,400	88.5	9.7
26.	D & N Haveli	10	3,702	2,182	49.4	10	12,548	167.3	4	3,403	529	85.1	13.2
27.	Delhi	60	1,86,392	96,713	414.2	60	96,599	214.7	150	97,049	37,650	64.7	25.1
28.	Goa, Daman & Diu	50	17,259	11,091	46.0	50	20,114	53.6	150	54,905	6,426	36.6	4.3
29.	Lakshadweep£	10	1,899@@	1,899	45.6	10	2,859	66.6	4	429	—	12.0	—
30.	Mizoram*	20	6,949	9,940	52.1	20	6,746	50.6	4	1,898	NR	35.0	—
31.	Pondicherry**	20	7,300	3,956	62.6	20	9,084	77.9	120	10,813	147	9.0	0.1
32.	M/o Defence*	45	71,448	47,483	238.2	37	27,826	112.8	100	NR	NR	—	—
33.	M/o Railways*	200	1,54,395	77,960	115.8	200	1,33,203	99.9	600	1,19,962	11,420	20.0	1.9
34.	Labour & Employment	15	NR	NR	—	13	NR	—	50	NR	NR	—	—
	All India	10,000	60,57,663	36,82,286	85.5	10,000	53,27,514	75.2	24,665	102,93,581	14,46,968	42.2	6.6

— : Nil. NR : Not received. * : Figures upto November, 78. ** : Figures upto October 78. *** : Figures upto September, '78. £ : Figures upto August, 78.
@@ : In the absence of Total women figure, the figure of Expectant & Nursing mothers has been taken.

ANNEXURE VI

No. PC(P)4/CA/76
GOVERNMENT OF INDIA
PLANNING COMMISSION

Yojana Bhawan, Parliament St.,

New Delhi-110 001

February 18, 1977.

To

The Chief Secretary,

Government of............

SUBJECT:— Earmarking the actual release of a portion of the total Central Assistance agreed to States for their respective approval to States Annual Plans 1977-78 and 1978-79 against their performance under Family Planning Programmes.

Sir,

In pursuance of the decision taken in the September meeting of the National Development Council as incorporated in paragraph 4.38 on page 40 of Chapter IV of the Document on the Fifth Year Plan 1974-79. I am directed to say that it has been decided to regulate the actual release of total Central assistance agreed to for the approved State Annual Plan 1977-78 to the extent of 8% on the basis of the actual performance of the respective States under the Family Planning Programme. A copy of the formula on the basis of which the actual release of 8% of the total Central assistance for the Annual Plans of States for 1977-78 will be determined, is enclosed for the information of the State Government. The details of the programme and the targets which will be operative in the preceding, year 1976-77 under the Family Planning Programme and on the basis of which the performance of States will be assessed, have already been determined and intimated to the State Governments.

2. Please acknowledge receipt of this letter.

Yours faithfully,

Sd/-

(P. H. VAISHNAV)
Joint Secretary to the Government of India.
Tel: 363067

Enclosure :-One

Copy to:-

1. Planning Secretary, Government of......

2. Finance Secretary Government of......

ANNEXURE VI (Contd.)

PLANNING COMMISSION

Formula for Allocation of 8% of the Central Assistance to the State Plans based on Family Planning Performance.

1. The formula will be operative from the Annual Plan 1977-78.
2. 8% of the Central Assistance allocated to a State would be set apart and released on the basis of its performance relating to family planning during the preceding year.
3. There will be two groups of States: States (Himachal Pradesh, North Eastern States, Sikkim, Jammu & Kashmir) for which lump sum allocation of central assistance is made and others. Funds from one group will not be transferred to the other group.
4. Family Planning performance will be assessed for each State in respect of the following four factors:-
   - (a) Overall performance is method acceptance i.e., number of equivalent sterilisation;
   - (b) Annual percentage decline in crude birth rate based on the sample registration scheme;
   - (c) Improvement in child health i.e. (i) Deliveries conducted by trained para-medical personnel like Auxiliary Nurse Midwife; (ii) DPT immunisation for pre-school children; (iii) Prophylaxis against nutritional anaemia; and (iv) Pro-phylaxis against blindness due to Vitamin 'A' deficiency.
   - (d) Additional annual enrolment of girls in classes VI-VIII over base year 1975-76.
5. Weightage of 60%, 20%, 10% (with equal weightage to sub-factors) and 10% would be assigned respectively to the four factors (Paragraph 4(a), (b), (c) & (d)).
6. The targets for 4(a), 4(c) and 4(d), will be intimated to the State Governments. Regarding 4(b) the targetted percentage decline in crude birth rate would be based an the adoption of the National Demographic goal.
7. The States which would achieve their targets will be assured of their 8% of the central assistance. The States which will fail to achieve their targets will be deprived of a part of their due central assistance based on their actual performance in relation to the targets fixed under each of the afore-mentioned four factors.
8. The surplus thus available from these States will be distributed amongst only those States in the group whose performance in method acceptance factor is in excess of their target by 20% or more. The surplus would be distributed to them *in proportion to the ratios of performance to target in method acceptance* factor only.

* * *

1. The number of equivalent sterilisation is equal to the number of sterilisations + 1/3 IUDS.
2. The annual percentage decline in crude birth rate would be derived by using a 3 year moving average. The Registrar General would make available State-wise figures of crude birth rate for a calender year by the end of the next year. The performance for the Calendar year 1976 will be related to the Central Assistance for 1977-78 and so on.

3. The ratio of performance to targets will be applied to the allocable assistance in respect of each factor for determining the actual amount. The States where this ratio is either equal to or more than one will get full corresponding allocable assistance. In respect of crude birth rate, States where no decline has occurred will fail to get the due assistance on this account.

4. Till such time targets are fixed in respect of factor 4(c) (i) deliveries conducted by trained para-medical personnel by the Deptt. of F.P., the weightage of 10% assigned to the improvement in child health shall be distributed among the factor 4(c) (ii)-(iv) in equal proportions.

No. PC(P)/CA/76

GOVERNMENT OF INDIA

PLANNING COMMISSION

Yojana Bhawan,
Parliament Street, New Delhi-110 001.
the 30th June 1978.

To

The Chief Secretary, Government of............

SUBJECT :— Earmarking the actual release of a portion of the total Central Assistance agreed to States for their respective approved States Annual Plans against performance under the Family Welfare Programme.

Sir,

I am directed to refer to the Planning Commission's letter of even number dated 18th February, 1977, on the subject noted above, and to inform you that 8% of Central Assistance, which is to be released on the basis of the Family Welfare performance in the year 1976-77 has been released during 1977-78 without link the same to the Family Welfare performance. However, from 1978 the linkage between 8% of the Central assistance and performance of Family Welfare Programme on the basis of 'level of performance' will be established. The 'levels of performance' which will be applicable and the operational details have been communicated to you by the Department of Family Welfare vide Secretary, Ministry of Health and Family Welfare D.O. letter No. Q. 11011/2/78-Ply, dated 1st May, 1978. (copy enclosed for ready reference). The additional enrolment levels of girls in classes VI to VIII in 1978-79 are enclosed.

2. The words 'Family Planning, Targets and Sterilisations' occurring in the formula communicated with our letter of even number, dated the 18th February, 1977 are replaced by the terms "Family Welfare, levels of performance and voluntary sterilisations" respectively. The foot note 4 of the formula communicated earlier also stands deleted.

3. Please acknowledge receipt of the letter.

Yours faithfully,

Sd/-

(P. H. VAISHNAV)
Joint Secretary to the
Government of India.

D.O. No. Q. 11011/2/78-Ply

Rajeshwar Prasad

Secretary

GOVERNMENT OF INDIA

MINISTRY OF HEALTHY & FAMILY WELFARE

New Delhi-110 011

Dated 1-5-1978

Dear

You are aware that the Government of India attach very high importance to the Family Welfare Programme as a means of controlling fertility and bringing down the growth rate of the population. The Policy Statement on the Family Welfare Programme, dated 29th June, 1977, states in this regard: "This Government is totally committed to the Family Welfare Programme and will spare no efforts to motivate the people to accept it voluntarily in their own interest and in the interest of their children as well as in the larger interest of the nation".

The Policy Statement on Family Welfare programme also makes it clear that while family planning and population control is a subject in the Concurrent List, the implementation of the Family Welfare Programme is very much the responsibility of the State Governments; assistance for the implementation of the Programme is provided by the Central Government to the State Governments on a 100 per cent basis. In order to ensure the purposeful implementation of the Family Welfare Programme the principle of linking 8% of Central assistance to the State plans with their performance and success in the Family Welfare Programme has been accepted and will be implemented. It may be recalled in this connection that the Planning Commission had conveyed vide their No. PC(P)4/CA/76, dated 18th February, 1977, the formula on the basis of which the performance of a State was to be judged for the purpose of releasing 8% of the total Central assistance to which a State Government is entitled for any year. This formula was to have been applied with effect from the financial year 1977-78, but owing to the fact that the release of assistance during the year 1977-78 would have to be related to the performance of 1976-77, which was achieved in certain parts of the country through coercion and pressure, it was decided to defer the application of the principle of linking Central assistance with the performance of the Family Welfare Programme.

The Central Councils of Health and Family Welfare at their Joint Conference in January 1978 while recommending the revised demographic goal of bringing down the birth rate to 30 per thousand of population by 1982-83, reiterated that there should be no compulsion or coercion of any kind in the implementation of the sterilisation programme. The resolution also stated that the realisation of the revised demographic goals involved achievement of certain operational objectives in terms of voluntary sterilisation and other methods and it re-emphasised the relevance of these objectives. The Central Department of Family Welfare had in the past communicated to the States and Union Territories annual targets in respect of different methods of contraception as also in respect of maternity and child health schemes. In 1977-78 however it was clarified that the communicated levels in respect of voluntary sterilisation would not be insisted upon. The entire position has now been reconsidered and it has been decided that the levels of performance required to achieve the demographic objective within the stipulated time will be indicated to the

States/UTs and other agencies and the levels of performance will be the basis on which the 8% portion of the total Central plan assistance to the States will be released in the following year. Thus, with effect from 1978-79, the linkage between family planning performance and the release of Central assistance is being restored.

The levels of performance has been indicated in respect of different methods of contraception under our circular letter No. Q. 11012/2/78-Ply dated 29-4-1978 and in respect of various items under the MCH Programme in our circular letter No. M.11011/ 1/78-MCH dated 7th April, 1978. Under the formula for the distribution of 8% of Central assistance, if any State fails to achieve the indicated levels of performance, it will lose a part of the earmarked 8% portion of the total Central Plan assistance and those States which achieve a level of performance higher than that indicated under method acceptance by 20% or more will gain additional assistance over and above their portion of the Central plan assistance. It will therefore be very necessary that efforts are made from the very beginning of the year to achieve the different levels of performance and to exceed them if possible.

Statements indicating the expected levels of performance in respect of family planning and MCH communicated under the circulars referred to above are enclosed for ready reference. The formula for the distribution of 8% of Central assistance also refers to deliveries conducted by ANMs and other para-medical staff, enrolment of girls at the middle level of school education, and reduction in the birth rate. So far as the deliveries conducted by ANMs and other para-medical staff are concerned, it is proposed to take 7 per 1000 of rural population as the normal expectation against which the actual performance will be measured. For this purpose, the rural population of the state as of 1971 census will be taken into account. Targets for school enrolment might have been communicated by the Ministry of Education. As regards the birth rate, the estimates given by the Registrar General on the basis of the Sample Registration System will be taken into consideration.

I am, therefore, to request you that, as the leader of the services in the States and the senior most adviser to the Chief Minister and his Cabinet colleagues, you may kindly give the necessary leadership to the Family Welfare Programme in your State so that not only is the programme rejuvenated but necessary public support for the same is enlisted so as to make it truly a peoples' programme. I may add that unless all the voluntary organisations are involved and all the Departments of the Government at the local level are properly motivated the object will not be achieved. For this you are the main person who can give the necessary drive. I shall be grateful if you will kindly take necessary action and drop me a line in reply.

With kind regards,

Yours sincerely,

Sd./-

(RAJESHWAR PRASAD)

Chief Secretaries of all States.

Copy to:

All Health Secretaries (By name).
All Finance Secretaries (By name).
All Regional Directors.
All D.H.Ss.
All S.F.P.Os.

SUMMARY RECORD

Welcoming the Chief Ministers and others to the meeting of the National Development Council, **Shri Morarji Desai**, Prime Minister made a reference to the limited time available for the business to be transacted and said that the printed speeches of the Chief Ministers, which had been distributed, might be taken as read. He observed that this meeting of the N.D.C, was expected to decide the issues raised in the earlier meetings of the N.D.C. Committee and its Working Group.

2. The Prime Minister said that there seemed to be broad agreement in the N.D.C. Committee about the size of the total public sector plan outlay being Rs. 69,380 crores. This consisted of Central Sector outlay of Rs. 34,220 crores—including Rs. 6,000 crores for Centrally sponsored schemes which of course was under consideration—and the State Plan outlays of Rs. 35,160 crores excluding the Centrally sponsored schemes. That would really mean more than Rs. 41,000 crores outlay in the States and about Rs. 28,000 crores for the Central Sectors of the Plan. Out of Rs. 35,160 crores for the State Plans, Central assistance to the States would be about Rs. 10,350 crores to be distributed according to the Gadgil Formula. The only disagreement was in the case of Centrally sponsored schemes. He pointed out that Centrally sponsored schemes were to be implemented in the States. These schemes were described as such because they were for specific purposes which were vital. It was essential that funds earmarked for such areas as rural health services, adult education, welfare of Adivasis and Harijans were actually utilised for the purpose for which they were meant. There was a possibility of making some changes therein and about Rs, 2,650 crores might be transferred to the States for the five year period, which actually meant that about Rs. 2,000 crores for the remaining four years (1979-83) could be distributed among the States.

3. The Prime Minister said that the country, on the whole, could not be called prosperous. It could not be said that any State was affluent. It was only a question of comparative advance. However, if one went by the per capita income in each State, differences would be observed. By this criterion, Six States out of the 14 States covered by the Gadgil formula, viz., Bihar, Uttar Pradesh, Madhya Pradesh, Orissa, Rajasthan and Andhra Pradesh had per capita income of less than the average of the 14 States; the other eight States having per capita income more than the average were Tamil Nadu, Kerala, West Bengal, Karnataka, Gujarat, Maharashtra, Haryana and Punjab. Then there were States, who, although had per capita income higher than that of Bihar or U.P. or Madhya Pradesh, were in the 'special category' because of their special problems.

4. The Prime Minister stressed the need to consider the development needs of the country as a whole in the spirit of a joint family. He appealed to the Chief Ministers, especially of the States who were comparatively better off, to have more consideration for those who were comparatively less well off. He said that he would have no hesitation to give more funds to the States if funds were available. He pointed out that the total public sector outlay of Rs. 69,380 crores envisaged in the Draft Five Year Plan was the maximum that could be mobilized and one had to work within that limitation.

5. The Prime Minister expressed his happiness about the agreement arrived at regarding the distribution of Central assistance of Rs. 10,350 crores among the States. He mentioned that there were differences about the manner of distribution of the amount of Rs. 2,000 crores among the States, and to what extent the States should contribute to the Centrally Sponsored schemes which

would be still left over as such, All these schemes were very vital for development of the States, more particularly for areas requiring special attention.

6. The Prime Minister expressed the hope that during the meeting it would be possible to reach agreement on the question of distribution of the amount of Rs. 2,000 crores among the States. The Prime Minister remarked that just as the States wanted the Centre to be more considerate to them, it was also necessary for the comparatively well off States to bear in mind the needs of the other States. Then, it should be possible to come to a proper conclusion and that was the purpose of N.D.C.

7. **Shri Jyoti Basu**, Chief Minister of West Bengal, reiterated the views earlier expressed by the States representatives in the meetings of the NDC Committee and its Working Group, regarding the observations of the Seventh Finance Commission with respect to the Corporation Tax, Surcharge on income tax, the scheme of additional duties of excise and the railway passenger tax etc. and desired them to be discussed. Intervening, the Chairman said that those issues could be discussed in a separate meeting of the Chief Ministers which he was prepared to call for that purpose only. The present NDC meeting had been called for taking a view of the Plan and that could not be changed.

8. The Chief Minister agreed with the views expressed by the Prime Minister that the approach should be to help advancement of the country as a whole. He pleaded for raising the States Plan outlays from Rs. 35,000 crores, by whatever amount it was possible and distributing that additional amount among the comparatively weaker States. In the matter of distribution of Central assistance, he supported the retention of the Gadgil formula for the time being. He commended the Food for Work Scheme and desired that similar schemes for removing sand and for building private houses in West Bengal might be undertaken which became necessary as a result of damages caused by the floods.

9. The Chief Minister urged that three-quarters of the total volume of market borrowings are three-quarters of the aggregate institutional loans, should be earmarked for the States. Besides, full compensation should be paid to the States in case it was decided to implement the prohibition policy. State Governments which had decided to introduce a scheme of "unemployment assistance" should also be assisted financially. Requirements of the States for equalisation of pay and allowances of their employees with those of the Government of India might be taken into consideration. He suggested that the aggregate Plan outlay of the States would need to be at least Rs. 45,000 crores or so.

10. The Chief Minister argued that just as the Centre had the right to consider the States' Plans and expenditure, a similar right should be conceded to States' representatives to go into the question of what the Centre spent and the allotments made for different sectors of the Central Plan. Shri H. N. BAHUGUNA, Minister of Petroleum, Chemicals and Fertilisers intervened to ask whether the scrutiny of the Centre's Plan was not a matter for the Members of Parliament. The Prime Minister did not agree to the Chief Minister's suggestion.

11. **Shri Ram Naresh Yadav**, Chief Minister of Uttar Pradesh said that in the light of the new strategy envisaged for current Five Year Plan, it was necessary that all issues connected with the process of development planning should be reviewed from the point of view of social justice, equity and reduction of inter se disparities. Some States like Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan and Orissa remained in deteriorating condition even after the formulation and implementation of successive Plans. These States had been neglected in the past and needed

special consideration to enable them to develop.

12. The mode of distribution of Rs. 2,000 crores obtained by cutting down centrally sponsored schemes was not that important. What was important was how to reduce inter-State disparities and how to raise the standard of living of the people. The allocation should be made in such a way so as to enable the weaker States to achieve the stated objectives. He felt that plan assistance and other facilities like market borrowings etc. should be so distributed as to improve the condition of these backward States and also to eliminate the existing disparity. He suggested that the formula for distribution of Rs. 2,000 crores should contain a provision for sufficient assistance to Uttar Pradesh, Bihar and Madhya Pradesh so that they could solve their problems of poverty and unemployment and could improve the lot of Harijans and agricultural labour and could make them to feel that they were no longer neglected.

13. As regards Centrally sponsored schemes, the Chief Minister observed that those schemes tended to distort the States' priorities and administrative structure and led to a great deal of duplication and overlapping of programes. However, if the Planning Commission and the Central Ministries could introduce adequate structural, operational and administrative flexibility into Centrally sponsored schemes and similar central schemes and ensure an equitable flow of resources among States, he would not mind how many Centrally sponsored schemes were taken up by the Government of India.

14. **Shri Devraj Urs**, Chief Minister of Karnataka, requested that the speech which he had circulated might be taken into consideration. The task of the present meeting was to find a suitable method for distributing the amount of Rs. 2000 crores among the States through certain modifications in the Centrally sponsored schemes. Some of the Chief Ministers had talked of other issues like the recommendations of the Seventh Finance Commission and since the Prime Minister had agreed to have a separate meeting for discussing those matters he did not wish to go into those details.

15. The Chief Minister disagreed with the suggestion that the entire amount of Rs. 2,000 crores be distributed only to the States which were considered comparatively backward on certain criteria based on poverty ratio. He objected to the method adopted in working out such ratios because, according to him, the statistical data used in working out the ratios were controversial and more in-depth and detailed studies were required before working out those ratios. To consider certain States (6 or 7) including Karnataka in the first category of forward States as compared to the rest and to distribute the entire money to latter category of states would not be fair. He suggested that the Gadgil formula, by and large, had so far been found to be more rational in its approach and that could be applied even for distributing the amount which was available from the Centrally sponsored schemes. He suggested a slight modification in the Gadgil Formula that the reservation for special problems might be raised to 20% in place of 10% as given in formula and the balance of the available funds be distributed on the basis of other components in the formula. He felt that there should be only one formula i.e. Gadgil formula for distribution of Central assistance including the resources released by modifications in Centrally sponsored schemes.

16. The Chief Minister maintained that certain States were comparatively better off because of various socio-economic measures adopted by them. In the matter of tax efforts and other developmental activities, some States had made greater efforts than the others. If other States did not make similar efforts and their income remained low, States which had made greater tax efforts

should not be asked to make sacrifices for them. The Centre had already taken care of the backward States by various measures including Central investments in those States. He requested the Council to consider the question on a more rational basis and to see that even out of Rs. 2,000 crores, some 10% or so could be allocated to the backward States and the balance could be redistributed on the basis of some agreed formula.

17. The Chief Minister also made a reference to the hardships undergone by the cultivators because of fluctuations in the prices of their produce and input costs, exploitation by middlemen and difficulties in obtaining credit etc. and suggested that these matters might be studied in-depth and some solution found out.

18. **Shri Karpuri Thakur**, Chief Minister of Bihar, said that the participants in the NDC meeting including the Central Ministers, though represented different States, were representatives of the Nation. The NDC was the highest National Policy formulating body. If the representatives of the comparatively developed States took some decisions sitting separately, it could be presumed that decisions were being taken neither as representatives of the nation nor for the development of the nation. He stated that one should not talk on the basis of States but rather talk in terms of national development. It should not happen that certain States might prosper and others remained poverty-stricken and backward. One had to think how the entire country could advance towards development.

19. There were many States in the country, the Chief Minister continued, which were getting very low per capita outlay and the situation needed to be improved. He felt that because of the Gadgil formula, the comparatively developed States became further developed and the backward States became more backward. He said that the scope of discussions in the meeting was limited to only one subject and pleaded for discussions on the terms of reference of the NDC Committee as also on points raised by the Chief Minister of West Bengal, including the findings of the Finance Commission. He suggested that necessary measures should be adopted for achieving the objectives of elimination of poverty, unemployment and imbalances.

20. The Chief Minister further stated that the population of the backward States was 45 per cent of the total population of the country and the assistance given to the backward States during the period from 1951 to 1979 was 34 per cent. If the existing system continued, how could the backward States come at par with the developed States. On the basis of backwardness, these States should get 50 to 60 per cent assistance. The backward States deserved special assistance otherwise in future also one would be talking about the disparity and imbalances existing among the States. The income of the backward States should be brought to the level of the national average.

21. Reacting to the remarks of the Chief Minister of Karnataka, the Chief Minister agreed that Bihar had plenty of natural resources, e.g. coal, iron but they were under the control of the Centre and the State got only the royalty. He remarked that if a decision was taken that the minerals available in the State would be entrusted to the State Govt. which could use them, the State Govt. would be satisfied with such a decision and would not press the Centre for assistance. The Chief Minister concluded that while formulating the Plan, national objectives and targets should be kept in view. A plan formulated with the objective of making the people and the country as a whole prosperous would be a national plan in the true sense.

22. **Shri Golap Borbora**, Chief Minister of Assam advocated that due to the strategic location of the States, the heterogenous nature of the population and other special problems, particularly, in respect of communication and transportation of essential commodities, Assam should be allowed to remain in the Special Category States. As regards the distribution of Rs. 2,000 crores out of the

allocation earlier made for the Centrally sponsored schemes, he supported the claim of Orissa, Bihar, Uttar Pradesh, Madhya Pradesh and Rajasthan for allocation of a substantial portion to those States. He desired that a reasonable amount might also be earmarked for the special category States.

23. **Shri Babubhai J. Patel**, Chief Minister of Gujarat said that a substantial step-up in the size of the State Plan would be necessary in order to achieve the principal objectives envisaged in the Draft Plan as most of the programmes were in the State sector. Additional resources would also have to be provided to States to enable them to finance a larger Plan outlay. In the context of the larger role assigned to the States in development planning and execution of the Plan, the share of states in the net market borrowings should be increased from 36 per cent in the Fifth Plan to at least 40 per cent in the current Plan. If that was agreed to, the States resources could increase by about Rs. 3,500 crores during the Plan period. A similar step-up in the quantum of Central assistance for the State Plans was also necessary. He urged that Central assistance for the current Plan should be of the order of 50 per cent of the State Plan outlays.

24. The Chief Minister maintained that the formula for sharing of the market borrowings should be so evolved as to encourage the States to increase the mobilisation of resources by commercial banks, LIC etc., in the respective States, and at the same time to ensure that those savings were invested on a fair basis among all the States. The credit-deposit ratio of commercial banks, investment premia income of LIC and investment – net provident fund accretions under the Employees Provident Fund should be considered for the inter-State distribution of market borrowing. Larger market borrowings should be allocated to the States where these ratios were unfavourable.

25. As regards the alternative formula for inter-State distribution of central assistance, the Chief Minister favoured Formula B indicated in the papers circulated by the Planning Commission as in certain respects it was superior to the Gadgil Formula. However, if Formula B was not generally acceptable to the Council he would recommend the adoption of Formula A which was a slightly modified version of the Gadgil Formula.

26. Discussing the question of inter-State distribution of the additional amounts on account of reduction in the outlays on the Centrally Sponsored Schemes, the Chief Minister drew a reference to distinction sought to be made among the 14 formula States some of which were proposed to be treated as rich and some as poor. He urged that the Plapning Commission should not directly or indirectly agree to any such classification of States. Pockets of backwardness and a large population below the poverty line existed in all the States and the problem of finding adequate resources for removing regional imbalances was not confined to a few States only. If any assitance was to be provided to the States on the basis of backwardness, it should be with reference to certain well defined norms of backwardness and with reference to the backwardness of certain classes of persons and such assistance should be available to all such citizens regardless of the States they lived in. That could be ensured if the Planning Commission drew up certain physical indicators of backwardness and assistance was provided to all States to enable them to come up to the prescribed national minimum norms. He suggested that the additional central assistance should be transferred to the pool of block assistance for distribution among the States on the basis of whatever formula was agreed to for other assistance.

27. The Chief Minister advocated that 100 per cent of the IDA/World Bank disbursements and similar disbursements by other international agencies and other Governments for projects included in the State Plans should be passed on to the State Governments concerned as additional central

assistance on the same terms and conditions on which it was available to the Government of India. He further suggested that the grant component of Plan assistance should be substantially raised so that the ratio of grant to loans became 70 : 30 instead of 30 : 70 as at present. He also suggested that the total provision for centrally sponsored schemes should not exceed Rs. 3,350 crores and all these should be on Central financing basis. The States should not be required to provide 50 per cent matching funds. The number and provision for Centrally sponsored schemes would have to be further reduced and this could be done by the Planning Commission in consultation with the State Governments.

28. Finally, the Chief Minister desired the Council to consider some of the observations made by the Seventh Finance Commission regarding corporation tax, surcharge on income tax, additional excise duties in lieu of sales tax etc. He urged the Council to recommend (i) that the Government of India should share the proceeds of the corporation tax with the States, (ii) that the surcharge on income tax be merged in the basic rate of income tax, (iii) that the rates of additional duties of excise on sugar, textiles and tobacco be so adjusted that their incidence as a percentage of the value of clearance was raised to 10.8 per cent and the ratio 2 : 1 between the yields of basic and special excise on the one hand and the additional duties of excise on the other was achieved and maintained, (iv) the Railway Convention Committee should examine immediately the question of increase in the grant payable to the States in lieu of the tax on railway passenger fares from Rs. 16.25 crores to Rs. 65 crores which was what the States would have got if the tax had been continued in its original form.

29. **Shri Devi Lal**, Chief Minister of Haryana was of the view that national objectives should have priority over the narrow interests of the individual States. The judicious allocation of Central Plan assistance played a vital role in this regard and therefore, there was no objection to the Special Category states receiving more assistance than the comparatively developed States. But, of late there had been a thinking in the Planning Commission to divide the remaining 14 States into two categories viz., more developed States and less developed States. Acceptance of the formula, suggested in the meeting of the NDC Committee held on the 20th January, 1979, to distribute Rs. 2,000 crores released by the modifications in the Centrally sponsored schemes for the period 1979-83 according to the inverse of the per capita Plan outlay of the state multiplied by its population would ultimately lead to the classification of States into as many categories as there were States, if a 'band-of-spectrum wise' analysis of the results of the formula was carried out. Further, the application of this formula might encourage the States to classify much of their Plan expenditure as non-Plan expenditure with a view to securing more funds both from the Finance Commission and the Planning Commission. The formula put forth by the Planning Commission might result in de-planning of the Budget expenditure in the States and hamper planned growth. The fiscal needs of the not so well off States had been taken care of by the Finance Commission and the NDC and the Planning Commission should do their part by meeting the development needs of the States and the country. He suggested that the Gadgil Formula which did justice to every State and had been found workable for achieving orderly growth and planned development should be retained.

Shri Shanta Kumar, Chief Minister of Himachal Pradesh said that it was true that both the Centre and the States had problems alike but there might be difference between the priorities of the Centre and the States and it was necessary that the national objectives declared by the Govt. should be fulfilled. It was therefore, essential to have certain Centrally Sponsored Schemes.

30. The Chief Minister further stated that despite the fact that substantial amounts had been

spent under various developmental schemes during the past 27 years, poverty could not be eliminated. The benefits of planned development accrued only to the rich people and the poor got the minimum. [There was a feeling that the benefit of the plans was for the affluent and the middle and the poor classes were least benefited.] He suggested that the controversy whether a State was rich or poor should be kept aside and the Planning Commission should accept 'Antyodaya' in principle. What should be the name was not the main question; poor people should be identified in every State and special plans should be prepared for those poor people who had not been benefited by the developmental schemes and the amount of Rs. 2,000 crores should be utilised for those special schemes.

31. **Sheikh Mohd. Abdullah**, Chief Minister of Jammu & Kashmir expressed the view that any pattern of Centre-State financial relations and of any scheme for generating financial resources by the Centre and their devolution to the States should aim at enabling the federating units, especially the weaker ones, to ensure development consistent with the objectives laid down for the country as a whole. The Seventh Finance Commission did appreciate the financial needs of the backward and hilly States for development purposes but did pot consider those requirements while working out the new scheme of devolution of Central funds, as those needs were considered outside the purview of the Finance Commission. The NDC would have to take a view as to how the federating units could effectively participate in the development process and the pattern of Centre-State financial relations would have to serve that need. In case individual States were to have developmental programmes limited by the financial resources they were able to raise by themselves, the weaker States would never be able to launch programmes which would enable them to reach the all India norm.

32. The Chief Minister felt that for the Special Category States, the pattern of Central assistance should be more or less the same as prevailed during the Fifth Plan period and the available assistance of Rs. 1,800 crores should be shared by the Special Category States in the same ratio as they shared Rs. 1,253 crores of Central assistance distributed during the Fifth Plan period. The sum of Rs. 2,000 crores released by modifications in the Centrally Sponsored Schemes should be added to the amount of Central assistance of Rs. 6,000 crores and distributed in the same ratio between the Special Category States and others as the original assistance. He was against the view expressed by some States that the additional amount should be distributed only among the non-Special Category States.

33. **Shri Biju Patnaik**, Union Minister of Steel and Mines intervened to suggest that the NDC might consider the proposal made by the Chief Minister of Himachal Pradesh that the sum of Rs. 2,000 crores released by modifications in the Centrally Sponsored Schemes be utilised for the Antyodaya Scheme, helping the poorest of the poor. The proposal was also supported by Shri CHAND RAM, Minister of State for Shipping & Transport. The Prime Minister thought that the acceptance of the proposal would imply spending Rs. 2,000 crores on the Antyodaya Scheme, going to the poorest of the poor in every village say four or five families in every village. Shri BIJU PATNAIK suggested that the amount should be earmarked for the poorest of the poor in successive Plans. Finance Minister, Tamil Nadu, while supporting the suggestion, said that the States should be left free to formulate the policy for the uplift of the people and there should be no conditions imposed by the Centre. The Prime Minister clarified that the suggestion was to take up everywhere the Antyodaya pattern of Rajasthan. If such a scheme was to be taken by the States, the implication would be to distribute the amount according to the population. If that was agreed to, the whole problem would be solved. He invited the Chief Minister of Rajasthan to explain the functioning of Antyodaya Scheme in Rajasthan.

34. **Shri Bhairon Singh Shekhawat**, Chief Minister of Rajasthan said that the Antyodaya scheme was started in Rajasthan on 2nd October, 1977. Under the scheme, five poorest families in each of the 33 thousand villages were selected through the Gram Sabhas and separate dossiers were prepared for each family to know the type of work they wanted to do. In the 33 thousand villages, 165,000 families had been identified and so far employment had been provided to 140,000 families. In the second phase of the scheme, 110,000 families had been identified, dossiers prepared and were given assistance through Banks for undertaking the work/job of their choice. The persons desirous of getting agricultural machinery and implements were provided with the equipment. The people had started repaying their advance installments and there were hardly any defaulters who had not repaid the bank loan. Under the scheme, the families which were quite incapable of doing any work were given old age pension. The total coverage under the scheme created a feeling of trust and faith in the poor people that they were no longer a liability on others and that they could earn their living. Under the ‘Food for Work’ programme, 328,000 tonnes of foodgrains were taken, and in this programme also Antyodaya families were given priority. There was hardly any Antyodaya family now which did not have food for 2-3 months. Steps had been taken to save the poor families from litigation. Village Courts had been set up and about 18 lakh cases had been disposed of. All revenue cases were settled in the villages. Further, arrangements had been made to write off loans upto Rs. 500 which were taken ten years ago and also to condone interest when the principal amounting to Rs. 500-1000 had been paid. For the administration of the scheme, there was only one Antyodaya Commissioner, no separate Department was set up. The officers employed in the districts and in State Secretariat and the SFDA were doing this work also. The scheme which would cost Rs. 187 crores was for five years. The Chief Minister hoped that the short-comings in the scheme would be removed, constructive suggestions accepted and pleaded that it should be implemented as a national scheme.

35. An important feature of the scheme, the Chief Minister emphasised, was that there was no distinction of backward or upper classes. Economic basis was the criterion for selection of the poor which included muslims, harijans and rajputs. No community had been excluded from the schemes. There were about 40 per cent scheduled castes and about 15 per cent muslims and they had no grievances.

36. **Dr. M. Channa Reddy**, Chief Minister of Andhra Pradesh disagreed with the proposal made by the Chief Minister of Himachal Pradesh and endorsed by the Union Minister of Steel and Mines for utilising the sum of Rs. 2,000 crores for the Antyodaya schemes. He suggested that Antyodaya could be considered as an additional and supplementary programme. Since every State had its past commitments to fulfil in respect of schemes and projects already undertaken, the NDC should consider how best the amount of Rs. 2,000 crores could be distributed among the States.

37. The Chief Minister was in favour of acceptance of the Gadgil Formula for the distribution of Rs. 4,200 crores of Central assistance and of the compromise formula proposed by the Deputy Chairman of Planning Commission at the NDC committee meeting held in January, 1979 for allocating the sum of Rs. 2,000 crores released by modifications in the Centrally Sponsored Schemes. He further suggested that the provision for the Centrally Sponsored Schemes should be restricted to Rs. 3,000 crores and the balance of Rs. 3,000 crores minus the actual expenditure incurred in 1978-79 should be transferred to the States. Centrally Sponsored Schemes should be financed by the Centre fully.

38. The Chief Minister maintained that the criteria evolved at the time of the Fourth Plan for inclusion of schemes in the list of Centrally Sponsored Schemes still held good and there was no

objection to leaving the discretion to the Planning Commission to add to the list of Centrally Sponsored Schemes whenever that was considered necessary so long as the prescribed financial limit did not exceed.

39. The Chief Minister expressed the view that whatever formula for the distribution of Central assistance might be adopted, there would always be individual cases of States facing acute problems of inadequate resources for their Plans. Therefore, at least 10% of the total fund of Central assistance be left at the discretion of the Planning Commission for meeting such problems. He also made a reference to some recommendations made by the Seventh Finance Commission.

40. **Shri P.K. Vasudevan Nair**, Chief Minister of Kerala desired that before considering any general formula for the distribution of Central Plan assistance to States, the grave disparity in the non-plan resource position of different States emerging from the impact of the Finance Commission's award should be rectified. He suggested that, excluding the Hill States and special category States, the States having per capita non-plan revenue surplus below the average level should be given special assistance to enable them to come up to the average level viz., Rs. 268 per capita. The amount required would be about Rs. 2,500 crores. The amount released by reducing the centrally sponsored schemes should first be earmarked for reducing the imbalance resulting from the non-plan surplus under the Finance Commission's award, and the balance might be utilised for raising further the resulting per capita plan outlay of the relatively backward State.

41. The Chief Minister said that apart from the amount to be transferred to the States out of the original provision meant for the Centrally Sponsored Schemes, the amount retained for Centrally Sponsored Schemes should be so deployed that every State got a share thereof. The Scheme-mix of the Centrally Sponsored Schemes should be such that every State got a share in proportion to its population.

42. Regarding the formula for distribution of Central assistance, the Chief Minister preferred Formula ‘A' proposed by the Planning Commission. The pattern of distribution of Central assistance between grants (30%) and loan (70%) might be changed to 50% on each count. Further, there was substantial disparity in the flow of institutional finance to the different States. Special efforts should be made to maintain equity in the distribution of institutional finance and that Central investment in each State should be such as to speed up the States' development and to enhance its capacity for absorbing institutional finance.

43. **Shri Virendra Kumar Saklecha**, Chief Minister of Madhya Pradesh said that the important objectives of Planning should be to reduce the glaring regional imbalances in the levels of development of various states, exploit quickly their vast national resources and harness them to raise production in the national interest and to provide solution for special problems by the end of Sixth Plan. He therefore, suggested that there should be a conscious effort to give more assistance to backward states so that the existing disparities in levels of development were removed. Such policies should be followed as would provide relatively more assistance to backward states. The formula ‘A' suggested by the Planning Commission which in reality was the Gadgil formula slightly modified, was not beneficial to backward states. The distribution of Central assistance should be based on the population of the states and the standards of various developmental services obtaining in States. As far as population was concerned, general population alone should not be taken into account but also other characteristics of the composition of that population which made the task of development difficult or costly. Madhya Pradesh needed a larger plan expenditure per

unit of population or per unit of service, be it a road, a hospital, a school, an electric transmission line etc., in view of her low density of population. He pointed out that per capita power consumption, area under irrigation, means of communication, education and health were extremely important indicators of the levels of development of states. These indicators should be made the basis for the distribution of central assistance. He also suggested three alternative formulae for the distribution of Central assistance. According to the first formula the sum of Rs. 4,200 crores should be distributed on the basis of population 25%; scheduled caste population 5%; scheduled tribe population 5%; man-square kilometres 5%; income adjusted total population 10%; shortages in per capita power consumption 14%; shortages in irrigated area 12%; shortages in road length 10% ; shortages in primary education 8% and shortages in hospital bed population ratio 6%. The second and third formulae took into account a total assistance of Rs. 6,800 crores (Rs. 4,200 crores of main pool + Rs. 2,000 crores savings accruing from pruning of centrally Sponsored schemes + Rs. 600 crores earmarked for special problems). Out of this, a sum of Rs. 4,800 crores should be distributed on the basis of Population 25%; Income adjusted population 50%; and Revenue equalisation principal 25%. Out of the remaining Rs. 2000 crores, Rs. 800 crores should be distributed to the 5 most backward states, namely, Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh on the basis of equal weightage for five factors, population, scheduled caste population, scheduled tribe population, income adjusted population and the revenue equalization principle formulated by the Seventh Finance Commission. The remaining Rs. 1,200 crores should be allocated among the states having shortages in the five developmental services namely, power 35% ; irrigation 25%; road 20%; elementary education 10% and Hospital bed-population ratio 10%. Under the third formula, the Chief Minister suggested that a sum of Rs. 4200 crores of the main pool should be distributed on the same basis as had been suggested under formula two. A sum of Rs. 2000 crores should be allocated to states on the basis of estimated shortages in various crucial sectors of development with weightages Power 30 per cent; Irrigation 20 per cent; Road 15 per cent; Education 10 per cent; Man Square Kms. (i.e, population area sq. Kms.) 5 per cent; Scheduled Castes 5 per cent: Scheduled Tribes 5 per cent and Public Health 10 per cent. The residual amount of Rs. 600 crores may be kept in reserve by the Planning Commission for special problems, to be allocated on the same formula which was applicable to the distribution of the main pool of Rs. 4200 crores. The Chief Minister was not in favour of modified Gadgil formula suggested by the Planning Commission.

44. The Chief Minister referred to the development of Narmada valley and said that about Rs. 4500 crores would be spent in its development over the next 20 years. This project should be treated as a national problem and should be tackled accordingly. He further stated that his arguments in respect of Central assistance should be equally made applicable to market borrowings and institutional finances. The allocation of market borrowings should be made taking into account the special circumstances prevalent in that State. 75% of the market borrowings should be distributed on the basis of formula which was applied for the distribution of the main pool of Central assistance amount to Rs. 4200 crores. The balance of 25% should be made available to the States after giving due weightage to factors like credit deposit ratio or per capita disbursement.

45. The Chief Minister concluded with the suggestion that central resources should be distributed in such a way that backward states get a preferential treatment so that they could progress relatively faster and requested that the formulae proposed by him for the distribution of Central assistance should be earnestly considered by the Council. The needs of the advanced states which had already achieved high levels of development in power, irrigation, agriculture, communications, medical education etc. should be met to a lesser extent by the Govt. of India whereas similar needs of the backward states should be met to a greater extent by the Centre.

46. **Shri K. Manoharan**, Finance Minister of Tamil Nadu suggested that the Gadgil Formula might be revised as: (i) 60% on the basis of population; (ii) 10% on the basis of tax effort, per capita tax multiplied by population (excluding income from State excise); (iii) 10% on the basis of special problems and (iv) 20% on the basis of Formula 'D'. The Finance Minister requested that the meeting to discuss the issues mentioned by the Seventh Finance Commission regarding sharing of corporation tax, Union surcharge on income tax, modification in excise taxes in lieu of sales tax on sugar, textile and tobacco and compensation to States in lieu of railway passenger tax might be convened early. As regards the suggestion that the money available by reducing the Centrally Sponsored Schemes might be utilised for Antyodaya schemes, the Finance Minister observed that the money allotted by the Central Government to the States for the purpose should be at the disposal of the State Government which should be the competent authority to decide about the scheme on which it should be spent. He also mentioned the other problems faced by the State Government, namely, rapid transit system in Madras, loss due to implementation of the policy of prohibition, the increased burden of agricultural loans on the small farmers and requested that these might also be considered and necessary assistance given to the State.

47. **Shri Sikandar Bakht**, Union Minister of Works and Housing and Supply and Rehabilitation said that he wanted to rectify an inadvertent clerical error which crept in the list of the Centrally sponsored schemes of the Housing Ministry. The National Capital Region Project was considered to be transferred to the State Plan. This was not physically possible because that scheme was meant to bring relief to Delhi, and it was contemplated to operate it in three States. So, it should be transferred back to the Central sector.

48. **Shri Chand Ram**, Minister of Shipping and Transport in a note on ‘the need for retaining schemes relating to roads of economic importance and minor ports in the Central Sector' expressed the view that it would be desirable to retain the entire scheme of Centrally aided State roads of inter-state or economic importance as a Centrally sponsored schemes. Since the inception of this scheme in 1954, it had played a very vital role in helping the states in taking up numerous schemes of roads/bridges which might have not been possible if these schemes had been left to the States' own resources. The Minister further pointed out that the draft Five Year Plan 1978-83 included a provision of Rs. 46.75 crores for carryover schemes. It was necessary that irrespective of the decision which might be taken about retention of the scheme wholly or partly, full provision should be made available in the Central sector of the Plan or those continuing schemes so as to ensure their completion fully.

49. The Minister observed that the Working Group on Ports constituted in the Ministry of Shipping and Transport to finalise proposals for the next Plan period 1978--83 had recommended a provision of Rs. 52.60 crores for the development of minor ports in the Centrally sponsored sector. However, a decision on the pattern of Central assistance to the State Governments for development of minor ports had to be taken by the National Development Council. He said that the Ministry of Shipping and Transport was of the view that the development of minor ports should be retained in the Centrally Sponsored Sector. The Minister also pleaded for a bigger allocation in the Plan for inland water transport.

50. **Shri Bhairon Singh Shekhawat**, Chief Minister of Rajasthan said that he was happy to participate in the meeting of the National Development Council. He felt that there was a need to evolve a formula for distribution of Central assistance to the states for the remaining years of the current Five Year Plan in order to enable the under-developed states to raise their Plan outlay to the agreed minimum level. This could be done only through Central assistance and market borrowings.

Since the per capita outlay in respect of the backward states had to be larger in porportionate terms than the developed states, he was in favour of prescribing a formula for inter-state distribution of Plan outlay and not for distribution of central assistance. Most of the states were in favour of retention of Gadgil formula because the alternatives suggested by the Planning Commission did not provide satisfactory solution to the problems of less developed states. The Chief Minister felt that the basic criteria for determining the level of development in the states should be related to infrastructures and production base. He had also put forward his own formula regarding percentage distribution of funds among the 14 states on the basis of index of backwardness weighted by the population of each state. He was in favour of continuance of Gadgil formula after lowering down the emphasis on population from 60 per cent to 50 per cent and providing for 10 per cent of assistance on the basis of density of population in the inverse ratio. The Chief Minister said that the award of the Seventh Finance Commission had revealed that eight of the fourteen states had been left with a revenue surplus which was far below the national average. The first charge on the funds made available by reducing the numbers of Centrally sponsored schemes should be the requirements for raising the per capita revenue surplus of these eight states to the average of fourteen states. The remaining amount should be distributed among all the fourteen states according to the acceptable formula. As regards the distribution of Central assistance of Rs. 7900 crores during 1979-83, he said that a sum of Rs. 1800 crores had been earmarked for special category states, Rs. 800 crores for Hill and Tribal Areas and North Eastern Council and Rs. 600 crores for special problem states. The Chief Minister was against allocation of any assistance to the North Eastern Region out of the Rs. 800 crores as they had been getting adequate assistance out of the earmarked fund of Rs. 1800 crores for special category states. With the earmarking of the Rs. 1,800 crores, the per capita assistance for special category states worked out to be Rs. 664 as against only Rs. 118 per capita central assistance for all other states. He also pleaded that Rs. 1800 crores kept for Hill and Tribal Areas should be distributed among the fourteen states (not covered under the special category) in proportion to the tribal population of the States. The amount of Rs. 600 crores kept for special problems should be distributed only among eight states having revenue surplus below the fourteen states' average in a manner that the gaps in per capita Plan outlay should be narrowed down. He would like that this amount should be raised to about Rs. 1800 crores. The Chief Minister desired that the entire assistance received from the aid giving agencies in respect of externally aided projects should be passed on to the states. According to him, the loan grant ratio should be 50: 50 instead of 70: 30 at present. So far as future borrowings by the States from the Centre is concerned, both for the Plan and non-plan purposes, the principles recommended by the Seventh Finance Commission should be followed to ensure smooth flow of funds on soft terms to the states which would also keep the debt incidence within manageable limits. The Chief Minister was of the opinion that drought relief expenditure should be treated as non-Plan grant not adjustable against the Plan of the State or against central assistance for the State plan: but the Centre should provide full amount of expenditure over and above the margin prescribed by the Finance Commission. According to him, the divisible pool of the states should be increased and in the context of a balanced regional development, the devolution of funds from Centre to the States should be made in a manner that might ensure backward states a level of development equivalent to atleast that of the national average. He said that it was our duty to see that the weaker sections of the society as also the weaker and less developed states should be supported and brought to the national average in certain crucial sectors.

51. **Shri Anil Sarkar**, Minister of Industries, Public Relations & Tourism, Tripura said his State was one of the most backward States. It enjoyed the status of Special Category but even amongst the Special Category States, the position of Tripura was worse than others. Investments in the Plan

sector were very low, debt liability was very heavy. More than 80% of the population were below the poverty line. The State did not grow any infrastructure for mobilisation of additional resources and investment from the financial institutions was also very low. He requested the N.D.C. to take a pragmatic stand about Tripura in deciding upon the issues which were under deliberation. He suggested that the Gadgil formula should be suitably modified to ensure that the plan assistance from the Centre was 100% grant. He was of the view that the Centrally sponsored schemes, except those relating to P.W.D., Relief and Rehabilitation, should be merged in the State Plan, and at least 30% of the money that might be diverted from Centrally sponsored schemes to States Schemes should go to the eight special States. Further, at least 75% of the total resources of the country should go to the States for discharge of their responsibilities.

52. **Sardar Parkash Singh Badal**, Chief Minister of Punjab said that the meeting of the National Development Council must result in concrete and operative conclusion which should be in the overall national interest and which should cover the legitimate view point of all concerned. Without going into merits and demerits of one formula against another, he suggested that the absolute figure of the quantum of annual Central assistance to any State should not be less than what it was in the first year of the current Five Year Plan. The size of the Central assistance towards each state plan should have a measure of growth. But the Centre would like to reduce the overall Central assistance to the next Year Plan as a consequence of the Seventh Finance Commission's revolution to the States. In this regards, the Chief Minister pointed out that as per recommendations of the Seventh Finance Commission, the percentage of total devolution to the States to the total receipts of the Central Government had in fact marginally decreased from 26.4% for the period 1974-75 to 1978-79 to 26%. He, therefore, pleaded for increasing the total quantum of Central assistance to the States for the Sixth Five Year Plan. Regarding inter-se distribution of the Central assistance among the states, the Chief Minister was not in favour of its distribution on the basis of per capita plan outlay or on the basis of per capita revenue surplus of the States.

53. He wanted that the Gadgil Formula, which had been worked out by the Planning Commission as formula 'A' should be retained and applied to Rs. 5,410 crores of Central assistance to the States for the next four years, after excluding Rs. 1800 crores for special category States. Rs. 2000 crores, which was being released by the discontinuation of certain Centrally Sponsored Schemes should be distributed among the various States in the same proportion in which expenditure on these schemes was so far being incurred in different States. In the event of non-acceptance of this suggestion, the amount should be divided as per Formula 'A'. The sum of Rs. 600 crores, which the Planning Commission had set apart for special problems, would be no longer necessary and, therefore, this amount should be treated as available for distribution under formula 'A' to formula-States. The Chief Minister also suggested that the loan-grant composition of the Central assistance should be changed from the existing 70 : 30 to 30 : 70. The share of the States in the overall market borrowings should be increased and a suitable formula for inter-se distribution be evolved as the existing distribution and its projection at a uniform rate were highly arbitrary. As recommended by the Seventh Finance Commission follow up action should be taken by the Central Government on certain suggestions which, in the Commission's view had considerable merit. These included bringing the corporation tax in the divisible pool and merging the surcharge with the income Tax, increasing the grant in lieu of tax on Railway passenger fares, converting the small savings loans into non-repayable loans and fully compensating the States for loss of revenue on account of prohibition.

54. **Shri Nilamoni Routray**, Chief Minister of Orissa said that the Working Group had evolved a consensus on the Centrally Sponsored Schemes that at least Rs. 3000 crores should be diverted

from them to increase the State's sector outlay. The Committee of officials setup to work out the operational details had since recommended an amount of Rs. 2000 crores. He suggested that the list of Central sponsored schemes should be further pruned with a view to implementing the consensus reached at the Working Group. He also emphasised that such of the Centrally sponsored scheme that might continue under the new dispensation should be funded fully by the Centre in respect of financially weak States. As regards the inter-State distribution of Central assistance, the Chief Minister reiterated that, keeping in view the national objectives of raising the standard of living of the poorest sections and reducing the present disparities, States with high concentration of poverty should be given preferential treatment to enable them to undertake adequate developmental programmes. He was in agreement with the suggestion made by Shri Biju Patnaik, Union Minister of Steel & Mines that a substantial amount of this money should be spent for the upliftment of the poorest sections of the people. It was admitted beyond doubt that the poverty ratio was the highest in Orissa, due to recurring ravages of national calamities like flood, cyclone and drought. But there had been an excellent record of resources mobilisation in Orissa. Performance in that respect had been next only to that of Gujarat, Karnataka and Maharashtra as assessed by the Seventh Finance Commission. The economy of the State which recorded a growth rate of 2.6 per cent in the Fourth Plan and 2 per cent in the Fifth Plan could not even keep pace with the population growth of 2.5 per cent for want of adequate investment. The gap between national and State per capita income had widened distressingly over the years. The Chief Minister was, therefore, of the view that the Centre should retain command over adequate resources to promote balanced development of the country by providing to the weaker States more share out of federal funds. He pointed out that substitution of one formula by another could bring out for Orissa only a marginal difference. Moreover, the existing formula was highly unfavourable to Orissa. Application of this formula would provide Orissa a per capita Plan outlay of Rs. 389 only against all States average of Rs. 610 and the much higher average of Rs. 1000 for developed States. Moreover, Orissa got 29 paise only for every rupee of resources generated as share out of federal plan transfers while Gujarat got Rs. 1.35, Karnataka Rs. 1.59 and some less developed States got higher order of transfer in consideration of their legitimate claim. Orissa justified fully for inclusion in the Special category States and should be included. The allocation of Central assistance for this category would need to be increased to enable Orissa's inclusion without detriment to the interest of others. The Central assistance required for this purpose should be the first charge on the savings due to the pruning of the outlay on Centrally sponsored schemes. The rest of the savings should be reserved exclusively for distribution among other weaker States to step up their Plan outlay with the objective of reducing regional disparities. He expressed his unhappiness that the relatively prosperous States did not agree to this equitable concept on the plea that every State had some pockets of backwardness and no State should be given special treatment. He, therefore, humbly requested the Chief Ministers of such States that they should take a more dispassionate and charitable view keeping the overall good of the nation at heart. He also hoped that the Council would recommend Orissa's inclusion in the special category of States for its prosperity and proper development.

55. **Shri Vizol**, Chief Minister of Nagaland said that he was happy to say that the NDC had realised the need for placing some of the states as 'Special Category States'. It was right and proper that Nagaland had been included in the special category of states. The special category states had all along remained isolated from the rest of the country and could not get the fruits of development so far. Lack of means of communications and transport had also resulted in higher cost of living and higher cost of development. The Chief Minister did not want Nagaland to be dependent on the Centre for all times to come but he wanted that substantial amount of investment

be made with a view to meet the basic infrastructural needs of his State so that the national resources available in Nagaland got fully exploited.

56. The Chief Minister was not happy about the award of the Seventh Finance Commission. The Commission had not agreed to provide for the proposed upgradation of the standard of Administration and for fresh items of expenditure which the State Government contemplated to undertake with a view to strengthening the administration and economic infrastructure of the State. He was, however, happy that the Deputy Chairman in his address to the NDC on the 19th January, 1979 had stated that the needs of the poorer states or of the states left with no or little surplus by the Seventh Finance Commission could be looked after either from the sum of Rs. 600 crores set apart for meeting special problems and or from additional Central assistance that would be available as a result of the modifications in the centrally sponsored schemes.

57. The Chief Minister pointed out that the allotment of Rs. 1800 crores for the special category states out of the total Central assistance of Rs. 6000 crores during 1979-80 to 1982-83 would go a long way to enhance their Plan outlay. He was happy to observe that a good deal of consensus had emerged about the distribution of the balance of the Central assistance among other States in favour of existing Gadgil formula.

58. As regards the Centrally Sponsored Schemes in a hill state like Nagaland, the State Government would like continuance of schemes of national or regional importance or of a pilot schemes or schemes of experimental nature. In this regard, he made a mention of Rural Water Supply Scheme and scheme of Agricultural Link Road. However the scheme of Agricultural link roads had been withdrawn as a Centrally sponsored scheme leaving many of their schemes which were still under execution. His observation was that the rigidity in the pattern of the schemes in many cases did not make it suitable to and uniformly applicable in all states. There was also a delay in the release of sanction of money which made the execution of the Centrally sponsored scheme impossible. The Chief Minister suggested that the amount of Rs. 2000 crores which was likely to become available by pruning some of the Centrally sponsored schemes should be allocated among the different States according to the needs of each State and not according to any set formula. The allocation of the States under special category should also, therefore, be correspondingly increased out of the additional available amount from the present level of Rs. 1800 crores. He also emphasised that the schemes which were proposed to be transferred to the States from the Centre on 50 : 50 basis duly earmarking the Central assistance with the different loan programmes should be on 100 per cent basis in the case of special category states as these states had very little resources of their own. According to him the Sixth Plan outlay as assessed by the Planning Commission in respect of Nagaland was very inadequate. He hoped that the present arrangement of decentralisation of Centrally Sponsored schemes would help to some exetent in augmenting the Plan outlays of the State Governments.

59. **Shri D. D. Pugh**, Chief Minister of Meghalaya pleaded for more liberal Central plan assistance in view of the States' poor level of infrastructural development, very narrow resource base and difficulties in getting institutional finance. He said that the existing pattern of central assistance of 90% grant and 10% loan for Meghalaya and other Special Category States should be continued. He urged that 30% of the additional amount available by reducing the Centrally sponsored schemes, should be given to the Special Category States and the remaining 70% be distributed amongst the States having nil or very low revenue surpluses.

60. **Shri Yangmasha Shaiza**, Chief Minister of Manipur stressed that in the matter of

development, the States classified under special category were much below the national average and would continue to be so for quite some time, especially at the existing rate of progress, and it would be an error to change the status of the special category States or to reduce the availability of development funds for such States. He said that out of the funds available by reducing the Centrally sponsored schemes, a reasonable share should be made available to each State including the special category States and the quantum should be decided not only on the basis of past disbursements but also on the potential of each State. The sharing formula should be completely given up and the funds should be distributed amongst various States in an untied manner.

61. **Shri Sharad G. Pawar**, Chief Minister of Maharashtra said that every State had its own problems but in a forum like the NDC, decisions should be guided by the overall national interest. Backwardness, wherever it existed, needed to be looked. He thought that the classification of States into eight relatively backward States and six better off States was presumably done on the basis of State-wise poverty figures derived by the Seventh Finance Commission. He felt that without further study of these figures, important decision like allocation of plan assistance should not be based on them. Any classification of States into relatively backward and others should instead be based only upon per capita State income which was given weightage in the Gadgil Formula.

62. According to him, the Gadgil Formula gave adequate weightage to backwardness and there were no compelling reasons to adopt a totally new formula. Distribution of Central assistance on the basis of inverse of per capita plan outlay would only amount to penalising those States whose plan outlay were predominantly composed of their own resources. The amount of Rs. 2000 crores should be distributed among the States according to the formula for distribution of block plan assistance.

63. Commenting on the formula for distribution of block plan assistance to the State, the Chief Minister expressed the view that the high value of per capita income in Maharashtra was in a major way due to production in the manufacturing and commercial activities mainly in a few districts. The three districts of Greater Bombay, Thane and Pune, which accounted only for 23 per cent of the State's population, generated nearly 85 per cent of the income of that sector. One should, therefore, interpret the figures of per capita income with great caution and understand their limitation before they were used for any policy purposes. Maharashtra had adopted various measures to tackle the problems of its backward regions like, introduction of incentive-schemes for industries in the backward regions, making plan allocations to the different regions in such a manner as to remove imbalances between the districts. If, in spite of such measures, a large segment of population did not have access to the minimum needs, resources should be provided to tackle the problem as a national problem.

64. The Chief Minister observed that solutions directed to achieve removal of unemployment within a specific period would have to be area specific, as the cost of providing employment varies from State to State and even in a State from district to district. The objective of full employment have to be achieved through stimulating growth of secondary and tertiary sectors as the cost of creation or additional employment in agriculture in the State was very much higher than in other States, and even the scope, was limited.

65. The Chief Minister concluded that in spite of its limitations, the per capita State income was the only reliable official indicator of backwardness of a State. The Gadgil Formula did adequate justice to the States having per capita income below the national average. The formula 'A' suggested by the Planning Commission which was only minor variation of the Gadgil Formula, went even

beyond, in doing justice to those States. To attempt a classification of States on any other basis or to propose any other weightage for backwardness like per capita plan outlay would not be desirable. He urged the NDC to decide on the distribution of Plan assistance including the amount of Rs. 2000 crores carved out of Centrally Sponsored Schemes on the basis of formula 'A' suggested by the Planning Commission.

66. **Shri S. B. Chavan**, Finance Minister of Maharashtra supplemented that while everybody was talking in terms of national interest, every speech made had aimed to find out how best the formula propounded for acceptance of the NDC could serve the interest of the State concerned. He expressed his unhappiness over the formulae proposed by the Planning Commission and desired to know their basis. He hoped that if there was any genuine mistake in working out the formula which was being recommended to the NDC, the Planning Commission would have an open mind. He said that Maharashtra was not in favour of giving special assistance to backward States.

67. The Finance Minister of Maharashtra supported the idea of a strong Centre and said that whatever amount was required by the Central Government had to be provided for. However, the Central Plan should be subjected to the same kind of scrutiny as was done in case of State Plans.

68. He agreed that the special problems of the States were known only to the Centre. If in spite of their best efforts for raising resources, States had problems which were beyond their capacity, they were entitled to have some special assistance which could come out of 10 per cent for Special Problems reserved under the Gadgil Formula. But some norms should be observed in distributing the amount and no amount from the 10 per cent for special problems should be allotted for filling up the revenue gaps.

69. Coming to the question of backward and advanced States the Finance Minister of Maharashtra remarked that merely by seeing some of the industrial units, it could not be said that Maharashtra was very advanced.

70. He suggested that the Antyodaya scheme could be taken up as a Centrally Sponsored Scheme on 100 per cent Central assistance basis. He desired that sharing pattern of the market borrowings between Centre and the States be considered and he extended his support to the views expressed in this regard by the Chief Minister of Gujarat. He further suggested that the entire benefit of the assistance provided by the World Bank for executing certain projects should be passed on to the State Governments.

71. **Shri P. K. Thungon**, Chief Minister of Arunachal Pradesh said that regarding the distribution of Rs. 2000/- crores among the States, he would leave it to the Prime Minister and hoped that justice would be done to all. As regards Centrally sponsored schemes, he observed that while there was no objection to some of them being dropped, there were certain other schemes which needed to be continued. He referred to the problem of jhum control in the North Eastern Region and requested that it may be taken up as a Centrally sponsored scheme on the basis of 100 per cent Central assistance. He supported the proposal of the Chief Minister of Rajasthan about the Gadgil Formula and suggested that alongwith the populations, the area should also be taken into consideration. He also made a reference to the Sixth Five Year Plan allocation of the State and requested for a share out of Rs. 2000 crores which would help the State to a great extent.

72. **Shri J. C. Aggarwal**, Chief Commissioner of Chandigarh said that the Centrally Sponsored Schemes were fully funded by the Central Government. His Administration found the schemes very valuable and would like them to be retained. If for any reason some modifications were made

in them, the savings should not be transferred to the divisible pool but should be given back to the Administration for utilisation on some other schemes.

73. **Shri K. N. Sahni**, Chief Executive Councillor, Delhi expressed his unhappiness regarding the allocation of funds made to Delhi and said that in his opinion, Delhi was not getting its due share and allocations were made disregarding the fact whether the basic and essential problems of Delhi were solved or not. He felt that whatever financial powers were given to States should also be extended to Delhi. Delhi's problems were special and quite different. Delhi being the capital of the Government of India, it was expected to provide special services. It was not possible to maintain these services and also to provide additional facilities with the resources allocated to the Territory. He referred to the problems of the resettlement colonies and the villages and remarked that if one looked into the allocations made for Delhi one would find that more than half of the allocations were meant for a particular area including New Delhi. He said that in respect of per capita income and expenditure Delhi appeared to be well placed as compared to many other places, but it had its special problems and requested the National Development Council to consider them while making allocations of resources.

74. **Smt. Shashikala Kakodkar**, Chief Minister of Goa said that though the Union Territories were not directly concerned but they should keep themselves abreast with the modalities of Centre-State relationship in fiscal matters. She was of the opinion that as a matter of general principle, if the new strategy of growth towards removal of poverty and generation of employment in the rural areas was to be successfully implemented there should be a liberal flow of resources from the Centre to the States. She agreed that the poorer States should get relatively larger share in the total devolution of resources. Whether the Gadgil Formula or the suggested alternatives could provide for that needed more detailed examination. However, the progressive States should not be denied their due share of central assistance merely because they made better progress over the past three decades by adopting progressive and more bold measures for socio-economic growth. As regard the Centrally sponsored schemes, she said that many of them proved useful and should not be discontinued or the allocations drastically reduced. It did not make much difference if those schemes were transferred to the State Plan provided the funds necessary for their implementation were also passed on as additional resources over and above the plan outlays already decided upon. Many of the Centrally sponsored schemes were of national importance and it was necessary to maintain certain uniformity throughout the country in their implementation. But there were many other which could be suitably modified or even completely restructured to suit local conditions. This could be done better if the schemes were transferred to the State Plans.

75. The Prime Minister observed that the most important thing now was to see that the resources which were limited, were utilised to the best advantage of the whole country. No state was wholly prosperous. Again, taken as a whole, our country was one of the poorest in the world. It had to be ensured that all the States, as far as possible, came up together.

76. The Prime Minister then invited the Deputy Chairman, Planning Commission to give the views of the Commission in the matter of distribution of resources among the states.

77. **Dr. D. T. Lakdawala**, Deputy Chairman, Planning Commission referred to the points made by Chief Ministers and said that he agreed with the view that if the total pool of resources could be increased, the troubles in distribution would be much less. But that amounted to saying that if the national income could increase much faster, the problem of distribution among the various groups would be much simpler than they were today.

78. Now the question was whether the resources could really be increased. The matter had been discussed with the various states. A panel of social scientists also discussed those issues. Their impression was that the resources had been overestimated. There could be nothing against having a second look at the resources. But it had to be recognised that at least some reasonable time must elapse before having a second look. The problem of distribution had therefore, to be squarely faced. The Deputy Chairman said that there was only one thing which he wanted to bring to the attention of the Council. That was the great need for suggestions about raising more resources rather than their distribution.

79. With regard to the Centrally sponsored schemes, the Deputy Chairman suggested that the report of the Secretary, Planning Commission which was arrived at after detailed discussion with the States, should be accepted. It furnished the basis for the additional assistance the Centre could spare.

80. Referring to the question as to why the amount to be spent on Centrally sponsored scheme was increasing fast, the Deputy Chairman pointed out that in several respects the plan had become more ambitious than the earlier plans. For programmes like the Revised Minimum Needs Programme, the Integrated Rural Development Programme including Block Level Planning, it was very essential to see that there was a common attack on the problems. The methodology of attack should be agreed to; the scope of planning should be clearly defined and more or less, the extent of benefit should also be agreed to. Centrally sponsored schemes in this realm would ensure that there was a common approach. It was for this purpose that the Centrally sponsored schemes in the Plan were made much more important. As regards the method of distribution of the centrally sponsored schemes, there was one advantage as compared to the general assistance formulae, namely, that these would go more to the needy States. It was for that purpose that a large amount had been allocated on Centrally sponsored schemes. Some of them would be 100% assistance and some of them would be on sharing basis. But these were the very essence of the Plan and it would be good if the council could agree to them so that the Plan could get under way. With regard to the procedure, there had been some rigidity in the past. This could be relaxed. Detailed sanction could be left to States and the schemes should be made as flexible as possible so that the States would not have to go to the Centre for every small thing. They would be able to spend the money which was allocated to them and they would be able to derive the maximum benefit for the people from those schemes. If this was agreed to, the programme could, probably be made operative from next year so that there would be more money to be distributed among the States.

81. Referring to the question of distribution among States, the Deputy Chairman pointed out that there were certain basic conceptual difficulties. Several States had argued that the per capita Plan outlay, given to them had been less than the per capita plan outlay, given to other States. It had to be made clear that ever since the Fourth Plan, the Planning Commission had not been giving the plan outlay. The Plan outlay was the result of the Central assistance that could be given and the resources that the States were prepared to spare for the Plan. Since Plan assistance was already distributed according to a formula in which the Planning Commission had very little discretion, it followed that the Plan outlay was the result of the Central assistance plus whatever resources the States could put into the kitty. The more backward States in India—there were only less backward States and more backward States—argued that they should be entitled to a greater share of the Central assistance, The Deputy Chairman said that he agreed with this. But if one examined the Finance Commission's distribution among the States, one could find that the distribution among the States was a progressive distribution and that the per capita amount that a State got from the

Finance Commission more or less varied inversely with its per capita income. It was really the revenue and expenditure policies of the States which resulted in a less per capita plan outlay or a higher per capita plan outlay. It was true that because of the structure of their economies, the more backward States could raise less resources per capita than the less backward States. It was for that reason that the assistance given to them should be more. Again, there were many variations even among the backward States regarding the per capita resources that they raised and the per capita non-plan expenditure. This was something which had to be gone into so as to ensure that higher per capita plan assistance given to them by the Centre became much more effective. It was their duty to make up the gap by ensuring that they raised more resources and spent it economically and efficiently. As far as the actual question of distribution was concerned, there was a general agreement that the distribution of Rs. 4200 crores of plan assistance available for 1979-83 without any modifications in the Centrally sponsored schemes should be done on the basis of the Gadgil formula.

82. Referring to the allocation of 10% for special problems, the Deputy Chairman observed that no formula for distribution, however carefully conceived, could take care of all the 14 States included in the Gadgil formula, for instance Orissa or Rajasthan. Even well-administered States occasionally had to face difficulties wherein developmental tempo would greatly suffer unless there was some discretionary element in the allocation of plan assistance. It was for that reason that some amount of assistance had to be kept for special problems. He felt that if care was really to be taken of the peculiar problems of States which were not of a permanent nature, the discretionary element had to be increased rather than decreased.

83. The Deputy Chairman said that there were only two formulae under discussion for distribution of the Rs. 2,000 crores. One was based on calculated Plan outlay viz. that the money be given in such a way as to some-what modify the discrepancies in the per capita plan outlay; and the second formula was that it should be distributed on the basis of population multiplied by the inverse of per capita income. There had been some criticism of the first formula, on the ground that there were some arbitrary elements in it. The Deputy Chairman agreed that the income adjusted population distribution formula, i.e. IATP formula was a more objective formula. He expressed the hope that under the guidance of the Prime Minister it would be possible to come to some unanimous conclusion on the problems. (The Report of the Deputy Chairman Planning Commission is at Appendix).

84. The Prime Minister referred to the observations made by the Deputy Chairman and said that the problem was not easy. If the resources could be expanded to meet the requirements, there would be no difficulty. Planning in our country was started from a very low base 30 years ago. It went on increasing and today it had become more substantial than in earlier days. Now there was a plan of Rs. 69,380 crores. It was double of what it had been before. This was the maximum to which we could go even with deficit financing. Deficit financing could be managed just now because of the production and distribution policies which had become more effective. Deficit financing could react adversely on the prices if the Government was not prudent and if it was not careful every moment. The Prime Minister sought the cooperation of all the Chief Ministers in this matter.

85. The Prime Minister referred to the suggestion that instead of Rs. 35,000 crores the State Sector should have an outlay of Rs. 45,000 crores and said that in effect it was Rs. 40,000 crores for the States even now. It was even more than Rs. 45,000 crores because what the Centre was spending was also in the States and Rs. 10,000 crores were being given by the Centre as assistance to the States in addition to their own efforts. That was necessary, as the interests of the

Centre and the States were common. The Centre's function was to see that the States got stronger and stronger and functioned more satisfactorily than they had been doing earlier, in resources and in developmental tasks, because it was in the States where people existed. Centre was only the sum total of the States. These facts were very well recognised by the Centre. He regretted that it was not possible to satisfy all the States.

86. The outlay for the States was Rs. 35,160 crores. Also out of Rs. 34,220 crores for the Centre, there was Rs. 6,000 crores which was for Centrally sponsored schemes. They were actually for the States and not for the Centre. If that was taken out and added to the funds of the States, the State's share became Rs. 41,160 crores and the other became correspondingly less. The Prime Minister expressed the hope that the items which went out of the Centrally sponsored schemes, would be well looked after by the States. They were tribal development, help to Harijans, backward people and so on. All those schemes would have to be continued. The Centre had agreed to give Rs. 2,000 crores to be obtained by implementing the report submitted by Secretary, Planning Commission for distribution among the States. There was, however, no agreement about its distribution among States. There was a suggestion that Rs. 2,000 crores might be distributed for the Antyodaya schemes, but it was found that there was no agreement about it. The formula which had now been devised was called IATP. He confessed that he did not understand the jargon. However, he found that it worked out in a satisfactory manner. According to this formula, Rs. 2,000 crores would be distributed like this : Andhra Pradesh-Rs. 161 crores; Bihar-Rs. 300 crores; Gujarat-Rs. 81 crores; Haryana-Rs. 25 crores; Karnataka-Rs. 96 crores; Kerala-Rs. 77 crores; Madhya Pradesh-Rs. 184 crores; Maharashtra-Rs. 128 crores; Orissa-Rs. 95 crores; Punjab-Rs. 29 crores; Rajasthan-Rs. 103 crores; Tamil Nadu-Rs. 150 crores; Uttar Pradesh-Rs. 424 crores and West Bengal-Rs. 147 crores.

87. Referring to the general economic situation in the country the Prime Minister emphasised the need to maintain prices. Unless prices were maintained fairly steadily, there would be no progress at all. He expressed the view that we must not have a high cost economy. But that did not mean that we must have a completely low price economy. It only meant that prices should not be allowed to go off. That would be possible only if there was abundant supply. This again depended upon production and more production per unit. Then only the cost would be low. It won’t be good for the producer. This was a thing where a balance had to be struck. Unless the producers’ interests were taken care of, there could not be production. But producers had to think in terms of consumers also.

88. The Prime Minister assured the special category States that funds would be made available to them outside Rs. 2,000 crores for their proper share in the Centrally sponsored schemes. He said that Rs. 4,200 crores would be distributed according to Gadgil formula because in spite of all the discussions for months it was not possible to devise any other arrangement.

89. The Prime Minister also said that if there was any mistake in the calculation of the amounts allocated to the States on the basis of the IATP formula, that would be rectified.

90. With regard to the question of market borrowing, the Prime Minister said that it could not be equal far all the States. Those States which were in an advantageous position on account of location of banks in their headquarters etc. could not run away with it. Others should also get some advantage of market borrowings.

91. Explaining the method of distribution of market borrowings, the Deputy Chairman, Planning Commission said that the question was what should be the share that should go to the States

which had developed money market and States which did not have. What had been done now was that the States were given their historical share plus 10% more every year. It meant that the rest of the public borrowings went to increase Central receipts. Whatever could be spared from this went into the Pool of Central assistance and the money was distributed according to an agreed formula. There was a view point that the Backward States should get larger share in the market borrowing. There was another view-point that market borrowing permitted to States should be enhanced and distributed on the basis of savings of the States etc. This would mean that the size of Central assistance would go down, that more advanced States would get greater share and others would get less by way of increased market borrowings.

92. Explaining further, the Deputy Chairman said that now there was no such thing like borrowing by a State. The system as it has now evolved implied that what each State could borrow or what each financial institution would subscribe to a State depended on a central decision. So, the phenomenon had very much changed. As a compromise, of the total borrowings from the market, each State was permitted 10% more over what it did last year so that the historical pattern which by necessity had been inequitous was frozen at a particular level. The rest of the amount went to the Central Government from which also it gave central assistance. Obviously, therefore, the proposition of market borrowing given to each State from year to year would go on decreasing and as a result, more and more money would go into the formula.

93. The Finance Minister of West Bengal, observed that there were two points of the Resolution passed at the earlier meeting held in March 1978 which had to be considered. One concerned the fiscal arrangements necessary in order that the Plan could proceed ahead smoothly. That had been decided in some manner. But there was the second part of the resolution. It had suggested that the Planning Commission must hold consultations with State Governments about the contents of the National Plan, about its objectives and how those objectives could be achieved. For example, take the objective of reduction of inequalities and self-sufficiency. Unfortunately, till now there had not been much discussion on these issues. It was a fact that over the last 30 years, as between rich and poor States, income disparities had expanded. This had been the result of the policies pursued by the State Governments, private people and the Central Government as well. Sooner or later it was necessary to go into this issue. A small Committee could be set up consisting of representatives of Central Government and representatives of the State Governments to look into the structure of Central expenditure including Central Plan investments as these were issues which would keep on cropping up every now and then.

94. The Finance Minister, West Bengal pointed out that the per capita income difference was going up. It might be that the States themselves were responsible for it. Private people also might be responsible. Somebody had to look into it. Somebody should look into the structure of Central Expenditure and Central Investment as at present distributed. A Committee of the NDC could do this.

95. The Chairman observed that it could not be looked into by any other authority than the Parliament. If the Council had any suggestion, it was welcome to give.

96. Concluding the discussions on the question of distribution of resources, the Prime Minister observed that there was no unanimity. He, therefore, felt that he had to give his considered views which should be accepted by the council.

97. The Prime Minister desired that three more items, viz., Family Planning, Panchayati Raj and Power might also be discussed. He emphasised the importance d Family Planning which had

a direct effect on the country's development programmes. Because of high rate of population growth the benefits of the various developmental measures were not reaching the common people. It was, therefore, very much necessary to bring down the population growth, the rate of growth must be brought down to 1.6 per cent and then to 1.2 per cent from the existing rate of 2.2 per cent.

98. The Prime Minister made a reference to the high-handed measures taken during the emergency which put a set back to the entire programme and cautioned against using compulsion in the matter. He urged upon the Chief Ministers to convey the message of the family planning programme to every person and every family in a proper manner. The family planning programme was currently confined, more or less, to the upper-class of society and was not percolating down to village level, to the poorer sections of the population. The Prime Minister expressed his hope that if properly approached and explained, they would also accept it. He appealed to the Chief Ministers for their cooperation in the matter. He also mentioned about the linking of central plan assistance to the States' performance in family planning and explained why such a central pressure was exercised. He welcomed Chief Ministers to suggest any alternative ways of accomplishing the task.

99. **Dr. Ashok Mitra**, Finance Minister of West Bengal agreed that there had been a set back in the family planning programmes during the emergency and measures for family planning needed to be accelerated. He was against use of compulsion as the matter was very delicate and required a cautious approach which might take some extra time. In West Bengal, it was proposed to use the modality of the Panchayat to spread the message of family planning and very good response was expected. He suggested that instead of cutting down funds it would be better if an award like an extra health clinic or an extra primary school etc. could be given.

100. **Shri Anil Sarkar**, Minister of Industries, Public Relations & Tourism, Tripura, considered that the linking of the Central Plan assistance to the performance of the States in regard to the family Planning programmes would be a retrograde step and would bring back coersion in the matter of family planning. The Government of Tripura could not support that approach. Family Welfare targets should be achieved through educative methods at family level, through educational and other organisations and through various mass-media and through the provision of incentives.

101. **Shri Karpuri Thakur**, Chief Minister of Bihar stated that he agreed with all the suggestions made and said that there were no two opinions about making the programme a success. The State Government had prepared a detailed programme in this regard which was being implemented. The reports received so far from the districts were encouraging. During the emergency, compulsion was used which defamed the programme. No compulsion was to be used now. He gave the assurance that the State Government would work whole heartedly to make the family welfare programme a success.

102. **Shri K. Monoharan**, Finance Minister of Tamil Nadu said that family planning was successful in Tamil Nadu. Against the target of 30% set by the Government of India, Tamil Nadu had already achieved 30.6%. He gave the percentages as, sterilization-52, IUD-54.5, and other measures-56.7%. On a query from the Prime Minister, he said that the percentage of population growth in Tamil Nadu was 1.7. He supported the proposal of linking central plan assistance with the States' performance in the implementation of the family planning programmes. He expressed himself against the method of coersion and said that through proper education, temperance and realization on the part of the people the State was doing successfully and well. He hoped that the birth rate in the State would be reduced further and Tamil Nadu would be one of the foremost State in this direction.

103. **Shri Nilamoni Routray**, Chief Minister of Orissa said that he was very anxious to implement the family welfare programme. Orissa was only second to Gujarat so far as implementation of this programme was concerned. Their success was 75% of the target. On a query from the Prime Minister, the Chief Minister said that population growth rate in Orissa was 1.8 per cent. He was against the linkage of Central assistance to family welfare programme and suggested that this should not be done because this would very much affect the implementation of the programme. The Chief Minister said that there should be some incentive to the field officers to carry out the programme successfully. Something should be given to them if they had achieved good results.

104. **Shri Babubhai J. Patel**, Chief Minister of Gujarat explained that the State's achievement in respect of target for sterilization was 83.3 per cent, IUD-110.2 per cent and couples using contraceptives and oral pills-149.8 per cent. Efforts were being made to provide greater number of prizes to talukas and districts which lead in this direction. The incentive amount to the motivators had been increased. The persons going for operation were now paid Rs. 100/-. The population growth rate was very high at 2.9 per cent which the State was able to reduce now by 0.8 per cent.

105. **Shri Devi Lal**, Chief Minister of Haryana said that during emergency Haryana had been made a specific target in sterilization; the target was 52,000 against which 2,22,000 operations were made. People were very much antagonised against the programme. But now, by making it a family welfare programme there was good response. He was of the view that the entire programme should be limited to publicity and the work should be shifted from the Health Department and be entrusted to good expert workers and Public Relations Department. Still there was a deep rooted feeling of hatred amongst the people in this regard. He suggested that more time should be given and wider and sufficient publicity of the programme be done through the Public Relations Department. Intervening in the discussions, the Prime Minister said that the work should be done through the doctors. Every public servant should do this work. Every individual should be persuaded and explained that the programme was in his own interest. The States' responsibility was to provide the facilities. People should be left free to choose their own methods. Every family should be contacted.

106. **Shri Parkash Singh Badal**, Chief Minister of Punjab stated that birth rate in Punjab was 30.30 per cent and growth rate was 2 per cent. The target fixed for sterilization was 91,000 but the achievement was 10,000. The target was high. The Chief Minister pointed out that instead of concentrating on targets, it was better to concentrate on birth rate only. With regard to linkage scheme of 8 per cent, he suggested that financial assistance should be linked to the inverse ratio of growth and the rate of population.

107. **Shri Devaraj Urs**, Chief Minister of Karnataka said that State was taking the implementation of the family welfare programme very seriously. The Government would strengthen the staff and the field officers and so on. The growth rate was 1.8 per cent and steps were being taken to reduce it further. He mentioned about the linkage of the plan assistance to the States performance in family welfare programme. The Prime Minister intervened to explain that Karnataka was not affected by any cut. He was keen to know only about the results and not on the number of operations performed or the methods adopted.

108. **Shri V. K. Saklecha**, Chief Minister of Madhya Pradesh explained that during the emergency, force and compulsion in the matter of family planning were resorted to in Madhya Pradesh also. Against a target of 2 lakhs, 10 lakhs operations were done and the consequential adverse reaction of the people was still there. However, in order to accelerate the programme, a Cabinet Sub-Committee had been set up and a meeting of all Commissioners was convened and

certain decisions were taken regarding convening of meetings of district officers and for providing incentives. A programme had been prepared for giving incentives in the form of assistance of Rs. 10,000—15,000 in the local development work to the village Panchayats whose performance in this field was good so that they could encourage and persuade maximum number of persons. Incentives in the form of prizes to the staff and to the couples where the gap between the first and the second would be sufficient, were being provided. These efforts and incentives were leading to good results. In Madhya Pradesh the growth rate was 2.5%. The work had been intensified through the village panchayats. The State had thus made sufficient progress in this direction. The Commissioner was made responsible for seeing that the staff was given incentives and was encouraged for this work. Every Commissioner has to see how persuasion was going on in his division.

109. **Shri S. B. Chavan**, Finance Minister of Maharashtra expressed his happiness that the subject was given the importance it deserved. Out of 30 lakhs eligible couples in Maharashtra, only 17 lakhs remained to be tackled and he assured that would be achieved by the period which the Government of India would prescribe. He hoped that there would be no element of compulsion in the implementation of the programme. He gave the assurance that the State would implement the programmes that had been given. He suggested that in calculating any assistance to any State Government, the population of 1971 and not the growth on population thereafter, should be taken into account. The Prime Minister explained that was exactly the criterion.

110. **Shri Yangmasha Shaiza**, Chief Minister of Manipur said that though the State was a little below the target given by the Centre yet the current year's performance was better. Motivations were done in the valley through the Panchayats and in the hill areas through the district councils. He explained the difficulties encountered in the matter of sterilization. The women-folk in the hill area would not accept a male doctor and that because of accommodation problem lady doctors could not be posted in hill areas. Even then, the State’s performance was good and the growth rate was 1.7 and in 1979-80 the performance was expected to be better. He expressed the apprehension that the target fixed by the Central Government might not be achieved and suggested that even if 50 per cent was achieved, the Central assistance should be released because if there was delay in releasing it, the performance became poor. He urged that Central assistance under these schemes should be released without delay.

111. **Shri Rabi Ray**, Union Minister of Health and Family Welfare thanked the Chief Ministers and others for their assurance to the National Development Council that they would intensify the family planning and Welfare Programmes. He stressed the necessity for having targets for sterilization and other allied programmes for attaining the goal. He pointed out that against the target of 40 lakhs sterilization, the achievement so far was 10 lakhs. He mentioned Gujarat, Orissa, Maharashtra and four Southern States which had taken keen interest in the programme. He also mentioned that the Chief Ministers of Bihar and West Bengal were taking keen interest themselves and bureaucrats and other officers had fallen in line. He emphasised that the Chief Ministers, because they were also the leaders of the people, should take a special and personal responsibility to fulfil the target.

112. The Union Minister said that the Working Group on Population Policy set up by the Planning Commission was expected to give its interim report shortly and suggested that a conference of the Chief Ministers and Health Ministers might be convened after the interim report on the population policy was received, to discuss the same. He preferred to have the linkage of 8% of the Central assistance to states' performance in family planning and stressed that it should not be taken as a punishment but as a reward to those States which would be giving good results in the sphere of

family planning and welfare programme.

113. The Union Minister placed the following Resolution expressing the anxiety and determination of the NDC to go ahead with the programme and urged the Council to adopt the same:-

"That this National Development Council has noted the improvement of the performance of the Family Welfare Programme during 1978-79 over the previous year but feels that much more needs to be done on this front. In view of the great importance of this programme the National Development Council reiterates its commitment to the Statement of Policy on Family Welfare of June 1977 and resolves that all out efforts be made for intensifying the implementation of this programme".

114. Some of the participants suggested that voluntary organisations, the Posts and Telegraphs Departments, medical practitioners, teachers and all government servants should be encouraged to bring about the awareness of the importance of family welfare among the people. The Prime Minister agreed with these. The Resolution was then carried.

115. Taking up the discussions on Panchayati Raj, the Prime Minister remarked that the Ashoka Mehta Committee had submitted its report which had been circulated to the States but no reply had yet been received from most of the States. He suggested that the matter could be discussed in the NDC meeting and then the States could send their concrete proposals so that decisions could be taken on it. He invited Shri S.S. Barnala, Union Minister of Agriculture & Irrigation to speak on the subject.

116. **Shri Surjit Singh Barnala**, Union Minister of Agriculture and Irrigation explained that the main point raised in the Ashoka Mehta Committee Report was regarding having two-tier system instead of three-tier system that was in vogue in almost all the States excepting a few. According to the Report, the Panchayat Samities and the Gram Panchayats were to be replaced by 'Mandal' Panchayats. Mandal was a bigger unit consisting of a number of villages having population of 15,000 to 20,000. So the proposal was to have Zila Parishad and Mandal Panchayats. It was thought proper to have the views of the State Governments and accordingly all the State Chief Ministers were addressed in September 1978. So far comments were received only from Tamil Nadu and Gujarat.

117. There were some other points also, the Union Minister continued. One of them was whether to have elections to the village panchayats on political or on the non-political basis. The Report also dealt with the system of financing of panchayats. A suggestion had been made for decentralisation of powers from district level downwards and to make constitutional amendment for giving some rights to the village panchayats.

118. **Shri Babubhai J. Patel**, Chief Minister of Gujarat stated that the reactions of the State Government to the Ashoka Mehta Committee proposals had been conveyed. He said that a Committee under the chairmanship of the President of District Panchayats in Gujarat was appointed to go into the question of working of Panchayati Raj. That Committee's Report was also available. Both the Reports were examined and it was found that in some cases there were contradictory recommendations. The Gujarat Committee recommended that the three-tier system working in Gujarat should continue. In the existing pattern there was continuity between gram panchayat, taluka panchayat and district panchayat and it was thought better not to accept the recommendations of the Ashoka Mehta Committee.

119. Regarding participation of political parties, the State Government wanted to continue the

present system of sharing political association at district level and not to percolate it down to taluka panchayat and gram panchayat. Panchayati Raj in Gujarat was functioning as an arm of the Administration and was doing fairly well. The State Government did not want to make any fundamental change in the system.

120. **Shri Karpuri Thakur**, Chief Minister of Bihar explained that in Bihar elections to Gram Panchayats in some districts were not held for the last 10 to 15 years and the District Boards, whose elections used to be held timely, were also suspended for 10 to 15 years or superseded. Therefore neither the Panchayats nor the District Boards were functioning properly. Under the new Government elections were completed in May and June, 1978. There was a Panchayat for an average of 5 to 6 villages. Persons of the age of 18 years were given the right to vote. Panchayat Samities were proposed to be formed at block level and elections were proposed to be held to the Panchayat Samities on March 3, 4 and 5, 1979. Elections to Zila Parishads would be held on March 10, 1979. Thus Panchayati Raj would be enforced in Bihar in March, 1979. The powers hitherto enjoyed by the District Boards and the Block Development Committees would be enjoyed by the Zila Parishads and Panchayati Samities and the Panchayats would have more powers.

121. The Chief Minister said that the people of Bihar would not be prepared to accept the recommendations regarding Mandal Samities made by the Ashoka Mehta Committee. However, a committee appointed by the State Government was examining the report of the Ashoka Mehta Committee which was expected to submit its report to the State Cabinet shortly and thereafter the Cabinet would take decision on the recommendations of the Ashoka Mehta Comimittee. The Chief Minister stated that it was thought proper that instead of waiting for the recommendations of the Ashoka Mehta Committee, the Panchayati Raj should be enforced as early as possible and amendments that might be required as a result of the recommendations of the Ashoka Mehta Committee could be made later on. The Chief Minister felt that a provision for election to Zila Parishads and Panchayats should be made in the constitution like that for Lok Sabha and Vidhan Sabha, otherwise it solely depended on the will of the State Governments to hold these elections or not. As regards involvement of politics to panchayat elections, he said that at some places it was held on non-political basis while at others, like West Bengal, it was held on political basis. Though he had been earlier of the opinion that elections to Panchayats should not be held on the basis of political parties, he now revised it and felt that there was no harm in associating politics in the panchayat elections also.

122. **Dr. Ashok Mitra**, Finance Minister of West Bengal stated that the State had a three-tier system of election in Panchayat and the last election was held in 1977. Responsibilities had been broadly divided among the Zila Parishad, Panchayat Samities and Gram Panchayats. It was only 9 or 10 months that the three-tier units were settling down and they were taking more and more responsibility and hence the State Government were not inclined to disturb the arrangement just now and would like to watch performance of the next year before any fundamental restructuring was thought of. Gradually, the responsibilities of rural works, primary education, village sanitation, rural health and rural water supply were being transferred to the Gram Panchayats. It was the objective of the State Government that in the course of the next 3 or 4 years, all activities pertaining to villages which impinge on development should be transferred in toto to the panchayat system. And the response, the Minister observed, had been tremendous at the village level. He expressed the confidence that the ambition would be translated into a reality. As regards the Ashoka Mehta Committee Report, the Minister said that the State Government were examining it and would get in touch with the Government of India.

123. **Shri Anil Sarkar**, Minister of Industries, Public Relations & Tourism, Tripura said that there

was two-tier system in the State, viz. the block level panchayat committees and the primary units i.e. Gram Sabhas. They were running well. The State Government thought that political parties' symbols should be allowed at the Gram Panchayat level.

124. **Shri Parkash Singh Badal**, Chief Minister of Punjab stated that Punjab had a two-tier panchayat system. There was a village panchayat at the lowest level and then the District Parishads. Punjab recently went through the panchayat elections with direct election of the village Sarpanch. There was unanimous elections in 40% of the village panchayat seats. No political party was allowed to go to the polls, alongwith its symbols. Apart from the village panchayats, there were Zila Parishads also for which election would be held shortly. As regards the Ashoka Mehta Committee’s recommendations, Punjab was having the village as the basic level of panchayat and they would like to continue this experiment.

125. **Shri K. Monoharan**, Finance Minister of Tamil Nadu stated that the State Government agreed on almost all the points of the Panchayati Raj Committee's report except a few. The State accepted the three-tier system. The Committee had suggested that Zila Parishad must have a directly elected person as Chairman while in Tamil Nadu the Collector headed the Zila Parishad. The system was running very smoothly and the State did not want to change it. Last Panchayat elections were held in 1970 and the present Government were ready to conduct elections very soon. All the political parties wanted to contest in panchayat union elections. He felt that it was impossible for them to eliminate politics from the panchayat unions. As far as the question of constitutional amendment was concerned, the Minister was of the view that it must be left to the discretion of the State Governments to have panchayat union elections. If the constitutional amendment came up, it would be a difficult job to adopt it in a perfect way at the district level.

126. **Shri Vizol**, Chief Minister of Nagaland said that the system of Panchayat was as old as Nagaland people themselves. Nagaland had two-tier system of Panchayat i.e. village council and area council. The village council was very powerful, vested with judicial as well as administrative power. Financial power was also to be conferred to the village council for the development work in the light of the new Act which had since been passed in the State Assembly. In order to encourage people participating in the developmental work, a scheme was formulated which was known as Village Development Board. There the villagers would deposit amount and the matching grant would be given by the Government. The aim was to have a gross-root development schemes prepared by the villagers themselves. The benefit accruing from these development works would directly go to the villages. The tenure of village council differs from area to area. For instance, in our area, the tenure is for 13 years but in other areas it is 5 years with a provision for renewal till they complete 13 years. No political party was introduced at the village level in order to maintain the unity of the village. The political parties were not, therefore, allowed to interfere in the election. Presently, all the elections all over Nagaland would be completed before May.

127. **Shri Bhairon Singh Shekhawat**, Chief Minister of Rajasthan stated that Rajasthan had a long history, as far as panchayat institutions were concerned. Gram Panchayat Act was enacted in 1953 and in 1959. Panchayat Samities and Zila Parishad Act were enacted by the Vidhan Sabha. Rajasthan had a three-tier system. There were gram panchayats, Panchayat Samities and Zila Parishad. The State Government had not taken a final decision on the Ashoka Mehta Committee but the broad indications were that Rajasthan was going to accept the three-tier system. So far as elections were concerned, Rajasthan did not favour allowing the political parties to contest election on their own symbol either in the gram Panchayat areas or in the Panchayat Samiti elections. The Chief Minister said that they were trying to give more and more finance to the Gram Panchayats;

and the 'food for work programme' had done a good service to the rural upliftment of Rajasthan. The State Government was not financing the programme but were only providing 50 per cent aid and the balance of 50 per cent came from peoples' cooperation in terms of aid and resources. The basic thing which the Gram Panchayats were to perform was that they would have to plan agricultural production during the current as well as in the next year. This was the experiment which Rajasthan was going to make in the next financial year and he hoped that this would yield greater results as far as agricultural production was concerned.

128. **Shri Nilamoni Routray**, Chief Minister of Orissa said that the Ashoka Mehta Committee report was receiving very active consideration and the legislature party had to take it into consideration. Orissa, for long, had three-tier system. Some time back the Zila Parishads were abolished and the two-tier system was functioning very well. Elections to Panchayats and Panchayat Samities were held regularly. There were direct elections held on adult franchise. But there were indirect elections to the Zila Parishads. The State Government was, however, in favour of the three-tier system and they were not in favour of political parties fighting these elections on party symbols, but a final decision in this respect was to be taken by the Legislative Party.

129. **Shri D. D. Thakur**, Finance & Planning Minister of Jammu and Kashmir stated that the elections to the Panchayats had been completed after a lapse of a decade and they had started functioning. He explained the various improvements effected by the State Government in the existing system and the responsibilities and functions of the Panchayats. He said that the State Government was seriously considering adoption of legislation and laying down a fool proof system of elections to the membership of the taluk boards and the block boards. The programme was being effectively pursued and substantial results were noticeable during the current year. He said that the Ashoka Mehta Committee report had been received and taken note of and whatever improvements were considered necessary would be provided in order to make the panchayat institution an effective vehicle for the transformation of the society.

130. **Shri V. K. Saklecha**, Chief Minister of Madhya Pradesh said that there were 17,000 panchayats and there had been no election to these panchayats for the last 10 years. They had, however, recently conducted elections in all the panchayats and youths of 18 years were given the right of franchise. The important features of these elections were that reservations had been made for scheduled Castes and Tribes in respect of surpanch and upadhyaksh. Political parties were not allowed to take part in the election. The suggestion made in the report of the Ashoka Mehta Committee that the village panchayat should be on the basis of 20,000 population was quite unpracticable for them in case two-tier system of panchayats were to be adopted. Madhya Pradesh was, however, in favour of three-tier system of panchayats and Zilla Panchayats should be part of this system. The State Government had also decided to set up a village Engineering service to assist and co-operate in the construction work upto the level of village panchayats. Besides, the State Government had also put up village secretariat in 5,000 panchayats out of 17,000 panchayats to provide easy solution to the problems of village people without going at the residence of Patwari, Gram Sewak or Electricity staff. This experiment had so far proved successful as the village people were quite satisfied about the performance of the new set up of administration. In pursuance of the recommendations contained in the report of Ashoka Mehta Committee, the State Government had formed a Cabinet sub-committee to consider as to how the other recommendations of the report could be implemented and they would like to introduce a Bill to that effect in the current session of State Assembly.

131. **Dr. Channa Reddy**, Chief Minister of Andhra Pradesh, explained that during the discussions

between the State Government and the Ashoka Mehta Committee, it was found that on quite a number of points there was agreement. The voters age had been brought down from 21 years to 18 years. The State Government had appointed a Committee of Experts to study and advise on the powers and resources to be entrusted to the Panchayat Raj institutions. It was proposed to hold elections in May and June and depending upon the advice of the technical experts a large number of powers and resources was proposed to be passed on to the Panchayats. Panchayat and Panchayat Samiti had been delinked. The State had three-tier system and the panchayats were to be elected in the usual manner. A system of direct election for the Panchayat President had been introduced. Village panchayats would work independently and their resources and administration would be entirely left to them without any interference from the top level to the Panchayat Samiti level. No change had been made regarding Zila Parishad. Zila Parishad was constituted by all the Legislators and the Panchayat Samiti Presidents and they together elected the Chairman. Steps had been taken to give representations to Scheduled Castes and Scheduled Tribes for Panchayat Presidentship and Panchayat Samiti Presidentship. The State had a Panchayat Raj Engineering system on a large scale which took up local works. The State had adopted the political party system for panchayat samiti elections.

132. **Shri Golap Borbora**, Chief Minister of Assam said that the State had district councils as provided under the Constitution. Gram Panchayats and sub-divisional Committees were also there. Elections to Gram Panchayat had been completed in the previous month. Political parties were allowed to participate in these elections. He supported the views of the Bihar Chief Minister that Panchayat elections should be allowed to be fought on political considerations. Under the Assam Panchayati Raj Act, the panchayats were mainly given power regarding construction of roads and water supply and the State Government were contemplating for delegating other powers also.

133. **Shri Devi Lal**, Chief Minister of Haryana said that there had been a three-tier system of panchayats in Haryana. The Zilla Parishad was discontinued there about five years back by the previous Government. The elections in 5,415 panchayats had recently been completed. The State Government had since received Ashoka Mehta Committee report which was under consideration by the Committee set up by the State Government. The State Government was however, in favour of panchayat at village level in order to give the people an opportunity to improve and develop themselves. The Chief Minister said that the State Government was not in favour of direct election to Zilla Parishads. They also did not want to give more power to 'Mandals' because they would not be able to look after the work properly and there would be many obstacles in their way. But it was very essential to have the Panchayats.

134. **Shri Devaraj Urs**, Chief Minister of Karnataka said that they had two-tier system in the State Panchayat level and taluk level. The system had been functioning very well. The State Government had recently completed elections in respect of 1,800 panchayats and 176 taluks. The political parties were not allowed to take part in elections at panchayat level in order to avoid tension in the villages. In response to a query from the Prime Minister regarding existence of district panchayats in Karnataka, the Chief Minister pointed out that they had district development councils where the elected Assembly members and block presidents were members. There was no direct election to these councils.

135. **Shri P. K. Vasudevan Nair**, Chief Minister of Kerala, said that they had three-tier system but direct election was only for the panchayats. They had advisory committees at the block and district levels. The panchayats were covering more than a thousand villages. There was reservation not only for scheduled castes and tribes but also for women in the panchayats. As far as the future

set up was concerned, Kerala would like to have two-tier system of panchayats at the district level and at the panchayat level. The Chief Minister said that the District Administration bill was already before the Legislature. He hoped that direct election to the district administration would be held shortly.

136. **Shri P. K. Thungon**, Chief Minister of Arunachal Pradesh said that they had three tier system there but they would like to have two tier system. At the moment, they had gram panchayats, anchal samities and Zila Parishads. At the gram panchayat level, they would like to retain the traditional village council system instead of panchayat system. The Chief Minister said that they were not in favour of political parties taking part in the panchayat elections at the village level in order to avoid tension in the villages.

137. **Shri Kedar Nath Sahni**, Chief Executive Councillor of Delhi said that there was a panchayat system in Delhi but their structure was of such a type that people of the villages, despite the panchayats, could not take any decision in regard to improvement in villages because they had neither the power nor the resources to do so. This was due to the fact that most of the work relating to the improvement of villages had been entrusted to the Corporation.

138. Summing up the discussions on Panchayati Raj, the **Prime Minister** stated that so far only two States had sent their views on the Report of the Ashoka Mehta Committee and the opinions of others had to be received and it would be better if the views were received within one month at the latest. Those views could then be considered and a meeting of the Chief Ministers could be called for arriving at some agreed conclusions. The Prime Minister observed that it would be better to have a very nearly uniform pattern throughout the country in this matter and that a consensus was taken after full consideration. The Prime Minister wished two or three points to be considered by the Chief Ministers before sending their reports. The village as the unit had the greatest importance in this country from the ancient times. He said that if proper unity could be achieved in the local matters in the villages through the Panchayats, it would go a long way in the integration of the country also. He felt that if politics were not brought in, then unity would be better achieved. He suggested that if, in the villages, elections could be held by having a meeting of all the villagers together where they could vote by show of hands, it might be possible to achieve unity, save expenditure and eliminate politics. From the villages indirect elections could take place and in that case parties would be avoided. This needed consideration.

139. The Prime Minister further observed that it was necessary that elections should be held in time and should not be postponed at the sweet will of any Government. That provision could be met if it was in the Constitution otherwise any State Government could make it or unmake it. He said that from the point of view of co-ordination of work of several villages having common problems, a block Panchayat might be useful because if there were only two-tier panchayats, then at the district level it became too unwieldy. It was very necessary to give deep thought to it. That was why the Ashok Mehta Committee had been appointed which had made valuable suggestions. He urged upon the Chief Ministers to consider the matter very seriously and try to come to a consensus so that a general uniformity in the pattern of panchayat system could be achieved.

140. The Prime Minister remarked that 'Panchayat' was primarily a States' subject and ultimately the legislation would have to be adopted by the States. He felt that it would be better not to go through the State legislations just now but to wait for the consensus and incorporate the changes that might be necessary; otherwise afterwards there might be a sort of reluctance to take up the general consensus and a tendency to push one's own view before every body else. He was,

however, of the view that elections should not be postponed. There had been too much negligence or too much maltreatment of the village panchayats, because in many cases elections had not been held at all. This could be remedied only by a Constitutional Amendment. It could not be done merely by State legislation. State legislation could go into the constitution of panchayats, their functions, financial powers etc. He hoped that in about a month's time, at the latest, all States would send their views. The Prime Minister then suggested that the next item 'Power' could be taken up for discussion.

141. **Shri Karpuri Thakur**, Chief Minister of Bihar intervened to say that he did not know anything about the subject nor was the item included in the agenda. The Prime Minister agreed that since the States were not prepared for discussion about 'Power' this could be discussed when the NDC met next time. Meanwhile a note on the subject could be sent to all the States.

142. **Shri Biju Patnaik**, Union Minister of Steel suggested that the problems could be explained and they could be considered next time. This was agreed to by the Prime Minister.

143. The Minister of Steel & Mines mentioned some of the problems relating to production of power, utilisation of power and the rates. Power rates were at present different in different parts of the country resulting in commodity prices, in-product prices being different. The Minister was of the view that the power plants hang instead of producing power which results in cost of production going up and the revenue becoming less. The Minister pointed out that the return in respect of small and compact states from power was proportionately more as compared to the bigger states like Madhya Pradesh or Rajasthan. There should be some sort of uniformity in the transmission of power to the different types of industries located in different places apart from having national or zonal grid. The total saving or the total advantage to the nation in terms of production would amount to nearly Rs. 3000 crores a year in case power could be utilized at the full generation capacity round the clock. Therefore, if the nations' power utilization was to be efficient; then a lot of other things would have to be made efficient. The entire system relating to power has to be made most efficient and most productive. The Chief Minister, Gujarat, said that he had problems in this regard which should be considered simultaneously. Firstly, the power rates were different in different States due to the transportation cost of coal. Secondly, 60% of the utilisation area was away from the power producing area of the States. In the circumstances, it was not possible to have a uniform rate for power. This could, however, be done if coal was provided at uniform rate to all the States.

144. The Prime Minister said that he would like to mention about adult education before the conference closed. There should not be any illiteracy in the country in seven or eight years time at the most. But he had found that some of the states were going slow in that matter. He therefore, requested all the Chief Ministers that the question of adult education should be taken up in right earnest. Adult Education campaign should take place through various measures. The necessity of family planning should be brought home to the people. Some literature should be produced so that the people could contribute properly and fully to the national development and nation building. The Prime Minister also stated that we should proceed at a faster rate in the matter.

145. The Prime Minister thanked the Chief Ministers and others for participating in the meeting.

APPENDIX

REPORT ON THE DELIBERATIONS OF THE NATIONAL DEVELOPMENT COUNCIL COMMITTEE MEETINGS HELD ON 24-25, FEBRUARY, 1979 ON CENTRE-STATE FINANCIAL RELATIONS BY DR. D.T. LAKDAWALA, DEPUTY CHAIRMAN, PLANNING COMMISSION

In accordance with the desire of the National Development Council (N.D.C.) expressed in its Resolution on the Draft Plan (1978-83) at its meeting held on March 18-19, 1978, the Prime Minister in his capacity as Chairman of the Council, appointed a Committee with the following terms of reference:

“(i) To review fiscal arrangements between the States and the Centre, having regard to the provisions of the Constitution, in the light of the larger role to be assigned to State Governments in the next five years in development planning and execution, and inter alia

(a) to review the working of the Gadgil Formula, and to recommend such changes in this formula as appear necessary ;

(b) to review the scope of Central and Centrally sponsored schemes in sectors primarily within the responsibility of the States, in the context of the criteria last laid down by the NDC and to recommend such changes as appear necessary.

(ii) To advise on mobilising national resources at all levels adequate for financing both plan and non-plan developmental outlay in the period 1978-83".

2. The first meeting of the N.D.C. Committee was held on August 21-22, 1978. A Working Group was appointed to discuss in detail its terms of reference. The Working Group met thrice. The N.D.C. Committee meeting was called on January 19-20, 1979 to consider the deliberations of the Working Group. The discussions at the Working Group and the Committee meetings were frank and fruitful, and served greatly in understanding the view-points of the various parties on the issues involved. The minutes of all these meetings have been circulated. I need, therefore, report only on the major points of immediate importance emerging from the discussions.

3. On the question of mobilising national resources to meet Plan and non-Plan outlay, the draft Plan estimates of additional resource mobilisation of Rs. 13,000 crores—Rs. 9,000 crores by the Centre and Rs. 4,000 crores by the States,—were generally accepted. The estimates did not take into account the revenue losses consequent upon the implementation of the policy of prohibition. These will have to be met from further resource mobilisation by the Centre and the States in the proportion already decided. It is also presumed that if the States incur any expenditure on the non-Plan side beyond the estimates of the Finance Commission or are not able to live upto the revenue norms laid down by them, the erosions will be made good by them. The same holds good for the Centre.

4. On the question of Centrally sponsored schemes, it was agreed at the Working Group

stage, that a detailed review should be made of the Centrally sponsored schemes with a view to ensuring a substantial reduction in their number and bringing them down from an estimated level of Rs. 6000 crores to at least Rs. 3500 crores without affecting the major objectives of the Plan. An Officials' Committee under the Chairmanship of Secretary, Planning Commission, was appointed for the purpose. His report summarising the broad consensus or the majority opinion as it emerged at the meetings was, that: (i) Centrally sponsored schemes of the magnitude of Rs. 600 crores need not be continued, as the States could be expected to take care of them. It was, of course, not implied in this recommendation that these centrally sponsored schemes did not serve any purpose, only that the objectives could be equally fulfilled by the States being left free to decide on their own without any direct guidance from or participation by the Centre; (ii) It was possible to effect a saving of the order of Rs. 400 crores by reducing the estimated outlay on certain schemes; (iii) Schemes like family planning, prevention of malaria, control of communicable diseases, construction of inter-State transmission power lines etc. should continue to be centrally sponsored on a 100% basis. The estimated expenditure on these would be around Rs. 1,700 crores; (iv) Schemes for weaker sectors and agricultural and rural development like SFDA, MFAL, CADA, and for RMNP like adult education, etc. (estimated to cost Rs. 3,300 crores) should remain centrally sponsored, but financed on a sharing basis. This modification would mean a saving in central outlay of Rs. 1,650 crores. The recommendations would imply retention of Rs. 3,350 crores worth of centrally sponsored schemes out of the total of Rs. 6,000 crores that were originally estimated to be spent on them. Of the balance of Rs. 2,650 crores released thereby, Rs. 2,000 crores would be available as additional block plan assistance for the next 4 years (1979-83).

5. The report also recommended an important change in the procedure of operation of the centrally sponsored schemes. The Central Government should only lay down broad guidelines leaving the detailed sanctions to the States. The States' annual plan discussions should cover all such schemes and provision for them should be made from the beginning, instead of piecemeal approval throughout the year. This would make it possible for the States to treat the centrally sponsored schemes as a part of the State Plan—as per suggestion contained in the report. The Planning Commission agrees with the views expressed by some States that the schemes be periodically reviewed to ensure that they are availed off by the States to the optimum extent and that they achieve the results for which they were designed.

6. The States generally welcomed the idea of reducing the scope of centrally sponsored schemes though some of them had differences of opinion on which precise schemes should be retained. Some of them did not like the idea of the centrally sponsored schemes being financed on a sharing basis. Area development schemes like SFDA, MFAL, CADA and DPAP now combined in an Integrated Rural Development Programme, and those pertaining to RMNP play a very vital part in the strategy of the Draft Plan in its fight against unemployment and poverty. It is very necessary that these programmes should be properly financed and that there should be uniformity in the broad approach and attack on these problems.

7. It has been asked whether putting certain schemes on a sharing basis serves any important purpose. It may be mentioned here that some of the centrally sponsored schemes like adult education etc. are already being financed an a sharing basis. In our opinion, sharing can serve two-fold objectives. Firstly, it guards to some extent, against over-staffing and inefficient expenditure which have been complained of by some States. The States will have some incentive to see that the costs of the schemes are in reasonable proportion to the benefits. Secondly as some of the schemes are location-specific, all States do not equally benefit from them. In a sharing system, the States will have the freedom to choose from a bunch of centrally sponsored schemes

administered on a sharing basis. States not in a position to derive benefit from one scheme, may spare more for other schemes which are more advantageous to them.

8. It was agreed that the total public sector plan outlay should be of the order of Rs. 69,380 crores. There was some discussion in regard to its distribution between the Centre and the States. It was pointed out by the Planning Commission that there was little scope for any curtailment in the central sector plan of Rs. 27,020 crores (excluding Union Territories plan of Rs. 1,200 crores and centrally sponsored schemes). Assuming that the outlay an centrally sponsored schemes continued at Rs. 6,000 crores level, the Centre would spare only Rs. 10,350 crores for distribution among the States. This would compare favourably with Rs. 5,208 crores that was given during the last Plan (1974-78). It would enable the States to have a plan outlay of Rs. 35,160 crores.

9. Rs. 10,350 crores of plan assistance was proposed to be distributed as follows:-

		(Rs. crores)
(i)	Aggregate Central Plan assitance (proposed for Five Years 1978-83)	10350
(ii)	Less amount already allocated in 1978-79	2450
(iii)	Assistance available for four years (1979-83)	**7900**
(iv)	Less Special Category States	1800
(v)	Less Hill and Tribal Areas and North-Eastern Council	800
(vi)	Less externally aided projects	500
(vii)	Less Reserve for Special Problems	600
(viii)	Formula amount for 4 years (1979-83) for other States	**4200**

This was generally agreed to. But the question of distribution of Rs. 4,200 crores among the Gadgil formula States inter se led to considerable discussion. The poorer States argued that in order to deal with their problems of backwardness, they needed greater per capita plan outlay and that central assistance should be so determined as to enable them to do so. The comparatively more developed States contended that the Gadgil formula gave enough weightage to backwardness and should, therefore, be continued.

10. The Planning Commission does not think it practicable to determine a priori State plan outlay on the basis of its needs, deduct from it the resources it could mobilise and thus arrive at the amount of central assistance to it. It was only when this procedure did not work, that the Gadgil formula for distribution of plan assistance was evolved and accepted.

11. The principles of distribution of Plan assistance must take the following considerations into account:—

(i) It must be distributed equitably, i.e. broadly speaking, the poorer States must get more per capita plan assistance;

(ii) the central assistance to any State should be large enough to interest the State to continue to participate in the planning process; and

(iii) the distribution should be such as to encourage efficiency and resource mobilisation.

From this viewpoint, some modifications in the Gadgil formula may be desirable. The Planning

Commission had put forward three alternative formulae for consideration, which were more progressive. There seemed to be general agreement that instead of a wholesale revision of the Gadgil formula, central assistance could be divided into two parts :-

(a) that available without any transfer of centrally sponsored schemes (Rs. 4,200 crores) to be distributed on the basis of Gadgil formula; and

(b) the amount likely to be available as a result of modifications in the centrally sponsored schemes (Rs. 2,000 crores) which could be distributed differently.

12. On the distribution of the second, there was a difference of opinion. The poorer States proposed that the entire amount should be distributed only among them in proportion to population multiplied by the difference between the per capita surplus of a State and the average per capita surplus of 14 States, as determined by the Finance Commission. The comparatively advanced States demanded that the amount should be distributed on the basis of Gadgil formula. The Planning Commission had suggested, as a compromise, that the amount could be distributed in proportion to the population multiplied by the inverse of the calculated per capita plan outlay.

13. Since some friends have misunderstood the formula, I must explain this a little more fully. The Plan outlay is calculated on the basis of the surplus left by the Seventh Finance Commission, plus the additional resource mobilisation estimated by the Planning Commission, plus entitlements out of Rs. 4,000 crores distributed according to the Gadgil formula. Contrary to the general impression, the distribution of tax proceeds amongst State inter se along with Art. 275 grants, generally favours poorer States. The surpluses that are left for the Plan are a different matter. They are also the result of the States' own resource mobilisation and the States' expenditure levels. But in both these, a number of norms have been introduced by the Finance Commission, and the surplus figures that we have used are as estimated by them. The estimated plan outlays are, therefore, not entirely the result of the States' own attitude towards mobilisation of resources.

An alternative formula which could be considered is to distribute Rs. 2,000 crores on the basis of population multiplied by the inverse of per capita income (IATP).

14. The importance of family planning for the success of any planning effort is now well recognised. It is, therefore, proposed that as in the past, 8 per cent of the central assistance should be released on achievement of family planning targets.

15. Before I conclude, there is one point which I would like to place before you. It is very essential that the Planning Commission should have some discretion in distribution of plan assistance. In the first place, whatever formula is evolved, it is difficult to make it suit the varied circumstances of different States in India. For example, we found that even a very progressive formula could not do justice to the problems of sparsely populated States like Rajasthan. Secondly, some States have to spend very large amounts on major irrigation and power projects accounting for 60% of the Plan outlay or more. This might leave them with inadequate leeway for meeting their other developmental needs. Finally, there is also the question of maintaining a developmental tempo even in a bad year. The Gadgil formula provided this discretion by reserving 10% of Central assistance for special problems. Under the present circumstances, this may be found inadequate and may need to be enhanced.

16. I hope I have given a fair summary of what has transpired so far. Under your able guidance, I am sure, we will be able to achieve agreement that has so far eluded us in spite of our best efforts.

PARTICIPANTS

PLANNING COMMISSION

Shri Morarji R. Desai	.. .. ..	Chairman
Dr. D.T. Lakdawala	.. .. ..	Deputy Chairman
Shri Charan Singh	.. .. ..	Dy. Prime Minister (Finance)
Shri Jagjivan Ram	.. .. ..	Dy. Prime Minister (Defence)
Shri H.M. Patel	.. .. ..	Minister of Home Affairs
Shri Fazlur Rehman	.. .. ..	Minister of State for Planning
Shri B. Sivaraman	.. .. ..	Member
Shri V. Rajadhyaksha	.. .. ..	Member
Prof. Raj Krishna	.. .. ..	Member
Prof. J.D. Sethi	.. .. ..	Member

STATES

Andhra Pradesh	.. .. ..	Dr. M. Channa Reddy, Chief Minister
		Shri G. Raja Ram, Finance Minister
Assam	.. .. ..	Shri Golap Borbora, Chief Minister
		Shri K.C. Gogoi, Finance Minister
Bihar	.. .. ..	Shri Karpoori Thakur, Chief Minister
		Shri Kailashpati Mishra, Finance Minister
Gujarat	.. .. ..	Shri Babubhai Patel, Chief Minister
		Shri Dinesh Bhai V. Shah, Finance and Planning Minister

Haryana	.. .. ..	Shri Devi Lal, Chief Minister
		Shri M.C. Jain, Finance Minister
Himachal Pradesh	.. .. ..	Shri Shanta Kumar Chief Minister
Jammu & Kashmir	.. .. ..	Sheikh Mohd. Abdullah, Chief Minister
		Shri D.D. Thakur, Finance & Planning Minister
Karnataka	.. .. ..	Shri D. Devaraj Urs, Chief Minister
		Shri S.M. Yahya, Finance Minister
Kerala	.. .. ..	Shri P.K. Vasudevan Nair, Chief Minister
Madhya Pradesh	.. .. ..	Shri V.K. Saklecha, Chief Minister
		Shri Ramhit Gupta, Finance Minister
Maharashtra	.. .. ..	Shri Sharad Pawar, Chief Minister
		Shri S.B. Chavan, Finance & Planning Minister
		Shri K.N. Deshmukh, Minister of State Planning
Manipur	.. .. ..	Shri Yangmasha Shaiza, Chief Minister
		Mohd. Almuddin, Finance Minister
Meghalaya	.. .. ..	Shri D.D. Pugh, Chief Minister

Nagaland	.. .. ..	Shri Vizol, Chief Minister
		Shri S.C. Jamir, Deputy Chief Minister
		Shri Vamuan, Finance Minister
Orissa	.. .. ..	Shri Nilamoni Routray, Chief Minister
		Shri Ram Prasad Mishra, Finance Minister
Punjab	.. .. ..	Shri Prakash Singh Badal, Chief Minister
		Shri Balwant Singh Finance Minister
Rajasthan	.. .. ..	Shri Bhairon Singh Shekhawat, Chief Minister
		Shri Manek Chand Surana, Planning Minister
Tamilnadu	.. .. ..	Shri M.G. Ramachandran, Chief Minister
		Shri K. Manoharan, Finance Minister
		Shri S. Ramachandran, Minister of Elect.
		Shri Rajaram, Spl. Representative in Delhi
Tripura	.. .. ..	Shri Anil Sarkar, Industries Minister
Uttar Pradesh	.. .. ..	Shri Ram Naresh Yadav, Chief Minister
		Shri Madhukar Dhige, Finance Minister

West Bengal	.. .. ..	Shri Jyoti Basu, Chief Minister Dr. Ashoka Mitra, Finance Minister

UNION TERRITORIES

Arunachal Pradesh	.. .. ..	Shri P.K. Thungon, Chief Minister
Chandigarh	.. .. ..	Shri J.C. Aggarwal, Chief Commissioner
Delhi	.. .. ..	Shri D.R. Kohli, Lt. Governor Shri K.N. Sahni, Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Smt. Shashikala Kakodkar Chief Minister
Pondicherry	.. .. ..	Shri Bidesh Kulkarni, Lt. Governor

UNION MINISTERS

Shri L.K. Advani	.. .. ..	Minister of Information and Broadcasting
Shri H.N. Bahuguna	.. .. ..	Minister of Petroleum, Chemicals and Fertilizers
Shri Sikander Bakht	.. .. ..	Minister of Works and Housing
Shri Surjit Singh Barnala	.. .. ..	Minister of Agriculture and Irrigation
Shri Shanti Bhushan	.. .. ..	Minister of Law, Justice and Company Affairs
Dr. Pratap Chandra Chunder	.. .. ..	Minister of Education, Social Welfare and Culture
Shri Madhu Dandavate	.. .. ..	Minister of Railways
Shri Mohan Dharia	.. .. ..	Minister of Commerce, Civil Supplies and Cooperation
Shri George Fernandes	.. .. ..	Minister of Industry
Shri Biju Patnaik	.. .. ..	Minister of Steel and Mines

Shri P. Ramachandran	.. .. ..	Minister of Energy
Shri Rabi Ray	.. .. ..	Minister of Health & Family Welfare
Shri Atal Bihari Vajpayee	.. .. ..	Minister of External Affairs
Shri Ravindra Varma	.. .. ..	Minister of Parliamentary Affairs and Labour
Shri Brij Lal Verma	.. .. ..	Minister of Communications
Shri Chand Ram	.. .. ..	Minister of State for Shipping and Tansport

SPECIAL INVITEE

Dr. I.G. Patel	.. .. ..	Governor, Reserve Bank of India.

THIRTYFOURTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

AUGUST 30 AND 31, 1980

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE THIRTY-FOURTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPER

*Sixth Five Year Plan 1980-85 – A Frame Work

SUMMARY RECORD

Presenting the Plan-frame of the Sixth Five Year Plan 1980-85 to the National Development Council, the Deputy Chairman, **Shri Narayan Datt Tiwari**, stated that the Plan should be a reflection of the political will and economic priorities of the Central and State Governments and that was the reason why the highest importance was attached to the meeting of the N.D.C. The Plan-frame reflected the broad parameters and major programme thrusts. The Plan envisaged the attainment of an average annual growth rate of 5 per cent to 5.3 per cent during the five year period. He emphasised that the country could not depend on growth alone, and that within the framework of a growing economy, a direct attack on poverty was called for, entailing strong redistributive measures in favour of the poor. The emphasis of the Plan-frame was, therefore, on the development of human resources, on education as a key input in development, on agriculture and industry, on accelerating rural development in such a way as to extend its benefits to the weaker sections, and above all on reducing unemployment, generating more energy and protecting the environment.

The Deputy Chairman went on to say that a massive National Rural Employment Programme, based on the experience gained in Maharashtra and other States and other supplementary programmes would help millions of households to cross the barriers of the poverty line. The Minimum Needs Programme would be given renewed priority. It had been extended in many respects. Landless labourers, who had already been provided with house sites, would be assisted to build houses on them through new schemes of self-help and social housing. The experience of cooperative endeavour by such schemes would be built upon, to extend to the beneficiaries of rural housing programmes new productive activities such as dairying, poultry, village and small industries, including handloom and carpet weaving. Such newly-raised mini-villages of the presently homeless and landless could be ultimately developed into employment and production oriented agro-industrial rural growth centres of the future. The small and marginal farmers programme would be extended to all the blocks of the country so that such farmers throughout the nation were able to raise their productivity and per capita income. Redistribution of surplus land, by effective use of the ceiling laws as well as other components of the nationally accepted land reforms policy, should be completed or implemented during the Plan on a time-bound basis.

Population stabilisation was an essential component of human resource development. It was necessary to take urgent steps to achieve the goal proposed in the Plan-frame of reducing the net reproduction rate to 1 per cent by 1995 through the widespread voluntary adoption of the small family norm.

*This has been published separately

The Planning Minister said that the Plan-frame laid emphasis on promotion of science and technology in a multi-disciplinary and problem oriented manner, so that it subserved and permeated every sector of national development. Scientists would be inducted into a closer collaborative relationship with development agencies, so that the existing gulf between land and laboratory would be bridged through new action research and extension programmes.

Referring to the difficult conditions in which the Sixth Plan was being launched, he said that inflation which had raised its head early last year was only just showing signs of coming under control. The situation of resource surplus that characterised the economy from 1975-76 was giving way to one of resource scarcity. Oil prices had risen by a further 80 per cent in real terms, a fact largely responsible for the country's record trade deficit in 1979-80. Payment for oil and petroleum products alone amounted to Rs. 3200 crores in the previous year and it was likely to be abound Rs. 5000 crores in the current year.

Thus, the launching of the Sixth Plan coincided with the need to expand and deepen the structural adjustment which the country must make to the new international environment, he said. The Plan-frame reflected at least three major aspects of this adjustment : the urgent need to revive expansion of exports, the need to reduce dependence on imports generally and on energy imports in particular, and the need to restructure investments and improve their productivity in order to make both of the above possible. World inflation had revalidated the emphasis placed on self-reliance.

In view of the paramount need to bring the current inflation under control and to maintain price stability during the plan period, it was absolutely essential that strict fiscal discipline was maintained and financial prudence observed. Inflation, said the Minister, eroded investible resources, and also led to an escalation in project costs, apart from hurting the weaker sections whose wellbeing was one of the primary objectives of the Plan.

The Minister drew, attention to the Framework of the Sixth Plan which outlined the magnitude of the resource mobilisation effort involved informing the public sector Plan in a non-inflationary manner. He expressed confidence that given determination and political will, the measures outlined in the Plan-frame were within the realm of feasibility. He urged upon the States to follow the lead already taken by the Central Government and take measures to achieve the recommended target for the States by way of net resource mobilisation during the Plan period. As far as the reduction of budgetary subsidies was concerned, the task sought in the Plan-frame was again not unrealistic. Here, the State Governments would have to play their part and adjust subsidies and current rates so as to cover at least the working expenses of irrigation and other remunerative systems and thus realise additional resources for State Plans. With respect to the third component of additional resource mobilisation, namely, improvement in the returns from public enterprises, it was assumed that there would be substantial improvements in the functioning of the State Government enterprises, particularly State Electricity Boards and Road Transport Corporations, so as to generate additional resources. This was essentially a task of management reform and it also involved appropriate adjustments in pricing policies. The Planning Minister said that he was fully confident that the package of fiscal and financial measures recommended in the Plan-frame would receive the approval of the NDC, as they were of vital importance for the fulfilment of the tasks ahead.

The Minister suggested that there should be utmost economy in expenditure, whether developmental or non-developmental, and returns should be increased by better project planning and monitoring and by improving productivity. It was important that adequate funds and attention were devoted to maintenance of existing assets and maximum productivity obtained out of them. There was also the problem of inadequate utilisation of existing assets.

The Minister stressed that while budgeting for plan outlays, the Central Ministries and State Governments should make sure that any changes in the allocation of funds did not resulted in the high priority sectors being deprived of the necessary funds. He specifically referred to Rural Water Supply under the Minimum Needs Programme, for which an outlay of Rs. 100 crores had been provided in the Central Sector during the current year for accelerating the programme, and allocations to the various States were being made according to an agreed formula. He requested all the States to provide adequate outlays in their Plans for this important programme. Similarly, the Special Component Plan for Scheduled Castes and Scheduled Tribes must be formulated and implemented on a high priority basis. Export promotion plans should also get priority allocations.

The Minister underlined the importance of promoting efficiency in the use of resources and of improving productivity in all spheres of the economy; as such it had been included for the first time as one of the objectives of the plan. Many of the infrastructure bottlenecks had plagued the economy and the problem particularly became acute in the last year or so due to the failures of management. Better management was required not only for such tasks as the reduction of congestion in ports, increasing railway freight tonnage, and the stepping up of capacity utilisation in thermal power plants, but also in every district development and block office.

With the household as the basic unit of planning for poverty eradication, it would be easier to identify and plan for the poorest, and then the poor, on a progressive scale. The Minister said that the unique predicament of each household would have to be considered in devising an appropriate activity or package of activities that would bring it above the poverty line. New mechanisms would have to be devised to secure the participation of the poor in development programmes so that the benefits reached them. All this implied a much more challenging task for our extension agencies and grass-root level workers. The problem of generating productive employment by converting our foodgrain surpluses into productive durable community assets was essentially a management problem, he observed. Thus, better management in the sense of a more creative and productive bringing together of the vast human and material resources of the country was a challenge as much in agriculture and rural development as in industry and infrastructure.

The Planning Minister stated that the Plan-frame suggested a few management reforms such as, linking authority and accountability at all levels, modification of needlessly inelastic rules, tackling the problem of over-frequent transfers, curbing the proliferation of formal staff positions and encouraging public servants to serve in neglected areas. He re-emphasised that the ultimate focus of the plans was the development of individual human being.

In conclusion, the Minister drew attention to a passage in the Third Plan, which was drafted by Pandit Jawaharlal Nehru and called upon the distinguished members of National Development Council to rally as solid phalanx under the leadership and guidance of the Prime Minister and endorse the broad approach indicated in the Plan Framework.

The Prime Minister, **Smt. Indira Gandhi** welcomed the Members to the meeting of the National Development Council and said that the objective of planning was to modernise the country, to make it scientifically self-reliant, to gain the internal strength necessary to lessen and eradicate poverty, to enlarge social justice and to provide enhanced opportunities for education and health and satisfying employment. She regretted that the objectives of self-reliance and development were virtually disowned in the last few years, and the "political will had almost turned into political wont". The international environment was becoming harder for developing countries and India was among the hardest hit by the oil crisis; the global inflation caused by it had upset all our earlier calculations and hopes.

The Prime Minister stated that the Planning Commission expected the Council to give it clear guidance and direction on the issues raised in the Framework. When the new Government assumed office, the situation was far from happy and the planning process had receded into the background and non-economic issues had come to the fore; there was no well orchestrated policy to increase production and productivity or to keep prices in check; the infrastructure had failed to keep pace with the needs of the economy and the expectations of the people. Therefore, the most important task before the country was to energise the economy. She underlined the need that the Sixth Plan must chart out the course of growth and induce investment which would help to achieve the principal objectives of removal of poverty and unemployment and the attainment of self-reliance. She expressed her firm belief in a relationship of trust and cooperation between the Centre and the States, based on a common desire to take the nation ahead regardless of narrow, sectarian, regional or even political considerations. All the time we should adhere to the goal of improving the living conditions of the poor the un-employed and the under-employed people and ensure equitable sharing of the country's wealth. She hoped that the collective determination and patience the country had so far shown, would take it further. She reiterated that the growth rate had to be accelerated.

The Prime Minister said that keeping in mind the perspective, the current state of economy, the constraint on resources and the need to control inflation, the Planning Commission had attempted to arrive at the maximum feasible growth rate in the Sixth Plan of about 5.3 per cent. This order of growth rate was inescapable and the necessary resources had to be raised by both the Central and State Governments. Fiscal discipline had to be adhered to : wasteful expenditure everywhere should be controlled and public sector enterprises had to be run efficiently. We had not fully utilised our scientific and technological skills and therefore, she emphasised a greater accent on balanced growth of science and technology. As stated by Shri Jawahar Lal Nehru, planning was the application of science to national problems. She stressed that rapid and substantial increase in exports and development of the country's own energy sources should have priority.

The Prime Minister observed that the growth rate was not dependent merely on the new outlay, but on the increase in efficiency and in the utilisation of capacity already built-up. In every segment of activity we must launch a national efficiency drive.

The priorities before the Government included, more agricultural and industrial production, expansion of irrigation and power, strengthening of technological self-reliance, improvement of transport and communications development of energy resources, the Minimum Needs Programme, the Rural Employment Programme, promotion of exports and programmes to build the productive capacity of the weaker sections. The country could not afford to ignore family planning and welfare. This had to be a voluntary programme and it had an important place among other schemes. The plan laid great emphasis on increasing production as well as on equitable distribution of wealth and the uplift of the weakest of the weak in the society.

The Prime Minister underlined the stress in the Plan-frame on the Minimum Needs Programme and the schemes benefitting small farmers, landless labourers, artisans and the other self-employed and emphasised that special attention must be given to Harijans and Tribals, to women and to the minorities so as to enable them to live and work in safety and dignity.

The Prime Minister invited the Council to give a business like direction to the new Plan and look upon the country's problems in the larger national context.

The Chief Minister of Andhra Pradesh, **Dr. Chenna Reddy**, observed that our plans in the past had tended to move to inevitable failure because of the flaws in our basic assumptions viz. low capital-output ratio and price stability, which were consistently stated but never fulfilled. Utmost care was therefore, necessary to see that our assumptions did not go wrong in future.

He drew attention to a suggestion made in the document that commercial borrowings could be resorted to in view of the liquidity in the international capital markets. He cautioned that the consequences of the projects not yielding the return to cover atleast the cost of borrowings would be much more serious in the case of foreign borrowings than the term-loan financing institutions at home.

He underlined the important element of policy frame between formulation and implementation, if some of the assumptions or targets indicated in the Plan-framework document were to be fulfilled. For example, if agricultural targets were to be realised there should be corresponding realisation of the need for an agricultural policy. He said that the time had come to extend the institutional framework built up for foodgrains in the shape of a procurement agency and a price fixation agency and price support operations, to other agricultural commodities also, like pulses, oilseeds etc. the production of which was equally important for the economy. In the case of agricultural raw materials of industry, a price support or price equalisation operation was called for by the State itself intervening to ensure more stable price and supply of raw materials. He suggested that a comprehensive agricultural policy should take all these considerations into account.

The Chief Minister pleaded that the housing problem of Harijans, Scheduled Castes and Tribes and the backward classes in rural areas required urgent attention and in this context urged that the Housing and Urban Development Corporation which was concentrating its activities in urban areas should pay equal attention to the needs of the rural areas or in the alternative a similar corporation should be set up exclusively for the rural areas.

In connection with production for exports, he suggested that the impact of such industries on local employment and on other objectives of Government such as concentration of wealth, would need to be constantly reviewed. He also said that the method of financing the Plan very much called for a fiscal discipline. A proper public distribution system to maintain price stability was needed and at the same time we evolve a wage and incomes policy, linking the future wage increases entirely with productivity.

With regard to additional resource mobilisation, though it was necessary, he said that there were some limitations of the States in this regard that would have to be taken into account in deciding the distribution of tax effort between the Centre and the States. He observed that in aggregate terms it might appear that 50 per cent of the State income was from agriculture but the scope for taxation in agriculture was rather limited.

The Chief Minister urged upon the Government to evolve a uniform policy for writing off overdues. The pressures for which were lately building up in some parts of the country. With regard to education, he said that while restructuring of the educational system might help in solving the problem in future but we would also have to tackle the problem of those who were already educated and unemployed. He suggested that basically its solution could only be found through the development process gaining momentum and thus helping create more lobs in the economy but within this special programmes were also required to tackle the immediate problem. He also said that it would be great achievement if we could, during this Plan period, achieve a minimum level in at least providing drinking water, minimum health facilities and elementary education, which should be the highest priority core within the Minimum Needs Programme. With regard to removal of regional imbalances he said that it was not so much a function of sectoral allocations as of policies and implementation. For instance, some of the target-group programmes were conceived on a 50: 50 sharing basis between the Centre and the States, which meant that richer States could draw greater benefits than the poorer ones, and the same deserving target-group in a richer State would get better attention than if it was in the poorer State. Similarly, the incentives for industries had the result of increasing industrialisation in States already industrialised. He suggested that due weightage should be given to the capacity of the State to participate in such programmes so that ultimate benefits were equitably distributed. He also suggested that the role of special agencies implementing the programmes for target groups vis-a-vis revitalising the Panchayati Raj system required to be carefully considered and clearly spelt out.

The Chief Minister pointed out that despite the successive attempts at making the distribution of developmental outlays among States more equitable not much success had been achieved, when judged from the per capita Plan outlay of different States. The position had not changed much after the Gadgil formula specially evolved to achieve this purpose. He suggested that this question might be looked into afresh by the Planning Commission so that this could be discussed further.

Dr. Reddy observed that our requirements for the Sixth Plan being such that one would wish for larger outlays, but the more important consideration was, whether given any growth rate, a more equitable growth could be achieved.

The Chief Minister of West Bengal, **Shri Jyoti Basu** observed that the declared objectives in the Plan framework had implications for policy, which had not been fully spelt out in the document, it did not give an analysis as to why these objectives had not been achieved in the past. He stated that inequalities and distortions had progressively increased in the economy over the years and therefore, he desired to know what policies and practices were proposed to reverse that trend. He suggested that factors underlying the failure in advance planning would need to be carefully analysed in regard to the measures proposed to make up for the past lags. He was of the view that mere enumeration of Plan objectives, without exploring the inter-relationships between the different objectives and without spelling out the necessary policy prescriptions was not of much use. Rather, the Planning Commission should indicate in concrete terms what measures it proposed to adopt to improve the quality of life of the majority of the population.

The Chief Minister said that the poor people had been hardest hit by the inflation which was rampant since 1972-73. The inflation had not only tilted the structure of incomes and assets distribution in favour of the propertied class, but it had also eroded the base of planned growth, since all investment signals had been vitiated. It was also affecting adversely the process of development. He said that the basic factor contributing to the inflation was the operation of monopoly traders and producers who took the fullest advantage of shortages. He suggested that as a precondition of planning, the predatory activities of the monopoly elements among producers and traders must be curbed through the setting up of a national system of public procurement and distribution, covering roughly a dozen essential commodities. Since producers had to be paid a fair price, this programme would involve earmarking of funds which could be used for subsidising, wherever necessary, either poor and marginal farmers or consumers. He suggested that subsidies for the benefit of the rich should be stopped; instead well designed subsidies to improve the quality of life of the poor, to raise their level of consumption and to promote their production activities, must be introduced.

The Chief Minister observed that there was a direct relationship between the promotion of opportunities for gainful employment and the furtherance of national self-reliance; employment had been adversely affected not just because of the uneven structure of income distribution but also because of the induced bias in technology which promoted excessive dependence on the world market.

The Chief Minister stated that the document laid stress on the so-called improved technology which was known to be capital, energy, and import-intensive. But he felt, alternative labour and local resources intensive technology could be used in agriculture in a more efficient manner and which, at the same time, had redistributive implications of a positive nature. The technological bias both in industry and agriculture, should be purposively diverted towards labour-intensity since this could be cost-effective, import saving as well as employment-generating. The distribution of all important inputs for industry and agriculture should be regulated in favour of the small producers.

The Chief Minister said that in agriculture, the crucial issue was that of land reforms. Wide-ranging land reforms, instead of adversely affecting production, would enthuse the toiling peasants to better activity, and in case they were supported with a quota of reasonable inputs, aggregate output would rise. He suggested that Planning Commission should, therefore, set quantitative goals with respect to land reforms, break them into annual ones and discuss with the State and Central Governments the specific measures that needed to be taken to achieve these targets.

He pointed out that one of the objectives indicated in the document was the progressive reduction in regional inequalities. In view of recent developments, he said it was important to make an analysis of the inter-regional disparities in growth, the inter-regional disparities in Central investments and specific regional biases in economic policies affecting private investment : a massive programme of investment during the ensuing five year period for regions with retarded growth, must be seriously considered by the NDC.

The Chief Minister said that the fiscal polices that had been consistently pursued in the past had tilted the structure of assets and income distribution further against the poor classes. He observed that there was an inherent contradiction between a fiscal policy, which would pass on the burden of development on the poor, and a stable price system. He wanted that this should be taken note of. He suggested that in case the States were called upon to share the task of raising additional resources for the Plan, their constitutional prerogatives in the matter must be fully protected.

He urged that there must be a clear-cut enunciation of measures to speed up the national goal of universal elementary education.

With regard to the target of average annual rate of growth of 5 per cent, he observed that a comprehensive analysis incorporating the factors explaining the assumed increase in the rate of savings, the savings investment relationship, the possibility of efficient utilisation of capacity as well as the possibility of an increase in the capital-output ratio implied in the new projects, could alone provide the basis for any firm stipulation as to the rate of growth.

He then touched upon the question of involving the people in the planning process and plan implementation, and emphasised of the role of Institutions such as Panchayats, for providing the channel for such involvement. He suggested that apart from Panchayat bodies, mass organisations of working people, including trade unions, Kisan Sabhas, and organisations representing women, youth, students etc., should also be consulted on a continuous basis. He welcomed the emphasis in the document on the aspect of drawing specific programmes for the small and marginal farmers and the landless labour.

On the Centre-States relations, the Chief Minister hoped that the Planning Commission would keep in view the compulsions of the essentially federal nature of the Indian polity, in drawing up the detailed Plan. He suggested that in determining the allocation of the overall public sector outlay of the Plan, the deleterious consequences of over centralisation must be kept to the fore, and States demonstrating the political will to carry out the national economic goals, must not be interfered with in any manner.

The Chief Minister of Bihar, **Dr. Jagannath Mishra**, stated that the Sixth Plan document should be prepared keeping in view the effects of the previous plans on the country and the disparity and regional imbalances prevailing in the country at present. He observed that the problems of poor people living below the poverty line should be dealt with in the same manner as the problems of Scheduled Tribes and Scheduled Castes. Nearly 64 per cent of the population of Bihar were living below the poverty line and specific targets were needed to be formulated for their upliftment; other-wise imbalances, dissatisfaction and social tensions would continue. The average per capita income of Bihar was less than 20 per cent of the national average during 1949-50 and became less than 138-39 per cent of the national average during 1978-79. The percentage of investment in Bihar was only 6 per cent of the total investment, till the end of 1978, investment during the Sixth Plan should be made keeping in view the backwardness of the State, population and the people living below the poverty line. Moreover, central assistance to Bihar had remained very low in comparison with some of the other States. Bihar would no be able to make any contribution towards additional resource mobilisation as its Electricity Board and other corporations would not be able to make up the deficit and earn profit in the coming five years in regard to market borrowings, the position in regard to Bihar had remained unsatisfactory. Even the percentage of investment out of the total deposits in the nationalised banks was not in accordance with the instructions of the Reserve Bank of India. Royalty on coal should be on the basis of price and not on the basis of weight. The revision of the rate of royalty had been overdue and the recommendations of the Eastern Zonal Council constituted by the Central Government in this regard should be implemented without further delay. The Rural Development Programme should be continued on a cent percent (Central financing) basis and not on 50 : 50 basis. He suggested that a coal-based fertilizer factory, a refinery and petrochemical industries should be set up in Bihar during the Sixth Plan period. In regard to national highways and bridges, the Chief Minister pleaded for their inclusion in the National Programme. National policies regarding non-plan expenditure, credit and a national programme of primary education in the States should be evolved. The Gadgil formula should be revised as it did not meet the requirements of Bihar and the matter regarding allocation of Central assistance as a whole should by reconsidered. Weak and ineffective policy adopted during the last three years had resulted in uncertainty and economic instability in the country. The people of the country would like to have a strong policy and whatever steps were adopted by Government for removing imbalances would be supported by the people.

The Chief Minister of Jammu and Kashmir, **Sheikh Mohd. Abdullah**, stated that while agreeing with the broad objectives of the Plan, some of the economic problems needed quick solution. Higher revenues with the existing rate of taxation could be raised through policies to encourage higher production out of existing capacities which would raise excise and sales tax. He was in favour of maximising the utilisation of the capacities already created through more efficient working methods as well as by small additions of machinery. He also pointed out that handicrafts and cottage industries could create large employment without heavy investment.

The Chief Minister stated that the taxation targets as envisaged in the Plan were generally not realised and resulted in massive doses of deficit financing. He wanted rationalisation of unproductive subsidies and suggested that consumption subsidies should be kept at a minimum. If properly motivated, people will accept reduction in subsidies, especially if they can be assured, that prices will not be raised through taxation or inflation. A detailed analytical study of the subsidies and the impact both in terms of raising additional resources as well as its impact on production system and price behaviour should be made. The price policy, the monetary policy, the fiscal policy and all other connected policies were extremely relevant in devising a plan model which would enable achieving the objectives of increase in incomes, reduction in inequalities and maintaining price stability. The policies have to be rational and practical. The Chief Minister condemned the large scale denudation of forests and pleaded that schemes like preservation of wild life, improvement of environment and ecology, improvement of forests, farm forestry and preservation of water bodies should be included in the central sector, and States should be entrusted with the implementation of schemes drawn up jointly by experts at the Centre and at the State level. He reiterated that the planning process should be dynamic and responsive to the needs of the people and a conscious effort should be made in carrying the planning process to the lowest level and people should be actively involved in this gigantic task.

The Chief Minister of Uttar Pradesh, **Shri Vishwanath Pratap Singh**, endorsed the main objectives of Sixth Plan Framework. He suggested quantification of targets for the progressive reduction in regional inequalities over the short and the medium term. He said that benefits of economic growth could not bring about the desired improvement in the lives of people without a policy for controlling the growth of population. He felt that realisation of the national objectives would call for an almost total mobilisation of our intellectual, social and organisational capabilities, and far greater degree of decentralization of planning and financial powers, particularly for involving in this task the youth, women and members of the weaker sections. There was an urgent necessity for giving the proposed National Rural Employment Programme an operational shape and to determine the scope and modalities for its implementation as a centrally sponsored scheme on a 50 : 50 sharing basis. He welcomed the reference made to the development of a National Water Plan and for intensifying measures for flood control, as U.P. particularly, had been suffering from a serious flood situation created by heavy and incessant rainfall all over the State. The acute problems of drainage and soil conservation which were created regularly by floods, would also need greater attention, and the role of the centre in this task was important. He suggested the setting up of a Central organisation for ground water exploitation to speed up the work of utilisation of ground water resources.

The Chief Minister pleaded that due consideration should be given to the claim of his State in the licensing of new capacity and for location of Central industrial projects, as it had not received its due share of such projects in the past. There were a number of sick mills in U.P. such as sugar and textiles, which needed to be made viable through incentives and assistance for their expansion and modernisation.

He appreciated the commitment contained in the plan frame in respect of promotion of family and household oriented programmes for the Scheduled Castes and Scheduled Tribes. He pleaded for a quick re-appraisal of the criteria for distribution of special central assistance for the Special Component Plan, so that the desired acceleration could be brought about without loss of time. The central assistance given for the Hill-Area sub-plan since 1973-74 had induced greater priority to such areas in the Plan expenditure of the State. However, the utilisation of the vast hydel potential of the hills, ecological rehabilitation and upgradation still remained to be tackled. He suggested the setting up of a high powered Material Planning and Allocation Group for ensuring the supply of scarce materials like coal, cement, iron and steel, bitumen and various other items of industrial and electrical machinery for various plan projects.

The Chief Minister pointed out that there was a vicious circle of poor incomes, low taxable capacity and below average investments, in which his State had been caught all these years. He said that they were conscious of the extent of dependency of the State on agriculture and of the degree of vulnerability that this implied in situations of extraordinary drought. Steps for the improvements in the management of power system, increased efforts in rural electrification and energization of tube-wells and maximum attention to utilization of groundwater and surface water resources and maximization of utilization of irrigation capacity already created, were being taken by the State. He stated that a state-wise pattern of Annual plan expenditure on services and roads indicated that among the backward States relative level of expenditure on these items was high only in States which had a relatively small proportion of expenditure needs for irrigation and power sectors. U.P. had been trapped in the situation of large commitments on irrigation and power projects throughout the planning era and there was no flexibility left in its plan to be exploited in favour of other sectors. There was, therefore, no foreseeable solution to the problem within the framework of the Gadgil formula. He also referred to the need for popular participation in decision making at the local level, for bringing about more effective decentralised regional, district, and block level planning. This, he said, was an area of particular importance in institutional reform for organising delivery systems for the weaker sections.

He said that while maximising growth, inter-State per capita income differences should not be allowed to continue in an idefinite manner; at the same time the criteria for distribution of central assistance and other resources from the national pool to the States, should be linked to definite criteria of progressivity and expenditure need. He suggested that a deliberate view should be taken jointly by the Centre and the States, about the distribution of outlay in the Plan period as between the Central and the States' Plans. The question of accessibility of States to the national money market should also be jointly decided. He thought that distribution of central assistance for the State Plans in a manner which was regressive as at present, was clearly inconsistent with the national objective of reducing inter-State disparities.

The Chief Minister said that his State had been extremely vigilant in exercising restraint over its non-Plan expenditure as also in respect of mobilising additional resources for the Plans in accordance with targets settled in consultation with the Planning Commission. He felt that the present pattern of central assistance of 70 per cent loan and 30 per cent grant had placed heavy debt-servicing burden on the State Government and wanted that the pattern of normal central assistance should be 50 per cent loan and 50 per cent grant; for the hills, this might be 10 per cent loan and 90 per cent grant, as was available to J & K and Himachal Pradesh. He suggested that in respect of market borrowings, the formula should be revised on the basis of Income Adjusted Total Population (IATP) criteria with weightage to scheduled castes in proportion to their number in a State. He said that large scale evasion of sales tax took place when goods were transferred on consignment basis to depots outside the State and sold subsequently from there. This matter was considered at the previous NDC meeting. The necessary constitutional amendments be made early to remedy the situation. He pleaded that the proportion of State Plans to the National Plan should be at least 55 per cent and U.P.'s Plan size should be adequate for enabling the State to reach the national average income level within the limited period of 5 to 7 years. He reiterated that the Gadgil formula should be reconsidered and a more comprehensive assessment of the relative financial position of different States should be introduced. For this purpose he suggested that a Committee of NDC headed by the Chairman, should be constituted to re-examine the means for financing the States' Plans and the inter-se distribution of financial resources from the national pool. He further suggested that a competent agency should be set up for ensuring that matters of general interest to States, or of particular interest in specific regions, were constantly kept under review. The creation of such an agency was of significance for States during periods in which no meetings of NDC were held.

The Chief Minister of Gujarat, **Shri Madhavsinh Solanki**, commended the manner in which the Plan frame analysed the economic situation facing the country, and stated that the objectives, strategies and programmes envisaged for the next five years deserved a national consensus. He felt that the plan strategy should not overemphasise the somewhat artificial distinction between the so-called advanced States and the so-called backward States, as, in a sense, the whole country was backward. He highlighted a few indices of backwardness of the Gujarat State to indicate that all States were facing, in varying degrees, stark problems of poverty and lags in critical areas of development. In such situations he suggested that the course of wisdom would lie in harnessing the energy and potential of the people of all States in the country.

He suggested that in according the highest priority to those economic and social programmes which were specifically formulated for generating income and employment among the vulnerable groups, there was need for the banking sector to play an aggressive and effective role. Further, he said that in the light of experience gained and the new problems which had cropped up, the 20-point programme could be given a fresh look to subserve the cause of the weaker sections. With regard to the implementation of the new National Rural Employment Programme, the Chief Minister urged that the cost of the schemes should be fully borne by the Centre, as in the ‘Food-for-Work Programme'. The long distance from coalfields, transport-bottlenecks, inadequate hydel potential and comparatively higher energy demand than in other parts of country were the main problems faced by the Western Region in meeting its energy needs. Immediate and adequate steps would have to be taken by the railways to augment their carrying capacity and by the Department of Coal to increase the production of coal. Early sanctioning of pending projects for power generation was stressed by the Chief Minister to mitigate serious energy shortages. The pending projects included the proposal to locate an atomic power plant in the Western region; allowing temporary use of gas available from Bombay High and Bassein Fields near Gujarat; examining the feasibility of a joint project by the railways and the State Electricity Board, based on transportation of coal by a slurry pipe-line from the coalfields for which the State had already got prepared a feasibility report, and setting up a tidal power station in the Gulf of Kutch. He also emphasized the need for conversion of the metre gauge system from Delhi to Ahmedabad into a broad gauge one. The need for developing the port of Hajira was stressed in the context of the two fertilizer plants and the petro-chemical complex based on a gas cracker.

The Chief Minister underlined the need to fashion effective administrative instruments and technical support which could flexibly handle alternating situations of agricultural surpluses and shortages. In the changed situation, the role of bodies like Cotton Corporation of India and NAFED would have to be redefined, he suggested. He drew attention to the pressing need for the speedy implementation of the Narmada Project in the national interest, which was also of crucial importance to Gujarat for doubling the irrigation potential created by the major and medium projects. He pointed but the development constraint in predominantly drought affected areas of Saurashtra and Kutch and suggested the development of Kandla port and Kandla Free Trade Zone, large scale development of fisheries and development of salt based marine chemicals, which would benefit, the region. The development of the Salaya port which had great potential for a phosphatic plant, the continuance of the centrally sponsored scheme of fisheries harbours in the Sixth Plan, the location of a gas based power plant and exploration of tidal energy were also suggested. He emphasized the elimination of delays in the sanctioning and implementation of projects.

The Chief Minister suggested that the highest priority should be given to the Minimum Needs Programme and it should be made a centrally sponsored scheme. Strengthening of planning machinery at the district level and the block level might also be included in the centrally sponsored sector.

The Chief Minister suggested that the Government of India should introduce the consignment tax at an early date. In regard to the additional duty of excise in lieu of sales tax on sugar, textiles and tobacco there was tardy progress in the implementing of the agreement of 1970 between the Centre and the States. The Council should recommend that the ratio of 2 : 1 between basic (and special) and additional excise duties is achieved and maintained. He also suggested that the redetermination of the grant payable to the States in lieu of tax on railway passenger fares be expedited and that the question of sharing of corporation tax with the States should be reconsidered.

The Chief Minister of Tripura, **Shri Nripen Chakravarty**, stated that the existing economic situation was due to the capitalist path pursued by the Government of India during the last 33 years. Landlordism had not been abolished, surplus land remained undistributed, bargadars could not be protected from eviction, and sugar barons had ruined the industry. He suggested that there should be a ceiling limit on profits. He pointed out that the appeasement policy and the industrial policy of the Government had resulted in disparities, all around.

The Chief Minister mentioned that the plan in Tripura State had given greater emphasis on involvement of the people so that the money would really reach the weaker sections of the society. The investment policy of the Centre should take into account the large refugee and tribal population in Tripura. The growth rate of 5 per cent at the national level, as envisaged In the Framework, would not yield better results for Tripura. The growth rate for Tripura should be higher than that of the national level, till the per capita income would compare favourably with that of India as a whole. The Chief Minister also pointed out that problems like Tribal Zoning, high escalation in prices of fertilizers and chemicals, absence of public distribution system, transport difficulties and higher transportation cost of commodities, dearth of public and private undertakings and shortage of institutional finance in Tripura should attract the immediate attention of the planners. He desired that the Minimum Needs Programme should be strengthened, particularly in regard to the supply of drinking water and stopping of drop outs in education at the primary stage.

Shri L. P. Singh, Governor of Assam said that he would speak for a few minutes for Assam and then as Chairman of the North Eastern Regional Council. He expressed happiness over the statements in the Plan document that effort will be made to remove regional imbalances and that the North Eastern Region would be particularly taken care of. Assam would not be able to mobilise much additional resources in view of the large expenditure on special arrangements for maintaining law and order. However, the per capita income of the State which was fairly close to the national average in the early 60s had fallen behind the national average both absolutely and relatively in spite of the special treatment accorded to Assam by the Centre. Assam's backwardness had restricted it to lower per capita income and lower expenditure for development.

The Governor felt that the Plan should lay greater emphasis on family planning. In regard to education the recommendations of the Education Commission on the relationship between the growth of education, planning of education and the manpower requirements should be taken into account. He also pointed out that the targets were generally mentioned in terms of money and the element of cost escalation should also be kept in mind while framing actual projects and prescribing physical targets and objectives. There was a great deal of emphasis on decentralised planning so far as sectoral strategies were concerned. He suggested that there could be a crash programme for training people all over the country at the lowest level for decentralised planning which would need a much more imaginative, flexible and innovative approach. He pointed out that there had been a very slow growth rate in economic activity, particularly in the Eastern Region due to transport difficulties and other problems. Small savings had much scope in Assam. There had been a four-fold increase in the small savings and the State could do more provided it was allowed to keep a certain proportion of it. The banking activities in Assam and the North Eastern Region should be further expanded as the credit available for economic purposes did not meet the requirements. This aspect needed looking into. Being also the Chairman of North Eastern Regional Council, the Governor stated that they had been concentrating on the development of regional projects like development of power generation, communications, fisheries, horticulture and seed farming needed greater attention.

The Governor also stressed the importance of developing trained local manpower in order to counter the feeling that outsiders were blocking the prospects of local people. Since Assam possessed a great hydel potential, the State could make a major contribution to the national economy if sufficient funds and personnel were made available to it. He also pleaded for more funds for the development of cement industry as sufficient limestone was available in the region. The mineral resources of Assam required to be surveyed properly. In the Brahmaputra valley, underground water and surface water available could help increase agriculture production.

The Chief Minister of Haryana, **Shri Bhajan Lal**, welcomed the emphasis laid in the Plan-frame on the rural development programmes and the assistance to be given to small, and marginal farmers. The development of water resources as an essential input, had rightly been given high priority. He suggested the setting up of a high level Central body to resolve inter-State water disputes. The National Water Plan should also accord priority to the problem of augmenting water resources of different States.

The Chief Minister pointed out that Haryana was keen to exploit its hydel potential, even though it was small, by setting up micro-hydel plants. Haryana had entered into agreement with Himachal Pradesh to set up a hydel project to exploit the available potential at Nathpa and Jhakri. A project had also been formulated for setting up thermal power plant at Yamuna Nagar. He urged the Central Government to give clearance to these two projects and also suggested that a sizeable portion of central assistance, say 25 per cent should be set apart for giving special assistance to the State Governments for financing such major projects. With regard to natural calamities like flood and drought, he pleaded that whenever States were faced with such calamities, the Centre should give them liberal grants. He also pleaded for special provisions in the Sixth Plan for the development of backward and underdeveloped areas, like Mewat in Haryana State.

The ‘Minimum Needs Programme’ was an important national programme and the Central

Government should provide an amount equal to the provision made by the State in its plan under accelerated rural water supply programme. He also wanted special provision to be made in the Sixth Plan for improving the level of literacy among Harijan children. The greatest challenge, today, the Chief Minister said, was to generate adequate opportunities for gainful employment for all sections of the population. Haryana proposed to create additional job opportunities for one lakh persons during the Sixth Plan. For the implementation of family welfare programme, emphasis should be laid on proper motivation and also on providing additional incentives.

The Chief Minister referred to additional resource mobilisation and stated that the Plan-frame envisaged that it would be partly raised through additional Taxation. The scope of expansion of the State resources being limited, he suggested that while State would continue to make efforts to mobilise such additional resources, additional funds needed should be provided from the Central revenues.

The loan repayment burden of the Central assistance to the States was considerable, particularly because the funds made available were often utilised on social services which could not generate enough resources to repay the cost. He, therefore, suggested that the entire amount received by the Central Government for externally aided projects should be passed on to the States for financing those particular projects and that greater incentives should be given to States for promoting small savings by allocating to them a higher share instead of 66 per cent for developmental schemes. Also Central assistance made available to the States must be substantially, in the shape of grant.

The Chief Minister of Sikkim, **Shri Narbahadur Bhandari**, stated that the objectives spelt out in the framework of the Sixth Five Year Plan were very relevant to conditions obtaining in Sikkim and would be of help to them to achieve the goals of socio-economic development. The objective of reduction in regional inequalities could be achieved by focussing attention on agriculture and allied sectors and by harnessing the inherent potential in a backward region. These would also help in improving the quality of rural life and removing poverty in backward regions of the country. In this context he suggested harnessing the inherent hydel potential of the Tista river for generating electricity. The forest resources of Sikkim should also be exploited to the benefit of the country as a whole. The timber available in the north of Sikkim had already been considered as an excellent raw material for the production of high quality paper, including electrical condenser tissues and carbon papers, which were imported items. The State of Sikkim possessed much scope for cattle farming and it would be advantageous to import herds of high yielding varieties of cattle and rear them in the hills for supply of milk to a milk grid.

The Chief Minister also pleaded for subsidising the transport cost in a hill State like Sikkim, where the Communication difficulties pushed up the costs of almost all the commodities. Construction of rope-ways would contribute enormously to the reduction of transport costs and would also save considerable time. The State of Sikkim could emerge as a well developed State if the Central Government could consciously adopt a policy of special central investment.

The Chief Minister of Himachal Pradesh, **Shri Ram Lal**, considered the Draft Plan framework as an earnest and well thought out attempt to put the economy back on the rails and build a more prosperous and egalitarian society. In this task, it would be necessary to ensure that the planned growth rate be achieved in a non-inflationary manner. He observed that the basic weakness of the taxation on structure had been that the incidence of taxation on prices had always been more than proportionate. He suggested that this aspect should be kept in view while fixing the targets for additional taxation. He recommended that the strategy of our current Plan should be the price stability and social justice, and in this regard the existense of an efficient and adequate public distribution system for achieving stability in prices of items required by common man was an important pre-requisite. He suggested earmarking of outlays for a public distribution system and a concerted effort to increase the production of essential consumer goods, as part of the long term Plan strategy.

The Chief Minister welcomed the proposal for a National Hill Area Development Programme as hill areas had special problems. He said that special consideration needed to be given for the development of forests, hydel power, network of roads, horticulture, tourism, cottage industries, vegetable seeds and off-season vegetables. He suggested that in regard to afforestation and hydel generation, the time horizon would have to be longer than the perspectives of the Five Year Plan. Deforestation in the hills was particularly growing in alarming proportions. He suggested that within a realistic time frame, the area in the hills ideally required to be under forests (60-per cent of the geographical area in the hills) should be brought under forests. Himachal Pradesh had recently adopted a forest policy which provided for reduction in tree fellings to about one half of the existing level by 1984-85 and afforestation of a maximum possible geographical area of the State by 2000 A.D. This would involve very large resources both in the form of loss of revenue on account of reduction in fellings as well as expenditure on new plantations. Similarly, massive preventive and combative measures were necessary in the catchment areas of major river systems in the hills, for flood protection and soil conservation. He suggested that adequate outlays for these should be provided in the Central sector Plan as benefits from such investments would flow to downstream States and the country as a whole.

He suggested that in the overall power generation programme, a larger share needed to be earmarked for hydel generation. Himachal's generation potential of more than 9,000 MW, if properly tapped, could feed the power hungry regions of north India. In regard to roads, he stated that the intensity of road mileage in hill areas should preferably be 64 Km. of road per 100 Sq. Km. of area, whereas Himachal had just around 21 Km. He pleaded for higher allocations for roads in hill areas in the Sixth Plan. He suggested the provision of cableways as an alternative where further construction of feeder rural roads in hill areas were likely to contribute to soil erosion. Considerable progress had already been made in horticulture in hill areas and cultivation of temperate fruits. The State faced problems of packaging material and marketing horticulture products. The felling of trees for making packing cases was proceeding in an indiscriminate manner and thus there was a conflict between horticultural growth and forest conservation. He suggested that the Central Government should assume responsibility by intensifying R&D efforts in this area which had not so far yielded adequate results. He pleaded for the location of future industrial units for high value-added low-freight industries like electronics, watch making, high precision instruments and medicinal herb plants in the hill areas which were climatically most suitable for these industries.

The Chief Minister of Karnataka, **Shri R. Gundu Rao**, observed that the people looked for stability, rapid economic progress, control of prices, removal of poverty and unemployment. It was, therefore, appropriate that the preparation of the Five Year Plan was guided by these factors. He endorsed the objectives set out in the Plan-frame but urged that there was need to induct a greater sense of urgency in the formulation and implementation of the programmes for achieving the objective of removal of poverty and unemployment, because the mood of the poor and the unemployed had become more impatient. He hoped that the level of development and the infrastructure that had been built up in the past could serve as a firm launching pad for achieving the higher growth rate of 5 to 5.3 per cent. He said that for financing a bigger plan, resource mobilisation assumed a crucial role and therefore, the Plan-frame rightly emphasised reduction of subsidies and charging of economic prices in respect of irrigation, electricity and transport services. Simultaneously, efforts would be needed to improve our foreign exchange reserves by stepping up exports and maximising the inflow of remittances from abroad. Additional resource mobilisation for financing the Plan, specially Rs. 6000 crores as the States' share, might pose some problems for States like Karnataka which had already done a record mobilisation. He felt that deficit financing of the order of Rs. 4000 crores might be unrealistic, judged in the context of the 1980-81 budgetary deficit. He said that with better capacity utilisation, careful drawing up of the production programmes and implementation of projects it should not be difficult to manage the price level and mobilise the resources required for the uncovered gap. He suggested that the export potential of each State in the country must be carefully identified and the Central Government should offer all assistance to exploit fully that potential. It would go a long way in realising the export target of 10 per cent growth rate which was so crucial for financing the plan. He also felt that gradually offering remunerative prices to the farmers, taking note of their cost structure on the principle of parity with industry, would not only help in increasing the production in agriculture but it would be one of the surest means of eliminating subsidies to agriculture.

For ensuring reasonable price stability in the next five years, he suggested the setting up of a Prices and Incomes Board which could function as the watch-dog of industrial prices and their rationale. He also suggested that the pricing and credit mechanisms should be made more effective for bringing about an increase in production of items like pulses and oilseeds. A Crash Plan for the production of these items as well as sugar and cement, on which substantial funds were used for imports, would have given self-reliance to the country.

The Chief Minister endorsed the approach of taking household as the basic unit for eradication of poverty in the target-group oriented programmes. He also agreed with the principle of earmarking of credit for landless labourers and artisans for ensuring a more equitable credit deployment. He pointed out that Karnataka's experience with its Employment Affirmation Schemes had revealed that seasonal unemployment was the greatest destabiliser in the rural economy. He suggested an effective linking up of the National Rural Employment Programme with the family planning and welfare programme for stabilising the population growth. The supply of firewood and kerosene, which were among the basic needs of the rural and urban poor might also be considered for inclusion under the Minimum Needs Programme. Similarly, from the view point of an integrated and accelerated rural development, he suggested that environmental sanitation in the rural areas should also form a part of the Minimum Needs Programme.

The thrusts in industry and infrastructure should be towards a deliberate bias in favour of more labour-intensive industries and their dispersal to growth centres all over the country; in particular, proper choice of techniques of production in areas like edible oils, handlooms, sericulture, mini-cotton textiles, processing of agricultural and horticultural products, etc. should receive priority attention. The comparative vocational advantages in developing the capacity in basic industries such as steel and petro-chemicals should get proper consideration. The Chief Minister made a special reference to the advantageous locations in Karnataka State for the Vijayanagar Steel Plant, nuclear power plant and petro-chemical complex.

He stated that in Karnataka, a State Council of Science and Technology had been set up by the Government and he expected the scientists to understand the problems of the poor by going to them and develop their research proposals based on the needs of the poor.

The Chief Minister underlined the need for a radical change in the approach to the planning of public undertakings, whose survival and expansion programmes must depend on the fulfilment of its targets, and matching contribution for reinvestment could be given only when it showed surplus as was expected of it. He said that if more employment was to be generated, output should increase and go uninterrupted and the greatest need was discipline and hard work for realisation of such a goal.

The Chief Minister of Madhya Pradesh, **Shri Arjun Singh**, laid stress on taking up the 20-Point Programme with renewed vigour, if the concept of social justice was to become meaningful. He said that in our approach to the Sixth Plan, our endeavour should be to correct regional imbalances and to benefit people of all regions. He pointed out that the results of the past efforts would reveal that Madhya Pradesh was an unequal beneficiary in the national gains from economic development. He suggested that corrections should be made in the imblances which had erupted on the basis of IATP formula in the transfer of resources, and alternatively an "income-adjusted poverty population" measure should be considered. He also pleaded for a higher percentage of market borrowing than was currently permissible to State Governments. He suggested that for inter-State projects, financial assistance should be over and above the State Plan assistance. Also, for inter-State projects, viable financial packages be worked out wherein the cost of financing was equally shared by the beneficiary States.

To achieve a growth rate of 5 per cent in agricultural production, adequate supply of inputs like fertilizers, improved seeds, insecticides and institutional credit should be assured to the cultivators. To provide gainful employment to the vast under-employed population in the rural sector, Madhya Pradesh Government had undertaken a massive programme of development of village and small industries. In this, inadequate institutional support to the entrepreneurs was a major constraint. He suggested that priority should be given to the needs of the small sector. Adequate provision for power development was crucial for agriculture and small industry and if the State's commitments on inter-State power projects like Narmada Sagar, Bansagar and Sardar Sarovar were to be honoured, the outlay for the power sector would have to be increased. He suggested that power projects along with irrigation projects wherever such projects were inter-State should be treated separately.

The Chief Minister pointed out that during the previous Plans, the increased allocation to the economic sectors had been at the expense of social and community services which had resulted in slippages In these services. He said that various schemes of social and community services would merit due consideration and required to be more objectively implemented.

The emphasis laid in the Framework on the removal of poverty through a programme of accelerated rural development was in the right direction. The allocations for the National Rural Employment Programme, envisaging, on an average, gainful employment for 1000 unemployed in each block, should be on the basis of income adjusted poverty population; the fact that there were important regional imbalances in the matter of agricultural wages, should be recognised. He suggested that the schematic assistance presented in the approach document with regard to NREP would require modifications and the States' share in implementing the scheme should be limited to not more than the cash component of wages. He expressed the hope that in a State like Madhya Pradesh, which had 40 per cent of population belonging to the Scheduled Castes and Scheduled Tribes, who were weaker among the weak, the implementation of the various development programmes would fulfil their aspirations.

The Chief Minister of Maharashtra, **Shri A. R. Antulay**, stated that the important task before the Council was to decide on the strategy of the Plan at the national level and give directions for the economic progress of the country. In this task, we had to be cautious of those forces which were bent upon counteracting our efforts and cause damage through destructive activities, which were politically designed. He was confident that under the inspiring leadership of the Prime Minister the country would make progress by leaps and bounds. He laid stress on the creation of an atmosphere which would enable fulfilment of the aspirations of the people. He stated that the Constitution had been framed to be in favour of the poor man and the political will would have to be put into reality through the constitutional processes. The present requisites were a very well conceived Plan, a good implementation machinery, and a sympathetic judiciary, which would in any event and eventuality stand consciously in favour of the poor.

He said that the Frame-work was excellent but it did not cover all the down-trodden people. The need was to start from the bottom and guarantee to the poor the minimum for a decent human living. There were many people in the rural areas to whom the benefits of our schemes had not percolated. Many people required small amounts of assistance of the order of Rs. 500-1000 to stand on their feet. He referred to the scheme started in Maharashtra under which, if three respectable people in a village said that with the help of Rs. 2000-2500 a person would earn Rs. 10-15 per day, the Government need not ask for pledge and security and release the money to him. He wanted a chance to be given to the smaller and poorer people. The provision of one road to each village and drinking water supply to each village, should be given priority in our programme. He drew particular attention to the educational needs of tribal population and the upliftment of the Harijans.

The Chief Minister suggested the setting up of a high level Committee to go into the mobilisation of resources for the Plan, and referred to the Committee appointed by the Maharashtra Government for State Transport and State Electricity Board. A good source for mobilising resources would be foreign remittance from workers and skilled persons who could be made available in large numbers to the Gulf countries.

He expressed concern over the shortages of essential agricultural commodities like edible oils and pulses and stressed that proper schemes should be drawn up to increase production of such commodities. He referred to the denigration of the public sector and suggested that the public sector undertakings should be headed by persons who were fired with enthusiasm of the philosophy of the public sector and their faith in socialism should be pretested. The word socialism was included in the preamble of the Constitution and we were committed to follow the socialist path. In regard to industrial peace, he said that the legitimate rights of the labour should be honoured but not at the cost of the prosperity of the nation. The tendency of the labour movement becoming a tool in the hands of political parties with vested interest had to be curbed. The labour movement should help the nation in increasing production uninterruptedly.

The Chief Minister emphasised the need for making sports a compulsory subject in schools and colleges. In 1982, Asian Games were being held in India and it was important that we achieved great success in them.

The Chief Minister of Kerala, **Shri E. K. Nayanar**, stated that during the last three decades of planned economic development, the country had made progress in a number of directions, but had still not made a dent on the problem of mass poverty. A new economic balance had therefore, to be found, if growth with justice was to become a reality. He said that the fault did not lie so much with the overall objectives as with the failure to work out a consistent and appropriate policy-frame and to bring out the necessary institutional changes to translate the objectives into reality. He referred to the size of the Sixth Plan and said that although in terms of outlay it represented an increase over the 1978-83 draft Plan, there was, however, no increase in real terms and, he, therefore, felt doubtful about the feasibility of achieving the 5 per cent growth rate target. He mentioned that the share of public sector outlay in the Plan-frame at 53 per cent was much lower than that visualised in the earlier Plan. He also mentioned that the recent industrial policy statements vaguely mentioned about the need to adopt a set of pragmatic policies which implied major deviations from the 1956 policy statement. He further mentioned that some studies made by Reserve Bank of India showed that the Government controlled financial institutions had been helping concentration of private corporate sector and monopoly forces in the country. The lending policies of the all-India financial institutions worked against the growth of small and medium industries as well as the even spread of development in the country. He stressed the urgent need to reverse such trends.

The Chief Minister said that although the Plan-frame had not given any indication of the allocation of outlays between the Central and the State sector, the requirements of States should be fully taken into account. He stated that the plans of individual States should be so framed as to maximise their potential to create employment and income, for which adequate resources would have to be placed at their disposal. He suggested that States on their part should put in the maximum effort to raise their own resources, as was consistently being done by Kerala.

The Chief Minister emphasised that serious attempts should be made to tackle the problem of rising prices of essential articles like cereals, pulses, sugar, textiles, edible oils, kerosene and soap and expressed satisfaction that the Plan Framework had duly recognised the importance of an efficient and adequate public distribution system in this regard. The experience of Kerala which had been trying to develop a network of public distribution of essential consumer items had been that it was not backed up by a production and public procurement system. Thus, a comprehensive system would need to be evolved. In regard to the massive problem of unemployment which had reached explosive dimensions in Kerala, he said that while increased investments and a change in the pattern of investment would make a dent in the problem in the course of time, an employment assistance scheme had become an imperative necessity to give some relief to the unemployed in the short run. He suggested that in this task, the Centre should help the States and employment assistance schemes should find an important place in the Sixth Plan.

The Chief Minister pleaded for flexibility in drawing up the Minimum Needs Programme, since a particular minimum need and its norms might not be uniformly applicable to all parts of the country. He also pointed out that the Plan-frame did not deal with the national wage policy. He felt that while the formulation of an integrated national wage policy was long overdue, wage differentials were increasing and unhealthy migration of industries from one State to another was taking place. He urged that the Central Government should clearly spell out its policy towards nationalisation of major economic activities like foreign trade and the key industries. He suggested that a firm and a clear-cut policy statement to curb monopolies and its effective implementation were urgently required. The Chief Minister wanted that the classification of expenditure into plan and non-plan should be done on a more rational basis; plan expenditure should include social security and welfare measures irrespective of whether they represent subsidies or direct investment.

He said that the Plan-framework had rightly recognised the need for an effective land reform policy throughout the country. He referred to the Kerala Land Reforms (Amendment) Bill, unanimously passed by the State Legislature, which was still pending with the Centre for the President's assent. He noted that in the Plan-framework there were proposals to do away with all kinds of subsidies. This he felt, would adversely affect small cirltivators in States like Kerala where the land reforms had created a large number of small farmers, who really deserved subsidies like the fertiliser subsidy. He pleaded for the retention of subsidies which benefited the poorer sections of the population. In regard to the transfer of resources to the States, he suggested that the existing formula and criteria for distribution of Central assistance had to be subjected to a fresh examination, and a separate session of the NDC might be convened to consider this specific question.

With regard to the systems approach and the integrated strategy which had been emphasised in the Plan-framework, he felt that this would necessitate fundamental reforms and changes in the present administrative, organisational and institutional set-up in the country. He mentioned that Kerala had passed the Kerala District Administration Act which meant that many of the subjects and matters presently dealt with by the heads of departments of the State, would stand transferred to the District Council consisting of elected representatives of people. Alongwith the State-wide system of Panchayats, it would help in undertaking planning from the grass-roots, with popular participation.

His other suggestions, particularly relevant to Kerala, included substantial rejuvenation of traditional industries in Kerala; solution to the problem of coast-line erosion and misery caused to poor fishermen living along the coast; intensive transport network through inland water canals, roads and railways, etc. He emphasised that sea-erosion had to be viewed as a natural calamity and should get the same assistance from the Centre as was given for floods and drought. He felt that often the decision taken by the Central Government regarding foreign exchange earning sectors like the plantation crops in Kerala were detrimental to their healthy growth, the State Government having very little say in such decisions. Similarly, the various proposals made by the State Government for establishing institutions for channelising the remittances of Keralites to productive lines, had not been received favourably by the Centre. He suggested that the tendency to allow large business houses and foreign interests in fishing in Kerala should be discouraged and Centre-State joint ventures for development of deep-sea fishing should be promoted. There was also scope for large scale investment in promotion and development of tourism in Kerala. Kerala also had great potential for developing hydro-electric power and urged that the Centre should help the State to fully exploit the same without any constraint on the size of the State Plan. The State Government would like to give priority to the overall development of medium and small industries. He pleaded for preparation of a comprehensive programme of development of the western ghats region.

The Chief Minister said that many States like Kerala were below the national average In regard to per capita plan Investment and Central Investments had also been very low In those States. The main objective of the Sixth Plan should be to bring the backward States to at least the national average. The framework envisaged additional taxation of Rs. 7500 crores, but methods by which such taxation would be done were not indicated. Indirect taxation and the consequent price increase would increase the burden on the common man. The impact of deficit financing of Rs. 4000 crores would also be great on the price level. He, therefore, suggested that these drawbacks be avoided by more equitable and progressive taxation policies, which could be discussed in another session of the NDC.

The Chief Minister of Punjab, **Shri Darbara Singh**, broadly endorsed the Plan objectives set out in the approach paper. He specifically referred to the objective of reduction in regional inequalities and observed that this should not result in artificially slowing down the pace of development in progressive States like Punjab. He pleaded for an equitable approach by bringing the poorer States to higher levels of development and simultaneously encouraging the developed

States to make still larger contributions to the national economy, in keeping with the goal of achieving higher productivity by efficient use of the scarce resources available in the country. He stated that within Punjab itself there were under developed tracts like Bet, Kandi and sub-mountain areas. The Scheduled Castes constituted 25 per cent of the State's population; it was industrially backward. He, therefore, suggested that the unit of development should be a community development block instead of the State or a district as was the case at present. He felt that for making a meaningful dent on the problems of the State, an annual growth rate of 6 per cent should be aimed at as against 5 per cent envisaged in the Plan frame. He hoped that while drawing up the details of the Sixth Plan, the States would be given larger Plan outlays and adequate assistance for the successful implementation of the programmes proposed in the approach document.

The Chief Minister pointed out that, in the agriculture sector, Punjab had achieved good results due to the initiative and dynamism of the people of the State and the timely and assured supply of agricultural inputs at reasonable prices by the State Government. He referred to the suggestion in the document that subsidies on food and fertilizers should be done away with and agreed that it was a matter which should be seriously looked into before taking a final decision as subsidisation of fertilizers, specially for the small and marginal farmers, had a major role to play in stepping up agricultural production. He felt that unless the growers were adequately compensated in the form of enhanced procurement price, agricultural production would suffer a very serious set back with the increase in the prices of fertilizers. He pointed out that understandably allocations of fertilizers to Punjab for the current year were made on the basis of the level of actual consumption achieved during the last year. This was erroneous as last year was a drought year and pegging of quantities of fertilizers at that level would adversely affect production.

The problem of disposal of agricultural surpluses had become a stupendous task for the State Governments over the last few years due to seasonal fluctuations in prices. It was beyond the financial capability of the State Governments to ensure a remunerative price to the agricultural growers. The Central Government should, therefore, evolve a national policy for the price stabilisation of agricultural commodities. He suggested that all the on-going projects of irrigation and power should be completed at the earliest and constraints of funds and physical resources should not be allowed to stand in their way. He referred to the inordinate delay in the execution of the Thein Dam Project in Punjab and suggested that while the inter-state aspects of this project could be resolved in due course, Punjab should be given all the clearances to go ahead with the implementation of the project. He requested the grant of special central assistance for financing the project. The possibility of getting external financial assistance should also be explored.

He pleaded that in the absence of Central Sector heavy industry in Punjab, the growth of ancillary industries had been arrested and suggested that the Centre should consider setting up skill-based projects in the State. He also pleaded for the setting up of more sugar and spinning mills in the State as it was having a strong agro-base.

The Chief Minister suggested that with a view to off-set the locational disadvantage relating to the supply of coal, the scheme for freight equalisation for coal may be re-introduced and a Freight Equalisation Fund created.

The products of the small industry centres in Punjab had substantial export potential but these were handicapped in catering to international markets being located far away from the sea-port. He therefore, suggested that a dry port should be located in Punjab.

The Chief Minister welcomed the idea of the household being made the unit of development.

Punjab had already initiated the first step in this direction by launching a family-wise survey of the weaker sections. He suggested that specific plans of action should be prepared and States having scheduled castes population above the national average should be specially assisted over and above the normal on-going programmes. He pointed out that the share of Punjab out of Rs. 100 crores allocation for Scheduled Castes Programme for 1980-81 was very inadequate, considering that the State had the largest percentage of Scheduled Caste population in the country. The State would do its utmost for improving the welfare of the scheduled castes.

Referring to additional resource mobilisation expected of the States to fill the gap in financing the Sixth Plan, the Chief Minister observed that since only a few and inelastic sources of revenue were available to the State, other measures listed in the framework would have to be resorted to. He endorsed the suggestion that losses which were being incurred by the irrigation, power and transport sectors should not continue to be a drag on Stales' resources and corrective action should be taken. He said Punjab was considering measures for tightening the managerial controls, plugging leakage of revenue and the rationalisation of electricity tariff and water rates, with a view to wiping off the losses. Measures would also be initiated to improve the working and functioning of public sector undertakings, so as to generate surplus resources. He urged the Planning Commission realistically to firm up the estimation of resources during the forthcoming discussion with the States on the Sixth Plan. He stated that the IATP formula for central assistance had narrowed down the scope of the Gadgil formula and he, therefore, suggested that only the Gadgil formula might be followed, instead of two separate formulae. The high proportion of scheduled castes population in the State, the extra expenditure on border areas, and expenditure needed for the development of 'Bet', "sub-mountain" and 'Kandi' areas should also qualify for being considered as special problems for the purpose of allocation of central assistance. He pleaded that rehabilitation of ex-servicemen should be given liberal central assistance.

The Chief Minister stated that the total market borrowings should be distributed between the Centre and the States in the same ratio as the Plan size between the Centre and the States and the LIC loans to the States should be distributed on the ratio of the LIC premia collected from the States.

The Chief Minister of Rajasthan, **Shri Jagannath Pahadia**, expressed satisfaction that the plan-frame reflected the pledges given to the people and the 20-Point Programme, the emphasis on rural development, removal of poverty, reduction in incidence of unemployment, special programmes for the development of weaker sections of the society and the backward areas. He stated that Rajasthan lagged behind the national averages in several sectors, including the per capita plan outlay. He suggested that the problems of desert areas should be viewed as a national problem and larger investments should be provided to check their spread and reclaim them. He mentioned that efforts towards afforestation, irrigation etc. suffered a set-back due to low rainfall and lack of rain water storage facilities in the State. He requested provision of full funds for the schemes which were under preparation by the State Government to arrest the spread of the desert. He welcomed the emphasis on reduction in regional inequalities and suggested that factors such as size, distance and accessibility should be kept in view for the devolution of Plan assistance to States. Rajasthan should be brought up to the level of the national average and should be treated as a special category State. The Gadgil formula should be revised. He urged that the IATP formula should be scrapped and a better alternative formula to help weaker States like Rajasthan should be evolved. For the centrally sponsored schemes like Desert Development Programme, Integrated Rural Development Programme and the National Malaria Eradication Programme, the money transferred under the IATP formula was inadequate. He suggested that for important Centrally sponsored schemes 100 per cent central assistance should be given.

In view of its backwardness, Rajasthan, he suggested, should be given central assistance as 80 per cent grant and 20 per cent loan, in the same way as was available to Special Category States. In regard to externally aided projects, he suggested that the entire receipts from International Agencies against specific projects, should be passed on as such on the same terms and conditions to the concerned State. The requirements of the less developed States should merit special consideration in determining the level of market borrowings, and the all-India term lending institutions and commercial banks should sanction larger amounts of investments in backward States like Rajasthan.

The Chief Minister referred to the need for revision of royalty rates for major minerals every two years as Rajasthan alone was losing about Rs. 3.50 crores annually in the absence of such a revision. He suggested that, in future, investments in the public sector should preferably be made in less developed States. He pointed out that the growth of railways in Rajasthan had not been commensurate with its needs of economic development and urged that high priority should be given to the conversion from metre-gauge to broad gauge of the Delhi-Ahmedabad line and Jaipur-Sawai-Madhopur line. He also pleaded for the construction of a new broad-gaugs line from Suratgarh to Jaisalmer for the marketing of products of the Rajasthan Canal Area. He also asked for the conversion of the Jaipur-Bhopal road and Beawar-Ahmedabad road into National Highways.

The Chief Minister stated that in Rajasthan, out of a total 12 lakh families identified under Small Farmers and Marginal Farmers and Agricultural Labourers, the coverage so far had been only three and a half lakh families, and it would be the State's endeavour to give priority to meet the uncovered gap and later increase the coverage. He hoped that DPAP and IRD schemes would continue in the Sixth Plan in the same manner as before.

The Chief Minister generally endorsed the reduction in subsidies and stated that subsidies to the weakest sections of society should not be affected. He suggested that the National Rural Employment Programme should be 100% centrally assisted. He pleaded that Rajasthan should get a much larger share of the central sector investment on super thermal power projects and that a new Atomic Power Station should be set up in the desert area. In the background of the past experience of States having a common use of water and power facilities, he suggested that the Central Government should control, maintain and distribute power from these projects in association with the participating States. He referred to the potential for promotion and development of tourism in the State and pleaded for larger investments in the area by organisations like the ITDC.

The Chief Minister pointed out that the hill areas of Southern Rajasthan were largely inhabited by tribals and requested special assistance under the National Hill Areas Development Programme. Under the Minimum Needs Programme, he laid stress on taking up a crash programme for providing drinking water to all the villages in the State during the Sixth Plan and urged that Central assistance should be governed not by formulae but by the needs of the State and the Plan objectives.

The Chief Minister of Orissa, **Shri Janaki Ballav Patnaik**, complimented the Planning Commission for a well conceived Plan Framework and stated that the slide back, in the economic scale, of Orissa was to a large extent the result of inadequate investment in the State; the worst hit in the process were the tribals and harijans who constituted 40%, and other economically backward classes who accounted for another 30% of the State's population. He stated that for States like

Orissa, where industrialisation had been minimal due to lack of communications and skilled man-power, the crying need was for an all-round development rather than of a few sectors of national importance. He suggested that closing the gap between the developed and less developed regions should be the principal objective of federal finance and planning, which would involve higher investments in less developed States. He said that under the award of the Seventh Finance Commission, the highest per capita surplus went to a State where the per capita income was also among the highest. He, therefore, suggested that it should be ensured that the less developed States, who were left with negligible or nil surpluses, should be given adequate countervailing support in the distribution of Central Plan assistance to enable them to attain growth rates higher than the rate envisaged in the Frame-work. These States should also put in their best efforts for the mobilisation of the requisite order of financial resources. In this, their narrow resource base was a genuine constraint. He suggested that Planning Commission should have adequate flexibility for allocation of central assistance among States, so that the investment requirements for the desired rate of growth of a State could be met by the sum total of central assistance and the internal resources which the State might generate after having made the maximum effort. Otherwise, less developed States would have no hope of crossing the poverty line and attaining self-sustained growth.

In regard to centrally sponsored schemes the Chief Minister said that allocation of funds for these schemes often tended to be regressive because affluent States with larger command over resources were able to draw more funds from the Centre by providing matching contribution. He pleaded for a reconsideration of the policy with regard to centrally sponsored schemes. They should be limited in number and be restricted to programmes of paramount national importance of inter-State significance. He pleaded that the States' Annual Plan discussions should cover all centrally sponsored schemes and provision for them should be made from the beginning instead of by piecemeal approval throughout the year.

Orissa's declining share in the State sector outlay, and the consequent slide back in development since the Third Plan, could not be attributed to any let up in its efforts for raising resources, but to the diminishing share of central assistance in the financing of the State Plan. It was a paradox that the States which were less developed today, not only had abundant human resources but also had rich endowment of natural resources. This situation was more relevant to Orissa which had rich renewable and non-renewable natural resources. He, therefore, urged that advanced States should give a helping hand to the less developed ones in the exploitation of their under-utilised resources. What was needed was a more rational system of allocation of resources consistent with the basic objectives of the Plan and the relative developmental needs of the States.

The Chief Minister of Meghalaya, **Shri B.B. Lyngdoh**, pleaded for the introduction of a massive crash training programme for the people of Meghalya so that they can participate in the development process and share the fruits of development. This would go a long way in removing the social tensions in the region. Removal of poverty and inequality should be linked to the amelioration of the conditions of the Scheduled Castes and Scheduled Tribes without disturbing their traditional democratic and social structure. The Chief Minister requested that the Plan outlay for the North Eastern Council should be raised adequately in the Sixth Plan so as to enable the Council to be more effective in discharging its role. It had already built up a considerable amount of expertise in various fields. He emphasised the need for increasing the share of Meghalaya from the allocation of the tribal sub-Plan for taking up special programmes for development in the selected areas of the State and removing the intra-state disparities.

The Chief Minister of Nagaland, **Shri J. B. Jasokie**, stated that his State had remained backward due to political disturbances and insurgency for a period of more than 20 years out of 30 years of country's planned development. Nagaland could reap the benefits of planned development only during the last 10 years. He emphasised the need for development of the State on long term and short term basis in view of its being a rural State. He pleaded for special assistance for achieving a reasonable level of development. He said that resources should not be given on the basis of population and area but on actual requirements ; cent per cent central assistance should be continued in all the backward States like Nagaland for centrally sponsored schemes; expenditure on the buildings for administrative and non-developmental departments including those of police should be classified as non-plan expenditure instead of plan expenditure; subsidies for transportation, electricity and capital grants meant for promotion of industries in the backward and border areas should be continued; Doyang Hydro Electric Power Project should be taken up either by the Central Government or by the North Eastern Council; exploitation of mineral resources in the area should be taken up; additional assistance should be provided for the Stale's non-Plan commitments as the assistance provided by the Seventh Finance Commission had proved to be inadequate; immediate construction should be taken up of a 300 miles road from Phomcheng to Mulch under the Border Road Programme; the existing meter gauge railway line between Gauhati and Tinsukia should be connected to broad gauge in the overall interest of the region.

The Chief Minister of Manipur, **Shri R. K. Dorendra Singh**, stated that while growing unemployment and poverty were the man and immediate concern, there were a few factors which differed from region to region and the requirements of planning should accordingly have to be suitably adjusted. The process of planning should aim at providing the need-based development of each region in a manner that would strengthen the national objectives.

The Plan-Frame had rightly given due importance to the 20-Point Programme and, keeping in view the specific needs of the people of Manipur this programme was being implemented in the State. He pleaded for effective steps to check the growing population which was an impediment in the planning process. He suggested linking up of decentralisation of authority and financial powers with the achievement of targets.

The Chief Minister said that the North-East region had remained geographically and socially isolated and the historical and social processes of the mainland had hardly touched that region. The tensions in the region had their roots in unequal economic development. He said that Gauhati, which was the main supply base for the region, was without a broad gauge rail link. Manipur, which was a landlocked State and had a common border with Burma, had the nearest rail-head 220 kms. away. Special attention should be paid to create greater self-employment opportunities and tackle the problems of the State more effectively. The commitments made to the people of Manipur at the time of merger of the State concerning employment of Manipuris in public services needed to be fulfilled. The tribal population of Manipur had benefited to a limited extent but the Meiteis of Manipur who had not been covered by the constitutional provisions had been left out of consideration.

The Chief Minister emphasised the development of roads to help opening up undeveloped areas, the mobilisation of resources and maintenance of law and order. He also said that Government of India had been helping Manipur to meet its budgetary deficit by giving temporary ways and means advances and such loans were promptly repaid. Instead of these loans, he requested special grants. He expressed the view that the development of border States like Manipur would be in the larger interest of making the nation stronger.

The Chief Minister of Arunachal Pradesh, **Shri Gegong Apang**, referred to the glaring under-development of the territory and stated that the State Government was endeavouring its utmost to step up the tempo of development. The territory faced locational disadvantages which resulted in major distortions of the market mechanism, both for export of focal produce and import of materials from other parts of the country. Because of its sparse population, the per unit overhead costs of social services and maintenance of basic supplies were high. Institutional constraints and lack of infrastructure and social overheads were enormous and the territory needed special attention in this regard. The most pressing needs were transport and communications. He pleaded for the urgent provision of adequate air, rail and road links. Besides implementing the Balipara-Bhalukpung line, the Tipling-Itanagar and Murkongselek-Pasighat lines should be taken up during the Sixth Plan period. He welcomed the proposal to establish a third airline for the North Eastern region. A lateral road linking all the districts of the Territory and telecommunications linking Itanagar with rest of the country and with district headquarters should also be provided.

Arunachal Pradesh had vast potential for the generation of about 20,000 M.W. of hydel power. The Chief Minister suggested that sufficient funds needed for investigation should be provided in the Sixth Plan. He referred to the investigation being carried out by the Brahmaputra Flood Control Commission for super size hydel projects, viz., Dihang and Subansivi Dam projects, with an installed capacity of 7500 M.W. and 1800 M.W. respectively and stated that these projects, if implemented, would inundate large inhabited tracts of Arunachal Territory and also submerge a large number of development projects. He, therefore, suggested that it would be better to take up smaller check dams and projects with capacities of 100 M.W. or so.

The territory with its vast forest areas offered opportunities for scientific tapping for timber processing industries and setting up of paper mills based on forest raw materials; a site proposed for paper mill was Bhalukpung, to which a railway line was being established.

The Chief Minister pointed out that allied activities of agriculture like horticulture and animal husbandry would be important for the economy of Arunachal Pradesh, but it would be necessary to ensure stable prices for their produce and marketing facilities for perishable commodities. To wean away the tribals from jhumming cultivation, which was uneconomic and did great harm to forests, he suggested implementation of a package of services to encourage settled agriculture. He also pleaded for the vigorous implemenlation of the Minimum Needs Programme and development of higher education in Arunachal Pradesh.

The Chief Minister of Tamil Nadu, **Shri M. G. Ramachandran**, expressed broad agreement with the Framework and appreciated the emphasis given for the development of irrigation and generation of power. He suggested the nationalisation of all the inter-State river waters and pleaded for accord in the use of inter-State waters for irrigating drought-prone and rain shadow regions in his State covering Pudukottai and Ramanathapuram districts and part of Tirunelveli, Madurai and Coimbatore districts. He suggested that the Planning Commission should be given a statutory status with adequate representation to the State Governments.

The Chief Minister pleaded that, in the Sixth Plan, the outlays for States and Union Territories should not be less than 55 per cent as most of the efforts towards eradication of poverty, provision of minimum needs, generation of employment will have to be undertaken by the States. He referred to the draft Constitution Amendment Bill which envisaged that the tax levied on consignment transactions would be assigned to the States and since this would enable the States to mobilise additional resources for the Plan, he urged early action on it. He also referred to the levy of additional excise in lieu of sales tax on sugar, tobacco and textiles and urged that steps should be taken to implement the decision of the NDC held in December, 1970. He further suggested that the Corporation tax should also be made shareable with States.

In regard to the centrally sponsored schemes, the Chief Minister suggested that the allocations for the on going schemes should be indicated at the time of the Annual Plan discussions with the States and, whenever any new centrally sponsored scheme was formulated, prior consultations with the States should be held. The guidelines given by the Committee of N.D.C. in 1979 should be followed during the Sixth Plan.

The Chief Minister suggested that the Gadgil formula may be revised and operated on the basis of:

(a) 60 per cent on the basis of population; (b) 10 per cent on the basis of tax efforts, without taking into account the excise revenue; (c) 20 per cent on the basis of backwardness of States, based on percentage of people below poverty line; and (d) 10 per cent on the basis of special programmes. He suggested that Central assistance be given wholly as a grant, as against the present pattern of 30 per cent grant and 70 per cent loan, as most of the investment by the States was towards creation of infrastructure and provision of social services. It would be necessary to take a policy decision on provision of relief to the affected agriculturists, whenever serious damage to crops occurred. A scheme, by which relief may be given to such agriculturists, should be evolved and in this regard the selective approach adopted by Tamil Nadu Government, viz., restricting the benefit to small farmers, whose short-term loans were converted into medium term loans owing to natural calamities, should be taken into consideration. He suggested that the policy of the Reserve Bank may be revised to enable financing of the small and marginal farmers who repaid their dues promptly, without bringing their cases under the present 40 per cent non-overdue cover formula.

The Chief Minister suggested that the assistance received for various projects from the World Bank should be passed on to the States fully and on the same terms as was offered by the Bank. In order to encourage setting up of industries in backward areas, the existing scheme of capital subsidy, presently available upto 31st March, 1981, should be continued throughout the Sixth Plan period.

The Chief Minister suggested that suitable methods should be found to give the benefit of education to all children in the age group 6-14. Special techniques may need to be adopted to extend the benefit to those who are left out and the drop-outs.

The Chief Minister stated that with a large number of people in Tamil Nadu living below the poverty line and with the high rate of unemployment, the State should get increased assistance from the Centre for a reasonable outlay, during the Sixth Plan period. He urged the Centre to take up the Sethusamudram Project which envisaged the connection of the East and West coast through Palk Straits. This proposal had been under consideration for a long time. He laid emphasis on deep sea fishing and increasing the trawler fleet of the country and suggested that survey be undertaken of the deep sea off the East-coast on a priority basis. He further suggested taking up an experimental project by the Department of Science and Technology for an Ocean Thermal Energy Conversion Plant in the Bay of Bengal using the thermal gradient in the topical water. He pleaded for oil exploration efforts of the Tamil Nadu coast to be intensified, the early clearance of the Hogenekal hydel scheme, the commissioning of the Atomic Plant at Kalpakkam, the intensification of the movement of goods by coastal route, a new broad gauge railway line connecting Karur and Dindigul, conversion from metre gauge to broad gauge of the railway line Madras-Tiruchirapalli-Tuticorin, and development of infrastructure facilities at important tourist centres of the South. He suggested that the National Development Council meetings should be convened at regular intervals at least once a year, to review the progress of the Plan and for monitoring at the national level.

The Chief Minister of Pondicherry, **Shri D. Ramachandran**, laid stress on Plan implementation and pleaded for flexibility to the implementing agencies and streamlining of the procedures for the procurement of equipment and materials through DGS&D to the Union Territories. He suggested that the National Rural Employment Programme should be a centrally sponsored scheme on a 100 per cent basis and not on a 50 : 50 basis as indicated in the Plan frame. In the field of education, attempts should be made to improve the standards of education in the rural areas on par with the standards obtaining in the urban and metropolitan areas. In respect of power generation, the Union Territory of Pondicherry should have its own power generation unit, so that it could have the freedom to plan its economic development. There should be development and utilisation of minor ports, and adequate importance should be given to the development of tourism in those areas. The Chief Minister suggested that the modernisation of the police force should be included as a plan scheme as had been done for police housing.

The Chief Minister of Mizoram, **Brig. T. Sailo (Retd.)**, endorsed the draft Framework and stated that planning in Mizoram began only since 1972 and that, prior to that date, no proper and systematic development work could be carried out as the whole area was under military operation. The area needed special consideration as most of the people were ignorant and backward scheduled tribes. The entire region was covered with mountainous terrain and most of the areas remained almost inaccessible even after three decades of the inauguration of the republic. The Chief Minister stated that his priorities would be attainment of self-sufficiency in food, provision of adequate drinking water supply, building up a network of power supply and communication system by both road and rail and acceleration of development in industrial and agricultural spheres. The Chief Minister pleaded for a generous financial allocation for the implementation of the development programmes of Mizoram which was one of the most remote and backward areas of the country.

The Lt. Governor of Delhi, **Shri Jagmohan**, stated that he would only touch on points not already raised in the interest of brevity. The framework had not spelt out the human settlement policy in concrete terms. The framework mentioned dispersal of population but had not indicated how this was to be brought about. Secondly, in urban and metropolitan areas, land could be used as an instrument of economic and social development. Thirdly, it was necessary to preserve the architectural and cultural heritage. The pattern of settlement should be made more economic and the city could be made more productive. Planning Commission may like to study these matters. For instance, human waste can be a problem in settling large numbers, but it can be converted into an asset by the use of new technology to convert it into electricity. Institutional arrangements must be developed for such purposes. Local institutions should be enabled to meet the challenges of urbanisation, migration and the vast numbers of connected problems. The Lt. Governor pleaded that legal provisions in regard to land should be so framed as to help in the speedy implementation of development schemes and also avoid any excesses on the part of the executive authority.

The Chief Commissioner of Andaman and Nicobar Islands, **Shri S. L. Sharma**, stated that inadequacy of transport and shipping arrangement in the islands had affected the implementation of various plan schemes. The islands offered a good scope for development of spices, rubber plantations and fisheries. These should be exploited fully. There was need to develop the recreational and cultural activities of the people as well as strengthen the arrangements for vocational eduction for the people of the islands; tourism offered a great scope for the development of the islands. There was urgent need for more power to the local administration to overcome procedural bottlenecks. There was also need for strengthening the monitoring arrangements.

The Chief Commissioner of Chandigarh, **Shri B. S. Sarao**, endorsed the contents of framework and assured his Territory's fullest participation in the process of development.

The Collector of Dadra and Nagar Haveli, **Shri Venkataratnam**, stated that 85 per cent of the population of the territory consisted of tribals. The Administration anticipated no difficulties in implementing the policies indicated in the framework.

The Chief Minister of Goa, Daman & Diu, **Shri Pratap Singh Rane**, stated that there should be an equitable distribution of Plan benefits since a small improvement in the quality of life of the economically and socially backward people would go a long way towards meeting the objective of building an egalitarian society. The steep rise in the prices of consumer goods and incidence of additional taxation would contract the saving potential of the poorer sections. Public enterprises should not run into losses and loopholes in tax collection should be plugged.

The Chief Minister pointed out that the high rate of population growth had resulted in erosion of the benefits, flowing from development programmes and the poorer sections of the community could not derive the full benefit of development. Family planning was an important mark of the population policy. He favoured the provision of financial assistance to the employees of the organised sectors in limiting the families. He emphasised the need for the use of modern science and technology for the development of cottage and small industries, linking of production with marketing, setting up of independent power generation plants, and encouragement to State Governments to take advantage of consultancy services available in the country.

The Planning Minister of Jammu & Kashmir, **Shri D.D. Thakur**, commended the Plan-frame as an attempt in fulfilling the aspirations of the people. A conducive atmosphere to growth was essential and he called for whole-hearted cooperation among the Centre and the states for achieving the policies and targets in the Plan-frame regardless of political affiliation. Maintenance of industrial peace was essential for unhampered production and productivity in the economy.

He referred to the high growth rate, particularly in higher education, and the worsening unemployment situation in the country. He stated that the literate unemployed flooded the market and created problems as they were frustrated. He suggested that keeping in view the requirements of the economy, a comprehensive review of educational requirements should be made. He expressed concern over the shortages of essential agricultural commodities, like oilseeds, necessitating imports at a very high cost and suggested that an integrated policy regarding agricultural production be formulated. The price structure should be so devised as to give some incentive to the production of oilseeds in comparison with wheat or vegetables.

Shri Thakur stated that the industrial policy was for growth with social justice, but there were instances where growth was more than social justice. Because of locational difficulties, entrepreneurs were not prepared to set up industries in Jammu and Kashmir. He felt that confining the licences to those who were qualified under the existing industrial policy did not help Jammu and Kashmir with the result that the concern with social justice led to reduction in growth. He suggested that, for an interim period in some cases, it might be considered whether a State could afford to go without social justice so that additional production could be obtained which would reduce prices, tackle shortages and enhance employment potential.

The Finance Minister, **Shri R. Venkataraman**, observed that there was a general consensus that the Plan-frame was acceptable to all the States and that further action should be taken to quantify the various programmes, and make allocation of resources to different sectors and between the Centre and the States so that the Draft Plan could be formulated for discussion in a subsequent meeting of the N.D.C. He stated that the objectives of elimination of poverty, attaining self-reliance, correcting imbalances among different sections of society or regions, were the fundamental objectives relevant to every Plan and the current Plan alike. He referred to the West Bengal Chief Minister's statement that there was no change in the Plan objectives and asked if any of the objectives needed to be changed. There could be no difference in the objectives but only in the manner of implementation and on the programmes which go to fulfil those objectives more expeditiously.

The Finance Minister expressed confidence that with further utilisation of the already estalished capacities and the envisaged additional plan investment of Rs. 90,000 crores, the achievement of 5 per cent annual rate or growth of the economy would be feasible. He stressed that the Centre and the States should make concerted efforts to raise the necessary resources as was expected of them. Of the Rs. 6,000 crores which the States were expected to raise, Rs. 2,500 crores were by way of taxation and the balance through improvement in receipts from various State public undertakings. Though some Members had expressed difficulties in achieving the target of Rs. 2,500 crores of additional taxation, the general view was that by and large the States would be able to meet the target. He said that if there were any reservations on raising Rs. 2,500 crores by taxation, these should be made clear, so that the Plan size could be adjusted accordingly. He stated that after very careful discussions and keeping in consideration the instant demands of the people for better standard of life and to fulfil our immediate programmes, the Plan size had been fixed at Rs. 90,000 crores. On the question of resources, the cooperation of the States was most vital. He said that the Centre would be able to raise its share of Rs. 13,000 crores, but the States should perform their responsibility by raising Rs. 6,000 crores. He emphasised that necessary steps should be immediately taken to raise requisite tax revenues expected of States to get the benefits in the remaining four years of the Plan.

In regard to improvement in receipts from State public undertakings, he stated that electricity rates and duties could be so revised as to cover at least the generation costs. He suggested that whatever concession a State might give to an industry, it might be made in respect of charges levied over and above the minimum cost of generation. He appealed to the State Electricity Boards to examine their tariffs afresh and ensure that the cost of generation was met by some of the power-intensive industries. He suggested that efforts should be made to wipe out the estimated deficit of Rs. 3,000 crores, putting all States together. Similarly, the irrigation rates which were fixed long ago needed revision. The Finance Minister suggested that the electricity and irrigation rates might be increased progressively in small doses so that the impact on the users was not very high. Also, the State Transport Undertakings were running at a loss. The petrol and diesel prices had risen but the passenger fares were not raised by many States and the users were being subsidised at the cost of those tax-payers who did not use public transport facilities. He advised that State Governments should examine this and revise passenger fares to cover their operational costs so that the State Transport Undertakings would not become a liability, but should generate a little surplus for their own future development.

The Finance Minister stressed the importance of maintaining the stability of prices at the 1979-80 level and suggested the use of Essential Commodities Act for controlling the prices. He also suggested designating one court in each of metropolitan/districts to try and deal expeditiously with offences relating to essential commodities. Referring to a point made by the Gujarat, Chief Minister that the railway passenger tax should be raised and the proceeds handed over to the States, the Finance Minister stated that under Article 269 of the Constitution, this tax was leviable by the Centre and transferable to the States. The Railway Convention Committee was looking into this very question. Regarding basic excise and sharing of additional excise, he said that as against 20 per cent earlier the sharable part of the excise revenue for States was now 40 per cent. In respect of those items on which additional excise duty was levied, he desired that if the States agreed, some more items might be transferred from the States to the additional excise list and the same could be considered at the ensuing meeting with the Chief Ministers to consider Sales Tax. He fully agreed that the States' share should not come down and this would be ensured. In regard to the tax on consignment sales, the Finance Minister recognised the States' legitimate stake and stated that a constitutional amendment was required to make consignment sales taxable and it was proposed to bring forward a Bill for the purpose during the year. He could not, however, commit himself about the sharing of the Corporation tax.

The Finance Minister appreciated the support lent by the Punjab Chief Minister for increasing the electricity, water and transport rates and expressed the hope that Punjab will set an example to other States in this respect. He was not in favour of the blanket write off of the agricultural and cooperative loans by some States, as such a move caused difficulties to some other States and would have very serious repercussions in respect not only of recycling of funds but also of credit and the future growth of cooperative institutions. The Finance Minister said that there might be circumstances in some States for some action being taken but the State itself would be the best judge in the matter. He appealed to such States to ensure that it was a one-time action and not repeated. He referred to the facilties available for meeting certain unforeseen contingencies like floods, droughts and the like, besides the various schemes of the RBI specially directed towards relief in drought affected areas which should be enough to render support. He stressed that utmost caution should be exercised to see that the confidence of the people in credit institutions was not eroded.

The Finance Minister appreciated the support lent by the Chief Ministers of West Bengal and Jammu and Kashmir to the proposal for reduction in subsidies. He expected the cooperation of all the States in this task and desired that the areas in which this policy could be given effect to might be identified by the States. With reference to the plea of the Haryana Chief Minister that Centre should undertake major irrigation schemes, the Finance Minister said that 70% of the amount of external assistance of a project was already being transferred to the concerned States and if any of such projects was externally aided, the same principle would apply. With regard to revision of the Gadgil and the IATP formulae, he said that it had been tried many times, but the Gadgil formula had stood the test of time. Any alternative will have to be such that it is acceptable to all the States. A suggestion had been made by the Chief Minister of Bihar for adopting the poverty line as the basis, but the difficulty was about the calculation of the poverty line. Perhaps, changing of one or two aspects of the Gadgil formula could be considered, for instance, 10 per cent of central assistance given for continuing schemes on an ad hoc basis. This could be reconsidered. The Finance Minister referred to the special problems being faced by States like Assam which demanded a priority treatment. He said that although Assam was being treated on a different footing, yet there were problems of transport, communication etc. which required to be tackled on an urgent basis. He stated that he, along with the Planning Minister, proposed to visit the State to look into the special problems of that State.

The Deputy Chairman, **Shri Narayan Datt Tiwari**, thanked the Chief Ministers for their general appreciation of the Plan-frame. The unique forum of the Council had helped exchanging ideas, experiences and programme innovations which would be drawn upon while formulating the details of the Sixth Five Year Plan. The recently held detailed discussions with the Chief Ministers on the framing of the Annual Plan 1980-81, had also been taken into consideration in preparing the Approach document. He assured the Chief Ministers that if the Commission received the State Plans by October 1980, and the resources discussions also proceeded as per schedule, the Draft Sixth Plan would be got ready by December this year, for the consideration of NDC soon thereafter.

There was a broad consensus on the objectives and the approach outlined in the Plan Framework, as well as on the size of the Plan and the targeted rate of growth. One or two Chief Ministers had suggested a higher growth rate. Efforts would be made to achieve a higher growth of 5.3 per cent. If we planned for a still higher rate of growth, we should also have larger resources in sight, whereas many Chief Ministers had drawn attention to the already high level of taxation. Also, any higher growth rate would require capacity build-up, both in infrastructure and in industry. The growth rate envisaged in the Framework was neither more nor less.

In regard to reduction of regional imbalances he said that it was included as a special objective in the Approach paper and the various aspects of the problem would be gone into in detail during discussions with individual States. He assured the Chief Ministers from the North Eastern States and the Chairman of the North Eastern Council that the problems of the North Eastern Region would receive the highest priority consideration.

The Plan frame duly recognised the importance of establishing an effective public distribution system of essential commodities as a permanent mechanism as part of the strategy to control and achieve equitable distribution; the Cabinet had considered this question and the same had been studied by a working group of Planning Commission with the representatives of the States associated. To attain this objective, the Deputy Chairman assured that commonly acceptable schemes would be formulated.

He referred to the suggestion made by the Rajasthan Chief Minister that the definition of small and marginal farmers should not be enlarged to cover farmers holding 5 acres of land, and stated that there was no question of changing the existing definition. It was neither intended to do away with subsidies for the small farmers under this category nor to do away with the DPAP or the IRD programme. The intention was, in fact, to provide a few more services to the farmers holding upto 5 acres of land, and to cover a wider area for certain additional services by including those farmers who were not exactly small, but neither big also.

The Deputy Chairman then referred to the demand made by some Chief Ministers to make the NREP a 100 per cent centrally funded programme and pointed out that the NREP would be a countrywide endeavour to make a direct and frontal attack on the unemployment and under-employment problem with full participation of the States. He desired that while further discussions are held with the Finance Minister, the NREP objective as set out in the document might be kept up. He also said that the interim recommendations of the Sivaraman Committee, when received, would be suitably incorporated in the Plan.

In regard to additional resource mobilisation effort by the States through taxation, the Deputy Chairman said that the additional taxation involved would be about 3 per cent of the taxation level of 1980-81. Taxation rates differed from State to State and there were many loopholes in the tax system. There was great potential for mobilising sales tax revenue if the procedures were simplified, the collection machinery strengthened and the loopholes plugged. The Deputy Chairman then referred to the question of subsidies and clarified that it was rationalisation and not the elimination which had been stressed in the document. There were scores of subsidies of various kinds and it was essential to seek a significant reduction in the amount of subsidies from the level attained in the 1980-81 Budget. Certain kinds of subsidies need not be continued indefinitely. The Chief Minister of Jammu and Kashmir had even suggested reduction in the consumption subsidies, which could be considered. The Agriculture Prices Commission had been specifically requested that the farmers should be given remunerative prices, taking into consideration the increases in the costs of inputs and this policy statement had been made part of the Approach paper.

The Deputy Chairman referred to the Kerala Chief Minister's reference to the inflationary impact of deficit financing and stated that the matter had been gone into by experts and their view was that it would hardly generate inflationary conditions if the postulated rate of growth of 5 to 5.3 per cent was realised. The cooperation of the States in containing and controlling inflationary pressures by avoiding over-drafts would be of great help. He said that the order of deficit financing in the current year (Rs. 1400 crores) was about half of the previous year's figure and it was not likely to exceed Rs. 2600 crores during the remaining four years of the Plan period. He pointed out that it was really the rate of monetary expansion in relation to growth and output in the economy which influenced the price level and the rate of monetary expansion was not only due to deficit financing but also due to the bank credit to the commercial sector, etc.

In regard to the concern expressed by the West Bengal Chief Minister about self-reliance, the Planning Minister said that he was hopeful of further reducing the net foreign aid which had already been brought down from the figure of 34 per cent of public sector outlay some years ago to 8 per cent during the last year. He emphasised that in this particular context our export promotion plans and efforts would need to be given higher priority keeping in view the emergence of a substantial gap in our balance of payments during the Plan.

The Deputy Chairman drew attention to the suggestion made by some Chief Ministers regarding re-transfer of some of the centrally sponsored schemes back to the Centre and stated that it would be difficult to take any ad hoc decision immediately. The question would be examined by the Planning Commission and if necessary, brought before the next meeting of the Council. In the meanwhile the States should provide matching outlays in their proposals as some of the schemes were very important. Similarly, supplemental outlays might be provided in the State budgets for schemes like police housing, schemes for backward communities, scheduled castes and scheduled tribes, rural water supply and the agricultural sector schemes, as it was noticed that the provisions made by many States were not adequate. He said that the Centre would make all efforts to coordinate the flow of institutional finance with Plan finance particularly to the backward States, after discussions with the financial institutions and the RBI.

In regard to the percentage of public sector outlay vis-a-vis private sector, the Minister clarified that the private sector outlay did not mean the big industry alone, but it also consisted of the major portions of agricultural outlays and investment in village industries, transport and communications, industry and trade, etc.

The Deputy Chairman concluded by saying that the new Plan sought the national consensus through the N.D.C. whereas the Rolling Plan of the previous Government did not even have the approval of the then Government. Planning being a continuous process, plan documents would necessarily repeat some of the projects and programmes. The most important factor was that the status quo ante of the planning process started by Shri Jawaharlal Nehru had been restored.

The Prime Minister, **Smt. Indira Gandhi** observed that the deliberations at the Council's meeting reminded us of the task before us. Every State considered itself backward but soms States were more backward than others and she desired that those which were less backward should keep this in mind.

The Prime Minister said that the basic objectives of the Plan remained the same, as before. Emphasis on certain matters had been placed in the Approach Paper because these were completely neglected in the earlier Draft. In regard to centrally sponsored schemes, particularly of those schemes which had been transferred to the States, she stated that they needed a fresh examination, as most States had either not used the funds fully or had not used them at all, e.g. soil conservation in the river valleys, social forestry and farm forestry, formations of manurial composting, subsidy for improved and quality seeds and inter-State transmission lines. The police housing scheme was also mentioned by the Bihar Chief Minister. Referring to the Gadgil formula, the Prime Minister stated that there was no formula which could satisfy every State. She however, *announced that the 10 per cent allocation under the Gadgil formula for continuing schemes started in the Fourth Plan and continued in the three Annual Plans, which was an ad-hoc arrangement, could now be transferred to the States whose per capita income was less than the national average. She suggested that this could be done by the Planning Commission itself rather than having a Committee on the subject. She also announced that a part of the market borrowings could be allocated to the backward States whose per capita income and plan outlay were below the national average.*

In regard to removal of inequalities, the Prime Minister said that the Plan frame had specially referred to the North Eastern Region as well as to the specific problems of hill and desert areas, which were the most backward. There was also unevenness in technological progress in the different regions and education at the school and higher levels in science and technology needed to be strengthened. She assured that the views of the State Governments would be considered fully before the draft Plan was finalised for consideration by the NDC in December 1980 or January 1981.

The Prime Minister stated that the useful suggestions made in regard to resource mobilisation without imposing additional burdens on the people by the reduction of subsidies etc. had been noted. But most States did not indicate the lines on which they proposed to mobilise the resources. She urged that the goal of additional resource mobilisation for the achievement of the Plan objectives must be clear and there must be no wavering in the extra effort needed to mobilise such resources. She assured the States that the question of diversification of central projects to tackle the problem of back-wardness in several States was always uppermost in the mind of the Central Government, and some decisions had already been taken in this regard and others would be taken in due course.

The Prime Minister stated that the Government of India attached high priority to accelerating the development of the North Eastern States and she hoped that the special efforts being made by the Government would take care of their problems. She requested that the people of the region should also ensure a proper climate for its development, by refraining from agitations. She declared that the public distribution system would remain a permanent feature of our economy so as to make available essential consumer items at reasonable prices, as far as possible.

She stressed that in the sharing of the river waters, the emphasis should not be on the

States' perspective but on the national perspective by a spirit of accommodation to one another and a sense of urgency. She urged that adequate attention should be paid to afforestation and the protection of environment, the flora and fauna, as it was a paramount need for our very survival. The reckless cutting down of trees had disastrous effects and caused great harm. She expressed satisfaction that at the recent meeting of the Central Board of Forestry, the States had positively responded and promised quick action. She suggested that we should phase out the contracting system of felling trees, encourage social forestry and protect the bio-sphere. We should implement the slogan—A Tree for Every Child—which was already spreading around the world. Also, great care should be taken to avoid unintended destruction of forests while opening up new forest areas with roads to help the tribals to market their produce.

The Prime Minister referred to the interesting suggestion that the NREP should be implemented in slack agricultural seasons. To have some flexibility in implementing these programmes would be essential as conditions varied greatly from one region to another. She said that we were committed to the weaker sections, but unless we strengthened our foundations and concentrated on producing more goods which people needed we would not be able to help these sections. She felt that politically motivated agitations caused hardship to the Government and the people alike and the worst sufferers were the Harijans. There was need for bringing about structural changes in our present system to find a way to solve these problems. Socialism was our objective and in fact the present situation called for a national debate to bring about the desired change. She complemented the Chief Ministers as their approach seemed to be far more positive than before in dealing with specific problems. The spirit of the day should not be what we could take but should be what we could give. There was need to create a proper atmosnhere so that the country could move at a much faster rate. All this called for the greatest discipline from the individuals, the political parties and the Central and State Governments, and intensification of the efforts to make the Plan a success.

The Prime Minister stated that a number of Central Ministers had desired to speak and that in view of the time constraint she had requested them to give their suggestions in the form of notes*. These would be taken into consideration while finalising the draft Plan.

The Prime Minister then put the following Resolution to the Council and it was unanimously adopted :

"The National Development Council having considered the draft "Sixth Five Year Plan 1980-85 – A Framework" prepared by the Planning Commission, approves that the Planning Commission may now proceed to prepare the final draft of the Sixth Plan on the basis of the objectives, the programme thrusts and the targets for growth and additional resource, mobilisation as outlines in the Draft Framework.

Several useful suggestions have been made by the members of the National Development Council at its 34th meeting. These and other aspects of plan formulation will be discussed between the Planning Commission and State Governments while formulating the final draft of the Plan for submission to the Council."

*See Annexures A and B.

ANNEXURE 'A'

Draft of the proposed Speech of the Minister of Works & Housing

The emphasis has been laid in the approach document on improving the quality of life of the people in general, with special reference to the economically weaker sections, both rural and urban. My Ministry is concerned with the programmes of rural water supply, housing sites for landless labourers and environmental improvement of urban slums. It is timely and appropriate that special importance has been given to the provision of clean drinking water in all the problem villages in the country by the end of the Plan period. The number of problem villages still to be provided as on 1-4-1980 with safe drinking water is about 2 lakhs and funds of the order of Rs. 2000 crores would be required to provide potable water to all these villages. They will have to be allocated under the Minimum Needs Programme in the State Sector and the ARWP under the Central sector. We should discourage high cost schemes for provision of water supply and concentrate on low cost schemes in order to achieve widest coverage with limited resources with simple arrangements for maintenance at the local level.

As regards the problem of slums, I would like to make an earnest appeal to all the State Governments that the entire slum population estimated at 30 millions should be provided with basic amenities during plan period. In view of the magnitude of this problem in terms of resources and organisations, I would urge that the problem may be tackled at the national level, if necessary, by introducing a centrally sponsored scheme with adequate provision.

The slum problem is part of the larger problem of the migration of the population from rural to urban areas. It is, therefore, necessary that economic activities to promote distribution of economic opportunities and job opportunities are planned in such a manner that is conducive to balanced dispersal of the population. It is gratifying to note that the approach paper has emphasised the importance of the development of small and medium towns and the importance of improving the living condition of job opportunities for the urban poor. However, it is also necessary to take up simultaneously the development of cities with population between 1 to 3 lakhs, since these cities can operate as counter-magnets to metropolitan cities. The decentralisation of metropolitan cities like Delhi should be vigorously pursued by the development satellite towns matched by provision of necessary infrastructure and supplemented by efforts of industrialists to provide housing for their employees.

I welcome the concern for ecology and environment reflected in the approach paper. The important aspect of the problem is effective control of the pollution of water courses and atmosphere. Action is being taken under the Central Water Pollution Control Act through the Central Board and various State Boards to monitor the quality of effluents discharged by various polluting industries. The bulk of the pollution of water courses is, however, contributed by the discharge of community waste of urban areas. The study made by the Central Board for the Prevention and Control of Water Pollution has shown that only 44 per cent of the population living in Class I cities is at present served by sewerage system. If the remaining population could be covered with sewerage system and sewerage treatment, it would be possible to eliminate nearly 60 per cent of the pollution caused to the different water courses. It is, therefore, necessary to make adequate plan provision for achieving the physical target of extending the sewerage coverage at least to 70 per cent during the Sixth Plan period. Simultaneously, effective, action should be taken to make the various polluting industries to discharge their effluents only after proper treatment.

In order to control air pollution, I propose to introduce a Bill for prevention and control of air pollution in the next session of the Parliament. In view of the danger posed to environment by pollution from various sources, my Ministry has prepared a comprehensive programme for the control of pollution. It will be implemented by the various State Boards under the overall supervision of the Central Board. I would request the Planning Commission to make adequate provision for implementing this programme.

The provision of house sites and dwelling units for landless workers is an important component of the 20-Point Economic Programme. The number of families needing dwelling units in the rural area may be around 14.5 million by 1984-85. Out of this about 7.8 million families have been given house sites so far and 6.7 million families would require help in respect of both house sites and construction of huts. The approach paper does not indicate any specific time-frame within which the eligible landless labour would be covered. In view of the promise made to the people in our Election Manifesto, I would request this august body to endorse the suggestion that the entire eligible landless rural labour should be covered within Sixth Plan period itself and rest positively by the end of the 7th plan period.

It is recognised that administrative efficiency is linked to the condition under which government employees live, specially in major cities like Delhi and Bombay. There is an acute shortage of residential accommodation for the Central Government employees as is also the case with the State Government servants. It is my earnest desire to achieve 70 per cent satisfaction in respect of general pool accommodation for government employees. About 85 per cent of the Central Government employees who have not been provided with Government accommodation have a monthly income less than Rs. 500 and provision for this purpose would benefit substantially the lower income categories. Recently, Government has taken a decision to derequisition all the residential and non-residential units now under possession by the Central Government. It would, therefore, be necessary to undertake a crash programme for construction of office/residential accommodation to achieve the target indicated and also make good the shortfall on account of derequisitioning.

With these observations, I once again endorse the strategy indicated in the approach paper.

ANNEXURE-B

Draft of the Proposed Speech of the Minister of State for Home Affairs

I am taking this opportunity to focus attention on the development of the Scheduled Castes and Scheduled Tribes which consist little more than l/5th of the country's total population. As you know, the Government of India attach the highest priority to this task. The State Governments also share this sense of highest priority. This is a sacred national trust.

In her address, the Prime Minister gave the call that special attention must be given to Harijans and Adivasis. In this context you would recall the Prime Minister's letters to the Chief Ministers and Central Ministers regarding the importance and urgency of the Special Component Plans and Tribal sub-Plans. In his speech, the Minister of Planning and Deputy Chairman has also pointed out that the special Component Plans for Scheduled Castes and the Tribal sub-Plans for Scheduled Tribes must be formulated and implemented on a high priority basis. The Frame-work of the Sixth Five Year Plan before us is replete with ideas, concepts and approaches of great significance for the Scheduled Castes and the Scheduled Tribes. My intention here is to focus attention on what can and must be done for these two categories of our people.

The Scheduled Castes and Scheduled Tribes form a quarter of our total population. Their proportion among the poverty groups is much larger. They form the core and the bulk of the poorest. They are the most vulnerable and most exploited groups in the country. Further the Scheduled Castes are victims of untouchability and the Scheduled Tribes are handicapped by isolation.

I would mention only two or three examples of their extremely weak condition even compared to the rest of the poor. A large majority of the bonded labourers in the country belong to the Scheduled Castes and they, along with the Scheduled Tribes, account for almost all bonded labourers. In literacy and enrollment they are distinctly behind the others while their drop out rates are heavier. In the matter of minimum needs like drinking water, electrification etc., they suffer greater deprivation. They contribute the maximum in production and get the minimum in return.

It has to be recognised that by tackling the problem of the economic development of the Scheduled Castes and Scheduled Tribes, we shall be significantly tackling the problem of poverty removal and of under-enployment and unemployment in the country. Conversely, unless the economic conditions of the Scheduled Castes and Scheduled Tribes are substantially improved, we cannot hope to make a serious impact in the assault on poverty, under-employment and unemployment.

Therefore, the objectives of the Sixth Plan and the programme thrusts outlined in the Framework document are of special significance for the Scheduled Castes and Scheduled Tribes and this should be reflected in the plan formulation and implementation.

That is why the Prime Minister emphasised the importance of enriching and expanding the Special Component Plans for Scheduled Castes and Tribal sub-Plans for Scheduled Tribes, which should be formulated and implemented in the requisite magnitude, on the basis of the needs of the various occupational categories among them. The Special Component Plans should contain programmes and outlays to enable 50 per cent of the Scheduled Caste families to cross the poverty line in the Sixth Plan period as laid down by the Prime Minister. This equally applies to the Scheduled Tribes and Tribal sub-Plans. It is not difficult to achieve this, along the lines of the household or the family approach mentioned in para 30 of the Framework document. Para 44 of the Document gives some of the opportunities available for this, such as, Operation Flood II, other animal husbandry programmes, intensive forest development programme, fisheries programmes, artisans programmes, etc. For example, as mentioned in para 44, Operation Flood II can cover 15 million families. It is necessary to channelise a major proportion of this to the Scheduled Castes so as to provide the assetless with productive and viable assets—under-pinned by common facilities like fodder development market linkages, health and extension cover. By this one programme alone, a large proportion of the two crore families of the Scheduled Castes can be helped to cross the poverty line. Such channelisation can and must be done in other sectors relevant to the Scheduled Castes and Scheduled Tribes like Leather, Handlooms, Fisheries, Forest, Agriculture etc. This will be in keeping with the formulation in paras 40 and 41 of the Document, which envisages the dove-tailing of employment and development as catalysts of each other and combining our developmental and social security strategy to enhance the purchasing power of the rural and urban poor.

As pointed out in para 31 of the Document, by lumping the very poor along with the relatively better-off sections of the community in development projects, the percolation of benefits to the most deprived sections of the community is hampered. In this context the emphasis laid by the Planning Minister yesterday on planning for poorest and then the poor on a progressive scale, devising an appropriate activity or package of activities for each household so as to bring it above the poverty line is extremely significant. The various ideas that he has expounded in relation to this approach are pertinent for the meaningful formulation of the Special Component Plans and Tribal sub-Plans. Therefore, from all points of view, it is necessary to focus attention on the Scheduled Castes and Scheduled Tribes in the programme thrusts during the Sixth Plan which has been beautifully brought out in this Document.

In keeping with the approach correctly brought out in the Framework, certain small amplifications are necessary so that focus may not be lost sight of. The following are the suggestions for incorporation in the Plan Document so as to enrich and clarify it.

I would also, at this stage, set at rest a misapprehension expressed by the Chief Minister, Uttar Pradesh yesterday that it is difficult to formulate a Special Component Plan large enough, as more than 50 per cent of the State Plan outlay is in the non-divisible sectors.

2. It is certainly true that large outlays from the State Plans are pre-empted by the so-called individual sectors of Power, major Irrigation, Transport and Communications, Major Industries etc. This is true of all States. However, it is also possible, given the will and direction, to draw funds from these sectors and utilise them meaningfully in the Special Component Plans : this would also show that these sectors are net really indivisible.

3. The focus of the Special Component plans will of course be on economic development programmes which will enable the Scheduled Caste families to cross the poverty line 50 per cent of them within the Sixth Plan period as per the Prime Minister's directive. Therefore, earmarking of adequate outlays, commensurate with the developmental needs of the Scheduled Castes, from sectors which have or can have family oriented programmes and schemes presents no problem. With careful effort, on the basis of the needs of the Scheduled Castes, this flow can be made substantial.

4. From the so-called indivisible sectors also it is possible to have substantial flows to the Scheduled Castes. I shall confine myself to one illustration, from the Power Sector, which is the classic example of the large indivisible sectors. It is true that power generation and transmission cannot and should not be divided. But, under Rural Electrification the extension of street lights to the Harijan bastees, left out in the dark in electrified villages, as a first charge will bring in substantial outlays from the Power sector. Thus for example in Uttar Pradesh, 33,000 villages are supposed to have been electrified; however only 11,000 harijan bastees have got street lightings, while the rest have been left out in the dark. The extension of street lighting to the remaining 22,000 villages requires lo be taken up immediately and at the highest priority. Corresponding flows can be brought into the Special Component Plan.

We have thus in Andhra Pradesh Rs. 20.25 crores coming into the Special Component Plan from the Power sector. Himachal Pradesh had also decided to take up domestic connections to 90,000 Harijan houses and thereby tap the Power sector.

In addition a systematic programme for energising the wells of the Scheduled Castes can be taken up. At the moment no conscious approach in this regard is being adopted and in fact in several States it is not even known how many Scheduled Castes have got irrigation wells. This requires to be done in order to further tap the power sector. To this can be added a massive new well sinking programme for Scheduled Caste cultivators from the Minor Irrigation Sector and their energisation from the Power Sector. Some States have taken this up. Uttar Pradesh is at an advantage in this regard since 43 per cent of the Scheduled Castes there have land and groundwater resources are plentiful.

It will be noted that in this approach the really indivisible part of the Power Sector including generation and transmission is left completely untouched.

Examples from other so-called non-divisible sectors can be multiplied. I have explained all these in detail to State Officers during my visits to States. I have found that several States have been able to adopt this kind of approach. This has enabled them to make substantial and meaningful provisions in the Special Component Plans. All other States can do this and are in fact attempting it.

I would like to remind all the Honourable Members that though the law and order is a state subject, the protection of the Scheduled Castes and Scheduled Tribes, weaker sections of the society and minorities is the responsibility of the Central Government also. During the preceding three years there were large scale atrocities on the Harijans, weaker section of the society and minorities. It is therefore the pressing need of the time to enact some legislation by the Central Government for the protection of these weaker sections. Also there are a large number of cases under protection of Civil Rights Act pending in each State. When the cases are decided after a long time it loses its deterrent effect. It has therefore become a necessity to establish large number of Special courts all over the country for the speedy trial of these cases. To enact such a legislation is in no way encroaching upon the right of the State Governments. The following amendments to the framework document are suggested :-

AMENDMENTS

Addition to Para 5, after item (x) of the Objectives of the Sixth Plan.

(xi) Special attention to the development of the Scheduled Castes and of the Scheduled Tribes so as to enable 50 -per cent of their families to cross the poverty line, eliminate their exploitation, remove their educational lag and meet their minimum needs and thereby make a healthy impact on the social discrimination suffered by the Scheduled Castes and isolation of the Scheduled Tribes.

Addition to para 15

In the exercise for the overall significant reduction in subsidy the subsidies which benefit the poor, especially Scheduled Castes and Scheduled Tribes should be treated on a different footing from the other subsidies. The former should be protected and expanded while there is reduction in the aggregate.

31-A (new para after para 31)

The Scheduled Castes and Scheduled Tribes are the core and the bulk of the poor. Therefore the programme for the removal of poverty will be focussed on them.

32-A (new para after para 32)

The majority of the Scheduled Castes are landless. Many of the Scheduled Tribes are also landless. A large proportion of share-croppers too belong to the Scheduled Castes and Scheduled Tribes. Therefore, focus will be on the Scheduled Castes and Scheduled Tribes in the matter of land reforms.

37-A (new para after 37)

The philosophy, purpose and methodology of Accelerated Rural Development adumbrated above are of particular significance to the Scheduled Casts and Scheduled Tribes, as they form a very large proportion of categories like agricultural labourers; share croppers, leather workers and other artisans, forest workers, bonded labourers, etc. In many parts of the country, they also form the bulk of fishermen and weavers. Those of the Scheduled Castes and Scheduled Tribes who own land are generally marginal and small farmers. Therefore, in the programmes for Accelerated Rural Development, special attention will be given to the Scheduled Castes and Scheduled Tribes.

38-A (new para after para 38)

The problems experienced by the weaker sections as a whole are faced by the Scheduled Castes and Scheduled Tribes in an aggravated form. Therefore, the credit planning exercises will make specific ear-marking for the Scheduled Castes and Scheduled Tribes and the delivery systems to them will be made fully effective and the credit flow to them will be monitored separately for these two categories.

38-B (new para after para 38-A)

In the case of Scheduled Castes and Scheduled Tribes, in order to remove the exploitative middlemen layer from the production-marketing cycle, credit will be linked with marketing in a composite-credit-cum-marketing-structure.

Sub para after para 43, item (c)

Among the landless labourers, Scheduled Castes and Scheduled Tribes form the biggest categories. Among rural artisans also, the Scheduled Castes and Scheduled Tribes form major categories. Many of them are engaged in forestry and fisheries. Most of the Scheduled Castes and Scheduled Tribes who have lands are either share croppers or marginal small farmers. Therefore, attention will be focussed on the Scheduled Castes and Scheduled Tribes while assisting those belonging to the above three major functional groups.

Sub para, at the end of para 44 (a)

Most of the Scheduled Castes who own lands are small and marginal farmers. Though their total land ownership is small, the development of their lands is of crucial significance for the advancement of the community as a whole. Similarly, the lands of the Scheduled Tribes are poorly developed. Therefore, in the programmes for small and marginal farmers' development, separate and adequate attention will be given to those belonging to Scheduled Castes and Scheduled Tribes.

Sub para, at the end of Para 44(b)

Most of the leather workers belong to Scheduled Castes. In many States of the country, most of the weavers belong to the Scheduled Castes and Scheduled Tribes. They are both engaged in large numbers in a variety of other handicrafts and cottage industries. Therefore the above programmes for the rural artisans will be channelised significantly to the Scheduled Castes and Scheduled Tribes and particular attention will be given to the crafts and cottage industries in which they are active in large numbers.

Sub para at the end of Para 44 (c)

The largest single group among the landless labourers belong to the Scheduled Castes. Scheduled Tribes also contribute large numbers to the ranks of landless labourers. Therefore, major attention to landless labourers in the Accelerated Rural Development Programme and to the bulk of the benefits of these programmes will be channelised to the Scheduled Castes and to the Scheduled Tribes. Their wages are low and are often even below the statutory minimum levels. The National Rural Employment Programme will not only be used consciously as a mechanism of pushing up the wages to reasonable levels all round the year but the assets created under this programme will be such as are of specific and direct use to the Scheduled Castes and to the Scheduled Tribes.

Sub para, at the end of Para 44(d)

As a converse to the large proportion of Scheduled Castes among landless labourers, a large proportion of the urban poor and urban slum dwellers also belong to the Scheduled Castes. They can be found in very large numbers In the ranks of the urban unorganised labour, such as construction workers, rickshaw pullers, etc. Therefore, the programme for the urban poor will concentrate on the Scheduled Castes.

Sub para, at the end of Para 44(f)

The educated unemployed among the Scheduled Castes and Scheduled Tribes are important assets from various points of view. On the one hand, by providing employment for them a certain number of Schedules Caste and Scheduled Tribe families can be assisted to cross the poverty line. Through them these communities will have increasing access to the modern, secondary tertiary sectors. Further their advancement will add to the self-confidence of these deprived and isolated communities. Finally there service can and should be utilised for the overall development of the Scheduled Castes and Scheduled Tribes. Therefore particular attention will be given to the Scheduled Castes and Scheduled Tribes in the programmes for the educated unemployed.

60-A (new para after para 60)

In Agriculture and allied activities, there will be a special place for the Scheduled Castes and Scheduled Tribes. Animal husbandry programmes provide important avenues of giving production assets to the asset-less, among whom the Scheduled Castes and Scheduled Tribes form a major proportion, They will be provided certain essential common facilities like fodder, market linkages and health and extension cover. In some States, fishermen are generally of the Scheduled Castes and the Development of fisheries will be planned with focus on the development of the fishermen. Irrigation and agricultural production inputs are of particular significance to Scheduled Caste and Scheduled Tribe cultivators, whose productivity is particularly low. Therefore, in all the programmes under Agriculture and allied activities, separate and careful attention will be given to Scheduled Castes and Scheduled Tribes.

65-A (new para, after para 65)

Most of the leather workers in the country belong to the Scheduled Castes. Therefore, the development of the leather industry will not only receive particular attention, but its development will be planned with focus on the development of the leather workers. Scheduled Castes and Scheduled Tribes form large numbers of those who are engaged in various other village Industries. Obviously, in the programmes for village industries, Scheduled Castes and Scheduled Tribes will receive the maximum attention. Attention will also be given to the development of the handloom industry in the western and north-western States where most of the weavers belong to the Scheduled Castes. Careful attention will be given to the Scheduled Castes and Scheduled Tribes in the small industries development programmes, as part of the measures to give increasing access to them in the modem secondary sector.

76-A (new para, after para 76)

In respect of each of the minimum needs, the Scheduled Castes and Scheduled Tribes are significantly more deprived than the rest of the population. Therefore, under each of the minimum needs programmes, attention will be focused on the Scheduled Castes and Scheduled Tribes.

Paras to replace Paras 78 and 79

It is recognised that the strategy for the development of the Scheduled Castes and Scheduled Tribes must ensure flows of benefits to them from every general sector of development.

Scheduled Castes

For the Scheduled Castes the formulation of special Component Plans has recently been initiated. These approaches will be continued. There is a clear nexus between the economic plight of the Scheduled Castes and the atrocities and social disabilities to which they are subjected. A permanent solution must, therefore, be based on their rapid economic development. About 52 per cent of all Scheduled Caste workers are agricultural labourers; 28 per cent are cultivators, mostly marginal and small farmers; almost all the primary leather workers in the country are from the Scheduled Castes; almost all fishermen in the eastern region and almost all weavers in the western and north-western States are of the Scheduled Castes; almost all the civic and sanitation workers ("sweepers and scavengers") also belong to the Scheduled Castes. The educated among the Scheduled Castes are another category to whom careful attention has to be given. These naturally are the major categories, decisive for the direction of economic developmental efforts. Simultaneously, in addition to the efforts of the economic development of the Scheduled Castes, the Plan will also be directed towards removing their educational lag at various levels and the provision of their minimum needs, such as drinking water, link roads, electrification, housing, slum improvement and nutrition. Training building up of organisations and development of internal capability among them in order to meaningfully pursue their own developmental interests and to participate in the formulation and management of programmes for their development will be given close attention. The approach to their development through the mechanism of the Special Component Plan is to see that the programmes are based on their developmental needs and are taken up in the requisite magnitude. The above occupational categories of the Scheduled Castes will be taken into account while drawing up such need-based programmes in the requisite magnitude. Further, in order to be really effective, they will be designed to meet the total requirements of the family and tackle all the specific problems faced by them. Both the States and the Union Territories as also the Central Ministries will formulate Special Component Plans. The Central Ministries will also be required to bring in new centrally sponsored schemes for the development of the Scheduled Castes, based on the needs of the Scheduled Castes. The Special Central Assistance to the Special Component Plans of the States is envisaged to have multiplier effect and help the States to make more meaningful efforts. Adequate provision of Special Central Assistance will be made so that the target of enabling 50 per cent of the families to cross the poverty-line in the Plan period, is achieved without slackening of the tempo created after the recent introduction of the Special Central Assistance.

Scheduled Tribes

For scheduled tribes and tribal areas, an area-based approach with focus on development of Scheduled tribes was taken up in the Fifth Plan. While continuing this approach in tribal sub-Plan during the Sixth Plan, the programmes undertaken will be intensified with a view to achieving the twin objectives of ending the exploitation of scheduled tribes and raising about 50% of the scheduled tribes families above the poverty-line. Keeping their basic needs in view, family-benefiting programmes will be adopted to enable them to derive advantage from investments directly, orienting plan formulation accordingly. Credit-cum-marketing system in tribal areas will be shaped and strengthened for helping tribal economy. Special attention will be paid to drinking water, education and health needs. The socio-economic programmes will be designed to make the tribals self-reliant without interfering with their traditional ways of life and culture. Adequate provision of special Central assistance will be made and the effort maximised by the State Governments and Central Ministries.

For other economically backward communities, minorities, women and the socially and educationally handicapped, suitable provisions would be made for educational facilities and other economic programmes.

Addition to para 82 after item (xi)

(xii) To provide special measures to remove the educational lag of the Scheduled Castes and Scheduled Tribes, devised to fully meet their real handicaps.

Addition to para 100(c)

Similarly current personnel policies are biased against making competent and dedicated personnel available for the development of the Scheduled Castes and Scheduled Tribes. These policies also need to be reviewed with a view to removing such bias.

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Shri Narayan Datt Tiwari	.. .. ..	Deputy Chairman & Minister of Planning
Shri R. Venkataraman	.. .. ..	Finance Minister
Dr. M.S. Swaminathan	.. .. ..	Member
Shri Mohammad Fazal	.. .. ..	Member
Dr. Manmohan Singh	.. .. ..	Member-Secretary

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		Shri Raja Ram, Finance Minister
Assam	.. .. ..	Shri L.P. Singh, Governor
Bihar	.. .. ..	Shri Jagannath Mishra, Chief Minister
		Shri Prabhunath Singh, Minister of State for Finance
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Shri A.B.A. Ghani Khan Chaudhuri	.. .. ..	Minister of Energy & Coal
Shri Pranab Kumar Mukherjee	.. .. ..	Minister of Commerce & Steel & Mines
Shri Kedar Pande	.. .. ..	Minister of Irrigation
Shri Veerendra Patil	.. .. ..	Minister of Petroleum, Chemicals & Fertilizers
Shri V.P. Sathe	.. .. ..	Minister of Information, Broadcasting and Supply & Rehabilitation
Shri P.C. Sethi	.. .. ..	Minister of Works & Housing
Shri Shiv Shankar	.. .. ..	Minister of Law, Justice & Company Affairs
Shri B. Shankaranand	.. .. ..	Minister of Education & Health and Social Welfare
Shri A.P. Sharma	.. .. ..	Minister of Shipping & Transport & Tourism & Civil Aviation
Shri V.C. Shukla	.. .. ..	Minister of Civil Supplies
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Shri Charanjit Chanana	.. .. ..	Minister of State in the Ministry of Industry
Shri Yogendra Makwana	.. .. ..	Minister of State in the Ministry of Home Affairs
Shri C.P.N. Singh	.. .. ..	Minister of State in the Ministry of Defence
Shri M.L. Barot	.. .. ..	Deputy Minister, Ministry of Finance.

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Dr. I.G. Patel	.. .. ..	Governor, Reserve Bank of India.
Dr. K.S. Krishnaswamy	.. .. ..	Deputy Governor, Reserve Bank of India.

THIRTYFIFTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

FEBRUARY 13 AND 14, 1981

SUMMARY RECORD

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE THIRTY-FIFTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPER

*SIXTH FIVE YEAR PLAN, 1980-85

SUMMARY RECORD

Welcoming the Chief Ministers, Central Ministers and other colleagues to the National Development Council Meeting, the Prime Minister, **Shrimati Indira Gandhi** stated that in the last meeting of the National Development Council held in August, 1980 it was decided to expedite the Sixth Plan exercises and to bring the Plan before Council early in 1981. The Planning Commission had worked very hard to make it possible to present the Plan document in record time. The Plan envisaged a public sector outlay of Rs. 97,500 crores with a projected growth rate of just over 5 per cent which was the best we could do in the present circumstances. The Plan represented something more than mere outlays and the growth rate and invoked a commitment to the objectives of development which meant the revival and revitalisation of the process of planning after a dark spell.

Over the last three decades, we had achieved significant progress in several directions in successive Five Year Plans. The production of foodgrains had gone up and this law enabled us to manage drought years without importing foodgrains. Industry had gathered strength with considerable sophistication. Adoption of appropriate technology in industrial products was encouraging. The industrial structure had been diversified and because of our policy of import substitution, we could successfully withstand foreign competition.

Planned development was aimed at eradicating poverty, reduction in inequalities, promoting employment and minimising regional disparities. The international situation particularly in the last few years, with continuous rising prices of crude petroleum and of imported capital goods, had considerably aggravated the task of development. The rising cost of raw-materials and other inputs has resulted in difficulties for the public sector industries which had been forced to absorb a substantial part of the income in costs unlike the private sector industries which had been able to pass on this extra burden to the consumers. This trend must be corrected.

The removal of poverty and the achievement of self-reliance, the basic objectives of our planning, involved a substantial increase in agricultural and industrial production as well as a more equitable distribution of the fruits of our economic progress among various sections of the society. The Plan laid considerable emphasis on measures designed to increase productivity and employment and to improve the living conditions of small and marginal farmers, landless labourers, scheduled castes, scheduled tribes and of people living in drought-prone or hilly areas. It also included a number of development programmes catering for their specific needs. The effective implementation of these programmes was essential to make a significant dent in poverty and under-development. The year 1981 was the International Year of the Physically Handicapped. It also marked the beginning

*This has been published separately

of the International Drinking Water and Sanitation Decade-1981-1990. The goal of this decade was to provide safe drinking water and adequate sanitation for all by 1990. She hoped that the States would give thought to this urgent matter and link it imaginatively to irrigation, health and rural development.

The Prime Minister said that in the implementations of various schemes and programmes of the Plan, Panchayati Raj institutions should have an important place and the efforts of the government agencies should be strengthened by the active co-operation of local non-official bodies. Industry and labour must also contribute towards this. Maximum use must be made of installed capacity, industrial peace must be maintained and significant improvement brought about in labour-management relations and in industrial productivity.

The Sixth Plan aimed at giving tangible benefits to our people. It was of utmost Importance that the family planning and welfare programmes was implemented with drive.

The essential goals, of the Plan could be achieved only if adequate resources were raised. States must concentrate on this as also on the effective implementation of projects and programmes. Restraint on non-Plan and unproductive expenditure should be exercised. States must try their utmost to eliminate losses in their public enterprises and to raise resources for productive investments. Central Ministries would also have to adopt and implement policies that promote the fulfilment of the Plan, maintain price stability and favour the flow of credit to the weaker sections.

A certain amount of unevenness in the allocation of resources among competing users was inherent in the very process of planning, but we should be collectively conscious of the dangers of neglecting any area or section of the country that would remain backward while others went ahead. Our Five Year Plan was not just a document describing national targets and policy framework for their realisation. It was a charter that we periodically gave to ourselves to redefine the goals of our national programmes. It crystallised our hopes and aspirations. It symbolised our resolution to dedicate ourselves to forge ahead in a spirit of goodwill and partnership.

Shri N. D. Tiwari, Deputy Chairman, Planning Commission welcomed the members and stated that he was happy to present the draft Sixth Five Year Plan within a period of sixth months from the previous meeting. This had been made possible by the sustained efforts of his colleagues and their associates in the Planning Commission. With the launching of this Plan he said we would be returning to the era of planning based on firm targets. In the past few years, our planning efforts had tended to suffer not only because of the difficult economic situation but also as a result of vacillation and lack of decisiveness in respect of our goals. To attain the targets fixed, in the Sixth Plan a sustained effort was needed at resource mobilisation, improvement in the performance of public sector enterprises as also the private industry, and efficient implementation of the plan schemes with the active involvement of the people, particularly the youth.

In designing the strategy for the Sixth Five Year Plan, we had to take into account the constraints of resources as well as the difficult economic conditions through which the country had been passing. The choice amongst available alternatives was not easy.

During the Sixth Five Year Plan the economy would grow at 5.2 per cent a year and at a somewhat higher rate of 5.5 per cent in the 10 years thereafter. The Plan also provided for a redistribution of consumption in favour of the poor. The calculations made in the Planning Commission showed that with proper policies and speedy gross root implementation, it should be possible to bring down the percentage of people below the poverty line from 48 per cent to 30 per cent by the end of the Sixth Plan. Employment would increase at a rate faster than the growth in the labour force and thus make it possible to reduce existing levels of unemployment. Special programmes, in particular, the national rural employment programme had been designed for a direct attack on the problem of unemployment. The Minimum Needs Programme would be given a high priority in the Sixth Plan so that while the growth process was being re-established and put on a firm basis, the essential needs of the people were simultaneously met.

The task of resource mobilisation for implementing the Plan was the most urgent challenge which the country was facing. The Central and State Governments as well as local authorities had a heavy responsibility in this regard. Nearly 25 per cent of the public sector outlays depended on additional resource mobilisation. The State Governments and Union Territories accounted for more than one half of the plan outlay in the public sector. This outlay was for such vital sectors like Agriculture and Rural Development, Irrigation and Power. A substantial step up in the growth rate of agriculture was envisaged in the plan. This would require well-coordinated efforts to provide all the necessary inputs—irrigation, better seeds, plant protection and the necessary linkages of production with storage and marketing. A considerable part of the State Plan outlays were rightly devoted to irrigation programmes. The main objective of these programmes was to complete the on-going projects with full command area development and to rapidly develop the ground water resources of the country. It was also proposed to make a beginning for a national water plan. The water resources of the country belonged to the nation as a whole and it was essential that there was the fullest cooperation among State Governments for the optimum water utilisation and willingness to settle all outstanding inter-state problems in a spirit of give and take in national interests. The State Plans also gave a high priority to power programmes. Adequate and un-interrupled supply of power was the key to all development efforts—agriculture as well as large and small industry, transport communications.

It was, therefore, essential that the functioning of the State Electricity Boards was put on a sound footing and the capacity already available utilised fully.

Transport was the vital element in the economic infrastructure. While all forms of transport must be encouraged specially those which were energy saving, the main burden of providing transport facilities would continue to be on the railways.

The strengthening of the infrastructure—irrigation, power, transport—was a necessary condition for the increase in agricultural and industrial production and the rapid growth of exports. The Sixth Plan indicated the extent of investment required in the public sector of the economy for which resources had been provided in the Plan. In addition, the response expected from the private sector had been indicated.

The Planning Minister said that it was not enough just to formulate the Plan, but it was equally important to take systematic steps to ensure its effective implementation. Projects requiring new investments needed to be carefully worked out in detail in accordance with the plan targets and efforts should be made to adhere to the schedules by adoption of modem techniques of management and monitoring.

A number of suggestions had been made in the plan document itself for the improvement of the machinery of implementation. These included detailed micro-level planning, restructuring of the input systems, establishment of horizontal coordination at the district and the block levels, greater decentralisation of powers and functions, non-formal staffing pattern, etc. Also, effective implementation of the plan required the total involvement of the people, particularly, those who were to benefit from the Plan.

Shri Darbara Singh, Chief Minister, Punjab complimented the Planning Commission for the finalisation of the draft sixth five year plan well in time and was glad that the State Government had been given the opportunity to express its views on the draft plan. The national economy which received a great set-back from 1977-78 to 1979-80 at the hands of the Janata and Lok Dal Governments was being put back on rails under the able leadership and guidance of the Prime Minister. The Public Sector outlay had been increased from Rs. 90,000 crores in the framework to Rs. 97,500 crores and the States' participation in the task of National Reconstruction was being recognised. During the entire tenure of the previous government, the plan investment in Punjab not only remained stagnant but also deteriorated. There was an annual step-up of only 10 per cent in respect of Punjab, whereas a step up of 140 per cent was being proposed in the size of the Sixth Five Year Plan of the country over the Fifth Five Year Plan. He pleaded for a significant step up in the plan size of his state especially in view of the fact that the Punjab government had inherited an unhappy financial position from the previous Government. Since the scope of taxation in the State was limited unlike at the Centre, the Central Government should extend additional assistance to such state governments who were the victims of the financial mismanagement indulged in by their predecessor Governments. The Central Government should at least provide medium term loans to such Governments so as to enable them to wipe out the budgetary deficit inherited by them. Reduction in the rate of population growth was an essential pre-requisite for the successful implementation of planned development. Both the financial outlays and the physical targets for the family planning programmes needed to be enhanced. The objective of progressive reduction in the incidence of poverty amongst the poorest of the poor was commendable and needed to be tackled at the household level rather than at the overall macro level. The Punjab Government had already adopted the household approach to the problem of removal of poverty and interest free loans for economic activities and subsidised supply of essential commodities. The majority of the population which would be covered under this scheme belonged to scheduled castes. The State Government was doing its utmost to alleviate their distress but the magnitude of the problem required special consideration. He, therefore, suggested that a proportion of central assistance should be distributed on the basis of scheduled castes population in the states. Since a strong infrastructural base was important for stepping up rate of growth as also the various plan targets, the government of India should ensure that the states got their needed quota of supplies regularly and in time. There had been intermittent power shortages which had adversely affected both agricultural and industrial production. The demand for power had been increasing as compared to its availability. In order to bridge the gap between the two, the central government should assist the states in funding the power projects by distributing 10 per cent of central assistance on the basis of investment in irrigation and power projects. Mobilisation of institutional finance including that from international agencies like the World Bank should also be taken into consideration. In regard to development of backward regions for removing regional disparities and ensuring faster growth of industry in the state, the Chief Minister felt that the development Block should henceforth be treated as the backward unit of Development instead of the District in order to ensure faster growth of industry in the State. Since agricultural production would be reaching a saturation point In the State, there was need to set up central industrial projects in the field of electronics, light engineering, etc. Development should be diversified into the secondary and tertiary sectors. Since the scope for raising additional resource mobilisation in the state was very limited, it would not be able to achieve the targets set in the Draft Sixth Five Year Plan. It was, therefore, desirable that the Government of India might shoulder a larger responsibility for additional resource mobilisation than what had been envisaged in the Plan.

The Chief Minister was not in favour of reducing the subsidies as this would hit the poor hard. Market borrowings should be allocated between the centre and the states in the ratio of the plan size inter se between the states on the basis of the deposits of commercial banks, net accretion to the Provident Funds and the Life Insurance premium collected from each state. Central assistance should be distributed according to the following modified Gadgil formula as the inter se allocation of central assistance to the States had hit Punjab hard. Population – 50 per cent; per capita income below the national average – 10 per cent; population of scheduled castes – 10 per cent; tax effect – 10 per cent; investment in irrigation and power projects as percentage of total plan investment – 10 per cent.

The Chief Minister was happy that the Draft Plan had recognised the necessity for ensuring remunerative prices to farmers for their products. He urged that the prices of basic agricultural inputs should not be subjected to frequent increase which would push up the cost of production and the general price level.

Shri T. Anjiah, Chief Minister, Andhra Pradesh congratulated the Planning Commission on having improved upon the draft framework and stated that the outlay envisaged and the rate of growth to be attained would be the highest achievement in case the percentage of people below the poverty line were brought down from 48.44 to 30.20. Care would have to be taken that the objective would not be sacrificed due to any shortfall in the achievement of plan targets. Since regional imbalances and poverty went together, central assistance in this regard would not be of much help, the State had to deal with these problems within its own boundaries on the basis of its own resources taking into account the level of development of the state as a whole. Distribution of central assistance to the states should be on the basis of the modified Gadgil formula as suggested by the Prime Minister and as now adopted by the Planning Commission. In addition, the total outlay on centrally sponsored schemes should not exceed one-sixth of the central assistance for the state plan. The distribution of per capita plan outlay should be related to per capita income. The allocation of central assistance in respect of centrally sponsored schemes should not be on the basis of matching formula but should be related to the capacity of the states to raise resources and the intensity of the particular problems in the state. The centre should assist schemes intended to attract industries to backward areas in industrially backward states. There should be a uniform income policy in order to reduce the disparity between the emoluments of the central government and state government employees and the state governments, if necessary, should evolve a common wage policy in this regard. Interest rate on deposits should be increased to attract savings and the effect of the increase on lending rates be minimised. In so far as industrial policy was concerned, the concessions offered by the states to attract industries should be only for identified backward areas in industrially backward states and not for those which would be in industrially advanced areas. The cooperatives and Panchayati Raj institutions should be revitalised. While cooperation would help to derive the advantages of scale by avoiding the evil-effects of monopoly, the Panchayati Raj Institutions would be an effective instruments of decentralised functioning. Block and District Planning would help in tackling the problems of employment and poverty. Every level of planning should be effectively planned and at the state level, project appraisal, project formulation and the monitoring machinery should be strengthened. The Planning Commission should exercise strict vigilance over the Ministries in the implementation of centrally sponsored schemes and in dovetailing them with the State Plans.

The Chief Minister complimented the Planning Commission on preparing a good plan in record time and hoped that the Commission would get the plan implemented effectively.

Shri Arjun Singh, Chief Minister, Madhya Pradesh complimented the Planning Commission for bringing before the National Development Council the blue print for the future progress of the country in a record time. He appealed that it was now the duty of the States to act on the document with speed and efficiency. The process of planning had to recognise that the needs of the weaker amongst the weak could not keep waiting indefinitely and the gains of economic development should percolate down to them. The Sixth Plan had laid special stress on the ways and means by which the 20-Point programme could be realised through planned development to make the cause of social justice more meaningful. He pleaded for a more egalitarian distribution of land which was the main-stay of agricultural production. In addition to making available land to the landless, the landless labourers and small landholders needed to be assisted by making available to them the necessary inputs for production and higher productivity.

The Chief Minister believed that widest public participation in the process of development was necessary for the successful implementation of the plan programmes which were designed for the benefit of the under-privileged. He assured the Council that his State would consider no effort too small and no sacrifice too great to achieve the objective of increasing the productive potential of the rural people and bring them above the poverty line.

The Chief Minister suggested that in addition to taking care of the normal activities in the various spheres of development, the Planning Commission should focus its attention on specific problems of individual States which had the inherent capacity, to improve the overall growth of the country. Madhya Pradesh had great potential for generation of both thermal and hydel power. He requested that a massive power generation programme in Madhya Pradesh to overcome the power shortage in the States of Gujarat, Maharasntra, Orissa, Haryana, Bihar and Uttar Pradesh might be considered.

Shrimati Syeda Anwara Taimur, Chief Minister, Assam stated that the finalisation of the Sixth Plan represented a milestone in our march towards economic progress. She extended full support to the plans, programmes, policies and objectives indicated in the Plan document and reiterated the State's determination to march towards the national goal of economic growth, ensuring self reliance and social justice. Referring to the emphasis the Plan had placed on the development of backward areas, she stressed the need for accelerating the process of economic development in the North-Eastern Region, particularly Assam. The people in the area had shown signs of restiveness. It was only through accelerated development and by raising their standard of life that we could ensure their fuller participation in the national mainstream. She requested the Central Government to give a sympathetic consideration to the question of liberalisation in the pattern of financial assistance to states. The North Eastern Council was playing a very useful role in assisting the political units in the region in the implementation of schemes of regional and inter-state importance. She pleaded for the augmentation of the financial resources of the Council by the Centre.

The Chief Minister urged that larger allocations and quicker implementation of the programme for the construction of border roads in the NE region and in Assam should be considered. She requested for the expeditious execution of the decision to link all the States and union territories of the region by railways. She suggested that while considering the alignment of broad-gauge railway lines passing through Assam, the linking up of towns and places of administrative and commercial importance should be kept in view. She also suggested that bridges proposed to be constructed on the river Brahmaputra should be road-cum-rail bridges to facilitate transport. With a view to improving the possibilities of export-oriented trade, she suggested the setting up of a dry port at Pandu near Gauhati.

The Chief Minister suggested that apart from improving the Telegraph and Telephone Services in the region, the possibilities of greater coverage by Microwave communication and improving the channels through satellite communications might also be explored. She emphasised the need for wider coverage and strengthening of transmission and broadcasting facilities of the A.I.R. and coverage in the region through T.V. which would be useful as it would ensure closer cultural integration of the region with the rest of the country.

The development of power and flood control measures in the region required greater attention and effort. The Hydro-Electric potential of the region had remained untapped to a large extent. The Chief Minister suggested that the Central Government might take up such projects so that surplus energy could be channelled into the national grid. She also pleaded for the establishment of more cement factories in the State as rich deposits of limestone and coal were available locally. She desired that sympathetic consideration be given for the completion of the two jute mills at Barpeta and Dalgaon which would provide employment to a considerable number of unemployed youth in the area. The setting up of industries based on Petro-chemical resources was another sphere which offered large scope for development.

The Chief Minister pleaded for providing incentives for setting up of industries in the region and suggested that the existing concessions, such as transport subsidy for finished products and raw materials had to be made broad-based and more effective. She also sought Central help for the rehabilitation of sick industries. She stated that Central Financial Institutions and nationalised banks had not come upto the expectations and requirements of the State-Government and suggested that banking facilities in the region should be further expanded and more credit facilities be made available for economic development of the region.

The Chief Minister pointed out that the Plan allocation for the State was inadequate, judged from the point of view of the backwardness of the State and pleaded for sympathetic consideration for increasing in the State’s plan allocation. She also asked for a favourable decision on the State's pending request for revision of the rates of oil royalty.

Shri Bhajan Lal, Chief Minister, Haryana congratulated the Planning Commission for preparing the Sixth Five Year Plan in a very short period. He was in full agreement with the points and objectives put out in the Plan document. In 1966 when Haryana State was formed, it was a deficit State and was importing foodgrains from other States. However, last year Haryana contributed more than 25 lakh tonnes of foodgrains to the Central pool. The State laid considerable emphasis on increasing the production of oilseeds and sugarcane also.

Provision for adequate irrigation facilities was very essential for agricultural development. Water from the Ravi-Beas Project was yet to be received from Punjab although the State had contributed more than Rs. 31 crores towards this project. The Sutlej-Yamuna link canal work had not yet been completed though more than Rs. 2 crore had been spent by Haryana. These projects should be completed on a priority basis so that sufficient water was available for irrigation purposes.

Haryana had envisaged an increase of 53 per cent capacity in electricity generation in the State. Nathpa-Jhakdi Hydro Electric Project and Yamuna Nagar Project were two important schemes under this programme. He hoped to obtain the approval of the Central Government for these projects soon.

In the field of small-scale industries, Haryana had progressed well in the last few years when the number of small units had increased from 4500 in 1966 to 29,000 in 1980.

The State Government did not agree with the definition of backwardness as given by the Sivaraman Committee. For this purpose the Tehsil or the Block should be taken as the unit. The State Government had suggested that Palwal should be developed as a dry port for increasing the exports from the northern region. He pleaded for sympathetic consideration of the suggestion.

All the villages in Haryana had already been electrified and these villages had also been connected with pucca roads. It was the State Government's endeavour to provide drinking water facilities to all the villages during the Sixth Plan period. So far only 2041 villages out of 6731 had got this facility.

Shri Ram Lal, Chief Minister, Himachal Pradesh stated that the Planning Commission's effort in bringing out a detailed Sixth Plan document in such a short time deserved to be highly appreciated. Considering the deleterious impact of power shortages on productive sectors of the economy, the objective should be to achieve a balance between supply and demand in as short a time as possible. Every effort should be made to give an impetus to hydro-power generation in the country in view of its several advantages. He strongly urged that a beginning should be made to tap the State's hydel potential of 9,000 MW in the next few years so as to feed the power hungry States of north India. The Plan envisaged the enlargement of the share of the Centre in the field of power generation which so far had mainly remained an area of State's responsibility. If the constraints of States' resources together with the need for a unified control of power grids made it necessary, there should be no serious objection to the approach in the larger national interests. But in so far as execution of hydro-projects was concerned, the States where the hydel potential existed should have a role in the execution of projects. He pleaded that the growth rate for forestry should be at least 5.2 per cent and not 4.7 per cent as envisaged in the Plan and that to achieve the higher growth rate, more outlays might be provided in the Central sector plan which might be released on a matching basis to the State Governments for plantation of trees. In view of the magnitude of the problems of forestry development and soil conservation, it was necessary that the efforts of the States were supplemented by outlays in the Central sector which should be suitably enhanced. He referred to the inadequate share of the hill States in externally-aided projects and added that the share of Himachal Pradesh out of the total amount Rs, 1450 crores envisaged in the Plan was far from proportionate. He desired that the hydel projects and the projects for Integrated water-shed Management and afforestation should be included in the list of projects proposed for external aid.

The growing production of apples and stone fruits was resulting in large quantities of wood being used up for packing. The felling of trees for packing cases was proceeding in an indiscriminate manner and thus there was a conflict between horticultural growth and forest conservation. This required a technological break-through in the production of packaging material which could provide a cheap substitute for wood. He suggested that in view of the complexity of the problem the Centre should assume a lead in the matter in the interest of forest conservation in the country. The construction of roads for marketing of horticultural and other produce needed greater attention. The provision of Cableways as an alternative to further construction of roads in hill areas, which was likely to cause soil erosion, might be considered. The Chief Minister pleaded for the location of Central sector industrial units like electronics, paper and newsprint, watches and cement in the hill areas which were most suited for the purpose. In this context, he urged that the plans of the Cement Corporation of India should include the provision for the Chamba Cement Project for utilising about 2000 million tonnes of limestone deposits in the State.

Himachal Pradesh was the only State in the country whose capital had not gone on the air map yet. The Chief Minister strongly pleaded that during the Sixth Plan, Simla should be linked by air with Delhi.

Shri Jyoti Basu, Chief Minister, West Bengal stated that the views of the State Government relating to integrated economic planning in the country had not been taken into account in the Draft Sixth Five Year Plan. The document prepared by the Planning Commission would neither serve the cause of balanced economic development nor bring the State and the Union Government together. The document did not refer to the growing economic crisis, uneven agricultural growth, year-to-year fluctuations in farm output, stagnation in the production of important crops like pulses and oilseeds, non-availability of new technology etc. The rate of growth over the thirty years of planning had been hardly 1.3 per cent and even this modest growth had been unequally divided between classes and regions. The poor had been kept away from their share of assets and opportunities. They lacked purchasing power. The constraints of demand would hamper the growth of the economy. The poor could not have enough purchasing power without widespread institutional transformation and without the development of an effective system of public distribution. Land reforms had not been given due place in the Plan document. No programme would be of any use till the security for share croppers and of redistribution of land in favour of the landless were ensured. Price stability was an essential pre-requisite for economic growth. The mode of financing the Plan was so designed as to load the entire burden of development on the poorer sections of the community. The Chief Minister advocated the policy of public distribution of scarce commodities to avoid the consequences of spiralling prices and ensuring that essential commodities reached the different sections of the community in an equitable manner. The Chief Minister was critical about the export promotion policy enunciated in the draft Sixth Five Year Plan which would mean that resources would be squeezed from the poor through deficit financing and indirect taxes and these resources would be invested to provide certain basic commodities at subsidised prices to capitalists and the vested interests, as also to subsidise the export activities undertaken by them. The Plan document did not specify measures by which the benefits of remunerative prices would reach the middle and small farmers, the share croppers and landless agricultural workers in terms of increased earnings for each of them. The rate of growth in the States over the past 30 years of economic development was not even. Some parts of the country had maintained a rate of growth more than 5 per cent per annum but in some other parts the rate of growth was even negative. This was on account of inter-regional pattern of investments and other outlays by the Centre and the public financial institutions. The pattern of allocation of plan outlays to the States and the allocation of the outlay proposed in the central sector was likely to aggravate the regional disparities. The Chief Minister was very critical about the suggestion made by the Planning Commission and Union Ministry of Finance that the plan outlay proposed by a State in a particular year should be reduced by the carry-over of the fiscal deficit from the previous year. The proposals incorporated in the Draft Plan would not extricate the economy from the morass of stagnation and would actually lead to a further aggravation of disparities between class and class, state and state, region and region, and would also lead to social tensions. The cure for all these ills would lie in taking a detached, dispassionate and sympathetic look at the entire pattern of growth over the past thirty years and in advisability that "the application of the kind of class-bound policies as exemplified in the Draft can only accelerate the collapse or our futility".

Shri E.K. Nayanar, Chief Minister, Kerala stated that all the plans so far had contained proclamations of ambitious objectives relating to rate of growth, stability, social justice, self reliance, eradication of poverty and unemployment, reduction of inequalities in the ownership of property and income, balanced regional development and so on, but our performance had fallen far short of the expectations aroused. In some cases like reduction of inequality and regional imbalance, what had actually happened was the opposite of what was promised in the Plan. The draft Plan had laid much emphasis on exports but had suggested precious little to enlarge the domestic market through a radical redistribution of assets and income in favour of the workers, middle class employees, landless poor, small and middle peasants.

Although the need for a progressive incomes policy was recognised by the planners, no precise measures had been envisaged to translate this pronouncement into practice. Enforcing minimum wages was one of the important steps in this direction. Minimum wages legislation as enacted by the Government of Kerala might be enforced elsewhere also.

On the question of equitable distribution of income what was said in the draft was vague and misleading. The draft Five Year Plan had listed a number of agencies which handled essential commodities but no comprehensive or coherent policy towards their procurement, pricing, storage and distribution had been outlined. In his view, the prices of essential commodities could not be put under check without taking over the wholesale trade from private hands. He felt that this should be accompanied by a system of relative prices, covering all essential commodities, expansion of storage facilities all over the country and a comprehensive network of public distribution to protect all vulnerable sections of the population living in urban and rural areas.

He referred to the unemployment problem and stated that it was well-known that unemployment was three times the national average. Though the Kerala Government proposed an investment outlay of nearly Rs. 2000 crores in the State sector to create enough employment opportunities, the outlays for core sectors like agriculture, village and small industries, social and community services, etc. were scaled down by the Planning Commission. He stated that the per capita plan expenditure in Kerala in the past 5 year plans had been much below the national average. The same was true with regard to the present plan. The total quantum of Central assistance had increased at a much lower rate as compared with the increase in the State sector plan outlays from plan to plan. Consequently, the ratio of Central assistance to State Plans had declined. He urged that the formula for the allocation of the Central assistance to States should be reconsidered. The share of Kerala in the outlays earmarked for hill areas, tribal areas and externally aided projects should be spelt out clearly.

Regarding market borrowings, he felt that the share of Kerala was too low. The Government of India should review the position with regard to the sharing of market borrowings to Kerala and allocate additional borrowings so as to enable it to bridge the gap in financing its plans.

There was great potential in Kerala for developing hydro-electric energy. He desired that the Central Govt. should come in a big way to help States like Kerala to fully exploit their power potential. Allocation for power sector should be based on the development potential in a State and should not be constrained by the size of the State Plan. He also urged the Central Government to step up direct Central investment in industries in Kerala in the coming years.

Shri Jagannath Pahadia, Chief Minister, Rajasthan complimented the Planning Commission on finalising the Sixth Plan within the time specified by the National Development Council. He supported the priorities, programmes and strategies incorporated in the plan document. The national economy, no doubt, was under severe stress due to the increasing cost of oil imports and Rajasthan's economy had been further strained by the occurrence of droughts. It was the second successive year of wide-spread failure of crops affecting 21,000 villages i.e. two-thirds of the State. He appealed that all regions within the country should attain the minimum stipulated levels of development. The Chief Minister pleaded that the system of fixing the size of the

State plans on the basis of States' own resources plus additional resource mobilisation and central assistance tended to perpetuate the relative backwardness of the less developed States like Rajasthan, mainly because of their low resources raising potential. He suggested that either the formula for the allocation of Central assistance should be more versatile to take into account the special problems of the less developed states or a special kitty of central assistance be provided to be allocated to such States. He urged that the existing formula for the distribution of central assistance to States should be given up and a better alternative formula to help weaker States be evolved by raising the weightage of State Income from 10 to 20 per cent and reducing the weightage assigned to population from 60 to 40 per cent. He urged that the weightage assigned to special problem States should also be raised from 10 to 20 per cent. He pointed out that even now 60 per cent of normal plan assistance was made available to States on the basis of population and no weightage was given to the area of a State. He said that States with larger areas had to spend more for development of their infrastructural facilities and social services. He pleaded that Rajasthan's share out of the total assistance allocated to States under Gadgil formula for 'Special Problems' be increased (pending final decision with regard to revision of the formula) in view of special nature of Rajasthan's problems. He pointed out that figures relating to level of development in respect of key socio-economic indicators for Rajasthan vis-a-vis the national average indicated that larger investments in the State's economy would be necessary to attain the national averages. He stated that Rajasthan would have to make serious efforts for raising resources and pointed out that its proportion in total collections would be nearly double the State's population proportion. Rajasthan's Plan outlay was also grossly in-adequate to accelerate the pace of development.

In view of the nature and magnitude of the State's problems, the Chief Minister pleaded that Rajasthan should be treated as special category State. Giving account of the uniquely adverse geo-climatic features of Rajasthan he pleaded for the inclusion of the State among the Special category States.

In regard to the centrally sponsored schemes, the Chief Minister pointed out that the money transferred under the IATP formula was inadequate and urged that some important schemes like Desert Development Programmes, Integrated Rural Development Programme, National Malaria Eradication Programme, Community Health Workers scheme etc. should once again be made 100 per cent centrally funded. He urged that the IATP formula should be scrapped and funds should be allocated only on the basis of Gadgil formula till an alternative formula was evolved. He suggested that central plan assistance should be allocated under one formula rather than adopting different formulae for different purposes.

The Chief Minister suggested that the central assistance to be allocated to States for tribal area development should be distributed to the 14 States (other than special category States.) on the basis of tribal population. He added that basically the programme had to take into consideration the number of the tribals since the ultimate objective was their upliftment and Rajasthan had 9.4 per cent of the total tribal population. The Chief Minister pointed out that the entire project cost of the externally aided projects formed part of the State Plan outlay and a sizeable plan outlay got tied up to such projects leaving very little amount for other programmes. He requested that the entire assistance received from external agencies against such projects should be passed on to the State Governments on the same soft terms.

He stated that the concept of poverty and persons living below the poverty line was quite fluid and suggested that a national concensus should be arrived at for building up norms for estimating the number of such persons in various regions. He further suggested that a technical group could be set up for the purpose whose report should be placed before the council for a final view.

The Chief Minister pointed out that the progress of the Rajasthan Canal Project had been hampered because of inadequate and erratic supply of the vital inputs like coal and cement. As the plan document placed the highest priority for the completion of the on going irrigation projects, he urged that highest priority should be accorded for ensuring regular and adequate supply of coal, cement and other inputs to enable timely completion of the Rajasthan Canal Project.

He welcomed the proposal of a national plan for inter-basin transfer of water from one system to another in order to utilise surplus waters to meet the needs of drought prone areas in the country. As the State had limited hydel potential, he urged the Central Government to finance the establishment of a lignite based power plant in Rajasthan as the State's limited resources did not permit its inclusion in the States Plan. The State had proven reserves of lignite which could be processed for power generation.

He suggested that a new Atomic Power Station should be set up in Western Rajasthan for bridging the estimated power gap of about 600 MW at the end of 1984-85 and requested that the State should be given larger share in Central Sector projects and other inter-state projects. He pleaded that the efforts for exploration of oil in the desert areas of Rajasthan also needed to be reactivised.

The Chief Minister pointed out that the growth of railways in Rajasthan had not been commensurate with its needs of economic development and urged that high priority should be given to the conversion from metre-gauge to broad-gauge of the Delhi-Ahmedabad and Jaipur-Sawai Madhopur lines. He also pleaded for laying a new broad gauge line linking Chittorgarh to Kota and construction of new railway lines in Rajasthan Canal area. He favoured the inclusion of these railway lines in the Sixth Plan programme of railways. He also requested for the inclusion of Jaipur-Bhopal road and Beawar-Ahmedabad road in National Highway system.

For providing drinking water to 19391 problem villages during the Sixth Plan he urged the Central Govt. to provide an amount of Rs. 250 crores as special assistance outside the State Plan under the Accelerated Rural Water Supply programme. He added that Rajasthan had the physical capability to accomplish the task provided the funds were made available. He urged that a pattern of Central assistance should be governed not by formulae but by the needs of the States and the Plan objectives.

Shri Janaki Ballav Patnaik, Chief Minister, Orissa complimented the Planning Commission for the preparation of the Draft for the Sixth Five Year Plan in a record time. He suggested that adequate investment in development of infrastructure in less developed states was of paramount importance. He pointed out that Orissa was inadequately served by the railways and urged for the construction of three rail links namely Jakhpur-Banspani, Talcher-Sambalpur and Royagoda-Koraput on priority basis. He added that only the first phase of the Jakhpura-Banspani line had been taken up and emphasised the need for completion of the other phase to open up a very backward region rich with mineral and forest resources. He pointed out that there were many missing links in the National Highways passing through Orissa and pleaded for the provision of adequate funds to remove those deficiencies.

The Chief Minister suggested that larger investments in public sector should preferably be made in States like Orissa where the percentage of population below the poverty line was the highest among all States. He stated that Orissa lagged behind the national averages in per capita plan outlays and pointed out that the percentage of the state plan, out to the total outlays for all the

States had been decreasing from plan to plan. In this context he mentioned that the capacity of the State to generate additional resources was limited due to Orissa's low per capita income. He complained that the award of the Finance Commission had also not been helpful for Orissa and added that under the said award, the highest per capita surplus went to a State where income was also among the highest. He mentioned that the share of central assistance in funding the State Plan also declined progressively from plan to plan. He pointed out that the Orissa outlay for industrial development was not commensurate with the long term needs and its rich potential and added that proposed investment for the development of water resources in the State was less than what was required to reach the all-India average. He suggested that in the course of implementation of the plan, the situation should be reviewed and additional resources might be allocated to the State for the purpose.

In regard to centrally sponsored schemes, the Chief Minister mentioned that the modest size of State plan had an adverse effect on funding some of the schemes namely National Rural Development Programme and Integrated Rural Development Programme on a sharing basis and urged that in view of the very high incidence of poverty in the State the schemes should be fully funded by the Centre.

The Chief Minister suggested that existing licensing policies should be reoriented with regard to fiscal and financial incentives and added that large industrial houses should be induced to invest in industrially backward States. He suggested that all-India Financial Institutions could also help the less developed States through lower margins and concessional finance and added that public and joint sector undertakings should be permitted to invest in such States availing loan assistance from the international market.

He stated that in States like Orissa, institutional finance had not been forthcoming to the desired extent and suggested that its flow to the less developed States needed to be stepped up to promote rural development. He pointed out that at its previous meeting the council had decided to earmark additional market borrowings and central assistance to States whose per capita income was less than the national average and hoped that Orissa was among the beneficiaries of the decision.

Shri R. Gundu Rao, Chief Minister, Karnataka congratulated the Planning Commission for preparing the Draft Sixth Five Year Plan within a very short period. He observed that it was significant that the draft had underlined the gap between performance and promises in the past. He expressed satisfaction that the Draft had taken into consideration both the internal and external unfavourable environments for meeting the challenging task. He also endorsed the Plan objectives which gave in a nutshell what we owed to the people of the country. He suggested that we would have to take positive measures to make a dent on income inequalities and to prevent concentration of wealth and income in a few hands.

The Chief Minister observed that the better off employees in the organised sector were resorting to strikes and bundhs and were holding the nation to ransom at a time when we wanted utmost discipline and devotion to build a strong India and suggested that we should handle the problem very firmly and boldly.

He felt that the national population policy should have a guided programme of family planning through the use of subsidies and incentives given under the different plan schemes.

He feared that deficit financing of the order of Rs. 5000 crores, envisaged in the plan might lead to greater inflation. He suggested that we should concentrate more on timely implementation of the various projects and full utilisation of installed capacity in various key sectors of the national economy.

The Chief Minister said that agricultural surpluses were being siphoned out for non-farm sectors of development through unremunerative prices for the products of farmers for maintaining price stability and added that there was continuing bias against rural areas in the matter of providing infrastructure for rural development. He suggested that the subsidy on foodgrains was inevitable for the protection of weaker consumers. In order to help the small and marginal farmers to increase their production, he urged not only to continue but also to increase the subsidies on inputs to them. He requested the Central Government to direct the RBI to provide the necessary cash credit facilities to the subsistence farmers for integrated production-cum-marketing needs and hoped that it would remove the control of money lenders on poor farmers. The Chief Minister urged the Planning Commission to apply the average per capita income for the period 1977-78 to 1979-80 for the distribution of central assistance during the Sixth Plan and added that the IATP formula should also be continued during the Plan period.

The Chief Minister suggested that Central government ought to levy the following two taxes to augment the resources of the States:—

(1) Taxes other than stamp duties on transactions in stock-exchanges and future markets;

(2) Taxes on the sale or purchase of newspapers and on advertisements published therein.

He further argued for the reintroduction of the tax on railway fares and freights and requested that the Bill on Inter-State consignment Tax which was pending before the Parliament be passed in the next session.

Emphasising the serious power shortage due to State's reliance exclusively on hydel power, the Chief Minister requested the Government of India to locate one of the three proposed nuclear power stations in Karnataka. He suggested that captive power units should be permitted wherever private sector came forward with its resources, for the construction of such projects.

He stated that Karnataka lagged behind the national average as far as central investment was concerned and urged the central Government to rectify the imbalance by appropriate investments in the central sector in Karnataka. He strongly pleaded for the provision of adequate outlays for the Vijaynagar Steel Plant and hoped a coastal petroleum refinery and petroleum complex at Mangalore would get specific provisions in the Sixth Plan.

He suggested that the concept of a Block Lead Bank should be introduced for ensuring proper flow of bank funds for the implementation of anti-poverty schemes at the grass-root level and added that the coordination between such a bank and block level 20-Point Economic Programme Implementation Committee was absolutely necessary.

The Chief Minister urged the central government to treat the supply of foodgrains under NREP as additionality and share the remaining cost of the scheme on a 50:50 basis. He added that for the success of NREP whatever quantities of foodgrains were allotted to the states should be made available to them according to a schedule. Alternatively, he suggested, if foodgrains could not be supplied as per schedule, there should be provision for payment of wages in cash straightaway.

He asked for a streamlining of procedures for the release of funds in respect of sharing schemes to achieve satisfactory implementation of such schemes. The first instalment should be released in April, the second in September and the final instalment in January within the financial year.

Shri Rishang Keishing, Chief Minister, Manipur stated that development processes had to aim at narrowing the gap between the rich and the poor and added that the North-Eastern region lagged behind in its development when compared to other regions in the country. He said that North-Eastern region had remained geographically and historically isolated from the rest of the country. He mentioned that the people of the area were conscious of unequal economic development of the region and added that the region was suffering from shortage of essential supplies needed for development. He suggested that requirements of planning should be suitably adjusted to provide the need-based development of the region. He also pointed out to the absence of broad gauge railway link to the region. He stressed the need of the state for establishment of a university and a hospital for higher specialist service alongwith the need for construction of more roads. He wanted to be assured that the Central Government was aware of the problems they were facing.

He mentioned that the problem of unemployment which was the root of insurgency could be solved only with the help of Government of India and added that more job opportunities for the people of the area could perhaps be created in military and paramilitary organisations of the Centre. He suggested that the officers coming to the State to serve in various Central organisations should be encouraged to learn the local languages in order to create a sense of oneness. He urged that various Central Government Departments in the region should recruit people from the region.

He urged the Central Government for the establishment of earth satellite stations in the region to provide the people with facilities like education through T.V. to achieve emotional integration.

He said that Gauhati, which was the main market for the State was about 500 kms. away and was without a broad gauge rail link and stressed that metre gauge line could not meet the requirements of the region. Manipur, which was a land-locked State, had the nearest rail-head 220 kms. away. He mentioned that they were short of railway wagons and the essential supplies had to be rushed by road.

He also pleaded for higher allocations for the construction of roads and also emphasised that faster development of roads was absolutely necessary for defence requirements. Coming to the supply of essential items like steel, cement, bitumen etc. he pointed out that remoteness and isolation of the area combined with long line of communication meant more expenditure, delay and higher costs. He suggested that buffer stocks of the essential items were maintained at Gauhati under the care of the N.E.C. He also urged the Central Government to provide transport subsidy for the said essential items.

He urged the Education Ministry at the Centre to request the various National Sports Organisations to hold their national level competition in Manipur to help strengthen the ties of the people with the people of other States. He pointed out that Manipur had adequate potentials in the field of horticulture, paper and other forest based industries, handloom and handicrafts etc.

Shri A.R. Antulay, Chief Minister, Maharashtra felicitated the Planning Commission on the preparation of an excellent draft of the Sixth Plan and added that the Plan document had been prepared in consonance with the spirit and aspirations of the people. He suggested that at least five per cent of the total Plan outlay should be earmarked for the poor to be directly benefited. He urged that some provision should also be earmarked for *niradhars* or helpless people who have none to look after them. He referred to the scheme started in Maharashtra under which the State Government was giving Rs. 500 to Rs. 2500 to anyone who wanted to take up any business or set up an industry. He desired that a chance should be given to lakhs of people who had no other hope of recovery. He suggested that our nationalised banks should advance a loan of Rs. 500 to Rs. 1000 or Rs. 1500 to Rs. 2500 to the needy and recommended that the State Governments should give guarantee and also bear the interest that the banks charged from them. He requested that Government should take up the said two schemes which would cover lakhs of people who were spread over the rural areas in the country and added that it would go a long way to help the poor people.

The Chief Minister suggested that distributive justice could be done to the weaker sections of the society if the coarse cloth and coarse food, taken by the poor, was subsidised at the Central level by making proper adjustments in excise receipts.

He urged the Finance Minister to adopt a new approach of charging differential rates of interest from the people. He suggested that the rate of interest should not exceed two to three per cent against a loan upto Rs. 10,000 and added that we should have progressive interest-rates for loans of higher amounts. He also suggested progressive slabs for income-tax.

The Chief Minister stated that Maharashtra wanted to implement a slum improvement scheme which would cover the cities of sholapur, Nagpur, Poona and Bombay. He requested the Central Government to give necessary help in the matter and suggested that the World Bank's help might also be sought for the purpose. He added that the Bombay Project should be taken as national project.

He pleaded that the Employment Guarantee Schemes of Maharashtra should be made applicable to the whole country. He stated that the scheme might be in the State sector but it should be substantially helped by the Centre. The Chief Minister stated that if the power projects proposed by the State Government were included in the Plan it would improve the power position in the State to a considerable extent.

In regard to additional resource mobilisation, he strongly supported the plea of the Karnataka Chief Minister who had urged the following two levies by the Centre:

(i) Taxes other than stamp duties on transactions in stock exchanges and future markets;

(ii) Taxes on the sale or purchase of Newspapers and on advertisements published therein.

The Chief Minister referred to the petro-chemical complex and urged the Central Government to instruct the concerned authorities to make a little change in the alignment of the pipe line which was going via Madhya Pradesh to cover the backward region of Vidharba and Marathwada.

Shri B. B. Lyngdoh, Chief Minister, Meghalaya congratulated the Planning Commission for the excellent work done in preparing the Draft Sixth Plan (1980-85) in a record time. He said that the most important task ahead was to ensure speedy and proper implementation of the programmes we had laid down for ourselves. He stated that the year 1980 began with a dismal note with no social and political stability, inflationary conditions and sluggishness in production; and added that it was creditable for the Government to put the economy of the country back on the rails despite the heavy odds. The Chief Minister requested that the Plan outlay for the North-Eastern Council should be raised in view of the special needs of the region. For the successful implementation of the Plan schemes he requested that the region should get essential commodities and vital materials like cement, steel and salt in time and in sufficient quantities. For the movement of the essential goods, he urged the Government of India to improve the capacity of the rail link between the region and rest of the country.

Referring to "reduction in regional disparities" in the Plan document, the Chief Minister stated that there was a difference between the removal of regional imbalances and reduction in regional disparities and suggested that we should work for the removal of regional imbalances. Mere reduction of regional disparities was not enough. The more advanced areas with a higher rate of growth would grow faster and though the other areas would also grow, the gap would become wider and wider. If we did not close the gap with an attack in a massive way to remove that imbalance, the gap would never be closed and the consequences would be disastrous.

He emphasised that population control was a very vital matter for the nation and suggested that we should take a little bolder step and get the desired results through education, persuasion and a certain degree of discipline coupled with adequate incentives. He warned that unless we made a headway to over-come the population problem, all our progress would get us nowhere.

In regard to the problem of manpower, the Chief Minister referred to the State's decision to set up an Institute of Technology and Training in the North Eastern region so that people could fully participate in the development process of the whole region and share the fruits of development. He pleaded for the full support of the Central Government to this programme.

Shri J. B. Jasokie, Chief Minister, Nagaland congratulated the Planning Commission for the commedable task of finalising the Sixth Plan in a record time. He was confident that the whole approach to our economic planning would produce fruitful results and added that the basic aims and objectives of the Plan were well conceived. He requested the Central Government that N.E.C. should be strengthened and provided with more facilities for the development of the region. He pointed out that the North-Eastern region was experiencing difficulty in the movement of essential commodities and raw materials for development of the area. He added that the existing railway line and its carrying capacity was so limited that the movement of construction materials, required for the broad gauge railway line had become difficult. He urged the Central Government to remove the transport bottleneck and emphasised that unless they took the case seriously the B.G. railway line would never reach the north eastern region for another quarter of a century. The Chief Minister stated that the railway station at Dimapur was catering to three States in the North-East namely, Manipur, Nagaland and a part of Assam and added that all essential commodities and inputs for development were unloaded at the station causing congestion. He asked for the construction of a railway siding near Dimapur. He also requested the Minister of Railways to start one train to reduce the heavy rush of the passengers on the station.

The Chief Minister pointed out that the airport at Dimapur served both Nagaland and Assam and wanted to have air services to Nagaland proper. He requested the Ministry of Civil Aviation to take up the case and got the area surveyed. He appreciated the Ministry of Energy's decision to take up their Hydel project and requested the Minister for taking up the project immediately. The Chief Minister stressed the importance of construction of strategic roads along the Indo-Burma border and added that these roads were vital for the defence of the country and would be a great asset to the most backward region of the country. He suggested that the Central Government might help the State in checking the excessive erosion of their lands and hills.

Shri Nar Bahadur Bhandari, Chief Minister, Sikkim congratulated the Planning Commission for meticulously preparing the Sixth Plan document in a very short time. He whole-heartedly endorsed the Plan proposals. He suggested that the projected investments particularly in the public sector undertakings was made as productive as possible and added that the greatest emphasis had to be laid in better capacity utilisation in public sector units which played a vital role in promoting economic growth.

The problems and requirements of Sikkim should be given the same importance as was being given to the North-Eastern region to maintain peace and tranquility in that vulnerable and strategic area of the country. He wanted the Central Government to ensure that regional inequalities should be reduced effectively and also pleaded for more Central investments as the State could not afford to generate further economic growth in the backward region. He hoped that special consideration would be given to the State's needs for the development of large-scale hydel projects, industrial ventures based on raw materials available in the State and promotion of tourism on a large scale.

The Chief Minister pleaded for subsidising certain activities, particularly rural development schemes like I.R.D. which could be implemented in a backward region only on the availability of easy credit for which an element of subsidy would have to be built-in and hoped that Sikkim would be treated as an exception for some more time.

Shri Gegong Apang, Chief Minister, Arunachal Pradesh congratulated the Planning Commission for completing the stupendous task of preparing the Draft Sixth Plan in a record time. He stated that all our attempts to increase income and lift people over the poverty line would be of no avail if our population continued to grow at the present rate and suggested that a deliberate and concerted effort was called for to check the population growth. Stringent measures of economy in non-productive and non-developmental expenditure were necessary and desirable in the overall financial management of the economy. He attached special importance to rural housing and favoured the construction of houses on a self-financing basis. He requested that the National Buildings Organisation might design a prototype for low cost houses suited to Arunachal Pradesh's special conditions.

The Chief Minister welcomed the added significance attached to regional development and in particular to the case of the N.E. region. Arunachal Pradesh was a late starter and required larger investments. Infrastructure was yet to be built in the territory. The Chief Minister pointed out that Arunachal Pradesh was the only Union Territory whose capital was not connected by any route with the rest of the nine district headquarters which themselves were not connected with one another, not to speak of 60 per cent of administrative centres which were also not connected by roads. The need for development of roads was adequately recognised by the Government of India. The Chief Minister pointed out that a number of their proposals for construction of roads had been pending clearance from the Central Government for a long time. He referred to the decision taken in 1978 to construct roads of economic importance namely Kaying-Tato, Dite-Dim-Riga, Karko- Migging and Seppa-Sagali-Yazali. It was also argued that the Home Ministry would fund the construction of the roads from their non-plan funds. The territory was awaiting clearance for these to go ahead. He also emphasised the need for construction of numerous roads along with roads in the very sensitive district of Tirap. He requested the Government to consider accommodating the said routes and funding them so that they could go ahead with them.

The territory had vast untapped resources of minerals, forest wealth, water resources and lime stone deposits. A decision had yet to be taken for setting up a paper mill in the territory. The Chief Minister requested the Ministry of Industrial Development to invest in medium-sized cement plants at Tidding and Menga either independently or through the Cement Corporation of India. The territory had potential for the generation of about 20,000 M.W. of hydel power to feed the national grid. He suggested that the untapped resources should be harnessed for greater national interest. Oil had been located at Kharsang and Pasighat. He urged that Oil India should set up a mini-refinery at Kharsang. He requested that ONGC or Oil India should also explore and exploit the oil resources available at Pasighat area. He requested the Government to tap the rich coal deposits found in Namchik-Namphuk. He supported the N.E.C. proposal for locating a branch of Coal India Ltd. in the N.E. region. He also pleaded that Central Government should direct IDPL to examine the prospects of utilising the resources of many medicinal plants in the territory. Tourism was an invisible export and he pleaded for more investment in tourist projects.

The Chief Minister also pleaded for the establishment of a University to act as an umbrella for the proposed institute of science and technology and the two colleges already in existence.

The condition of telecommunications and postal facilities in the territory were pathetic and the Chief Minister requested that telecommunications linking Itanagar with the rest of the country and with district headquarters should be taken up.

Shri Pratap Singh Rane, Chief Minister, Goa, Daman and Diu stated that we should keep constantly in mind the need for curbing the inflationary tendencies in the economy so that targets of production of goods and services were achieved as fully as possible. We should also avoid under-utilsation of industrial capacities and projects of long gestation periods. He emphasised that any additional dose of taxation was bound to affect the poor men’s economy and would contract his saving potential. Public sector undertakings should not be allowed to run into losses and be a constant drain on the exchequer. He suggested that we should raise additional resources by way of plugging loopholes in the existing taxation system. He pleaded for the setting up of independent power generation plants in the territory.

Brig. T. Sailo (Retd.), Chief Minister, Mizoram stated that the national leadership had realised the importance of paying adequate attention to the requirements of Mizoram. The plan allocation for the North Eastern region was a clear demonstration of the realisation at the Centre of the regions backwardness. He pointed out that the implementation of the Plan was important and hoped that officials and technocrats would display the same spirit in translating the Government's policy into reality.

Shri D. Ramachandran, Chief Minister, Pondicherry felt happy about the finalisation of the Draft Sixth Five Year Plan 1980-85 well in time. He made a request for the amendment of the Union Territory Act, 1963 so as to delegate more powers to the various Union Territories especially with regard to the delegation of power to sanction schemes. He also pleaded that once the size of the Plan are broad inter-sectoral allocations were approved by the Planning Commission, it should be left to the Union Territory concerned to operate the plan within the allocated funds without having to make a reference again to the Government of India with regard to pattern of assistance etc. There was a great need to streamline the procedures for the supply of machines and materials by the D.G.S.&D. to the Union Territories. Similarly, the release of funds for the Centrally Sponsored Schemes were not made available well in time. He, therefore, suggested that allocation of funds for the Centrally Sponsored Schemes should be done alongwith the allocation for the Union Territory Plan. The demand for a thermal power project and for a University should materialise early. The decision regarding construction of an air-strip at Pondicherry should also be expedited.

Shri S. L. Sharma, Chief Commissioner, Andaman and Nicobar Islands was happy that both Planning Commission and the Government of India were giving due attention to the development of the Islands. This was evident from the fact that outlays for the Islands during the First Five Year

Plan were Rs. 5.5 crores and the outlays approved for the Sixth Five Year Plan 1980-85 were Rs. 96 crores. Priority sectors as well as the need to develop the basic infrastructure for the development of the Islands had been identified. The development of transport and communication was the most important need of the Islands. Keeping this in view, nearly 48 per cent of the plan allocation had been earmarked for development of transport and communication facilities. It was proposed to spread a net work of roads and to complete the Andaman Trunk Road which would link the capital town of Port Blair with other towns in the middle and North Andamans. The growth of small-scale industries with the locally available raw materials as well as exploitation of the abundant massive wealth were being given due importance. The establishment of a 10 MW Coal-based power station had been included in the Plan. Special attention was being paid to the development of the tribals of the Islands, by successful implementation of the tribal sub-plans. The interest of the primitive tribes was being looked after by the "Andaman Adim Jayati Vikas Samiti". There was great scope for the planned development of tourism but the steep rise in the air fares had stood in the way.

Shri P. M. Nair, Administrator, Lakshadweep requested an increase in the outlay for the transport and communications sectors from Rs. 8.81 crores to Rs. 15 to 20 crores and the inclusion of third level Airlines to the Islands during the Sixth Plan period.

Shri B. S. Sarao, Administrator, Chandigarh said that they had no problem of funds as far Union Territory of Chandigarh was concerned and that he was happy to take part in the meeting of the National Development Council.

Shri Jagmohan, Lt. Governor, Delhi was very much satisfied in so far as Plan allocation for Delhi was concerned. He was, however, of the view that the setting up of Statutory Board would regulate and direct investment in the region as a whole as other-wise with the influx of more people into Delhi, the process of development would become self-defeating. Due attention should also be paid to institutional reforms for speedy and smooth execution of development works in Delhi.

Shri Nripen Chakroborty, Chief Minister, Tripura said that the draft Sixth Five Year Plan 1980-85 was only a continuation of the earlier five-year plans. It was not different from the earlier plans in so far as its objectives and character were concerned. All these years, the benefits of the plan had gone to the rich who would constituted 5 per cent of the total population of the country. Ninety five per cent of the people had remained in great distress and misery. Production which had been increased during the course of the planning period was for exports and not to serve the needs of millions of poor people. The deficit financing and inflationary measures would further reduce the purchasing power of the poor people and this would encourage exports. The draft Sixth Five Year Plan also aimed at encouraging additional exports to cover up the growing gap between imports and exports. There should be a policy of radical land reforms, a policy of creating more assured work opportunities for the rural as well as urban unemployed, provision of essential commodities at subsidised rates, provision of remunerative prices to the farmers for their products and living wages to the rural and urban labour. The Draft Sixth Five Year Plan did not provide the basic remedy for regional inequalities. Tripura was the second most populous state in the North-Eastern Region and 84 per cent of the population lived in rural areas and 76.6 per cent of the work force depended on agriculture and allied services. As agriculture had remained underdeveloped, 81 per cent of the population of Tripura would live below the poverty line. The per capita plan allocation was the lowest for Tripura and allocations under the Central Plan was nil in spite of the fact that the basic infrastructure like roads, power etc. were quite inadequate in the State. The foremost task would be to link the State closer to the rest of the country through extension and improvement of rail transport and through subsidised road, rail, steamer, air fares and freight charges to the nearest market.

Tripura had given handsome amounts to the duly elected Panchayats to take up all development works in the rural areas, but the reaction to this was a "slander campaign" from vested interests against the Panchayats. The people had been given the right to organise. Cooperative societies were being encouraged and Ration Shops and departmental stores were run by them to restrict the scope of black marketing. The States should also have a voice in the framing and implementation of the plan so that the Centre-State relations would improve. The projects prepared by the NEC for controlling zhuming did not find place in the draft Sixth Five Year Plan. The Chief Minister could not extend his support to the guidelines laid down in the Draft Sixth Plan but assured the Prime Minister of his cooperation in implementing the Plan.

Shri M. G. Ramachandran, Chief Minister, Tamil Nadu said that he was in broad agreement with the objectives and strategy of the Sixth Five Year Plan. The share of the States and Union Territories, out of the total public sector outlay or Rs. 97,500 crores, should Rs. 55,000 crores and not Rs. 50,250 crores. He desired that there should be a greater transfer of resources to the 14 category 'A' States in the Sixth Five Year Plan period under the Gadgil formula as most of the efforts towards eradication of poverty, provision of minimum needs, generation of employment and reduction of inequalities would have to be undertaken by these States. The transfer of resources to the States from the Centre was largely governed by the percentage of people below the poverty line and not on the population criterion because this would amount to penalising the States which had done well in implementing the family planning programme. In order to enthuse the State Governments to effectively apply themselves to the major task of eradication of poverty, it would be necessary that the 20 per cent component under the revised Gadgil formula should be allocated on the basis of poverty percentage. In allocating additional market borrowings in the Sixth Plan period, the per capita income criterion had been adopted, strongly pleaded for the adoption of the poverty percentage concept in this also.

The Government of Tamil Nadu was of the view that there was no need to withdraw Sales Tax on more commodities and bring them under Additional Excise Duties. The National Development Council at its meeting in December 1970 came to the agreed conclusion that the incidence of Additional Excise Duties as a percentage of value of clearance would be revised to 10.8 per cent in a period of 2 to 3 years and also the ratio between basic and special Excise Duties on the one hand and Additional Excise Duties on the other need not exceed 2:1. The State Government would strongly urge for the implementation of these decisions of the National Development Council as these had not been observed in practice so far. The decision on the recommendations of the Seventh Finance Commission with regard to Tax on Railways passenger fares should be taken up as early as possible.

He urged that Centre should include the Corporation tax among the taxes sharable with the States. State Enterprises should be exempted from the Corporation Tax. Power under Article 269 should be exercised and more taxes should be levied on railway passenger fares and freight, taxes other than stamp duties on transactions in stock exchanges and future markets and taxes on sale or purchase of newspapers and on advertisements published therein in order to raise a substantial amount of additional resources during the Sixth Plan. In accordance with the recommendations of the Seventh Finance Commission, the share of the State Government out of small savings should be increased to 80 per cent and these loans should be treated as perpetual loans. The assistance received from the IDA and other agencies for the externally aided projects should be passed on to the State in full on the same soft terms. With regard to the Centrally Sponsored Schemes, he pointed out that the resources transferred under the I.A.T.P. formula were adequate only for 3 years but were being spread over the five year period of the Plan. This would cause shortfalls in effective implementation of the transferred schemes. He would like that the assistance to States under the I.A.T.P. formula should be enhanced to Rs. 2800 crores and should be released over the five years 1980-85. The Chief Minister was of the view that the control of inflation and maintenance of a stable price level would be crucial for the successful implementation of the Plan. There should also be determined efforts to improve the performance of sectors like transport, iron and steel, coal and oil because these sectors had a significant impact on price trends. There was a paramount need to continue subsidies on inputs in the farm sector and a policy decision on constituting a National Relief Fund for relief to the agriculturists affected by floods and droughts should be taken up urgently. This was essential to sustain and achieve the high growth rate projected for the Sixth Plan period for agricultural production. The National Rural Employment Programme and the Integrated Rural Development Programme were well conceived programmes. While making allocation under these programmes to the states, greater weightage should be given to the poverty percentages. The special Component Plan for welfare of Scheduled Castes and Scheduled Tribes would be welcome to all the States. The Centre should draw up and implement definite schemes for optimum utilisation of waters. The central plan outlay of Rs. 4725 crores on power should be shared on a rational basis among States and suggested that the Centre should undertake a few major projects in Tamil Nadu in the Sixth Plan to help the unemployed people in the State. He urged that the Sethusamudran canal project and the Atomic Power Plant near Tuticorin should be included in the Sixth Plan. On-shore oil exploration in the Cauvery Basin and off-shore efforts in the Palk Bay needed to be intensified. Opening of new broad gauge railway line, construction of new National Highway from Madras to Kanyakumari, provision of third level air service and tackling of serious transportation problems in Madras city should be undertaken, in the Sixth Plan on a priority basis.

The Chief Minister urged that the Centre should appreciate the problems of Tamil Nadu and help the State in implementing the plan vigorously by solving their difficulties.

Sheikh Mohammad Abdullah, Chief Minister, Jammu and Kashmir appreciated the preparation of a massive document of the size of the Sixth Five Year Plan in a record time and pleaded that a healthy and congenial atmosphere should be created to make the efforts at planning and economic development fruitful and meaningful. There was need to enlarge the functions and guidelines of the National Development Council so that important decisions pertaining to the economy of the nation, particularly imports, exports, inflation, price control, industrial licensing, industrial credit etc. could be discussed in the Council. He also suggested that the NDC should have at least one representative of each national party to provide an opportunity to the "confronting and conflicting parties" to discuss objectively the executive decisions and policies of the Government in office. He stated that he had sent for circulation to the NDC a Note on the "Procedural improvement In the Deliberation of the NDC" and hoped that it could be considered in the meeting.

The Chief Minister pointed out that the principles of allocation of Plan outlays among the States would not in any way help in the reduction of regional imbalances. The special category States like Jammu and Kashmir, Himachal Pradesh and North Eastern States had been left out of the purview of the Gadgil formula. The share of the Jammu and Kashmir State out of the total States' allocation in the Plan endorsed by the NDC for the period 1978-83 was 0.98 per cent and it had been reduced to 0.92 per cent in the current Sixth Five Year Plan 1980-85. Moreover the resources mobilisation by the Jammu and Kashmir State had always exceeded the targets and the State had taken un-popular decisions like reduction in the subsidy on foodgrains from Rs. 23 crores to Rs. 5 crores annually. In regard to the utilisation of productive capacities, the total capacity proposed to be utilised by the end of 1984-85 would fall short of the capacity created upto 1979-80. In such sectors, no additional investment should be made for creating additional capacities. Deficit financing and monetary and credit expansion were the causes of the inflationary spiral and the rise in prices. The Chief Minister suggested the setting up of a Monetary Commission to go into the whole question and suggest measures. The export and import policies needed to be reconsidered *de novo*. It was not desirable to export our essential commodities like iron-ore at throwaway prices when the country had large-scale shortage of steel. Similarly, the country should restrict import of those commodities for which the raw materials and technical know-how were available in the country. The unemployment problem, particularly, the problem of the educated unemployed was assuming alarming proportions. The educational policy of Government required to be reconsidered. It should be related to the employment needs of the country. The new policy must aim at an economic bias towards educational planning.

Shri Vishwanath Pratap Singh, Chief Minister, Uttar Pradesh stated that the Sixth Five Year-Plan rightly aimed at eradication of poverty and inequaity in the country. This called for a determined and dedicated endeavour. The planning process had received a great set-back at the hands of the previous Government. That Government talked much about the development of rural India and eradication of poverty but they neither built up the potential for future growth nor made any significant attempt to narrow the differences in the levels of living of the rural people. There was need to lay a strong foundation for the future and this could be done by strengthening the basic infrastructure of growth and development. The objectives of social justice as laid down in the Sixth Plan would be achieved by improving the living standards of the poorest groups in the society, by reducing the inequalities in resource distribution and by reducing the regional imbalances. Public sector investment in Uttar Pradesh had not reached the desired level. They had 4.2 per cent gross investment and 4 per cent of employment in central public enterprises. The Chief Minister requested that greater attention should be paid in locating public sector units in the region. He was of the view that the country could plan for a higher rate of growth than what had been visualised in the Sixth Plan. The step up in the investment in the Sixth Plan of Uttar Pradesh was insufficient and would further widen the inter-state income differences. The allocation of resources to Uttar Pradesh was inadequate. The weightage of 10 per cent for the tax efforts under the Gadgil Formula should be done away with and the amount so released should be distributed among the States whose per capita income was below the national average. Rs. 770 crores earmarked for the States facing special problems should be distributed according to the Income Deviation formula. The State had been trying to raise resources through additional resource mobilisation and to strengthen the machinery for plan formulation, implementation and evaluation. Uttar Pradesh had been forging ahead in so far as agricultural productivity and agricultural growth were concerned. The State continued to face power shortage but on account of reduced plan outlays, inadequate amounts had been provided for new generation schemes. This would further widen the gap between demand and supply of power at the end of Sixth Plan and would ultimately affect the progress in the field of agriculture and industrial activity. Special attention had been given to the distribution of land to the weaker sections of the society and strong measures would be taken against absentee landlordism and collusive transfer for evading ceiling laws.

Shri Madhavsingh Solanki, Chief Minister, Gujarat stated that the emphasis laid in the Plan on growth and the concern expressed towards removal of poverty, improving the quality of life, progressive reduction in regional inequalities and the diffusion of technological benefits deserved the whole-hearted support of every one. He welcomed the IRD, NREP the Minimum Needs programme, the Special Component plan for Scheduled Castes and the Tribal Sub-Plan. The stress on decentralisation of Planning towards achieving this goal would be most appropriate. For raising additional resources during the Sixth Five Year Plan, a large burden was developing on the

States. The Chief Minister desired that the share of the States and the aggregate market borrowings over the plan period should be substantially stepped-up and larger resources should be made available to the States. In regard to the revision of royalty on crude oil, consignment-tax, additional excise duties and the tax on railways passenger fares, he requested that the Central Government should take decisions expeditiously so as to help the State in achieving the targets of additional resource mobilisation.

The Chief Minister pleaded that there should be an overall energy policy in order to meet the growing energy needs. The State Government had constituted an independent energy department for this purpose. The State Government would also like to set up an Atomic Power Station and also harness the tidal power potentialities of the gulf of Kutch and Cambay during the Sixth Plan. The State Government had a slurry pipelines system in view for transportation of items which could be conveniently moved through pipelines. The Narmada Project which would cater to large drought prone tracts and tribal areas and provide an assured water supply to many towns and villages would need early completion. In view of the importance of these projects, they should be proposed to the World Bank for assistance. The recommendations of the National Harbour Board should be keep in view for funding the development of minor ports under the central loan assistance programme. The construction of a road network in the State and the acceleration of the development of the Kandla Free Trade Zone were essential for the development of drought affected areas of the Saurashtra and Kutch regions. The provision of water supply to the problem villages and construction of rural roads under the Minimum Needs Programme would bring an improvement in the quality of life of the poor. The National Rural Employment Programme and the Integrated Rural Development Programme should have sufficient flexibility to meet the needs of local situation. The nationalised banking system should be re-oriented to overcome the administrative and technical problems faced by the local banking units in meeting the exact needs of the weaker sections.

Shri Jagannath Mishra, Chief Minister, Bihar congratulated the Planning Commission for bringing out the Sixth Five Year Plan in a very short time. Priorities fixed by the new Plan were in accordance with the present day economic conditions of the country. The Plan had become an instrument for bringing out economic and social changes.

He stated that in other countries, the progress of a Plan depended on the planning organisation which had very wide powers. But in India, we were wedded to the democratic system. Whatever the Western countries had attained in the field of industrialisation and economic progress in 100-150 years India had achieved in just 30 years. The rate of development in our country before independence was hardly 1 per cent, but since the undertaking of Five Year Plans, the rate of progress had risen to about 5 per cent during the Fifth Plan period. Since 1971 we have laid great emphasis on eradication of poverty and unemployment, upliftment of backward classes, scheduled tribes and scheduled castes. In the Sixth Plan, we had taken special care for the maximum utilisation of electricity and transport facilities available in the country.

The Sixth Plan had given due emphasis to early implementation of land reforms. Even though there were administrative problems, he was confident that land reforms programme would progress satisfactorily.

The Chief Minister appreciated the changes suggested by the Planning Commission in the Gadgil formula for the distribution of Central assistance to the states. In regard to market borrowings also, the suggestions given in the earlier meeting had been accepted. Export incentives as brought out in the Plan document would help in increasing our exports.

It was estimated that the labour force increased at the rate of 2.4 per cent whereas the employment opportunities in the Sixth Plan would grow at the rate of 3.4 per cent; thus during the Sixth Plan the unemployed force would decrease. As far as Bihar was concerned, the Sixth Plan outlay as accepted by the Planning Commission would not be enough. As recommended the rate of growth would not be more than 3 per cent as against national average of 5.2 per cent. Per capita investment in Bihar would be only Rs. 576 as against the national average of Rs. 886. States like Bihar get priority for investing foreign resources for plan funds. The percentage of people living below the poverty line in Bihar was 64 as against 48 in the country. Even after implementing all the proposed schemes, this percentage would come down to hardly 45 per cent as against 30 per cent envisaged in the Plan.

Energy was one of the most important inputs for economic development. Electricity generation started as late as 1960 in Bihar as against 1904 or 1905 in other States. Central sector schemes should supplement the State's share in a big way.

Royalty on minerals was presently fixed on tonnage basis. This should be changed to value basis. Schemes like the Ganga Bridge which was started in 1971 was still incomplete because of lack of funds. Such schemes should be taken up in the Central sector.

Shri R. Venkataraman, Finance Minister was happy that in the long debate on the Sixth Five Year Plan, there had been no criticism about the size of the Plan. He described this as a unique experience. The year 1979-80 was a year of disaster, but 1980-81 was a year of recovery. The Government would be able to face the problems that might arise during the plan period if the present pace of development could be kept up. Production in all the fields had gone up over the previous year and allocation of outlays in all the sectors had been made rationally. He was happy to note that no one had complained about the neglect of any sector. The Sixth Plan document was prepared in accordance with the election manifesto put forward by the ruling party and the results of the elections had proved that it was fully supported by the people. The Finance Minister stated that the Plan document presented at the previous meeting had proposed an overall public sector investment of Rs. 90,000 crores. Thereafter, the Planning Commission had discussions with various States and consequently had increased the Plan size to Rs. 97,500 crores on the basis of assurances given by the States that they would raise additional Rs. 3000 crores of resources in addition to what they had already agreed to for a Rs. 90,000 crore Plan. In regard to the deficit at the Centre, the Finance Minister was of the view that a deficit of Rs. 4000 to 5000 crores was not too large for a country with a national income of over Rs. 90,000 crores or a plan size of Rs. 97,500 crores. He however, assured the members that the proposed deficit financing was just enough to be in line with the growth rate and the monetarisation of the economy. He made a fervent appeal to the Chief Ministers to make every effort in the direction of raising resources for the plans, whether by way of stepping up taxation or increased returns from the public sector undertakings like Electricity Boards or Irrigation projects. It would be difficult for the Centre to raise additional resources required for the Plan and it would not be possible for the Centre to increase the quantum of resources to be transferred from the Centre to the Stales beyond what had been indicated already. The Finance Minister was in agreement with the views expressed by the Chief Ministers that there should be an equitable distribution of the Central investments in all the States, more particularly with reference to their backwardness. The question of raising oil royalty and coal royalty was under consideration and a decision would be taken soon. He proposed a constitutional amendment for the levy of tax on consignment. The assurance given to the NDC that the formula of 2:1 would be applied in respect of basic and additional excise duties would be implemented. The Finance Minister stated that in regard to subsidies a political rather than financial decision was necessary. It would not be proper in a poor society to pass on all the increases in the costs to the consumers. This should always be done with due regard to the capacity of the people to pay. The credit rating of the Government of India in the foreign markets was very high and they could raise commercial borrowings with due care. The Finance Minister appealed to the Chief Minister of West Bengal to lend his assistance in the matter of maintaining discipline in banks in his State and to see that the banks were able to function properly. As regards external assistance and the point that it should be passed on to the States in full in the same terms, the Finance Minister pointed out that the terms varied from the very soft to commercial rates and the Centre had to follow the policy of averaging the cost of urgency to itself. In regard to the relief to the farmers, the Finance Minister urged the States to go slow on writing off of the loans and to consider the total picture of the effect on rejecting of funds and on the farmers themselves. The Finance Minister pointed out that the North Eastern Region had been given special attention in the Plan. The immediate need of the region would be transport and communications. The work relating to the construction of broad gauge railways and roads had already been taken up.

Shri L. P. Singh, Chairman, North Eastern Council stated that the North Eastern Region was entirely dependent on the rest of the country for the supply of essential commodities like edible oil, salt, sugar, rice and building materials like cement, steel, bitumen, CI sheets and pipes etc. These commodities, even when allocated, were not received by the States and Union Territories of the region in time for want of adequate transport facilities. Transport and Communication services were very unsatisfactory. There was no indication of any plan for enlarging the capacity of the Railways to move larger quantities of goods to the region from other parts of the country. He urged that the doubling of the B.G. line from Farakka to Bongaigaon should be included in the Plan. He also suggested that the broad gauge extension should not end at Gauhati but might be extended to Jagir road, where a paper mill was under construction and was expected to be commissioned in 1983. He suggested that the construction of a Broad-gauge railway line upto Dibrugarh might be accelerated. Telecommunications and Postal systems were far behind the requirements. Few well-built inter-State roads connecting the seven States of the region were absolutely necessary. Construction of strategically important roads along the international borders in the region was essential for the defence of the country and the roads of economic importance in the units would enable marketing of local produce in the States in the region.

He pointed out that the Dimapur Railway Station which served both Nagaland and Manipur had become exteremely congested and suggested that the extension of the railway siding from Dimapur to Chumukedima would greatly relieve the congestion at the Dimapur railway station. Construction of more roads to open up areas was still a first priority for the development of Nagaland. The Governor requested the Central Government to decide on price equalisation for all essential articles by subsidising the heavy transport cost for the Hilly States of the region. Nagaland had adequate power potential. He hoped that the Doyang Hydel project would be sanctioned and could start immediately. Nagaland had huge deposits of limestone, coal and minerals of strategic importance and the Central Government should explore and exploit these reserves. Considering the extent of limestone deposits in the State, the Governor pleaded for setting up a big cement factory in Nagaland under the Central sector to meet the requirements of the whole region. No single factor had impeded the development programme in the region as much as the shortage of cement.

The Governor said that there was sufficient raw material to have six more paper mills of medium size in the region, out of which Arunachal Pradesh could sustain two. The paper industry would provide a great deal of employment to the tribals in the forests and other poorer sections of the community. He pointed out that Meghalaya had enough deposits of chemical-grade limestone and suggested that a lime plant could be set up in the territory for the manufacture of lime for the use of paper mills. He suggested that Coal India should plan to increase coal production to meet the requirements of cement plants, paper mills etc. The North Eastern region had known deposits of coal of the order of thousand million tonnes. He added that the boilers of the proposed new paper mills should be so designed as to use local coal in order to reduce the demand on the limited railway capacity and for the speedy development of the region. The North Eastern region had adequate hydel potential to sustain more power projects.

Shri Narayan Datt Tiwari, Deputy Chairman and Minister of Planning and Labour thanked the distinguished members for their valuable suggestions and also for having recorded their appreciation of the work done by the Planning Commission. It was highly gratifying to note that by and large the document placed before the Council had met with general approval.

He referred to the mention made by some Chief Ministers regarding higher plan allocations to some States as compared to the earlier plans and explained that such States had taken the responsibility of raising more resources and their larger outlays reflected only their additional resources. He said that if certain States had higher plan outlays, it was because they had the capacity to raise their own resources.

He thought that the Plan document reflected the decision taken at the last NDC meeting by giving a little more Central assistance through the mechanism of modified Gadgil formula and by allocating additional market borrowings. The modified Gadgil formula provided special assistance to backward States and States with special problems. The modified formula represented the consensus of the nation as to how to devolve Central assistance among the States. There might be complaints and shortcomings but the modified Gadgil formula was the best under the circumstances.

The Deputy Chairman referred to the West Bengal Chief Minister's complaint that there was not that much consultation with the States as should had been and stated that the Planning Commission had spent more than 200 hours of discussions with the State Chief Ministers and the Planning Ministers. The Commission had tried to record faithfully the valuable suggestions of the State Governments in the Plan document. The broad consensus on objectives, programme thrusts, targeted rate of growth and additional resource mobilisation, as arrived at at the last meeting of the Council, had been accepted. The mandate of the National Development Council had been carried out.

The Chief Ministers of Punjab, Kerala and Tamil Nadu had made references to the poverty ratio and per capita income. The Commission had relied mainly on the National Sample Survey data. He referred to the Tripura Chief Minister's complaint about lesser plan allocation to Tripura and stated that the State had instead higher outlays. He made it clear that in the Sixth Plan, the per capita outlay for Tripura was Rs. 1575 as against Rs. 1344 as average per capita outlay for all special category States. About the Chief Minister's complaint about *nil* performance in the last 30 years, the Deputy Chairman stated that in those 30 years, the primary schools covered 95 per cent of the rural population, the average life span had risen dramatically and irrigation potential had increased from 22 million hectares to 56 million hectares. He pointed out that there were 216,000 electrified villages in 1977-78 as against only 3000 electrified villages in the beginning. The Deputy Chairman stated that the Plan had given special attention to the relief of unemployment and added that the most challenging provisions was that of unemployment. The Plan included schemes for the creation of the district employment generation capacity and to cover programmes of self-employment. For the landless and the poor we had the national extension programme, the national dairy development programme, the live-stock distribution plan and the special component plan for the scheduled castes, scheduled tribes and weaker sections of the society. Quantifying the programmes in human terms he stated that 75 million persons would be given special assistance under the IRD programmes, over six million persons in the urban areas would be enabled to rise above the poverty line and additional employment would be found for about 34 million persons. Under the National Rural Employment Programme, 300 to 400 million mandays of employment would be created. He stated that all the remaining 1.9 lakh villages would be provided with drinking water facilities at a cost of Rs. 2000 crores; 20,000 villages would be linked by all weather roads at a cost of Rs. 1165 crores; the entire 6.8 million landless labour needing housing would be provided with house sites; 3.6 million families would be provided assistance for house construction, 10 million urban slum dwellers would be given assistance to improve their environments. He suggested that if we all worked together and achieved the targets fixed for the Plan, it would be a giant step forward.

Smt. Indira Gandhi, Prime Minister thanked the Chief Ministers and stated that she was a little sorry for those who had neither the perception to see a job well done, nor the grace to give credit, where it was due to those who had done such complex and delicate task in a record time. It was unfortunate that some could merely criticise. The Prime Minister referred to the Meghalaya Chief Minister's objection to the use of the word ‘reduction’ instead of 'removal' and observed that removal of imbalances and inequalities remained the ultimate goal. But we had to pass through the phase of reduction before we got on to removal. Referring to the Bihar Chief Minister's observation that we could not do what some other countries had achieved because we had a democratic system, she said that the trouble with many of our leftist friends was that they continued to think in terms of such ideas which had long become outdated and which even the most orthodox socialist countries had given up. At least, one so-called ideal society continued to import vast quantities of foodgrains from every available market including the capitalist ones, while our policy had made us self-sufficient in foodgrains. In socialist countries there was visible emphasis on giving up controls and rigid regulations in favour of incentives. The socialist countries such as even China, which many of our leftist friends considered as their model, were openly welcoming foreign investment, technology and inviting multinationals. Our socialism was a logical development of the concept of democracy, suiting the requirements of our system. It was built on the mobilisation of private initiative for the greatest good of our society. It was based on a mixed economy where the public sector played a dominant role. In our democracy, private sector was also allowed to grow fully to modernise our economy. The path of mixed economy, she hoped, would take us perhaps more slowly but certainly more surely, towards socialism.

The Prime Minister stated that in Marxist terms, what was of paramount importance today was the growth of productive forces, a change in our society which facilitated such growth and added that, at the present stage of our history, that was the only way in which we could modernise our economy and benefit our people. Better distribution of income and growth of productive forces were inter-dependent. It was obvious that over the years, our public sector would dominate our planning schemes. The Prime Minister observed that our socialism reinforced our democracy and secularism. There could be no socialism without democracy nor could there by true democracy without socialism, specially in the circumstances of our society. She said that there was no country today, whether they called themselves communist, socialist or capitalist, where there was no discrimination of some kind or the other and it usually worked against those who were weaker groups. Unfortunately this was so in all systems all over the world.

Referring to the misunderstanding that had been generated on the issue of exports, the Prime Minister reiterated that self-reliance did not mean isolation from international trade as it would mean a return to medieval times. Self-reliance implied our being able to pay for our imports by our exports and not be dependent on others for our own requirements. In a modern society, international trade increased the availability of goods and expanded the possibility of production and of consumption.

The percentage of foreign aid to our imports had come down from Plan to Plan. This was our progress towards self-reliance. The Prime Minister stated that we should accept foreign aid where it was essential but we were becoming less and less dependent on it as our own growth efforts gathered momentum. We did not promote exports for the sake of exports.

The Prime Minister stressed that the Sixth Plan was the very first Plan in which special Central assistance would flow to the Scheduled Castes and a Special Component Plan had been devised for the purpose.

Referring to the point raised by the Chief Minister of Himachal Pradesh about the vanishing forests, the Prime Minister pointed out that this was a question on which she felt very strongly as it had affected our economy in very serious ways. She assured the Chief Minister that special steps would be taken in the Plan for the protection of basic life-supporting systems, and added that this was also the first plan in which great emphasis had been laid on energy conservation and development of new sources of energy.

Referring to the problems of farmers, she said that the Plan had provided large allocations for agricultural and rural development sectors. The Prime Minister mentioned that the national perspective for water development provided for realistic utilisation of our inter-state and intra-state river waters and it was time that we harnessed them for the benefit of the people and not fritter away our energies on fruitless controversies and needless litigation on the sharing of waters.

She referred to the point raised by the Deputy Chief Minister of Meghalaya and others about the change in the financial year, and stated that the matter had been reviewed eight times but on no occasion had they been able to get any agreement because the working season and the crop season varied from State to State and different groups of States wanted different financial years. The matter could be discussed again the 9th or the 10th time.

Referring to Finance Minister's request to the Chief Minister of West Bengal to assist the Centre in the working of the banks in the State, the Prime Minister pleaded for the Chief Minister's assistance not only for the working of the banks but of many vital industrial installations. Talking about the demand for greater autonomy for the States, the Prime Minister said that more rights implied greater responsibilities as was evident from the Sixth Plan which developed such increased responsibilities on the States to help implement larger plans than before. She added that whatever criticism the Chief Ministers made, they must realise that there were certain areas of national effort where it was imperative for them to do their very best and share the burden of development and procurement of agricultural products. In regard to the food for work programme, she assured the Chief Ministers that the Centre was willing to share the burden and suggested that the States must also mobilise resources for the purpose. Agricultural development had largely to be achieved by the States and in the industrial development and power generation, the operation of the infrastructural facilities was the responsibility of the States. She suggested that if we could generate national discipline in those fields, we should be able to reach a break-through in our efforts.

The Prime Minister made a reference to the Jammu and Kashmir Chief Minister's suggestion for holding more frequent meetings of the NDC on diverse subjects and said that if the tendency was only to put forth set views, it would not lead to a purposeful exchange of opinion.

The Prime Minister thanked all those who had participated and all those who had applauded as well as criticised the Central Government. She assured the Chief Ministers that the Government at the Centre was committed enough and concerned enough about the country's problems and would continue to strive for an atmosphere of cooperation and a concerted and united endeavour. She said we should collectively wish success to the common endeavour to make the Sixth Plan a vibrant and meaningful exercise for the welfare of the people. The National Development Council's approval of the Sixth Plan should dismiss the dismal prophecies about the future. It was a signal of buoyancy of spirit and of self-confidence.

The Prime Minister then put the following Resolution to the Council which was adopted by the Council with reservations by the Chief Ministers of West Bengal, Tripura and Kerala who stated that while they could not approve the draft Plan, they would not lay behind in implementing the accepted programmes:

"The National Development Council hereby approves the draft of the Sixth Five Year Plan (1980-85) prepared by the Planning Commission and calls upon all concerned agencies to make all-out efforts with the active cooperation of the people to ensure its successful implementation".

Shri Yogendra Makwana, Minister of State for Home Affairs handed over a copy of his proposed speech to the Minister of Planning. A summary of this is appended (Appendix).

APPENDIX

SUMMARY OF THE PROPOSED SPEECH OF THE MINISTER OF STATE MINISTRY OF HOME AFFAIRS, GOVERNMENT OF INDIA

The draft Sixth Five Year Plan considered by the National Development Council was of great significance for the development of Scheduled Castes and Scheduled Tribes, who comprise nearly a quarter of the country's population and constituted a major proportion of the population below the poverty line. The Sixth Five Year plan, for the first time, had made a provision of Rs. 600 crores as special central assistance to the special component plans for Scheduled Castes. This was in addition to the provision of Rs. 470 crores as special central assistance for tribal sub-plans. The introduction of special central assistance to the tribal sub-plans and to special component plans would greatly help the State Governments in executing suitable plans for these categories of population. Apart from the financial outlays provided, another significant aspect of the plan from the point of view of Scheduled Castes and Scheduled Tribes was the emphasis on reduction of poverty and enabling poor families to cross the poverty line.

The Sixth Plan enumerated the following measures separately in respect of Scheduled Castes and Scheduled Tribes:-

Development of the Scheduled Castes—Special Component Plans : All States with a substantial population of Scheduled Castes have formulated special component plans. These were being implemented speedily and also monitored regularly. To give further strength and thrust to the special component plans of the States, the Central Government introduced special central assistance to special component plans for Scheduled Castes with an allocation of Rs. 600 crores. With this amount, the States would prepare much larger and meaningful special component plans, which would have a perceptible impact on the economic conditions of the Scheduled Castes. A comprehensive approach to the problem with composite programmes had been suggested to the State Governments. The general objectives of development of Scheduled Castes were briefly :

(a) that at least 50 per cent of the Scheduled Castes families in the country are enabled to cross the poverty line in the Sixth Plan period, through comprehensive and integrated family-oriented programmes of economic development against a 10-year perspective of similarly enabling all the Scheduled Castes families;

(b) that the lag in the education levels of the Scheduled Castes is removed in the Sixth Plan period;

(c) that a significant and tangible improvement in their working and living conditions is brought about by removing the lag in various social services available to the Scheduled Castes families, and habitations and bastees, in the Sixth Plan period;

(d) that an element of human resources development, consisting of their constructive and effective organisation and training to develop social awareness and the capability for taking initiatives for, and management of, their own development, is built into every development programme and scheme;

(e) that occupational mobility of the Scheduled Castes should be specifically promoted;

(f) that middlemen-layers, which are responsible for reducing the income of self-employed producers in the primary as well as secondary sectors and even in the tertiary sector are eliminated from every economic activity; and

(g) that women and children among Scheduled Castes are given special attention in the developmental efforts.

The difficulties in implementing programmes for the poorest sections like Scheduled Castes were enormous and offered a great challenge to all those engaged in this task. What was required was a coordinated effort at the field level where all agencies both of the Government and public institutions and of the people themselves got together and adopted a team approach.

Tribal Development—Tribal Sub-Plan

The tribal sub-plan programme was introduced in 1974 with a focus on area development plans for tribals. The objectives of the tribal sub-plan programme are:

(a) raising the productivity level in the fields of agriculture, horticulture, animal husbandry, forestry, cottage, small and village industries etc. to enable 50 per cent of the families in the tribal sub-plan area living below the poverty line cross it;

(b) according education a high priority;

(c) building up the poorly-developed infrastructure in tribal areas to provide support for schemes of family-orientation indicated in (a) above say in the fields of administrative structure, cooperatives, institutional finance, irrigation, communications, etc., and

(d) Adoption of measures for preventing and ultimately eliminating exploitation of the tribal people in debt-bondage, exchange of goods (trade), money-lending, liquor-vending, payment of wages etc.

The authorities in States in charge of the twin programmes of Scheduled Castes and Scheduled Tribes, who form the bulk of the people living below the poverty line in the country had a great responsibility in implementing these programmes. If we were able to make a dent on the entrenched poverty and misery of these two groups we would have fulfilled to a great extent the objectives set forth in the Sixth Plan document.

PARTICIPANTS

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Smt. Indira Gandhi	.. .. ..	Chairman
Shri Narayan Datt Tiwari	.. .. ..	Deputy Chairman & Minister of Planning & Labour
Shri R. Venkataraman	.. .. ..	Finance Minister
Dr. M.S. Swaminathan	.. .. ..	Member
Shri Mohammad Fazal	.. .. ..	Member
Dr. Manmohan Singh	.. .. ..	Member-Secretary

STATES

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		Shri G. Raja Ram, Finance Minister
Assam	.. .. ..	Smt. Syeda Anwara Taimur, Chief Minister
		Shri K. Gogoi, Finance Minister
		Shri A.F. Golam Osmani, Minister of Public Works
Bihar	.. .. ..	Dr. Jagannath Mishra, Chief Minister
		Shri Prabhunath Singh, Minister of State for Finance
Gujarat	.. .. ..	Shri Madhavsingh Solanki, Chief Minister
		Shri Santbhai Mehta, Minister of Finance & Planning
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		Shri Thakur Bir Singh, Planning Minister
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Jammu & Kashmir	.. .. ..	Sheikh Mohammed Abdullah, Chief Minister
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		Shri M. Veerappa Moily, Minister for Finance & Tourism
		Shri C.M. Ibrahim, Minister of Planning & Welfare
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		Shri Radha Vinod Singh, Labour Minister
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		Shri S. Ramachandran, Minister for Electricity
Tripura	.. .. ..	Shri N. Chakravarty, Chief Minister
Uttar Pradesh	.. .. ..	Shri Vishwanath Pratap Singh, Chief Minister
		Shri Brahm Dutt, Minister of Finance & Planning
West Bengal	.. .. ..	Shri Jyoti Basu, Chief Minister
		Dr. Ashoka Mitra, Minister of Development, Planning and Finance

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A & N Islands	.. .. ..	Shri S.L. Sharma, Chief Commissioner
Chandigarh	.. .. ..	Shri B.S. Sarao, Chief Commissioner
Dadra & Nagar Haveli	.. .. ..	...
Delhi	.. .. ..	Shri Jagmohan, Lt. Governor
Goa, Daman & Diu	.. .. ..	Shri Pratap Singh Rane, Chief Minister

Lakshadweep	.. .. ..	Shri P.M. Nair, Administrator
Mizoram	.. .. ..	Brig. T. Sailo, Chief Minister
Pondicherry	.. .. ..	Shri D. Ramachandran, Chief Minister

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Shri C.M. Stephen	.. .. ..	Minister of Communications
Shri Kedar Pande	.. .. ..	Minister of Railways
Shri A.B.A. Ghani Khan Chaudhuri	.. .. ..	Minister of Energy
Shri Pranab Kumar Mukherjee	.. .. ..	Minister of Commerce & Steel & Mines
Shri Veerendra Patil	.. .. ..	Minister of Shipping & Transport
Shri Vasant Sathe	.. .. ..	Minister of Information & Broadcasting
Shri P.C. Sethi	.. .. ..	Minister of Petroleum, Chemicals & Fertilizers
Shri Shiv Shankar	.. .. ..	Minister of Law, Justice & Company Affairs
Shri B. Shankaranand	.. .. ..	Minister of Health and Family Welfare
Shri A.P. Sharma	.. .. ..	Minister of Tourism & Civil Aviation
Shri V.C. Shukla	.. .. ..	Minister of Civil Supplies
Shri Bhisma Narain Singh	.. .. ..	Minister of Parliamentary Affairs & Works & Housing
Shri Rao Birendra Singh	.. .. ..	Minister of Agriculture & Rural Recon-struction & Irrigation
Shri P.V. Narasimha Rao	.. .. ..	Minister of External Affairs
Shri S.B. Chavan	.. .. ..	Minister of Education & Social Welfare

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Dr. Charanjit Chanana	.. .. ..	Minister of State in the Ministry of Industry

Shri Sawai Singh Sisodia	.. .. ..	Minister of State in the Ministry of Finance
Shri Yogendra Makwana	.. .. ..	Minister of State in the Ministry of Home Affairs
Smt. Ram Dulari Sinha	.. .. ..	Minister of State in the Ministry of Labour
Shri Maganbhai Barot	.. .. ..	Deputy Minister in the Ministry of Finance

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Shri L.P. Singh	.. .. ..	Chairman, North Eastern Council
Dr. I.G. Patel	.. .. ..	Governor, Reserve Bank of India.