

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

**Five Decades of Nation Building  
(Fifty NDC Meetings)**

**Vol - IV  
(36th to 44th 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

36th Meeting of NDC .....	1
37th Meeting of NDC .....	31
38th Meeting of NDC .....	79
39th Meeting of NDC .....	145
40th Meeting of NDC .....	171
41st Meeting of NDC .....	213
42nd Meeting of NDC .....	267
43rd Meeting of NDC .....	301
44th Meeting of NDC .....	361

**THIRTY-SIXTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
MARCH 14, 1982**

**SUMMARY RECORD**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

# SUMMARY RECORD OF THE DISCUSSIONS AT THE THIRTY SIXTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON MARCH 14, 1982

---

## AGENDA & SUMMARY RECORD

---

Welcoming the Members to the meeting of the National Development Council, **Shri S. B. Chavan**, Minister of Planning expressed satisfaction at the over all progress made in the first two years of the Sixth Five Year Plan. Production of foodgrains, which had declined sharply in 1979-80, rose to 130 million tonnes in 1980-81 and was expected to reach 134 million tonnes in 1981-82. Industrial production was expected to show an increase of more than 8 per cent in 1981-82 as against 4 per cent in the preceding year. Capacity utilisation in major industries had gone up and the infrastructure showed a sustained improvement. There was a sharp decline in the rate of inflation in terms of wholesale prices. National income had increased by 7.5 per cent in 1980-81 and was likely to go up further by 4.5 per cent in 1981-82. Thus, the average growth rate for the first two years of the Sixth Plan was about 6 per cent which was higher than the annual growth rate of 5.2 per cent envisaged in the Sixth Plan.

The Planning Minister stated that full advantage should be taken of the highly encouraging economic climate that had been created. One important measure in this direction was the declaration of 1982 as the Year of Productivity. Its objective was to give a push to production all along the line and ensure more efficient and optimum utilisation of the available material and human resources to secure the best results. Efforts towards higher production and productivity had to be made at all levels and on a nation-wide scale. The available opportunities had to be critically evaluated, policy and operational constraints identified in order to remove them and time-bound programmes chalked out to achieve higher levels of production. Action at the centre was already under way. At State level also, appropriate productivity targets needed to be fixed for different sectors and suitable arrangements made to closely monitor the performance.

Another important development was the revision of the 20-Point Programme. The revised 20-Point Programme announced by the Prime Minister focussed attention on some of the important social and economic Programmes included in the Sixth Plan and sought to impart greater dynamism to these programmes. While the thrust continued to be on ameliorating the living conditions of the less-privileged sections of the population, the programme as a whole aimed at all round improvement in productivity. It constituted the core of the Sixth Plan. Union Ministers and Chief Ministers of States had already been requested by the Prime Minister to provide personal direction and guidance to ensure that the objectives of the programme were achieved and adequate arrangements made for monitoring its progress.

For the successful implementation of the revised 20-Point Programme as well as the Sixth Plan, it would be necessary both for the Central and the State Governments to mobilise financial resources in line with the contemplated investments. In view of significant cost escalations and erosion in base line resources since 1979-80, additional resource mobilisation in nominal terms of the same order as indicated in the Sixth Plan document would not be sufficient. Larger efforts at additional resource mobilisation would have to be made both by the Centre and the States. Apart from curbs on non-development expenditure, it would be necessary to secure higher generation of internal resources by public enterprises, both at the Centre as well as in the States. One of the

important reasons for the unsatisfactory state of finances in several States in the first two years of the Plan was the poor performance of State Electricity Boards, Road Transport Corporations and losses on irrigation works. It was, therefore, urgently necessary to take further measures for improving the functioning of public enterprises and their financial position.

To sustain high growth-rate under conditions of relatively stable prices, deficit financing would have to be kept within safe limits. It would be necessary to ensure that the Plan outlays were fully supported by resources and recourse to overdrafts from the Reserve Bank was avoided. The tendency to use ways and means advances, from the Reserve Bank for financing state plans had also to be avoided.

The poor implementation of the power programme constituted probably the weakest element of the Plan. Delays in supply of equipment and management deficiencies in State Electricity Boards, leading to inordinate delays in commissioning of new units, had led to a serious shortfall in the installation of new capacity in 1980-81 and 1981-82. Immediate steps needed to be taken to strengthen the organisational structure of State Electricity Boards and clothe them with adequate powers to enable them to function as autonomous bodies not only in letter but in spirit also. Attention had to be given to bringing about higher capacity utilisation in thermal plants, reducing transmission and distribution losses and having a proper hydro-thermal mix. To obtain maximum results from investments, it was necessary to concentrate on early completion of on-going projects, particularly those which were in advanced stages of execution. New Starts had to be on a selective basis.

In the light of the trend of food production upto 1981-82, much more vigorous efforts were needed to achieve the target of 149-154 million tonnes fixed for 1984-85. At the same time, every effort had to be made to maximise procurement during the rabi season in order to maintain food stocks at a reasonable level. Particular attention had to be given to the implementation of anti-poverty programmes such as the Integrated Rural Development Programme, National Rural Employment Programme and the Minimum Needs Programme. A special drive was necessary for taking over surplus land and distribution of such land on priority basis. A lot more needed to be done for promoting the family welfare programme and securing people's willing cooperation and active involvement in achieving the objectives of this programme.

**Shrimati Indira Gandhi**, Prime Minister welcomed the Chief Ministers, other members and special invitee to the National Development Council Meeting. Though many of the points to be highlighted had already been covered by the Minister of Planning, yet she wanted to emphasise some of those in order to focus attention on them. In the first two years of the Sixth Plan, an average growth rate of 6 per cent had been achieved, which was higher than the Plan target of annual growth of 5.2 per cent. Substantial progress had been recorded in sectors like power, railways, coal, petroleum, steel, etc. There was reasonable growth in agricultural production as well as in industrial production. But, in spite of these welcome improvements, continuous and vigorous efforts were still needed since the economy was highly vulnerable to fluctuations of weather and external shocks such as high import prices of sensitive commodities.

In view of the declaration of 1982 as the 'year of Productivity' Central Ministries had already initiated action to identify policy and operational constraints which affected productivity, and to fix targets for higher levels of production and productivity during 1982. The State Governments also had to take similar action, fix appropriate targets and evolve proper systems for performance monitoring. Decision making must be expedited and there should be greater delegation of financial and administrative powers, simplification of procedures, improvement in work environment and better maintenance of plants and equipment for increased capacity utilisation. Greater priority should

be given to completion of projects which were in an advanced stage of completion rather than to generation of new capacities.

The revised 20-Point Programme represented the core of the Sixth Plan. Only when it was implemented effectively, would it be possible to achieve the major Social and economic objectives of the Plan. Several objectives needed to be pursued simultaneously and there was a constraint of resources. Hence an attempt should be made to focus attention on certain priority items and minimum targets to be fulfilled in order to maintain the thrust towards rapid development, modernisation and industrialisation, along with improvement in the living conditions of the poorer and economically handicapped people and provision of suitable opportunities to them for advancement.

The Prime Minister emphasised that the National Development Council must re-affirm its determination to mobilise real resources in line with the investments needed for the Sixth Plan and the requirements of the revised 20-Point Programme. There had been a steep escalation of project costs and increase in non-Plan expenditure. Both the Centre and the States, therefore, had to mobilise much larger additional resources to finance the Sixth Plan and also to effectively implement the revised 20-Point Programme.

The achievement of Sixth Plan targets had suffered because of many States' inability to meet their additional resource mobilisation targets. There had been major shortfalls in the performance of State Electricity Boards, Road Transport Corporations and in irrigation works. It was, therefore, necessary for each State Government to work out a time-bound programme to improve the overall performance and financial position of its major public enterprises.

In agriculture, special attention was needed in areas where crop yields were lower than the national average. High priority had to be given to the production of pulses and oil seeds. In the irrigation sector, special attention had to be given to command area development programmes and land acquisition and development, specially for minor channels and water courses. In the creation of new power generation capacities, there was a substantial shortfall in the first two years, the achievement being only 68 per cent of the target. Urgent measures had to be taken to reverse this trend. The Prime Minister also emphasised the need for maximum wheat procurement during the rabi season as also the importance of increasing exports as part of the drive for self-reliance. The family planning programme had again started picking up. Most States had done well but some States had to exert more in this sphere.

There had been slippages in the Minimum Needs Programme, e.g. in regard to enrolment for elementary education, drinking water supply to problem villages, rural roads, rural electrification, houses for the rural landless and environmental improvement of urban slums. Since all children in the age group 6-14 had to be provided free and compulsory education by 1990, the intake in the schools would have to be increased. Special attention must be given to the education of girls, to backward classes and the use of non-formal education. Efforts should be made to cover the entire illiterate population of the age-group 15-35 under the adult literacy programme by 1990.

The Prime Minister suggested that items 1, 2 and 5 might be taken together for discussion, as these were inter-related.

**Shri B. Vankatrama**, Chief Minister, Andhra Pradesh observed that substantial progress had been made by the nation in all basic sectors of the economy since Independence but still harder efforts would be required to ensure a steady growth rate and accelerated progress to eradicate the threat of poverty. The instrument of the revised 20-Point Programme should be made the best use of to consolidate the economic progress already achieved and give a fillip to the developmental

programmes to make life worth living for the millions of poor people. A State level Committee constituted under his chairmanship would periodically review the progress of the Programme and apprise the Government of India of the same.

Considering the size, population and the stage of development of the state, the outlay of Rs. 3100 crores approved for its Sixth Plan was very modest. An analysis of the expenditure pattern revealed that there had been some sort of an urban slant in the implementation of the Plan programmes. A shift in emphasis in the expenditure pattern was, therefore, needed. Since the country was in the middle of the Sixth Five Year Plan, a mid-term appraisal and a mid-term correction was necessary and possible. But the corrective measures might vary from State to State.

The scope for additional resources mobilisation in Andhra Pradesh had its limitations. The State would, however, leave no stone unturned to tap additional sources to cover up the deficit, if any, in the funds required for the Minimum Needs Programme.

The State Government wholeheartedly welcomed the idea of constituting a National Water Resources Council and laying down a national water policy. It had also set up a Department of Public enterprises as well as a Bureau of Public Enterprises directly under the Chief Minister for increasing productivity. The Department would review, coordinate and direct the working of public enterprises and take action for laying down standards regarding the pattern of organisation, management methods, personnel policies, project planning, financial management and training programmes, etc. Guidelines were being evolved to link up wage increases with improvement in productivity, ensure participation of workers in management and devise suitable penalties for bad performance and incentives for increase in productivity.

**Shri K.C. Gogoi**, Chief Minister, Assam complimented the Government of India for declaring 1982 as the Year of Productivity. The State government was taking necessary steps to maximise agricultural production and proposed to give special attention to this important sector. Institutional credit facilities to growers in the State were, however, at a very low level and the participation of nationalised banks was not quite encouraging. Efforts were being made to improve the position.

In the industrial field, the strategy was to get higher productivity through better and efficient utilisation of the existing capacities and assets. An important task would be to ensure efficient management and identify policy and operational constraints so that remedial measures were taken from time to time. A constant system of monitoring would also be introduced.

On behalf of government and people of Assam, the Chief Minister extended full support to the revised 20-Point Programme and added that a Cabinet Committee had been set up under his Chairmanship to look into the proper implementation of the Programme. The targets for different items of the Programme were being fixed and a State level Official Committee would review periodically the progress in their implementation.

The Chief Minister pointed out that Assam was facing acute financial strain and the deficit at the end of 1981-82 was estimated at Rs. 98.35 crores, a substantial portion of which was on account of the additional expenditure on law and order measures because of abnormal situation in the State. The State had requested the Central government for extending necessary assistance in this regard. He also urged sympathetic consideration of the State's request for rescheduling of loans and conversion of certain amounts of loans into grants to enable it to tide over the difficulties.

The Chief Minister stated that the allocation for the Annual Plan of Assam for 1982-83 was inadequate and fell short of the requirements in certain key sectors like communications, rural



electrification and irrigation. He also pointed out that the task force set up by the Central government on the downstream industries of BRPL products at Bongaigaon envisaged investment of the order of Rs. 500 crores. Apart from institutional finance, considerable financial assistance from the Central government would be necessary for these projects, which had very high employment potential.

The Chief Minister, further pointed out that the Plan outlay for the State for the Sixth Plan was extremely inadequate compared to the developmental needs of the State. He added that resource constraint should not be allowed to stand in the way of planned development. He also requested for a favourable decision on the State's pending request for revision of the rates of oil royalty. Besides, he emphasised the need for construction of rail-cum-road bridge at Jogighopa and suggested that proposed bridge at Silghat should be a rail-cum-road bridge. While considering the extension of broad-gauge railway line beyond Gauhati to upper Assam, the linking up of main places of administrative and commercial importance should also be kept in view. He added that the improvement of telecommunications in Assam and in the North-Eastern region as a whole was another sphere where assistance of the Central Government was needed most.

**Dr. Jagannath Mishra**, Chief Minister, Bihar Stated that the meeting of the Council was taking place at a very opportune time. Expressing satisfaction at the performance of the economy in the last two years, he said, that the declaration of 1982 as the Year of Productivity and announcement of the revised 20-Point Programme were steps in the right direction.

Regarding productivity, he said that Bihar was expecting a record agricultural production in 1981-82. Although the State had a large potential in agriculture, it was facing certain constraints. The foremost constraint was capital and he suggested that small and marginal farmers should be given subsidies in respect of fertilisers, pesticides and improved seeds in addition to the existing subsidies for minor irrigation, etc. Sufficient investment should be made at the national level in research and development. Consolidation of land holdings should be speeded up and enough financial help should be given to landless people who are allotted surplus land. In view of limited resources of the State, additional financial assistance to the allottees of surplus land should be provided from the Central sector Plan during the year of productivity.

In view of adequate availability of coal and iron in the State, the Chief Minister suggested setting up of some projects in his State based on these minerals. This would save transportation costs in the case of coal and iron and would also ease the strain on transport services. The main thrust of the revised 20-Point Programme was on rural development and the programmes relating to scheduled castes and scheduled tribes. All these programmes were dependent on assistance banks and Bihar was not getting such assistance on an adequate scale. More bank branches should be opened in Bihar. There were delays in the disposal of applications by banks and this hampered timely completion of development works and led to non-utilisation of assistance received from the Government of India. The Chief Minister, therefore, felt that it was necessary to give greater attention to the functioning of banks. Committees had been formed at State, district and block levels to ensure effective implementation of the 20-Point Programme.

The Chief Minister stated that the additional resource mobilisation measures already taken by Bihar would yield Rs. 691 crores during the Sixth Plan period against the Plan target of Rs. 600 crores. The administration was also being streamlined for achieving the Plan targets. In this connection, he requested that market borrowings and Central assistance Bihar should be suitably distributed, taking into account the weak economic base of States like Bihar. The State should

also get a larger proportion of bank funds and credit deposit ratio in Bihar should be raised, since it was below the level envisaged in the Reserve Bank guidelines.

**Shri Madhav Singh Solanki**, Chief Minister, Gujarat made some general observations at the outset. He said that delays in taking decisions had resulted in cost escalation. Certain lacunae in import policy had resulted in under-utilisation of indigenous capacity. Emphasising the need for giving top most priority to power generation, he stated that, if necessary, power generation equipment should be imported from abroad. He also suggested construction of a Coal Slurry Pipeline to provide for hydraulic transportation of coal to power stations in Gujarat. Besides, he felt that the formula for sharing of power from the super thermal stations needed modification to do justice to States like Gujarat which were located far away from coal fields and were also deficient in hydel resources.

The Chief Minister indicated the steps taken by the State Government to increase productivity in various sectors of development. In this connection, he drew attention to the need for announcing early the support price for cotton. He also suggested that the State should be treated as two zones for purposes of fixing levy price for sugar, one consisting of south Gujarat and the other of Saurashtra and Central Gujarat, in view of the differential cost of production of sugarcane in these zones.

The procedures for clearance of irrigation projects under the Central Government's new forest policy needed to be simplified and local committees of ecologists and experts might be empowered to settle many of the issues locally. Steps were being taken to develop renewable sources of energy and also for conservation of energy. In the industrial sector, a beginning had been made to link wages to productivity through agreements between managements and trade unions. It was also proposed to simplify and streamline the procedures relating to settlement of labour disputes. In this context, the Chief Minister referred to the practice in Japan, where protest was resorted to by labour without affecting production. He desired that such practices should be emulated by labour unions in India also.

Several steps had been taken to implement the revised 20-Point Programme. The State Government had also introduced family booklets to enable monitoring of the economic and social benefits derived by the families assisted under the Integrated Rural Development Programme.

The Chief Minister suggested enhancement of the provision for Vadinar port which was of great importance for the development of the Saurashtra region and its linking by rail. In regard to family planning, the State had done well and the achievement in respect of sterilisation was likely to exceed the target.

Reference was made to one of the innovative programmes, known as 'project Linkage', started in the State in 1981-82. Under this programme, the benefits of industrial development in terms of jobs, incomes and skills percolated to the rural population in the surrounding villages. The successful implementation of the programme was expected to stop migration of labour from villages to cities and thereby reduce overcrowding in cities.

To increase States' resources, the chief Minister suggested enactment of the Constitutional Amendment Bill to enable levy of tax on consignment of goods in the course of inter-State trade or commerce and proper increase in the quantum of the grants-in-lieu of tax on railway passenger fares. Further, he suggested that the share of market borrowings of the states should be in the same ratio as that of the total Plan outlay of States to the total Plan outlay of the Centre.

**Shri Bhajan Lal**, Chief Minister, Haryana stated that declaration of 1982 as the Year of Productivity would be very helpful for the advancement of the country. Haryana had tried its best to increase the capacity of electricity generation and all the villages in Haryana had been electrified. Utilisation of thermal capacity had been raised from 33 per cent to 50 per cent. In the case of medium irrigation, the targets laid down by the Planning Commission were expected to be exceeded.

In agriculture, the production in 1981-82 was likely to fall short of the targets due to drought and hail storms. Even then, the production in absolute terms would be higher than last year. All efforts were being made to augment production in other sectors.

As regards 20-Point Programme, the Chief Minister informed that the motto of “Shramaeva Jayate” had been adopted in Haryana and was being given wide publicity. The various development programmes were being pursued vigorously. A scheme of crop insurance had also been started. Under the Integrated Rural Development Programme, the beneficiaries belonging to Scheduled Castes were 66 per cent of the total as against the national norm of 30 per cent.

The Chief Minister stated that paucity of funds was coming in the way of the new power generation schemes. He suggested, therefore, that a Power Finance Corporation should be established to provide loans for new power generation schemes. He Supported the proposal for setting up a National Water Resources Council, but suggested that all chief Minister should be its members.

The Chief Minister stated that the State Government was making all efforts for mobilising additional resources, but it had run into an overdraft, mainly due to an opening deficit of Rs. 45 crores in 1981-82. He pointed out that the increase in the prices of coal and petroleum products increased the cost of Plan schemes and an additional loan might be given to the States for one year to meet this increase in costs. On its part, the State government was making full efforts for mobilising rural and other savings, specially of longer duration.

**Shri Ram Lal**, Chief Minister, Himachal Pradesh Indicated that the State had already taken action to improve the functioning of the State Electricity Board and Road Transport Corporation. In all, there were 14 public undertakings in the State. Their profit was proposed to be increased from the existing level of 3 per cent to 5 per cent by the end of the Sixth Plan as envisaged in the Plan.

The Chief Minister observed that, due to implementation of the 20-Point Programme in the past, the percentage of poor and the weaker sections of the society had been reduced to 28 per cent in the State, which is lower than the national average. Stipends to all primary school children belonging to economically weak families were being provided. The State government would implement the revised 20-Point Programme very enthusiastically. In this direction, some of the targets had already been revised upwards, e.g. those for oilseeds, pulses, afforestation, drinking water supply, rural electrification, etc. With regard to family planning, the State had already reached the national target of protecting 36.2 per cent couples by 1984-85 in 1981-82 itself. For sterilisation, the target had been increased from 15,000 to 30,000.

Regarding hydel generation, the State had already entered into bilateral agreements with Punjab and Haryana and a similar understanding was being achieved in the case of Rajasthan. However, the difficulties of the States where electricity is generated had to be appreciated, their consent obtained, area development plans prepared and arrangements made for the displaced persons.

The State expected to close the year 1981-82 with an overdraft of Rs. 10 crores, due to large disbursements on account of drought and hailstorm assistance, lower recovery from the U.P. State Electricity Board for sale of power etc.

**Shri D.D. Thakur**, Finance Minister, Jammu & Kashmir regretted that his Chief Minister could not attend the meeting because of ill health. He congratulated the Chairman for enlarging the scope of discussion of the National Development Council by including items of importance other than developmental planning. As for the resources position and Plan implementation in Jammu & Kashmir, he was confident that the target of additional resource mobilisation fixed for the State for the Sixth Plan would be achieved. He pointed out that Jammu & Kashmir had the highest tax incidence per capita although per capita income was much lower than in States like Punjab and Haryana. He requested the Finance Ministry to evolve a uniform formula about the tax burden which each State could absorb and which, for guidance of the States, could be used for purposes of additional taxation. He also raised the question of grant of overdraft facility to Jammu & Kashmir as in the case of other States.

Regarding the revised 20-Point Programme, the Finance Minister pointed out that the documents circulated for the meeting implied some additional outlays for it. He suggested that some extra Central assistance may be allocated for the execution of the programme and, if necessary, the States should be asked to provide some matching funds.

The State Finance Minister also suggested amendment of Article 226 of the Constitution to remove obstacles in the way of speedy implementation of land reforms. He agreed with the Gujarat Chief Minister that inordinate delay in decision making led to escalation of project costs. The Dulaki project in Jammu & Kashmir was a case in point. He suggested that some sort of coordination committees at various levels should be created to ensure speedy clearance of projects. He also stated that the formula for sharing of generation from Dulaki project needed review and reconsideration.

Regarding the public sector undertakings, the Finance Minister indicated that the targets fixed for them for 1981-82 were expected to be realised. He also suggested that a suitable formula be evolved for equitable distribution among the States of (a) public sector investment and (b) foreign assistance available from the World Bank/IDA or bilateral sources. Besides, he suggested allocation of additional funds for generation of hydel power in the State.

**Shri Jyoti Basu**, Chief Minister, West Bengal observed that important issues like external aid, bilateral commitments, limits to money supply or budgetary deficits etc. should also be discussed by the National Development Council. He expressed his unhappiness over the fact that the Union Government did not consider it fit to convene a meeting of the Council to discuss these issues. Regarding the first agenda item, namely declaration of 1982 as the Year of Productivity, the Chief Minister stated that a proper atmosphere conducive to increase in productivity should be created and the genuine grievances of working class attended to. Workers must be restored of their legitimate trade union rights. Farmers must be assured of remunerative prices and agricultural workers assured of substantial improvement in wages.

Regarding the revised 20-Point Programme. The Chief Minister stated that the State government had also chalked out a 36-Point Programme to be implemented in the State and in so far as there was no conflict between the two programmes, there would be no lack of cooperation from the State Government. He further stated that, within the ambit of its power and resources, the State Government had taken up a number of far reaching measures, transforming the conditions

of the poor, including those belonging to the Scheduled Castes, Scheduled Tribes and minority communities, through a decentralised system of administration. In this context, he referred to the decision taken by the Central Government to drastically cut the supply of foodgrains earmarked for the Food for Work Programme. While appreciating the Central Government's decision from the point of view of lesser availability of foodgrains, the Chief Minister stated that social justice demanded that the poorest should have first priority on consumption. In the field of land reforms, the State Government had taken several steps, including the distribution of surplus land. However an amendment to the State's land Reforms Act intended to facilitate seizure of concealed land, was pending with the Union Government for the President's assent. Besides, the floating of bearer bonds had caused a set-back to effectively dealing with anti-social elements like smugglers, hoarders and tax evaders.

The Chief Minister stated that developmental programmes should be time bound and various deficiencies removed. He thanked the Chief Minister of U.P. and Bihar for rendering assistance to West Bengal in the supply of industrial alcohol. He also felt that the Planning Commission should act as a counsellor as much for the States as for the centre and should offer to all the States its considered views on how to reduce the burden of poverty, eliminate scarcities in particular directions, narrow income inequalities between classes and regions, solve the problem of resource raising etc. In practice, the States received little or no guidelines from the Commission on such specific problems.

The Chief Minister pointed out that the principal underlying reason for the country's tardy development was the existing political-economic structure, which precluded any meaningful redistribution of assets and thus prevented the growth of an effective domestic market. He stated that even on the basis of the existing system, there could have been quicker growth and inter-regional disparities could have been less, were a more decentralised modality of resource-raising and economic decision making pursued. Under the existing system of relations between the Centre and States, the latter had been reduced to the position of total helplessness in the matter of resource mobilisation. In this context, he regretted the proposal of the Centre to transfer some more items from the jurisdiction of sales tax to additional excise duties. Further, he stated that raising of the prices of important commodities like steel, coal, petroleum etc. had deprived the States of their share of revenues which would have accrued if the price increase was through an increase in excise duties. The share of the States in market borrowings had also been reduced. The Chief Minister wanted the Planning Commission to analyse the problems arising out of the blanket restriction on taxation of declared goods or export goods whose incidence was uneven as between different States. The proposal to fix royalty for coal and other minerals on ad valorem basis was not acceptable to the Centre. Besides, the Centre had made little use of the provisions of Article 269 of the constitution for levy and collecting of certain taxes and duties, the proceeds of which were to be transferred in full to the States. Referring to the issue of overdrafts, the Chief Minister stated that it would not be desirable to reduce the size of the State Plan to the extent of its overdraft as it would hamper development.

Concluding the speech, the Chief Minister stated that some further thought should be given in regard to the responsibilities, functions and powers of the National Development Council and the Planning Commission.

**Shri Vishwanath Pratap Singh**, Chief Minister, Uttar Pradesh stated that the economy of the State had improved considerably during the last two years in all the fields, notably foodgrains, oilseeds, sugar, vanaspati, cement, cotton textiles, etc. and he was hopeful of achieving an annual growth target of 6 per cent during the Sixth Plan. Highest priority had been given to maximisation

of power generation. An effective system of monitoring had been developed and the out-put of all the thermal and hydel stations was reviewed daily by the Minister-in-charge and the Chief Minister. The plant load factor was expected to increase to 45 per cent in 1982-83 and efforts would be made to improve it further. The power cut on industry had been reduced from 50% to 33<sup>1</sup>/<sub>3</sub>%. The cut on fertilizers, cement and BHEL had been completely lifted and rural areas were supplied energy on an average for 9 hours per day against the schedule of 5 hours per day. The State was facing some problem regarding allocation of resources, quality of coal and railway transport. Due to financial constraint, no new generation projects were taken up in the current year, nor would the State be able to do so next year.

Priority had also been given to the irrigation sector. Special attention was being paid to State tubewells and effective measures were being taken through command area development for improving utilisation of the existing potential.

The State government had given a new direction to industrial development by constituting a High-Powered Committee and an Udyog Bandhu which acted as effective vehicles for one window concept. The Committee's meetings were presided over by the Chief Minister and were held every month. It took on-the-spot decisions regarding various facilities needed by entrepreneurs.

Welcoming the declaration of 1982 as the year of productivity, he said higher productivity could be achieved with better and more scientific management of available resources. The State was examining the targets of 1982-83 and exploring possibilities of increasing them. In order to constantly review the achievement of the targets and remove bottlenecks, Committees had been formed at the Chief Minister level and Chief Secretary level.

The Chief Minister stated that the State Government had earmarked 30% of the State Plan outlay for 1982-83 for schemes and activities of local importance. To ensure people's participation in Plan implementation, district committees representing officials and non-officials had been authorised to approve schemes and outlays for them within their respective spheres. Each division in the State had been placed under the charge of a Minister who had also been made ex-officio President of the District Committees. Apart from formulating District Plans, the District Committees were also empowered to review and monitor the implementation of various schemes and programmes, whether forming part of the District sector or the State sector, and to recommend necessary measures, including reappropriation of funds within the District sector schemes. The Committees had successfully formulated the 1982-83 district plans within the given time.

Highest importance was being attached to continuous monitoring of the financial and physical progress in various sectors. Apart from periodical monitoring at the levels of Secretaries and Chief Secretary, the cabinet also reviewed the progress in critical sectors in great depth. A roaster had also been drawn up for monitoring progress in important sectors at Chief Minister's level.

The Chief Minister said that the State was observing strict financial discipline and did not have any overdraft. The state Government was also committed to realising the additional resources mobilisation target for the sixth plan.

The revised 20-point programme was being implemented by the State in right earnest. The states and district level committees were meeting regularly to review the progress made in the implementation of the programme.

**Shri R. Gundu Rao**, Chief Minister, Karnataka stated that, as pointed out by the Gujarat Chief Minister, the Plan programmes were delayed due to lack of quick decisions. The present

system of administrative responsibility, therefore, needed to be looked into. A special committee might be constituted for this purpose. The Chief Minister agreed that the prime need of the hour was to increase production on all fronts and, consequently, the stress placed on observing 1982 as the productivity Year was fully justified. A number of steps were being taken in the state to increase production. He agreed that while labour interests should be protected, this should not be at the cost of production. If necessary, a separate conference of Chief Ministers could be convened to look into this matter. He also urged that large forest areas, which were very valuable to the ecological system, should not be allowed to be submerged due to construction of hydel projects. The operation of thermal plants should not be hampered by shortage of coal and other bottlenecks.

The Chief Minister extended full support to the new 20-point programme and added that it rightly stressed the need to pay special attention to the problems of the weaker sections and the task of achieving rapid rural development. The state government aimed inter-alia at ensuring that by the end of the sixth plan, there was no family without a house-site in the rural areas and all villages had electricity and drinking water supply. Besides, Karnataka had always attached the highest importance to the welfare of Scheduled Castes and Scheduled Tribes.

The Chief Minister indicated that the finances of the State Government were in a sound condition and it would honour its commitment of closing the year 1981-82 without any deficit. In fact, the state Government did not favour the tendency to run into overdrafts with the Reserve Bank. Steps had been taken to tone up the working of the State Electricity Board. The Road Transport Corporation had also taken up the question of efficient fleet management. An excellent performance was anticipated in regard to small savings during 1982-83. On the whole, the State Government was hopeful of achieving the financial and physical targets of the sixth plan. A system of periodical review of plan performance as well as of the progress under the 20-point programme had been established. The state had also achieved success in block level planning and substantial decentralisation of power.

**Shri Pranab Mukherjee**, Union Finance Minister intervening in the proceedings, reacted to some of the suggestions made by the Chief Ministers. While he agreed with the best Bengal Chief Minister that the involvement of the entire working force was necessary for making the year of Productivity a success, he did not think that such involvement was lacking. The Finance Minister stated that the spectacular economic performance of the last two years could not have been possible without the involvement and active cooperation of workers. While there was need for creating additional capacities, it was all the more necessary to utilise the existing capacities fully in the year of productivity. Even in the irrigation sector, there was substantial under-utilisation of the potential. Full attention had not been paid to proper and adequate maintenance of the irrigation system which had been created at a great cost. Emphasis had to be placed on fuller utilisation of the facilities and ensuring timely and equitable distribution of water. Regarding the huge losses in irrigation, he suggested that water rates should be suitably enhanced to cover at least the working expenses. Schemes under the command area development programme should be implemented fully and no diversion of funds allowed therefrom.

The increasing demand for power could be met, if, in addition to creating new capacity, fuller utilisation of existing capacity was also achieved. The implementation of schemes relating to new generation projects and transmission system should be speeded up and the cost of execution minimised. Besides, the transmission and distribution losses and pilferage of power should be minimised.

The operations of Road Transport Corporations and State Electricity Boards should be streamlined and modalities to improve their functioning worked out to plug loopholes and cut down losses. There should be a two-way approach, viz. of reducing non-plan expenditure and raising additional resources in order to bridge the gaps.

Higher allocation had been made for the items covered by the 20-point programme. However, more than the financial allocation, what was needed for the success of the programme was the involvement of people. In spite of the West Bengal Government's 36-point programme, there was little of people's involvement in that programme. The Central Government's earlier 20-point programme had also made a positive contribution. As for strict action against smugglers, foreign exchange racketeers and against the generation of black money, the problem was a huge one and it required time and patience to solve the problem in its entirety.

The Finance Minister expressed concern over the mounting overdrafts of the states and cautioned that this could give a new lease to inflation, leading to deleterious effects on the Plan. He emphasised the need for strict fiscal discipline and urged the states to confine their expenditure to available resources. Any continuance of resort to overdrafts by the States might necessitate certain decisions at the Central level. In this context, he suggested that the States might undertake reappraisal of all on-going schemes in the various sectors with a view to withdrawing/diverting funds from schemes having longer gestation periods and investing the same in priority schemes. To improve resources, it was necessary to tone up the tax collection machinery, undertake a vigorous drive to collect arrears of revenue and loans, avoid non-essential items of expenditure and ensure better performance of public undertakings.

Referring to the impact of revision of pay etc., he suggested that some arrangement should be evolved for consultation between the Centre and the States before any general pay revisions with large repercussions were undertaken.

As for the Bihar Chief Minister's suggestion for greater involvement of banks, the Union Finance Minister said that the Reserve Bank had appointed a small group to identify the areas under the 20-Point Programme where banks could help directly or indirectly. Regarding import policy, he pointed out that it was reasonably flexible and the indigenous manufacturers should not be allowed to take undue advantage of sheltered market by increasing prices of their products. Reacting to the reference to IMF loan, he stated that it was a simple case of an agreement for enabling the country to effect structural adjustments in face of steep increase in oil prices. As for its conditions, there was no question of making departures from the country's policies.

The Union Finance Minister pointed out that the next Finance Commission would look into the question of devolution of funds to the States. However, if the Centre was to provide larger resources to the States, there ought to be certain sources from which it could raise funds. Therefore, suggestions as those for equal share to States in market borrowings, larger share in Central taxes etc. were not practicable.

**Shri K. Karunakaran**, Chief Minister, Kerala said that the declaration of 1982 as the "Year of Productivity" and announcement of the new 20-Point Programme would accelerate development activities in specified areas. The results of the new 20-Point Programme would be as rewarding as those of the earlier 20-Point Programme. Land reforms had been implemented effectively in the state since 1970. Due attention was being given to other items of the 20-Point Programme. In regard to Scheduled Castes and Scheduled Tribes, special steps had been taken by the Government of Kerala to prepare district-wise medium term plans for their advancement.



The Chief Minister suggested replanting of old and sick coconut plantations and complete ban on import of copra and coconut oil to help improve productivity and production of coconut. He requested financial support from the Central Government for undertaking replantations on massive scale. He also emphasised the need for remunerative and steady prices for plantation crops and suggested creation of a Price Stabilisation Fund for this purpose. The public distribution system in the State could become more effective if special credit facilities were given to the State Civil Supplies Corporation.

The State Government had created a coordinating agency to review the functioning of public sector undertakings. A review had also been undertaken in order to reduce the number of such undertakings. High priority was being given to the maintenance of proper law and order situation. In this background, the Chief Minister hoped that the industries and entrepreneurs would confidently invest in Kerala to utilise the highly intelligent and skilled manpower and the favourable infrastructure for increasing production.

Regarding plan performance and resource mobilisation, Kerala had generally done well in the past. The State had, however, some difficulty in obtaining for 1982-83 a Plan outlay higher than that for 1981-82, mainly on account of financial constraint. Some programmes were being renewed with a view to streamlining procedures and minimising costs. Steps were being taken to raise additional resources by reviewing the working of the State Electricity Board and Transport Corporation and improving their performance levels. Central Assistance for the State Plan was, however, going down due to change in the Gadgil formula and the decision to distribute additional market borrowings only to states with per capita income less than the national average. He, therefore, suggested a review of the pattern of Central assistance.

**Shri D. Ramachandran**, Chief Minister, Pondicherry reiterated some of the important points he had made in the last National Development Council meeting held in February, 1981 viz. those relating to greater delegation of powers to Union Territories in the sanctioning and implementation of Plan schemes and communication of the allocations for Centrally sponsored schemes well in time. He was very happy that the Planning Commission had agreed to increase the allocation of funds in the Annual Plan for 1981-82 as well as for the next year's Plan. The people of Pondicherry were anxiously awaiting the promised thermal power plant, Central University and also the proposed air strip. The Chief Minister suggested that the Union Territory Administrations should be given power to extend such concessions to farmers as might be necessary and adequate budget provision should be allowed to them to cover the loss caused by the write-off of interest and penal interest due to cooperative institutions and to extend financial assistance to cooperatives which rescheduled loans as per Government's decision. He further requested that the Union Territory employees should also be covered by the revised Central Government Group Insurance Scheme.

The year 1982 had rightly been declared as Productivity Year and the Pondicherry Administration had already issued necessary instructions to all functionaries. In this connection, he requested that the Central Ministries may expedite clearance of the proposals received from the Union Territory. The Chief Minister stated that the Territory would leave no stone unturned for the speedy and successful implementation of the new 20-Point Programme. A monitoring Cell had been set up under the direct control of the Chief Secretary to take corrective measures in time. The Administration was also actively considering the scope for involving local communities in the formulation as well as implementation of local developmental works, which fell under the purview of the 20-Point Programme. Special attention would be given to involving women and youth.

The Chief Minister stated that the Administration would maintain the tempo of additional resource mobilisation and explore all possible avenues for maximising resource mobilisation. In 1980-81, the performance in regard to Plan expenditure was 99.26%, which was the highest recorded so far. Adequate measures had also been taken to ensure satisfactory flow of benefits under Plan schemes to the Scheduled Castes and other weaker sections.

**Shri Nripen Chakraborty**, Chief Minister, Tripura pointed out that the constant rise in prices had eroded the content of development and the economic and fiscal policies of the Centre were furthering this course. The unequal and uneven development in the country had been buttressed by the incorrect national policies and weaker states like Tripura had to pay a heavy price in this respect.

The Chief Minister was critical of the Agenda. In his view, Plan implementation should have been the core of the Agenda. According to him, the revised 20-Point Programme contained very little new. It lacked coherence and did not have any in-built strategy. Besides it did not attach importance to the involvement of people. In Tripura, the Government had set up Tribal Autonomous District Council for self-government of the tribal compact areas in the State.

As for the declaration of 1982 as the Year of Productivity there could be no difference of opinion on the need to increase productivity. But productivity could not be reduced to a function of technology or to a list of bureaucratic programmes. The very process of production should be made human. There could be no increase in productivity, unless the real producers, the workers, the peasants, the labour, the scheduled castes and scheduled tribes and the large mass of the people were released from the exploitative relationships and were enabled to give expression to their labour power. But the position was that bonded labour existed in the agricultural field as well, minimum wages legislations were not implemented and a host of middle men, hoarders and unscrupulous traders appropriated a major part of the benefits of production.

The Chief Minister referred to the cut-back on the employment programmes due to the switch over from the Food for Work to National Rural Employment Programme, which, in his view, was a retrograde step. He hoped that the Government of India would have fresh thinking on this and restore the scope and content of the original programme.

He mentioned that the virtual geographical isolation of Tripura affected every aspect of the life of the people. Since the people were poor, the strategy of development included orientation of all planned programmes to serve the interests of the poorer sections, elimination of exploitative relationships, progressive substitution of intermediaries by institutional agencies, rapid expansion of social services facilities and a close and continuous involvement of people and domestic institutions at all levels.

He concluded by saying that Tripura had very little scope for resource mobilisation and the terms of the next Finance Commission should be such as to enable it to provide adequate funds to states like Tripura.

**Shri V.R. Nedunchazhian**, Finance Minister, Tamil Nadu conveyed the greetings of his Chief Minister and an assurance on his behalf that the Government of Tamil Nadu would most enthusiastically implement all the schemes drawn up for the progress of the national economy, particularly the revised 20-Point Programme. He mentioned that the load factor in power stations in Tamil Nadu had been raised and it was proposed to increase it further by replacing obsolete plant equipment. The losses in transmission had also been brought down. He requested early

clearance of the schemes pending with the Energy Ministry. He also suggested greater delegation of powers to the states in regard to clearance of schemes under the Forest Conservation Act, 1980. The major factors for the sad plight of the State Electricity Board were the increase in the prices of coal and oil, in railway freight rates and in the cost of power purchased from other States. He suggested that the States should be consulted before raising the prices of coal, petroleum etc. Besides, national guidelines should be laid down in regard to the prices to be charged in inter-state transactions for sale of energy.

Regarding productivity, the Finance Minister said that, because of the steps taken by the State Government, especially the introduction of training and visit system of agricultural extension, great progress had been achieved in the field of agriculture. This was particularly so in the case of rice, pulses and oilseeds. Regarding forestry, the Minister stated that there was a decline in revenue from forests as a result of the ban on export of sandalwood oil. He requested that the ban might be removed as export of sandalwood oil would neither affect the internal market nor be detrimental to the conservation of forests.

The Finance Minister highlighted the steps taken by the State Government to implement the revised 20-Point Programme. In regard to enrolment in primary education, the State had already achieved the all-India target fixed for 1984-85 in respect of children in the age group 6-11 and far exceeded the target for the age group 11-14. With regard to adult education, he suggested revival of the scheme of financial assistance to voluntary agencies.

As regards additional resource mobilisation, the State Government was confident of achieving the target fixed for it. But he suggested that the state should be compensated for the erosion of its resources due to the revision of the prices of coal and petroleum products, which yielded additional revenue to the Centre. He was against distribution of part of Central assistance on the basis of per capita income and suggested that the formula might be modified to benefit all the States or an ad hoc assistance might be given to the States. He also urged the Centre to make up for the shortfall in loans from institutions like LIC or to increase the State's share in small savings. Besides, he requested a larger allocation of market borrowings. He also suggested necessary constitutional amendment to empower the States to levy sales tax on certain transactions like consignment transfers etc. The Centre should also make greater use of the powers under article 269 of the Constitution, so that additional resources become available for the Plans of the States. Besides, the corporation tax should form part of the divisible pool and this matter should be included in the terms of reference of the Eighth Finance Commission.

**Shri Arjun Singh**, Chief Minister, Madhya Pradesh mentioned that the agenda papers referred to the necessity for increasing fertilizer input in agriculture and, in this connection, suggested that the margin allowed for distributive costs should be adequately raised so as to enable the States to stock fertilizers at interior centres well in advance of the season. Emphasising the need for price support policy for oilseeds, he pointed out that the production of soyabean in Madhya Pradesh was fast increasing and suggested that finance for its procurement should be made available at concessional rate. In the irrigation sector, the State had a rich potential but after honouring all commitments under the river water agreements, very little was left for irrigation within the State. In this context, he suggested that some financing procedure should be evolved for schemes like the Narbada Project which involved more than one State. The utilisation of irrigation capacity in the State had gone up to 70% and a separate Department had been set up for command area development.

Regarding productivity in the industrial sector, the Chief Minister stated that there was the problem of under-utilisation of capacity in the small-scale sector. A new organisation had been evolved which dealt with raw materials, marketing and financing in the case of small-scale industries. He suggested that the ancillary industries, set up around the major public sector undertakings located in the State, should be absorbed by the latter. He also suggested laying down of adequate railway lines. As for power, as much as 41% of the Plan outlay was being allocated for this sector. Still the outlay fell short of the needs and this matter required careful consideration.

The State Government had constituted people's committees at the State, District and Revenue Inspector Circle levels to facilitate the implementation of the revised 20-Point Programme. These committees had been given statutory powers for allotment of agricultural land, house sites and settlement of encroachments on Government land. Besides these committees were actively associated in the implementation of other items of the programme such as identification of beneficiaries under the Integrated Rural Development Programme, distribution of surplus land to the rural poor etc. A separate Department to monitor the implementation of the Programme had been set up and, in the 1981-82 budget 40% of the allocation had been given to the points covered by the 20-Point Programme. Also, the Tribal Sub-Plan was being implemented with great vigour. However, the attitude of nationalised banks in providing financial assistance to programmes like IRDP, Tribal Sub-Plan etc. was not very helpful. Regarding NREP programme, the Chief Minister stated that the funds allotted to the State were on the low side.

The Chief Minister indicated that the main cause of the State's overdraft was the huge expenditure on drought relief and suggested that there should be an in-depth study of conditions where states were raising resources and yet they were not able to meet their needs. In this connection, he suggested liberalisation of the pattern of financing the Centrally sponsored schemes. The royalties on major minerals like coal and iron ore could also be raised substantially. Besides, in the case of externally aided projects, the full amount received from foreign sources should be passed on to the states at the same concessional interest rate at which the external assistance was received. The ways and means advances in agriculture should also be increased. The imbalance in the distribution of Central assistance should also be removed.

**Shri Balasaheb Anantrao Bhonsale**, Chief Minister, Maharashtra extended full support to the new 20-Point Programme formulated by the Prime Minister. He proposed to orient the State's entire administration for implementing the programme in a spirit of commitment and dedication. He said that a Cabinet Sub-Committee under his Chairmanship, an Administrative Committee under the Chairmanship of Chief Secretary, a Departmental Committee under the Chairmanship of the concerned Minister and district and taluka committees for involving people's participation were proposed to be set up. The state Government would send to the Government of India periodical reports on the programme.

There was a progressive rise in the production of food grains in the State. During 1980-81, the State Government had succeeded in bringing 1.22 lakh hectares of land under hot weather groundnut cultivation against the target of 40,000 hectares and if the Government of India extended the same facilities to Maharashtra as it has done for Gujarat, the achievement would be even more significant. Further, if production of safflower was permitted to be undertaken in the State under the Centrally sponsored programme, a remarkable step up in the production of vegetable oil seeds could be achieved. In the sphere of power, it was necessary for the Bharat Heavy Electricals to ensure maintenance of quality and adherence to delivery schedules.

Considerable progress was being made in various fields. In regard to family planning, the State was way ahead of other States. The State Government was contemplating various incentives for those who accepted the limit of families to 2 children and disincentives for those who did not accept this norm. The public distribution system in the state was working satisfactorily. The State Government was embarking on a State-wide census to identify families below the poverty line and use it as a base for the formulation of anti-poverty programmes. A massive programme of horticulture, reclamation and cultivation of kharlands and social forestry had been taken up. An outlay of Rs. 261 crores or nearly 20% of the total outlay on the State Plan, had been earmarked for programmes benefiting weaker sections of the rural and urban population. The State Government proposed to implement a sustained campaign for increasing productivity in every sphere of development. This would include optimisation of performance of the administrative machinery and also inculcating of the spirit of accountability for the performance and results. The Government would devise a machinery to review the working of each sector of the economy and to ensure that a passion for productivity infused the activities of the workers in farms, factories and offices.

The State expected to implement a Plan of Rs. 1363 crores in 1982-83 and the gap in resources was proposed to be made up by additional resource mobilisation, strict discipline, sustained drive for the recovery of Government dues, revision of lease rates and service charges, mobilisation of institutional finance and effective campaign for significant economy in non-developmental expenditure. The target of additional resource mobilisation for the Sixth Plan was expected to be achieved. Utmost emphasis would be placed on the review of the operations of public sector enterprises, not only with a view to ensuring their economic and efficient functioning but also for adopting realistic price policies, so that the returns on investment were optimised. In regard to small savings, Maharashtra had been first among the states in the last two years and it would continue its endeavour to maximise investments in this sphere.

**Shri Rishang Keishing**, Chief Minister, Manipur stated that the declaration of 1982 as the year of productivity would improve performance in all walks of life. Quick decision making was an essential prerequisite to enhancing productivity and improving the quality of life of the people. The State Government's stress would be on rationalising the administrative structure and minimising the administrative levels involved in decision making, The State was committed to raise total power generation by 20%, to extend assured irrigation to 29,000 hectares and to increase rice cultivation by 32.7%. Besides, it had ambitious plans to increase productivity in sectors like fisheries, forestry, horticulture, soil conservation. Special emphasis would also be placed on the development of human resources and generation of more employment.

The Chief Minister extended full support to the new 20-Point Programme enunciated by the Prime Minister. The paramount task of the State Government was to gear up the machinery to implement the programme. The State had already constituted two monitoring groups, one at the ministerial level and the other at administrative level and added that areas of action and functional strategies had already been worked out.

The Chief Minister stated that the implementation of Plan schemes was proceeding satisfactorily despite the fact that sporadic violent activities had somewhat retarded their pace. He referred to the progress made in the fields of food production, area brought under permanent cultivation, establishment of tea, coffee and rubber plantations and the area brought under afforestation. The State's target during the Sixth Plan was to have 100% literacy in 6-11 age group and 73% in 11-14 age group.

The Chief Minister stated that the State's over draft was largely attributable to the high cost of transporting essential commodities and materials for infrastructural development. The position was likely to improve when the State Government got the reimbursement of Rs. 3.37 crores from the Central Government on account of the National Highway and BRTF. He requested the Central Government to provide some immediate relief and examine the question of extending a ways and means advance equal to the State's present deficit with repayments spread over a period of ten years.

**Captain W.A. Sangma**, Chief Minister, Meghalaya stated that the people of Meghalaya wholeheartedly welcomed the new 20-Point Programme and it would be the constant endeavour of the State to effectively implement those aspects of the Programme which were of special significance to a State like Meghalaya. A Cabinet Sub-Committee had been constituted to monitor the implementation of the Programme and to provide directives and guidance to the administrative machinery. A sizeable part of the plan outlay for 1982-83 had been earmarked for the various items of the Programme.

The Chief Minister emphasised the need for giving special attention to the requirements of tribal and backward states in North-East. The resource base of these States was narrow and, consequently, they had to depend to a larger extent on direct Central assistance. While determining the size of the Plan and the quantum of Central assistance for Meghalaya, it should also be kept in view that the State was not participating in the tribal sub-Plan.

The Chief Minister assured that the State would do its best to fulfil the commitment to raise additional resources to the extent possible and to keep the non-Plan expenditure at reasonable level. However, the State occasionally ran into deficits due to such factors as the grant of dearness allowance to employees, strengthening of the police and security set up and difficulties in getting loans from financial institutions. He requested the Government of India to extend assistance to tide over these difficulties.

He was happy that 1982 was being observed as the Year of Productivity. The State had noted the valuable suggestions of the Government of India for effective observance of the productivity year and would take suitable steps in that regard.

Various agencies were functioning in the State to monitor the progress in Plan execution and take appropriate action to overcome any bottlenecks. Inadequate technical manpower was, however, one of the constraints in Plan implementation. The State had been laying stress on manpower development and, for this purpose, the North Eastern Council had decided to set up an Institute of Science & Technology in the region. On account of poor communications and transport facilities, the supply of scarce materials like steel, bitumen, etc. had been periodically posing a problem. Special arrangements were called for in this respect. The Chief Minister also urged Deputy Chairman and Members of the Planning Commission to visit North-East more often to acquire first hand knowledge of the complex and unique problems of the region.

**Shri L. Lungalong**, Planning Minister, Nagaland conveyed the greetings of his Chief Minister, who could not participate in the meeting because of the Budget session of the State Assembly, and felt very much privileged to have an opportunity to present some of the problems concerning Nagaland before the august body.

The Planning Minister stated that the declaration of 1982 as the Year of Productivity was most welcome to the people of Nagaland. The State Government would make an all out effort to maximise

production by taking suitable measures. The impact of the development programmes upon the people in the State during the first two years of the Sixth Plan had been satisfactory. He added that the State Government would endeavour to accelerate the tempo of development, particularly in food production, with a view to achieve the objectives of the Sixth Plan. Various administrative measures would be taken for the efficient and effective implementation of Plan programmes in order to obtain better results.

The Planning Minister Stated that the State had started planning from grassroots, right from the village level. The traditional village councils had been given statutory recognition. The State had also formed District and Sub-Divisional Planning Boards which were closely associated with the formulation and implementation of Plan Programmes for the villages. He hoped that this change in the planning process would arrest the inflow of the educated and school/college dropouts to the towns, provide employment to them in their own villages and give them an opportunity for effective participation in the plans for rural areas.

In order to reduce the area under Jhum cultivation, the State Government was providing more irrigation facilities to the people to make them start terrace cultivation. Farmers would also be given subsidy for utilising the minor irrigation facilities created by Government. Reduction in the area under Jhum cultivation would help in the development of forests and conservation of water, trees and fuelwood plantations.

The only mode of communication in Nagaland was road transport. State roads had, however, not been developed to accepted standard, leading to high cost of vehicle propulsion and high wear and tear. The State Transport Corporation, which was treated as an essential public utility service, had not been able to earn revenue for the State.

The infrastructural base for developmental programmes in the State was minimal and the transportation cost of essential materials for development works accounted for a sizeable portion of the State Plan outlay. The resources base was very limited and generation of additional resources beyond a certain limit was not possible. Therefore, the national norms laid down for implementation of development schemes were not practicable in a State like Nagaland.

The Planning Minister mentioned that the State Government had taken various measures to curtail expenditure and the target for mobilisation of additional resources, as set by the Central Government, would be achieved. He requested the Central Government to have a fresh look at the special problems of the North-Eastern region and evolve a formula for providing larger Plan assistance to the States in that region.

**Shri J.B. Patnaik**, Chief Minister, Orissa stated that the new 20-Point Programme and declaration of 1982 as the Year of Productivity would carry forward the process of development effectively. Special emphasis was being placed on improving productivity in key sectors of the economy by cutting down delay due to procedural formalities. Special efforts were being made to increase agricultural production. Besides, proper linkage with agro-based industries had been established. Development of irrigation in relation to potential was lowest in Orissa, mainly due to paucity of resources. He suggested additional Central assistance for some of the major on-going multi-purpose projects. Besides, he suggested that the Subarnarekha project, which was an inter-State project, should be funded in the Central Sector Plan. The Sixth Plan allocation for the industrial sector needed to be increased in order to sustain the existing tempo of industrial activities. He also suggested acceptance of the recommendations of the Sivaraman Committee on development of backward areas.

The power needs of the State had gone up and the gap in power could be filled by establishing a super-thermal plant in Orissa in the Central sector. The public sector units had been streamlined to achieve higher productivity. The State Electricity Board had been revamped and fares of the Road Transport Corporation raised.

The revised 20-Point Programme was being implemented in letter and spirit. The programme was being monitored both as State and District level once in every three months. The elected representatives and important public men were being associated with the programme through various committees. In the light of National Guidelines, the State Government had decided to lift 50% of the Scheduled Castes and Scheduled Tribes population above the poverty line through various schemes. The public distribution system was being strengthened by putting up at least one cooperative fair price shop in every gram panchayat. The role of banks in implementing various poverty amelioration programmes, however, left much to be desired and they should give higher credit for such programme.

The Chief Minister assured that the target of additional resource mobilisation for the State's Sixth Plan would be fulfilled. However, he feared a shortfall in respect of other budgetary resources on account of recurrent increases in D.A. and escalation of costs. He hoped that good performance and the financial discipline of the State would be rewarded by additional Central assistance during the mid-term appraisal of the Plan. In a State like Orissa, the capacity to raise resources was not commensurate with its minimum needs because of a large percentage of the population being Harijans and Adivasis. He urged that this imbalance should be corrected by providing bulk assistance to the State over and above the Plan allocation to meet the urgent needs of development.

**Shri Darbara Singh**, Chief Minister, Punjab stated that, in regard to the 20-Point Programme, the State had prepared a calendar of projects and laid down physical targets. Out of the Plan outlay of Rs. 385 crores for 1982-83, Rs. 305 crores or 79% of the total, was for the 20-Point Programme. The details were given in the booklet distributed.

He stated that Rs. 189 crores had been provided for the power sector in 1982-83. Attention was being given to completing the on-going projects. Incentives would be given to the people working in these projects for completing them by the fixed date or earlier. Additional power generation of 174 MW was expected by 1984. A team of experts had been constituted to assess the losses of the State Electricity Board and improve its administration. Due to sustained efforts, the losses had been brought down from 22% about 3 years back to 20% and efforts were being made to reduce these further. He suggested timely supply of the machinery needed for the projects. In case of non-availability of indigenous machinery, the State should be permitted to import the same from abroad. To ensure proper supply of electricity to agriculturists at least for 12 hours a day, a Monitoring Cell at the level of the Chief Minister had been established.

As a result, despite inadequate rainfall, agricultural production in the State was estimated to be 58 lakh tonnes in 1981-82 as against 44 lakh tonnes in the preceding year. Punjab was contributing 57% of the total wheat procured and 54% of the total rice procured, for the national pool. The minimum daily wage for agricultural labour in the State was Rs. 14 per day. The Act for land distribution had been amended and 1 lakh acres of land had been distributed.

Concrete steps had been taken to eradicate poverty in the State. Yellow cards had been supplied to those having very low income. Loans to them were being given without charging any interest. About 20,000 houses had been allotted to the weaker sections who did not have houses.

The Chief Minister indicated that the state will try to achieve the additional resource mobilisation target. The increase in the overdraft was due mainly to payment of additional dearness allowance



on the Central pattern and requested consideration of a long-term loan to enable the State to stop resort to overdraft.

The Chief Minister observed that Thein Dam was expected to cost Rs. 510 crores. The State might be assisted either by arranging World Bank assistance or through assistance from Central resources. He also requested the Prime Minister to settle the inter-State dispute in regard to sharing of electricity from the project.

**Shri Shiv Charan Mathur**, Chief Minister, Rajasthan said that the meeting of the National Development Council had a special significance as the Prime Minister had announced the new 20-Point Programme and designated 1982 as the Productivity Year. These two programmes had made it clear to both the Government and the people the tasks and duties in the field of development. Rajasthan had revitalised the democratic institutions. It had also devised the Bees Sankalpa Programme, which was based on the original 20-Point Programme of the Prime Minister. A few important plan targets were chosen, clear-cut district targets were worked out and the implementation of these programmes were rigorously pursued. The development administration of the State was good. Nature, however, had not been bountiful. Famine and floods had depleted the economy and weakened the finances of the State. Power shortage had dealt a blow to industrialisation. Overdraft was another problem, which was mainly due to expenditure on drought relief, payment of additional dearness allowance, interim relief and increase in pension, interest on overdraft, etc.

The State Government had taken necessary steps for increasing productivity in all State enterprises, Cooperative Dairy Federation, etc. The State Electricity Board and Road Transport Corporation would be given the closest attention and measures taken to cut down the transmission losses and leakages in revenue by improving operational efficiency and keeping constant vigilance. All Government Departments had been asked to review their functioning with a view to removing bottlenecks and increasing efficiency and seed in dealing with matters of public interest and in taking investment and management decisions.

The State Government had set up a separate cell for monitoring the progress of the revised 20-Point Programme, and point-wise targets at State and district levels were being worked out. The State was of the view that the progress of the 20-Point Programme should be basically monitored at the district level and each district should have its own 20-Point Programme for implementation, as this would attract greater public participation and interest. A consolidated progress report on the Programme would be sent to the Government of India by the 20<sup>th</sup> of each month. For monitoring and successful implementation of the revised 20-Point Programme, one Minister would be nominated as Minister in charge for each district and the programme would be regularly reviewed by the Chief Minister on the basis of reports received from the various concerned authorities of the State.

The approved plan outlay of Rs. 340 crores for the State for 1982-83 was not enough to provide for targets at the level of 1981-82 in areas like IRD programme, rural housing, supply of drinking water, rural electrification, welfare of Scheduled Castes etc. The State was, however, trying to revise the targets so that the core sector of the 20-Point Programme was adequately provided for. If need be, efforts would be made to increase the Plan size by raising additional resources. The Chief Minister requested allocation of special Central assistance for the Rajasthan Canal Project and Kota Thermal Project. He also suggested formulation of a Centrally-sponsored scheme of rural publicity for the successful implementation of the 20-Point Programme.

The State had made substantial progress towards achieving the additional resource mobilisation target for the Sixth Plan. However, the Centre should, the Chief Minister suggested, take greater

responsibility for backward States like Rajasthan, which had a large area, poor resources and the legacy of a negative and feudal socio-economic past. He made a strong plea that the formula governing the allocation of Central assistance might be made versatile enough to permit special and peculiar factors of backwardness of less developed States to be taken into account. Alternatively, the Centre might create a Fund for providing special assistance to the more needy States.

**Shri Narbahadur Bhandari**, Chief Minister, Sikkim appreciated the declaration of 1982 as the Year of Productivity. He assured that the State Government would try to do its utmost to improve productivity and whole-heartedly supported the action points highlighted in the agenda papers.

The State attached great importance to agriculture and allied activities and had set fairly high targets in this area. However, one constraint in achieving the targets was lack of funds. In order to increase fertiliser consumption, he suggested extension of the Central scheme of short-term credit for fertilizers to Sikkim with liberalised recovery norms. Despite certain bottlenecks, the State had drawn up several meaningful programmes to increase productivity in agriculture, animal husbandry, etc. With the improvement in banking infrastructure in rural areas, loans would be available to farmers, specially for animal husbandry programme.

In irrigation, a major constraint in completing the projects was the non-availability of cement on time. He suggested that the movement of cement from the factory be allowed by road and, in the interest of raising productivity, the extra cost of transport borne by the Central Government. Besides, the allocations of cement and other materials should be made from factories nearest to the State.

Soil erosion needed to be controlled by afforestation of the vulnerable areas. Besides, the Chief Minister suggested extension of the Centrally-sponsored scheme for rural fuel wood plantations to small private holdings. Similarly, he suggested extension of the Centrally-sponsored scheme of afforestation to cover school compounds. He further urged that the troops stationed in Sikkim might be requested to switch over to the usage of soft coke instead of charcoal, use of which had led to denudation of vast tracts of forest land.

The Chief Minister stated that the Central power projects, though beneficial, did not give direct benefits to the State, particularly in the matter of revenue generation, because of the formula of sharing power with the neighbouring States through regional or national grid. He requested that instead of linking Sikkim to such a grid, it might be in the long-term interest of the State to make full-fledged Central allocation of funds for power development. The transmission and distribution losses in the State was only 22%, which was less than the national average of about 30%.

The Chief Minister stated that the Government of Sikkim had given maximum importance to the implementation of the new 20-Point Programme and a special monitoring system had already been introduced in the Planning Department for this Programme. He proposed to hold monthly review meetings to sort out problems that might arise in the speedy implementation of the Programme. Referring to the accelerated programme for the welfare of scheduled castes and scheduled tribes, he suggested some relaxation in the Central guidelines on Tribal Sub-Plan for Sikkim, so that all poorer tribal families, which were scattered all over the State, could be covered.

In regard to elementary education, the percentage of drop-outs was very high. An important reason for this was really the economic one and lack of physical facilities also contributed to it. He, therefore, felt that the need to involve private finance in education had become imperative. For eradicating adult illiteracy, the State Government had launched a scheme known as 'Each one Teach one'.

The scope for additional resource mobilisation in the State was rather limited. However, the Chief Minister added that the State Government would make all out effort to improve deposits under the small savings scheme. Besides, it was proposed to strengthen the review system for proper implementation of the Plan.

**Shri Gegong Apang**, Chief Minister, Arunachal Pradesh welcomed the declaration of 1982 as the Year of Productivity and said that the Union Territory decided to lay emphasis on agriculture, horticulture, social and private forestry and development of cottage and small industries to increase productivity. Steps had also been taken for effective implementation of the new 20-Point Programme. He requested prompt clearance of the development proposals submitted by Arunachal Pradesh.

For the rapid development of the Union Territory, there was a great need to step up substantially the allocation for roads. Since Arunachal Pradesh was not on the rail map of the country, all the three railway projects investigated by the railways should be taken in hand during the Sixth Plan period. The State Govt. had initiated steps for a package of schemes, comprising minor irrigation and soil and water conservation, to encourage settled agriculture and do away with Jhuming.

The Chief Minister suggested special dispensation for the North East by delinking the foodgrains component from the National Rural Employment Programme, as it was difficult to move foodgrains to the interior areas and people were unwilling to accept wages in kind. The money available would be utilised for construction of village link roads. The Union Territory would like to provide drinking water to all the villages by the end of the Sixth Plan itself, in case the railways were able to provide adequate number of wagons for the movement of GI pipes and additional funds were made available. A proto-type of low cost housing suitable to the climatic conditions of the Territory was being designed to fulfill the rising demand for rural housing.

Lack of trained and qualified personnel stood in the way of universalisation of elementary education and provision of universal primary health care in the Union Territory. The Chief Minister strongly recommended provision of extra incentives to employees to attract suitable people to meet the immediate manpower requirements of the Territory. Land reform measures would be introduced after the enactment of the proposed Land Settlement and Land Reform Bill. He also requested some changes in the Central Government's rules regarding clearance of projects to be taken up in forest areas.

The Chief Minister wished to set up forest-based industries and develop small-scale and village industries. Major and medium industries would be set up in due course of time as the vast mineral resources still required to be exploited. He requested greater financial and administrative powers for the Union Territory, so that it could expedite the development programmes.

**Shri Pratapsing Rane**, Chief Minister, Goa, Daman & Diu welcomed the decision taken by the Government of India to designate 1982 as the Year of Productivity. Besides helping large and medium industry, the Union Territory had launched programmes for the development of small-scale and rural industry. A conscious decision had been taken to locate new industrial units in the interior areas to check congestion in towns and to encourage self-employment of educated unemployed. Industrial peace was maintained by arranging, wherever necessary, tripartite discussions between labour leaders, concerned industrialists and the Government. There was, however, the problem of power shortage and the Chief Minister requested the Ministry of Energy, Planning Commission and the Government of Karnataka to help the Union Territory in getting a steady supply of power. Citing the case of the new pelletisation plant, which could not go in for full scale production due to shortage of power, he requested the Maharashtra Government also to

supply some additional power. Besides, he suggested that a power generation plant based on gas turbine might be thought of for Goa.

Extending full support to the new 20-Point Programme, the Chief Minister stated that the administrative machinery had been geared up to ensure its effective and speedy implementation. A high-powered monitoring committee, under his chairmanship, had been set up for monitoring and supervising the implementation of the Programme. The Chief Minister indicated that he was personally attending to the task of conducting reviews of progress of all major schemes/projects in the Sixth Plan every month and was confident that the Plan targets, both financial and physical, would be achieved within the stipulated time.

**Brigadier T. Sailo (Retd.)**, Chief Minister, Mizoram expressed his happiness over the attention given by the Central leaders to the North-Eastern region, including Mizoram. He thanked the Central Government for laying the foundation stone of a railway station and starting the investigation of major hydel project in the Union Territory. The development programmes had made a good impact on the people and they no longer felt isolated. He pointed out that Mizoram had not been linked by the airlines and requested the Central Government to pay attention to this aspect. He also drew the attention of the Government of India to the problem of drinking water and irrigation.

The Prime Minister then put the following statement to the Council which was agreed to and adopted by the Council, although the Chief Minister of Tripura had some reservations in accepting it :

“The Council expressed its satisfaction at the overall pace of implementation of the Sixth Plan in the first two years of the Plan. It emphasised that the recent improvement in economic situation ought to be utilised to further accelerate the tempo of economic and social progress so that we can move speedily towards the realisation of the goal of a self reliant economy.

The National Development Council reaffirmed its determination and commitment to mobilise requisite amount of resources to finance investments contemplated in the Sixth Plan, and the revised 20-Point Programme. The Centre and the States will work together to maintain financial discipline and contain deficit financing within safe limits.

The Council agreed that while every effort has to be made to step up investments in line with the targets of the Sixth Plan, it was equally necessary to take all possible steps to maximise the utilisation of existing capacities in agriculture and industry. In this context, emphasis was laid on fuller utilisation of existing irrigation potential and more efficient utilisation of power capacity. The Council agreed that in the current year which has been declared as the productivity year it was essential to remove all obstacles including any Government policies, rules and procedures which come in the way of full utilisation of existing capacities. Industrial licensing procedures may need to be further streamlined to avoid cost and time over-runs.

The Council expressed its determination to implement effectively the revised 20-Point Programme which contains core elements of the Sixth Plan. The Council stressed the need for effective monitoring of both the revised 20-Point Programme and of the Sixth Plan Programmes and projects as a whole. The Council emphasised the important role assigned to the banking system in implementation of the anti-poverty programmes included in the revised 20-Point Programme. It noted with satisfaction that the Reserve Bank of India has appointed a group to examine more systematically the role of the banking system in implementation of the revised 20-Point Programme.

The National Development Council recognised the crucial role of improved functioning of public enterprises in realising the objectives of the Sixth Plan. The Council expressed serious concern at the slippage of targets in the vital area of power and called for effective remedial steps. It was recognised that financial results of major enterprises, particularly State Electricity Boards, Road Transport Corporations and Irrigation Works needed urgent improvement for an orderly implementation of the Sixth Plan. The Chief Ministers agreed to set up high level Committees in their respective States to review the working of State Electricity Boards and Road Transport Corporations and take effective measures for their improvement. They would also take steps to go into the performance of other State Public Sector Corporations.

The Council stressed the need for more vigorous measures to implement the revised minimum needs programme paying special attention to universalization of elementary education, provision of safe drinking water to all problem villages, rural roads, house sites for the landless, and rural electrification. The Council also stressed the need for vigorous implementation of programmes for the benefit of the Scheduled Castes, Scheduled tribes and Weaker Sections of the community.

The Council noted with satisfaction the improved performance in the implementation of family planning schemes and called for further efforts to ensure the success of this programme in all parts of the country with fullest participation by the people.

While expressing satisfaction that many river water disputes have been resolved, the Council observed that a climate should be created in which National Water Plans are prepared, keeping in view the national perspective as well as State and regional needs. In that context, the Council welcomed the proposals for the setting up of a National Water Resources Council, with Prime Minister as Chairman and the Chief Ministers of all states and the concerned Central Ministers as Members, and River Basin Commissions and for enacting legislation to facilitate the speedier settlement of inter-State river water disputes.”

Discussion on item 3, viz. Law and order Situation was postponed.

## PARTICIPANTS

Smt. Indira Gandhi	Chairman
Shri S. B. Chavan	Deputy Chairman & Minister of Planning
Shri Pranab Kumar Mukherjee	Finance Minister
Shri R. Vankataraman	Defence Minister
Dr. M.S. Swaminathan	Member
Shri Mohammad Fazal	Member
Dr. Manmohan Singh	Member-Secretary

## STATES

Andhra Pradesh	Shri B. Venkatrama Reddy Chief Minister
	Shri K. Prabhakar Rao Finance and Planning Minister
Assam	Shri Keshav Chandra Gogoi Chief Minister
	Shri Mohammad Idris Finance Minister
Bihar	Dr. Jagannath Mishra Chief Minister
Gujarat	Shri Madhavsingh Solanki Chief Minister
	Shri Sanathai Mehta Minister of Finance & Planning
Haryana	Shri Bhajan Lal Chief Minister
Himachal Pradesh	Shri Ram Lal Chief Minister
Jammu & Kashmir	Shri D.D. Thakur Planning & Finance Minister
Karnataka	Shri R. Gundu Rao Chief Minister
	Shri M. Veerappa Moily Minister for Finance & Tourism
Kerala	Shri K. Karunakaran Chief Minister

	Shri K.M. Mani Minister of finance
Madhya Pradesh	Shri Arjun Singh Chief Minister
Maharashtra	Shri B.A. Bhosale, Chief Minister
	Dr. V. Subramaniam Finance and Planning Minister
	Dr. S. Jichkar Minister of State for Planning and Finance
Manipur	Shri Rishang Keishing Chief Minister
	Shri H. Hawkip Planning Minister
Meghalaya	Shri W.A. Sangma Chief Minister
Nagaland	Shri L. Lungalong Planning Minister
Orissa	Shri J.B. Patnaik Chief Minister
Punjab	Sardar Darbara Singh Chief Minister
	Dr. Kewal Krishan Finance & Planning Minister
Rajasthan	Shri S.C. Mathur Chief Minister
Sikkim	Shri N.B. Bhandari Chief Minister
Tamil Nadu	Shri V.R. Nedunchezian Finance Minister
Tripura	Shri N. Chakraborty Chief Minister
Uttar Pradesh	Shri Vishwanath Pratap Singh Chief Minister
West Bengal	Shri Jyoti Basu Chief Minister

## UNION TERRITORIES

Arunachal Pradesh	Shri Gegong Apang Chief Minister
A & N Islands	Shri S.L. Sharma Chief Commissioner
Chandigarh Administration	Shri K. Banerjee Chief Commissioner
Dadra & Nagar Haveli	Shri Jagmohan Lt. Governor
Delhi	Shri S.L. Khurana Lt. Governor
Goa, Daman & Diu	Shri Pratap Singh Rane Chief Minister
Mizoram	Brigadier T. Sailo Chief Minister
Pondicherry	Shri D. Ramachandran Chief Minister

## UNION MINISTERS

Giani Zail Singh	Minister of Home Affairs
Shri P.V. Narasimha Rao	Minister of External Affairs
Shri C.M. Stephen	Minister of Communications
Shri Kedar Pande	Minister of Irrigation
Shri A.B.A. Ghani Khan Chaudhuri	Minister of Energy
Shri Jagannath Kaushal	Minister of Law, Justice & Company Affairs
Shri Veerendra Patil	Minister of Shipping & Transport
Shri Vasant Sathe	Minister of Information & Broadcasting
Shri P.C. Sethi	Minister of Railways
Shri Shiv Shankar	Minister of Petroleum, Chemicals & Fertilizers
Shri B. Shankaranand	Minister of Health & Family Welfare
Shri A. P. Sharma	Minister of Tourism & Civil Aviation
Shri Bhisma Narain Singh	Minister of Parliamentary Affairs & Works & Housing



Shri Rao Birendra Singh

Minister of Agriculture &  
Rural Reconstruction and Civil Supplies

Shri Narayan Datt Tiwari

Minister of Industry and Steel & Mines

**UNION MINISTERS OF STATE**

Shri Bhagwat Jha Azad

Minister of State for Labour

Smt. Sheila Kaul

Minister of State for Education & Culture  
and Social Welfare

Shri Shivraj V. Patil

Minister of State for Commerce

Shri Buta Singh

Minister of State for Supply &  
Rehabilitation

**SPECIAL INVITEE**

Shri M. Ramakrishnayya

Dy. Governor, Reserve Bank of India



**THIRTY-SEVENTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
12th and 13th JULY, 1984**

**SUMMARY RECORD**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE THIRTY SEVENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD AT NEW DELHI ON 12th and 13th JULY, 1984

---

### AGENDA & SUMMARY RECORD

---

Welcoming the Members to the meeting of the National Development Council, **Shri S.B. Chavan**, Minister of Planning, stated that the work relating to the formulation of the Approach to the Seventh Five year Plan was started in June 1983, with the exercises carried out for the Mid-term Appraisal of the Sixth Plan 1980-85 providing the base for it. In preparing the Approach Paper, besides intensive discussions within the Planning Commission, a wide and varying cross-section of opinion in the country including representative organisations of industry, commerce and trade, the panel of economists advising the Planning Commission, the Consultative Committee of Parliament attached to the Ministry of Planning as well as academics, both individually and from institutions, had been consulted. The advice tendered by the Economic Advisory Council and the Economic Administration Reforms Commission had also been kept in mind. He was grateful to the Prime Minister for the support, encouragement and time given by her in framing specific policy thrusts and in helping to identify the objectives relevant to planning for the economic and social uplift of the people. He also thanked his Cabinet colleagues for their cooperation and suggestions.

2. Presenting briefly the highlights of the Approach document, Shri Chavan said that "Food, Work and Productivity" would be the three inter-related main objectives of the Seventh Plan. These objectives were set within the framework of growth, equity, social justice and the pursuit of self-reliance. The provision of productive employment had to be the major objective in the Seventh Plan, combined with a significant reduction in poverty. This was sought to be achieved through accelerated growth of agriculture and rural development especially in the less-developed areas and with particular emphasis on the eastern region where agricultural productivity was low, and poverty endemic. The sectors supporting agriculture and rural development would require matching development also. The development of irrigation potential (especially from minor irrigation) and better utilisation of the irrigation potential created was required. This had to go hand in hand with a drive for spreading a complete range of services and inputs (to the small and marginal farmers), directed in particular towards dryland farming and the less-developed agricultural regions and crops. The intention was to generate additional incomes for the rural poor as a major policy goal. Production of higher levels of edible oils would also help in reducing our dependence on external aid.

3. Shri Chavan drew attention to the large number of unfinished medium and major irrigation projects which needed to be given over-riding priority for completion. Similar priority should be attached to the completion of on-going Command Area Development Projects and the construction of field channels. Inoperative minor irrigation schemes had also to be made operative, and old irrigation systems modernised. A major drive was needed to step up the minor irrigation potential. He suggested that new starts for major and medium irrigation schemes in the Seventh Plan should be confined to areas characterised by low or uncertain rainfall, or by endemic poverty or where inter-basin transfers were economically feasible. This would call for a measure of discipline from all concerned so that new starts in irrigation were restricted to the inescapable.

industry away from urban concentrations. A significant growth rate would also be aimed at for cottage, tiny and small units producing goods for mass consumption on a dispersed basis.

9. Indicating the physical dimensions of the Seventh Plan, Shri Chavan said that the total public sector outlay was expected to be of the order of Rs. 180,000 crores, representing a step-up of 43 per cent in real terms over the Sixth Plan outlay. The production of foodgrains was contemplated at a level of 188-191 million tonnes, electricity generation at 270 million KWH, steel production at around 13 million tonnes, cement production at around 48-50 million tonnes, originating railway freight of 375 million tonnes, crude oil production at a level of about 35 million tonnes, and a substantial step-up in fertiliser production.

10. Shri Chavan went on to pose certain specific issues for the consideration of the Council. The first issue was whether the Seventh Plan should provide for the effects of inflation, both on resources and on costs of investments, in its formal structure. Second, should the Seventh Plan provide for maintenance expenditure of non-revenue earning assets as part of Plan outlays, in order to ensure that such assets were properly maintained. Third, the policy to be followed in regard to new starts in the irrigation sector, early completion of on-going projects and maintenance and improvement of old irrigation systems. Fourth, the need for extreme selectivity in making new starts, in order to ensure that those projects which were already under way were funded adequately and could be completed in the Seventh Plan. Fifth, whether the concept and funding pattern of the Special Area Development Programmes, under which Hill areas and Tribal areas were at present covered, should be extended to include other areas with special problems like desert areas, areas affected by salinity, alkalinity and sea-erosion, water logged and flood-prone areas and areas which were of special interest and concern from the environmental angle. Lastly, the role and place of Centrally sponsored schemes in the achievement of the objectives of the Seventh Plan also needed consideration. Inviting discussion on these issues, he said that exchange of frank and realistic views on these issues would be necessary before the plan was drafted.

11. **Shrimati Indira Gandhi**, Prime Minister and the Chairman of the National Development Council, welcomed the members of the Council and the other invited Ministers and the officials from the Central and the State Governments. She said that without wanting to repeat what the Planning Minister had already covered in considerable detail, she would like to put emphasis on certain important aspects. She said that planning was the most vital component of nation-building as, by pushing towards self-reliance, and by putting social justice in the forefront of our effort for national economic development, different regions of the country came closer to one another. Growth had been pursued not merely for the sake of growth; the vigorous thrust in all our plans for social justice was an integral element of our strategy. Our achievements in our struggle for social transformation had, therefore, a certain historical significance. It had been based on consent, and had given the nation the confidence that it could surmount all obstacles standing in the path of a strong, vibrant and independent economy. Our path of independent development had also given us a sense of pride in the considerable level of national achievements in the different fields of our endeavour. This feeling of oneness in being together in the adventure of building of a new India was a most valuable feeling, and this we owed to planning and the vision that planning embodied.

12. The Prime Minister went on to say that the Seventh Plan would have to address itself to the key issues which confronted our masses. Its message was summed up in its basic priorities, which are: Food, Work and Productivity. As the new Plan was dependent on what we had done in the previous Plans and formed the base from which we started, and also because it showed new

15. The Prime Minister next turned to the question of the people's involvement in the Plan, as a means for speedier and more efficient implementation. To her, the relationship between the Plan and the people was an organic one. The decentralisation of the planning process to the district and the block levels was necessary, as only thereby would there be ensured the fullest participation by the people in the formulation and in the implementation of programmes. There was no other way of making our anti-poverty programmes a living reality. It was only when people were organised to think for themselves, and to participate in the implementation of programmes for their own benefit along with the official machinery, that social consciousness would expand. Only thus would there be imparted a new dynamism and energy to the movement for the eradication of poverty in the country. It was for this reason that we had to consciously overcome hindrances to decentralisation, and she suggested that all parties should cooperate to this end.

16. The Prime Minister went on to mention that Centre-State cooperation was absolutely essential for planning to succeed. The Plan was a joint venture of the States and the Centre, and in undertaking the great tasks that the Plan involved, there were to be faced diverse pulls and pressures, which were natural in a democratic, federal set up such as India's. But these pulls and pressures apart, there was no gainsaying the fact that the Plan could succeed only on the basis of the fullest cooperation between the Centre and the States. The Centre had at all times acted without any discrimination against any State, irrespective of the political complexion of its government and this was because of its strongly held belief that in matters of national development, no partisan consideration should come in the way. It was equally clear that the national perspective of planned development could not survive without the Centre playing a key role in articulating the priorities necessary for balanced regional development, and for the uplift of the masses, in rural as well as in urban areas. The challenges of the Seventh Plan, she had no doubt, would be severe. The determination to make employment, agricultural growth, and productivity as basic Plan priorities, would have to be matched by corresponding discipline by all concerned to accept the inherent logic of the Seventh Plan. The growth rate of 5% of GDP and the public sector outlay of Rs. 180,000 crores would make enormous demands on us. The external environment continued to be unfavorable and we had, therefore, to hasten our progress towards self-reliance, based on our declared and accepted policy of socialism. She stressed that in the area of science and technology, new vistas would open up only if we learnt the value of time, and all these were indeed a big challenge. She recalled that Jawaharlal Nehru had taught us to think big, so that we could function in a big way and she was convinced that in working for the greatness of India, we all would become a little bigger and a little better than what we were, and this is what we should do with determination in the Seventh Plan.

17. The Prime Minister concluded by mentioning that the preservation of harmony amongst different communities, and action for a concerted effort to combat communal violence was fundamental to the creation and maintenance of a proper climate in the country for development and progress if we were to move forward. This was in fact the very basis of our planning process, to which the Council had to address itself over the next two days.

18. **Shri N.T. Rama Rao**, Chief Minister, Andhra Pradesh, wanted first to make a political statement on behalf of himself and the Chief Ministers of Karnataka, Tripura and West Bengal before presenting his views on the Approach Paper to the Seventh Plan. It was pointed out by the Prime Minister, as the Chairman of the Council, that the NDC was not a political forum, and was meant to discuss economic issues. The present meeting of the Council had been convened specifically to discuss

Component Plan), two Special Development Programmes, one for the tea garden tribes and the second for people of "Char" areas. In order to successfully tackle these problems and to accelerate the process of development, he suggested a change in the pattern of Central assistance to 90 per cent grant and 10 per cent loan. Urging a step-up in the level of Central investment in the State during the next five years, he suggested that the Central Plan should include projects for an additional refinery, an integrated petro-chemicals complex with naphtha gas-cracking facilities and a fertiliser plant based on surplus gas. Natural gas should be made available to the state at a concessional rate for power generation. These investments would save loss of an irreplaceable asset like natural gas, now being wasted by flaring. He also appealed for special assistance from the Planning Commission for promoting electronic and mineral-based industries in the State. Similarly, the project for extension of the Broad Gauge Railway line from Gauhati to Tinsukia via Nagaon, Jorhat and Dibrugarh, and the construction of a bridge over the Brahmaputra at Bogibil near Dibrugarh should be taken up. More allocations should be made for the North Eastern Council's Plan, which emphasised infrastructural development with emphasis on power, communication, flood control and manpower development. A similar step-up in resource allocation to the State was necessary.

25. To increase food production, increased allocations would be required for all the inputs and specially for credit and irrigation, including primarily the quick gestation minor irrigation projects. During the current year the State had launched, on a pilot basis, the Centrally-sponsored programme for special rice production, aimed at increasing rice production and productivity, on the recommendations of the Economic Advisory Council. The State's aim was to be self-sufficient in respect of rice production by 1989-90, by a 30% step-up in production, and a 22% increase in productivity. Greater efforts would be made to provide employment to the poor and landless people through the various rural development programmes. For urban unemployed and educated unemployed, similar efforts would be necessary through the composite loan programme and the other programmes which would have to include schemes for small and cottage industries and provision for credit, marketing and consultancy services. Larger outlays would be required for these programmes in the Seventh Plan. Greater efforts would also be made for providing drinking water, health and sanitation, rural link roads, free primary and adult education, rural electrification and other components of the Minimum Needs Programme. For raising productivity the State would emphasise improvement in plant load factor in power generation and full capacity utilisation in industrial undertakings. The State would consider the question of setting up the district planning boards. He made an appeal to the Council for giving due weightage to Assam's backwardness and its special problems while finalising the Approach to the Seventh Plan.

26. **Shri Chandra Shekhar Singh**, Chief Minister, Bihar, said that the progress made during the Sixth Plan had put the economy in a much stronger position than at any time in the past. Further, the 20-Point Programme for ameliorating the condition of the weaker sections of society, and for improving the quality of life of the rural masses had made striking progress. Welcoming the Seventh Plan's basic priorities of "Food, Work and Productivity", he said that to make the strategy of generating productive employment effective, policies and programmes should be carefully designed. The programmes should aim at raising the cropping intensity to an optimum level and boosting agricultural production in low productivity areas. Agreeing with the strategy outlined in the Approach Paper regarding completion of ongoing irrigation projects and new starts, he urged that the schemes like the Sone Canal System modernisation (in an area of high productivity) and costing over Rs. 1000 crores and the Subarnarekha project might be funded by the Centre, since

communication problems of the North and the South Bihar, he said that it was necessary to provide a road bridge at Bhagalpur in the Central sector, as well as a rail bridge near Patna, in the interest of speedy development of the North Bihar. Development of air transport in the State was also necessary. He further said that although considerable investments had been made in the Central Sector for exploitation of coal and iron-ore, this had not resulted in adequate spread effects nor in industrial expansion or diversification. In order to correct this imbalance there should be a built-in programme of ancillarisation in major industrial projects. There was considerable scope for locating new units in the State in areas like steel, fertilisers, petrochemicals and other coal and mica-based industries. Some of the defence or railway undertakings should also be located in the State. He pleaded for a favourable response to Bihar's request for a petro-chemical complex at Barauni.

30. Referring to the problem of regional disparities, the Chief Minister of Bihar said that these had increased over the last 30 years of planning and the gap between the per capita income in Bihar and that of the country as a whole was widening. The per capita plan outlay of the State had been the lowest, or about the lowest, in all the earlier plans of the country and 57 per cent of its population was below the poverty line; this was one of the highest percentages in the country. The Seventh Plan should aim at correcting these imbalances. Economic backwardness could be corrected only if higher developmental outlays were made available. He, therefore, suggested that the formula for the distribution of Central assistance might be suitably modified to fully reflect the economic backwardness of States like Bihar. The most effective way of doing it would be to earmark a part of the total quantum, of Central assistance for backward States to be distributed on the basis of population and backwardness only. Similarly, market borrowings could also be allocated on the same criteria. He also called for an improvement in the credit/deposit ratio of commercial banks in the State. A concerted effort was also called for increasing lendings from the financial institutions.

31. The Chief Minister of Bihar concluded by saying that the Seventh Plan should strike out an innovative approach in developing a national policy for ensuring a minimum standard of living for all in the country and for a minimum level of socio-economic infrastructure for future growth.

32. **Shri Madhavsinh Solanki**, Chief Minister, Gujarat, regretted the attempt made by the Chief Minister of Andhra Pradesh, supported by the Chief Minister of West Bengal, to utilise the forum of the NDC, for expressing their partisan and political views. Complimenting the Planning Commission for bringing out a comprehensive document on the Approach to the Seventh Plan, he said that the Seventh Plan would be nearly double the size of the current Plan. An increase of this magnitude would call for several new initiatives in resource mobilisation. Since prudent financial management would be critical during the Plan, the scheme for providing additional financial assistance to the States which managed their finances well should be continued. The revenues of States could also be augmented through enactment of legislation for levying consignment tax on the lines of the consensus arrived at in the conference of Chief Ministers in May, 1984. The share of States in the total of small savings should be raised from two-thirds at present to three-fourths of the net collections. For market borrowings, he suggested a revised pattern under which the states and the Centre shared the total market borrowings in proportion to the plan outlays of the Centre and the States. He further suggested that very large irrigation and power projects should be recognised as projects of national importance and twenty per cent of the estimated market borrowings in the Seventh Plan should be set apart for funding such projects, with the balance distributed between the Centre and the States. So far as externally-aided projects were concerned,



36. The Gujarat Chief Minister suggested that remote villages in the hills, the border areas and the coasts might have to be given priority in the installation of satellite-based telecommunication facilities for minimising losses from natural calamities. In education, the State would stress low cost programmes for spreading primary education everywhere, and the use of part-time teachers and summer schools. In technical education, facilities would have to be rapidly set up and substantially expanded in new areas such as electronics, computer technology, bio-technology, marine engineering, etc. A collaborative programme involving the State and the Central Government and the concerned industries to update the obsolete plant and machinery of engineering colleges, polytechnics and ITIs was also necessary.

37. The goal of "Health for All" was far from being attained. In view of the difficulties in deploying medical graduates in rural areas, measures such as reorientation of medical education to suit rural needs, extension of internship, compulsory service in rural areas and prescribing a minimum length of service in rural areas for admission to post-graduate medical courses should be adopted. Para-medical personnel should also be encouraged through reservations in medical colleges and specialised training for outstanding paramedics. More attention was needed to develop the indigenous systems of medicine. Safe drinking water for all should be the aim of the Seventh Plan and this should not be constrained by lists of "problem villages" drawn up many years ago. For ensuring safe water-supply in small towns, more liberal assistance was required to be given to municipal bodies. Measures to augment managerial skills of municipal managers were also called for. There was also need for large scale manufacture of equipment for environmental monitoring and for waste management. Steps were also necessary for scientific coastal zone management. He concluded by saying that decentralised planning had taken firm roots in the State and had generated popular enthusiasm for planning and he hoped to move further in these directions during the Seventh Plan.

38. **Shri Bhajan Lal**, Chief Minister, Haryana, condemned the attempt made by the Chief Minister of Andhra Pradesh, Karnataka, Tripura and West Bengal to misuse the forum of the National Development Council and stated that for the economic progress of the country it was necessary to have national unity, integrity and goodwill. He endorsed the objectives of growth, equity and social justice, self-reliance, improved efficiency and productivity emphasised in the Approach Paper to the Seventh Five Year Plan.

39. Giving a review of the State's economy during the first three years of the Sixth Plan, he said that the new 20-point programme had helped in accelerating the socio-economic development of the country. In 1983-84, the state's achievements under this programme were much higher than the targets. Special attention had been paid to the improvement of the lot of people below the poverty line. By the end of the Sixth Plan, assistance would have been provided to as many as 4.74 lakh families (including 2.34 lakh SC families) out of 8 lakh families below the poverty line at the beginning of the Sixth Plan. Reviewing the significant progress made by the State in the field of agriculture in recent years, he pointed out that all agricultural universities should pay special attention to the evolution of drought resistant varieties of oilseeds and pulses so as to minimise risks to farmers growing these crops. Watershed management should also be accorded priority during the Seventh Plan and special Central assistance should be provided for it. He pointed out that while determining the procurement price of foodgrains, only the cost borne by the farmers was taken into account, but not the subsidies provided by the States, e.g., electricity supply at reduced rates. He pleaded that the Central Government should compensate the States to the extent of a

44. The per capita incidence of taxes in Haryana ranked amongst highest two or three States, leaving very little scope for further taxation, according to the Chief Minister. He emphasised the need to augment the State's financial resources by way of higher share of Central taxes and market borrowings. The loss suffered by the State due to natural calamities should be fully reimbursed by the Centre. A decision had already been taken to levy consignment tax which needed to be implemented at the earliest. There should be a fund for financing big projects in the State Sector to ensure speedy economic development. Also, the present policy, whereby revenue-surplus States did not get any aid for repair and maintenance of assets already created, needed to be changed. Further, he suggested that expenditure on repairs and maintenance of completed projects should be kept on the plan side for deriving projected benefits from the assets already created.

45. **Shri C.M. Shah**, Chief Minister, Jammu & Kashmir, said that the walk-out and the boycotting of the meeting of the NDC, by the four Chief Ministers was aimed at deriving political advantage. Economic planning and development was no doubt important but still more important was national integrity. Complimenting the Planning Commission for focusing attention on the objectives of removal of poverty, backwardness, social injustice, unemployment and regional disparities, he heartedly endorsed the broad objectives and approach set out in the Approach Paper to the Seventh Plan. Dwelling on the objective of improved efficiency and productivity, he said completion of ongoing projects and maximising the utilisation of existing assets and capacities must have precedence over new projects and expansion schemes. Welcoming the suggestion of including maintenance expenditure in the Plan budget, he wondered whether the very rationale and relevance of dividing the Government expenditure into Plan and non-Plan should not be studied in-depth by a team of experts, so as to ensure that the budgeting processes were fully subservient to the accepted goals and policies of the national Plan.

46. Despite the economic progress made by the State of J & K with very generous Central assistance, it remained one of the backward States in the country. The chief minister hoped that the size of the State Plan would take into account its backwardness, its hilly character, and its special needs and problems. Hitherto, the total investment by the Central Public Sector Corporations and the absorption capacity of a State for institutional finance for the private sector's outlays was not taken into account by the Planning Commission when fixing the State Plan size. This should now be done. Coming to the distribution of Central assistance to States under the Gadgil formula, the Chief Minister J& K wanted the existing arrangements to continue, with the modification that his State should get Central assistance for its plans on the same pattern as other "special category" States, i.e., 90 per cent grant and 10 per cent loan. He also hoped that whatever arrangements for allocation of central resources to States were finally arrived at with reference to the recommendations of the Sarkaria Commission, the Plan would continue to reflect the national concern for the welfare and special needs of the backward States.

47. Referring to the formulation of a National Wage Policy both for organised and unorganised labour, he wanted the extension of its scope not only to the employees of the Central and the State Governments but also to those of local bodies. However, since the task of evolving such a policy was a complex one involving longer time, in the meanwhile, a national approach to the more urgent question of providing dearness allowance to Central, State and local Government employees should be attempted, as also to ways and means of financing the additional expenditure. Explaining the progress of agrarian reforms, he said that agricultural development in the State had been

boom and the long term goal of reaching the net reproduction rate of one by 2000 A.D. should be advanced to 1995 by whatever voluntary and persuasive means were necessary to accomplish it. As far as the rural sector was concerned, the basic objectives of food, work and productivity could be best achieved by making the fullest possible use of the productive capacity of our soil resources, which were irreplaceable and non-renewable. Further, depletion of this resource had to be checked, as also the degradation of these resources, so that they could sustain a much bigger population in the future years. This would call for drawing up of a comprehensive long-term perspective plan for the total care of land resources. It might be necessary to provide as large an outlay as, for instance, on irrigation, so that forestry, soil and water conservation, drainage and command area development get adequate resources. Maximum conservation of water should be achieved through massive afforestation and soil and water conservation works, including the construction of innumerable small tanks in micro-catchments. Such an approach would not only save vast quantities of deep soil now lost through run-off water, but also, since the relevant programmes were labour-intensive and quick yielding, these would also help to generate very large employment opportunities in the rural sector. Other benefits cited by him were the prolonging of the life of reservoirs by reducing siltation and the linked yielding of hydro-power and flood control benefits over the longer life of such reservoirs. He, therefore, suggested that the imbalances which had developed in the field of resource management as a result of past neglect of land resources could best be remedied through a unified and integrated approach towards all aspects of both land and water management. All administrative agencies also needed to be suitably regrouped for such an integrated approach.

52. Appreciating the recognition in the Approach Paper that hill areas and States were separate physiographic entities, he nevertheless suggested that in the hill areas development strategy, special priority would need to be given to the development of the vast hydel potential, roads, horticulture, tourism, cottage industries and cultivation of vegetable, seeds and off-season vegetables. In regard to afforestation and hydel generation, time-horizons would have to be longer than the perspective of a Five Year Plan. The State was gradually moving towards a complete moratorium on commercial felling of trees. The State had drawn up a 20-year perspective plan to bring 50 per cent of the State's area under forest cover by 2000 A.D., in line with the need to harmonize socio-economic growth with eco-restoration, eco-preservation and eco-development. This would require a massive investment of Rs. 1200 crores which was not possible within the limited resources of the State Plan. In addition to forestry and soil conservation, the need for larger investment in other social and infrastructural sectors was also justified in the hills. He, therefore, pleaded for liberal Plan assistance to hill States to accelerate the afforestation work and also for enlarging the investments in the Centrally Sponsored schemes for soil conservation on a big scale during the Seventh Plan. For solving the fuel-wood problem of the State, he suggested that the Integrated Rural Energy Systems scheme should be made a Centrally sponsored scheme on sharing basis. Concomitantly, the electricity tariff could be subsidised within the Plan, to encourage hydro-electricity consumption. He also referred to the horticultural advances in H.P. competing severely with the forestry sector, with fruit packaging requirements depleting forest wealth, to the extent of desertification. In order to avoid excessive felling of forests to meet the timber requirement needs of fruit-packaging (relating to horticultural advances), he suggested that a project for manufacture of kraft paper and corrugated cartons should be set up immediately, either externally funded or in the Central sector. It might also be necessary to exempt both kraft paper and corrugated Cartons from Central excise duty to keep the cost of cartons within easy reach of fruit growers.

53. Agreeing with the view that time had come to tilt the balance in favour of hydel capacity installations vis-à-vis thermal, the Chief Minister Himachal Pradesh said that the State had an

decentralised manner, he said that, because of the absence of local level planning and coordination, the investments made (to the extent of Rs. 3500 crores by State and Central Governments and an equal amount by financial institutions) for economic development, and creation of physical assets and employment had had only partial benefits, instead of reinforcing each other and increasing the results. The emphasis on coordination and decentralisation had come not a day too soon, as even the achievements in this regard under the Community Development and the Panchayati Raj had been given up, to be replaced by vertical departmentalism. Kerala State had evolved a three-year phased programme of decentralisation to district and block levels, in the case of programmes for the rural poor and for rural development. He suggested that the Council unequivocally declare the block as the unit for planning and development below the district level.

59. Kerala, the Chief Minister said, had accorded in its plans high priority to the social infrastructure, and the social consumption of its people, at all levels of income, was the highest in the country. Under many indicators-literacy (especially female literacy), medical facilities, birth rate, death rate, infant mortality and population growth rate-the State's performance was the best in India. The States expenditure on social and community services was 57 per cent of the total non-plan expenditure. This burden arose out of fulfilment of the constitutional obligation, and should be taken into account in the devolution of resources to the State. This was not being done at present and the State was unable to maintain the services properly. The maintenance of the physical infrastructure created in the State was also suffering due to lack of resources. The per capita Plan outlay in Kerala was less than the all-India average. The approach adopted by the State of according priority to social and community services had resulted in a slow growth rate in agriculture, and industry and, overall, of the State's economy. As a result, creation of employment had been at low levels.

60. The Kerala State Government would give priority in the Seventh Plan to generation of employment. Special programmes for the poorer sections, agricultural and industrial growth and improvement of the quality of the services and the physical infrastructure that had already been built would receive emphasis. In this task, it needed the generous assistance of the Central Government. For reducing regional disparities, the maximum possible Central investments should be made in those States (like Kerala) where such investments had been so far at a low level but where there existed infrastructure facilities.

61. Welcoming the Approach Paper's stress on the public distribution system, the Chief Minister, Kerala pleaded that in order to make the public distribution system more effective, the scheme itself should be treated as a major Plan scheme during the Seventh Plan and appropriate Central assistance should be guaranteed to ensure commitment to this programme as a national policy.

62. In the power sector, the Chief Minister, Kerala said that there was an urgent need for setting up a thermal plant in the State in the Seventh Plan and also to step up the exploration for oil offshore so as to avoid disruptions to the State's economy caused by droughts such as the one which occurred last year. He fully supported the importance attached to ecological preservation and conservation.

63. Pointing out the erosion in the State's resources due to inflation in the Sixth Plan, the Chief Minister, Kerala suggested adoption of an annual rate of inflation of not more than 5 per cent as an important objective in the Seventh Plan. The basic thrust of the Seventh Plan on sectors like agriculture, poverty removal, rural development and social consumption would mean that within the overall plan, the size of the State Plans would have to be larger. He suggested that the Centrally

alleviation programmes to be taken up in the Seventh Plan should be aimed at providing greater opportunities to these vulnerable sections of society. The Central Government should also consider whether the relatively weaker states could be supported for expanding these programmes.

68. Commenting on the effect of price rise and increased wages and dearness allowances on additional resource mobilization, the Chief Minister, Madhya Pradesh said that a vicious circle had emerged, where wage increases were chasing increases in prices. A large part of the additional resources raised for financing the Plan had, consequently, to be spent on wage and dearness allowance increases. He suggested the constitution of an Expert Group by the Central Government to study the problem and to suggest a method by which the basic requirements of Government employees were taken care of at fairly stable prices on the lines of schemes available for defence personnel.

69. Referring to the issue of conflict between environmental protection and certain developmental schemes, the Chief Minister, Madhya Pradesh, said that while ecological and environmental considerations had properly to be kept in view in executing large projects, the former should not inhibit development activities so long as there was a balanced trade-off between the two. A clear procedure should be laid down for environmental clearance of projects within specified time limits. He considered it his duty to point out that in the absence of a practical approach, factors totally alien to this very important national issue, might come into play in the vast tribal hinterland of this country, which might call for emergent solutions under very unfortunate circumstances. He saw no compulsion to allow this to happen.

70. Reacting to the issues posed by the Planning Minister, the Chief Minister, Madhya Pradesh agreed that some measures for containing inflation should be provided for in the Seventh Plan. He further agreed for provision of maintenance expenditure on non-revenue earning assets on the Plan side. He also agreed with the policy suggested in regard to new starts in irrigation, and the need for extreme selectivity in making new starts. Regarding the Special Area Development Programmes, he said that not only should new classes of areas be covered under these programmes, but also that the selection of the programmes should have a direct bearing on very emergent issues. He pleaded, for example, for the inclusion of dacoit-infested areas and development of Baster district Under Special Area Development programmes. Concluding, he said that his State being a riparian State vis-a-vis seven neighbouring States, it could not alone bear the burden for full utilisation of irrigation and power resources of inter-State projects. He requested the Planning Commission to give some consideration to the State on this account so as to ease the financial burden of developing such capital intensive projects, whose benefits were also accruing to other States.

71. **Shri Vasant Rao Patil**, Chief Minister Maharashtra, regretted the walk out from the Council meeting by the Chief Ministers of Andhra Pradesh, Karnataka, West Bengal and Tripura and stated that they had done injustice to the people of their States by not expressing their necessities and requirements in the NDC. He went on to say that he fully agreed with the objectives and strategies of the Approach to the Seventh Five Year Plan and the adoption of the strategy suggested would certainly lead to self-sustaining growth and self-generating economy by 1990. However, he suggested that during the Seventh Plan greater stress would have to be laid on the quality of implementation, so that the fruits of planning were fully reaped by all sections of society. In implementation of programmes for reducing poverty and attaining social justice, it had to be ensured that the weaker sections of society were able to stand on their own feet, and to work with self-confidence and self-respect.

Special programmes for the drought-prone areas of the State would need to be continued and expanded.

77. With a view to increasing agricultural production and marketable surpluses, the Chief Minister, Maharashtra said that it was essential to ensure payment of remunerative prices for agricultural commodities. In this context, he requested the continuation, on a long-term basis, of the cotton monopoly procurement scheme, and for its better implementation. In agro-industries there was a scope for establishing spinning-mills, and also a large number of cooperative sugar factories, particularly in the backward areas of the State like Vidarbha and Marathawada. For setting up these agro-industries, adequate finances through the N.C.D.C. and other financial institutions should be made available. Referring to the special problems of the sugar industry in the State, he explained that although there were variations in different areas of the State in recovery, crushing period, capital cost, age of sugar factory etc., for the fixation of the levy price of sugar, the whole State was being treated as one zone. He, therefore, requested the Central Government to trifurcate the State into three zones for the fixation of levy prices. In irrigation, medium and minor projects which could be completed within the first two or three years of the Seventh Plan should be given priority. The number of new projects ought to be kept to the minimum.

78. In power, the Chief Minister, Maharashtra suggested planning for a gradual transition from the present dependence on oil to coal and electricity in the medium term, and to renewable sources of energy in the long term. He requested for early clearance by Government of India of large number of small hydro-projects totalling 1097 MW in all, and for five large thermal power projects totalling 4760 MW. He requested the Central Government to make available to his State off-shore gas to enable it to have one more gas turbine unit of 108 MW installed. The setting up of the super thermal power project at Chandrapur should be expedited and he hoped that one large sized nuclear power station would be set up in the State. Emphasising the need for further popularising the renewable and non-conventional energy sources, he stated that the State, with Central Government assistance, had decided to set up a pilot plant in Bombay for production of bio-energy from municipal solid waste by adopting the pyrolysis process, which would be the first of its kind in the country. He further suggested early clearance of the power projects submitted to the Central Government, timely and quality supply of coal to the thermal power stations and the need for changes in procedures under the Forest Conservation Act 1980 for the use of forest land for non-forest purposes to speed up clearance of projects from environmental angle. Denudation should be taken as a social cost and included in the original project cost and afforestation of at least double the area to be de-forested should be provided, he suggested.

79. The development of industries in the State had been affected adversely due to Central Government policy of allowing certain industries only in "No Industry Districts" as no district in the State was so designated earlier. He suggested that the unit for industrial development should be a "zone" covering a much larger area than a district, and requested suitable modifications in the Central Government's industrial policy for adopting the concept of "Industrially Backward Zone" instead of the "no Industry District" concept. He also requested location of certain public sector projects in the State. For further development of petro-chemicals and gas-based industries, it was necessary to have another oil and gas terminal, south of Uran, which could process oil and gas. Besides, it was necessary to tap Hazira-Jagdishpur gas pipeline at a suitable point for supply of gas to the backward areas of the State for setting up gas-based industries.

that the State had not received adequate allocation under the NREP. Scanty presence of banks and their reluctance to finance the beneficiaries had affected implementation of the IRDP. Branches of banks should be opened at least at all block headquarters. Therefore, the norms for allocation should be reviewed and greater weightage be given to the backwardness of the area. Guidelines should be made more flexible to suit local conditions, and group ventures in these programmes would prove more meaningful. Welcoming the focus on decentralization in the Seventh Plan, the Chief Minister emphasised that for backward state like Manipur which had little resources, planning had to be need-based, rather than resource based.

86. **Capt. W.A. Sangma**, Chief Minister, Meghalaya, regretted the attitude taken by the Chief Minister of Andhra Pradesh and some of his colleagues in converting the N.D.C. into a political forum. Continuing, he expressed full agreement with the objectives outlined in the Approach document and said that the Seventh Plan should highlight the problems of the North-Eastern region. While endorsing the Approach Paper's emphasis on the harmonisation between planning for meeting basic-needs and socio-economic growth in hill areas with eco-restoration, eco-preservation and eco-development, he did not fully support the low priority proposed to be given to capital intensive roads, bridges and road transport. A planned growth of these projects executed in a technically proficient manner consistent with eco-preservation would provide much relief from drudgery to the hill-people. Their main problem in the north-east was the development and maintenance of a reliable and modern system of communications including roads and road transport, television, radio, telephone and postal services. This would save a great deal of drudgery and provide scope for employment including in tertiary sectors. Another special problem was Meghalaya's long international border with Bangladesh. The development strategy should, therefore, cater to the requirements of improvement in transport, communications and the marketing system, besides tackling of infiltrations from across the international border. Reiterating the important role women played in the economy of the area, he suggested the expansion of programmes like the Integrated Child Development Scheme. There was also need for a massive programme of manpower development. Pleading for the continuation of the present arrangements for devolution of Central assistance to States, he felt that there was a justification for increasing the proportion of assistance to the Special category states. He also said that the State should get a share from out of allocations of the Tribal Sub-plan for taking up special programmes for selected areas. Submitting that North East was not receiving adequate share of the development activities, he suggested a substantial raising of plan outlay of the NEC during the Seventh Plan.

87. **Shri S.C. Jamir**, Chief Minister, Nagaland, fully endorsed the priorities and strategies spelt out in the Approach Paper. The State had also adopted a similar strategy with emphasis on generation of additional income in rural areas, human resources development, achievement of near full employment in rural areas, restructuring the administrative apparatus, strengthening of the State Planning machinery at the block level and an intensive human resources development programme. The State was treating agriculture, animal husbandry, forestry and allied activities as the core sector of the Seventh Plan, and proposed to earmark substantially higher outlays for the core sector. Referring to some special problems, he said that the State should be allocated larger resources to bridge the gap in differential levels of development in Nagaland and the rest of the country, as the State had derived very little benefit from the first three Plans. As it had an unsatisfactory resource base, a rigid insistence on finding matching resources adversely affected the State's production base. The low density of population, higher percentage of literacy, difficult nature of the terrain, and the poor means of transport, communications and lack of other

which had a very large percentage of adivasi and Harijan population, should be regarded as backward and their efforts at industrialisation fully supported. Since Centrally sponsored schemes operated on sharing basis, this adversely affected states with a modest Plan. Therefore, schemes like RLEGP, which were fully funded by the Centre, should be given more emphasis. Regarding educational development of tribals he suggested the introduction of boarding schools in tribal and harijan areas to overcome the problem of a high drop-out rate from schools. This might be taken up under a National Programme in view of his State's limited resources.

92. Giving a review of the State's economy during the Sixth Plan, the Chief Minister of Orissa Stated that momentum had been created in industrialisation of the State but it did not have the necessary funds for sustaining it. Also, for sustaining this tempo of development, manpower training facilities needed expansion, for which the State's own resources were inadequate.

93. On account of the rapid development of industries and agriculture in the State, its power requirement was very high and Orissa, which was until recently a State with surplus power, had become a power deficit State. He, therefore, requested the setting up of the deferred super thermal plant at Talcher in the Central sector during the Seventh Plan. Another thermal plant should be put up in the Ib valley, where adequate coal reserves were available. Referring to the mention in the Approach document of the necessity to set up hydel-based peaking power capacity, he said that in the eastern region Orissa had the largest potential for setting up hydel capacity. If this was utilised by sanctioning additional hydel projects, it would firm up the entire eastern region as a whole. In this context he recommended taking up of Lower Chiplima Project with Central funds.

94. Reacting to the issues posed by the Planning Minister, the Chief Minister, Orissa, agreed that the Seventh Plan should provide for the effects of inflation and the consequent increase in costs. Special Area Development Programmes should be extended to other areas like desert areas, coastal areas affected by salinity, water logged areas, flood prone areas and areas of special importance from the environmental angle. For complete amelioration of poverty by 1994-95, the Seventh Plan should bring down the poverty line by a further 5 per cent than what was envisaged in the Approach Paper. He mentioned that Orissa had accelerated the programmes for development of harijans and tribals by a programme especially directed towards the poorest of the poor, covering only those whose income did not exceed Rs. 1200 per annum and who had no other asset to fall back on. 4 lakh families were expected to be covered in Orissa under this programme during the Sixth Plan.

95. **Shri K.T.Satarawala**, Governor, Punjab, said that the objectives set out in the Approach to the Seventh Plan were indeed commendable, and he agreed with the emphasis on accelerating the growth in foodgrains production, increasing employment and rising productivity. No doubt the details of schemes and programmes to achieve these objectives would be contained in the draft of the Seventh Five Year Plan, yet it was essential to outline broadly the contents of some of the major programmes even at this stage. Highlighting some of the important issues, he said that regional disparities in development should be tackled at different levels. While concentrating on the development of less developed regions, it should also be ensured that the pace of development in other regions was also maintained. The Centrally-sponsored schemes should be drawn up with sufficient flexibility keeping in view the differences in geographical location, physical resources and levels of economic development. Before devising such schemes, meaningful consultation should be held with State Governments; also, only broad parameters of such schemes need be fixed, leaving sufficient flexibility of approach to the States. By having uniform Centrally sponsored schemes, there was every likelihood of the specific needs of different regions being overlooked.



cost was also very high. Greater emphasis, therefore, might be laid in the Seventh Plan on provision of basic amenities like potable drinking water and sanitation, both for urban and rural areas.

100. There was need felt for change, the Governor, Punjab, said, in the educational system; but educational reforms had to be an evolutionary process. Introduction of 10+2 programme at this stage might lead to qualitative shortfalls and weaken the educational system further. The implementation of this programme in isolation might result in greater emphasis on the academic stream at the cost of the vocational stream, thus defeating the very purpose of the new system. The issue, therefore, required rethinking. Referring to the large number of educated unemployed in the State, he suggested that the upper limit of composite loan admissible under the Central scheme for providing self-employment to educated unemployed should be increased; with the size of the loan being dictated by requirements of viability.

101. The distinction between Plan and non-Plan expenditure had lost its validity, and in the Seventh Plan, a beginning could be made by including maintenance expenditure in certain crucial sectors like irrigation and roads in the Plan budget. The Seventh Plan should also take into account price escalation to enable fixing of realistic targets.

102. **Shri Shiv Charan Mathur**, Chief Minister, Rajasthan, said that the major economic problems of the country were unemployment, poverty and low productivity and he fully supported the priority given to these issues in the Seventh Plan. The estimated growth rate of 5 per cent during the Plan was reasonable and higher growth rates should be considered for States, which were below the national average. He felt that the Approach Paper could have given some broad indications of sectoral and regional break-ups of public sector outlay and targets, as with these details, the States would have been better equipped to analyse the impact of policy. Referring to some major issues, he pointed out that the State had remained a backward State in spite of nearly three and a half decades of planned development due to inadequate resource transfers from the Central Government. He suggested that removal of regional disparities should be one of the basic priorities in the Plan, and requested the Planning Commission to review its exercises by building up a suitable model in which disparities in respect of key sectors at least were largely narrowed down. Approving the strategy outlined for the various sectors like agriculture, rural development and poverty alleviation, he suggested inclusion of exploitation of ground-water, which did not figure in the Approach Paper. The emphasis on production of coarse cereals also needed to be spelt out in more details in the draft Plan document.

103. The Chief Minister, Rajasthan said that his State was experiencing an acute shortage of power. The hydro-electric potential of the State had been fully utilised and it was entering into inter-State agreements to ensure adequate flow of hydro-electric power from neighbouring States. Perspective studies, however, had revealed that power shortage would continue in future, unless thermal generation based on coal and gas was stepped up considerably. Keeping in view the problems of transporting coal to stations in the State, he felt the need for planning a gas-based power station of upto 1000 MW in the interests of Rajasthan's industrial development in future. Power generation projects based on the lignite deposits occurring in the State should, also, be taken up on a priority basis, and Centrally funded. Stating that the growth for railways in the State had not been commensurate with its needs of economic development, he urged that the highest priority be given to provision of broad gauge railway lines in the mineral-rich areas. Priority should also be accorded to the conversion into broad gauge of the Delhi-Ahmedabad line and the Jaipur-

107. The Chief Minister, Rajasthan requested special Central assistance to meet the full requirements of the Irrigation and Command Area Development of the Rajasthan Canal Project. Referring to the unexplored potential of development of water resources due to inter-State disputes, or to unilateral action by other States affecting flow of water to lower riparian States, he suggested that all irrigation and power projects which were meant for the benefit of more than one State should be controlled by Joint Control Boards, on which the Central Government might also be represented.

108. Pointing out that the credit-deposits ratio of commercial banks in the State was very low, the Chief Minister, Rajasthan suggested that banks should spend the deposits mobilised from backward States within those States only. Funds deposited in backward States were being invested by the banks in the more prosperous States, and the Central Government should examine this matter and issue suitable instructions to banks in this regard. In regard to interest payment, he suggested that the rule of interest not exceeding the principal should be applied and in no case should a beneficiary covered under the anti-poverty programmes be required to pay more interest than the amount of the principal. A suitable legislation should be enacted to this effect.

109. The location of industrial projects and transportation and communication equipment included in the transport and communication sector, should be decided by giving due weightage to the factor of backwardness. The State's share in investment in the Central Sector undertakings should be raised from the present 2 per cent to 5 per cent in the Seventh Plan. Concluding, he said that backward States stood in greater need of Central support and that a strong Centre was required to curb fissiparous tendencies and for generating balanced regional growth.

110. **Shri Shripati Misra**, Chief Minister, Uttar Pradesh, supported the Approach Paper's national priorities for food, work and productivity. These were in consonance with the State's own plan priorities. Reacting to the issues posed by the Planning Minister, he agreed that inflation should be provided for in the Plan, but cautioned against the possibility of such a provision leading to further price escalation. He agreed that maintenance expenditure should be classified as Plan expenditure.

111. Referring to the strategy that Uttar Pradesh would follow in the Seventh Plan, the Chief Minister said that in agriculture, there would be concentration on areas and crops of low productivity, especially in the eastern region. The State had already crossed the production target of 280 lakh tonnes of foodgrains fixed for the terminal year of the Sixth Plan. The State had placed emphasis on private minor irrigation works; as a result, the target of additional irrigation potential would be reached despite a shortfall of 4 lakh hectares in creation of potential from major and medium schemes, against the target of 12 lakh hectares. The State considered it feasible to achieve a growth rate of 5.1 per cent per annum in agriculture in the Seventh Plan.

112. Urging that the Seventh Plan should give a more positive and substantial thrust to the removal of economic backwardness of States like U.P., the Chief Minister said that growth had to be accelerated considerably, specially to take care of the large segment of educated unemployed youth. Rapid industrialisation of the State was necessary for a qualitative change, and especially for solving the problems of unemployment and poverty in the urban areas and of the educated unemployed. The State Government was providing all possible infrastructural facilities to attract entrepreneurs, and while over the last two years the response was encouraging, the assistance of the Government of India in setting up of various types of industrial units in the State would be crucial. Overall, the State was giving conscious employment bias to its Seventh Plan, and expected that with the step-up in the State's Plan investments together with acceleration in the Central

60% of the Central assistance to be distributed on the basis of population and the remaining 40% to be distributed only among the backward States whose per capita income was below the national average. The allocation to various States could then be made in accordance with a formula in which relative backwardness would be fully accounted for with due weightage to population.

118. The Chief Minister of U.P. referred to the fact that the States were required to earmark a sizable portion of their Plan resources for the implementation of Centrally-Sponsored Schemes, which required provision of matching funds by State Governments. The number and coverage of such schemes had continued to increase over the years, and allocation of Plan resources of the States' Plans to these schemes was generally possible only by curtailing allocations for other equally important State Plan programmes. He suggested that the Planning Commission re-examine and eliminate those schemes which had outlived their utility. Also, those schemes now financed on 50:50 basis should be given higher quantum of Central assistance, say 75-80% to reduce the burden on States finances on account of Centrally-Sponsored schemes, and in order that Plan priorities of the States were not disturbed. He suggested that a Committee be constituted under the Chairmanship of Secretary (Planning) with a few States being associated, to go into the matter. He also suggested the constitution of a fund of Rs. 1000 crores initially, which would be allocable for backward States on the basis of their population and relative levels of development.

119. The Chief Minister of U.P. further went on to say that the pattern of Central assistance to States' plans should be on the basis of 50% grant and 50% loan as against 70% loan and 30% grant basis as at present. Also, 75% of the amount collected under small savings schemes should be made available to the States against 66 $\frac{2}{3}$ % at present, and also that there should be a sizable step-up in the total allocation of market borrowing to the States as a whole. In respect of externally aided schemes, he suggested that the Council review its decision whereby 70% of the assistance received from external agencies for projects funded by them was passed on to the State Governments as additional Central assistance. In view of externally-aided projects being costly, it would be proper if the entire amount of assistance was passed on to the State Governments, except for some small service charges; also, the interest charged on such advances should not be higher than that charged by external agencies on the Government of India.

120. **Shri Bhishma Narain Singh**, Chairman, North Eastern Council, hoped that the Seventh Plan with its innovative approach and stress on development and stability would provide a new watershed in our history. Referring to the North Eastern Council, he said that it had made a contribution in the spheres of development and in building up the unity of the country. The NEC's efforts at rapid transformation of that region helped in easing the severity of problems like the geographical isolation of the area, inadequate transport and communication linkages, difficult supply systems, lack of infrastructure and shortage of trained manpower, thus creating a stable base for the development and growth of the North-East. The abundant natural resources, rich potential, diversity of soil, climate, topography and culture of the area would make regional planning highly rewarding, and he hoped that this aspect would be kept in view while formulating the Seventh Plan for the North-East. An important place should also be given to the development of various facets of the local cultures of the area, its traditions, social organisations, festivals etc., as these factors also determined the quality of life and generated self-confidence. He felt that a multi-disciplinary project covering these various aspects should be taken up for the North East. Sharing the concern for safeguarding the region's ecology, he said that first and foremost it required a detailed and comprehensive survey of all plant, mineral and animal resources, before areas were deforested. Secondly, the programme of forest development in the North Eastern region should include stepping

125. **Shri S.L. Khurana**, Lt. Governor (in charge), Pondicherry, congratulated the Planning Commission for producing a paper of far reaching significance in its Approach to the Seventh Five Year Plan. Extending full support to the objectives laid down in the document, the Lt. Governor stated that certain aspects like dryland farming, irrigation, poverty alleviation, industrial productivity etc., should be given added attention, taking into account the experience in these sectors during the Sixth Plan period. In respect of dryland farming, there had been considerable improvement ever since it had been covered under the 20-Point Programme. However, there was a need for greater stress to be laid on identification of micro-water sheds, effective water management and effective use of other methodologies for water harvesting. In the field of irrigation, he wanted that both ongoing schemes and new starts on minor irrigation should be completed as quickly as possible. In this connection, he pointed out that construction of field channels, lining of channels and canals called for massive outlays. Regarding poverty-alleviation programme, he stated that closely related to these programmes was the need to adopt a policy of decentralisation, both in Plan formulation and implementation. Integration of different anti-poverty programmes like IRDP, NREP, etc., with agricultural programmes required proper institutional framework which should be spelt out properly. Experience in the past in the implementation of poverty-alleviation programmes had shown that revitalisation of local self government institutions was a 'must' for effective coordination of the multiple implementing agencies at grass-roots level. Regarding industrial productivity, the Lt. Governor stated that strained industrial relations prevalent in the sector was one of the major obstacles in achieving productivity and steps should be taken to bring about harmony in the industrial field between labour and management. Infrastructural bottlenecks to industrial production should be removed. He further said that in view of the high percentage of investment in the public sector and the obvious need to find resources for development, it was necessary that the public sector was made more viable, efficient and accountable.

126. **Shri M.G. Ramachandran**, Chief Minister, Tamil Nadu, said that the walk out of certain Chief Ministers from the Council meeting was painful, as they thereby had lost the opportunity to represent the aspirations of the people living in their States. But he hoped that despite the action of the Chief Ministers, the difficulties faced by the people in those States would be kept in mind by the Chairman of the Council.

127. The Tamil Nadu Government was in total agreement with the objectives laid down in the Approach to the Seventh Five Year Plan and its emphasis on food, employment and productivity. Pointing out that almost all the major areas of emphasis in the Seventh Plan such as food production, eradication of poverty and generation of productive employment, fell within the sphere of States' activities, the Chief Minister, Tamil Nadu requested that the share of the States out of the total Public Sector outlay for the Seventh Plan should be increased from the prevailing level to at least 55 to 60 per cent. The proportion of Central assistance as a percentage of the Plan outlay had been steadily decreasing from the First Plan onwards. He, therefore, urged that in the Seventh Plan the transfers through the statutory mechanism and through the Planning Commission based on principles of equity should be stepped up, keeping the discretionary transfers to the minimum. He also suggested that the improvement in the resources position of the Centre through various measures should get reflected at least partly in additional devolution of resources to the States, so that the overall transfers to the States added up to atleast 50% of the revenues of the Centre. Regarding Plan assistance to the States, the Chief Minister, Tamil Nadu was of the view that the modified Gadgil formula presently operative, by giving heavy weightage to population, had put a discount on such States as were effectively implementing the family planning programmes. Similarly,

called for examination of the technical possibilities of exploiting ocean thermal energy, generation of power from tidal energy and urged massive Central assistance to the State for exploiting large areas of lignite bearing lands in and around Neyveli through mining operations.

133. The Chief Minister suggested that matters relating to sharing of inter-State river waters and surplus waters should be decided at the national level. Tamil Nadu had reached a saturation point in providing irrigation facilities, with a major portion of the net cropped areas still waiting for water. He suggested that the National Water Development Agency expedite its investigation work regarding connecting the peninsular rivers during the Seventh Five Year Plan. He urged that a national fund be established to subsidise agriculture, rural electrification and agricultural tariffs, as State Governments were unable to bear the burdens involved under the present system of division of resources between the Centre and the States. He also requested the Central Government to support the State Government's scheme of modernising irrigation in the Cauvery delta, for which it proposed to seek the help of the World Bank. Regarding the Forest Conservation Act, he felt that the procedures for obtaining clearance under the Act for even essential and simple development works were very cumbersome and time consuming. Some delegation was called for, and the management of forests should also be reverted to the States as a State subject.

134. Regarding Central investment in the States, a greater share for Tamil Nadu in the Central Sector projects was called for in the Seventh Plan. To facilitate expeditious industrialisation in the State, the concept of zero industries districts should be modified, to consist of smaller geographical units, as also taking into account key factors like unemployment ratio, percentage of the poor below the poverty line, and so on.

135. Welcoming the emphasis on decentralised planning in the Approach Paper, the Chief Minister, Tamil Nadu, pointed out that decentralised planning would be effective only when the States had adequate resources to provide for all the basic necessities, and that was possible only if larger Central assistance was provided for certain major areas of national importance. He emphasised the need for increasing the number of Assembly constituencies as well as the State's representation in the Parliament, keeping in view the need to have a uniform population base for all constituencies.

136. The Chief Minister Tamil Nadu endorsed the strategy outlined in the Approach document in regard to the development of hill areas, but suggested that rational principles be evolved to remove the present imbalance in the allocation of funds to hill area development, e.g., 50% weightage being given to area and to population. He also wanted the Planning Commission to give up the present method of scrutiny of Annual Plans for hill area programmes on individual scheme-wise basis and agree to release of funds as Central assistance subject only to the condition that the programmes sanctioned under this area fell broadly within the parameters and the strategy evolved by the High Level Committee. He also urged the implementation of the Eastern Ghats Development Programme in the Seventh Plan.

137. He also suggested wider coverage by media, especially television, in the local language so as to raise the levels of perception of the people regarding the efforts being undertaken for their economic uplift. Election expenses must be borne by the Central Government. The Chief Minister, Tamil Nadu, concluded by reiterating the pivotal role of the States in the Planning process and, therefore, the necessity to strengthen them by vesting them with greater financial power.

138. **Shri Lal Thanhawala**, Chief Minister, Mizoram, Stated that the Union Territory had remained insulated from the full impact of national developmental activities due to many factors such as its peculiar physical and geographical features, lack of infrastructural facilities, highly dispersed

143. **Shri Pranab Mukherjee**, Union Minister for Finance, stated that he would confine his observations to the most important question of financing and allocating resources for the Seventh Five Year Plan. Reacting to the comments made by some of the Chief Ministers that the State's share of market borrowings had gone down, he said that it was factually correct that the share of market borrowings of the States had declined from 50 per cent in 1960-61 to 20 percent presently. However, as there were other instruments of transfer of resources from the Centre to the States, e.g., their share in negotiated loans/external aid, Central assistance as per Gadgil formula etc., the totality, the ultimate transfer of resources from the Centre to the States had been substantial. The net transfer from the Centre's resources to the States had increased from 24 percent in 1960-61 to 37 per cent in 1982-83.

144. The Union Finance Minister went on to state that the apprehension expressed by some Chief Ministers that the repayment by the States of principal and interest of the loans given to them by the Centre would amount to more than the net receipts from the Centre was not justified. He quoted the figures of loans received by the States and the repayments made by the States to the Centre, for principal and interest taken together, for the years 1980-81 to 1984-85. The amount of repayments made by the States was much smaller than the amount of loans received by them. Moreover, in the intervening period, the Seventh Finance Commission had recommended the writing off of part of the loans or the rescheduling of these Loans. Therefore, there need be no apprehension that the repayments by the States would be more than what the States actually received in the form of loans. Commenting on the point raised by some Chief Ministers for a larger share of funds from externally aided projects, the Union Finance Minister pointed out that the additional Central assistance for externally aided projects had been substantially raised from 25 percent after the Fifth Plan period to 70 percent at present, and any further increase on that account would not be possible, as even of the 70% the grant element was 30%.

145. Referring to Chief Minister Kerala's observation that according to the revised Gadgil formula, the Central assistance amounted to only 50% of the total assistance channeled to the States, he pointed out that this calculation did not include the assistance provided to the Special Category States; if that were to be counted, the percentage of Central assistance would amount to 70%. In regard to the Central assistance being provided for special programmes/areas, the Union Minister for Finance said that experience in the successive plans had shown that unless funds were earmarked for the development of hill areas, or for special component plan for Scheduled Castes, for Tribal sub-plans and outlays for other weaker sections, such needs would not be taken care of adequately. Emphasising the need for augmenting resources, he pointed out that it could not be achieved by simply changing the Gadgil formula for allocation of resources among the States or by implementing the recommendations of the Eighth Finance Commission. The total availability of resources remained unaltered by these changes, taking the Centre's and States' requirements together. In any case, Central projects had to be perforce located physically in one State or U.T. or another, with the consequential benefits to that State in the first instance. He did not find much logic in the State's demand for bigger State's outlays and higher Central outlay in their States as well as higher Central assistance. No doubt adequate provision had to be made for the development of sectors for which States were responsible, but the Central sector projects also ultimately benefitted the States, as pointed out by him. Therefore, what was important was stepping up the mobilisation of resources and making adequate provision of outlays for developmental programmes; otherwise, development would be the casualty.

anything to that. The approach enunciated in the Approach Paper would be adhered to in this regard. However, the legitimate claims of some of the backward States would have to be considered. Reacting to the suggestion made by the Chief Ministers of Jammu & Kashmir and Assam for changing the pattern of assistance to these States (to 90% as grant and 10% as loan), he stated that the issue required going into details in consultation with the Finance Ministry. Therefore, it would not be possible for him to react on the issue immediately and the Chief Ministers would be informed later in regard to the action proposed to be taken on this aspect. Further, he suggested that for detailed consideration of some of the issues posed by him in his opening remarks as also arising out of these discussions, groups of experts could be formed to submit their reports within a stipulated time. At the time of Plan finalisation, some of the Chief Ministers could also be associated so that they could have a final say on these issues.

151. The first issue on which a group of experts could be formed was regarding incorporating the effects of inflation on resources as well as costs formally into the structure of the Seventh Plan. The full implications of the issue should be gone into by the group of experts. It should suggest alternatives, without affecting adversely the interests of the States. It would be better still if it could suggest some kind of a formula by which the real difficulty was solved.

152. The second issue on which a group of experts can be formed was the inclusion of non-Plan items of maintenance as part of Plan outlay, especially for the maintenance of assets which were non-revenue earning but which required proper levels of maintenance. Though the Finance Commission did go into this in detail, after getting full information from State Governments, there were possibly some States, which due to compulsions were almost forced to divert funds from maintenance outlays of assets. While the Hon'ble Chief Ministers would no doubt discuss this with their administrative departments, it was necessary to appoint a small group of officers, who should go into the details and try to find out what best could be done, without affecting the total size of the Plan, and what would be the effect if non-Plan items of expenditure on maintenance were also included as Plan items and regularly monitored by the Planning Commission as part of Plan outlay monitoring. All aspects of the problem would have to be considered keeping this in mind, before a decision was taken.

153. The third issue on which a group of experts could be formed was regarding extension of the idea underlying Special Area Development Programmes to areas like drought prone areas, Scheduled castes/scheduled tribes areas, coastal-erosion areas, saline areas, flood prone areas, decort-infested areas and so on. The Chief Minister, Kerala, pointed out that bringing more areas under this scheme would result in proportionate cut in the Central Assistance available to the States, to which the Minister of Planning replied that the formation of a group of experts was meant precisely to avoid such snap decisions and to thoroughly go into the issues involved before taking a decision.

154. The fourth issue on which a group of experts could be formed was on the role of the Centrally-sponsored schemes in achieving the objectives of the Seventh Plan.

155. Replaying to the suggestion made by some of the Chief Ministers regarding flexibility in the implementation and adoption of poverty elimination programmes, the Planning Minister stated that it required discussion with the Rural Development Ministry. However, his preliminary view was that a uniform pattern need not be necessarily insisted upon, and the Centre could give the States broad outlines of the anti-poverty programmes and leave the implementation and adaptation to them.

programmes like IRDP were Central Government's programmes and not that of the State Governments', she said that no doubt these programmes were drawn up and financed largely (sometimes entirely, as for Nrep and RLEGP) by Centre, but these programmes were part of the Sixth Plan strategy of poverty reduction. The programmes were being implemented by the States for the benefit of the poor there. The Centre did not derive any benefit from these programmes, as the Centre did not exist outside the States and Union Territories and since all Central Projects were located in one State or another, there was no such thing as the Central Government having a particular area under it. If the poverty stricken population of a State was assisted to cross above the poverty-line, then the State gained, not the Centre. If a State did not implement such programmes then the State suffered. In this connection, she also referred to the Tamil Nadu Chief Minister's remark that it were the States which implemented the Centre's programmes. She clarified that the Centre did not stand to gain or lose by such an attitude. It was the poor who gained or lost.

161. The special anti-poverty programmes and the minimum needs programmes had brought about a change in the life of the people and these development programmes were gradually reaching down. But it was a long and a gradual process, requiring the people's participation in the greatest measure. She clarified that in planning and implementation of plans and in Central Government helping the States, equal treatment was given to all States, irrespective of their political set up. Every State wanted the Centre to take up more projects in that State, but at the same time they wanted to reduce the funds at the disposal of the Centre. In view of funds being limited, a major effort at greater resource mobilisation at the State level was called for, if this contradiction was to be satisfactorily resolved, as only then would a larger Plan outlay be feasible.

162. Removal of disparities in incomes and living conditions of different regions, different States and different communities, tribes and castes had been stressed in the plans and the Centre-State relationship should be seen in the perspective that removal of these disparities was necessary to maintain the unity of the country. Therefore, a balanced and all-round development, irrespective of the resource capabilities of the Union, had been one of the major objectives of our Plans. This was the rationale for our special programmes for certain groups, and certain backward States and certain sections of the population who had inherent disadvantages and special disabilities like Scheduled Castes and Scheduled Tribes. Stressing the point that India was one market where goods and services flowed freely from one State to another, she regretted that some agitations had been aimed at providing some special privileges with regard to one item or another. Any attempt to so fragment the country and the market would only make the country poorer and weaker.

163. The Prime Minister agreed with the suggestion of the Chief Minister of Tamil Nadu that rural unemployment could be tackled on a long-term basis through organised creation of appropriate skills in the villages, which were relevant to local needs. Stating that she was not against big projects, she said that much of the resources and talent existing in our rural areas was being neglected. A major effort must be made to realise these hidden talents, which could meet not only the local needs but could be used for exports also. Referring to the criticism of the Forest Policy, she said that the whole idea behind the policy was not to deprive people of income but on the contrary, to have forests which would give a decent living for the local inhabitants. By cutting down forests, we had already lost much through loss of forest wealth, of medicinal plants and being subjected to recurring floods which occurred due to deforestation. She also agreed with the suggestion of the Chief Minister, Tamil Nadu, for a uniform syllabus in the educational system thought out the country and for certain changes being made in each State to suit the local tradition or local medium which would make more sense to the people. She, however, did not agree with his



**PARTICIPANTS**

Shrimati Indira Gandhi	Chairman
Shri S.B. Chavan	Deputy Chairman & Minister of Planning
Shri Pranab Kumar Mukherjee	Finance Minister
Shri R. Venkataraman	Defence Minister
Shri M. Fazal	Member
Dr. C. Hanumantha Rao	Member
Prof. M.G.K. Menon	Member
Prof. A.M. Khusro	Member

**STATES**

Andhra Pradesh	Shri N.T. Rama Rao Chief Minister
	Shri N.B. Rao Finance Minister
Assam	Shri H. Saikia Chief Minister
	Shri Md. Idrish Minister of Planning & Development
Bihar	Shri Chandra Shekar Singh Chief Minister
	Shri S.C. Jha Planning Minister
Gujarat	Shri Madhavsinh Solanki Chief Minister
	Shri Sanat Kumar Mehta Finance & Planning Minister
	Shri Harihar Bhai Khambholja Minister of State, Finance & Planning
Haryana	Shri Bhajan Lal Chief Minister
	Shri Kartar Singh Finance Minister

	Shri Raghu Nath Patnaik Finance Minister
Punjab	Shri K.T. Satarawala Governor
Rajasthan	Shri S.C. Mathur Chief Minister Shri Brij Sunder Lal Finance Minister
Tamil Nadu	Shri M.G. Ramachandran Chief Minister Shri V.R. Nedunchezian Finance Minister Shri S. Ramachandran Minister of Electricity
Tripura	Shri N. Chakravorty Chief Minister
Uttar Pradesh	Shri Dasarath Rao Deputy Chief Minister Shri Shripati Mishra Chief Minister Shri Brahma Dutt Finance & Power Minister Shri R. S. Khanna Minister for Planning & Political Pen- sion Shri T.P. Tewari Deputy Chairman, State Planning Board
West Bengal	Shri Jyoti Basu Chief Minister Dr. Ashok Mitra Finance Minister
<b>UNION TERRITORIES</b>	
Andaman & Nicobar Islands	Shri N.Haldar Councillor
Arunachal Pradesh	Shri G. Apang Chief Minister

Shri V.P. Singh	Minister of Commerce and of Department of Supply
Shri N.D. Tiwari	Minister of Industry

**UNION MINISTERS OF STATE**

Shri Bhagwat Jha Azad	Minister of State of the Ministry of Food and Civil Supplies
Shri H. K. L. Bhagat	Minister of State of the Ministry of Information and Broadcasting & of the Department of Parliamentary Affairs
Shri V.N. Gadgil	Minister of State in the Ministry of Communications
Shrimati Shiela Kaul	Minister of State of the Ministries of Education and Culture, and Social Welfare
Shri Khurshid Alam Khan	Minister of State of the Ministry of Tourism & Civil Aviation
Shri S. M. Krishna	Minister of State in the Ministry of Finance
Shri R.N. Mirdha	Minister of State of the Ministry of Irrigation
Shri H.N. Mishra	Minister of State of the Ministry of Rural Development
Shri Shivraj V. Patil	Minister of State in the Departments of Science & Technology, Atomic Energy, Space, Electronics and Ocean Development
Shri N. K. P. Salve	Minister of State of the Ministry of Steel & Mines

**SPECIAL INVITEES**

Shri Bhisma Narain Singh	Chairman, North-Eastern Council
Dr. C. Rangarajan	Deputy Governor, Reserve Bank of India

**THIRTY-EIGHTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
8th and 9th NOVEMBER, 1985**

**SUMMARY RECORD**



**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE DISCUSSIONS AT THE THIRTY EIGHTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON 8th and 9th NOVEMBER, 1985

---

### AGENDA & SUMMARY RECORD

---

The National Development Council commenced its deliberations with **Dr. Manmohan Singh**, Deputy Chairman, Planning Commission making a reference to the void left by the absence of **Shrimati Indira Gandhi**. He recalled that Shrimati Gandhi had presided over the deliberations of the Council for nearly sixteen years. She had a profound impact on the evolution of India's economy and polity with her strong commitment to the goals of modernisation, development, social justice and self-reliance. These had inspired several new thrusts in our development plans and programmes. The achievement of self-sufficiency in foodgrains and the inculcation of scientific temper in Indian agriculture, a vast increase in the nation's technical and managerial reservoir, a diversified industrial structure and the inclusion in the Plans of several innovative programmes aimed specially at the weaker sections among whom could be enumerated, particularly, agricultural labourers, small and marginal farmers, scheduled castes and scheduled tribes, were all a tribute to Shrimati Gandhi's vision and indomitable courage as the nation's leader. As a result, the nation's capability to pursue a self-reliant path of development suited to the genius of the people had been greatly enhanced. It was due to her leadership that notwithstanding a very hostile international environment in the seventies, the Indian economy emerged from the crisis stronger, more self-reliant and with an accelerated tempo of growth. Dr. Manmohan Singh concluded his homage to Shrimati Gandhi by stating that a commitment to work for the building of a strong, united India, free from fear of war, want and exploitation, was the best tribute that could be paid to her.

2. The assembly of the National Development Council then stood in silence for two minutes as a mark of respect and homage to the departed leader.

3. Thereafter, **Shri Rajiv Gandhi**, Prime Minister and Chairman of the National Development Council, welcomed the Members of the Council. He stated that the adoption of the national Plan was a significant event in a planned economy. The Plan set the pace and direction of development in a long perspective, defined socio-economic objectives and priorities, laying down concrete goals for the Government and most important of all, it embodied the national consensus on how to eradicate poverty and to build a strong, self-reliant society. Each Plan had taken us nearer to our cherished goal of socialism.

4. Continuing, he said that the success of the Sixth Plan had put us in a strong position to start the Seventh Plan. The Sixth Plan growth target had been achieved. The performance of the agricultural sector was particularly impressive and specially in food production. Substantial progress had been made in key industrial sectors, like coal, oil, power, cement and fertilisers. The percentage of population below the poverty line had declined significantly. Inflation had been brought firmly under control and balance of payments was managed successfully. This was a record to be proud of under any circumstances, and particularly impressive considering the external environment, when even developed countries had faced serious economic set-backs. The Indian economy had, however, emerged stronger and with an accelerated growth rate.

5. The Seventh Plan must build on these foundations and maintain this momentum of growth, the Prime minister said. It had to take the modernisation process forward so as to make us capable

of dealing with the world on equal terms. But no process of development could be socially meaningful, or even viable, if it failed to lighten the burden of poverty. We had to intensify our direct attack on poverty, and provide productive employment to the masses. Development had to be accompanied by equity and social justice, and by removal of social barriers that oppressed the weak. This was the essence of our concept of socialism.

6. The draft Seventh Plan presented a comprehensive strategy for achieving these objectives. It envisaged a massive public sector outlay of Rs. 180,000 crores as against the Sixth Plan outlay of Rs.97,500 crores. This gave an idea of the step up in public sector outlay.

7. The Seventh Plan called for a tremendous effort to mobilise resources. The whole gamut of our economic policies would have to be oriented towards stimulating growth, promoting savings and investment, and reducing social and economic disparities. The new initiatives were already beginning to yield significant results belying fears and apprehensions. Tax revenues were up, and the industrial climate bouyant. Productivity gains were taking place in every sector. Our basic economic policies - industrial, agricultural, scientific and technological - had served us well and would be carried forward. However, the Prime Minister added, we should not forget that the fundamental fact of our situation was change. Planning was about change, about the future. India's economy had changed enormously over the last three decades and new problems and challenges had arisen. We had to respond to them, keeping in view our basic socio-economic objectives.

8. The Prime Minister went on to mention what the Seventh Plan proposed in some key areas. He said that agriculture was the back-bone of our economy, and it was here that sustained growth generated productive employment for the masses, reduce poverty and helped industrial growth and advances in other sectors of the economy. Indian agriculture was today universally regarded as a success and in the past decade had shown considerable dynamism. In a decade and a half, we had gone from import dependency in food to self-sufficiency. With our foodstocks, we could improve the nutrition of our people. The task during the Seventh Plan would be to bring about faster and more even agricultural growth. The green revolution would be extended to the eastern region and to dryland areas where a large part of our population was concentrated. In these areas poverty was also most acute there. This strategy would help not only in reducing regional imbalances but would be a key factor in the strategy for a successful attack on poverty. As part of the agricultural strategy, development of water resources, extension, research and development, communications and marketing infrastructure had to get increased public investment. Also basic institutional changes in agrarian relations could not be evaded any longer. Land reforms and consolidation of holdings were important for social justice as well as for agricultural growth. Management at all levels, from Ministries to the villages had to be overhauled. All these were challenging tasks for the next phase of growth in agriculture, and the Plan addressed itself to these tasks. We could not afford to fail.

9. Productive programmes had to be supplemented by direct measures to reach out to families that had no assets. The anti-poverty programmes constituted the core of the 20-Point Programme, the Prime Minister said. These would be expanded and restructured, based on past experience, to give maximum assistance to families below the poverty line. The experience gathered in implementing the programmes had to be used to improve them. New life had to be breathed into decentralised institutions and people involved in implementing these programmes. The public distribution system would be expanded, specially in the rural areas, where it reinforced anti-poverty programmes. This would be a major component in the strategy of growth with social justice.

10. The Prime Minister recalled **Jawaharlal Nehru's** view that in the ultimate analysis, the battle against poverty and backwardness could be won only through massive industrialisation. Planning had created a strong base for a modern, self-reliant industrial economy. We had a highly

diversified industrial structure with an impressive range of products, many embodying a high level of technology. A wide entrepreneurial base had been created. The public sector had acquired a commanding presence and had played a pioneering role in introduction of modern technology, in taking development to backward regions, in creating a wide range of technological skills and in curbing concentration of economic power. The next phase of industrial revolution in India posed new challenges for the public sector. It must lead the complex and demanding process of absorbing and developing new technologies. It had to master the imperatives of modernisation. It had to first establish and thereafter spread, a new work culture in industry based on productivity, efficiency and quality, generating large surpluses for investment. As in the past so in the future, the public sector would occupy the commanding heights of our technologically modern industry. But while knowing our strengths, we also had to recognise our weaknesses. We had a low rate of industrial growth; most of our industry was high-cost, and therefore, uncompetitive. We did not pay sufficient attention to quality, and in many areas we were working with obsolete technology. The Seventh Plan would establish new parameters of efficiency. Infrastructural shortages would be remedied by making appropriate investment in energy, transport and critical materials. In the new phase of industrial development, the focus must be on increasing efficiency, reducing costs and improving quality. The thrust of the policy would be for absorption of new technology, modernisation, reduction of costs and greater competition. Lower costs would bring industrial goods within the reach of the masses, raising their living standards and also stimulating industrial growth. Small scale and village industries had made an enormous contribution to industrial growth and expansion of employment. The Seventh Plan policy frame would also encourage such industries to grow and to become more productive and efficient by using better technology.

11. Further, dwelling on Seventh Plan priorities, the Prime Minister said that the strategies, policies and programmes of the Seventh Plan were, geared to the fundamental objective of expansion of employment. A qualitative change in the Seventh Plan would be that employment would increase faster than the growth of labour force. For the first time in the history of planning, there would be no current backlog of unemployment, in fact the previous backlog would be reduced. Our strategy was a strategy of work for the millions.

12. The human factor was central to development. Development was not about factories, dams or roads, it was about people. The goal was material, cultural and spiritual fulfilment of the people, and the Seventh Plan provided for proportionately larger allocations for human resource development. Policies and programmes in the fields of education, culture, health, welfare of women and youth, uplift of scheduled castes, scheduled tribes and other weaker sections aimed at creating a stronger and more cohesive national community. At the same time we had to preserve our heritage, the poise and strength of our inner spirit. We had to strive for quality and excellence in the life of the community and in that of individuals.

13. The family planning programmes would have to be redesigned to make a decisive dent. A vast voluntary effort had to be mobilised to change social practices and beliefs that came in the way of a rational population policy. Education, health care, women and child welfare and communication had to play their part in creating smaller, healthier and happier families.

14. Among the innumerable contributions to India's development process, conservation of environment was one to which Indiraji attached great importance. We would proceed purposefully on the path shown by her and the Ganga Project symbolised our will to protect our environment. The shrunken forest cover would have to be remedied, and our polluted rivers, streams and lakes cleaned up.

15. Referring to S & T, the Prime Minister said that the country had built a strong indigenous base of science and technology, which must be put to good use in the coming years to enhance production in all sectors and to make the economy dynamic and capable of holding its own in the international arena. We could not develop as an independent people if we remained only borrowers of scientific and technical knowledge. To this end several technology missions in key areas would be set up. We must concentrate effort in the frontier areas of science and technology to put ourselves abreast of advanced nations.

16. Concluding, the Prime Minister said that the path of development was arduous. The people of India had an abiding faith in the planning process and the Seventh Plan was an expression of their collective aspirations. He gave a call for pledging ourselves to the implementation of this Plan.

17. In his introductory remarks, Dr. Manmohan Singh, Deputy Chairman, Planning Commission, said that he had been privileged to assist in the preparation of the Sixth Plan under the inspiring leadership of Indiraji, and yet once again in the preparation of the Seventh Plan under the guidance of the Prime Minister. He expressed his gratitude to the Prime Minister for his guidance to the Planning Commission in the preparation of the Seventh Plan. He also acknowledged the support and guidance received from **Shri Vishwanath Pratap Singh**, Union Finance Minister, and the valuable guidance and cooperation of the Chief Ministers of the States. Continuing, he said the planning process was the precious gift of Pandit Jawaharlal Nehru, which Indiraji had nursed with great and loving care. As she had put it, planning in our country was a character of orderly progress. It had made a powerful contribution to the goal of national integration by strengthening the social and economic fabric of the country as a whole and of different regions and States. The planning process had contributed a great deal to evolving a broad national consensus regarding the basic objectives, strategies and design of development policies which had helped to generate broad mass support for national economic policies, thus adding greatly to the cohesion and stability enjoyed by our polity. Outlining the basic objectives of planning in India as removal of poverty, building of a modern society, making maximum possible use of science and technology and attainment of self reliance, Dr. Singh said that the previous Plans had made valuable contributions to the achievement of these national goals. The Seventh Plan constituted yet another important milestone in the nation's quest to rid this country of the ancient scourages of poverty, ignorance and disease.

18. The Seventh Plan was set within a 15-year perspective. The objectives and thrusts of the Seventh Plan had been formulated as part of a longer term strategy which sought by the year 2000 AD to virtually eliminate poverty and illiteracy, achieve near full employment to secure satisfaction of the basic needs for food, clothing and shelter and to provide health for all. The Plan thus sought to establish an economy which was modern, efficient, progressive, humane and was informed by equity and social justice. This meant sustenance and acceleration of the economic growth momentum. Agriculture, industry, infrastructure and social services had to function at progressively higher levels of efficiency and productivity and full advantage must be taken of advances in science and technology to bring about the needed structural transformation in the economy. Simultaneously, measures designed to raise the productivity and incomes of the poorer sections of society and poorer regions must be pursued with greater vigour.

19. The Seventh Plan aimed to stabilise the growth rate of the economy at an average annual rate of 5 per cent. The targetted growth rate of the economy as a whole as well as both agriculture



(4%) and industry (8%) implied a significant improvement over past trends. As such, major efforts would be needed to achieve the growth targets of the Seventh Plan. Food, work and productivity had been the three basic guiding factors in the preparation of the Plan, and particular attention had been paid to infrastructure and human resource development.

20. Explaining the salient features of the Plan, the Deputy Chairman stated that, in agriculture, the objective was to build an expanded system of food security at rising levels of per capita consumption. The Plan laid emphasis on more balanced agricultural development with special emphasis on increasing rice productivity in the eastern states, development of dryland agriculture and on enhancing the productivity and incomes of small and marginal farmers. In the field of employment, over the Plan period, employment potential was expected to increase by 40 million standard person years against an addition to the labour force of 39 million persons. Rapid agricultural development, expansion of irrigation facilities through adding 13 million hectares of additional irrigation potential, more intensive cropping and continuation of employment-creation programmes, such as the NREP and RLEGP, would contribute significantly to the generation of additional employment opportunities in rural areas. The faster growth rate in industry and a considerably expanded housing programme in the private sector would together generate a larger volume of employment in the non-agricultural sector than in the past. The Seventh Plan was thus an employment oriented Plan with employment potential growing at 4 per cent per annum compared to the 2.5-2.6 per cent per annum growth of the labour force.

21. The Seventh Plan development strategy and the pattern of growth emerging from it were expected to lead to reduction of the poverty ratio, from 37 per cent in 1984-85 to less than 26 per cent in 1989-90. For this, the Plan envisaged an expanded coverage under the various anti-poverty programmes, plugging the various loopholes in the operation of these programmes and integrating these and various sectoral and area development programmes into a comprehensive design of integrated development of each area. In view of the comfortable food stocks position, it might be possible to expand these anti-poverty programmes at a still faster rate than envisaged in the Plan Document. The Plan paid special attention to the problems faced by more vulnerable sections such as the scheduled castes, the scheduled tribes, women and children. The Plan recognised the special needs and problems of women.

22. Promotion of efficiency and higher productivity had been another major concern in the preparation of the Seventh Plan. Increased and more efficient utilisation of existing assets, both in agriculture and industry, would contribute to increasing the efficiency of resource use and also help in containing the rise in the capital output ratio. The policy framework for industrial growth in the Plan laid special emphasis on setting up plants of economic size, and on the creation of an environment where business firms had an adequate incentive to modernise, reduce costs, improve the quality of their products and upgrade their technology. In order that agriculture and industry might grow faster, increased emphasis had been placed on investments in infrastructure so that shortages in power, transport and coal would not arise for the scale of activities envisaged in the Plan. Power generation was expected to grow at an average annual rate of 12.2 per cent over the Plan. The Plan paid considerable attention to meeting the energy needs of rural areas. The supply of fuel wood had been included as an additional component of the minimum needs programme.

23. Yet another thrust area in the Seventh Plan was human resource development. Public sector outlays for social services showed a significant increase as compared to the Sixth Plan. The Plan sought to facilities development of human potential in terms of self-respect, self-reliance

and a life of dignity. Apart from expansion of the existing programmes in education, health, provision of clean water and sanitation, new initiatives and innovative measures were contemplated in those areas. Increased emphasis on protection and preservation of the ecological balance and environment was another distinctive feature of the Seventh Plan.

24. As regards financing the Plan, the Deputy Chairman stated that in broad macro terms, the Plan was eminently bankable and credible as it projected only a moderate increase in the rates of investment (from 24.5% of GDP in 1984-85 to 25.9% in 1989-90) and domestic savings (increasing from 23.3% of GDP in 1984-85 to 24.5% in 1989-90) during the Plan period. Recourse to deficit financing had been kept within limits of safety and prudence, and care had been taken to ensure that internal and external financing of the Plan did not involve assumption of unacceptable risks. However, financing of the Seventh Plan would require determined and more intense efforts for resource mobilisation. The ratio of taxation to GDP would have to increase by two percentage points over the Plan period, and the success of the Plan was crucially dependent on the achievement of this target. Subsidies and other non-plan expenditure would have to be firmly contained and the public sector would have to generate larger resources if the requirements of additional investments were to be financed in a non-inflationary manner. To maintain the viability of external payments, it would be necessary to pay greater attention to export promotion and to containing the growth of imports. Our export performance still displays major structural weaknesses and in the interest of an orderly management of our balance of payments, there would have to be a substantial improvement in the competitiveness and quality of our exports.

25. Stating that the measure of a Plan was in Indiraji's words, not intention but achievement, not allocation but benefit, Dr. Manmohan Singh said that impact of the Seventh Plan would depend on the earnestness and determination with which it was implemented. The Deputy Chairman outlined certain areas requiring improvement over past performance. These areas were (i) rehabilitation and revitalisation of the agricultural credit system, essential for achieving the agricultural targets of the Plan; (ii) substantial improvement in the quality of agricultural and rural development administration to ensure effective block/district level planning; (iii) a fresh look at not only the basic strategy but also the programme content of the family welfare programmes, so as to bring about a faster reduction in the rate of population growth; (iv) a major improvement in the productivity, efficiency and internal resource generation in the public sector, both at the Centre and in the States, and (v) effective measures to bring about meaningful participation of the people in all phases of national development,

26. The Deputy Chairman asserted that poverty eradication was an attainable goal. However, hard decisions would be necessary to mobilise the needed resources to sustain the tempo of modernisation and social development. The standard of living was a matter of high productivity and there were no short cuts to it. The Seventh Plan represented a massive national endeavour to build a new India free from the fear of want and exploitation and the Deputy Chairman, invited the Council to endorse the objectives, strategies and programmes of the Seventh Plan and to work earnestly for its successful implementation.

27. **Shri N.T Rama Rao**, Chief Minister, Andhra Pradesh, commended the Prime Minister for effectively analysing the objectives of planning and agreed fully with the importance of planning, emphasis on socialism, the need for a perspective and the specific objectives indicated in the Plan Document. Emphasising the importance of the State Governments developing their policies and programmes, keeping in view the requirements of each State for a direct attack on poverty, he

outlined the various schemes of his State for providing food, clothing and shelter to poor people at subsidised rates. The State was also emphasising development programmes for women, as also job reservation for them. Improvement of the education system with the use of modern technologies and massive introduction of vocationalisation. Side by side programmes of exploitation of natural resources and provision of economic infrastructure were being undertaken. Continuing, he said the large irrigation potential of the major rivers would have to be harnessed with substantial special Central assistance to the States. He outlined how the State Govt. had tried to boost its revenues through various measures. He was critical of the increasing number and outlays on Centrally-sponsored schemes, and highlighted how mounting revenue expenditures on DA etc., and inflation eroded state revenues.

28. Continuing, the Chief Minister, Andhra Pradesh said that this meeting of the Council was an important one as it would define the direction of the development thrust and the contours of the society we wanted to build by the turn of this century. While a review of the past indicated many achievements, the extent of achievements and their spread was disappointing against the expectations. This experience compelled us to think afresh about the rate of growth, institutional arrangements, the dynamics of work ethics and the technological frame needed to achieve the task. Referring to the development perspective of 2000 AD envisaged in the Draft Seventh Plan, the Chief Minister said that the expectations of the poor and the downtrodden had been aroused. Whereas the growth rate of 5% postulated might be reasonable given past performance, it would not be consistent with the sacrifices demanded, in terms of a domestic savings rate of around 25% from a poor society like ours. It was also inconsistent with the unprecedented emphasis and reliance the Plan placed on productivity and technological improvements. The sectoral strategies indicated in the numbers also did not adequately capture the thrust towards provision of employment and poverty alleviation that was discussed in the narrative. The vital sectors of transport and agriculture needed greater attention. The increase in agricultural productivity implicit in the Plan appeared to be confined to irrigated areas, while the real challenge and opportunity lay in improving returns from dryland farming. He further stated that since the core of the perspective plan was provision of full employment and removal of poverty, there was need for greater details of the strategies and measures that were proposed to achieve this goal. Public distribution system should be given the central place in our efforts at containing inflation. Also, while food and clothing were being projected in the table of socio-economic indicators, a third important element, viz., shelter did not find a place in it.

29. Stating that the formulation of the perspective was a complex and significant task, the Chief Minister submitted that the information available in the Plan Document was not adequate to fully appreciate what was being attempted and what were the relative roles of the Union and the States. In this context, it was necessary to have spatial expression of sectoral perspectives so as to enable the states to plan their investment strategies. This would also require some information on anticipated spread of sectoral investment in different states. The Chief Minister, Andhra Pradesh, therefore, suggested that there should be a national debate on the perspectives of 2000 AD based on further details to be made available to the States and all interested parties. The Council should reassemble after one year to consider the perspectives.

30. Referring to the reports of the three Expert committees, Shri Rama Rao agreed with the views of the Planning Commission on the report of the Committee on inflation. Regarding the report of the Committee on maintenance of assets, he was for the continuation of the existing procedures. As regards the Committee on Centrally sponsored schemes, he did not agree with

the Planning Commission's view that the matter needed further examination. He suggested that all Centrally sponsored schemes be stopped forthwith, and their allocations be transferred to States. The only exception would be schemes of inter-State significance, pilot projects etc., for which 10% of the present outlay on Centrally sponsored schemes could be set apart. Even such schemes should be considered on a de novo basis, with the specific approval of the council or a committee thereof.

31. Commenting on the draft Plan, Shri Rama Rao said that although the assumptions regarding the rate of domestic savings and investment appeared to be reasonable, these would crucially depend on a dramatic reduction in the capital output ratios and a far higher rate of growth than envisaged in the Document. This was possible only through an appropriate package of policies. He explained the measures adopted by Andhra Pradesh towards this end in view - i.e., the emphasis placed on investments in economic and social infrastructure with widened social security coverage for the most vulnerable sections of society, a decentralise approach (through mandals) to improve effectiveness of the delivery system for social security amenities and continuous provision of minimum requirements of each family like subsidised rice, cloth and housing. More important was the difference in the development thrust launched by combining welfare measures with institutional reform. He would like to advocate a system of rewarding excellence and punishing ineptitude, for toning up institutions.

32. The Chief Minister, Andhra Pradesh said that although the Seventh Plan did emphasise the increased provision of food, clothing and shelter, the sectoral strategies and programmes to achieve these were not quantified, and appropriate provisions had not been made in terms of allocations and programmes to support these objectives. The arithmetic of the Plan did not match the rhetoric in the document. Referring to the share of State Plans in the total public sector outlay of the Seventh Plan (47.3%), he said that such a low level of participation of the State Plans in the national development effort did not justify the Seventh Plan strategies of poverty alleviations, food, clothing, shelter, and employment. The Council, therefore, had the ultimate responsibility to delineate the relative roles of the Union and the States keeping in view the development parameters of the Plan. Commenting on institutional changes, he said that the gap between promise and performance in Plans was due to the outdated institutional arrangements and procedures. He, therefore suggested that an expert committee be constituted to examine the institutional framework needed to bring about greater productivity in the administrative tools of the Government necessary to take us efficiently to 2000 AD.

33. In terms of finances, the negative savings of the Central Government (in terms of its negative balance of Rs. 12,000 crores from current revenues) underscored the need for better fiscal management, and reducing its reliance on deficit financing. Overall, the inflationary tendencies inherent in the Plan due to deficit financing assumed would have very serious repercussions on the management of finances of the States. There was no mechanism provided in the Plan for giving relief to the States on this account. He therefore, insisted that any resources raised by the Centre by way of deficit financing should be shared equally between the Union and the States. Market borrowings should also be shared between the Union and the States on the same basis as at the time of the First Plan. The States' share in small savings should, further, be raised to 90 per cent from the existing  $66\frac{2}{3}$  per cent. The Chief Minister also pleaded for certain adjustments in central taxes which would give increased revenues to the States without affecting the Central revenues. These included a suitable modification of Central Sales tax which was being retained as 4%, imposition of consignment tax (which had been hanging fire for several years with Govt. of

India) and making the duty levied on motor spirit sold in the State 'ad valorem'. In consonance with these strategies and resource transfers, the Chief Minister felt that a Plan outlay of Rs.7500 crores for his State was reasonable. He, therefore, did not accept the outlay of Rs.5200 crores indicated in the draft Plan document.

34. The Chief Minister, Andhra Pradesh also voiced his discomfort regarding distribution of amounts under 10% allocation meant for special problems. It was essential that the Council be informed of the basis on which the special problems had been identified and the allocation made. He urged the Central Government to make a special allocation to States which had irrigation projects under construction for several years to complete them. The principle of selection of such works for additional aid could be decided by a sub-committee of the Council. Similarly, under Hill Areas Development, identification of hill areas was done on an 'ad hoc' basis and the Eastern Ghats in both Orissa and Andhra Pradesh were deprived of this Central assistance. Either the criteria should be firmed up for delineating the hill areas immediately, or the Eastern Ghats should also be given the benefit of 'ad hocism' and included for allocations from the Hill Areas Development outlays.

35. The Chief Minister added that many fundamental issues of Centre State relations were under consideration of the Sarkaria Commission and he would not like to raise them here. He suggested that the Council could be reconvened to consider the Seventh Plan taking into account the perspective Plan based on a national debate and the recommendations of the Sarkaria Commission. This could coincide with an advanced mid-term appraisal, undertaken at the end of the second year of the Plan. Reiterating his commitment to planning, the Chief Minister, Andhra Pradesh concluded by saying that the Union and the States were inseparable partners in the path towards poverty alleviation, progress and prosperity in a well set time-frame. To all of us, poverty-alleviation was a moral imperative. To the States, it was a constitutional duty, and the union could help by strengthening the States.

36. At this point of the time in the proceedings, **Shri Ramakrishna Hegde**, Chief Minister of Karnataka made a submission for the consideration of the Chairman. He pointed out that usual pattern was being followed in this meeting of the National Development Council, i.e., each Chief Minister would be reading his own speech, with the result that there would be hardly any time left over for discussion, especially of the issues that had been posed by the Chairman of the Council and by the Deputy Chairman of the Planning Commission. These were very important issues, and he would like the Council to discuss these, particularly when the council was going to take decisions on the Perspective Plan for the next 15 years. That is to say, the Seventh Plan was the first of the three Five Year Plans being posed as part of the 15 year perspective. Thus, it was important that the Council discussed this in the context of the 15 year perspective, and as to where and how we wanted to take our country by the end of the century. Shri Hegde said that, in his opinion, this would be more purposeful.

37. The Prime Minister put it to the Council that since all the speeches that had been brought had already been circulated in their printed version, those could be recorded, and the Council take up discussion on the issues of importance. However, some Chief Ministers (among them Chief Ministers of Assam, Kerala, Haryana and Bihar) said that while it was no doubt necessary to devote time to discuss the larger issues, they would also like to project each of them their States' problems in the context of the Seventh Five-Year Plan. After a brief discussion the, Chairman summed up the consensus of the Council by stating that the Chief Ministers could let the Council have a slightly shorter presentation than the printed speeches, it being left to each

speaker to control time limit. In this way, some time would be available at the end of all the speeches to discuss the general issues. This approach summed up the general consensus in the council.

38. **Shri Hiteswar Saikia**, Chief Minister, Assam, extended his whole support to the spirit and approach envisaged in the Draft Seventh Plan. The draft Plan was the best indicator of our resolve to eradicate poverty. He welcomed the continuation of the modified Gadgil formula under which the needs of special category States were given first priority. Expressing his happiness over the Seventh Plan strategies for reduction of inter-regional disparities, outlined in the document, he pointed out that Assam's per capita income had not been able to keep pace with the increasing trend of the national average, due to lower per capita Plan outlay for Assam as compared to the national average. In view of Assam's backwardness and its geographical remoteness, the private sector was shy of investing in the State. Even the performance of the public financial institutions (PFI's) had not been encouraging as Assam's per capita assistance from PFI's was far lower than the all India average. The banks' credit-deposit ratio similarly, was much less for Assam compared to the national average. In such a situation, the State Plan outlays played a key role in development, and needed to be large enough to gradually remove the regional imbalance. The State had proposed an outlay of Rs.3550 crores for the Seventh Plan, against which an outlay of Rs.2100 crores had been approved reducing the scope for reversing the falling trend of the State's per capita income. The resource base of the State was low and its contribution to the Plan could not increase unless the resource base improved, particularly through rapid industrialisation. The State's resources had been depleted mainly due to substantial expenditure on law and order recently, and a substantial debt burden. He, therefore, requested the Council to make the pattern of Central assistance uniform for all Special Category States (i.e. 90 per cent grant and 10 per cent loan) so as to strengthen the State's resource base.

39. Taking a cue from the Draft Seventh Plan, the State would recast its Plan programmes relating to food, shelter and clothing for the weaker sections and for the improvement of the physical environment. For fulfilling these objectives, the State would take up schemes for providing mid-day meals for school children and subsidies on food and clothing for poorer families below the poverty line. It would also take up special sericulture and weaving schemes for its women folk, besides giving them priority under IRDP, TRYSEM and DWCRA. The State would further encourage increased production and productivity in agriculture, give greater thrust on poverty alleviation programmes and promote rapid growth of industries based on locally available raw materials, such as forest products, petroleum and natural gas. Concentration on these areas would require increased Plan outlay. The funds allotted to the State under the IRDP were insufficient even to cover the natural increase of population in the target group families over the next five years.

40. Besides paucity of funds, the lack of proper infrastructure and annual floods were inhibiting the economic growth of Assam. Improvement of communications and transportation was crucial for the North Eastern Region as a whole. He, therefore, requested immediate taking up of projects like broad gauge railway lines from Guwahati to Dibrugarh, conversion to broad gauge of Lumding-Badarpur section, and expediting of the proposed bridges over Bramhaputra at Jogighopa in lower Assam and at Bogibil in upper Assam. The Bramhaputra Board had also submitted proposals for the Dihang and the Subansiri hydro-electric projects with installed capacities of 20,000 MW and 4800 MW respectively. These would considerably arrest the devastation caused by floods besides providing power cheaply and plentifully for the whole country.

41. Regarding the three Expert Committee Reports, the Chief Minister supported Planning Commission's view on the Rangarajan Committee recommendations. With regard to Karthikeyan Committee Report, he suggested that proper provision should be allowed on the non-Plan side for maintenance of assets created in the previous plan periods and plan allocations should not be reduced. As for the Ramamurti Committee Report on Centrally sponsored schemes, he agreed with the Planning Commission's suggestion that a committee of the Council be set up to go into all aspects of the matter. He, however, suggested that smaller and backward States might be given adequate representation on this Committee. Before concluding he made a mention of the 'Assam Accord' which had brought back peace and normalcy to Assam and thus had opened up new avenues for rapid economic growth and industrialisation of the State.

42. **Shri Bindeshwari Dube**, Chief Minister, Bihar, stated that an early solution to the grave problems of poverty and unemployment had assumed extra urgency in the context of the nation's take off into the 21st century. Requesting for special attention to Bihar, he said that the State had the largest percentage of population below the poverty line and that the gap between the per capita income of the State and that of the country had increased from 32.7 per cent in 1972-73 to 46 per cent in 1983-84. Requesting for special efforts to remove regional imbalances in the Seventh Plan, he added that the problems facing the State were far too big to be tackled with the limited resources available in the State. The size of Bihar's Plan, fixed at Rs. 5100 crores at 1984-85 prices, was roughly the same at 1979-80 prices and was insufficient for the State to achieve a growth rate of 5% per annum. The State Plan would, thus, have little visible impact on reducing poverty, whereas the national goal was to reduce poverty ratio from 37% to 26% by 1990. Low investments in Bihar had seriously affected the programmes for energy, irrigation and agricultural development, transport and communications, and of providing essential services.

43. The modified Gadgil formula did not fully take into account the economic backwardness of the States, and therefore, required modification to ensure larger investment in the backward regions so as to bring them at par with other regions and to give them an equal opportunity for growth and development. He suggested that the weightage of 10 per cent for tax efforts and 10 per cent for special problems could be given up and, instead, the funds distributed on the basis of infrastructure backwardness or added to the weightage of 20 per cent given to backwardness determined on the basis of shortfall of States' per capita income below the national average. If it was felt that weightage for tax efforts and special problems must continue, then weightage to backwardness should be increased from 20 per cent to 40 per cent and the weightage to population be correspondingly reduced from 60 per cent to 40 per cent. The devolution of funds under the economic backwardness criteria might be based on the IATP formula. Market borrowings might also be distributed among the States on the basis of IATP formula. The share of small savings should be increased from 66.6 per cent to 75 per cent, and a five years' moratorium on repayment of the loan might be allowed, as in the past. Referring to the low credit/deposit ratio in Bihar, he suggested that deposits raised in any State by the nationalised banks be utilised within the State to the maximum extent. Regarding projects assisted by the World Bank, he said that the Government of India should persuade the World Bank to increase its share of funding from 50 per cent to at least 70 per cent, and that the Central Government also should release the full amount (instead of only 70 per cent of the World Bank aid) so that the burden on the State Government was reduced. Besides, this amount might be advanced to the States on 'no profit no loss' basis. He also suggested certain procedural changes regarding world bank assistances so that no undue strain was put on States' ways and means position. He further suggested revision of royalty on States' mineral wealth, introduction of the

consignment tax in lieu of Sales Tax, and doing away with freight equalisation and introduction of a telescopic transport system for movement of coal, as also of telescopic railway freight for coal.

44. The Chief Minister, Bihar urged adoption of a national policy and a national programme of fixing national minimum in terms of important economic and social indicators and assist the States falling below the national level to come upto it. This should be outside the State Plan and be the direct financial responsibility of the Centre. Central investment and externally-aided projects should go preferentially to the economically backward regions. He pleaded for setting up new units in steel, fertilizers and coal and mica in the State and also consideration of the State's request for a petrochemical complex at Barauni.

45. The Chief Minister, Bihar urged that the existing ratio of loans to grants, which was 70:30 at present under the Gadgil formula, should be reversed to 30:70 or at least to 50:50 in the case of backward States to ease their debt burden and interest payment liabilities. Funds made available to the States for tackling natural calamities should be in the nature of grants rather than loans, and outside the Plan ceilings. In view of the Bihar State being flood-prone (and accounting for 1/3rd of the country's total flood-prone area), a comprehensive scheme for flood control and development of flood-prone areas was an urgent necessity. The Chhotanagpur Plateau and areas covered by the Kaimur Hills should be made eligible for Central assistance under the Hill Areas development programme outlays.

46. Emphasising the importance of maintaining price stability, the Chief Minister, Bihar said that the difficulties experienced by the Rangarajan Committee in finding a practical solution to the problem only emphasised the importance of keeping prices, wages and salaries in check. To reduce the impact of inflation on development schemes, discipline must be introduced in the Planning process by concentrating on productive schemes, and by reducing the gestation period. He supported the recommendations of the Karthikeyan Committee that maintenance should be provided on the Plan side and said that funds provided for maintenance under the Plan should come entirely as cent per cent grants from the centre and these should be strictly separated from capital expenditure. There should be strict monitoring of maintenance expenditure in the critical sectors. On Ramamurti Committee report, the Chief Minister said that the share of Centrally sponsored schemes should be reduced to the limit prescribed by the NDC. All Centrally-sponsored scheme fully funded by the Centre might be retained, and others re-examined with a view to deleting them from the list of Centrally sponsored schemes. Funds thus saved should be provided to the State Governments on the basis of the IATP formula.

47. Mentioning some special problems of Bihar, the Chief Minister said that it was chronically deficit in power and was lagging behind in agricultural development, transport and communications. The social sectors like education and medical facilities had also greatly suffered due to a serious constraint of resources. He, therefore, requested the Prime Minister to expedite the Tenughat thermal power project and other Central sector schemes in the power sector in the State. The Farakka and Chukha power projects had been delayed and the State had not got the benefit so far from these projects. The Sankh Hydro-electric Power Scheme had been suggested for taking up by the centre, the Centre should also take up for consideration the setting up a super thermal power station at North Karanpura. The some modernisation projects and the Subaranrekha project might further be funded by the Centre. For providing additional links between the North and the South Bihar, he requested for a rail bridge over the Ganga at Patna and also a road bridge near



Bhagalpur, electrification of the Railways' main line between Assansol and Mughalsarai, doubling of the railway line between Patna and Gaya, restoration of the rail link between Arrah and Sasaram and rail connections between Giridih and Ranchi via Hazaribagh, between Giridih and Dhanbad, between Deoghat and Dumka and Deoghar and Bhagalpur via Mandar Hill. More air services should be provided to connect important places in the State with the national capital and State capitals. The State capital also needed to be connected by air, and other fast modes of transport with various metropolitan cities, especially Bombay. A central university in Bihar might help in propping up educational standards.

48. There was an urgent need to take up a Centrally sponsored plan scheme, entirely funded by the Centre, for implementing an, effective public distribution system, particularly in the backward and hilly regions in the State. It was also essential to introduce food subsidy by the Central Government for the people of backward and tribal areas. Welcoming the Plan's thrust on conservation of environment, he drew the attention of the Prime Minister to large scale destruction of environment in the coal mining areas of Bihar and requested restoration of these areas to their original conditions.

49. **Shri Amarsinh Chaudhari**, Chief Minister, Gujarat, endorsed the strategy, approach and policies embodied in the Seventh Plan document. Referring to the development lags in the State he referred to the majority of its population being either scheduled castes or scheduled tribes or belonging to the socially and economically backward classes. Only 25 per cent of its cultivated area being under irrigation, while more than 5000 villages did not have safe drinking water, 36 per cent of villages yet to be linked by all weather roads. He stated that reduction in regional disparities should not indirectly introduce an artificial distinction between the so called advanced States and so called backward States. Giving a review of the State's Sixth Plan achievements, he said that the State's performance was impressive with a significant increase in the area covered under summer groundnuts, oilseeds targets being surpassed, plant load factor in power in the State being the highest in the country and achievements under anti-poverty programmes and 20-Point programme being impressive.

50. The additional resource mobilisation targets for the States, had devolved a larger burden on them, which called for very high order of fiscal discipline and concerted efforts at conserving the resources by stringent economies in non-development expenditure. Considering all the sources of revenue at the command of the States, the suggested magnitude of additional resource mobilisation was far beyond the capacity of the States and therefore he felt that the States had no alternative but to rely on a much larger share of Central assistance for the Seventh Plan outlays. He, therefore, suggested that Central assistance should cover at least 40 per cent of State Plan outlays in the Seventh Plan. The criteria for Central assistance to non-special category States should be population (60%), per capita income (10%), tax effort (10%), outlay on projects of national importance (10%) and special problems (10%). Moreover, the entire Central assistance to States might be provided in the form of grants.

51. The Planning Commission had approved for Gujarat a Seventh Plan outlay of Rs.6000 crores, against its proposal of Rs.9000 crores. This had resulted in heavy cut on outlays of all sectors, including the critical areas of power and irrigation. In this context, the Chief Minister suggested certain measures which could add to the States' resources. These included substantial step up in Central assistance to State Plan, issuing of a formal order on revision of royalty on crude oil, enactment of legislation by the Central Government for introduction of consignment tax,

and enhancing the State's share in small savings from two-thirds at present to three-fourths of the net collections. Large irrigation and power projects should be recognised as projects of national importance and 20 per cent of the estimated market borrowings in the Seventh Plan should be set apart for funding such projects. The remaining market borrowings should be distributed between the Centre and the States and the State's share should be stepped up from its present 33%. Regarding externally-aided projects, the entire amount of World Bank assistance should be disbursed as additional plan assistance to the States. Referring to the gigantic Sardar Sarover Project - Narmada Project, the Chief Minister said that the limited size of State Plan meant that as against over Rs.1926 crores as its share of provision required it could make provision for only Rs.1210 crores. This would result in prolonging the completion of this vital project, which would also affect adversely the disbursement schedule of the World Bank credit, thus involving higher commitment charges. He, therefore, urged that Sardar Sarover Project be recognised as a project of national importance with special funding arrangements, to enable it to be completed within the stipulated time limit. He also requested the other participating States in this project to pay their outstanding dues to Gujarat.

52. On the role of voluntary organisations, he said the Seventh Plan must define the role of voluntary agencies, identify the scope of government support to these agencies, identify the programmes wherein voluntary agencies would be useful, train the functionaries and also promote the spirit of honorary work in rural areas. Scrapping of sections 35CC and 35CCA of the Income Tax Act had led to dwindling of enthusiasm of voluntary agencies in relation to rural development activities. He, therefore, suggested the desirability of finalising a list of rural development programmes eligible for Income Tax benefit under the scheme of the National Fund for Rural Development, which had already been notified.

53. Regarding industrial development, Chief Minister, Gujarat said that many non-industrialised talukas in the State had been atrophied on account of denial of several incentives to them, following the adoption of the 'No Industry District' concept. This policy required a review in the interests of balanced development of every State. Another difficulty related to railway transportation, particularly in respect of industrial raw materials such as coal, iron and steel. For this purpose, alternate technologies such as coal slurry pipeline for transportation of coal and revitalisation of major and medium ports add coastal shipping were some of the promising avenues that might reduce the burden on the railways. Investment decision needed to be taken in these areas. All alternative fuels such as LSHS and RFO should be allowed for power generation on the basis of coal equivalence for economic operation of power plants in Gujarat. Gas based power plants should also be speedily set up in the State. Referring to the proposed Central sector gas-based power plant at Kawas, he wanted the entire power generated in this plant to be allocated to Gujarat. He further urged the Central Government for expeditious sanctions for supply of NGL for its Petro-chemicals complex.

54. The Chief Minister, Gujarat urged that the Narmada and the Tapti rivers should be declared as National Waterways and funds provided for their development in the Seventh Plan. He suggested that high priority be accorded for development of port facilities at Vadinar during the Seventh Plan, as it was a sheltered harbour with 50 feet of draught. The earlier policy of Central Assistance for development of minor ports should also be revived. Referring to the recommendation of the Seventh Plan Working Group on Shipping for setting up an additional shipyard in the country, he requested that the State's proposal for establishment of a shipyard at Hazira might be included in the Seventh Plan. Highlighting the pioneering work done by the Gujarat Energy Development Agency for developing and utilising various renewable sources of energy, he said that the Seventh Plan

allocations for development and utilisation of renewable energy should be commensurate with the needs of this sector.

55. Gujarat was implementing a "Food for all" scheme under which families living below the poverty line were being supplied wheat and rice at a specially subsidised prices of Re. 1/- and Rs.1.25 per Kg. respectively. In view of the plentiful food stocks, the Chief Minister urged the Government of India to evolve a scheme at the national level under which the poorest sections were issued foodgrains at specially subsidised prices of, say, Re. one per kg. He also requested the Central Government to meet the State's monthly requirement of wheat and rice under its 'Food for All' scheme, at the special subsidised price. Under education, it was necessary to see that goals of universalisation of elementary education and eradication of illiteracy were positively achieved within the Seventh Plan period itself. While Gujarat had achieved 100% enrolment in the 6-11 years age group, the retention rate was abysmally low, being lower than 25%. Adult illiterates numbered a staggering 1.92 crores, and even within this group, the problem of rural youth and women needed special attention. Vocationalisation of education should also receive priority. Efforts in the field of higher education, including professional education, should be confined to consolidation and improvement of quality till the basic objectives were achieved in the field of elementary education. Under human resource development, Gujarat had started a Mid-Day Meals programme and the Chief Minister requested this programme to be included in the Seventh Plan and its cost shared by the Central Government on the same pattern as for the IRDP and the NREP. Large areas of the State, particularly the Eastern tribal and Coastal border areas, should be brought in the transmission areas of the T.V. within the current Plan period. High power T.V. transmitters should be installed in the sensitive border districts of Kutch, Surendranagar and Banaskantha to counteract the powerful beaming of programmes from across the border.

56. Dwelling on the Expert Committee Reports, the Chief Minister agreed with the suggestion for appointment of a Committee of the NDC to go into all the aspects of the Centrally sponsored schemes regarding incorporating the effects of inflation, he agreed that it would not be advisable or practical to make adjustment for inflation. As regards maintenance, he wanted it to be provided on the non-plan side.

57. **Shri Bhajan Lal**, Chief Minister, Haryana, congratulated the Planning Commission for the commendable effort put in by it in formulating the draft Seventh Five Year Plan. Briefly reviewing his State's achievements in fulfilling the Sixth Plan targets, the Chief Minister pointed out that the major shortcomings in the Sixth Plan were non-completion of thermal power houses and non-completion of Punjab portion of Sutlej-Yamuna link canal according to schedule and the unsatisfactory load factor in the thermal power stations of the State. Also, the State did not get its allocated share of power from the Central power houses and power houses located in other States whose output was to be shared on an agreed basis.

58. Drawing the Council's attention to problems which had to be solved for achieving the objectives of the Seventh Plan, the Chief Minister, Haryana, suggested that for the timely completion of power and irrigation projects on which the stipulated rate of economic growth depended, a National Fund might be created for funding of such projects or a National Power Projects Corporation might be created on the lines of the Rural Electrification Corporation (REC) for advancing loans to State Governments on easy terms. Referring to the gap between demand and supply of power in the State, likely to be 3084 MW by 2000 A.D., he pleaded for the setting up an atomic power plant and a super thermal plant in Haryana for the NCR falling in Haryana. Welcoming the Seventh Plan emphasis on harnessing of hydro-electric potential, the Chief Minister, Haryana suggested

arrangement of adequate funding for such projects through a special fund or Finance Corporation on the lines already suggested by him. Benefits from such projects should be made available to States where hydro-electric potential was not available and which were suffering from shortages of power. Regarding irrigation, he was thankful to the Central Government for releasing advance assistance to the State Government but suggested that it should be a long-term loan so that the repayments, in the last three years of the Seventh Plan did not place a heavy burden on Haryana financial resources.

59. Referring to the appreciable progress made by Haryana in the agricultural sector by heavily subsidising agricultural inputs, power and irrigation facilities, the Chief Minister submitted that in order to enable the agriculturally surplus producing States to mobilise more resources from the rural sector, the Agricultural Price Commission (APC) should be required to consider the economic cost of inputs, rather than the actual cost to the farmer. Such considerations would enable the State Government to suitably increase the rates of power supply and irrigation to the agriculture sector. At present, the State was providing cheap power and irrigation to its farmers. On power alone, the loss was Rs.30-35 crores annually. If this was not considered feasible, either the State might be paid a bonus or a royalty on the amount of foodgrains procured from it, or a dual price policy introduced, of issuing a part of the procured grains to consumer States at marginal prices for consumption by the weaker sections, with the remaining part being sold at economic prices for consumption by those sections of the society which could afford higher prices.

60. Pinpointing the cheaper rates at which edible oil was being imported resulting in less attractive rates for the indigenous variety of oil seeds, the Chief Minister stated that in order to stimulate oilseeds cultivation in larger areas, either the production should be subsidised or dual pricing introduced, for ensuring remunerative prices to the farmers. This would encourage production of oilseeds.

61. Highlighting yet another problem being faced by the State of Haryana, viz., inadequate storage facilities for surplus foodgrains procured, the Chief Minister suggested that more funds might be allocated for early construction of additional storage and warehousing in the State. Other suggestions by the Chief Minister, Haryana in this regard included steps to be taken by the Food Corporation of India (FCI) to expedite lifting of foodgrains procured by the State Government on behalf of the Central Government, thus avoiding higher handling and servicing cost, and permitting to the State Government to issue food grains directly out of its stock for poverty-alleviation programmes, like the National Rural Employment Programme (NREP) and the Rural Landless Employment Guarantee Programme (RLEGP) etc.

62. The Chief Minister was of the view that for the purpose of identifying families living below the poverty line, the samples of the Central survey conducted by the National Sample Survey Organisation (NSSO) and the State level survey should be combined in order to arrive at a true picture. In order to remove malpractices under the Integrated Rural Development Programme (IRDP), the Chief Minister suggested that instead of providing cash subsidy, interest rebate might be allowed so that only those persons who utilised the loan for creation of productive assets and paid back the loan installments regularly could get the assistance.

63. Regarding industries, the Chief Minister stated that inter-State rivalries in offering incentives and concessions to attract industrial units had resulted in unhealthy competition among States, and he thought that a national policy in this regard was required to be evolved in consultation with the States so that new industrial units were located in suitable areas based on economic considerations. He suggested that in order to stimulate application of modern technology in

production and marketing in rural areas, while issuing licences to industrial units, it should be made obligatory for them to set up ancillary units in rural areas. In this connection, he requested that the decision to locate an oil refinery at Karnal might be implemented expeditiously.

64. As regards 20 Point Programme, the Chief Minister, Haryana, reiterated the suggestion made by him at the last N.D.C. meeting, for giving a fillip to rural house - construction, that loans should be made available by banks, which should earmark a percentage of their overall loaning programme for house construction activity in rural areas. The State Government did not have the resources to provide for this purpose.

65. The Haryana Chief Minister agreed with the comments of the Planning Commission on the three Expert Committee Reports.

66. The Chief Minister said that in order to compensate the losses being borne by the State in the interests of increasing agriculture production, steps might be taken to evolve a rationalised and uniform policy with regard to sales tax; to keep administered prices stable for essential commodities like coal, oil, steel etc; to make available shares in corporate tax and customs duties to the States; expediting the decisions regarding levying of consignment tax; and to fully fund by the Central Government the financial assistance which the State Government was obliged to provide on account of natural calamities. He pointed out that as a result of Haryana's heavy investment in the agriculture, power, irrigation, transport, communications and marketing sectors, the State had been lagging behind in social services sectors like education, health etc. Haryana's literacy rate was lower than the national average. It was, therefore, necessary that the Gadgil formula of Central assistance might be suitably amended to provide for special assistance to States which were backward in social services or human resources development. He concluded his speech by thanking the Chairman for giving him an opportunity to voice the needs of his State in the Council.

67. **Shri Virbhadra Singh**, Chief Minister, Himachal Pradesh opened his address to the Council by paying tribute to Smt. Indira Gandhi. He said that the people of India had demonstrated that unity and integrity were of prime importance and that we could resist any evil designs of disruptive forces. In a fitting tribute to her, the people turned out in millions to up-hold the principles and traditions of democracy.

68. The Chief Minister complemented the Planning Commission on formulating the Seventh Plan in record time inspite of doubts expressed about the feasibility of financing the public sector outlay of Rs. 1,80,000 crores. He welcomed the emphasis on the need to improve the productivity of small farmers, extend irrigation facilities, accelerate industrial growth and increase power generation.

69. The application of science and technology to industry and agriculture, and the more efficient functioning of the infrastructure envisaged in the Plan would definitely boost productivity all around. He went on to say that he would restrict his further observations to a few sectors of the Plan which were extremely important in the local context of Himachal Pradesh.

70. The Chief Minister, Himachal Pradesh observed that it was most gratifying that the plan had recognised the district physiographic entities of the hill states and hill areas, needing a different developmental approach. He said that the emphasis on eco-preservation, eco-development, micro-hydels, feeder roads, foot-bridges and bridle paths was extremely logical. He pointed out that, besides these, development of massive hydel potential, afforestation, horticulture, tourism, and

small-scale and cottage industries as also of roads and ropeways were equally relevant. In this connection, he made a strong plea for earmarking of more funds in the Central sector for the development of forestry. He requested the Agriculture Ministry for clearance of the State Government's Integrated Shiwalik Development Project, covering five rivers catchment which had been recommended by the Northern Zonal Council. The Chief Minister, Himachal Pradesh referred to the State's often repeated concern over the growing conflict between horticultural advance and its depletion of forest resources, due to demand for packaging material. He pointed out that for the sake of forest conservation, the State Government had introduced a scheme of subsidising the cost of corrugated paper cartons used in the packing of orchard produce. He appealed for exemption from Central Excise to both kraft paper and corrugated cartons. The Centre might also provide the State Government with matching subsidy for the cartons.

71. He called for necessary administrative and financial back-up by the Central Government and allied organisations like ICAR, UGC, etc., to be provided to the State Government's proposed Horticultural and Forestry University. Regarding the development of the power sector, the Chief Minister thought that the Plan projections indicated in the Seventh Plan document might result in a further deterioration of the Hydel-Thermal mix. In this context, he pleaded for larger investment in hydel projects, particularly in States like Himachal Pradesh which had potential in generation of hydel power. He was of the view that the extent of foreign borrowings projected in the Seventh Plan was not too high and was well within the prudent limits which could be allowed to go up by one percentage point or two. In this connection, he urged that additional external commercial borrowings in excess of the figures in the Seventh Plan could be considered for funding a few selected major hydel projects in the country. He urged the Centre to clear the Nathpa Jhakri hydel project on this basis.

72. Highlighting the State's long felt requirements in the transport and communications sector, the Chief Minister appealed for completion of the project involving constructing the airport, at Shimla and starting of work on the Nangal-Talwara and Behrampur-Bilaspur-Rampur and Bilaspur-Mandi rail links, and for declaring the Pathankot-Mandi-road as a National Highway. He also requested for initiating work on Rohtang Pass tunnel in the Central Sector during 1985-86. This would facilitate year round communication links to Lahaul-Spiti, Pangi and Ladakh. In respect of development in tele-communications, telephone and television net work, the Chief Minister pointed out that Himachal Pradesh was very backward. He wanted the Central Government to initiate steps to remove the backwardness of the State in these sectors. He pleaded for intensive coverage of Himachal Pradesh through microwave and satellite communication in the Seventh Plan. Regarding the industrial sector, the Chief Minister expressed his gratitude for the assistance given to the State for preparing the broad framework of the State's electronics development policy. He pointed out that funds for the anti-poverty programmes might be allocated on the basis of surveys conducted by the State Government to identify the families living below the poverty line. In this connection, the Chief Minister pointed out that the national norm of calorific consumption did not hold good for the hill states where lower temperature and undulating terrain required higher calories for subsistence.

73. The Chief Minister endorsed the views of the Planning Commission in regard to the recommendations of the Expert Committee on inflation. He agreed that the degree of erosion in real resources available for the Plan varied with the rate of inflation, and this could be taken care of on a year to year basis. As regards the recommendations of the Expert Committee on maintenance expenditure, the Chief Minister pointed out that the classification of the provision for maintenance

of assets would necessarily have to continue as non-plan expenditure. He stated that he agreed with the view of the Planning Commission regarding the need for stricter monitoring of the maintenance provisions in selected critical sectors. Regarding the recommendations of the Expert Committee on Centrally Sponsored Schemes, the Chief Minister was of the view that all the ongoing Centrally sponsored schemes might continue as such during the Seventh Plan also, as the State Plans had since been finalised. He also pointed out that it would be desirable that the new Centrally sponsored schemes during the Seventh Five Year Plan should be fully funded by the Centre. He was of the view that the Centrally sponsored schemes had a major role to play in terms of safeguarding matters of national importance and in terms of demonstration or pilot projects. He stated that he endorsed the Draft Seventh Five Year Plan and expressed his gratitude to the Chairman for giving him an opportunity to express his views before the National Development Council.

74. **Shri G.M. Shah**, Chief Minister, Jammu & Kashmir stated that as the broad approach, strategies and priorities outlined in the draft Plan document were considered and adopted by the National Development Council in its last meeting held in July 1984, he would confine himself only to some of the important issues relating to the economic development of Jammu & Kashmir.

75. The Chief Minister pointed out that the step up in the size of the State Plan was only 55 per cent, as against 66 per cent for all the States. This deterioration in the size of J&K's Plan had been caused by a carried over huge non-plan deficit of Rs.438.68 crores. In fact, the deficit would be higher by Rs.60 crores, carried over from the previous year. The Chief Minister stated that after taking into account the allocations of Central assistance of the order of Rs. 1838.68 crores and off setting the Revenue deficit mentioned, the State's Seventh Plan size was only about Rs. 1400 crores which was inadequate for the developmental needs of backward and hilly State like Jammu & Kashmir. The Chief Minister pointed out that the entire deficit could be wiped off if concessional Central assistance was extended to Jammu & Kashmir for the Seventh Five Year Plan on a 90% grant and 10% loan basis, as given to Himachal Pradesh and if such benefit was retrospectively also given in respect of Central loans outstanding at the beginning of the Seventh Plan.

76. The Chief Minister, Jammu & Kashmir pointed out that the proposed size of the State Plan was also inadequate for its development needs in the context of the low level of investment by the Central Public Sector and the private sector. He stated that if more Central projects were conceived and put through in the State during the Seventh Five Year Plan, it would go a long way to promoting the development of his State which was industrially backward.

77. The Chief Minister pointed out that as much as 10,000 MW of hydel power potential had already been identified in Jammu & Kashmir. In this connection, he stated that he was grateful to the Government of India for having recently announced the acceptance of the State Government's long pending request for starting work on the Uri hydel project in the Kashmir Valley. He also welcomed the recent decision of the Government of India to associate the private sector in the generation of power. He suggested that a suitable policy frame might be devised for the participation of private capital, both Indian and foreign, in the power sector. He also wanted the inclusion of the proposed project for setting up a Power Development and Finance Corporation in the Plan document.

78. The Chief Minister, Jammu & Kashmir highlighted the negligible presence of railways in the State. He reiterated for the long felt need of the extension of the railway line to Srinagar. He also requested that work on the Jammu-Udhampur link required to be speeded up.

79. The Chief Minister, Jammu & Kashmir stated that the formulation of a National Wage Policy both for the organised and the unorganised sectors envisaged in the approach document would take a long time to materialise. In the meanwhile, he requested, an attempt should be made to hammer out a national approach to the more urgent question of dearness allowance for the employees of the Centre, State and local Governments and ways and means of financing the additional expenditure on this account.

80. Complementing the Planning Commission for having presented a Draft Plan to the Council which was mercifully free of jargon and was easily intelligible, he commended the adoption of the Draft Plan.

81. **Shri Ramakrishna Hegde**, Chief Minister, Karnataka, stated that copies of his printed speech had been circulated in the meeting and he would prefer to speak extempore covering the more important points made in the text of his speech. He complimented the Prime Minister for introducing a new style and method of administration and the Planning Commission for the remarkable job of finalising the draft Seventh Plain document. However, he pointed out that the document should have been released to the public at least six months before the Council's meeting, as was done in the distant past so that a discussion at length at various levels could have been possible. If that was done, at least hereafter, we would have the benefit of collective wisdom.

82. While in some areas tremendous progress have been made which in some respects had already taken us to the threshold of the twenty-first century today, whether technologically and scientifically or in the standards of living or habits of certain sections of the population and while he did not deny that progress had been made, what was relevant was that these areas of scientific and technological advance or high standards of living were not the real India. Despite 35 years of planned development, we had not been able to solve certain fundamental problems of the people. There had been created two pictures of our country. Actually, there were two India's today - the urban India and the rural India; the rich India and the poor India; the educated India and the illiterate India, those gainfully employed and the unemployed. These were the contradictions that stared us in the face. He welcomed and appreciated the anxiety of the Prime Minister, and his efforts to prepare our people in the next 15 years so that we could deal with the world on equal terms. The Seventh Plan should be one of the first of the 3 Plans which should take us to that position, as he had said earlier. But it was necessary to resolve the contradictions mentioned by him, because only then could we deal with the world on equal terms, with dignity and self-respect.

83. The Chief Minister, Karnataka went on to say that the National Development Council was the highest political body concerned with the development of the country. Similarly, the Planning Commission should function as the conscience keeper of developing India. It was not just an expert body, or a bunch of experts. If something went wrong, if there were defects either in the implementation of the Plan or in the planning process itself, it was the Planning Commission which had to correct it. But the Planning Commission had lost its original stature and importance. Some statements made recently by the Chairman had further reduced its stature. Similarly, the National Development Council should not be just a formal body which performed the ritual of a meeting once a year or once in two years or three years, according to the convenience of the Chairman, who happened to be the Prime Minister. When it was set up, it was set up for a specific function that of providing a forum to the Chief Ministers to raise certain issues of national importance. The Chief Ministers would also like to share with the Government at the Centre not only their individual problems but also in the joys and sorrows, and the difficulties the Centre was facing, as partners.



He, therefore, suggested that in future the meetings of the NDC should be held regularly at least three times a year. Narrating certain instances in the past when decisions taken at the NDC meetings were unilaterally changed later on, the Chief Minister stated that, at least in future, whatever were the decision taken in the Council, should not be changed unless the Council itself considered it necessary, through consensus or through majority.

84. The Chief Minister, Karnataka welcomed and categorised as most important, two observations made by the Prime Minister in his opening remarks. These were firstly, that economic development was for the sake of the people and, secondly, that the world at large should be dealt with in equal terms. In a way, these two things were inter-related, because it was connected with not only the economic prosperity substantiated by a rise in the GNP, but it was also connected with the dignity and self-respect of every citizen of the country. Though the country had made tremendous progress in certain spheres, some of the fundamental problems of the people had not been solved even after 33 years of planning. Was it not time to analyse critically what had been the consequence of the six Plans country had been through ? He was sorry to observe that the consequences had not been as we had expected.

85. Referring critically to the creation of the new Ministry for Programme Implementation entrusted with the responsibility for monitoring the plan implementation, the Chief Minister, Karnataka pointed out that this besides causing confusion, had once again, reduced the stature of the Planning Commission. The responsibility for monitoring, evaluation etc., should have continued with the Planning Commission as it had prepared the Plan and was in touch with the State Governments. Instead this responsibility had been transferred to the new Department. He read this as a sign of concentration of power, of centralisation which ran counter to the very philosophy that was being discussed in this forum today.

86. Shri Hegde welcomed the initiative taken in the Seventh Plan for the development of human resources. In this connection, he pinpointed the acute necessity for providing adequate schooling and drinking water facilities in the rural areas. Particularly for the latter, he urged for provision of an essential necessity like safe drinking water within a period of two years.

87. Regarding employment policy, the Chief Minister, Karnataka stated that he could not share the optimism reflected in the Draft Plan document in this regard, because he had found some contradictions in the new policy, particularly in the industrial field. In this connection, he suggested that a special meeting of the NDC should be held to discuss industrial policy and unemployment. He was doubtful about the possible achievement of employment generation target estimated in the draft Plan.

88. Referring to the recent decision of the Government to provide 100% Central funding for desert area development, the Chief Minister pointed out there should not be any discrimination as between States in this regard. States which had dry areas should also be benefited likewise. Regarding agricultural credit, the Chief Minister pointed out that institutions like the National Bank for Agriculture and Rural Development (NABARD) were making profits - last year it was Rs.150 crores by providing credit to poor farmers at a rate of 14½ per cent interest.

89. Referring to the mal-nutrition prevalent among the school children, Shri Hegde stated that the country could achieve 'Health for all by 2000' only if the people were provided with the minimum level of calories as also clean drinking water facilities. Regarding education, he stated that 65% of our people did not have dignity, of self-respect because they did not know how to read or write. If

China could wipe out illiteracy in five-seven years, surely it should be possible for us to do likewise in 15 years, was his query.

90. The Chief Minister, Karnataka, pointed out that the trend in the Draft Plan indicated a further shrinkage in the States' share in the total plan allocations. He said that this was not a healthy sign. Similarly, as against a specific resolution of the NDC that the Centrally sponsored schemes should not, in terms of outlay, exceed one-seventh or one-sixth of the Central assistance, the number of such schemes had multiplied without limit during the Sixth Plan period. Even in terms of numbers of such schemes there had been considerable increase.

91. The Chief Minister, Karnataka welcomed the specific emphasis given in the Plan on decentralisation of planning. He hoped that this would bring out an equilibrium both in the development as well as in the distribution of justice.

92. The Chief Minister, Karnataka recalled the walk out of the Chief Ministers of West Bengal, Tripura, Andhra Pradesh and Karnataka in the last meeting of the Council held in July 1984 and stated that it was unfortunate that the Council had passed a resolution condemning the action of the four Chief Ministers. He requested the Chairman that the resolution might be withdrawn and the entire episode removed from the records.

93. **Shri K. Karunakaran**, Chief Minister, Kerala, congratulated the Planning Commission for presenting to the National Development Council a draft Plan with a bold vision and a clear perspective. He stated that the public sector plan outlay of Rs. 1,80,000 crores envisaged in the draft Plan and the tremendous task of mobilising the necessary resources to match the outlay and also keeping within the limit of deficit financing of Rs. 14,000 crores, placed a very great responsibility on all States.

94. Regarding the views expressed in the Rangarajan Expert Committee (on inflation accounting in the Plan), the Chief Minister, Kerala, stated that it appeared advisable to continue the current practice of presenting plan outlays at constant base year prices. Every effort was needed to contain inflation below 5 per cent. He suggested, however, that a mid-Plan review of resource position be undertaken in 1987 to assess the impact of rising prices, and to the extent that it took place the effects on the Central and State Plans. He added that, if necessary, on the basis of the mid-Plan review, the size of the Central and the State Plans, including the quantum of Central assistance to States, might be revised. Replying to the criticism by certain quarters that the Central sector outlay was much higher than the State sector outlay in the Seventh Plan as compared with the Sixth Plan, the Chief Minister pointed out that a perusal of the distribution of Central sector outlays in the draft Plan would show that as much as Rs. 20,000 crores provided in the Central plan was for agriculture and allied services, rural development and social services. These funds were mostly made over to the States. In other words, this was a method of earmarking of funds for Plan items relating to the subjects which came under the jurisdiction of the States in order to achieve certain common national objectives and these funds would in fact devolve to the States for the most part for implementation. Surely, no one could object to this.

95. Regarding Centrally-Sponsored Schemes, the Chief Minister stated that the general guidelines suggested by the Ramamurti Committee in this regard might straightaway be endorsed by the Council, with a direction to the Central Ministries to weed out the less important Centrally-Sponsored Schemes and, in general, to reduce the number of Centrally Sponsored Schemes. He suggested that the finalisation of the list of Centrally - Sponsored Schemes might be left to the Planning Commission and the Government of India. Referring to the difficulties being faced by the

State Governments in finding the necessary resources for the Centrally-Sponsored Schemes which were introduced during the course of the Plan period and the consequent dislocation thus created in the balance of the State Plans, the Chief Minister suggested that the schemes and the outlays required for the next year should be finalised, and communicated to the States at the time of ensuing Annual Plan discussions. Also, if any Centrally Sponsored Scheme was introduced during the course of the Plan period, it should be funded fully by the Central Government

96. As regards the question of inclusion of expenditure on account of maintenance of assets created out of public sector investments as an item of Plan expenditure, the Chief Minister, Kerala, endorsed the view expressed by the Planning Commission in this regard i.e., that the problem was one of classification only, and that a selective approach might be followed under which the expenditure on maintenance of assets created during a Plan period might alone be included in the Plan in case non-Plan provision for the same could not be found.

97. Welcoming the emphasis given in the Seventh Plan document on regional dispersal of output through the expansion of assured irrigation areas where the proportion of area irrigated was low, the Chief Minister pointed out that such a strategy would help to achieve higher growth rate in agriculture, specially in States where food production was yet to make sufficient progress.

98. The Chief Minister supported the special efforts envisaged to increase the production of oilseeds to meet the shortfall in the availability of edible oils. However, he regretted that coconut was not categorised as an oilseed in the Plan document. Referring to the special place of the coconut in Kerala's economy with more than quarter of the State's agricultural income being contributed by this crop alone, the Chief Minister stated that the marginal and small farmers who mostly constituted the coconut growers were hard hit due to low yields and, paradoxically low prices of coconuts. Recognition of coconut as an oilseed for all purposes would bring it under the National Oilseeds Development Project, which would result in fixation of floor prices and in improving marketing arrangements, all of which would go a long way to help millions of small and marginal coconut cultivators in the State. He welcomed the programme included in the draft Plan for replanting 39,000 hectares of cardamom plantations. As regards rubber, he said that the allocation made for the schemes of the Rubber Board was meagre, and required to be looked into, so that the replanting of rubber did not suffer.

99. The Chief Minister referred to certain anomalies and lack of coordination in the implementation of the Integrated Rural Development Programme (IRDP) and hoped that the high level committee set up by the Planning Commission to review the existing administrative arrangements for rural development and poverty alleviation programmes would come up with concrete recommendations for improving the present situation. He added that, in the meanwhile, it would be useful for the Council to declare the block as the unit for rural planning and development.

100. The Chief Minister pointed out that while reviewing the Sixth Plan performance, the Plan document had observed that the percentage of population below the poverty line had declined from 48% in 1977-78 to 37% in 1983-84. Elsewhere in the document, it had also been stated that 50 to 60 per cent of the Sixth Plan beneficiaries under the IRDP might not have actually crossed over the poverty line. This, the Chief Minister said, required reconciliation.

101. The Chief Minister, Kerala said that he was happy to note that the draft Seventh Plan had proposed a substantial sum for the development of hill areas. In this connection, he stated that restoration of the ecology, the main objective of this programme, called for efforts in proportion to the area and population. He pointed out that it was unfortunate that the allocations made in the

draft plan for different hill regions, especially for the Western Ghats region, were not based on this criteria. He requested that this might be looked into urgently, and steps taken to revise the allocations.

102. The Chief Minister, pointed out that Kerala had followed the path of development slightly different from the other States by giving more importance to social services and welfare measures. However, the burden being placed on the State finances due to such a policy was also very high. In this connection, he stated that both the per capita State Plan outlay and the Central investment in the State had been low for a number of years. Per capita State Plan outlay of Kerala would be lower than the all-India average in the Seventh Five Year Plan also. The only way to bring about adequate plan investment in the State was to sharply increase Central Investment in the field of transport, including inland water transport, power, industries, including Defence industries. In fact, in the case of States like Kerala, special weightage had to be given in the distribution of Central assistance. The Chief Minister suggested that, if need be, the modified Gadgil formula should be further changed to achieve this. In this connection, the Chief Minister requested the implementation of recommendations of the National Transport Policy Committee for declaring the West Coast canal as a National Waterway. Also, the Chief Minister suggested for setting up a thermal power plant in the State and to step up exploration for off-shore oil. He requested the Planning Commission and the Ministry of Energy to give top priority to these suggestions.

103. **Shri Motilal Vora**, Chief Minister, Madhya Pradesh, was happy to note that the draft Seventh Plan had been based on the priorities, viz., food, work and productivity, considered and approved by the last meeting of the Council and that an earnest attempt had been made in the Plan to give a thrust in the directions of better utilisation of existing resources for the achievement of these priorities.

104. The Chief Minister said that checking the population of the country, to bring it down to zero rate of growth by the turn of the century should be the national goal. For working out a strategy to achieve this, he suggested that effort by and co-operation of all sections of society might be channelised. He said that, according to the draft Plan, the rate of growth of population would be brought down to 1.55% by the turn of the century, which still meant addition of 15 million people every year to the population. He was afraid that valuable resources would be locked up only in catering to this growing mass of population, and not in increasing the per capita income of the people.

105. Welcoming the thrust given in the Plan to increase agricultural productivity, the Madhya Pradesh Chief Minister requested that one more agricultural university in the eastern region of Madhya Pradesh might be set up in his State at the earliest to integrate and coordinate agricultural development efforts in the State. Regarding industrial development, the Chief Minister referred to the tendency of industrial units, including public sector undertakings, to set up units only in those States which offered maximum concessions. While pointing out that some concessions were necessary to attract the units, they would, in the long run not be viable when the concessions had run out. He wanted the States to adhere to a certain amount of discipline. The Central Government should formulate some guidelines in this regard. The Chief Minister suggested that the massive expansion of mining and minerals' output contemplated in the Seventh Plan document should take into account the environmental and ecological consequences this would cause to States like Madhya Pradesh where the exploitation of these minerals would take place. He suggested that the exploiting units make good the damage caused in mining, by undertaking speedy replanting of forests (where these were destroyed in mining operations) and control of pollution. He regretted

that, for the last six years, the Central Government had not increased the royalty rates on major minerals which were currently at very low levels. This had denied valuable financial resources to the States. He pleaded that the royalty rates might be revised.

106. Referring to the increased costs of rendering services and development in the high altitude, remote and far-flung areas inhabited by tribals and other notified backward classes of population, the Chief Minister requested the Minister for Welfare to consider these aspects and provide additional assistance to the States. In this connection he pointed out that to make a breakthrough in the implementation of the Bastar Development Plan of the Madhya Pradesh State Government, additional, Central assistance was needed.

107. The Chief Minister, Madhya Pradesh stated that he broadly agreed with the views of the Planning Commission on the report of the Expert Committee on maintenance expenditure. As regards Centrally sponsored schemes, he stated that there could not be any hard and fast rule as to how many Centrally sponsored schemes should be there during Plan period. He was of the opinion that such schemes should be taken up after discussion with the State Governments and adequately funded at the time of finalisation of the Annual Plans. Regarding the Expert Committee's report on inflation, he stated that the Committee's view that the effect of inflation should be taken into account while estimating resources might be appropriate only theoretically. He agreed with the views of the Commission in this regard that the issues arising out of inflation might have to be tackled effectively on a year to year basis.

108. **Shri Manohar Lal Kampani**, Lt. Governor, Andaman and Nicobar Islands, expressed general agreement with the strategy of development set out in the Seventh Five Year Plan. The A & N Islands had been making steady progress in the field of development alongwith the rest of the country. The area around Andaman and Nicobar Islands had one-third of the notified exclusive economic zone of the country. The islands had immense possibilities and potentialities like marine and under the ocean mineral wealth. Its strategic location on a busy world sea trade route, many varieties of commercially exploitable forests, considerable scope for plantations and immense tourism potential were all aspects of the inherent development possibilities. There were prospects of finding oil also in the area. However, conflicting views were also there, with environmentalists coming out strongly against setting up a free trade zone and others arguing against plantation crops replacing conventional crops. The rising population created further pressures for the development of infrastructure. Another constraint had been the strategic location of the island and the need for ensuring required levels of security. He hoped that the team already set up under Prof. Menon's Chairmanship would go into all these conflicting views. He thanked the Planning Commission for having met the Territory's requirements of Plan outlays.

109. **Shri Gegong Apang**, Chief Minister, Arunachal Pradesh, said that the strategy for the Seventh Plan had rightly placed emphasis on the generation of employment, food and productivity. The Planning Commission's accent on Science and Technology for creating conditions for a self-reliant economy by the 21st Century was a step in the right direction.

110. He was in agreement with the recommendations of the three Expert Committees set up to go into specific issues bearing on the formulation of the Seventh Plan. He was of the view that inflation should not be allowed to erode the value of investment in real terms and adequate funds for proper upkeep and maintenance of assets created in the previous plans should be provided in order to ensure their efficient working. The Centrally sponsored schemes should be continued during the Seventh Plan, as in the past, as these had been playing an important complementary

role to achieve various goals and objectives. Despite the financial and geographical constraints, considerable progress had been made in various fields of development in Arunachal Pradesh. But still more would require to be done to bring the economy of the Union Territory at par with that of the national economy. The overall size of the Seventh Plan, which was determined by the Planning Commission at Rs.400 crores, should be increased to Rs.500 crores in order to sustain the present rate of growth in the Territory. During the Seventh Five Year Plan, main emphasis would be on roads and transport. Without a well-knit road network, the border and the interior areas could not be fully developed. He urged for the execution of Kameg and the Ranganadi hydro-electric power projects, as that would facilitate rapid industrialisation of the region thereby generating enormous employment opportunities. The Chief Minister requested that the Territory's proposals for setting up another Cement plant, a Paper mill and an Oil refinery at Kharsang should be considered favorably during the Seventh Five Year Plan. Large oil and coal deposits had been found in the Territory, and the Central Government should make sizeable investment to exploit these. The Territory required larger investment for rehabilitating Jhumias, for fuller exploitation of forest wealth and other natural resources.

111. **Shri Shivaji Rao Patil Nilangekar**, Chief Minister, Maharashtra, said that the entire structure of the Seventh Plan had been built around the basic objectives of growth, equity and social justice, self-reliance, improved efficiency and the three basic priorities of food, work and productivity. With regard to the financing of the Seventh Five Year Plan, the Chief Minister pointed out that the emphasis would have to be placed on tightening of administration and improving the productivity of public enterprises to ensure the additional resource mobilisation as proposed in the Plan. The Centre and the States would have to follow strict financial discipline in order to avoid erosion in their contribution to the resources for the Plan. The Centre should give incentives in the form of special financial grants to the States which manage their financial affairs prudently and raise additional resources. The Chief Minister mentioned some distortions which had crept in the administration of Sales Tax with some States lowering rates of Sales Tax, while others had resorted to differential rates of tax on goods produced in a State as against those incoming from different States. This was contrary to Article 304 (a) of the Constitution. These distortions needed rectification. The introduction of consignment tax should be expedited. These would help the States in their efforts to raise resources.

112. The Chief Minister suggested that the methodology adopted by the Planning Commission with regard to the modified Gadgil formula in respect of the component of backwardness of the States, tax efforts, required revision, as Maharashtra had been adversely affected on both counts.

113. The State of Maharashtra had been kept out of the distribution of special market borrowings as its per capita domestic product was above the national average. The Chief Minister, Maharashtra requested the National Development Council to review the formula for Central Assistance and redress the imbalances in transfer of resources to the States. The entire external aid should be passed on to the State Governments at interest rates charged by the external agencies plus a nominal service charge. The repayment period also should be the same as that fixed by the external agencies. The terms of assistance should, therefore, be liberalised. Suitable fiscal and economic policies should be evolved to bring the rate of inflation to the minimum. A strict watch on non-Plan spending was also necessary to augment the resources available for development.

114. Referring to population growth, the Chief Minister, Maharashtra suggested that the annual rate of growth of population should be brought down to 1.9 per cent over 1986-91 and 1.53 per cent over 1996-2001 through the various Family Welfare Programmes. Poverty alleviation was

one of the main planks of the Seventh Five Year Plan. The present strategy of a direct attack on poverty through productive wage employment and self-employment programmes should be continued, and the outlays on these programmes substantially stepped up in the years to come. These programmes should be further integrated with other developmental programmes, such as the Minimum Needs Programme, the Special Area Development Programme, the 20-Point Programme etc., in order to reduce the incidence of poverty. The State Government had decided to solve the drinking water problem of 20,000 villages at an estimated cost of Rs. 650 crores during the Seventh Five Year Plan period. However, an outlay of Rs. 358.48 crores had been provided in the State Plan. There would be a huge gap of Rs.290 crores between the requirement of funds and the agreed outlay. The Chief Minister earnestly urged the Centre to allocate to it special Central assistance of Rs.290 crores, as the State Government had accorded the highest priority to the problem of rural drinking water supply.

115. The perspective plan of the Maharashtra State Government for agricultural development aimed at maintaining self-sufficiency in pulses, oilseeds and fibres. The other objectives of agricultural development were to create maximum rural employment, and to arrest degradation of natural assets like soil, water and other resources through promoting conservation and environmental protection measures. With 70% of its cropped area subject to the vagaries of the monsoon, comprehensive methods of dryland farming on a watershed basis had been introduced. Also the cultivators had to be assured of remunerative prices for their agricultural produce, particularly for Jowar and Bajra, the staple foods in the State. A programme of establishing agro-based industries had also been taken up in the State in order to improve the economic status of the farmers substantially.

116. The Chief Minister, Maharashtra made a request for the issue of licences to new sugar cooperative factories proposed to be established in the backward areas of the State like Vidarbha and Marathawada in order to reduce regional disparities. There was a strong case for dividing Maharashtra into three zones for the sugar-cane crop. The financial institutions should be asked to provide financial assistance to the cooperative sugar factories, as well as to cooperative spinning mills so that the State Plan funds would not be burdened. The scheme relating to the monopoly procurement of cotton should be extended for a further period of ten years beyond June 1986 (when the term of the present scheme ended) and the State Cotton Federation should be allowed to export long staple cotton to earn foreign exchange. He endorsed the Seventh Plan thrust on increasing the irrigation potential.

117. Since the Telugu Ganga Project was in violation of the Krishna Waters Award (as also interstate agreements in this respect), the Union Government should prevail upon the Andhra Pradesh Government not to execute the project so that the interests of Maharashtra could be fully safeguarded. (The Chief Minister, Andhra Pradesh interjected that the project did not involve violation of any award or agreement and Andhra Pradesh stood by all subsisting legal arrangements).

118. The highest priority had been given to power development by the Planning Commission by proposing 30.45% of the total outlay for power (Rs.54,821 crores) in the Seventh Plan as against 27.22% (Rs.26,535 crores) provided in the Sixth Plan to meet the increasing demand for power in agricultural sector and also for the development of industries. Maharashtra State had the highest installed capacity of 6078 MW (about 14% of the total installed capacity in the country) among all the States. The State Government had also given the highest priority to this sector in the Seventh

Plan. A number of hydel, thermal and gas based projects had been submitted to the Government of India by the Maharashtra Government. Early clearance of these projects would enable the State Government to complete these projects by the end of the Seventh Plan so that the State would not face power shortage in the Eighth Plan. The Super Thermal Power Project of 2000 MW at Chandrapur should be set up by the Centre expeditiously as agreed by it in principle. The Maharashtra Energy Development Agency had been set up for the systematic development of non-conventional and renewable sources of energy and implementing the Integrated Rural Energy Production Programme. He requested the Prime Minister to direct the Oil and Natural Gas Commission to assure the State adequate supply of gas on a firm basis so that the capacities already created by making huge investments could be fully utilised. Also, the gas might be supplied at prices equal to coal replacement cost and not on oil replacement cost.

119. The Chief Minister, Maharashtra, suggested the acceptance of the criterion of 'industrially backward zone' instead of the narrower 'No Industry District' concept. This would help to establish industries in the backward areas of the State. The establishment of another oil terminal near Uran was required to exploit the available natural resources.

120. The massive urban exploitation had created a tremendous strain on the urban infrastructural facilities and services available. He made a mention of Bombay, which suffered from the problem of congestion. Nearly half of its population lived in slums. The Chief Minister suggested that the problem of Bombay, should be treated as a national problem. He, therefore, requested the Prime Minister to accord special consideration to the problems of Bombay and sanction special assistance for solving the problems being faced by Bombay city. He wanted the amendment of Forest Conservation Act 1980 suitably so that the development projects could be expedited, with forest cover being maintained.

121. Transport, said the Maharashtra Chief Minister, played a vital role in the economic development of the country. He requested the Union Transport Minister to accept their demand for declaring 11 State Highways as National Highways. Similarly, adequate provisions should be made available for Mankhurd-Belapur link line, Manmad-Mudkhed line and construction of the Konkan Railway system. He also urged that the allocation for the Western Ghat Region should be stepped up from 13.4% to 25% in view of its much larger area and population as compared to the Himalayan Region. He suggested the establishment of Development Boards to remove regional imbalances. The State Government had prepared the Wardha District Development Plan and had requested the Planning Commission to expedite its approval and provide special Central Assistance for its execution.

122. With regard to the effects of inflation both on resources and on costs of investment, the Chief Minister said no method was fool proof. He said the alternatives were like accepting lower targets initially and reducing the outlay by 7% as recommended by the Rangarajan Committee, or to make extra tax effort to neutralise the effects of inflation. Inflationary forces should be corrected by the adoption of suitable fiscal policies. The maintenance of capital assets should be treated as an item of Plan expenditure as suggested by the Expert Group on Maintenance Expenditure.

123. The Expert Committee appointed to examine the role of Centrally Sponsored Schemes in the Seventh Plan had said that these schemes had an important role to play and these should form an integral part of the National Plan. Such schemes should be limited in number. There should be enough flexibility in their operation. When introduced during the Plan period, they should be fully



funded by the Centre. The State Government agreed with the views of the Expert Committee, but had no objection to a Committee of the NDC going further into the question in depth in a time bound manner.

124. At the end, the Chief Minister, Maharashtra urged that the gains of the successive Plans should be consolidated and the country should move at a much faster pace to achieve the objectives set in the Seventh Five Year Plan. He appreciated the Planning Commission's efforts at formulating a well-knit, cohesive and forward looking plan. He recommended the acceptance of the draft plan subject to the suggestions given by him.

125. **Shri Jag Pravesh Chandra**, Chief Executive Councillor, Delhi Administration, while supporting the Plan document, highlighted certain problems being faced by the Delhi Administration. The phenomenal growth of population in Delhi could be solved by quick implementation of the National Capital Region with provision of funds on a liberal scale. The transport, electricity and housing problems could be solved only with the active support of the Central Government. The manpower Plan drawn by the Delhi Administration would improve the quality of life both in the urban and rural areas. Under public distribution, the Delhi Administration had also launched, on an experimental basis, the transportation of wheat, sugar and rice, to all the fair price shops, so that people did not have to go repeatedly to PDS (due to stock not being available). He requested for allocation of more funds in the Seventh Plan for the Union Territory of Delhi in view of its special place in the country.

126. **Shri Rishang Keishing**, Chief Minister, Manipur, said that the satisfactory implementation of Sixth Five Year Plan had imbued the nation with the confidence that its future was good and bright. The priorities set in the Seventh Plan to promote rapid growth in foodgrains production, increase employment opportunities and raise productivity were the core of the overall objectives of growth, self-reliance, modernisation and social justice. It was reassuring to note that the Seventh Plan exhibited a conspicuous concern for the poorer sections of the population, poorer regions and poorer States. It had re-emphasised the need to curb regional inequalities in the level of development and Manipur, indeed the entire north-east looked to the future with confidence and hope. The approved outlay of Rs. 240 crores for Manipur State for the Sixth Plan had been increased to Rs. 430 crores in the Seventh Plan. This signified an increase of about 79% over the Sixth Plan. The Chief Minister was grateful to the Prime Minister and the Deputy Chairman, Planning Commission, for taking care of the interests of his State. He, however, made a suggestion for the formulation of certain Area Development Projects, which should not be constrained by resources, in order to bring about considerable change in the quality of life of that area and its people. In this connection, he emphasised the need to bring Manipur on the Railway map of the country, as well as an equitable distribution and location of Central sector projects which could promote growth of ancillary industries and mitigate the problem of unemployment. A Central Agricultural University in Manipur State should be set up to cater to the needs of that area. To channelise the energies of youth for constructive purposes, it was necessary to promote adequate infrastructural support for promotion of youth affairs, youth welfare, sports and games. The Chief Minister endorsed the Seventh Plan document for approval.

127. **Dr. Gopal Singh**, Administrator, Dadra & Nagar Haveli, said that it was a welcome effort of the Planning Commission to integrate the Seventh Plan with the long-term perspective plan for 1985-2000. The basic goals as set in the Plan would be achieved if there was a feeling of oneness among the people. The Union Territory of Dadra & Nagar Haveli had made good progress in all

fields through the successful implementation of the successive plans. The Seventh Plan would also be a success. All out efforts would be made to protect and enrich the forest wealth. The forest policy needed some modification without disturbing ecology. All the programmes were aimed at improving the standard of living of the Adivasi population. The Administrator was in agreement with the Rangarajan Committee's views that the additional resource mobilisation should be calculated net of additional administrative expenditure. Expenditure on maintenance of capital assets should be a part of Plan outlay. He would like that the Centrally Sponsored Schemes should be continued for some time more and the total outlay should be provided by the Central Government for their implementation.

128. **Shri Pratap Singh Rane**, Chief Minister, Goa, Daman & Diu, complimented the Planning Commission for integrating the medium-term planning with the long term perspective plan. He recounted some of the achievements of the Sixth Plan, with particular emphasis on the achievement of the targeted GDP growth rate, a 23.3% savings rate and the considerable achievements in the area of poverty-reduction. But there was hardly any ground for complacency. The goals of elimination of poverty, creating conditions of near full employment, satisfaction of the basic needs of the people in terms of food, clothing and shelter, attainment of universal elementary education, access to health facilities for all and reduction in the rate of population growth had rightly been emphasised in the Plan. However, he felt that the document did not bring out a well defined and comprehensive population policy, which was a must for the success of planned development. He also felt that the Planning Commission had adopted a cautious and pessimistic approach in projecting a 5 per cent growth rate of the economy over the Plan period.

129. Referring to two projects of inter-State importance, namely, the Tillari Project and the Dudhsagar Project which cut across the boundaries of Goa and Maharashtra and Goa and Karnataka, respectively, the Chief Minister was of the view that planning for such projects had to be done jointly by the States involved and the concerned Central Ministries, and there should be ensured proper coordination among the sharing States and the Central Ministries. While fully sharing the nation's concern for preservation of the forest/wealth and overall ecological and environmental balance of a region, he said that important projects like power and irrigation projects should not be overlooked only because their implementation involved cutting of some minimal forest areas. The comparative social costs versus social benefits of each project should be most carefully worked out by experts before decisions to reject any such projects were taken.

130. On the report of the Rangarajan Committee, the Chief Minister shared the concern of the Committee that putting forward a rate of inflation explicitly before the community might create an inflationary psychology. On the Committee's recommendation that additional resource mobilisation should be calculated net of additional administrative expenditure, he stated that in small administrative areas like Goa, the per unit cost of administering a tax structure might be higher. He hoped that the Planning Commission would appreciate this point while working out the net yields of ARM in Goa. Referring to the Karthikeyan Committee Report, he said that unless there was additionality of resources available to a State or Union Territory Government, it made little difference whether maintenance of assets was funded from the Plan or the Non-Plan outlay. He was of the view that capital assets were expected to be better maintained and monitored if the expenditure was shown on the Plan side rather than on the non-Plan side. Regarding the Ramamurti Committee's report, the Chief Minister agreed with the recommendations of the Committee that Centrally Sponsored Schemes had an important role to play for quite some time to come and should, therefore,

be continued. He urged that the total outlay for such schemes in respect of Union Territories might be provided by the concerned Central Ministries.

131. **Shri Lal Thanhawla**, Chief Minister, Mizoram, extended his full support to the objectives, development strategy and programmes of the Seventh Plan. The growth rate of 5% set out in the draft Seventh Plan document was indicative of the cautious and pragmatic approach adopted in formulating the Plan, although some sections of the informed public felt a higher growth rate was possible. It was appropriate that targets of growth rate in the Seventh Plan aimed at a significant acceleration in the sectors of agriculture (4%), Industry (8.3%), power and other critical infrastructure (10.4%) and transport (8%), which were basic and vital elements of planned development. Pointing out some pressing needs of development of Mizoram for the consideration of the Council, the Chief Minister stated that the Territory was almost left out of the national developmental activities for about three decades due to various factors such as its remote hilly terrain and prolonged disturbed conditions in the Territory. The existence of the peculiar conditions in the Territory called for redoubled efforts and specific programmes suited to the culture, customs and conditions of the Territory, and special measures were needed to accelerate the Territory's development.

132. Poverty alleviation in Mizoram was not possible without launching massive special schemes. In this connection, the Chief Minister expressed his concern to Planning Commission for not providing adequate outlays for a number of special measures needed for poverty eradication in Mizoram during the Seventh Plan. Continuing, he said the primary concern of Mizoram's development strategy was to arrest further degradation of the environment and to promote eco-development by proper land use and soil conservation. Measures pertaining to environmental protection were needed to be taken up on a war footing to improve the living conditions of the people of the Territory. The Chief Minister stated that the Government had adopted a new 'Land Use Policy' in 1984 for arresting further ecological damage and environmental degradation in the territory from jhum cultivation and for increasing the income levels of its rural people. Eighty percent of Mizoram's population, comprising sixty thousand families earned their livelihood from jhum cultivation. To end this, the new land use policy aimed at reducing the area under Jhumming to 25 per cent at the end of the Seventh Plan and eradicating it completely by 1994. The basic feature of the policy was to create more permanent employment opportunities in agriculture and allied activities with the introduction of modern technology.

133. Welcoming the Seventh Plan emphasis on integration of various beneficiary-oriented anti-poverty programme, sectoral schemes and area development programmes into a comprehensive development plan taking into account the resource endowment and development potential of a district/block, the Chief Minister, Mizoram, stated that lack of resources was stalling such unique development schemes. He, therefore, pleaded for reconsideration of the Seventh Plan allocations for such programmes to Mizoram. Pleading for the extension of green revolution to Mizoram, he requested the Central Government to approve the Territory's proposals for strengthening its ground water investigation machinery. Adequate funds should be provided in the Seventh Plan for the accelerated development of infrastructure and transport sectors of the Territory. He also stressed the need of the Territory for having a usable air field for regular air service. Continuing, the Chief Minister said that the Territory had good potential for hydel power projects and increased allocations were required for implementing medium and micro-hydel power projects. He emphasised the need for improvement of communications infrastructure in Mizoram and also provision of railway lines in the Territory. Postal and telecommunication services in Mizoram also needed to be improved. The approved outlay of the North Eastern Council at Rs. 675 crores was inadequate and should be substantially augmented.

134. **Capt. W.A. Sangma**, Chief Minister, Meghalaya, expressed his agreement with the Seventh Plan objectives, and promised the State's commitment towards realising the objectives. The Plan objectives were well conceived and would help the States to fix their sights for the all-round development of the country. The stress on growth, modernisation, self-reliance and social justice would accelerate socio-economic development and the pace of taking the nation into the 21st Century.

135. The Chief Minister welcomed the continued recognition of the State as a special category State in the Seventh Plan and a larger Central assistance to special category States in the Seventh Plan reflected the need for greater attention to these States which had problems of their own. However, the Criteria followed by the Planning Commission for allocation of Central assistance among the special category States was not explicit. The State was not receiving Central assistance under the Tribal Sub-Plan on the plea that their entire plan was a Tribal Plan. He urged that Meghalaya and Nagaland also should be given assistance under the Tribal Sub-Plan. The Planning Commission should look at the totality of the Central assistance going to finance the plans of the special category States and it should clearly lay down the criteria which were followed in providing such assistance to each of them. He also urged that the State be provided grants-in-aid under clause (b) to the second proviso to the Article 275(1) of the Constitution. Adequate funds should also be provided for the long term development programmes of border areas of the State, which were of utmost importance from the strategic point of view. The Chief Minister further urged that for the socio-economic development of the tribal areas, development of infrastructure should be given highest priority in the Seventh Plan period, along with beneficiary-oriented programmes and schemes for human resources development. About the Family Planning Programme, the Chief Minister requested that while drawing up such plan programmes in the tribal and backward areas, the recommendations of the Conference of the State Health Ministers held in 1977 might be borne in mind. That Conference had recommended that population control should not be propagated in tribal areas. At the same time, mother and child services as well as other general health care services should be strengthened in those areas.

136. Referring to the Report of the Rangarajan Committee, the Chief Minister, Meghalaya, observed that it might not be advisable for the Planning Commission to assume any specific percentage of inflation, as that create an inflation psychology. On the Report of the Karthikeyan Committee, he suggested that maintenance of assets should be treated as a Plan liability in respect of some key sectors only. As regards the Ramamurti Committee report, he felt that the number of Centrally sponsored schemes should be restricted to the minimum. However, since this Committee had raised a number of vital and complex issues, he agreed with the suggestion of the Planning Commission for appointment of a Committee of the NDC for going into all aspects of the matter and submit a report. Referring to the role of the Planning Commission in Plan formulation, he stated that the Commission should confine itself to macro-level planning and to giving overall guidance and assistance to State Governments in the formulation and implementation of the Five Year Plan. The planners must also ensure that the backward States and the weaker sections of the population were brought upto the level of development attained in the rest of the country in the shortest possible time. The Chief Minister also pleaded for higher outlay for the NEC and for the Jogighopa road-cum-rail bridge, and a ropeways in the Garo Hills.

137. **Shri M.O.H. Farooq**, Chief Minister, Pondicherry, fully endorsed the strategy for the Seventh Plan outlined in the document. The setting up of exclusive Ministry for Human Resource Development and Programme Implementation were right steps towards furtherance of this strategy. Stating that the expectations of the rural people had been raised and that favourable climate had been created for effective implementation of rural development programmes, he suggested that maximum possible allocation should be given to the rural development programme during the Seventh Plan. In this connection, he pointed out that the allocation for IRDP to his Territory had been reduced to less than Rs. 18 lakhs for the current year compared to Rs. 32 lakhs last year. This had adverse effects on physical targets also. Welcoming the need for advanced technology, he added that side by side with adoption of high technology and modern scientific techniques, Government rules and regulations also needed change for effective implementation of plan programmes. In this context, he referred to the protracted procedures followed by States/ UTs before implementing Plan schemes which delayed implementation of these schemes. These procedures required to be changed. Similarly, purchases made through DGS&D took an unduly long time. The working of the office of the DGS&D needed to be streamlined. Referring to the importance of environmental protection and ecological preservation, he suggested setting up of statutory bodies under the Central Government in each State/UT with adequate powers to control, monitor and ensure environmental protection. It should be made mandatory for all projects to get clearance from these bodies before implementation. The Chief Minister endorsed the proposal to set up a 'National Housing Bank' and a 'National Equity Fund'. He also endorsed the Karthikeyan Committee recommendations regarding maintenance of capital assets being made an integral part of the Plan. He also suggested that Planning Commission step up its efforts at monitoring and evaluation of plan programmes.

138. **Shri S.C.Jamir**, Chief Minister, Nagaland, congratulated the Prime Minister and the Planning Commission for retaining the outlay of the Seventh Plan at Rs. 1,80,000 crores and thus setting at rest doubts expressed in many quarters regarding a reduction in the outlay. He was sure that with the sound changes in the economic policies at the Centre, the Planning Commission would not find it difficult to locate sufficient resources to back up the outlay of the Seventh Plan. Highlighting the economic problems of Nagaland, he said that Nagaland was a totally tribal and backward State, with more than 80% of the people being poor agriculturalists dependent mostly on 'jhuming' or shifting cultivation. There was a total lack of basic minimum infrastructure in the State. It also suffered from other disadvantages like hilly terrain, absence of important Central sector projects etc. He, therefore, pleaded with the Planning Commission for giving special consideration to Nagaland while allocating Plan resources, so that the State Government could take up more poverty alleviation programmes. With the unsatisfactory resource base of the State, he urged the Central assistance should be cent per cent grant, instead of 90% per cent grant and 10 per cent loan as at present. He also pleaded for enhanced outlay for the NEC for the Seventh Plan.

139. Referring to the Report of the Rangarajan Committee, he agreed with the view of the Planning Commission that it was not possible to fix a definite rate of inflation. As for the Karthikeyan Committee Report, he said that maintenance of assets should continue to be borne under non-Plan expenditure. Treating it as Plan expenditure, for a State like Nagaland saddled with very high maintenance costs (due to hilly terrain and heavy monsoon), would wipe out its Plan allocations. He had no objection in bringing maintenance under Plan for some sectors like irrigation, power, roads, road transport, health and schools. However, for these sectors too only repairs and replacements might be brought under Plan but cost of staff services should not be included. In regard to the Ramamurti

Committee report, the Chief Minister, Nagaland suggested that the limit of 1/6 for Centrally sponsored schemes need not be enforced rigidly and that the staffing pattern suggested by Central Ministries for each scheme should be flexible. All Centrally sponsored schemes should, further, be entirely or cent per cent funded by the Centre, with a certain flexibility being given to the State Governments to adjust the schemes keeping in view the local needs in view, without totally disturbing the pattern.

140. **Shri Janaki Ballav Patnaik**, Chief Minister, Orissa, complimented the Planning Commission for formulating a balanced document for growth, employment, productivity and technological progress with vital sectors like agricultural production, basic infrastructure, energy, poverty amelioration, human resources development and employment generation being accorded right emphasis and focus. He was of the view that a fine balance had been struck among competing sectoral priorities and the approach spelt out for development of the basic sectors was in conformity with the goals visualised. Referring to the problem of regional economic disparity, the Chief Minister pointed out that, despite the conscious policies pursued by the Central Government and sustained efforts of the State Governments during the last three decades of planning, regional disparity had eluded an effective solution for reaching the goal of socialism and added that the weaker States like Orissa had hardly been able to bridge the gap. Despite Orissa achieving a growth rate of around 6.1 per cent during the Sixth Plan, its per capita income was still below the national average. Only 28 per cent Orissa's water resources had been harnessed as against 60 per cent for the country as a whole. Employment in the organised industries was almost one third of the national figure. Railway and road development also exhibited glaring deficiencies. 30 per cent of the State's population comprised of Scheduled Castes and Scheduled Tribes. He was of the view that there was an imperative need to evolve new strategies and approaches to ensure elimination of such regional imbalance. He pleaded for treating the State as a special category State like those of Assam and Jammu and Kashmir to bring about speedier growth.

141. The Chief Minister, Orissa suggested some modifications in the Gadgil formula. Firstly, according to the present method of assessment of the tax efforts of the States, the States having large percentage of population below the poverty line, were not in a position to impose substantial tax burden on the poorer sections of their population. The total consumption of the population below the poverty line might first be deducted from the total State income and then the tax effort of the State might be judged in relation to its net income. Secondly, he suggested that the population weightage might be reduced from 60 per cent to 50 per cent as population also came indirectly into the second and third components of the Gadgil formula. Moreover, the Seventh and the Eighth Finance Commissions had given only 25 per cent weightage to population and the remaining 75% to other criteria having direct bearing on poverty. As a result, the devolution of resources on the basis of per capita income below the all-India average might be raised from the present level of 20 per cent to 30 per cent.

142. The Chief Minister, Orissa, further urged that a larger share of market borrowings might be assigned to the weaker States for accelerating their tempo of development. He also advocated that for the poor States like Orissa, the share from small savings might be raised from the present level of two-thirds to three-fourths of the net collection for financing their Plans during the Seventh Plan period and that Central assistance for relief work should be on 100 per cent basis for financially weak States. Regarding externally-aided projects in States, he suggested that the entire assistance received from external agencies be passed on to the States. He further suggested that for the States like Orissa, the Plan assistance proportions of loan and grant might be reversed i.e., to 30

per cent loan and 70 per cent grant respectively. This would assist in raising net flow of assistance to backward States as those with a zero balance of current revenue and heavy debt burdens were getting reduced levels of net Central assistance than what the gross figures would indicate.

143. Referring to the royalty rates on minerals, the Chief Minister desired that a timely and regular revision of such rates might be undertaken to keep pace with the increase in their price to enable mineral-rich States to augment their resources. He urged that advance Central assistance provided by the Centre to Orissa in the event of natural calamities should be converted into 100 per cent grant to enable the State to augment its resources for productive purposes. Regarding Central investment in the States, the Chief Minister suggested that some reorientation in the investment policy was essential in favour of weaker States with a per capita income below the national average and whose poverty-ratio was higher than the all-India average. The States with comfortable resource position were able to provide the required matching contribution to take full advantage of all the Centrally sponsored schemes while the backward States were unable to do so. Therefore financially weaker States should be given 100 per cent assistance for implementing the Centrally sponsored schemes, especially poverty amelioration schemes like the IRDP, the NREP and other production-oriented programmes like the Intensive Rice Cultivation Scheme. On the policy restriction on new starts with regard to larger irrigation projects in the context of constraint of resources, the Chief Minister urged that Orissa's two major multipurpose irrigation projects - Rengali and Upper Kolab - where large reservoirs had been created for flood control and power generation should be considered as justifiable exceptions. For want of a proper water distribution system, the irrigation potential created remained idle which was indeed a national waste. Extension of the canal systems of these projects should not be considered as 'new starts' in the context of the national strategy for rapid expansion of the area under irrigation. The emphasis on augmenting rice production in the eastern region required that drought-prone areas of the region should receive priority for new irrigation projects because the poverty stricken people of the area, mostly tribals, could not wait indefinitely for the fruits of development to reach them.

144. The Chief Minister, Orissa, appreciated the new dimensions being added to the industrial scenario. Many sectors had been delicensed and the MRTP limit raised substantially. However, he feared that taking advantage of the liberalised policy, some of the big industrial houses might gravitate towards the more advanced States and big urban centres, where developed infrastructure, raw materials, supplies and marketing facilities existed. For counteracting this, he suggested some corrective measures. Firstly, preference should be given to the industrially backward States in the location of industrial projects in Central public sector as a conscious policy. Secondly, industrial policy for the existing MRTP houses should give preference for location of new industries in the backward States. Thirdly, as per the recommendations of the Committee for Development of Backward Areas, industries might be dispersed in selected growth centres and entirely funded by the Central assistance. The Chief Minister hoped that serious efforts would be made to build the Daitari Steel Plant which was promised in the Sixth Plan and for which a token grant had been provided in the Seventh Plan. He urged for expeditious clearance by the Centre of the State power projects like the Talcher Super Thermal and the Ib Thermal projects.

145. About human resource development, the Chief Minister stated that the drop-out rate in the tribal areas was very high. To arrest this trend, primary schools in tribal areas should be converted into boarding schools. The State had undertaken a scheme for establishment of one boarding school in each of the 1200 tribal gram panchayats of the State. But the State's resources being limited, Central assistance for the programme was necessary. Orissa had also decided to set up

training institutions for rural youth at block level to train them in intermediate technical skills. He pleaded that this programme might be dovetailed into the TRYSEM programme. The Chief Minister stated that of late, the Centrally sponsored schemes for tribals had become more beneficiary-oriented, with very little resources left over for the development of basic infrastructures like communications. He, therefore, urged for starting a Centrally sponsored scheme for infrastructure development in tribal areas.

146. Referring to the recommendations of the three expert groups set up by the Council, the Chief Minister stated that Orissa was in full agreement with the views of the Planning Commission. He concluded by endorsing the Plan document.

147. **Sardar Surjit Singh Barnala**, Chief Minister, Punjab, stated that a very short time had passed since the formation of the Government in Punjab and hence sufficient attention could not be devoted to studying the Plan document in detail. He stated that as soon as the State Government's comments on the physical and financial dimensions of the Seventh Plan were ready, the same would be forwarded to the Planning Commission for consideration. The Chief Minister, referred to the two goals his government had set itself, namely, the restoration of peace and a sense of security and the bringing back its alienated youth into the national mainstream as the first, with the second goal being the restoration of the shattered economy of the State.

148. The Chief Minister stated that the big order of trade and payment deficit postulated in the Plan in the context of self-sufficiency in foodgrains and stable, rather softening, oil prices should have called for a re-look at the projections and their underlying assumptions. We needed to be on our guard against the debt trap which might ensnare us in debt bondage. Secondly, he was of the opinion that the savings target indicated in the Plan document was rather uninspiring. In order to speed up the country's pace of development, the sights with regard to the rate of savings needed to be set somewhat higher. Regarding liberalisation of controls and regulations, the Chief Minister pointed out that it needed to be properly phased and put into effect after due preparation by promoting use of indigenous capacity and resources and accelerating industrialisation. Haphazard and ill-prepared liberalisation might work towards deindustrialisation of the economy or towards a higher import-dependant industrialisation. These would have to be guarded against. Speaking against the present policy of monopolising the scope for deficit financing and the inflow of external funds by the Centre, the Chief Minister pointed out that this was manifestly unfair to the States. He wanted a review of the distribution of market borrowings as between the Centre and the States as well as among the States so as to make it more equitable. Regarding the distribution of public sector outlays between the Centre and the States, he stated that the Seventh Plan sought to undo the progressive trend of the last 10 years, during which the movement was towards an even balance between the two levels of the Government. The criterion for distribution of outlay between the Centre and the States appeared to have been the relative command of resources by them rather than the constitutional division of responsibility between them, or their relative suitability for undertaking development programmes.

149. The Chief Minister, Punjab, did not favour devolution of funds through Centrally sponsored programmes/schemes because according to him, such programmes/schemes provided vast discretion in the allocation of grants by different Ministries. The manner in which the discretion was exercised by them was arbitrary. Moreover, no reliable data regarding such programmes/schemes was available with any Central Government agency. In the absence of such vital information regarding Centrally sponsored schemes, there was a danger of such schemes being used by various pressure groups to siphon off funds to their areas, while other States lost by default, as



they were not even aware of the existence of such schemes. The Centrally sponsored programmes/schemes should form part of the State Plans, with the amounts being spent on them being transferred to them as further Central Plan assistance.

150. The Chief Minister, Punjab pointed out that the Seventh Plan document did not give any indication about the private sector's development programmes nor had the Plan discussed any of the problems of the private sector. The content of the Plan document, therefore, seemed to be at variance with its policy orientation. Regarding the employment policy of the Seventh Plan, the Chief Minister stated that it was the traditional stance and the problem of unemployment of rural youth had not received the desired attention. Punjab, along with other parts of the country had paid a heavy price for the disregard of the understandable aspirations of rural youth. He was also of the view that the agricultural policy, as set out in the Plan document, was even more traditional. He suggested that due emphasis should have been given to maximum agricultural productivity in the areas where green revolution had already taken place. Such areas were presently faced with the problem of micronutrient deficiencies, increasing incidence of weeds, water-logging etc., arising from intensive agricultural practices. Even more acute was the problem of handling of surplus farm products in such areas. He regretted that these problems had received scant attention at the hands of the planners. He suggested that the strategy for the agricultural sector might be thoroughly overhauled. The problems of the States making maximum contribution to the country's stock of foodgrains should not be treated as their local problems.

151. The Chief Minister, Punjab stated that the Seventh Plan outlay set apart for Punjab did not provide for an adequate tempo of development of the State's economy. It also did not permit implementation of the otherwise necessary structural diversification of the economy towards industrialisation and diversification of agriculture. He pointed out that the problems of implementing the Seventh Plan of Punjab by the State Government was greater than the problem caused by its smaller size, because of the present financial situation of the State. In this connection, the Chief Minister stated that the order of Additional Resource Mobilisation (ARM) stipulated for Punjab was beyond the capacity of any State, and therefore, it was necessary to take a more realistic view in the matter. Even before the recent upheavals, Punjab finances had shown a continued deterioration. The Chief Minister thought that such a deterioration was common to all States, mainly on account of the losses incurred by the State Road Transport Undertakings, the State Electricity Boards, etc. According to the Chief Minister, some of the important reasons for the State's financial woes were a lower share in total devolution of funds by the Finance Commission (which, again was accounted for mainly by two factors, namely, lower share in the portion of excise revenue and lower share in the divisible portion of income tax). Finally, Punjab, because of its high tax ratio, had a surplus non-Plan revenue account after taking into account devolution of taxes. It, therefore, received no non-plan revenue gap grant. Punjab did not get a fair share in the contribution of Central assistance for State Plans also. The Chief Minister pointed out that Punjab's share in the Statewise investments by Central investments as on 31st March 1983 was also meagre. The State also did not get a fair share in the vast amounts lent annually by the institutional financial agencies like IDBI, IFCI, ICICI etc. Disincentives to investment by small manufacturers existed in Punjab due to shortage of steel, coal and other essential inputs, shortage of essential raw materials and power.

152. He Suggested that a high level commission or committee might be set up to take a total view of the flow of development resources to individual States and to make recommendations for

(i) ensuring a fair share of total resources to every State and (ii) providing all States with adequate incentives for improvement in their financial performance. The Chief Minister submitted the following proposals for reviving the economy of Punjab:

(i) Emergency aid like the Central contribution for the implementation of the Thein Dam Project might be extended to Punjab outside the normal Plan assistance, to enable it to fully implement the Seventh Plan of the State, particularly to make up the gap in resources as a result of the adjustment of ARM to a realistic figure.

(ii) Effective and urgent steps might be taken to develop the hydro potential of the Himalayan rivers for the benefit of the Northern States, including Punjab. The Nangal Fertiliser Plant might be allowed to set up a captive power capacity of its own and additional funds might be made available to Punjab to create additional capacity equivalent to the power drawn by Nangal plant (which latter would pay for it at reasonable rates).

(iii) Punjab might be given a more reasonable share in the allocation of market borrowings.

(iv) The Food Corporation of India should be required to streamline its procurement and foodgrains movement arrangements, so that the farmers might be spared the difficulties, harassment etc.

(v) Punjab might be given the necessary financial and technical assistance to diversify its agriculture and to accelerate its industrialisation.

(vi) A joint committee comprising Central and State officials might be set up to streamline the flow of essential raw materials to the State so as to minimise the handicaps and cost inflation borne by the Punjab industries.

(vii) The introduction of new varieties of sugarcane had raised recovery in Punjab to almost the Maharashtra level and thus there was a very strong case for Punjab to set up additional sugar mills (to crush around 67% of its cane output) and

(viii) Punjab might be allowed to set up new composite textile mills, based on its cotton production.

153. The Chief Minister, Punjab, concluded by giving a solemn pledge that the people of Punjab would always be one among the Indian States: that they sought no destiny for themselves apart from the destiny of this great country; that their success and well being would always be a source of strength to the country; and that they would be an impenetrable barrier to any hostile force that might threaten the country's security and integrity.

154. **Shri Jyoti Basu**, Chief Minister, West Bengal, at the outset recalled the abstention from participation by the Chief Ministers of Andhra Pradesh, Karnataka, West Bengal and Tripura in the last meeting of the National Development Council, and the Council's subsequent adoption of a Resolution condemning the behavior of the four Chief Ministers. This was a most unusual procedure because it amounted to sitting in judgement by some representatives over the other elected representatives. He stated that each of the Chief Ministers carried the mandate of their respective people. He appealed to the Chairman that the Resolution of the Council be removed from the record of the NDC.

155. The Chief Minister stated that when the Draft Plan document was received, he felt that the time available to the State Government was very short for studying and forming firm views on it. He said that he had sent a message to the Planning Commission to this effect. The Deputy Chairman,

Planning Commission, had informed him that the Draft Sixth Plan was circulated only two weeks before the NDC meeting which considered it and that the Draft Seventh Plan was being circulated three weeks ahead. The State Government had a problem due to the Puja holidays. The Chief Minister recalled that, since Prime Minister Jawaharlal Nehru's time, such documents were circulated much earlier to the NDC meetings, and were not confidential or secret. All the people wanted to express their views on the Plan documents. He stated that he would still suggest for wide circulation of the Plan document to the various interested sections of the public before it was laid before the Council. The NDC could meet in two or three months' time to finally consider and approve the draft.

156. The Chief Minister pointed out that the Chairman and the Deputy Chairman of the Planning Commission, in their respective speeches delivered earlier, had only confined themselves to the positive features and the progress made in the country during the Sixth Plan period. He felt that the negative features and the weaknesses which had appeared in the planning process during the Six Plans also should be highlighted, in order to have a meaningful review. In this connection, he pointed out that the claim that the country had been moving towards the socialistic path of development was not true. According to him, during the last thirty years of planning, an attempt had been made only to develop a capitalist economy in compromise with feudalism.

157. The Chief Minister pointed out that to begin with, the claim made out in the Draft Plan document about achieving the major targets of the Sixth Plan was largely in the nature of a statistical illusion. Regarding the agriculture sector, he stated that though in this sector there had been visible advances, the achievement claimed for growth was on the basis of the low 1979-80 base. It could not, therefore, be termed as real progress, as the base year performance was depressed. In industry, according to the Chief Minister, West Bengal, the target had been missed by a wide margin. Regarding the incidence of unemployment in the country also, the statistics put forward in the draft Plan were unconvincing. The veracity of the successes claimed hinged upon supposed advances in relatively less important sectors like commerce and services.

158. Making a brief review of the overall development the economy during the last 35 years since the inception of national economic planning in the country, the Chief Minister pointed out that the rate of growth of India's per capita income was about the poorest even in the developing countries. The per capita consumption of both foodgrains and textile had declined over the three and a half decades. Also, the per capita production of foodgrains had declined in a large number of States during the past 10 to 15 years. Real wages in rural areas were stagnant, if not declining in recent years. The efforts to raise the output of both pulses and oilseeds had failed abysmally. In the field of industries also, the growth had fallen off since the mid 1960 and had barely exceeded 4% per annum of late. Major segments of industry had huge unutilised capacity. But none of these were discussed in the draft Plan. The country's external dependence had increased especially dramatically during the last five years. He apprehended that the actual burden of debt servicing would be much worse than reckoned by the Planning Commission.

159. The Chief Minister regretted that the Draft Plan document hardly addressed the above matters. He stated that the projections of a number of economic parameters for the five year period 1985-90, alongwith a few extrapolations for the next 15 years or so had been indicated in the draft Plan. He added that these were the outcome of certain hypotheses; if these hypotheses turned out to be wrong, the extrapolations would collapse like a house of cards. He also doubted whether the targets set and the outlays provided in different spheres of activity, for example in

production of various consumer goods and of capital, were internally consistent. But he would confine himself to the more relevant issues affecting national economic planning including issues of policy.

160. The Chief Minister pointed out that there had been a recent shift in the Government's economic policy which assumed, if he understood correctly, that the country's economic growth should be sustained only on the basis of growth of exports and growth of the luxury consumption goods sector. For stimulating growth in these areas, the Union Government had generally accepted the policy guidelines suggested by the World Bank and the IMF. To encourage exports and to reduce domestic per unit cost of exportable goods, the mechanism of controls in the sphere of both trade and domestic production was being liberalised. Imports were being permitted on a generous scale. All these had been accompanied by general tax concessions to the affluent classes and by lifting curbs on foreign capital and relaxing restrictions on large industrial and monopoly houses. Besides, several subsidies were being offered to the same classes, which was causing concern even to the Planning Commission.

161. He was afraid that a reluctance to analyse these basic factors inhibiting national economic growth had led to such a series of policy prescriptions. He stated that the experience in recent years had shown that exports had increased only in those spheres which had scope for labour-intensive activity. In most areas, Indian exports had faced a barrier of quantitative and other restrictions imposed by the developed countries. Import liberalisation threatened the viability of several domestic industrial units, which resulted in the aggravation of the unemployment problem. The Chief Minister stated that the new policies had already started yielding negative effects leading to a 70 per cent increase in the trade deficit compared with that of the same period in 1984-85. He stated that the disproportionate stress of the new policy on the production of luxury consumption goods, such as consumer electronic products, on which new trends had been set, could not achieve the breakthrough in the industrial sector. These goods did not cater to more than 5 per cent of the population.

162. The Chief Minister, West Bengal pointed out that no spectacular economic growth could take place by excluding the majority of the country's population from the growth process. National economic growth was not amenable to such superficial solutions. One had to go to the root of the problem. Only by improving the income and earnings of the nation's majority, who were poor, could the demand for agricultural and industrial products be increased. For this purpose, more income and earnings were to be placed in the hands of the poor and the unemployed. Such a strategy essentially necessitated the restructuring of income distribution in the country, which in turn depended on the redistribution of assets. He pointed out that so long as redistribution of land was not done, irrigation water, fertilizers and credit would fail to reach the agrarian poor, and consequently there could be no diffusion of incomes to them; without such diffusion, there could be no breakthrough either in agriculture or industry. In this connection, referring to the 'Approach to the Seventh Five Year Plan,' circulated in July 1984, the Chief Minister stated that the draft Seventh Plan had missed the keen emphasis on accelerating the pace of land reforms made in the Approach document. He said that he could see a retrogression of thought on the part of the Planning Commission in this regard, as the issue of land redistribution had been dismissed in a single brisk sentence in the Draft Plan.

163. Referring to the huge stockpile of foodgrains available with the Food Corporation of India, the Chief Minister pointed out the anomaly in having millions of hungry and unemployed people on

the one hand and unwanted pile of foodgrains on the other which could be used to feed them and put them to productive work, but which was not being so used. Alongwith land reforms, utilisation of foodgrains with public agencies for launching a major programme of rural employment through National Rural Employment Programme (NREP) and the Rural Landless Employment Guarantee Programme (RLEGP), could constitute an alternative strategy of development. He also stated that the outlays earmarked for such programmes in the Seventh Plan were also less compared to the Sixth Plan outlays. He said that given the huge stock of foodgrains in the ware-houses of the FCI, atleast 5 million tonnes should have been distributed each year for the NREP, to make a major dent on unemployment. The Chief Minister stated that such an expanded programme would lead to the creation of a wide array of community assets such as, roads, bridges, tanks, irrigation channels etc. It would also lead to an enormous growth in human capital: better fed human beings, with the incentive and ability to acquire skills and education necessary for a truly nation wide surge in all spheres of activity. He also suggested that the programme could even be extended in a limited form to the urban sector to cover such activities as slum-clearance and laying of roads and parks.

164. The Chief Minister, West Bengal, stated that a National Plan should aim at improving the conditions of the poor and the under-privileged and at changing the structure of income distribution in their favour. He was afraid that the strategy recently initiated by the Government through various policy decisions was likely to achieve precisely the reverse and could push us into a crisis of external payments, and trap us into a state of perpetual foreign indebtedness, as had been the fate of Latin America. The strategy underlying these policies offered few prospects of faster and more balanced growth; it would take the nation even further away from the goal of self-reliance. He pointed out that, at the same time, other choices for growth were available. The Chief Minister observed that an alternative policy underlying curtailment of imports could also be formulated, in consonance with the need to modernise technology. There was a certain minimum absolute need for imported goods to meet the requirements of maintenance and speedy development in crucial sectors. With careful husbanding, such requirements could be accommodated even if the quantum of imports were reduced by one-third from the present projected levels. At least four-fifths of the Indian population have no demand for foreign goods. This called for efforts in two separate directions: (a) a drastic curtailment across the board of luxury consumption and imports intended to service luxury consumption: and (b) a policy on science and technology which explored the feasible frontiers of import saving technology. He would like to cite, as two concrete examples, the research required on conversion possibilities of coal (of which we had large reserves) and on ways to conserve petroleum through reducing its consumption.

165. The Chief Minister, West Bengal stated that the kind of alternative planning strategy he had in mind could be put into effect only through the initiative of public sector. Whatever changes and modifications were needed in the industrial and trade practices and in the application of technology, would have to be undertaken under the leadership of the public sector. It had, no doubt, to be made more efficient, but this could be done only by taking the working class into confidence, not by alienating it. The public sector's role in countervailing alien ideas and policies and in furthering social objectives should not be ignored, nor should its least efficient unit be compared to the private sector's most efficient unit. Like had to be compared to like. In this connection, the Chief Minister made a mention of the reference in the Draft plan that investments in the crucial sectors like power, coal and railways could not be accommodated within the ceiling of outlays fixed for the public sector. He suggested that, to accommodate the requirements of these sectors, the size of the public sector plan should, if necessary, be extended and arrangements made for raising the

necessary resources from the private sector, through fiscal and monetary measures. He also suggested that to provide resources for growth, every effort should be made to economise on non-priority and non-essential expenditure. In this connection, the Chief Minister wanted enforcement of strict surveillance in the expenditure incurred by the Centre also, in the same way as it wanted the State Governments to be careful with their spending. He said that there was considerable scope for monitoring outlays on defence and internal security and suggested that the feasibility of 'Zero-based budgeting' was worth examining in this regard. He stated that it looked somewhat odd to assume an annual growth rate of 8 per cent for civil aviation while that for railways, on which the nation's poor depended for their own mobility and for the movement of the goods they produced, had been placed at only 2 per cent. He urged that the surplus generated by the Indian Airlines and Air India should, during the Seventh Plan, be largely re-allocated for the expansion of railways.

166. The Chief Minister, West Bengal, stated that though the draft Plan acknowledged the fact of disparate rates of growth between different regions and States, it had few proposals to redress the situation. He said that for improving the irrigation and credit facilities in the process of augmenting the agricultural output of rice etc., in the eastern States as had been emphasised in the draft Plan, the major thrust of the efforts had to be in West Bengal, it being one of the leading rice producing States in the region. However, the Seventh Plan outlay on irrigation earmarked for West Bengal was much less than that for Maharashtra and Gujarat. He said that the Planning Commission might plead that it was West Bengal's resource constraint which inhibited the prospects of irrigation expansion and agricultural growth in the State. The Chief Minister thought that if the imperatives of balanced growth called for the deployment of additional resources in a particular State or region, it was for the Planning Commission to arrange for such additional resources.

167. The Chief Minister was of the opinion that balanced development could not be brought through centralised economic control and decision making. In the draft Seventh Plan, he had noticed a major shift of allocations of outlay in favour of the Centre. Of the total outlay indicated, only about 45 per cent was proposed to be left to the States. The Chief Minister, West Bengal, observed that in the past the allocation of public sector outlay between the Centre and the States, taken together, was roughly equal. In this connection, he pointed out that the past experience in planning process showed that attempts to centralise control of resources and decision making had resulted in priorities going wrong, greater loss in efficiency and supervision, culminating in greater disparities between the needs of different regions and the actual benefit of planned development. Therefore, the Chief Minister wanted the Planning Commission to drastically re-arrange the allocations earmarked in the draft document as between the Centre and the States. Further, in that process, areas of activity hitherto reserved for the Central Ministries should be transferred to the States and, in several instances, resources reserved by implication for the private sector should be claimed back for public purposes.

168. The Chief Minister pointed out that the alternative programme of economic growth he had described in his speech so far was based on the assumptions of decentralised system of responsibilities, an enlarged public sector, comprehensive land reforms, a strict regime of import control, encouragement of technology which placed the prime emphasis on goals of self-reliance and maximum feasible eradication of unemployment. He stated that such a programme basically under scored decentralisation of planning. He said that the Constitution left the States with the responsibility for most of the development tasks. According to him, the increasing tendency on the part of the Union Government to preempt the use of fiscal and monetary resources had, however, led to a situation where most States were left without the wherewithal for accomplishing the range

of tasks. The Chief Minister pointed out that the format of planning and the modality of resource management would have to be changed drastically if the nation's sense of unity and integrity were to be saved from further strain. This, he said, called for decentralisation, as much of control and decision making as of resources. In his view, a re-ordered planning and economic system should be featured by (a) devolution of planning down from the Centre to the States, districts, blocks and villages with responsibility at all levels resting with democratically elected bodies, and (b) similar devolution of financial and monetary resources, with the Union Government retaining the responsibility of overall economic coordination leaving the control of a major part of financial resources to the States and democratically elected bodies at grass-roots levels.

169. In the light of the above background, the Chief Minister, West Bengal, stated that, the assumptions made in the Draft document was that the Union Government had the prerogative on all issues concerning monetary and fiscal resources, and that the States would have to abide by Central decisions. This was the formal position, so long as the Commission on Centre-State relations did not submit its recommendations and these recommendations were not acted upon. But if only the formal position is to be stressed, we might as well forget about national planning and development. He further stated that there had to be a general appreciation of such realities as that the Union Government should not on its own reduce the rates of income tax or that the extra revenue derived from raising the administered prices ought to be equitably shared with the States, or that the proceeds of the market borrowings as well as of the created money should not be monopolised by the Centre, or what was done with the Eighth Finance Commission recommendations for 1984-85 ought not to be repeated.

170. With regard to the pricing and supply of essential commodities of consumption and major industrial raw materials, the Chief Minister, West Bengal wanted arrangements to be made for distribution of such commodities at a uniform price all over the country. He also saw no reason why the eastern States should continue to bear the burden of freight equalisation for iron and steel, and telescopic rates for coal.

171. On development of education, the Chief Minister, West Bengal wanted that the emphasis should be on universal mass literacy in the shortest possible time as literacy and education were themselves goals of planning. Accomplishment of this task should be the first charge on resources. In this connection, he suggested that to accelerate the pace and speed of primary education, a part of the available stock of foodgrains might be used for organising a comprehensive national mid-day meal programme.

172. The Chief Minister stated that West Bengal had submitted its views to the Commission on Centre/State Relations on what should be the modalities of planning and the composition of the Planning Commission in a federal entity. He said that he did not believe that the Draft Plan placed before the Council, if implemented, would make a worthwhile contribution towards promoting faster rate of growth, or of raising the living standards of the nation's vast masses, or reducing the incidence of unemployment, or improving the country's balance of payments position, or narrowing down either regional disparities and/or the gap between the incomes of the rich and the poor. In view of the above, he made an earnest plea to the Council not to rush through to give its final seal of approval to the draft Plan document in the present session of the Council. He further suggested that the document might be circulated amongst the general public, as was the custom in the past, and the nation should be allowed to study it in depth, alongwith proposals for alternative approaches, such as that suggested by the national convention of economists and social scientists organised in

New Delhi on August 31 and September 1985 and the conference of economists held in Calcutta on October 10, 11 and 12, 1985. The Chief Minister stated that the NDC could then meet again, say after an interval of 3 months, to finalise its views on the Seventh Five Year Plan. Such discussions and democratic exchanges, he added, would greatly enrich the content of national planning.

173. **Shri Bir Bahadur Singh**, Chief Minister, Uttar Pradesh, congratulated the Planning Commission for formulating and finalising the draft of Seventh Plan, keeping in view the basic objective of food, work and productivity, economic growth with social justice and faster movement towards goals of full employment and poverty elimination. He said that the three reports of the Groups of Experts offered valuable insights into crucial aspects of plan formulation and implementation.

174. The Chief Minister said that the State had given a very good account of itself in respect of achieving the targets set for the Sixth Five Year Plan. He mentioned some of the more important targets and achievements of U.P. in various programmes during the Sixth Plan.

175. Referring to State's natural endowment, and the Seventh Plan's emphasis on agriculture and self-sufficiency in food, he said that the objectives, strategies, and perspective of the Seventh Plan Document would have to be successfully pursued in U.P., which accounted for 16 per cent of the national population and 10 per cent of its geographical area. The State was making a maximum effort to adequately manage its water resources not only for irrigation but also as a permanent and lasting solution to floods and water-logging. Top most priority had been given to minor irrigation programmes in the State through-out the planning era. The growth in the manufacturing sector had been satisfactory but in power, the most critical sector, the State had lagged behind the target because of non-completion of major projects. High priority had been given to heavy and medium industries, handlooms, small-scale units and traditional handicrafts and it under-took a sizeable programme for development of the requisite infrastructure in 'zero industry districts' and industrially backward districts to attract and disperse industries. He pointed out that a modest programme of modernisation and extension of capacities had been taken up, which was proposed to be stepped up during the Seventh Plan. He felt that the housing and urban development sector needed greater attention in the Seventh and the subsequent Plans.

176. The Chief Minister said that U.P. had five identified economic regions. As a result of Central supplemental hill assistance, at present development in hill regions was adequately picking up, but the eastern and Bundelkhand regions, in spite of the best efforts of the State Government, were yet to adequately realise their potential. He said that even though the State had made all-round development during the planning era, it still continued to be one of the most backward States. This was primarily due to the low level of investment and higher rate of growth of population. The per capita income continued to be substantially lower than the national per capita income. Birth and death rates, including infant mortality in the State were the highest in the country. Also, several other indicators established that U.P. continued to be one of the most backward. He said that the perspective plan containing socio-economic indicators of change during the coming fifteen years, could materialise only when a State like Uttar Pradesh, already at a very low level, did not lag further behind in the march towards the goals set for the country.

177. The Chief Minister, U.P., said that his State had formulated its Plan keeping in view the basic national priorities of food, work and productivity, economic growth with social justice and reduction in income and regional disparities. He listed the targets for its Seventh Plan in various programmes of development. The State had kept an average growth target of 6 per cent per



annum, as against the target of 5 per cent growth rate for the country as a whole. He hoped that during the Seventh Plan, all sectors would develop in a balanced manner and substantially transform the structure and character of the State's economy.

178. The Chief Minister, U.P., said that the changes in Income Tax and abolition of Estate Duty had adversely affected the State's share of Central funds. Similarly, instead of imposing and raising excise duty, the practice of imposing cess and auxiliary duties was being resorted to which, in effect, deprived the States of their due share of funds. He suggested that while taking decisions in regard to the fiscal policy of the Centre, the interests of States should also be kept in view. He said that the per capita plan assistance to U.P. had been almost the lowest right from 1951. Even the revised Gadgil formula had not in any way appreciably changed the situation in favour of the backward States. He suggested that in view of the serious resources constraints in economically weaker states, it was desirable that the present system of allocation for tax efforts as also for special problems be abolished, and instead the amounts so saved reserved for distribution only to backward States and was allocated among them in accordance with the (per capita) income-deviation (from national average) formula. He said that the economically backward States had also not been receiving a fair share of the market borrowings on account of their low financial base in the past. Such borrowings now constituted one of the most important components of Plan financing, and ought to be treated on the same basis as normal Plan assistance. He said that, in addition, Uttar Pradesh suffered from a low credit/deposit ratio. The bank deposits in the State had been growing at a pace higher than in advanced States but the growth in bank credits had not been fast enough. The result was that a State like Uttar Pradesh was financing the development of other comparatively advanced States. He said that the situation could be remedied to an extent by increasing the State's share in market borrowings equal to the shortfall in the credit/deposit ratio. The Chief Minister suggested for the consideration of the National Development Council that the total annual market borrowings might be divided between the Centre and the States on 50:50 basis. The share of the individual State should be decided on the basis of 40 per cent allocation on historical basis and 60 per cent allocation only to those States whose per capita income was less than the national average in accordance with the per capita income-deviation formula. He said that the Planning Commission had already recognised the validity of this approach and market borrowings to the extent of Rs.1000 crores were allocated only to the backward States during the Sixth Plan. Such allocation now needed to be further rationalised and approved by the N.D.C. He said that the State had mobilised small savings in a big way and its efforts should be rewarded by increasing the States' share in the net collection from the present 66 per cent to 75 per cent.

179. He said that the flow of funds from various financial institutions did not adequately flow to the backward States like U.P. and suggested that these institutions must devise mechanisms to ensure that the backward States got their due share. These institutions should publish reports each quarter on how the various States were being benefitted by them. They should also analyse the circumstances under which their benefits did not reach the backward States. He desired that the Planning Commission and the administrative Ministries in the Government of India should also keep a close watch on the functioning of the financial institutions in order to ensure that the backward States got their due share.

180. The Chief Minister said that his State could not take advantage of the major investments in large irrigation and multi-purpose projects through the agency of the World Bank and other donor agencies on account of its location in the Gangetic Basin. He desired that preferential treatment be provided to the multi-purpose Tehri Dam project, the thermal power projects of Anpara 'B' and

Unchahar expansion and the hydel project of Srinagar (U.P.), in obtaining external assistance. He continued that the externally-aided projects placed a greater burden on the States on account of their higher norms of staff and facilities, and suggested that ninety per cent of the external assistance received by the Government of India might be passed on to the States in place of 70 per cent as at present, 10 per cent being retained by Government of India as service charges. He also suggested that the interest rates on the external assistance given to the State Governments might be suitably brought down. The Chief Minister said that the debt servicing of the loan portion of the Central Plan assistance by the State Governments also placed heavy burden on the backward States like Uttar Pradesh. Therefore, he suggested for consideration of the Council that the grant portion of the Central Plan assistance should be increased only for the backward States from the present level of 30 per cent to 50 per cent.

181. The Chief Minister stated that there were three identified backward regions in Uttar Pradesh, namely, the Hill, the Eastern and Bundelkhand regions. The Planning Commission had recognised the hill region for grant of special assistance, but the needs of the other two regions were equally pressing. He suggested that the N.D.C. might take a decision to allocate special assistance to these two regions also on the same basis, as was being done for the Hill regions.

182. He said that accelerated economic development of twelve dacoity-prone districts was necessary in order to root out the evil on a long term basis. The State Government had submitted proposals involving Rs.398 crores to the Planning Commission for Central assistance for such selected programmes relevant to these dacoity-prone areas. The working group constituted by the Planning Commission to look into this problem for the three affected States of Uttar Pradesh, Madhya Pradesh and Rajasthan, recommended a very limited amount of Central assistance. He suggested that, as a first stage, the Central assistance suggested by the Working Group should be made available to the affected States. The States could then frame comprehensive proposals for obtaining Central assistance for integrated development of these areas.

183. The Chief Minister said that the issues covered by the Expert Group reports were relevant to the formulation and implementation of the Five Year Plans. He was in agreement with the view expressed by the Planning Commission in regard to the Rangarajan Committee Report. The Chief Minister agreed with the view of Kartikeyan Committee Report on maintenance expenditure that proper maintenance of revenue earning as well as other assets had not been possible on account of inadequate budget allocations. He was of the view that the mere transfer of maintenance expenditure from non-Plan to Plan side of the budget was not likely to solve the problem. He agreed that there should be better monitoring of the work of maintenance of assets. The Chief Minister said that the Ramamurti Committee on Centrally-Sponsored Schemes had made valuable suggestions but had not touched on some of the more important and valid issues. He wondered how large amounts, as set out in the Committee's report had been transferred to States without administrative Ministries evolving several Centrally-sponsored schemes. He posed a query as to how estimates about funds earmarked for Centrally-sponsored schemes turned out to be so grossly inadequate. He said that it would have been better that instead of providing additionality for Centrally Sponsored Schemes, Plan assistance should have been necessarily stepped up. He wanted to know how such additionalities would be transferred to the States during the Seventh and subsequent Plans. The Chief Minister was, however, of the view that the Centrally sponsored schemes had a definite role in the planning process of the States. However, the proliferation of schemes, had to be checked. He was of the view that new Centrally-sponsored schemes should be introduced, after due and prior consultation with States only at the time of finalisation of a Five Year Plan and, in very exceptional cases, at the time of finalisation of Annual Plans, as otherwise they created

serious problems for the States. He suggested that all schemes should be allowed to have flexibility as might suit the local conditions prevailing in various States. He said that it should also be ensured by Government of India that the resource transfer to States through Centrally-sponsored schemes did not operate to the disadvantage of the economically backward States. These problems had arisen mainly on account of the problems faced by such States in providing the matching shares for Centrally-sponsored schemes operated on 50:50 cost sharing basis. He said that it seemed desirable that more Centrally sponsored schemes were operated only on the basis of 100 per cent Central grants and, in exceptional cases, the share of the State Government might be restricted to only 25 per cent.

184. **Shri Nripen Chakraborty**, Chief Minister, Tripura extended his greetings to the Council and remembered the late Prime Minister, Smt. Indira Gandhi who was assassinated at the hands of the enemies of our national unity. He referred to the last meeting of the Council where there was some avoidable bitterness, but suggested that the past could be forgotten and expressed the hope that it would not happen again.

185. Continuing, the Chief Minister, Tripura said that the draft of the Seventh Plan had been circulated late and there was left no scope for a national debate on the document. It also indicated a sharp departure from the practice followed in the past. He said that the draft document could hardly inspire the people, who were today in the worst ever crisis. He requested that his written speech, which had been circulated, might be accepted as having been placed before the House, and sought the Chairman's permission to develop some other points.

186. The Chief Minister said that the Plan document rightly noted that the economic crisis that was upon us could only be compared to the 1930 crisis. The capitalist crisis had not only gripped the industrial sector, but had now extended, in India, even to the agrarian area. He referred to the rising unemployment in the developed countries, followed by prolonged industrial strikes and stagnation. But there was surplus food in the capitalist countries, with devastating famines in Ethiopia. With 40 per cent of their traditional markets having been lost, capitalist industry had gone into the armaments industry.

187. The Chief Minister, Tripura acknowledged that the effects of war were felt by the common man, but we had to purchase arms for our defence. This left no resources for planning. He, therefore, urged that steps should be taken to tax the rich, so as to mop up resources for the Plan. He regretted that there was no mention of this in the draft Seventh Plan document.

188. The Chief Minister, Tripura said that if we did not radically reformulate our Plan policies on the lines indicated in his written speech, future generations would not pardon us. Nothing would be further from reality than lightly talking of ushering in a new and prosperous era in India in the face of the heavy indebtedness to the World Bank, and where the country was planning to give maximum concession to private capital. It could hardly be claimed that it was building up an independent, self-reliant economy moving towards industrialisation. Not one speaker, with the exception of **Shri Jyoti Basu**, had said a word regarding the need for abolition of land-lordism. We were talking of raising the people above the poverty line, but we were not thinking of giving land to the poor and landless agricultural labour whose number ran into hundreds of million and was on the increase, due to increasing concentration of land in the hands of a few landlords. Could there be any domestic market at this level of poverty, he asked. There was no planning for producing mass consumption commodities, but instead there were promises of producing commodities for export, and for outside markets and of opportunities being given to people for exporting commodities. In order to make

such export cheaper, farmers, employees, and workers would have to be paid less. He wondered if any economy could stand only on export, or plan only for exports.

189. The Chief Minister, Tripura referred to the Chief Minister, Punjab's statement that there was no place to keep procured foodgrains, but he noted that on the other hand, per capita consumption of food had gone down, both of food and of cloth. He hoped that under the leadership of the Prime Minister, the entire approach would be changed to support domestic production, production for the people, rather than for exports.

190. The Chief Minister, Tripura referred to 80,000 industries, medium and small, being closed with more on the verge of closure due to introduction of modernisation. Could it be imagined, he posed, as to what would happen if the army of unemployed in the country increased by leaps and bounds, with introduction of modern technology. He said that while all were in favour of modernisation, such modernisation must be helpful to the people and to the unemployed, and particularly to the rural population. He urged for more even industrialisation of the backward States, so that migration of labour in search of industrial employment did not occur from one State to the other, since such migrant labour was usually also subjected to exploitation. He had been seeing in the case of his own State of Tripura how labour from other States had migrated and were subjected to exploitation. This must not be allowed to occur. Local industries must absorb local people, as thereby a lot of tensions among States would be avoided.

191. The Chief Minister, Tripura concluded by saying that he would like to give some positive suggestions. First of all, the Plan must be based on building an independent, self-reliant economy. It must plan for the abolition of land-less labour and for radical land reforms and redistribution of land. Production must be for the people, for mass consumption goods, and labour oriented. The public sector should be strengthened, and tax evaders and blackmarketeers should have penal measures taken against them. There should also be strict control on the functioning of monopolies. Import liberalisation must stop, and there should be no encouragement to export of essential commodities. Massive employment opportunities must be created for urban and rural poor and sick industrial units must be re-opened. Fourteen essential commodities must be supplied through the public distribution system and at lower subsidised prices, all over the country. Decentralised planning should start at the top and go down to the Panchayat level both for planning and implementation of Plans. There must be education for all, jobs for all, health services for all and drinking water for all villages. He ended by requesting the extension of the Railways to Tripura, as otherwise its economy would remain stagnant.

192. **Shri V.R. Nedunchezian**, Finance Minister, Tamil Nadu, spoke on behalf of **Shri M.G. Ramachandran**, Chief Minister, Tamil Nadu. He stated that the Government of Tamil Nadu was in full agreement with the basic development strategy brought out in the draft Plan document, namely, alleviation of poverty, eradication of unemployment, invigoration of family planning and welfare programmes, reduction in regional imbalances and efficiency and productivity in industry, particularly in the public sector. However, in regard to the family welfare targets, he strongly urged that all States should be exhorted and guided to reach the target of a net reproduction rate (NRR) of unity by the year 2000, instead of 2011 as mentioned in the draft Plan. Postponement of achievement of NRR would have serious consequences.

193. The Finance Minister pointed out the inequities in the revised Gadgil formula which decided the allocation of Central Plan assistance to the States, and pointed out that adoption of a per capita income basis to reckon the level of backwardness had gone against the decision to freeze the

figures of population at 1971 level for purposes of Central assistance. This worked against the thrust given by Tamil Nadu to family welfare and population control and acted as disincentive to States taking steps for effective implementation of the programme as it resulted in reduced allocations. He, therefore, urged adoption of 1971 population for computation of per capita income. He also stated that it would be more equitable if a range of 5 per cent was adopted in deciding the cut-off limit for fixing the eligibility of States for the quantum of assistance reserved exclusively for backward States. He, further, emphasised the need for reckoning the tax efforts against the backdrop of the taxable capacity of the States, i.e., that the tax effort of a State should be judged as a ratio of the per capita income. He further suggested that factors like endowment (or lack of it) of natural resources, unemployment and poverty levels should also play a greater role in the formula for distribution of Central assistance.

194. The Finance Minister, Tamil Nadu said that the present procedure for passing on the credit assistance on account of externally aided projects to the States must be liberalised to correspond to the terms of the donor institutions/countries. Furthermore, he pointed out, several Centrally sponsored schemes were formulated without prior consultations with the State Governments both in regard to principles as well as details, thereby disrupting the budgetary position of the States and delaying their implementation. He urged the National Development Council to re-examine the question of allocation of funds through Centrally sponsored schemes and to suggest an alternative by which only bulk grants for earmarked sectors were made available to the States leaving the State Governments free to formulate and implement schemes keeping in view the objectives and goals of the Seventh Plan. With regard to market borrowings, he urged for a greater share of market borrowings to the States in the light of buoyancy in deposits of commercial banks.

195. **Shri Nedunchezian** pointed out that the downward trend in the share of State Plans in the public sector was contrary to the professed aims of decentralised planning. He also urged for a considerable step up in the Central investment in Tamil Nadu by way of expeditious sanction/execution of Central projects in Tamil Nadu, viz., Sethusamudram project, expansion of Madras Fertilisers, expansion of Hindustan Photo Films at Ooty, Mass Rapid Transport system for Madras, third mine cut at Neyveli, conversion of some metre gauge lines to broad gauge lines, and a new atomic power project at Koodankulam in Tirunelveli district. He said that in order to achieve balanced regional development, it should be ensured that investments in the private sector were fairly and evenly dispersed, complementing dispersal of public sector investments by judicious adoption and application of a liberal and flexible licensing policy. The present policy of the location of new industries in zero-industry districts for providing concentrated input of incentives had to be reworked, with small geographical units like blocks or taluks.

196. As regards inflation accounting, the Finance Minister highlighted the impact of arbitrary and excessive upward revision of administered prices by the Central agencies, the brunt of which had to be shouldered by State undertakings. These undertakings had willy nilly to pass on the resources mobilised by them to the Central undertakings by such revision of administered prices. This reverse flow of funds from the States to the Centre had to be arrested. He desired that the State Governments might be consulted before effecting any changes/ in administered prices; alternatively, the State Government enterprises might be exempted from such increases in administered prices. As regards price stability, he mentioned some of the measures to be adopted, such as avoidance of increase in administered prices through raising efficiency and productivity, enhancement of production of essential commodities to ensure their better availability, and removal of distortions in distribution. All these would go a long way in ensuring stability of prices.

197. The Finance Minister, Tamil Nadu, continuing, said that as regards infrastructure, there would be a large gap between availability and demand of power even after the execution of the power schemes currently contemplated. He made a strong plea again for early sanction and implementation of the third mine cut and power station at Neyveli and for an immediate investment decision for taking up an atomic power station at Koodankulam in Tirunelveli district. He also pleaded for expansion of the Kalpakkam Power Station. He suggested, further, a review of the formula for sharing the power generated under Central sector schemes by the giving of emphasis to a higher share of such Central power generation to power-deficit States. He stressed the need to provide the required infrastructure facilities for ensuring adequate and timely supply of coal to power stations. He said that the Tamil Nadu Electricity Board should also be empowered to import necessary amounts of power grade coal at times of shortfall in indigenous production. He also requested for early settlement of the unresolved dispute regarding sharing of waters of the Cauvery river which had been disrupting the agricultural production programmes in the Thanjavur district. He thanked the Chief Minister of Kerala for helping to solve the drinking water problem of Coimbatore.

198. Shri Nedunchezian said that the State Government was implementing the Tamil Nadu Chief Minister's Nutrition Meal Programme since 1982. He suggested that such schemes should be implemented in all the States and the Government of India should come forward in a befitting manner to help the States in this respect. Extending full support to the new educational policy announced by the Government of India, the Finance Minister commended for consideration of the Government of India, the State Government's contemplated scheme of life-oriented education to impart necessary skills to boys and girls even at secondary school levels. As regards rural employment, he said that there was need for greater investment in the rural industries sector than that mentioned in the draft Plan document. He further said that such investments should be earmarked for developmental programmes, which would ensure a degree of self-sufficiency in rural agglomerates, so that all the basic requirements of the rural population like food, clothing, consumables etc., were locally produced. He stated that in view of the target of 9 million standard person years of employment, the lower level of investment during the Seventh Plan, appeared to be unbalanced. This serious imbalance in the investment pattern called for immediate attention, so that resources could be diverted to those areas/sectors generating additional employment.

199. The Finance Minister, Tamil Nadu said that the textile policy of the Government of India was oriented favourably towards textile mills, and not to handloom sector. A relook was necessary on this policy, particularly in the context of handlooms being given importance. He desired that the Government of India should also give purchase preference for handloom/textiles as was being done by the State Government. Regarding public distribution system, he suggested that the Government of India should come forward with allocation of more rice from the Central pool in years of scarcity.

200. In conclusion, Shri Nedunchezian, Finance Minister, Tamil Nadu, reaffirmed his identity with the goals and objectives set in the draft Plan and assured full cooperation in achieving them. He also requested the assistance of the Centre in taking up additional programmes in the State.

201. **Shri Nar Bahadur Bhandari**, Chief Minister, Sikkim, while congratulating the Planning Commission for formulating the draft Seventh Five Year Plan, pointed out that the draft document had rightly put food, work and productivity as the socio-economic priority in consonance with the objective of building a self-reliant economy and establishing a social system based on equity and justice. He stated that the other objectives which had been rightly adopted in the draft Seventh Five Year Plan, viz., increase in agricultural and industrial production, creation of job opportunities by

using new technologies and better management practices, eradication of poverty by strengthening and expansion of rural infrastructure, qualitative and quantitative improvements in education were also highly commendable.

202. He was happy that the scheduled castes and scheduled tribes and other weaker sections of the population had been accorded a place of special importance by giving a greater thrust than ever before to their social and economic advancement. He said that the stress given on completion of ongoing projects was also a step in the right direction. Also, the important aspect of making capital investment more productive to yield better returns had been rightly accorded due priority. He wanted that resource mobilisation for the successful implementation of the Seventh Plan needed to be constantly reviewed. He hoped that all the projects envisaged in the draft were based on the good health of our economy which had, in the past, shown enough strength and resilience to tide over adverse situations.

203. The Chief Minister, Sikkim, while making a few observations on the need to give special consideration for the development of Sikkim, pointed out that the average per capita income in the State was far below the national average, the percentage of population below the poverty line was much higher as compared to the national average and the State was also lagging behind in sectors like communications, transport, health and education. Agriculture was the main occupational activity in Sikkim, and with only about 11 per cent of its area being cultivable, the Chief Minister suggested that the emphasis had to be on improving agricultural productivity. Also, small scale industries had to be given encouragement, not only to raise the income of the rural poor but also to provide gainful employment to unemployed youth. The State's forest cover had been slowly but steadily increasing, offering scope for accelerating forest-based activities. He went on to state that Sikkim had a tremendous potential for hydro power generation with its swift flowing rivers, particularly the Teesta and the Rangit. A number of hydel projects had been submitted to the Central authorities for approval. Once these were cleared, the State would be in a position to generate additional revenue, particularly during the rainy season, and also would have adequate surplus power to evacuate to the neighboring States.

204. The Chief Minister said that the States which were below the national level, especially in regard to literacy, percentage of population below the poverty line and health standards must be enabled to come up to the national level. Further, Sikkim was neither connected by air nor by railway and, therefore, highest priority needed to be accorded by the concerned Central Ministry to link at least the State capital by air. Sikkim was not adequately covered in respect of T.V. and Radio media which should be accorded priority in the programmes of the Information and Broadcasting Ministry. To promote dispersal of industries and regional growth, he requested the Central public undertakings may come forward in setting up their ancillary units in Sikkim. The occurrence of frequent floods caused fairly acute problems in Sikkim. Though control of flood damage, in the sense it was understood in the case of rivers in the plains, might not be strictly applicable to Sikkim, yet the magnitude of the problems associated with the damage caused by fast running 'jhoras' resulting in erosion of entire hillsides and the assets created on them required systematic and sustained management. He pointed out that these were beyond the resources of the State. The Central Ministry of Water Resources both on the basis of technical expertise as also financial outlays involved, should come forward and undertake the necessary programmes for controlling such damage. He felt that though much attention had been given to the economic development of the hilly areas in the country in the draft Seventh Plan document, still much remained to be done in this sector. What was needed was not only more financial aid but also the broadening

of infrastructure to harness power potential, tourism, fruits and flowers production and promotion of small scale and handloom industries.

205. The Chief Minister, Sikkim pointed out that a systematic monitoring of the inflationary impact on the resources and cost of investment was highly necessary, and the need for significant adjustments, if any, might be considered. Regarding the question of maintenance of assets already created, he pointed out that in a State like Sikkim because of the difficult mountainous terrain, minor repairs and renovations were part of the maintenance process, which involved higher non-plan expenditure. He, however, urged the Council to have a more realistic approach in this matter. Regarding Centrally Sponsored Schemes, he stated that he would support the recommendation of the Planning Commission for appointing a committee of the Council to go into all aspects of the matter.

206. Shri Vishwanath Pratap Singh, Union Finance Minister, began his address to the Council by paying tribute to Pandit Jawaharlal Nehru, who had had the vision to bring planning to the country, and to Smt Indira Gandhi, who gave an edge to planning our crusade against poverty. He congratulated the Prime Minister for bringing to the process of planning the aspirations of a new generation, filled with an urge to forge its own future rather than to just wait for it. Reacting to the various points made on distribution of resources between the Centre and the States, he said that the Centre and the States were of the nature of two perspectives looking at the same reality, as there was no investment of the States which did not benefit the country and there was no expenditure by the Centre which did not benefit one or the other of the States. As no amount of sharing would generate more resources, the need of the hour was the pooling of resources and a collective will. The debate on resources, therefore, could not be taken up in isolation or in separate categories like Central or State resources, but needed to be harmonised with the national perspective and responsibilities. Areas like defence, railways, oil exploration, communications, mineral exploration etc., were the Centre's responsibility and expenditure on these had to be met from the common kitty. Recognising the need for flow of resources to the States he quoted the transfers effected to the States through the Finance Commissions and added that, in fact, the debt burden of the States was regularly transferred to the Centre through the mechanism of the Finance Commissions. Congratulating the Chief Ministers for exceeding the ARM target during the Sixth Plan, he said that it proved that elasticity of resources or their availability was not the only problem. There were untapped, or lost, resources such as the deterioration in States' resources due to losses of the State Electricity Boards, the Road Transport Corporations and other State units. These diminished the States' totality of resources quite considerably, as the plan document pointed out. The Centre had its own commitments for defence, which could not be diverted to augment the availability of States' resources. The devolution to the States through the successive Finance Commissions had, he noted, gone up from 18.6 per cent of Centre taxes to 26.2 per cent in 1982-83. In 1985-86, the same percentage was being maintained. All in all, the debt burden of the States was being regularly transferred to the Centre through the mechanism of the Finance Commissions. Regarding market borrowings, the Government was responding to the needs of the States and a larger share in market borrowings and Central assistance was being given to them in the Seventh Plan. The share of the States in market borrowings had gone up to 31 per cent in the Seventh Plan, against 21 per cent in the Sixth Plan. Replying to the criticism that States' share in the total Plan outlay had come down to 45 per cent, he said that if outlays on Centrally sponsored schemes, which were being implemented by the States, were added to the State Plans, then the share of State Plans in the total Plan outlays came to 55.6 per cent. Earlier, there were no such Central commitments for anti-poverty programmes, and the States had had to spend from their own resources on such



programmes. Reacting to Andhra Pradesh C.M.'s remarks that the negative savings of the Central Government underscored the need for better fiscal management, the Finance Minister stated that the Planning Commission had placed a heavy burden on the Centre for additional resources mobilisation. Making non-plan expenditure, for example on defence, interest payments and food and fertiliser subsidies was responsible for the totality of the negative balance from current revenue (BCR) for the Centre, but attempts would be made to make BCR positive by the terminal year of the Seventh Plan. Replying to the criticism of the reduced tax rates in the current year, he said that the yields of revenue in the first six months, when both direct and indirect taxes were taken, were much more than the budget estimates. This buoyancy of 27 per cent (in respect of both direct and indirect tax collection) was the fittest proof of the soundness of the economic policy and the philosophy of the Central Government contained in the Budget

207. The Finance Minister said that higher allocations had been made for the anti-poverty programmes and, in this context, he expressed his agreement with the suggestion that more foodgrains should be allocated for these programmes. A further allocation of one million tonnes of foodgrains had been made on that account in 1985-86. On the question of overdrafts by States, he said the limits should be maintained and there had to be only one authority which would have the power to create such money. The concern regarding inflation was somewhat taken care of by the concept of net ARM mentioned in the Seventh Plan draft. Reacting to Karnataka CM's criticism that the NABARD was exploiting the poor people and making profits, the Finance Minister said that there was no exploitation, as NABARD's profits went to increase its corpus of loanable funds, that is, to augment the lending capacity of NABARD. Regarding criticism of the textile policy, the Government had passed an Act for reservation of handlooms, and the criticism of transferring controlled cloth entirely to the handloom sector was in fact a commitment to that sector. This criticism was not, therefore, well founded. About the figures being quoted of declining per capita cloth consumption, he said that the people were better clothed now than in the past and we have to take into account the better durability of the cloth being manufactured now.

208. Replying to West Bengal CM's remarks that dependence on external finance had increased, he said that the share of foreign savings, as a proportion of GDP, had declined during the last five years, from 2% in 1981-82 to about 1%, and the Seventh Plan document envisaged it at about 1.5%. The Government was following a very prudent policy on external borrowings. These could not be allowed to increase beyond certain safe levels. Replying to the point that dependence on imports was increasing and that multinationals were coming with their technology and taking over the country, the Finance Minister replied that obsolescence could not be a valid symbol of any socialist order, national self reliance was going to be the key-stone and touch stone of our policies. It was only in these areas where we did not have the technology, or where the import of technology would help in strengthening the export base, that we were opening up opportunities for them. Reiterating the Government's commitment to the public sector, he said that the share of public sector investment in the total investment in the Seventh Plan would be 48% compared to the previous Plan's share of 46%. The Government was committed to self-reliance, alongwith the public sector and also a healthy private sector. Referring to West Bengal C.M.'s remarks that much of the development seemed to be self-delusion, the Finance Minister enquired whether realities like food self-sufficiency, successful combating of inflation, building of foreign exchange etc., were delusions. A new wave of vigour pervaded the country today in the struggle against poverty, and in the building of the new modern India which was self reliant.

209. **Shri D.D. Thakur**, Deputy Chief Minister, Jammu & Kashmir, stated that when resources were limited, priority and non-priority areas had to be differentiated. Even in priority areas, inter-se priority had to be fixed. Referring to the demands of various States for modification of the Gadgil formula he stated that the existing formula for devolution must continue, as otherwise the special needs of the States which had no resource raising base like a well-industrialised economy could not be satisfied, leading to widening of regional disparities, instead of narrowing them. Regarding the powers of the Union to take unilateral decisions in respect of fiscal transfers, he added that the issue could not be dealt with, as it was under consideration of the Sarkaria Commission. Referring to inadequate allocations in the Plan for drinking water, and mismatch between outlays on railways and Civil aviation, he submitted to the Planning Commission and the NDC that while commenting upon the validity of approach in the Plan, an isolated view was not sustainable. He urged for liberalisation of the MRTP Act, so that more investment could take place in his State. In this context he welcomed the liberalisation of industrial policy undertaken in the recent past, as it would lead to increased production and employment.

210. **Shri Bhishma Narain Singh**, Chairman, North Eastern Council, stated that the Seventh Plan period was an important watershed in the country's history. He was glad that the document included a proper appreciation of the problems of the north-eastern region and had developed a coherent approach towards correcting regional imbalances in development. For balanced regional development of the country, the north-east needed a greater sense of participation in the development process, not only as recipients of benefits but also by way of a feeling of being partners in contributing to development. Since the area was highly vulnerable to the occurrence of natural disasters, preparedness for meeting such natural disasters should be given much greater attention, not only in the allocation of funds but also in the availability of training, in equipment, in readily available stocks of medicines, in delivery systems and in communications. He suggested that all these should be made a part of the civil defence system, and made operational. Stating that the concerns for environment and for preservation of ecology were important, he said that a satisfactory and viable solution to the problem of shifting cultivation in the north east was yet to be evolved. Adequate funds, therefore, should be provided for the programme of rehabilitation of 'jhumias', and the adoption of alternative practices for cultivation. There should be a policy of systematic survey of all flora and fauna resources in the areas likely to be affected by implementation of large development schemes. There was also a need for creating greater awareness for the preservation of endangered species and for greater reassurance that the nation as a whole was concerned about them. One urgent task was to immediately undertake measures for documentation, by audio visual and other aids, for creating an authentic record of their life cycles.

211. A massive programme for afforestation was necessary and, in view of labour scarcity and difficult terrain of the area, technological innovations like aerial seeding might be used. The region had a number of water reservoirs and lakes, which could be developed to support wild life. The catchment areas feeding such water bodies also needed to be enriched, by ecological and environmental conservation measures. They could also be developed as tourist resorts.

212. The Chairman, NEC said that, out of the general lack of infrastructures of all kinds in the north east, the greatest backlogs were in transport and communications. The drastic cuts in the Railway budgets had adversely affected extension of the broad gauge link to Tinsukia, taking up a broad gauge line connecting Lumding with Badarpur, progress of work on Pancharatna-Jogighopa rail bridge and the taking up of a bridge on the Brahmaputra at Dibrugarh. In power, the development of hydel resources and a number of projects like Kameng or Tipaimuckh, which had been

investigated, required to be taken up in the Seventh Plan. Pointing out that a very large proportion of the work load was borne by women and children, the Chairman, NEC, stated that a large programme of polytechniques and ITI's needed to be developed, especially for women, in the north-east. Apart from developing a larger pool of entrepreneurs, more industrial estates and industrial sheds in the region, it was felt that better utilisation of the existing infrastructures and institutions deserved greater attention. He pleaded for reconsideration of the purchase policy of the State Governments and the State and Central public enterprises so as to provide a larger market to the budding entrepreneurs in the north-east. This would go a long way to spread small industry and rural industries in the region.

213. Referring to the role of the NEC, the Chairman, NEC, said that a stage had come when the NEC could play a greater role in evaluation and monitoring of the schemes in the north east. The Planning Commission could also consider utilising the Council's facilities for regional planning, especially for Central and Centrally-sponsored schemes. Referring to the Seventh Plan approved outlay of the NEC of Rs.675 crores, he said that it was too small and some augmentation of the Plan outlay was most essential. Stating that one of the most hopeful features of the present situation in the north-east was the widespread keenness for development among all people, he suggested that a perspective plan of 10 or 15 years for the north-east was needed to wipe out the developmental backlog in a specific time frame.

214. **Shri Harideo Joshi**, Chief Minister, Rajasthan, complimented the Planning Commission for preparing a purposeful document which emphasised the optimum application of human and financial resources. He supported the approach, goals and objectives of the Seventh Plan. Emphasising certain points in relation to Rajasthan needing urgent consideration he said that, despite all out efforts, the relative backwardness of the State had persisted over the years. Without substantial Central assistance, it would not be possible to remove this regional imbalance. Observing that regional disparities seemed to be widening, he pleaded for effective implementation of the policy of balanced regional growth. He cited, as an example of widening regional disparity, that subsidies given to the industrially-backward areas and allocations for drinking water, gave the advanced States larger amounts than the less developed ones, even though it was known that Rajasthan's drinking water scarcity was the most acute.

215. The Chief Minister emphasised that, without liberal assistance from Central Government, Rajasthan on its own would not be able to keep pace in development with the more advanced States. The present mechanism of transfer of Central assistance to the States had, by and large, failed to accelerate the pace of development of the backward States, except that of the special category States. It was time that the categorisation formula for differential treatment as regards Central assistance for Plan outlays was re-examined. He, therefore, urged that structural changes in the formula for transfer of Central assistance to the non-special category but backward States should be brought about. In particular, weightage needed to be given to the total area of a State and the weightage to population should be given on the basis of 1981 census. The relatively backward States were not able to take full advantage of the substantial transfer of resources through the Centrally sponsored schemes, as these envisaged matching funds by the States. There was, therefore, need to devise a mechanism by which the relatively backward States did not get discriminated against. The mode of transferring assistance for externally-aided projects also needed modification as it was the comparatively advanced States which were able to take greater advantage of these projects. The entire amount of assistance received should be passed on to the

States on the same terms and conditions as were available to the Government of India from the external agencies.

216. Pointing out that the State's backwardness was compounded by its geographical location in the Indian Union, the Chief Minister said that its border areas should be promoted and developed as these were not only sensitive and vital for the national interest, but were also subject to recurring drought conditions. Referring to the poverty estimates which showed that the incidence of poverty in Rajasthan was much less than in the advanced States like Maharashtra and Gujarat, he stated that the present criteria for identification of people below-the poverty line deserved to be examined afresh as otherwise the incidence of poverty would have no relationship to the position obtaining on the ground. Emphasising the vital role of energy in development, he said that thermal sources should receive lower priority than hydro power generation. In this context, he added that large hydro-electric projects like Kol, Naptha, Jhakri, etc., should be taken up in the Central sector with equitable shares for the States. To make up the power shortage in Rajasthan he pleaded for assistance to the State outside its plan for improving power supplies by expediting the setting up of projects already in the pipeline like the Anta Gas Thermal Power Project and by allocating more projects under the Central sector to eliminate this gap. The Rajasthan Atomic Power Station had not functioned well, and he requested that additional stations based on the latest atomic power technology be set up at the same site. The early exploitation of Rajasthan's lignite resources in Palana and Kapurdi assumed great importance in view of large transmission losses and problems in the maintenance of a proper distribution system. The desert area also provided the maximum potential for solar power stations and this area should be designated as a special zone for the development of solar energy resources in the country.

217. The Indira Gandhi Nahar Project was a prestigious endeavour of national importance. Rajasthan resources, alone would not be enough for its completion even by the turn of the century, the Chief Minister said. He, therefore, pleaded that the project be financed under the Central sector, or that substantial additional assistance be provided to avoid further delays and cost escalation. Referring to the Aravali hills, he said that this habitat of tribals had suffered considerable degradation due to reduction of forest cover, soil erosion and silting. There was need to restock the Aravallis and restore its ecological balance. The Aravallis, therefore, should be developed on the pattern of the Hill Area Development Programme. Welcoming the move to finance the Desert Development Programme cent per cent by the Centre, he said the present scope of the programme excluded investments on infrastructure development and pleaded for inclusion in it of all programmes of socio-economic development. Dwelling on financing of relief expenditure, he said that drought was a recurring phenomenon in the State and it was not always possible to provide relief by making investments in the sanctioned Plan schemes. This problem needed to be resolved along the lines accepted for other calamities like flood and cyclones, especially in areas chronically struck by famine conditions.

218. Referring to the States' acute drinking water problem, particularly in the western part of the State, the Chief Minister said that the commitment to provide clean potable water in every village by the end of the Seventh Plan period must be honoured. The State Government had achieved tremendous success in providing drinking water under the Minimum Needs Programme, largely because the Central Government had provided 100 per cent assistance for the scheme. Unless the same approach was adopted for the other segments of the MNP, inter-State disparities were not likely to be reduced. Pointing out that the growth of railways in the State had not been commensurate with its need for economic development, specially for exploiting the mineral-rich

areas, he pleaded for conversion into broad-gauge of the Delhi-Ahmedabad and Jaipur-Sawai Madhopur lines, construction of a new broad gauge line from Suratgarh to Jaisalmer, provision of a broad gauge link between Ratlam and Banswara and higher outlays for the ongoing Kota-Chittorgarh broad gauge project. Further, the location of industrial projects and transportation and communication networks should be decided by giving due weightage to the factor of backwardness. Investment in Central sector undertakings in the State should be increased from less than 2 per cent at present to at least 5 per cent of the total Central investment in the Seventh Plan. Also, the flow of institutional finance, per capita, in the State had been much below the national average so far and this trend needed to be checked and reversed. There was urgent need to review the criteria and norms adopted by the all-India financial institutions in advancing long-term loans. For the industrially backward States, these norms, such as margin money, promoter's contribution, debt equity ratio etc., would have to be made more liberal. Concluding, the Chief Minister, Rajasthan, extended his full support to the Seventh Plan.

219. Dr. Manmohan Singh, Deputy Chairman, Planning Commission, said that the debate on Seventh Plan had been very constructive, and the common theme emerging from it was the firm and irrevocable determination of the national leadership at the Centre and in the States in carrying out the social and economic revolution in India at a much faster pace than ever before.

220. Referring to the three Expert Committee Reports which he would like to dispose of first of all, he said that on the Rangarajan Committee Report there was a complete unanimity in the Council. What the Planning Commission had proposed was the right course and he did not hear any single voice to the contrary. Regarding the Karthikeyan Committee Report on maintenance, a great majority of the members of the Council felt that a mere reclassification of maintenance expenditure as Plan expenditure would, not solve the problem. The real problem was the attitude towards maintenance, and also finding real resources to back it up. He, therefore, felt that on this Committee's Report, also, no further work was necessary. However, Planning Commission could begin monitoring maintenance expenditure on irrigation, power and roads on an informal basis, outside the Plan, and on the basis of experience gained report back to the Council to determine whether it was the appropriate course. As regards Ramamurti Committee report on the future of the Centrally-sponsored schemes, several divergent views had been expressed. He felt that there was a strong feeling among States that the number of Centrally-sponsored schemes ought to be reduced. To decide the various issues like the number of Centrally-sponsored schemes to be retained or dropped, what to do with the resultant savings and the manner of their distribution among the States etc., he requested the Council to accept the Commission's recommendation that a committee of the NDC might be set up to go into all these issues and report back to it with its recommendations. Depending on the agreement reached on the future of Centrally-sponsored schemes, the Seventh Plan could, if the Council so desired, be modified. To ensure that the Committee was a balanced one, the Prime Minister as Chairman of the Council, was authorised by the NDC to finalise the composition of the Committee.

221. The Deputy Chairman said that the debate in the Council had been highly stimulating and a number of constructive ideas had been given in the discussions. He hoped to study the points made by the various Chief Ministers individually, and would write personally on these to the respective Chief Ministers. Replying to the West Bengal Chief Minister's criticism that performance, in agriculture was being distorted by taking 1979-80 as the base year, he said that this was a mis-reading of the Sixth Plan document. The agricultural growth rate of the Sixth Five-Year Plan was based not on the 1979-80 base, but with reference to a long-term trend value being projected as

the assumed base. The performance in agriculture had given the country a new sense of confidence in its ability to prevail over weather induced mishaps and nothing could shake this growing confidence. Referring to the doubts expressed by some speakers regarding the figures of population below the poverty line, he said that the figures were based on the results of the National Sample Survey. The Chairman of the Governing Board of the NSS was Prof. B.S. Minhas, an eminent statistician, not an official of the Planning Commission, and this ensured the complete objectivity of its findings. He assured that the figures put out on the poverty line had the endorsement of even those who had been most sceptical about those figures at the time of the mid-term appraisal of the Sixth Plan. Recalling that while formulating the Sixth Plan, similar doubts had been expressed on savings and investment figures worked out by the Planning Commission, the Commission had set up (subsequent to the launching of the Sixth Plan) a committee to look into those figures. This committee in its report had endorsed the savings and investment assumptions of the Commission. Stating that the Planning Commission believed in truth and in nothing but the truth, he said that if it was necessary, a similar committee could be set up on the poverty line assumptions. He assured the Council that the Planning Commission was not interested in being defensive or in misleading the country. The Planning Commission would not be worthy of its mandate if it were to seek to deliberately mislead the country. Answering the allegation that unconvincing statistics had been put forward on incidence of unemployment, he replied that employment figures had been worked out with care, and stemmed from rigorously following the methodology worked some years ago by a Committee under the Chairmanship of one of the most respected economists in the country, Prof. M.L. Dantwala which were the best available as of now.

222. Referring to the problems of the north eastern States, he said that the Planning Commission was fully aware of their special problems and attached great importance to speeding up the process of development in these States. The Prime Minister was also keenly alive to the special needs of these States. The highest possible increases in Plan outlays had been given to the north eastern States on the specific directions of the Prime Minister. The Meghalaya Chief Minister's request for enhanced provisions for Garo Hills Ropeway and the second bridge on Brahmaputra would be looked into.

223. Stating that while no doubt there were inequalities, gaps and regional imbalances in the levels of development in the country, the Deputy Chairman, Planning Commission Submitted that on the latest NSS evidence, these gaps were becoming narrower, especially as regards rural and urban areas. The country must move on the road to social and economic equality at a much faster pace than ever before. To make this possible, the Seventh Plan sought to carry forward the country's struggle for the eradication of poverty. That was the message given by the Prime Minister to the Commission, and the Commission was committed completely and wholeheartedly to the idea that the process of development could acquire true significance only if poverty could be removed from the country. That was the Central purpose of planning and its relevance to India. The Commission's search was for an integrated process of social and economic development. In the area of rural water supply, the Plan aimed at providing drinking water to all the problem villages. Regarding health, from the 19th of November 1985, a new programme of immunisation of children against all major diseases would be launched, aimed at 100 per cent coverage of vulnerable children, to eradicate the cause of high infant mortality. The Government was committed firmly to the anti-poverty programmes till poverty was abolished. He agreed with the suggestion, for the decentralisation of the anti-poverty programmes and said that the Plan also emphasised the same.

224. Replying to the request of some Chief Ministers for new railway lines, the Deputy Chairman said that due to resource constraint, maximum amount of emphasis had been placed on rehabilitation of the railway system. However, if the economic situation improved, the Commission would have a second look at these railway lines at the time of the mid-term appraisal. Sharing the concern expressed by some Chief Ministers on regional imbalances, he said the Commission had always tried to remove these through measures like the modification of Gadgil formula, modification of the formula for distributing market borrowings, and by stressing higher agricultural growth in eastern India, and in dryland areas. He believed that the differences in agricultural growth rates were the principal explanations of inter-regional variations in per capita income. Therefore, the Seventh Plan emphasised development of agriculture, specially modernisation of the agriculture in the eastern region. Referring to the problems of deficiencies of micro-nutrients, waterlogging, salinity and alkalinity, referred to by the Chief Minister, Punjab, the Deputy Chairman said that these were national problems and the Commission would work together with States to deal with these problems. He, however, hoped that, under the new leadership, Punjab finances would be put on the rails through removing the long-standing imbalance in the State going back to 1976.

225. Replying to the points made on the future of Gadgil formula the Deputy Chairman said that the Commission had noted all the viewpoints raised. The Gadgil formula represented a compromise arrived at with great difficulty. However, this was not the last word. The Commission would examine various suggestions for modifying the formula. Once the Commission was ready with some concrete ideas, these would be placed before the NDC and its guidance sought. He thanked all the Chief Ministers for the support and the confidence that they had shown in the Planning Commission.

226. **Shri Rajiv Gandhi, Prime Minister**, in his concluding observations said that, in regard to the request for withdraw of the resolution passed in the last NDC meeting, he would echo the Chief Minister of Tripura's plea to bury the past and hope that such things did not happen again. Dwelling on the request for larger devolution of resources, he said that all the resources spent by the Centre, except perhaps defence, ultimately were spent in the States. The reason for some control at the Central level was that we had to plan our development within limited resources. Planning involved some balancing between one State and another, and this overall coordination could only be done at a central point. The Sarkaria Commission was already looking into the devolution of authority between the Centre and States. However, devolution could be not only from the Centre to the States, but also from the States to the districts or from the districts to the panchayats. If it was such a crucial matter, why were the States not devolving authority down to their district and panchayat levels? Reacting to the remarks on the stature of the Planning Commission, he said that it had not been reduced in any way. He was quite clear that there was no intention of changing the basic role and functions of the Planning Commission. In fact he was keen to strengthen the Commission's capabilities for analytical work and for long term planning.

227. The Prime Minister agreed that there was no reason for the Plan to be confidential. But time was important. He did not agree with Shri Jyoti Basu's suggestion that approval to the Plan be delayed by another four to five months. No useful purpose would be served by postponing the finalisation of the Plan. He agreed that the NDC should meet more often, adding that such meetings should be used for discussing specific issues of national importance and should not be used as political forums.

228. Replying to West Bengal CM's remarks on dreams and reality, he said that without a vision no country could go ahead. India was where it was today because Pandit Nehru had a vision. With

hardly any industrial or scientific base at the time of independence, he gave the country a strong industrial base, a science and technology research structure, a certain positive direction in development and in removing poverty. Indiraji did much the same though with a slightly different emphasis. Under her leadership we gained self-sufficiency in food, which was no mean achievement. In talking about the poor, about development, we should guard against the propensity to reduce every thing to the lowest denominator. In education, a national debate had been initiated. He did not agree with the criticism that setting up of model schools in States would lead to elitist education. He said that by making high quality education available to the poor was not elitist, but exactly the opposite, our basic goals and objectives remained unchanged. But we should not be slaves of dogmas and, as times changed, the approach to planning had to be readjusted based on the changed strength of various sectors.

229. The basic thrust of the Seventh Plan was the removal of poverty. This required the use of the best technology, especially for removing poverty and giving a boost to agriculture. He cited the example of Punjab, where use of the best available technology, better seeds, more power and fertiliser and better methods-had led to a tremendous increase in agricultural production. Similarly technology would be used to remove poverty. Reacting to Shri Jyoti Basu's comments that we were not establishing a socialist society, he said that the Government's definition of socialism was very clear. It was based on what Panditji had said in his various speeches, and more especially when introducing the Second Plan. However, Shri Basu had not defined his form of socialism. Referring to Plan allocations, he said that the basic thrust was on energy, social services and agriculture. To the criticism that the public sector was getting less importance, he said that there was no question of downgrading the importance of public sector. The public sector share was 39.9% in the Fourth Plan, 45.9% in the Fifth Plan, 45.9% in the Sixth Plan and had been given 47.8% share in the Seventh Plan. However, times had changed and technology had changed and the demand today was for new technology and a new culture in industry. The public sector must play a key role in bringing this up. It would also have to consciously aim for getting the maximum utilisation out of the investment already made.

230. Referring to the food stocks, the Prime Minister said that there was no question of exporting foodgrains except if it is to exchange food, unless we are able to give the people sufficient food to eat. The concerned Ministries had been asked to review how foodgrains could be distributed at reduced prices to the poor people. The allocations for food in the anti-poverty programmes had been increased. The Government would allocate any amount of food that the States could lift for these specific programmes. Pointing out that lower rates of direct taxes in the budget for 1985-86 had contributed to higher tax collections, he said dogmas did not work, but common sense did. Stressing the importance of the family planning programme the Prime Minister stated that States not doing well must make a more massive effort in this vital area. Referring to industries, he pointed out that a narrow view of industry as a tool for employment had led to a high cost economy and the Government was undertaking an exercise to try and make India's economy a low cost economy.

231. Self-reliance was one of our key thrusts and there was no drifting away from this, the Prime Minister said. Development of Science and Technology had a key role to play in this matter. The Government was keen to identify areas of high priority for intensive development of our scientific and technological capabilities. Result oriented and time bound technology missions would be undertaken to find solutions to some urgent problems of national importance. Coming to the



alternative strategy of the Plan suggested by some States, he said there was no alternative in it as it was basically what was given in the Plan.

The priorities were the same. Lastly, referring to Punjab's special problems he said that the Government had tried to help and would try and help more wherever it could.

232. The Prime Minister then read out the following resolution:

“The National Development Council hereby approves the Draft of the Seventh Five Year Plan (1985-90) 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.”

233. The Resolution was approved by all the members of the Council except the Chief Ministers of West Bengal and Tripura who recorded the following note :

“West Bengal and Tripura have strong reservation about the strategy laid down in the Plan and the policies that have been proposed to reach the objectives of the Plan. But we shall endeavour to implement the Plan as decided by the majority to the best of our ability.”

234. **Shri Ramakrishna Hegde**, Chief Minister, Karnataka, on behalf of himself and on behalf of all the Chief Ministers and other members of the NDC proposed a vote of thanks to the Chairman of the Planning Commission, its Deputy Chairman, Members and other officers, for the very fruitful deliberations on the Seventh Plan.

235. The Chairman thanked Shri Hegde. The National Development Council then adjourned.

## PARTICIPANTS

Shri Rajiv Gandhi	Chairman
Dr. Manmohan Singh	Deputy Chairman, Planning Commission
Shri P.V. Narasimha Rao	Minister for Human Resource Development and Member, Planning Commission
Shri Vishwanath Pratap Singh	Finance Minister, and Member, Planning Commission
Shri A.K. Panja	Minister of State for Planning
Prof. M.G.K. Menon	Member, Planning Commission
Dr. C.H. Hanumantha Rao	Member, Planning Commission
Dr. Raja J. Chelliah	Member, Planning Commission
Shri Hiten Bhaya	Member, Planning Commission
Shri Abid Hussain	Member, Planning Commission

## STATES

Andhra Pradesh	Shri N.T. Rama Rao Chief Minister
Assam	Shri H.Saikia Chief Minister  Shri Md. Idrish Minister, Planning & Development
Bihar	Shri Bindeshwari Dube Chief Minister  Shri Ramashray Prashad Singh Industry Minister
Gujarat	Shri Amarsinh Choudhry Chief Minister  Shri Arvind Bhai Sanghvi Finance & Planning Minister
Haryana	Shri Bhajan Lal Chief Minister  Shri Sagar Ram Gupta Finance Minister

Himachal Pradesh	Shri Virbhadra Singh Chief Minister
Jammu & Kashmir	Shri G.M. Shah Chief Minister
	Shri D.D. Thakur Dy. Chief Minister
Karnataka	Shri Ramakrishna Hegde Chief Minister
	Shri S.R. Bommai Planning Minister
Kerala	Shri K. Karunakaran Chief Minister
	Shri K.M. Mani Minister for Finance and Law
Madhya Pradesh	Shri Moti Lal Vora Chief Minister
Maharashtra	Shri Shivaji Rao Patil Nilangekar Chief Minister
	Shri N.M. Tidke Minister for Cooperation, Labour & Legal Affairs
	Shri V. Subramaniam Minister for Housing & Slum Improvement
Manipur	Shri Rishang Keishing Chief Minister
	Shri L. Lalit Singh Finance Minister
Meghalaya	Capt. W.A.Sangma Chief Minister
Nagaland	Shri S.C Jamir Chief Minister
Orissa	Shri J.B. Patnaik Chief Minister
	Shri Ganga Dhar Mohapatra Finance Minister

## Summary Record of Discussions of the NDC Meetings

Punjab	Shri Surjit Singh Barnala Chief Minister
	Shri Balwant Singh Finance Minister
Rajasthan	Shri Harideo Joshi Chief Minister
Sikkim	Shri Nar Bahadur Bhandari Chief Minister
Tamil Nadu	Shri M.G. Ramachandran Chief Minister
	Shri V.R. Nedunchezian Finance Minister
	Shri R.M. Veerappan Minister of Tourism & Religious Endowments-Incharge of Planning
Tripura	Shri N.Chakraborty Chief Minister
	Shri Dasaratha Deb Deputy Chief Minister
Uttar Pradesh	Shri Bir Bahadur Singh Chief Minister
West Bengal	Shri Jyoti Basu Chief Minister
	Dr. Ashok Mitra Finance Minister

### UNION TERRITORIES

Andaman & Nicobar Islands	Shri Manohar Lal Kampani Lt. Governor
Arunachal Pradesh	Shri G. Apang Chief Minister
	Shri T. Tashi Minister, Planning and Finance
Delhi	Shri M. M. K. Wali Lt. Governor
	Shri Jag Pravesh Chandra Chief Executive Councillor

Dadra & Nagar Haveli

Dr. Gopal Singh  
Administrator

Goa, Daman and Diu

Dr. Gopal Singh  
Lt. Governor

Shri Pratap Singh Raoji Rane  
Chief Minister

Mizoram

Shri Lalthanhawla  
Chief Minister

Podicherry

Shri M.O.H. Farooq  
Chief Minister

### UNION MINISTERS

Shri S.B. Chavan

Minister of Home Affairs

Shri A.B.A.Ghani Khan Choudhry

Minister of Programme Implementation

Shri Abdul Ghafoor

Minister of Urban Development

Shri Ashoke Kumar Sen

Minister of Law & Justice

Shri B.R. Bhagat

Minister of External Affairs

Shri B. Shankaranand

Minister of Water Resources

Shri Bansi Lal

Minister of Transport

Shri H.K.L.Bhagat

Minister of Parliamentary Affairs &  
Tourism

Shri K.C Pant

Minister of Steel and Mines

Smt Mohsina Kidwai

Minister of Health and Family Welfare

Shri Narayan Datt Tiwari

Minister of Industry

Shri Vasant Sathe

Minister of Energy

### SPECIAL INVITEES

Shri Bhishma Narayan Singh

Chairman, North Eastern Council

Shri R.N. Malhotra

Governor, Reserve Bank of India

Dr. C. Rangarajan

Dy. Governor, Reserve Bank of India

### UNION MINISTERS OF STATE

Shri Khurshid Alam Khan

Minister of State of the Ministry of  
Commerce

Shri K.P.Singh Deo

Minister of State of the Ministry of  
Food & Civil Supplies

## Summary Record of Discussions of the NDC Meetings

Shri Nawal Kishore Sharma	Minister of State of the Ministry of Petroleum and Natural Gas
Smt. Rajindra Kumari Bajpai	Minister of State of the Ministry of Welfare
Shri Rain Niwas Mirdha	Minister of State of the Ministry of Communications
Shri T. Anjaiah	Minister of State of the Ministry of Labour
Shri V.N.Gadgil	Minister of State of the Ministry of Information and Broadcasting
Shri Jagdish Tytler	Minister of State in the Department of Civil Aviation
Shri Madhavrao Scindia	Minister of State in the Department of Railways
Shri Rajesh Pilot	Minister of State in the Department of Surface Transport
Shri Yogendra Makwana	Minister of State in the Department of Agriculture & Cooperation
Shri Chandulal Chandrakar	Minister of State in the Department of Rural Development
Shri K.Natwar Singh	Minister of State in the Department of Fertilisers

**THIRTY-NINTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
29th APRIL, 1986**

**SUMMARY RECORD**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE DISCUSSIONS AT THE THIRTY NINTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON 29th APRIL, 1986

### AGENDA & SUMMARY RECORD

The National Development Council met under the Chairmanship of the Prime Minister to consider the document: "National Policy on Education-1986 - A Presentation" prepared by the Ministry of Human Resource Development, at its 39th meeting held on 29th April 1986.

2. **Shri Rajiv Gandhi**, Prime Minister and Chairman of the Council, welcomed the members of the Council. He observed that after a lot of deliberations on the problems of education and the feed back from various sources on the earlier document entitled "The Challenge of Education", the document under consideration had been put together. The education system, as it existed today involved the States, the Centre and the people which underlined the need for all the three agencies to be fully involved in the process of implementation of the New Education Policy. Having education in the Concurrent List, he observed, also implied the joint responsibility on the Centre and the States of seeing that the Education Policy was really the best that could be given to the people within the existing constraints.

3. The Prime Minister observed that education being very much a part of the development process, could not be separated from development; education in a sense led to development, and with development the demand for education went up very fast.

4. The New Education Policy must be egalitarian; it must give equal access to every single child at every level of intelligence or proficiency. The Prime minister emphasised the need to provide access to the best type of education to the most intelligent children no matter from which section of society they came – the weakest or the most backward.

5. The thrust in our educational endeavour should be to eliminate inequalities; to liberate talents and to achieve a national self-fulfilment. He emphasised that the new Policy was an attempt to re-link learning with life as it had always been in India, whether in the rural areas or in the urban areas or in the tribal areas, so that the over-all emphasis was on "Indianness".

6. The Education Policy must be such that it looked towards solving national problems. the biggest thrust must be on national integration and unity. It had to be ensured that our education process reduced violence in society, countered the concepts of materialism and consumerism which were being thrust on us by the media and by the world around us. It had to cultivate secularism, socialism, democracy and nationalism and nurture the correct moral values.

7. Our education system, the Prime Minister added, could not be limited to literacy, degrees and higher education. Education was not finished when we left school or college. It was a process which continued throughout life. We had to make our society one that learnt continuously. Unless we convert the society into a learning society, he emphasised, India would not be able to develop and face the challenges of the future.

8. Continuing the Prime Minister observed that education had not reached certain sections of our society in the manner he would have liked it to reach. One section which was most deprived constituted women and girls. Special attention should be given to education of women and girls



with emphasis on reducing disparities and dropout rates. Resources of voluntary organisations might be mobilised so that they could play a role in motivating girls to get into schools and help them being kept in schools. Special attention must, similarly, be given to Scheduled Castes and Scheduled Tribes because they, too, faced similar problems.

9. The Prime Minister emphasised that we had to mobilise the best in human terms, identify the best children, the most intelligent children, identify the fields in which we feel they would be able to develop best and give them an opportunity to develop those characteristics. He stated that it was proposed to establish Navodaya Vidyalayas for this purpose. It was a scheme of schools which would be much better than the schools traditionally available at district or village levels. The Prime Minister stated that this scheme was perhaps the first major egalitarian step that had been taken for bringing good education to the poorest and the weakest sections. It was a quest for equality and quality—the best school for the best children, no matter what the background - economic, cultural or social.

10. The system must be directed to reduce poverty and to shape the new society that we envisaged. It must be insulated from politics, from parochialism, from casteism, from communalism and from fundamentalism. It must be kept free from indiscipline and agitations and we must give more autonomy to educational institutions. The educational institutions must inculcate a scientific temper in our people. They must help our people to become masters of technology and not its slaves. A national system of education, the Prime Minister emphasised, should help individuals to augment their personal capabilities, augment their role in society throughout their lives and to achieve this basic threshold, education should be made available to all whether it was through formal or non-formal systems, vocational institutions or through institutions like Open Universities, providing distance education.

11. The Prime Minister emphasised the need for a purposeful time-bound action programme and a complete commitment to the implementation of the programmes once the New Education Policy was hammered out in the NDC and Parliament. Speaking on resources for education, the Prime Minister hoped that it should be possible even before the commencement of the Eighth Plan that resources for education would increase from the existing level of 3 per cent of the national income closer to the 6 per cent, the goal suggested by the Kothari Commission. He also suggested that wherever there was a complementarity of purpose and funds from other sectors could be utilised for education, we should do so. In this context he said that allotment out of the Nrep, or the RLEGP funds should be made available on priority basis for primary school buildings. In conclusion, the Prime Minister observed that the implementation of the New Education Policy would need a lot of cooperation and discussion with the States. Once the right directions were laid down, the Prime Minister suggested that a meeting of the NDC might be called sometime in the middle of 1987 to review the progress made and to take stock of what had been achieved in terms of direction and in terms of improvement in quality.

12. Thereafter the document was introduced by **Shri P. V. Narasimha Rao**, Minister of Human Resource Development, who invited attention to the various thrust areas which needed special emphasis as brought out in the document. He also invited attention to the unprecedented debate which had taken place during the previous seven months on the Education Policy and the various inputs received from educationists, peoples' representatives, trade unions, representatives of parents and Teachers Associations, heads of Panchayati Raj Institutions, members of Legislative Councils, National Organisations of Students and the State Governments which had helped in crystalizing the approach to the National Policy. He placed emphasis on the qualitative and the integrative aspects of education which could only be achieved through a national curricular frame-work. With

regard to implementation of the policy, he informed the Council that preparatory action had already been taken to initiate a massive programme for training of five lakh teachers to launch a mass programme of adult literacy, preparation of Syllabi and teaching material for the national curricular frame-work, etc.

13. While welcoming the Prime Minister's assurance that educational development would not be allowed to suffer due to paucity of resources, the Minister for Human Resource Development emphasised the need for effective implementation so that the essential relationship between education and national well-being was established. He sought the assistance and cooperation of the States in this regard.

14. **Shri Jyoti Basu**, Chief Minister, West Bengal commended the Prime Minister for having convened a meeting of the N.D.C. on Education Policy. While welcoming the nationwide discussions that took place on the education Policy he stated that no comprehensive attempt had been made to relate any concrete programmes and objectives of education to production structure. Without relating educational programme and objectives to production structures the common people would find it difficult to know how decisions about education were being taken in relation to the need to participate in production processes. In his view two alternative approaches to production structures and related role of education could be thought of:

- (i) approach characterised by unequal access to owner-ship of production assets leading to ineffective implementation of re-distributive land reforms, inadequate involvement of labour in production and the tendency in industrial sector to tilt the product-mix from mass consumption commodities to consumption goods for the affluent;
- (ii) a more equal distribution of land and industrial capital, adoption of a more labour intensive technology and generation of purchasing power among the masses.

15. While education under the first approach would favour pace setting model schools, exclusive centres of education and centralization of monitoring of policies, under the latter, the emphasis would be on universalisation of primary education, equal access to education at higher levels, decentralisation of monitoring of people-oriented educational policy etc. In his view, the policy tended to tilt towards the first alternative.

16. The document emphasised centralisation of education administration by advocating the creation of an Indian Education Service, imposition of uniform curriculum in the name of ensuring comparability of standards etc. He suggested that within the broad guidelines worked out jointly by the Centre and the States, the formulation of syllabus and preparation of text-books should be left to the State.

17. Non-formal education should be regarded only as a supplementary modality and not a substitute for good school education since the latter would give a long lease to unequal access even to elementary education.

18. The proposal to establish model schools had in it an inbuilt exclusive and elitistic character, since relatively privileged classes with better access to elementary education would qualify for admission to these schools.

19. Vocational education, which should form an integral part of the school curriculum and not provided as a separate stream, should have effective linkages with integrated rural development programme and similar employment programmes in rural and urban areas.

20. **Shri N. T. Rama Rao**, Chief Minister, Andhra Pradesh observed that our basic concept on education should change with emphasis on the development of individual and cultivation of essential values and a sense of patriotism. he stated that in the name of New Education Policy we should not curtail the autonomy of the States, which would stifle the initiative of the States in developing an education system and a cultural ethos suited to its genius. The New Education Policy should declare categorically the ultimate objective that the medium of instruction from K.G. level to P.G. level should be only in the mother tongue. The Navodaya Vidyalayas should run more or less on the pattern of the State Residential Schools of Andhra Pradesh with the regional language as medium of instruction.
21. He stated that for carrying of Audio-Visual Programmes successfully, a second channel in Doordarshan should be provided for the States. He suggested that tax exemptions should be allowed on all audio-visual equipment that might be imported or indigenously manufactured which were used for educational purposes.
22. He urged that the Government of India should come forward to share at least fifty percent of the total expenditure in meeting the ever growing requirements on modernisation of education after inclusion of education in the Concurrent List. States in the Southern Zone had been requesting time and again for the establishment of a branch of the U.G.C. in the South which he suggested might be considered.
23. The Chief Minister was of the view that the proposal in the New Education Policy to establish the Indian Education Service was antithetical to the principle of decentralisation in education administration; the State Government were, therefore, unable to extend their support to the proposal.
24. Concluding his speech the Chief Minister of Andhra Pradesh observed that the decision to have Education in the Concurrent List should be reconsidered.
25. **Shri Bir Bahadur Singh**, Chief Minister, U.P. observed that the unity and the integrity of the nation should deserve the highest priority in the New Education Policy. He stated that barring India there was hardly any country which did not have its own national language. In this context he placed highest emphasis on development of Hindi simultaneously with the development of regional languages to preserve the unity and integrity of India and preservation of the composite culture of the country. Interpreters and translators needed to be trained for translating books from one language to the other. He referred to the unrest among youth and suggested that the New Education Policy should contribute to an environment where young people could take positive roles in the country's development.
26. He suggested that each secondary school should be developed into a community polytechnic to provide to rural youth skills required in the community so as to prevent their migration to urban areas.
27. An Advisory Committee at the State level, with representatives drawn for the Central Government, State Government and professional educators should be set up at State level for determining syllabus for Navodaya Vidyalayas.
28. An Expert Committee should be constituted after every three years to critically evaluate courses and methodologies adopted at the university stage.
29. **Shri Prafulla Kumar Mahanta**, Chief Minister of Assam stated that the National Policy should be formulated after deliberation on the same for considerable length of time throughout the

nation and should be implemented in full within a fixed time-frame. He was of the view that education should continue as a State subject. India needed a dynamic and uniform education policy capable of absorbing all changes in future without losing its identity. Maximum attention should be given to elementary education. Growth of different types of schools for different groups - rich, middle income groups, and the poor village folk - should be avoided.

30. Elementary schools should also function as community centres with facilities for quality education, fine arts, sports, games, etc. Pre-primary classes should be opened. Vocational courses should be formulated keeping in view the employment opportunities.

31. Merits and de-merits of model school concept should be widely discussed and a consensus should be arrived at. The model schools should impart education through the medium of the regional language and should be run by the State Governments.

32. The States should be provided with central financial assistance to improve the infrastructure in the educational institutions, particularly in the less developed States, including setting up of new institutions. He suggested that, at the Central level a certain percentage of the Gross National Product, say 10 per cent, should be invested in education, and at the State level, the education budget should never be below 25 to 30 per cent of the State budget. To ensure proper flow of funds, he suggested that there should be regular National Commissions on the basis of Finance Commissions to periodically review the cost per student at all stages of education - elementary, secondary, higher or technical - so that the institution concerned could be provided with funds on the basis of unit cost.

33. He saw absolutely no justification for constitution of the Indian Education Service, which, in his view, would only lead to further centralisation.

34. The Chief Minister of Bihar, **Shri Bindeshwari Dubey**, welcomed the initiative to draft the New Education Policy and was in broad agreement with the draft Policy and highlighted some of its features. Quoting from the speech of the late Prime Minister, Smt. Indira Gandhi, he urged that our education should not only teach to look after ourselves better but also teach us to discharge certain obligations to our people, our country and to the world. In expressing his agreement with the broad contours of the New Education Policy, he was of the view that the local community and voluntary agencies should receive greater encouragement to participate in the educational process.

35. Speaking on behalf of the Chief Minister, Tamil Nadu, **Shri S. Ramachandran**, Minister for Electricity invited attention to the pioneering role of Tamil Nadu as a pace-setter in the field of vocational education at higher secondary level, introduction of massive school feeding programme and in undertaking the programme of adult and non-formal education. He placed emphasis on removal of illiteracy which should go alongside the programme for eradication of poverty. He also mentioned that his State would like a two-language formula to be pursued as in Tamil Nadu. While emphasising the role of regional language as a medium of instruction he stated that Navodaya Vidyalayas should have the regional language as the medium of instruction. He also mentioned that his State was not in favour of the constitution of the Indian Education Service. As regards mobilisation of resources for education he suggested that the LIC and the nationalised banks might be asked to invest funds in the education sector.

36. **Shri Amarsinh Choudhry**, Chief Minister, Gujarat welcomed the New Education Policy particularly its emphasis on removal of disparities and the need to equalise educational opportunities, as well as the policy pronouncement that vocational education should constitute a distinct stream.

While emphasizing the basic structure of a Ten-year School system with undifferentiated curriculum he stated that there was no need to insist on further sub-division like 5+3+2. Within the core curriculum, a minimum level of learning should be prescribed for each stage of education.

37. He said that ten per cent of the GNP should be invested on education; education budget should never be below twenty five to thirty per cent of the State budget. He suggested a regular national commission on the lines of Finance Commission to periodically review the cost per student at all stages of education - elementary, secondary, higher or technical - so that the institutions could be provided with funds on the basis of the unit costs. He suggested that at least for the Seventh Plan period, assistance for educational development of SC/ST should form part of the Centrally Sponsored Schemes. While prescribing autonomy and decentralisation in grant-in-aid patterns to private institutions and voluntary agencies, he cautioned against any liberal policy in this regard, which could lead to a spirit of 'entrepreneurs' ready to operate in the field of commercialisation of education.

38. **Shri Bhajan Lal**, Chief Minister, Haryana welcomed the New Education Policy and emphasised that it should ensure that the youth of today get education which had its roots in our culture and values.

39. The need to launch large scale training programmes for teachers to improve their quality was emphasized. He highlighted the steps taken by Haryana to teach other Indian languages in the State.

40. It was urged that atleast six to ten per cent of the national income should be earmarked for the development of education. While determining educational backwardness he suggested that instead of States, Districts should be the units and adequate assistance should be given to the educationally backward districts throughout the country.

41. **Shri Nar Bahadur Bhandari**, Chief Minister, Sikkim emphasized the need and timeliness of the New Education Policy and stated that the stress given on the concept of national core curriculum was an important step in the right direction. In his view, such a step would not only help create consciousness about the oneness of our country and its rich cultural heritage on the impressionable minds of our youth but it would also help generate the feeling of national integration which was so vital in the present context of unrest and increasing fissiparous tendencies. He stated that while there could be no two opinions on the need for restructuring higher education, university education needed to be organised in such a way that besides maintaining the high standard of intellectual values, it should meet the demands for equality of opportunity to all those who desired to have the fruits of this education; herein lay the importance of Open University,

42. However, in respect to certain disciplines, particularly relating to Science and Technology, there had to be a uniform medium of instruction.

43. Moratorium on the opening of new universities, should not be applicable to States like Sikkim which could not boast even of one university.

44. Any inroads into the State's autonomy, he stated would not be conducive to the preservation and flowering of democratic values.

45. **Shri Virbhadra Singh**, Chief Minister, Himachal Pradesh generally welcomed the approach to the New Education Policy and complimented the Central Government for the initiative for improvement of primary schools all over the country through the "Operation Black-board". He

expressed the view that while improving the physical facilities in primary schools within the shortest possible time it should be ensured that there were no single teacher schools.

46. The fight against illiteracy should also be mounted on a war footing. To this end, adult education programmes needed to be expanded considerably and converted into a mass movement.

47. While welcoming the idea of setting up one Navodaya Vidyalaya in each district, the Chief Minister suggested that the norm of requirement of land for setting up such schools should be made more flexible especially in the case of Hilly States, like Himachal. He further stated that expansion of college education should not be discouraged in backward areas which were already short of facilities. The Chief Minister was of the view that in Strengthening management of education, computerisation needed to be introduced in a big way.

48. **Shri Harideo Joshi**, Chief Minister, Rajasthan expressed the hope that the New Education Policy will contribute to laying the solid foundations for development of our future generations, particularly those who belonged to the weaker sections. He suggested the establishment of a Secondary School Grants Commission on the pattern of the University Grants Commission. He was also of the view that special central assistance should be provided for educationally backward States. The Chief Minister advocated provision of facilities for promotion of yoga in every school. As regards mobilising additional resources, he suggested enhancement of fees in institutions of technical and higher education.

49. In the absence of the Chief Minister, Karnataka, **Shri M. Raghupathy**, Education Minister, Karnataka speaking on the various elements of the New Education Policy, was of the view that the proposal to establish model schools, needed a second look. What was required was the need for more residential schools with better relationship between the teacher and the taught. According to him the New Education Policy gave no indication that the constitutional objectives of free and compulsory education for all children up to 14 years of age would be achieved even by the end of this century.

50. He stated that adult education programmes could show the desired results only when we utilized the country's large stock of educated manpower in our rural areas, schools, colleges and in the universities.

51. He suggested special programmes for coaching students who did not have the proper educational and cultural background like the SC, ST and other backward classes.

52. He stated that Karnataka had already accepted the Three-Language Formula, which was being implemented in letter and spirit. He, however, advocated a more flexible approach in framing the 'core' curricula.

53. To ensure depoliticisation of campuses, he suggested that all political parties should agree to stay their hands and the ruling party at the Centre should take the initiative for doing so.

54. Opportunities for higher education for left-outs should be available through Open Universities.

55. He suggested that the Centre should provide generous financial support for education; States could and should pay greater attention to non-financial inputs only.

56. He invited attention to a paragraph in the Chief Minister's speech, wherein it had been suggested that every student in the country after the secondary stage of education should have a stint in the army. This would instil in students discipline, patriotism and constructive attitudes.

57. In conclusion he invited attention to the speech of the Chief Minister, Karnataka circulated to the members in which it was suggested that educational planning should be linked with manpower planning. He reiterated the remarks in the Chief Minister's speech that there could be no meaningful debate on education unless education policies were related to patterns of desired income distribution, assumed industrial and agricultural growth rates for the next 15 years and desired levels of education for each section of society were defined in specific terms.

58. **Shri G. Mylliongap**, Education Minister Meghalaya suggested that States like Meghalaya should be included for special assistance for universalisation of elementary education and for inclusion in the Tribal Sub-plan.

59. He was of the view that the alternative model for location of early child-hood education or pre-primary classes in primary Schools as prevalent in most north-eastern States for decades should not be disturbed for the sake of uniformity of pattern. He welcomed setting up of post-literacy centres in each village which would help in revitalising the traditional tribal community centres.

60. He suggested that vocationalisation of education needed to be organised as a component of the economic development of the State and not as an isolated educational endeavour. The Centre should provide cent per assistance for the purpose.

61. The concept of autonomous colleges might be tried on a selective basis in metropolitan cities having necessary infrastructure; if generalised, this could dilute the standard of higher education.

62. According to him, constitution of an All India Education Service required scrutiny. People of north-eastern States having English as the medium of instruction would find it difficult to move to the other States which had regional language as medium of instruction.

63. **Lt. Genl. T. S. Oberoi**, Lt. Governor, Andaman and Nicobar Islands welcomed the proposal made in the New Education Policy to have a common educational structure with a common core curriculum throughout the country. Such a step would no doubt strengthen national integration. He however, advocated that while implementing any policy the peculiar composition of the population of the Islands consisting of different linguistic and religious groups should be kept in mind.

64. He also welcomed the policy thrust in respect of education of Scheduled Castes and Scheduled Tribes and Women. Speaking on the need for stepping up of enrolment of tribal girls he suggested that funds should be provided for additional class rooms, residential accommodation for teachers and incentives should be provided to attract qualified personnel to remote and tribal areas.

65. He also suggested that the remuneration paid to the instructors under the Adult Education Programme should be suitably enhanced.

66. He suggested that as long as infrastructure for post-school education was not fully developed in the Islands, the system of reservation in courses offered by institutions of higher education and technical education in the mainland should continue to be followed so that students of the Union Territory were able to find adequate opportunities for technical education.

67. He stated that Government College, Port Blair and the Teachers Training College were affiliated to the Punjab University. Considering the fact that schools in the Union Territory were affiliated to the Central Board of Secondary Education, Delhi and the Government Polytechnic was affiliated to the Delhi Board of Technical Education and that many public services were common to

Delhi and Andaman & Nicobar Islands, he suggested, that the Delhi University (which was a Central University) might be enabled to affiliate colleges in the Union Territory.

68. The Chief Minister of Pondicherry, **Shri M. O. H. Farook**, was in broad agreement with the draft National Education Policy. He stated that inclusion of education in the Concurrent List was a step in the right direction. He was of the view that the policy should be implemented with active cooperation of the States without overriding cultural and linguistic diversities of the different regions.

69. He suggested that core-curriculum might be prepared for all levels of education.

70. Pre-school sections may be added to the primary schools. This effort should be supplemented by opening more Balwadis and Anganwadis in rural areas. He also suggested that entry of private agencies in this area should be discouraged as far as possible.

71. Welcoming the establishment of Navodaya Vidyalyayas the Chief Minister suggested that these should preferably be set up in rural areas.

72. He placed emphasis on special orientation of vocational courses and involvement of industrial and agricultural sectors in the introduction of vocational courses.

73. He suggested that adult education programmes should be expanded through voluntary agencies and through Government Departments. Adult education programmes should also create awareness about hygiene, child care, family welfare, environment and social responsibility.

74. The Chief Minister also supported the proposal for institution of an Indian Education Service which would facilitate implementation of the new policy.

75. **Shri Pratap Singh Rane**, Chief Minister of Goa, Daman and Diu was in agreement with the broad directions of the New Education Policy. He reiterated the need for a sound primary education system, which could only contribute to lowering illiteracy.

76. He was of the view that degrees should not be delinked from the jobs as it may lead to colossal amount of corruption. He advocated that degrees should not be given unless a person had made ten persons literate.

77. He observed that merely by raising literacy level amongst women it would not be possible to bring down the population growth rate; at least 50 per cent of all employment should be reserved for women for 15 to 20 years. Then only social revolution could take place.

78. He recommended introduction of the study of moral Science at schools and of comparative religion at the university as a compulsory subject.

79. The Chief Minister emphasised the role of non-formal education and vocationalisation and suggested that these should command equal respect and opportunity along with formal education.

80. He invited attention to teacher education which was a critical area in our education process, and suggested that a system of intensive training for teachers should be developed, so that not only their intellectual and human qualities were improved, but they also developed a sense of responsibility towards their profession and faith in national goals and welfare of the community around.

81. The Chief Minister of Punjab, **Shri Surjit Singh Barnala**, suggested that instead of an increase in Central control, which would lead to uniformity and rigidity, there should be a more balanced distribution of resources between the States and the Centre. He suggested that additional Central grants, over and above the plan provision, should be given to States with full freedom and flexibility to implement various programmes within a national framework.



82. The UGC's mandatory regulation that a B.A., B.Sc., B.Com., degree awarded after 14 years of education and a post-graduate degree after 16 years could not be applicable in Punlab. UGC did not seem to appreciate that an additional class could not be suddenly aided.

83. While he welcomed the idea of pace-setting schools, he suggested that these institutions should be so developed that they become real model schools for the rest of the institutions in the State. He was also of the view that the language policy and the management of these institutions should be left to the State Governments.

84. He did not support the proposal for the institution of the Indian Education Service.

85. **Shri S.C. Jamir**, Chief Minister, Nagaland while generally endorsing the policy document, highlighted some of the difficulties being faced in his State especially in the hill areas where appropriate facilities including school buildings were lacking. He referred in particular to the absence of qualified teachers and the need for relaxation of qualifications. He also suggested that the regional imbalance in the North Eastern States should be removed with the establishment of technical and professional institutions in smaller States of the north-eastera region. He also pleaded for the establishment of a Central University for Nagaland.

86. **Shri Gegong Apang**, Chief Minister, Arunachal Pradesh observed that in his State by 1990 children in the age-group 6-11 would be fully enrolled while only 66 Per cent boys and girls in the age-group 11-14 would be enrolled. Adequate funds should be provided to achieve cent per cent target.

87. 'No detention' policy might be reviewed and there should be an assessment of the achievement of the students for promotion to the next higher classes. To make non-formal education system more effective and meaningful, full-time instructors should be appointed and they should be properly trained.

88. Other Departments like Departments of Health, Industries etc., might be given funds to implement adult education programmes. Follow-up action might be entrusted to local bodies and they should be made responsible for organising literacy and cultural activities in their locality for the benefit of neo-literates.

89. Introduction of vocational courses at plus-2 stage required rethinking in the context of the need for vertical and horizontal mobility and provision of proper facilities for apprenticeship. The wide gap between technical and general education should be bridged by devising new courses of one year duration without diluting either of the course of studies.

90. The Chief Minister of Mizoram, **Shri Lalthanhawla** recommended that while formulating the New Education Policy, the following criteria should be observed:

(i) Every pupil must have a clear conception of his rich cultural heritage and spiritual heritage, its place in life and active faith in its efficacy.

(ii) He must be able to adapt himself to changing times and circumstances for which he must become independent and self-reliant.

(iii) He must know clearly the meaning and importance of eternal values like love for his country, love and respect for human beings, love for truth, honesty and hard work.

91. He emphatically stated that the feeling of isolation and negligence experienced especially by the Mizo people should be totally eschewed.

92. The Chief Minister, Madhya Pradesh, **Shri Moti Lal Vora** while welcoming the New Education Policy stated that our curricula were such that the child at school was overburdened by books. The system should be such that minimised this burden of books on children. He also attached importance to technical and vocational education, which was fundamental to the rapid economic development of the country. He also stressed the need for development of relevant teacher training programmes, which was essential for improvement of the quality of education. He stated that teacher training programmes should be a continuing recurrent activity.

93. The Chief Minister of Kerala, **Shri K. Karunakaran** made the following points:

(i) Incentives like mid-day meal programme and free supply of uniform etc. to the socially and economically backward sections would help in retaining children in schools;

(ii) He advocated the need for an appropriate control and monitoring system to curb the mushroom growth of technical institutions which were ill equipped and poorly staffed;

(iii) While delinking jobs from degrees, he suggested that adequate safeguards for employment of SC/ST and other depressed sections of society should be provided.

94. The Chief Executive Councillor, Delhi, **Shri Jag Parvesh Chandra** complimented the Government on the presentation of the National Policy on Education. He was of the view that the policy framework met abundantly Gandhiji's exposition of the purpose, aim utility of education which placed emphasis on proper and harmonious development of all faculties of the individual.

95. The Chief Minister, Maharashtra, **Shri S. B. Chavan** while congratulating the Prime Minister for bringing this paper for discussion in the National Development Council emphasised that keeping in view the resources available either with the Central Government or with the State Government the first priority had to be given to the universalisation of primary education. He suggested provision of mobile schools for population engaged in the industrial and allied activities in achieving the objective of universalisation of elementary education.

96. He also welcomed the well-deserved priority attached to vocationalisation and suggested that vocationalisation should be from Standard VIII onwards.

97. Industrial and business organisations should be obliged to provide Apprenticeship training.

98. On the lines of the Savitribai Phule Foster Parent Scheme of Maharashtra, he suggested that girls education, be encouraged all over the country.

99. The total number of working days in the education institutions should be increased and adjustments in the academic calendar made to ensure optimum utilisation of physical facilities and staff.

100. To make education more interesting and lively to younger children, he suggested reduction in the working hours for students in classes I to III.

101. The Chief Minister advocated establishment of school building Finance Corporations at the State level with support from the Central Government and financial institutions like L.I.C., HUDCO etc.

102. He also emphasised the need for social contributions and increase in tuition fees for funding higher secondary and higher education.

103. The Chief Minister of Manipur, **Shri Rishang Keishing** while welcoming the New Education Policy suggested that the prime objective of the National Policy on Education must be to provide a

sense of commitment in respect of all Indians. He also emphasised the need for strengthening national unity and integrity and facilitate through education, mobility of people from one part of the country to another.

104. To encourage mobility of students and teachers, he suggested that there should be a uniform pattern of education in India in terms of structure and curricula.

105. He also suggested that the Government of India should nationalise the Public and Convent schools.

106. The Chief Minister, Orissa, **Shri J. B. Patnaik** observed that there had been considerable discussion before formulation of the National Policy on Education and he stated that the allegation that things were being done in a hurry was not correct. He welcomed the concept of Navodaya Schools and agreed that the medium of instruction should be both Hindi and English-English as the link language and Hindi as the official language. He urged that Hindi be given the status that was due to it.

107. He suggested that each State should have at least one Central University where English and Hindi were the media of instruction to serve as a model for academic excellence and for promoting inter-regional mobility of scholars.

108. He also felt that a comprehensive review of the statutes establishing universities was needed for defining the relationship of the Vice-Chancellor with university bodies and for streamlining university management.

109. **Shri Bhisma Narain Singh**, Chairman, North Eastern Council invited attention to the need for rapid educational development of tribal communities in the north eastern region.

110. He stated that tribal communities were very small. Their languages had meagre vocabularies and even their grammar had in some cases very recently been formalised. The problem of medium of education for advanced thought in general, and science and Mathematics in particular for such communities, according to him, required a close study of the structures of their languages and how the base of the linguistic resources could be enriched.

111. In winding up, the Prime Minister thanked everyone for taking part in the discussions. He observed that the discussions had been very positive and fruitful and said that the ideas which had come from these speeches would be carefully looked into. He mentioned that some States were worried about their autonomy and some had reservations about the Navodaya Schools. He assured that there was no intention at all to step into the area of autonomy of the States. The Navodaya Schools were not being forced on any State. Details of the Navodaya Schools along with aspects of their implementation would be discussed with the State Governments before finalisation.

112. The most important aspect of the Education Policy was its emphasis on implementation. Detailed implementation plan will be drawn up as soon as the policy was approved by the Parliament which would take due note of points raised during discussions. From this would flow the arrangements for a very effective monitoring machinery because without that meaningful achievement could not be ensured.

113. In thanking everyone for the cooperation received, the Prime Minister assured the State Governments that the implementation models could only be devised with their cooperation and after discussion with them. He sought their active assistance and cooperation in this regard.

114. The meeting then adjourned with a vote of thanks to the Chairman.

## APPENDIX

### **Prime Minister's address on the National Policy on Education at the meeting of National Development Council on April 29, 1986, at Vigyan Bhavan, New Delhi.**

Let me welcome you to this meeting specially because we have been talking so much about our New Education Policy. After a lot of deliberation, and lot of inputs, we have put together a Paper which is not yet the policy because the policy will have to be condensed out of this Paper to be more concise and giving specific direction. Perhaps the first point that we have tried to bring home in this Paper is that education is very much a part of the development process. It cannot be separated from development. They are not two separate things. Education in a sense leads to development. Perhaps more than that, with development, the demand for education goes up very fast.

2. The education system as it exists today involves the State, the Centre and the people, which means that whatever we put together here or put out from here must be such that all three are involved fully in its implementation. If any group is left out, then we will not be able to take care of implementation in the manner that we would like to do. Having education in the concurrent list gives us the joint responsibility of seeing that education is really the best that we can give to our people within the constraints that we have.

3. The objectives of education basically are freedom of the individual, fulfilment in his life, equality amongst all our people, excellence of each individual, individual and collective self-reliance and perhaps most of all, national cohesion. We should develop facilities for education in a manner which would make education more productive so that it breaks down our social, regional and linguistic barriers. That does not mean that we try to kill any regional culture or regional language. We will develop each language each culture, but we must not let that build walls between our various cultures and between our various people.

4. Education must make our people the masters of technology and not its slaves. We must not ape or imitate. We must understand, modify and use knowledge for our benefit and for the country's benefit. Education must fight injustice, intolerance and superstition. It is for these reasons that one of the suggestions that we have made in this paper is to have a national core curriculum around which local subjects and issues-cultural, linguistic and others-can be added. But the core will see that the direction is the same whether you are in the northern, southern, western, eastern or in any part of India. We will have a standardised package which will be available to everyone who goes to school which means that the basic direction for national cohesion will be set in that core. National cohesion, not just in terms of integration but in a much broader context of the full span of education. Education should be such that it builds the inner strength of our people. It should bring our ancient heritage to the new generation. It should make available our aesthetic treasures to the young generation. Again that must not be limited to what is available in one region or in one State. It must bring in our heritage from all over the country. Our Indian heritage, our Indian treasures and our Indian culture must be brought home equally to the local culture, local language and the local heritage.

5. Education permeates every aspect of life. It must be such that it brings the best out of our past, takes the best of the present but keeps in mind the future direction that we want to give the country in terms of political, economic and cultural development. The fact is that almost no country in the world is really satisfied with its education system and the process of improvement and modification is continuously on.
6. Education used to be the acquiring of accumulated knowledge in the sense that it taught the people what had already been known. Of course, in a sense that should be done today as well. But today we must go beyond that. It is not enough just to teach the children the knowledge, the skills, the values that we have inherited. We must in the education system give them an orientation for the future, make them think of the future, not think in the past. This is going to be a very difficult task for us to do in our education system but unless we are able to do this we will not be able to get the thrust in the developmental process, in our integration process that is really required. Future-oriented education does not mean an entirely science and technology-oriented education although science and technology must be a part of it. It is a much broader concept. What we are looking for is to inculcate a broad perspective in our younger generation so that they look towards the development and strengthening of our country.
7. Ideas on education are not new. During our freedom movement, during our renaissance period, we have had substantial ideas from great people—from the lives of **Vivekananda, Gandhiji, Tagore** and more recently **Dr. Zakir Hussain**. And after independence many commissions have been set up to see what we can do about the education system.
8. The idea today is not to eliminate or destroy the system that has been in practice. The attempt is to modify and guide the system in particular specific directions and to try and stop drift.
9. The thrust in all this is to eliminate inequalities, to liberate talents and to achieve a national self-fulfilment. That is why we have felt that a new thrust is required- a new thrust because education cannot be taken to be leading to a mere material, economic gain or progress. We have to often related development with economic development and missed the broader aspects of culture of our society and what truly constitutes development. If we continue this way, we are likely to find ourselves in danger of losing our cultural heritage, in danger of losing our Indianness, which is something that none of us would like to see happen.
10. Economic development does not mean superiority in every sense of the world. It would not be right to look at statistics and say that a particular country has a higher per capita income, so it is better than us. 'Better' is a much broader concept and 'better' involves how we think, how we feel. It really involves our whole culture and it goes back to heritage. We must not limit ourselves to just the economic thrust. Education must be a much broader concept. Our traditional intelligence or gyan cannot be disregarded. The wisdom that we have inherited must not be put aside. Even if you go to the most remote and most backward areas you find that the people may be illiterate, they may be lacking literacy, but you cannot in any sense say that they do not have wisdom, they do not have intelligence. They have been. What is lacking is only literacy. What is lacking is institutionalised learning. So this is something that we must build together. We cannot bring in the institutionalised learning at the cost of destroying the intelligence and the wisdom that are already in our people. We must preserve them and together with them bring in institutionalised learning, bring in literacy which will help our people from being gullible, being exploited. It liberates them from servitude. Literacy is a tool that helps them to get out of these shackles. Literacy will give our society strength, a certain resistance to exploitation.

11. One of the problems with our education system, which we have inherited from the British time, is that the thrust was basically to produce clerical jobs. During the British period, the result of the system was positively to inhibit thinking and start pushing papers around. We have unfortunately continued this without seriously attempting to change the situation. And this has led to the imbalances, the dissatisfaction and frustration amongst the educated youth that we are seeing today.

12. If we go back to Macaulay's minute on education, we see that it was targeted basically at certain type of schooling. It divorced our people from real life and it divorced our people from the national needs, whether at that time or today. The villages-the rural areas-were ignored. It was an urban-oriented education. In fact the villages were treated almost as drainage areas for the towns and urban areas. Excessive importance was given to degrees. The educated, even if they get their education in the villages become lost to the villagers. We have in our rural areas what may be described as a tight pant culture. It just really removes or leaves out the youth from the village and makes him a displaced person in his own home. It makes him a misfit in his home, makes him misfit in the towns and it really causes frustration in the youth which we cannot hold for very long.

13. The new policy is an attempt to re-link learning with life as it is in India whether in the rural areas or in the urban areas or in the tribal areas, whether in the hills or in the mountains or in the forests. It must be such that it gives opportunity for employment in those very areas. Today, we have vast numbers of youth, perhaps even older people, who have been educated in rural areas but go out. I can talk about my own constituency where there are thousands of people who have had good education but we cannot find even one of them in the rural areas. They are all in Bombay, Delhi, Calcutta or Madras. They are all in urban areas. None of them goes back to the rural areas so that the benefit of the education can really go down to the villagers. The benefit invariably comes to the urban areas because people with education leave the rural areas and go to the urban areas. We must try and reverse this tendency.

14. An attempt will be made through formal education, through vocational education, and through non-formal education to reach and teach everyone who is reachable. At the same time we must have a system which will reach out to everyone - each individual who is teachable. For this we will have to employ every other method that is available to us. We have restricted our thinking in many spheres. Education after all, is basically a communication method, for communicating knowledge, communicating ways of thinking, communicating perspective, communicating values from one generation to the next, and preparing the next generation to face the challenges that it will be called upon to undertake.

15. Communication methods cannot be restricted to what they were 40 or 50 years ago. Traditional Indian education was very individual-oriented. It was a very personal relationship between the teacher or Guru and the Shishya. From that we have come to a mass production system where this relationship has got totally lost. The methods of transmission which were used on a 1:1 basis, or 1:3 or 1:4 basis, are no more valid when we are talking of, may be, one teacher and 100 or 200 students in a class. We must use every method that is available, modify those methods to our conditions and our needs, and not ape or imitate what is done in the West or anywhere in the world. We do not want to produce a younger generation which is an imitation of a younger generation in any other country. We want our own younger generation to be an Indian younger generation, and not any other younger generation. This can only come about if every method is used.

16. This policy will look further, when we go down into actually implementing it, and producing a programme of implementation. That is another point which I should have said right at the beginning, viz. that we should not forget that this is basically a policy paper, and not a programme or schedule of implementation. This is not a plan of implementation. That will have to follow from this. This just gives directions. We should keep this in mind during our discussions.

17. The new education policy will be for all Indians. It must be egalitarian. It must give equal access. Equal access needs to be defined. I will not say that we give equal access to every single child at every level of intelligence or proficiency into the same type of school, but an attempt must be made to give access to the best type of education to the most intelligent children, no matter from which section of society they come, whether they come from the weakest or the most backward section or otherwise, they must be able to get access to the best education. We have failed in doing this uptill now. We have given them access to a school, but access to the good schools has been possible only to those who have money and finance. We must try and change this, not just because we want to be fair. We want to be fair and egalitarian, but there is also a material aspect in this. If India is to develop faster, if India is to harness all its resources, its resources cannot be limited to the rich or middle class in the country. Perhaps its richest resources are people, and found amongst the poorest, the most backward areas in the country. We must locate these resources in human beings and develop them for the best benefit of our country.

18. Education cannot be just a one-way system. The teacher tells the child that this is the right thing to do and the child almost learns it by heart and comes out of examination feeling that this is the right thing without understanding and appreciating and visualising what he or she has learnt. That does not produce a person who can really visualise India of the future, who can visualise how to do things. It produces a very automated sort of person and we must try and change it.

19. No teacher should give an impression that he knows everything. The best teacher is not one that merely passes on certain knowledge to the child. The best teacher is someone who, besides passing on that knowledge, ignites sparks in the mind of the child, developing a thought provoking process in each child, which really brings out the best in the child, makes the child really flower. Unfortunately, we do not have too many such teachers, especially in our government schools.

20. No matter what we attempt in the educational policy, we cannot succeed if the teacher, who is the key in any educational process, is not brought up and given attention that the teacher truly deserves, brought up in terms of training and social standing in the area. Perhaps the measure of our development is the position we give to the teacher in our society. The reverse is also true. The position that we give to our teacher will be the level that we will be able to raise. But apart from that, we have to see that the attitudes of the teachers are correct, the moral values that the teacher will impart are correct, that the responses of the teachers to changing circumstances are right. Innovation, creativity in the teacher must be built into the training process. All this come about only if we pay adequate attention to the teacher training process and we see that the best people come out and become teachers, and it is not the last resort of employment for people who have looked everywhere else.

21. The education policy must be such that it looks towards solving our national problems. Today, the biggest thrust must be for national integration and unity. While developing regional culture, while not killing regional tendencies, we have to see that they do not develop in a manner that destroys or weakens our national identity.

22. We have to see that religious revivalism is not allowed to use our education process as a tool for fundamentalism. We have to see that our education process reduces violence in society. It should challenge the concept of materialism or consumerism which is being thrust on us by the media, by the world around us. The pressure is tremendous and this must be fought of by the education system. It has to cultivate secularism, socialism, democracy and nationalism, and nurture the correct moral values. We have to use education and science to serve our rural masses, improve their nutrition, improve their health, most of all provide them opportunities for betterment of life. It must restrict migration to urban areas. We also find that wherever education has come, it has reduced the family size. In a way it has done a better job of population control than any other methods that we have tried to propagate. Our economic growth must be more than our population growth if stability is to be maintained and the best method of checking our population growth is the education of our people, more specially, the education of women.

23. Our education system cannot be limited just to literacy and degrees and higher education. It must look at vocational training, bringing in the skills relevant to daily life to the type of work the individual will have to do or the type of work which is accessible to him. It may be a simple vocational training in certain areas. Our system must be such that it does not push people into demanding white collar employment, but gives them initiatives towards self-employment, a spirit of self-help, which is really what is required in a country of the size of India. This cannot be done with examinations alone, but by having methods of testing the true worth of each child, of measuring the relevant skills in each individual. We must think of how to delink degrees from jobs, especially for Government employment which is perhaps the most important and bulky area. We should bring out a specific action plan which will delink degrees from jobs, will reduce the pressure to set up colleges which give degrees of dubious value and dubious standards, but which will really bring the best people to work in Government, the best people to serve the country.

24. We must also have a system of non-formal or distance education. This must not be confused with vocational education. This would be a system of coaching those people who fail to make the formal system or drop out of the formal system and give them a sort of back up education and bring them up again to the standard and have adequate linkage points with the formal system of education so that they can cross back to the formal system if they feel competent enough or if they feel that they have learnt enough and can face upto the challenge.

25. We have to make our society a society that learns continuously. Education is not finished when we leave school or college. It is a process which continues through-out life. Unless we convert our society into a learning society, India will not be able to develop and face the challenges that the coming years have in store. We will have to have a system where individuals augment their personal capabilities and their role in society throughout their lives. To do this we must make a basic threshold education available to all whether it is through the formal system, the non-formal system, the vocational system or through other institutions such as the open universities, various methods of distance education and refresher courses to bring people up in the course of their careers, libraries, reading rooms, a system of mass media, all of which would enable the re-education or the upgrading of each individual.

26. There are certain sections of our society where education has not reached in the manner we would perhaps like it to have reached. They are the Scheduled Castes, the Scheduled Tribes and certain other weaker sections. But if we were to identify one section which is the most deprived from the point of education, it is the women, it is girls. Whether it is the upper classes or the middle



classes or whether it is the Scheduled Castes, the Scheduled Tribes or other weaker sections or the minorities, invariably the girls get very much less education and they have the highest dropout rate. It is a special challenge for us to see how we can get more girls into schools and retain them there. We have already made education, free up to the secondary level for girls. But it has not reduced the dropout rate. We must think of measures which will help in the motivation not so much of the girls, which is no doubt important, but of parents and of society, specially in the rural areas. We must see that rural parents give importance to girls' education. The practical problems in each home and village which prevent girls from going to school must be tackled, such as the question of the distance that girls have to cover to go to school and the question of co-education. We will have to mobilise community leaders. We will have to mobilise voluntary organisations and motivate them to get girls into schools and to keep girls in schools. It has been said that teaching a man means you have trained one person for a particular job, but when you teach a woman you teach the whole family and you reach out much further.

27. Special attention must similarly be given to Scheduled Castes and Scheduled Tribes because they too face similar problems. They do not have the economic strength to allow the children to spend that much time in school. This is where non-formal systems will come in, where schedules and programmes can be tailored to allow children to learn when it is convenient for them and at the speed it is convenient for them.

28. The goal of universal elementary education can be achieved only if there is participation of the community. We have, during the past years, edged out community participation in our education system. I do not think it is necessary at this stage to go into why it has happened. Unless we apply correction and unless we get community involvement, the weaknesses especially at the primary school level, will be very difficult to remove.

29. In the past philanthropists played a substantial role in our education system. There is a need once again to secure similar involvement of our citizens in the education system. We have to look at methods of motivating, such involvement.

30. Again education cannot be limited to literacy. It must be much broader and go into building the character and personality of the child. It must concern itself with cultural heritage, sports, fine arts, etc. These are areas which are traditionally neglected but which are vital for the development of an individual. We have to mobilise the best resources in human terms. We have to identify the best children, the most intelligent children. We have to identify the fields in which we feel they will be able to develop best and give them an opportunity to develop those characteristics. We have suggested the 'Navodaya Vidyalaya' for this purpose. It is a scheme of schools which are much better than the schools which are traditionally available at district or village levels. Far from being elitist, this scheme, we feel, is perhaps the first major egalitarian step that has been taken in bringing good education to the poorest and the weakest sections. It is a quest for equality and for quality - the best schools for the best children, no matter what their background - economic, cultural or social.

31. We will have to develop a new pattern of organisation to run the new education system. It is not adequate to have people who are general administrators. Education is a very specialised subject and we have to look at the management of our whole system from teachers' training, norms of performance, accountability, the individuals who are involved in the administration of the education system and the relationship between the Centre and the States. We must evolve a new partnership in the development of the education system.

32. The system must be targeted to reduce poverty and to shape the new society that we envisage. It must be insulated from politics, from parochialism, from casteism, from communalism, from fundamentalism. It must be kept free from indiscipline and agitations. And we must give more autonomy to educational institutions. These institutions must inculcate a scientific temper in our people. The scientific temper does not mean developing a few very highly specialised individual scientists. We have already done this. The scientific temper must permeate down to the average Indian. It will help us find the best people to develop in the fields of science and technology.

33. We have to see how far we want to subsidise higher and professional education. The scale at which we now do it is totally disproportionate when we look at primary education and higher education. People must pay reasonable proportion of the actual costs involved. At the same time, we must see that the weaker sections are helped and are not isolated because of economic reasons.

34. What we need from this policy, once we have hammered it out in the NDC and Parliament, is a purposeful, time-bound action programme and a complete commitment to the implementation of the programmes. Resources are bound to be a problem. The Kothari Commission suggested six per cent. We had dropped to well below three per cent. In the Seventh Plan we have tried to push it up once again back close to three per cent. This must be progressively increased. Perhaps the Planning Commission feels that the human resource is not a resource for development. It must do basic rethinking. The Planning Commission should realise that the basis of any development is not dams and power stations and industries, but the people who are going to build those dams and run those industries. Unless this awareness permeates the Planning Commission, they are never going to give us enough money. Perhaps they will think about this and give enough attention not just to steel, bricks, concrete and cement, but also to the human beings who are to take advantage of all that. Perhaps, when they draw up the Eighth Plan, they will increase the resources to a much higher figure from three per cent and will go much closer to the six per cent goal. Before we actually get to the Eighth Plan, perhaps we can push the Planning Commission and the Finance Ministry to try and squeeze out something more in the intervening period.

35. We could also try to see whether we can squeeze out certain resources from programmes where we have committed them. A small example we have thought of is of allotting NREP or RLEGP funds on a priority basis to primary school buildings. We can say that in a village where there is no primary school building, we will give first priority, under NREP or RLEGP to primary school building under these programmes. We could look further to see what other programmes can be so fitted in. Without upsetting the basic thrust of those programmes, we can use them for some aspect of education.

36. Here again, we will need a lot of cooperation and discussion with the States, so that we can hammer out the right directions. Basically, we must realise that if we do not pay for what we get, we are going to get what we pay for. This is the time when we must really think about building our biggest resource and our biggest resource today is our people. Today the population may appear our biggest liability, because we are not using it, we are not developing it. But we must change this liability and make it our biggest strength, and our biggest resource. This can only come about with a major thrust on education.

37. Probably, more important than just the financial requirements of education, and the quantitative requirements, are the qualitative requirements, and relevance of education to daily life, to our development, to our future. This is where the UGC, NCERT, NIEPA and the State

Councils come in a big way. They must see that the directions are correct. They must see that quality and direction are built into the system and permeate all levels of the system.

38. This is the first time that we have really tackled the national education system at this high level. After the policy comes out, the most important aspect is going to be the action programme, and the implementation of that action programme. I would suggest that we call an NDC meeting approximately a year from now, some time in the middle of 1987, to review the progress that we have made following from this meeting, and really have a stock-taking of what we have achieved in terms of progress in terms of direction, in terms of improvement in quality.

39. Let me thank you once again for participating in this process of evolving the education policy right from the beginning, when we produced the initial paper and in all the discussions with the States with the various other organisations involved, with voluntary organisations, students, teachers and others leading upto the meeting during the last two or three days and then the NDC meeting today.

40. I thank everyone who has participated, and we do hope that the Paper that will come out after this meeting will give direction to the enthusiasam that has been built up on this matter in the country during the past year.

41. Lastly, on the modalities of the meeting. We have all received the printed speeches. If every one agrees-as we have now almost made it a practice-we shall put them on record. We might have discussions on various specific issues of the policy so that we can get a meaningful understanding on any points that are causing problems.

Thank you.

## PARTICIPANTS

Shri Rajiv Gandhi	Chairman
Dr. Mamnohan Singh	Deputy Chairman, Planning Commission
Shri P.V. Narasimha Rao	Minister of Human Resource Development and Home Affairs and Member, Planning Commission
Shri Buta Singh	Minister of Agriculture and Member, Planning Commission
Shri Ajit Panja	Minister of State for Planning
Prof. M.G.K. Menon	Member, Planning Commission
Dr. Raja J. Chelliah	Member, Planning Commission
Shri Hiten Bhaya	Member, Planning Commission
Shri Abid Hussain	Member, Planning Commission

## STATES

1. Andhra Pradesh	Shri N.T. Rama Rao Chief Minister
	Shri G.M. Krishnamma Naidu Education Minister
2. Assam	Shri P.K. Mahanta Chief Minister
	Shri Brindawan Goswami Minister of Education
3. Bihar	Shri Bindeshwari Dube Chief Minister
	Shri Lokesh Nath Jha Minister of Education
4. Gujarat	Shri Amarsinh Choudhry Chief Minister
	Shri Hashmukh Patel Education Minister
5. Haryana	Shri Bhajan Lal Chief Minister
	Shri Jagdish Nehra Education Minister

## Summary Record of Discussions of the NDC Meetings

6. Himachal Pradesh	Shri Virbhadra Singh Chief Minister  Shri Sagar Chand Nayyar Education Minister
7. Karnataka	Shri M. Raghupathy Education Minister
8. Kerala	Shri K. Karunakaran Chief Minister  Shri T.M. Jacob Minister of Education
9. Madhya Pradesh	Shri Moti Lal Vora Chief Minister  Shri Bansilal Dhiratlehere Minister of School Education  Shri Chitrakant Jaiswal State Minister for Higher Education
10. Maharashtra	Shri S.B. Chavan Chief Minister  Shri R.K. Meghe Minister of Education  Km. Chandrika P. Kenia Minister of State for Education
11. Manipur	Shri Rishang Keishing Chief Minister
12. Meghalaya	Shri G. Mylliengap Education Minister
13. Nagaland	Shri S. C. Jamir Chief Minister  Shri K.L. Chishi Education Minister
14. Orissa	Shri J.B. Patnaik Chief Minister  Shri J.N. Das Mohapatra Education Minister
15. Punjab	Sardar Surjit Singh Barnala Chief Minister

16. Rajasthan	Sardar Sukhjinder Singh Education Minister Shri Harideo Joshi Chief Minister Shri Hira Lal Deopura Education Minister
17. Sikkim	Shri N. B. Bhandari Chief Minister Shri K.N.Upreti Education Minister
18. Tamil Nadu	Shri M.G. Ramachandran Chief Minister Shri S. Ramachandran Electricity Minister Shri C. Aranganayakam Education Minister
19. Uttar Pradesh	Shri Bir Bahadur Singh Chief Minister Shri Sibte Razi Education Minister
20. West Bengal	Shri Jyoti Basu Chief Minister Shri Kanti Biswas Minister-in-charge of Primary & Secondary Education

**UNION TERRITORIES**

1. Andaman & Nicobar Islands	Lt. Genl. T.S. Oberoi Lt. Governor
2. Arunachal Pradesh	Shri G. Apang Chief Minister Shri K. Krong Education Minister
3. Chandigarh	Shri A. K. Banerji Adviser to Governor
4. Dadra and Nagar Haveli	Dr. Gopal Singh Administrator
5. Delhi	AVM H.L. Kapoor Lt. Governor

	Shri Jag Parvesh Chandra Chief Executive Councillor
	Shri Kula Nand Bhartiya Executive Councillor (Education)
6. Goa, Daman & Diu	Shri Pratap Singh Rane Chief Minister
7. Lakshadweep	Shri J. Sagar Administrator
8. Mizoram	Shri Lal Thanhawla Chief Minister
	Shri R.O. Kamlova Education Minister
9. Pondicherry	Shri M.O.H. Farooq Chief Minister
	Shri L. Joseph Mariadoss Education Minister

## UNION MINISTERS

1. Shri A.B.A. Ghani Khan Choudhry	Minister of Programme Implementation
2. Shri Abdul Ghafoor	Minister of Urban Development
3. Shri Asoke Kumar Sen	Minister of Law and Justice
4. Shri B.R. Bhagat	Minister of External Affairs
5. Shri B. Shankaranand	Minister of Water Resources
6. Shri H.K.L. Bhagat	Minister of Parliamentary Affairs
7. Shri K.C. Pant	Minister of Steel & Mines
8. Smt. Mohsina Kidwai	Minister of Health & Family Welfare
9. Shri Narayan Dutt Tiwari	Minister of Industry
10. Shri P. Shiv Shanker	Minister of Commerce & Food and Civil Supplies
11. Shri Vasant Sathe	Minister of Energy

## SPECIAL INVITEES

### A. Union Ministers of State

1. Shri Chandra Shekhar Singh	Minister of State of the Ministry of Petroleum and Natural Gas
-------------------------------	---

- |                               |   |
|-------------------------------|---|
| 2. Shri Khurshid Alam Khan    | Minister of State of the Ministry of Textiles   |
| 3. Shri P.A. Sangma           | Minister of State of the Ministry of Labour   |
| 4. Dr. Rajendra Kumari Bajpai | Minister of State of the Ministry of Welfare  |
| 5. Shri Ram Niwas Mirdha      | Minister of State of the Ministry of Communication and Minister of State in the Ministry of Home Affairs. |
| 6. Shri V.N. Gadgil           | Minister of State of the Ministry of Information and Broadcasting   |
| 7. Smt. Margaret Alva         | Minister of State in the Department of Youth Affairs and Sports and Women's Welfare                       |
| 8. Smt. Sushila Rohatgi       | Minister of State in the Department of Education and Culture  |
| <b>B. Others</b>              |   |
| 1. Shri Bhishma Narain Singh  | Chairman, North Eastern Council   |
| 2. Shri R.N. Malhotra         | Governor, Reserve Bank of India   |





**FORTIETH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
MARCH 19, 1988**

**SUMMARY RECORD**



**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE DISCUSSION AT THE FORTIETH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD AT NEW DELHI ON MARCH 19, 1988

---

### AGENDA & SUMMARY RECORD

---

**Shri Rajiv Gandhi**, Prime Minister and Chairman of the National Development Council (NDC) welcomed the members of the Council, and stated that the Mid-Term assessment of the Seventh Plan, proposed to be discussed at the meeting, provided the opportunity to take an overview of the country's economy. The Prime Minister pointed out that every meeting of the NDC was a reaffirmation of our national commitment to planning, of the national consensus on planning. Planning was aimed at bringing to bear the powers of reason and the fruits of science and technology on the development process. He stated that development was seen not merely as economic growth. It was the structural transformation of our society. Also, it promoted social change and reduced disparities. Development was the fostering of national self-reliance and of securing a gainful life for all. It was the modernisation of our society and economy. Continuing, the Prime Minister stated that the key to the modernisation of our economy lay in deepening the technological base of our society, placing the tools of modern technology in the hands of our people and equipping them with education which would ensure meaningful and remunerative employment for all.

2. Briefly reviewing the progress of the plan, the Prime Minister stated that we were more or less on target in the first two years of the Plan achieving an average annual growth rate of 4.4 per cent. In 1987-88, the drought had set us back considerably. As a result of the fall in the agricultural production the growth rate was down to around 1.5 per cent. Despite a fall in food grains production of the order of 7 to 10 million tonnes, buoyancy in the industrial and infrastructural sectors during the year had enabled us to avoid a decline in GDP and in fact ensured positive growth.

3. The Prime Minister stated that during the remaining two years of the Plan, it was still open to us to recapture the lost momentum, so that in the terminal year of the Plan, our performance would be more or less in line with the targets that were set at the start. Therefore, in reviewing development over the past three years, the perspective should perhaps be to derive those lessons which would help us to get back in the next two years on the path which we embarked on at the start of the Seventh Plan. Therefore, he stated, that the two remaining years of the Plan should be looked upon as years of opportunity.

4. Referring to the various measures taken by the Government to combat the adverse effects of drought, the Prime Minister pointed out that although the slowing down of growth consequent to drought was a cause for concern there was some reassurance to be had from the manner in which we had coped with one of the worst droughts of the century. Twenty years ago any occurrence of such a drought would have necessitated looking for large scale concessional imports of foodgrains thereby compromising the self-reliance and independence of the country. He added that the late Prime Minister **Smt. Indira Gandhi's** response to the crisis of 1966 had served us well now in staving off a crisis of similar, indeed, even more worrying dimensions. The Prime Minister pointed out that the levels of foodgrains production even in a year as bad as the current year were sufficient in conjunction with the large buffer stocks built over a period of time to give resilience to the economy. He stated that since last summer the Central Government had made the management of drought

the centre piece of its actions. At the same time, most of the State Governments, especially Gujarat and Rajasthan which were the worst affected had responded well to the challenge and handled the situation competently which helped to contain the worst consequences of the drought.

5. The Prime Minister pointed out that despite competing claims on our resources, we had done better than ever before in maintaining in real terms investment in the Central Sector at the levels envisaged in the Plan. By the end of the fourth year of the Plan, we would have achieved 85 per cent of the outlay envisaged in the Plan. This was the kind of solid base on which to ensure the national goal of self-reliance notwithstanding vagaries of the weather and other unfavourable factors.

6. The Prime Minister pointed out that efficiency was the key to the conservation of resources; greater efficiency in Government and in the public sector would augment the availability of resources. He expressed his concern over the fact that the saving ratio was no longer rising as it had been rising earlier. He felt that it required a further push, and for this a policy framework to restrain consumption, avoid ostentation and encourage returns on savings and investment was required.

7. The drought created pressures on prices. Inflation averaged 4.5 per cent in the first two years of the Plan. It had touched double digit level in the current year. The Prime Minister stated that by imaginative use of buffer stocks to keep the public distribution system well supplied and through additional imports of necessities like edible oils and milk powder, the rate of inflation had been brought down to well below half the level inflicted on the economy at the time of the 1979 drought, which was a less severe drought. Cautioning that there was no room for complacency, he stated that constant alert in restraining inflationary pressure was a key current economic objective.

8. The Prime Minister expressed concern at the pressures being felt on the balance of payments. An expanding, modernising economy would need more imports. This higher level of imports should however be financed through higher level of exports. Though we could borrow from external sources, it was essential that prudent policies of borrowings were followed. He stated that though exports had done well in the past years, the size of the current account deficit was causing worry. Efforts for augmenting exports need to be further strengthened. Foreign exchange earnings need to be stepped up through tourism. Efficiency in domestic production should be encouraged to save on imports wherever possible. He pointed out that the more competitive the economy was made in relation to the world economy, the more we would be able to export and the easier it would be to manage the balance of payments.

9. The Prime Minister stated that perhaps the most disturbing aspect of the drought and the consequent slowing down of growth was its impact on the pace of poverty eradication. During the Sixth Plan period the poverty ratio was significantly reduced. It was intended to steadily bring down the poverty ratio to a quarter by the end of the current Plan. However, fluctuations in agricultural output were thwarting our efforts in this regard. A step up in the momentum of agricultural growth and the revamping and dovetailing of our anti-poverty programmes would directly contribute to the revival of our success in the war on poverty. The Prime Minister suggested that ways of strengthening the impact of these anti-poverty programmes could be usefully discussed in the meeting.

10. The Prime Minister stated that foodgrains output virtually doubled between the eve of the Green Revolution in the mid-sixties and the end of the Sixth Plan. Thereafter, we seemed to have hit something of a plateau. The Prime Minister added that though the primary cause for the slow growth or stagnation of growth in the agricultural production was adverse weather conditions, there had been other shortcomings rooted in a weakening in the States of the commitment to

agriculture. The Prime Minister pointed out that for the preservation of independence, for the healthy development of the economy and for the progressive eradication of poverty, there was no alternative to restoring to agriculture its lost momentum.

11. The Prime Minister stated that it was feasible in the remaining two years of the Plan to give a new thrust to agriculture. In this context he referred to the Action Plan for Agriculture which the Planning Commission Task Force had prepared as per his directions. This aims at reaching 166 million tonnes of food grain production in 1988-89. He stated that to achieve this, the best results achieved in every State in the recent past would have to be surpassed. Thereafter, a special effort to reach 175 million tonnes in the last year of the Plan could be made. This should become the single most important objective of our planning in the closing years of the Seventh Plan.

12. The Prime Minister pointed out that the success of the strategy depended on two crucial factors, Firstly, the political commitment to agricultural growth, which must find expression in a strict determination on the part of the States to make available to agriculture the resources required, backed up by an equally firm commitment on the part of the Centre to reinforce the efforts of the States in this regard. Secondly, implementation required coordination at the district level which provided for follow up and multi-tiered system of review and appraisal, both concurrent and periodical to keep the Action Plan on course and facilitate quick and corrective action wherever required.

13. The Prime Minister pointed out that in the Eighth Plan, agricultural planning should be built upwards from the district level and should take fully into account local factors such as local endowments, conditions, priorities, problems and potentials. The national agricultural plan should constitute an integration of these district plans cast within the framework of national priorities and national resources. This would enable us to get much more output from a given volume and pattern of resources than had been achieved in the past.

14. The Prime Minister stated that while agriculture had given us cause for concern, the strong performance of the industrial and infrastructural sectors had helped us greatly in our present difficulties. These had ensured growth despite set backs to the agricultural economy. In the last four years, industry had averaged a growth rate of 8.8 per cent. The momentum had been maintained even in the current drought year where prospects of industry had been handicapped by shortfalls in agriculture. Such industrial performance, he said, was a tribute to the basic soundness and validity of our industrial policies such as encouragement to investment, modernisation, expansion, emphasis to economies of scales, encouraging frontline industries etc. These were the means of strengthening and modernising the economy. This was the policy thrust with which we must persist. Similarly, performance in infrastructure had been outstanding; coal and power being the star performers followed by Railways and Telecommunications. The Plant Load Factor (PLF) at thermal plants was upto 56.5 per cent. The Railways were above target in freight traffic and telecommunications had been transformed into a lead sector of the economy. The policy initiated by the Government in creating congenial environment for public and private sectors had yielded goods results, yet apprehensions had been expressed about a possible slowing down of investments. The Prime Minister stated that delay in investment decisions would be guarded against and stranglehold of red-tape causing delays would be loosened. Any uncertainty about our will to persist with the policies enunciated for speedy investment would be removed. The policy directions in this regard were clear and had been firmly stated. These, the Prime Minister said, would be continued.

15. The Prime Minister stressed the need for dynamising indigenous technological upgradation in industry. He pointed out that there was much scope for stepping up productivity, cutting down costs and improving quality over a wide spectrum of industrial and infra-structural activities. These matters, he stated, were being attended to.

16. Regarding management of public enterprises the Prime Minister pointed out that much thought had been given to this important issue. They should be accorded greater autonomy in exchange for greater accountability. He stated that as a new and important experiment, Memoranda of Understanding had been signed with selected public sector undertakings. Also, a White Paper on Public Sector enterprises was under preparation which would shortly be placed before the Parliament for discussion.

17. On the subject of industrial relations the Prime Minister referred to the favourable climate for labour relations fostered in the last 2 years. However, he noticed attempts to disrupt this atmosphere which he said should not be allowed to succeed. Important legislations for the benefit of organised labour had been brought forward. Tripartite forums had been effectively used for promoting interactions between managements and labour. He said that participation of labour in the management of public sector enterprises was being encouraged.

18. Highlighting the paramount importance of human resource development, the Prime Minister stated that it was both the necessary means to development and the ultimate objective of the development process. In this connection he referred to the special session of the NDC held on 29th April, 1986 to discuss the National Policy on Education (NPE). He said that there had been a substantial augmentation of Central resources for education which, if matched by similar efforts on the part of the States, could help us move towards the broad objective of reaching an expenditure level of six per cent of National income for this crucial sector. He stated that Operation Blackboard, the Navodaya Vidyalayas, free schooling for girls and curricula which promoted pride in the nation's heritage and national integration were among the major objectives of our new national efforts in education. Allied activities related to democratisation and development of culture, galvanisation of youth and programme for development of women and children had also been strengthened and intensified.

19. Reviewing the performance of family welfare programme the Prime Minister stated that there was a record number of contraceptive acceptors in the previous year. But, while expenditure on the programme had grown manifold since its initiation in 1952, the impact on birth rate had not been perceptible. Population growth had not slowed down as much it should have. This was a long term national effort with consequences far removed in time from the initial action taken. He pointed out that the new wealth generated cannot be allowed to be taken away by a vast increase in population. A slowing down of the growth of our population was a must. He emphasised the need to persevere and ensure that States whose performance lagged behind in this respect should be brought up to the level achieved by others who had done better. The Prime Minister stated categorically that the target of reducing the Net Reproduction Rate (NRR) to unity by the turn of the century was the fulcrum around which our hopes of development revolved.

20. Pinpointing the importance for increasing awareness for environmental protection, the Prime Minister stated that for much of the period that our development process had been in motion, there had been a neglect of the environment. Insufficient awareness of the long term economic consequences of environmental degradation had led to unthinking actions which had curtailed, and sometimes even aborted our efforts at economic development. The price for environmental

damage would be paid, he pointed out, if not immediately then later, if not here, then elsewhere. Therefore, the key to long term development was environmentally safe development. There was a cost to environmental protection. It was a cost which should be incorporated in the total costing of any project; by the same token the benefits of environmental protection should also be added to the benefits that flow from any project. He stated that any cost benefit analysis of economic development which abstracted itself from the dimensions of cost incurred in environmental protection and benefit derived out of it would give erratic results. He felt happy that of late there was a most encouraging increase of awareness among political personalities and the people in general of the need for conserving the environment. He added that this awareness should be built upon.

21. Stating that a hard look was needed to be taken at the meaning, functions and methodology of planning, the Prime Minister emphasised that planning was more than a mere reconciliation of competing budgets of different Ministries with available resources. Planning should be more than just a balancing act. It cannot content itself with extrapolating into the future the past experiences of the relationship between resources and results. The primary purpose of planning should be to set the goals the nation needed and ensure that they were achieved. For this we should work for imaginative, innovative ways of generating substantially higher results from a given quantity of resources than previously achieved. To secure this there had to be a far greater meshing of minds of economists on the one hand and scientists and technologists on the other, to make results an ever expanding function of resources.

22. The Prime Minister said that all sections of the country should come together to overcome obstacles and generate a strong collective will for the achievement of national objectives. Planning should ensure the attainment of the larger vision of achieving ambitious targets, of finding ways of solving problems and not being inhibited or overwhelmed by them. Further, planning should be a symbiotic process of building upwards from the bottom and building downwards from the top. We cannot content ourselves with decreeing from the Centre what should be done in five lakh villages spread across the country. In this context the Prime Minister underscored the necessity for strengthening the machinery for district planning. He stated that regular and periodical elections to local bodies should be ensured so that grass-roots democracy thrived in conjunction with grass-roots planning and real power vested in elected bodies and were not usurped by nominated bodies as was happening in some places. Even as Parliamentary democracy was the best guarantor of sound planning at the national level, and democracy in States legislatures the hand-maiden of State level development, so were elected local bodies indispensable to really effective development at the local level. This should be supplemented by local administration being given flexibility in the implementation of development policies to suit local needs and conditions.

23. The Prime Minister said that the subject of the Mid-term Appraisal of the Seventh Plan was vast. He had thought it appropriate to highlight some of the main points of concern and looked forward to hear the views of the members of the Council on these points and the steps that they would propose to take the nation forward.

24. Concluding, the Prime Minister stated that despite difficulties and setbacks, the last 3 years had vindicated the basic validity of our larger vision which the nation had derived from the great Jawaharlal Nehru. It was a vision which had inspired us for the last 40 years. He asserted, that we shall become a self-reliant nation, a modern nation, a nation which shall harness the best of science and technology to the needs of all our people, particularly the poorest. Perhaps, some modifications and changes of emphasis may be necessary. But, he said whatever changes we make, must be within the perspective that we have followed since independence.

25. **Shri P. Shiv Shanker**, Deputy Chairman, Planning Commission and Minister of Planning and Programme Implementation welcomed the members to the meeting and stated that he looked forward to constructive discussions on the measures required to be taken to ensure the fulfilment of the Plan which the Council had approved about two and a half years earlier.

26. Pointing out that the fortieth meeting of the National Development Council, was being held in a year when the nation was celebrating the fortieth anniversary of independence, the Minister of Planning stated that it would be appropriate in that context to remind ourselves of some of our achievements over this period so that short term difficulties do not dishearten us. The more important of these he said, related to a three-fold increase of the production of foodgrains, a sharp reduction in the poverty ratio, better capabilities for coping with droughts, control of major endemic diseases, improvement of life expectancy, better access to education particularly in rural areas, increase in savings from 10 per cent of Gross Domestic Product in 1950-51 to 22 per cent in 1985-86, decrease in the dependence of foreign aid, transformation of the rural economy by zamindari abolition and other land, reforms, etc.

27. Focussing on the performance of the economy in the first half of the Plan, the Minister of Planning, pointed out that the average growth rate of the economy at around 4.4 per cent, though below the Plan target, was nonetheless, a matter for satisfaction since these years were affected by adverse weather conditions. The growth rate during 1987-88 would be lower because of the devastating effects of one of the most severe droughts in recent times. The striking fact was that despite such a severe drought, national income would rise though modestly. There was a great dynamism in the performance of industrial and infrastructural sectors as indicated by their growth rates and if the tempo of agricultural growth was revived, there was every possibility of attaining the production levels required to reach the five per cent growth rate targetted for the Plan.

28. The main reason for the reasonable growth performance in the face of adverse weather conditions, the Minister of Planning said, was the performance of industry and infrastructure. Major production targets of the industrial sector are expected to be achieved. Infrastructure performance has been good, both in terms of growth and productivity. Supply of power had increased by 8.5 per cent and transport constraints were no longer felt in the economy. He said that detailed exercises for long term planning that would provide a basis for rational investment choice for technological upgradation and improvements in efficiency were underway.

29. Explaining the overlapping roles of the Centre and the States, in development of industry and infrastructure, the Minister said that improved performance in this sector was a matter of satisfaction to all of us.

30. The Minister said that the Mid-Term Appraisal had drawn attention to many problems which remained to be tackled such as modernisation of traditional industries, rehabilitation of sick units, potential for agro-industries, need for greater industrial dispersal etc., and the need for the State Governments to play an important role in evolving a viable policy for these purposes.

31. The principal problem to the fulfilment of the Seventh Plan, the Minister stated, lies in agriculture. Because of the adverse weather, agricultural performance has been well below target. Foodgrains production as well as oil seeds and sugarcane production had remained below the peak levels attained in the Sixth Plan. Apart from bad weather, this stagnation in agriculture was also on account of shortfalls in irrigation development, fertiliser consumption growth, the spread of High Yielding (HY) areas and other deficiencies of implementation of schemes/



programmes. However, in other areas some progress had been made especially in rice production programme for the Eastern Region which was showing good results.

32. Realising that we face a major problem in the agriculture sector, a Task Force headed by the Member, Agriculture, Planning Commission set up under the instructions of the Prime Minister, had prepared an Action Plan for ensuring that at least 175 million tonnes of foodgrains production was attained by the terminal year of the Seventh Plan. The Action Plan which had been discussed with the concerned State Chief Ministers, specifies in detail the strategies, actions, policies and outlays that were required at the district, State and Central levels to ensure that the Plan target of 175 million tonnes of foodgrains production was attained. In the other problem areas of oil seeds a National Mission with the objective of making the country self sufficient in oilseeds has been launched. He appealed to the State Governments to extend their fullest support to this programme as well as the programmes for dryland agriculture.

33. Agricultural development, the Minister said, was closely linked to the question of poverty removal and employment generation. During the first three years of the Seventh Plan, 9.38 million beneficiary households had been assisted. Experience has revealed the need to match the assets provided with the traditional skills and other endowments of the household. He emphasised that great attention needs to be paid to the selection of viable schemes and the integration of these schemes with other special programmes of development.

34. Pointing out that rural development and local planning were closely inter-linked, the Minister of Planning outlined the initiatives taken by the Planning Commission to strengthen the planning set up at the State and District levels and requested the States to give a determined push to the process of decentralised planning,

35. The Minister of Planning pointed out that the most important development in the field of education since the initiation of the Seventh Plan had been the adoption of the National Policy on Education (NPE) in May, 1986 and its Programme of Action in August, 1986. Briefly giving the progress of programmes which had been started in pursuance of the National Policy on Education, such as Operation Black Board, establishment of Navodaya Vidyalayas etc., the Minister of Planning drew the attention of the Council to the National Literacy Mission which was a Societal mission covering not only ongoing programmes but also providing technopedagogic inputs and post-literacy work through a net work of Jan Shishaiak Nilayams.

36. The Minister drew attention to the disquieting population scenario and said that we now have to focus the family planning effort more towards the younger age groups and recognise the impact of factors like age of marriage, women's education and employment, on fertility behaviour. Referring to the issue of provision of drinking water of acceptable quality in rural areas, the Minister said that in order to provide a determined thrust towards meeting this basic biological need, a National Technology Mission had been set up for the purpose.

37. Referring to the significant success achieved in the integrated development of Science and Technology in many areas, the Minister pointed out that only a couple of days earlier the country had become the fifth in the world with its own remote sensing satellite for resource surveys. He said that a mission oriented approach for the implementation of Science and Technology based programmes have been adopted and five National Technology Missions launched dealing with Telecommunications, Oilseeds, Adult Literacy, Immunisation and Drinking Water. He expressed appreciation of and welcomed the efforts made for development of Science and Technology in all

the States and Union Territories and solicited their continued cooperation in the fulfilment of the National Technology Missions.

38. Taking up the question of generation of resources the Minister pointed out that there would only be a marginal shortfall of about three per cent in the savings and investment envisaged for the Seventh Plan, which was no mean achievement, considering that the first half of the Plan had been characterised by severe weather conditions. He mentioned that the rate of generation of private - savings was more or less on the scale originally envisaged and the real pressure was on the shortfall in public savings. He said that, as had been observed by the Prime Minister, a few minutes earlier, the pace of plan investment had been quite substantial. In the first three years, in real terms, the Centre would be spending around 63 per cent and the States around 53 per cent of the outlay, a level of achievement which is perhaps a record. But, he pointed out that the financing pattern of the Plan differed significantly from the original. Both in the Centre and the States, the availability of own resources had not been as much as originally envisaged. He felt that the revenue component of the Budget, both in the Centre and the States, needs to be controlled and revenue expenditures also subjected to some form of cost-benefit scrutiny like investment expenditure. He drew attention to the fact that resource generation of public sector enterprises had lagged behind both in the Centre and the States and urged the States to pay particular attention to the performance of Electricity Boards and State Road Transport Corporations. Pointing out that the fulfilment of the Plan depended crucially on resource mobilisation, the Minister said that he had seen some disquieting press reports that most of the State budgets presented during recent weeks had not shown any real efforts at resource mobilisation and expressed the hope that the States would fulfill the promises that they had made.

39. Summing up, the Minister said that a great deal had been achieved over the last three years. There was a new dynamism in the economy. Despite the ravages of the weather, it has been possible to maintain the pace of development and can confidently plan on correcting the short-falls of the first-half in the second half of the Plan period. The Mid-Term Appraisal had identified many of the measures required for this purpose. He expressed the hope that there will be general agreement on these and all would work together to fulfil the promises made two and a half years earlier when the Seventh Plan was finalised.

40. **Shri N. T. Rama Rao**, Chief Minister, Andhra Pradesh complimented the Planning Commission for the lucid and objective presentation of the document relating to Mid-Term Appraisal of the Seventh Five Year Plan and suggested that the provisional assessment made by the Planning Commission should merit serious consideration by the National Development Council.

41. The Chief Minister observed that deficit financing of the order of over Rs. 26,700 crores in the first four years of the Seventh Plan would exceed the limit of Rs. 14,000 crores anticipated by National Development Council for the entire Plan period. This, alongwith increase in the administered prices and continued drought had resulted in increase in prices. Further, increase in wages and additional DA instalments coupled with rising trend of prices would result in the States' resources becoming stagnant or even declining in real terms. In this context, there was need for increasing the present inadequate ways and means advances limits of the States and prudent financial management to avoid wasteful and unproductive expenditure,

42. The Chief Minister pointed out that access to open market borrowings was not evenly distributed between the Union and the States and in the last four years, the Union Government borrowings worked out to 75.5 per cent as against 67.5 per cent envisaged in the Plan. Central

Public Enterprises were being freely permitted to mobilise resources through bond issues with special concessions, but similar facilities had been denied to the State undertakings. Small savings collection in which the States had a major stake had been adversely affected by such bond floatation and other financial instruments like Relief Bonds for tapping public savings. Diversion of Employees' Provident Fund accretions to a special deposit from April 1, 1986 had also a dampening effect on States' share of small savings. The State would urge for grant of due share in public borrowings and restoration of the primacy of small savings and other instruments of mobilising resources.

43. The Chief Minister stated that the States had to incur heavy expenditure for meeting the situation arising out of drought and other natural calamities, the Centre should provide adequate assistance for the purpose.

44. The Chief Minister, Andhra Pradesh, stated that the growth rate in the first two years of the Plan was short of the target. Investments had to be stepped up in identified sectors like agriculture, creation of additional potential for irrigation and generation of electricity if the projected planned growth rate was not to elude us.

45. In regard to agriculture being identified as the principal weakness at the sectoral level, the Chief Minister stated that the States were not inclined to agree to the suggestions by the Planning Commission that agricultural planning should be organised on the basis of broad based agro-climatic zones which could transcend State boundaries. Entrusting agricultural planning to supra State bodies would be unimaginative and retrograde particularly, when micro level planning on watershed basis and on the basis of homogenous agro-ecological zones within the State limits had been found to be scientifically sound, administratively convenient and politically and constitutionally appropriate. In the present context, old and fresh initiatives for accelerating production process, completion of irrigation and power projects and improving the mechanical efficiency of the existing assets, besides judicious re-deployment of scarce resources and their diversion from less efficient and uneconomic channels would be called for.

46. The Chief Minister wanted the shortfalls in the surpluses of public enterprises and steep growth in non-plan expenditure to be checked in the interest of plan financing.

47. The Chief Minister requested for quick clearance/expeditious implementation of irrigation projects located in drought-prone areas in the State like Telugu Ganga, Vamsadhara and Important power projects like Vijayawada Thermal Stage II, Gas Turbine Project at Muddanur and Manuguru.

48. **Shri Jyoti Basu**, Chief Minister, West Bengal pointed out that though Deputy Chairman, Planning Commission had stated that landlordism had been abolished for the country as a whole, only 28.8 per cent of the land was under the ownership of small and marginal farmers and the rest was owned by big farmers.

49. The Chief Minister stated that the employment problem had been further aggravated by industrial sickness; the total number of sick units in the country had increased from about 24,000 in 1980 to 1.51 lakhs at present and the number of registered unemployed had gone up from one crore in 1976 to 3 crores in 1987.

50. He pointed out that the increase in administered prices of essential raw materials, petroleum products and food items and recourse to deficit financing had contributed to inflationary trend. Alongwith this there was a fall in expenditure on anti-poverty programmes in real terms.

51. The Chief Minister observed that the whole approach of Planning was directed towards the benefit of upper income groups and at the neglect of the poorer sections. The entire strategy of planning had been one of straying away from the aspirations of the vast majority of the people. This strategy had led to the centralising tendency in which 60 per cent of the total tax revenue raised in the country was retained by the Centre and the rest of the 40 per cent was shared between all the State Governments. The Chief Minister stated that the increase in administered prices by the Centre had vindicated its tendency to centralise resources.

52. The Chief Minister, West Bengal pointed out that the decision of the Central Government to introduce the scheme of freight equalisation only for certain selected raw materials and industrial items, resulted in advantages for certain selected regions while depriving the other regions of their pre-existing advantages without providing for any method of compensation.

53. The Chief Minister stated that during the last ten years, the Government of West Bengal had tried, to the extent possible, to reorder the existing distribution of production assets in agriculture and industry, towards a more equitable distribution. Also, the State Government had attempted to decentralise planning in West Bengal; the Central Government also should decentralise it. The State Government had constituted planning committees at district, block and even at lower levels and had conducted panchayat elections thrice during the last ten years.

54. **Shri Gegong Apang**, Chief Minister, Arunachal Pradesh, appreciating the Mid-Term Appraisal document on the Seventh Five Year Plan, called for a rededication to the approach set out in the Seventh Plan. He stated that the annual rate of growth of over four per cent, though lower than the targetted rate of five per cent, was impressive in the historical context of Indian Planning. He stated that the economic growth achieved in the previous three years was primarily the result of the high rate of growth achieved in manufacturing, infrastructural and mineral sectors. It was, therefore, correct to hold that the vital need of the next two years was to reduce dependence of Indian agriculture on weather conditions and to achieve the Plan target of 175 million tonnes of food-grain production.

55. While appreciating the stress on agricultural development, the Chief Minister stated that reference to horticulture development was missing in Chapter IV of the Appraisal. He stated that in the hilly states of the North East, it was absolutely vital to exploit the immense horticultural potential. He suggested that there should be a special horticulture and cash crops development programme for North Eastern States on the pattern of Special Rice Production Programme in the Eastern States. It should be an integrated programme covering land holding arrangement, plantation, packaging, processing, storage and marketing and simultaneously remunerative prices have to be ensured. He stated that development of horticulture would obviate the need for terracing which was extremely expensive to undertake and difficult to organise in labour scarce hilly areas. Development of horticulture would also enable rehabilitation of persons weaned away from Jhum cultivation, and become the mainstay of the State's economy.

56. The Chief Minister emphasised the need for creating a sound infrastructure of transport and communication. He pleaded for the provision of adequate funds so that the existing roads could be properly maintained and more areas opened up in the interior. Expressing the hope that the State would be able to reach the production targets for food grains for the Seventh Plan, he stated that Arunachal Pradesh was willing to embark upon a programme of multiple cropping, but they would need high quality seeds and fertilizers at the required time.

57. The Chief Minister pointed out that the greatest resource in the State was water and the potential for generation of hydel power. He appreciated the funding pattern of Naptha Zakhri Project in Himachal Pradesh and wanted that on the same pattern, the Central Government should finalise Kameng Hydel Power Project proposed by Arunachal Pradesh, which could be a forerunner of numerous projects that could be constructed in Arunachal Pradesh.

58. The Chief Minister thanked the Planning Commission for being continuously sympathetic towards the State and for taking a realistic view of the problems of Arunachal Pradesh. This had enabled the State to make considerable headway in expansion of infrastructure and taking up poverty ameliorating programmes. However, he requested that while determining the Plan allocation for Arunachal Pradesh, the Planning Commission should take note of the vast geographical size of the State, its strategic location and its difficult terrain. He also sought greater flexibility in the implementation of Centrally Sponsored Schemes in the context of the terrain problems. He requested that the State's proposals for setting up a Cement Plant at Hunli, a paper mill and an oil refinery at Kharsang might be favourably considered.

59. **Shri Bir Bahadur Singh**, Chief Minister of Uttar Pradesh stated that the Mid-Term Appraisal brought out most objectively and lucidly the strength and weaknesses of the past and gave clear cut suggestions regarding the directions where changes and corrections were required. He pointed out that stagnation of the growth rate around five per cent, low and erratic behaviour of growth of agriculture, redistributive measures of income and assets not having the stipulated impact, decline in the resources for Plan of the State alongwith increase in the share of non-plan expenditure and inefficacy of population control measures caused serious concern. While the economy had developed, in spite of natural calamities like droughts, sustained efforts were required to undertake all measures to ensure drought proofing and protection from the floods. He mentioned how the worst drought of the century was faced by his State by ensuring adequate power for the rural sector. He emphasised on more investment in the power sector. In this connection, he mentioned that Plant Load Factor in the State has improved from 31 per cent to 47 per cent in the last two years and they would try to take it to 50 per cent.

60. The Chief Minister requested for improving the rate of Central sector investment in the State which was very small at present. In this connection, he pointed out that his State had low per capita investment and low per capita income compared to the national averages in this regard. He pleaded for special attention to backward areas like Eastern Uttar Pradesh, Bundelkhand and the hill regions. He also stressed the need for taking up watershed management in the State. The State had taken measures for democratic decentralisation as also preparation of the District Plans. The Chief Minister also stressed the need for improving the State's credit deposit ratio which was at present much lower than the national average so that a reasonable percentage of the deposits could be ploughed back in to the economy.

61. **Shri P. K. Mohanta**, Chief Minister, Assam stated that after three and a half decades of planned development, the per capita income of Assam had become lower compared to the All India average. He pointed out that the inadequate Seventh Plan outlay allocated to the State had reduced the scope for reversing the falling trend of State's per capita income. The Chief Minister stated that the plan fund utilisation during the first three years of the Seventh Plan had been satisfactory. He requested that Seventh Plan outlay should be revised upward and the original proposed outlay by the State Government should be considered for allocation. The allocation for 1988-89 was also inadequate and should be augmented at the revised estimate stage.

62. The Chief Minister stated that the signing of the Assam Accord had raised great expectation but the special Central assistance expected to materialise to bolster the economic aspect of the Accord had not been forthcoming and the State's own resources were increasingly deployed on implementation of those aspects of the Accord which were within the State's own power. As a result the State's resources for the remaining period of the Plan had become too low.

63. The Chief Minister stated that agriculture in Assam was unstable mainly due to recurrent floods every year which caused large scale damage to the standing crops. A permanent solution to this problem was imperative. Certain projects prepared for flood control were beyond the capacity of the State Government and Central Government should take responsibility for financing these projects. A coordinated regional approach was called for to deal with floods caused by high rains in the catchment area of the Brahmaputra river.

64. The Chief Minister stated that in spite of abundance of natural resources, industrialisation had not yet taken place in Assam because of continuous low level of investment and unsatisfactory response of financial institutions as well as lack of private investment. The Chief Minister pointed out that during the remaining two years of the Seventh Plan, additional outlay would be required to fully implement the industrial programmes envisaged in the Seventh Plan.

65. The Chief Minister stated that the improvement of communication and transport was crucial for the North Eastern Region as a whole. He requested for the taking up the projects like broad-gauge railways from Guwahati to Dibrugarh, linking Badarpur by broad gauge railway and expediting bridges over Brahmaputra at Jogighopa in lower Assam. The road system needed more attention and improvement. More resources were required for irrigation and power. The Brahmaputra Board had submitted a proposal for the Dihang and Subansiri Hydro-electric projects (both are situated in Arunachal Pradesh) which should be taken up as National Projects by the Central Government.

66. The Chief Minister stated that the debt burden of the State had considerably increased. In this connection, he requested that the Central assistance formula should be modified from 70 per cent loan and 30 per cent grant to 10 per cent loan and 90 per cent grant in conformity with the pattern in other special Category States of the North Eastern Region. As there was hardly any scope for raising additional resources, the Chief Minister requested that the State Government should be allowed to levy consignment tax on stock transfer which would yield an annual revenue of the order of about Rs. 35 crores. He stated that the consignment tax should be subject to the condition that no concession would be allowed in the matter of the tax in respect of tea and petroleum products and that the power to grant concessions, if any in the matter, must vest in the State. He further requested that royalty on crude oil should be raised to Rs. 340 per tonne.

67. The Chief Minister further stated that sharing of the country's resources was heavily tilted in favour of the Centre. He requested that proceeds of corporation taxes should be brought in the divisible pool and shared with the States.

68. The Chief Minister suggested that proceeds from increased administered prices of commodities in any financial year should be distributed among the Union and the States. Surcharge on income tax should also be brought into divisible pool and shared with the States. He further stated that in view of the Supreme Court judgement holding manufacture of tea to be an agricultural produce, the State should be allowed to treat the entire income from tea as agricultural income and tax as such instead of treating only 60 per cent of it as agricultural income as at present.

69. The Chief Minister stated that Article 269 of the Constitution should be fully exploited for the purpose of raising revenue exclusively for the State. The feasibility of discontinuing grant in lieu of tax on railway passenger fare and reintroduction of tax on railway passenger fare should be examined. The Chief Minister further stated that ways and means limit allowed to State by the Reserve Bank of India for meeting temporary imbalance in receipts and expenditure should be extended appropriately keeping in view the uneven flow of receipts and disbursements and other relevant factors. He suggested that functioning of the Committee of Ministers for speedy development of the North Eastern Region should be made more purposeful and top officials of the Central Government such as Secretaries, should pay regular and frequent visits to the North East and discuss in detail about implementation of development plan and provide necessary guidance and assistance in the context of field situation.

70. The Chief Minister suggested that Assam should have a need based plan considering its economic and industrial backwardness and availability of rich natural resources. Special weightage for increased plan outlay should be given for Assam in view of the alarming growth of population mainly due to migration and for restoration of flood damages. Special weightage should be given for high capital cost of projects in the North Eastern Region. He suggested that the entire expenditure on relief assistance should be borne by the Centre as a non-plan grant.

71. The Chief Minister requested for the withdrawal of the restricted area permits for promoting tourism in the region. He said that Assam in particular, and North Eastern Region in general, could earn substantial foreign exchange if the restricted area permit system was withdrawn.

72. **Shri S. R. Majumdar**, Chief Minister, Tripura, referred to the shortfalls in the production of foodgrains and stated that the main factors in this regard were non-availability of recommended variety of seeds, low rate of consumption of fertilisers for want of irrigation facilities, etc. Similarly, in the case of production of coconut, difficulties were experienced in procuring quality seed nuts from long distance places. Demonstration of vegetables could not be done due to non-supply of demonstration seeds by the National Seeds Corporation. However, for the remaining two years of the Seventh Five Year Plan some corrective measures had been taken to achieve the target.

73. The Chief Minister stated that the targets fixed for 20 Point Programme and Minimum Needs Programme after some corrections made on the basis of Mid-Term Appraisal, were likely to be achieved in full. The Loan Mela beneficiaries would be tied up with the programmes for poverty alleviation and employment generation.

74. The Chief Minister referred to the availability of abundant natural gas in the State and observed that the use of gas at optimal level needed greater attention.

75. The Chief Minister stated that the Tripura Jute Mill which was set up in the State sector would require heavy investment to avert a financial crisis. As regards village and small industries sector, the Chief Minister referred to the recommendations of the Report of the Sub-Committee on Development Of Hill Areas for the North East Region (December, 1987) and pointed out that the State Government would consider the Area-Specific Programmes for development of entrepreneurship suggested by the Sub-Committee.

76. The Chief Minister stated that the rehabilitation programme for jhumias should be introduced in such a way that it strengthened the economic base of the tribals by providing viable alternative occupations.

77. As regards additional resource mobilisation, the Chief Minister stated that the State intended to achieve the targets set by the Planning Commission and even to exceed it over the Plan period both in tax and non-tax efforts. In addition, the State is also making an effort to bring in overall economy in non-plan expenditure in order to augment the resources.

78. In conclusion, the Chief Minister referred to the need of evolving appropriate strategy for bringing about speedier economic development in the North Eastern Region. The norms that might be developed for North Eastern Region might have to be different from those applicable to villages in plains. He fully endorsed the Mid-Term Appraisal Document.

79. **Shri Bhagwat Jha Azad**, Chief Minister, Bihar expressed his thanks to the Centre for the sanction accorded to the high level bridge across the Ganga at Bhagalpur. He also mentioned that the Thermal Power Station coming up at North Karanpura would be a boon to the State. He thanked the Centre for the decisions taken for providing major hydel power station at Koelkaro.

80. The Chief Minister referred to the floods which the State faced every year and hoped that additional Central assistance would be given on the basis of supplementary memorandum, submitted to the Central Government.

81. Drawing attention to Bihar's growth rate, the Chief Minister said that during the Sixth Plan, the State achieved 4.4 per cent against national achievement of 5 per cent. He added that during the first two years of the Seventh Plan, the State was lagging behind the national average. The Chief Minister pointed out that agriculture had considerably lower rate of growth in the State. He thought that there could not be any break-through in the agricultural sector unless land, population, and communications were protected from frequent flood damages. Since the rivers that flooded the State originated from Nepal, any meaningful flood control measures called for close Indo-Nepal Cooperation. He wanted this to be tackled on a national priority basis.

82. The Chief Minister mentioned that the revised target of foodgrains production for Bihar stood at 14 million tonnes. The consumption of fertilisers in the State was picking up, but the problem of low productivity still existed in case of rice. In sizeable portions of Kosi and Gandak, there was a problem of water logging and drainage. The State Government was making all efforts to implement the recommendations of the Sen Committee in order to improve the performance of agriculture especially irrigated kharif agriculture in North Bihar.

83. The Chief Minister mentioned that the power shortage faced by the State was largely due to the big backlog in the transmission and distribution infrastructure, augmentation of which deserved priority.

84. The Chief Minister referred also to a large backlog in the construction of both rural and district roads in the State and pointed out that in view of the high density of population of North Bihar and Chota Nagpur, massive investment in creating a rural network of roads was necessary. He added that taking note of the backwardness and low rate of literacy, the State was making all efforts to implement the new Education Policy to tackle drop outs, providing school buildings etc.

85. The Chief Minister stated that the achievements of the State in the Additional Resource Mobilisation front were noteworthy and the State Government deserved special treatment in the matter of Central assistance. He added that Gadgil Formula should be suitably modified to help States like Bihar. Bihar had ten per cent of the population of the country, but was getting only six per cent of its share of Central assistance. He sought appropriate compensatory assistance for



the sharp deterioration of resources arising from sudden change in the investment pattern of provident fund. He also wanted a change in the Royalty Formula in connection with the mineral resources and requested for an early decision on Consignment Tax. He hoped that additional projects would be taken up in the State under World Bank assistance.

86. The Chief Minister, Bihar, referred to the efforts being made by the State Government to uplift the economic conditions of the Scheduled Castes and Scheduled Tribes and added that 25 per cent of the outlay for 1988-89 Annual Plan would be directly spent on the uplift of these people. Higher outlays would be earmarked for the areas where there was acute unemployment / underemployment.

87. **Dr. P. C. Alexander**, Governor, Tamil Nadu stated that a brief appraisal of Seventh Plan performance done by the State Government indicated that expenditure in the first two years of the Plan had been more than the outlay allocated and it was likely that the Seventh Plan aggregate outlay would be exceeded. Two sectors, namely, social and community services and power development accounted for 70 per cent of the total outlay and performance in these as also in the industrial sector had been quite impressive.

88. Notwithstanding adverse seasonal conditions and consequent reduction in the area under crops, per acre yield of crops in the State had been going up over the years. A potential of 4525 hectares of irrigation had been achieved in the State in the first two years and the State expected to achieve the target in the remaining three years. Though Tamil Nadu was a power deficit State, the Tamil Nadu Electricity Board had exceeded the target in pumpsets energisation and rural electrification.

89. The Governor, Tamil Nadu, also referred to the good performance of the State Transport Undertakings and the achievement of the State in enrolment targets under primary and middle levels and the Poverty Alleviation Programmes. The State intended to energise the "Chief Minister's Scheme of Life Oriented Education", and had set up a Centre for Life Oriented Education. The Nutrition Programme for school children introduced in the State had reduced the drop out rate at the primary level by about 22 per cent. Major efforts have been mounted in the State to improve education level of Scheduled Castes/Scheduled Tribes and other backward classes and adequate funds were being earmarked for their welfare.

90. During the President's rule, several new initiatives had been taken by the State Government. These included an added thrust to SC/ST welfare. The Governor, briefly outlined some of the programmes being taken up for the welfare of the weaker sections, as also the steps being taken to provide employment and housing to women and revamp the cooperative structure in the State.

91. The Governor pleaded for early clearance and adequate sanction of funds for the mass rapid transit system in Madras city, the second atomic power station in Kudangulam, the thermal power station at Cuddalore based on sea borne coal and development of Cuddalore Port.

92. The Governor drew the attention of the Council to slowing down of the momentum of industrial growth in the State. Stating that Government of India treating Tamil Nadu as an industrially advanced state on par with Maharashtra and Gujarat had become a handicap for getting a fair share of Central projects in the State. He pointed out that the State's efforts to stimulate industrial development were obstructed by inadequacy of power and weak industrial infrastructure. To tide over this, he requested that the Government of India might consider granting early clearance to additional power generation units in the existing two mines in Neyveli and the third mine-cut in Neyveli, the

atomic power plant in Tirunelveli district, the thermal power plant in Cuddalore and the development of the Cuddalore port.

93. Tamil Nadu had become a vast rice deficit State and Cauvery Delta which was the rice bowl of the State had been languishing for water. Greater cooperation between Tamil Nadu and Karnataka in the use of Cauvery water and constitution of a Tribunal for adjudication of Cauvery water dispute would be helpful.

94. The City of Madras was getting an overall per capita supply of only 7 gallons of water per day, which was one of the lowest in any city in the world. The situation called for urgent attention to supply drinking water to the city from Krishna river by early implementation of the Telugu Ganga Project by the State of Andhra Pradesh.

95. The City of Madras had over a period of time suffered from considerable environmental degradation. The State proposed to improve the three main water-ways in the State, namely Adayar and Cooum rivers and the Buckingham canal by obtaining assistance from British Overseas Development Agency. Preparation of a project report and early clearance of the schemes should receive attention.

96. **Shri Pratap Singh Raoji Rane**, Chief Minister, Goa, stated that the major thrust during the remaining years of the plan would have to be on the agricultural sector, accelerated development of irrigation potential, improvement of water management and watershed development programmes in dryland areas. He wholeheartedly supported the Technology Mission on Drinking Water and Oilseeds and felt that salvation of the country lay in correct formulation and proper execution of agricultural and rural development programmes.

97. The Chief Minister stated that price rise had been an area of concern. Although contained within manageable limits, the rate of inflation when measured with consumer price index number of industrial workers was higher than when measured with the wholesale price index number. The Chief Minister pointed out that the fall in savings rate was not a healthy feature for the growth strategy and apart from Indira Vikas Patra, Rahat Patra and National Savings Certificate, additional schemes would have to be formulated to attract savings of rural people. He stated that after delinking of Daman and Diu, the Seventh Plan outlay for Goa State had got reduced and hence there was a case for raising the overall plan size of the State. The State would urge the National Development Council to continue financing of Centrally Sponsored Schemes in Goa on the original pattern as prevailed before it attained Statehood for the remaining two years. He also felt that debt liability under the Goa, Daman and Diu Reorganisations Act, 1987 needed review.

98. There was a case for Goa to be declared as a Special Category State, as the State Government was unable to muster additional funds to bridge the gap in resources and in view of the fact that Central assistance received as a part of Union Territory should not be changed to the disadvantage of the State in the middle of the Five Year Plan.

99. **Shri Nar Bahadur Bhandari**, Chief Minister, Sikkim stated that the Mid-Term Appraisal struck a very sombre note on the economic situation and there was hence a need for a more determined effort if the tempo of development already created was to be kept up. The Chief Minister stated that the performance in the agriculture front highlighted the fact, that in crucial areas like fertiliser consumption, creation of irrigation potential and spread of high yielding varieties the performance had been poor. He was of the opinion that reliance on deficit financing and heavy borrowing was likely to cause serious inflationary pressures on the economy. Since the beginning

of the Plan, the cumulative price increase was almost 30 per cent. Keeping in mind the erosion in the value of money, a reassessment of the financial requirements was required to achieve the physical targets set for the Seventh Plan. In this context, he wanted an increase in the overall size of the Plan, including the States' Plan in order to provide funds to achieve those physical targets. Simultaneously, deficit financing should be contained and drastic measures were required to reduce the non-plan expenditure.

100. The Chief Minister, Sikkim stated that the performance of the public sector to generate resources for the Plan was disappointing. The whole policy in regard to public sector needed to be reviewed with pragmatic consideration in mind. Small states like Sikkim with severe disadvantages in terms of communications and resources would have serious difficulties in sustaining the tempo of development. The Plan outlays were eroded by inflation and hence the need to take immediate and effective measures to curb inflation.

101. **Shri Amarsinh Chaudhry**, Chief Minister, Gujarat appreciated the comprehensive review done by the Planning Commission in the Mid-Term Appraisal document and stated that the State had also carried out such a review for assessing areas where mid-term course corrections were necessary. The review at the State level had shown that there had been inadequate funding of the Plan (48.5 per cent of the total outlay of Rs. 6000 crores) during the first three years, resulting in slowing down of projects particularly in the core sectors of energy and irrigation. The State finances faced several constraints on account of three successive years of drought requiring massive relief operations. Taking into account the fourth years' approved Plan size of Rs. 1275 crores, there would be a balance of over Rs. 1800 crores of plan outlay for the last year of the plan which would be beyond the reach of the State Government. He pointed out that relief expenditure quite often exceeded the ceiling fixed by the Centre which was always the minimum. For example, during 1987-88 it amounted to Rs. 600 crores as against a ceiling of Rs. 276 crores approved by the Government of India. The Chief Minister suggested that State's requirements of relief measures should be taken into account while the Centre made assessment of the State's needs. He further suggested that the present distinction between drought relief works and repair and restoration work under other calamities like floods and cyclone should be done away with and non-plan grants should be provided to cover 75 per cent of the approved expenditure in excess of the margin money. The Chief Minister sought additional Central assistance of Rs. 200 crores to tide over the present crisis.

102. The Chief Minister made brief observations on raising resources for the State's Plan viz., permitting the public sector undertakings to raise substantial funds through bonds with tax concessions on interest etc. raising the maximum limit of profession tax; bringing in early legislation on consignment tax by Government of India; revising the rate of royalty on crude oil etc.

103. The Chief Minister requested that formal clearance may be given to the Sardar Sarovar Project by Planning Commission which would be the lifeline of Gujarat and also benefit Madhya Pradesh and Maharashtra.

104. The Chief Minister gave a brief resume of the Plan performance of his State and indicated that foodgrains production in the State had fallen from 52.57 lakh tonnes in 1984-85 to 30.89 lakh tonnes in 1986-87 and was likely to be 12.75 lakh tonnes in 1987-88. He stated that the concept of different treatment to different agro-climatic zones in the country in this context was welcome. The Chief Minister reiterated the State's request for allocation of gas for generation of power and a higher share of Gujarat in the Vindhyachal Thermal Power Station and other Central Sector Power Stations of National Thermal Power Corporation.

105. Under the Anti-Poverty Programmes, the Chief Minister suggested that the nationalised banks should be given specific targets for each quarter. The Drought Prone Area Programme (DPAP) and Desert Development Programme (DDP) would require a detailed review particularly to consider whether investment in these programmes should remain tied to land and water or whether these should extend to increasing and sustaining incomes from other sources. Problems of ingress of salinity and industrial effluents in the State needed attention. In the crucial water supply sector, the entire cost of projects under Accelerated Rural Water Supply (ARWS) Programme should be borne by Government of India and a definite percentage of the project cost should be given to local bodies as fees for executing the schemes.

106. **Shri Devi Lal**, Chief Minister, Haryana stressed the need for providing greater support to farmers, minimising the effects of natural calamities and providing incentives for increasing production. He wanted more Central industrial projects to be located in Haryana. He expressed concern over the excessive reliance by the Centre on deficit financing and the rising non-plan expenditure. Indicating that there would be a short-fall in the total expenditure envisaged in the Seventh Plan for Haryana, he referred to the effect of drought on agricultural production as well as the general growth rate. He stressed the need for early completion of the SYL Canal for increasing the irrigation potential.

107. The Chief Minister attributed the fall in financial resources of the State to the continual increase in the administered prices of steel, coal, cement, petroleum products as also railway fares, freight rates, postal and telecommunication rates. These alongwith deficit financing raised the prices of essential goods and services. This had adversely affected the finances of State undertakings like Roadways and the State Electricity Board. This also led to a demand for revision of pay and DA by the State employees. He suggested fixation of a time schedule for review/revision of the administered prices/rates. He also suggested increase in relief for natural calamities to the States and grant of assistance in advance. The limits of ways and means advances with the States should also be increased. Explaining the adverse effects of amendments in the 44 A.C. of the Income Tax Act, he expressed doubts on the legality of the measure and recommended that the amendment might be withdrawn. The other suggestions made by the Chief Minister, Haryana related to change in the terms of reference of the Ninth Finance Commission and appointment of a team of experts for this purpose; increase in procurement prices of agricultural products to take into account the economic cost of inputs like water and power; lower rates for power sold by the NTPC to the States; correction of the adverse trend in the share of States in the market borrowings; issue of notification for levy of Consignment Tax; increase of the share of Haryana in the Central power projects; reduction in the prices of fertilisers and pesticides; creation of bufferstocks of improved seeds; taking over the financial liability for reduction of interest on crop loans by NABARD/Central Government; and waiver of loans and interest in case of continuous droughts.

108. **Shri Shiv Charan Mathur**, Chief Minister, Rajasthan observed that the National economy was under severe strain due to unprecedented scarcity conditions and constraint of resources for financing the Plan. Rajasthan had faced the fourth severe drought in succession. He strongly supported the approach enunciated in Mid-Term Appraisal document for fulfilling the developmental targets during the remaining two years of the Plan. He welcomed the Special Food-grain Production Thrust Programme. However, he felt that in addition to wheat, gram and maize, bajra and moth for which Rajasthan contributed 50 per cent of area under these crops in the country, should also be included in the Special Production Programme.

109. The Chief Minister observed that since only around 22 per cent of the gross cropped area in Rajasthan was under irrigation, the State focussed mainly on rainfed crops and, therefore, on drought proofing which required efficient use of water and better management of inputs. He desired that research people should develop new technologies for benefit of areas having only 45 cms. rainfall which were many in Rajasthan.

110. The Chief Minister urged that liberal financial assistance should be given to cooperatives. For utilisation of irrigation potential financial assistance should be given by Government of India and completion of irrigation projects should be time bound. He indicated that the Indira Gandhi Neher Project (IGNP) had been recast to expedite utilisation of created potential which had been possible due to increased allocation in the current year. He expressed concern over the lowering of water table due to droughts which affected agricultural production of the State.

111. The Chief Minister mentioned that steps had been taken so that completion of Kota Thermal Project might be advanced and it was now expected to be completed by September, 1988. He said that the State was handicapped due to gap in supply and demand of power. The Chief Minister stated that the State's own power generation could meet only 18 per cent of the demand and the rest was met from Punjab and Madhya Pradesh. Greater assistance was required by the State for improving the power supply in the State. He requested that Kota Thermal Power Project Stage-III and Suratgarh Thermal Project be cleared early by Government of India and desired that 30 MW Solar Thermal Power Plant be established at Jodhpur at a very early date.

112. The Chief Minister requested that per capita investment be enhanced for Rajasthan because in the Sixth Plan, it was only Rs. 594 as against national average of Rs. 687. Even in the Seventh Plan, it was likely to be Rs. 765 as against the national average of Rs. 1110

113. The Chief Minister mentioned that Rajasthan accorded high priority to poverty alleviation programmes and had exceeded targets in the generation of mandays under NREP and RLEGP. However, he felt that the present criterion for determination of poverty ratio was based on calorie intake but the calorific value of coarse grains being cheaper, the calorific needs could be satisfied with relatively smaller incomes. Thus, people with relatively higher income, consuming fine grains were rated poorer in comparison to people with smaller income consuming coarse grains. He suggested that poverty ratio in the State should be determined on the basis of income below a cut off level as in IRDP.

114. The Chief Minister observed that the criterion for allocation of resources under NREP and RLEGP among the States had been changed to provide for equal weightage to poverty ratio and population of agricultural labourers, marginal farmers and marginal workers as against 25 per cent and 75 per cent earlier. In view of the controversial method of determination of poverty ratio as mentioned above, the weightage to poverty ratio should be restored to its former position, till some more realistic criterion was evolved.

115. The Chief Minister stated that expenditure on ground water exploration and exploitation had been made ineligible for Central assistance under Desert Development Programme from current year. He requested that these should be included as before. He also urged that power should be part and parcel of Desert Development Programme.

116. The Chief Minister mentioned that in Rajasthan, 36252 villages had been affected out of 38901 villages due to drought but Government of India provided drought assistance for wage component only and not for material component. He felt it was against Finance Commission's

observations and needed reconsideration. He urged that for helping States, it was necessary that Government of India should bear material component also so that durable assets might be created out of relief works. The Chief Minister also emphasised the need for, (i) restocking the Aravalli hill tracts in order to restore the ecological balance, (ii) greater Central sector investment in Rajasthan, (iii) modifying the Gadgil formula to cover the desert segment of the State, and (iv) improvements to the railway network in Rajasthan.

117. The Chief Minister requested that Government of India should urgently legislate for the levy of consignment tax which was waiting since 1982. This would plug the large scale avoidance of Central sales tax.

118. The Chief Minister pointed out that though prior to 10-3-1986, the States were entitled to invest 40 per cent of the Employees Provident Fund in small savings schemes but it was not permissible at present. He urged that this disincentive be removed.

119. The Chief Minister urged that local bodies elections should be time bound and it should be provided for in the Constitution.

120. **Shri S. S. Ray**, Governor, Punjab complemented the Planning Commission for the impressive clarity and objectivity of the Mid-Term Appraisal report.

121. Referring to the problems faced by Punjab, he stressed the need for looking at the terrorists activities in the overall context. Punjab was a leading supplier of milk, food-grains, cotton and sugarcane to the country and expressed the confidence that the State could do well in crops like oil seeds and pulses and lead revolution in horticulture also. He hoped that the process of agricultural planning with reference to the agro-climatic regions as mentioned in the Mid-Term Appraisal would enable individual States to proceed with a clear sense of direction. A long-term policy regarding marketing and fixation of procurement prices was necessary for the established growth of agriculture. He expressed concern at the low growth rate in case of industry and recommended intervention through policy initiatives and direct investment by the Government. Referring to the gap between the needs and resources, he stressed the need for correction of procedures, approaches and attitudes. He also referred to the exhortation by the Prime Minister for devolution from States to districts and to Panchayats and stressed the need for expeditious implementation of this scheme. While a common strategy or plan for sorting out of various problems faced by the country was necessary, the State should also be given some latitude and flexibility in implementing them. He suggested that a mechanism might be evolved by which the Plan size was determined first and sectoral allocations were decided later. He expressed concern that the special component plan for Scheduled Caste (SC) had become a rigid derivative of the main plan without regard to the relevance of the programme contents to the needs and the situation of the SC. He recommended modifications of this methodology and sought stress on programmes of direct relevance to the SC.

122. The Governor, Punjab referred to the piecemeal allocations in view of impending merger of Chandigarh with Punjab, resulting in shortfall in expenditure during 1985-86 and 1986-87. He also mentioned that Chandigarh had been exceeding its targets for resources mobilisation. He regretted the fact that during the first three years of the Plan, financial allocations had not been made available to Chandigarh based on its projected requirements. He stressed the need for providing adequate resources as also for releasing the funds in a planned manner.

123. **Shri Virbhadra Singh**, Chief Minister of Himachal Pradesh fully endorsed the recommendations made in the Mid-Term Appraisal and stated that Himachal Pradesh was fully

committed to democratic decentralisation and accordingly had held elections in most of the Gram Panchayats and Panchayat Samitis. The State had also set up district development and planning samitis. He stressed the need for speedier afforestation of Himalayas and development of the catchment areas of various rivers with central funding. He suggested a total ban on felling of forests and compensation to the States for loss of revenue on this account. Welcoming the Central contribution towards setting up of a corrugated carton making factory as also subsidy on use of paper cartons. He suggested that customs duty on the import of the plant and machinery might be waived off. The Chief Minister also stressed the need for improving the hydel thermal ratio and early completion of Nathpa-Jhakri and Largi Hydel Projects. He suggested that special assistance over and above the normal plan should be given to the States for executing such large projects. Some of the more important suggestions made by the Chief Minister related to expansion of Shimla airport; completion of Nangal-Talwara rail link and commencing work on the Behrampur-Bilaspur-Rampur link; speedy construction of a tunnel below Rohtang Pass; location of Central projects for electronics, precision tools, pharmaceuticals in the State; special grants for development of Shimla; increased grants of infrastructural development for horticulture and forest university, Solan; refixation of norms for calorific consumption in the hills to define the poverty-line; increased grant under the accelerated rural supply programme; and review of the financial resources of the State to determine realistic funding for 1989-90 Plan.

124. **Shri J. B. Patnaik**, Chief Minister, Orissa stated that the Mid-Term Appraisal brought out the reality of the economic situation which prevailed in the first half of the Seventh Plan. It threw light on the achievements as well as shortfalls in the performance of the Plan and provides mid-Plan corrections. The buffer stocks of foodgrains had helped to withstand the impact of the severe drought. Due to the soundness of the fiscal policy and economic strategy, inflation had not exceeded the one digit figure despite the drought. The Chief Minister pointed out that the deficit financing adopted was manageable and despite it, the economy had attained growth.

125. The Chief Minister stated that external debt as a percentage of GNP had never exceeded 8 per cent compared to 35 per cent to 50 per cent in the case of some Asian and American countries. He stated that he differed with the opinion expressed by some that a plan of the magnitude of Rs. 180 thousand crores could not be sustained. The Chief Minister added that the 5 per cent growth envisaged in the Seventh Plan with this investment was not at all ambitious. However, the States which were at the bottom of the economic ladder still continued to remain there. States like Orissa, Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan fell in this category. It was high time that the planing policy was revised in regard to these States and they are treated as Special Category States.

126. The Chief Minister stated that Orissa had fulfilled all commitments in regard to food-grain production and other targets. He pointed out that the Rangalo and Upper Kolar Reservoir remained unutilised and they could be properly utilised if they were taken up by the Centre. He stated that the Centre was committed to the setting up of a steel plant and a thermal power plant in Orissa and these should be set up during the Seventh Plan period. Some of the other important suggestions made by the Chief Minister, Orissa were:

(i) In order to ensure that the employment provided under the various employment generation schemes was productive and geared towards increased agricultural production, all employment could be oriented towards irrigation and irrigated agriculture. For this, there was an urgent need for some reorientation in the schemes of Central assistance to States. Larger amount of soft loans should be provided to the States for input supply;

- (ii) Agricultural price policy should provide for fixation of price not only from the angle of its effects on other sectors of the economy, but also from the point of view of the price being remunerative to the farmers;
- (iii) The amount of Central assistance was bound to go up when reckoned in terms of current prices against what was envisaged during 1985 at 1984-85 prices. This point have not only to be considered but also provided for in the scheme of financing of the plan during the remaining years of the plan;
- (iv) The Central Government should give a reorientation to their industrial policy as well as the policy for infrastructure development. Industries which would directly or indirectly help in supply of : inputs to agriculture should be treated as core industries and given priority assistance;
- (v) The Central policy on infrastructure development should not only favour the establishment of super thermal power projects in the States in the Central sector, but also encourage the States with special finance assistance to set up their own power projects; and
- (vi) Higher allocations of funds be provided for railway projects in Orissa to quickly improve the position of railway infrastructure in the State which was far below the national average.

127. **Shri Ramkrishna Hegde**, Chief Minister, Karnataka, drew the attention of the Council to specific issues posed in the Mid-Term Appraisal document of the Planning Commission and stated that the growing threat of debt burden, as a result of heavy borrowings, external as well as internal, had created a situation where the country was about to enter into a debt trap. He referred to the issue raised in the Mid-term Plan document relating to the phenomenal increase in non-plan expenditure and shortfall in Additional Resource Mobilisation to finance the Plan. He expressed concern at the increasing trend to use deficit financing to meet revenue expenditure. The Chief Ministry suggested appointment of a Standing Committee consisting of a few Chief Ministers and experts to go into these issues.

128. According to the Chief Minister, Karnataka the nation had accumulated a public debt of nearly Rs. 2,20,000 crores and the debt servicing burden had already crossed Rs. 14,100 crores. The danger in continuing borrowing for meeting investments without commensurate returns would lead to a debt trap.

129. While his State had been financially debilitated by continuous drought, Government of India had added to its impoverishment by liberal distribution of largesse in the form of revised pay scales, interim relief, payment of bonus and revision of Dearness Allowance. The Chief Minister stated that there was no justification for an artificial distinction between the Central Government pay scales and State pay scales and Union Government should not go in for pay revision unilaterally.

130. Several areas of non-plan expenditure like maintenance of school buildings, provision of equipment and supplies to hospitals, maintenance of roads and bridges, provision for SC/ ST, backward classes and minorities had to be sacrificed because of shortage of resources for funding the Plan. It had to be ensured that these areas which consolidated the progress through planned investment were not made to suffer.

131. The Chief Minister was of the view that it should be reconsidered whether there was justification for fulfilling a Seventh Plan size of Rs. 1,80,000 crores in purely statistical terms with deficit financing, having an inflationary potential.

132. The Chief Minister pointed out that the terms of reference of the Ninth Finance Commission were unfair to the States and there was a need to modify the terms of reference.



133. The Chief Minister was of the opinion that the recommendations of the Sarkaria Commission should not be deviated from in the interest of Centre-State harmony.

134. The Chief Minister stated that there had been several transgressions of the principle of cooperative federalism by Government of India through its 1988-89 Budget. In this connection, he pinpointed the raising of administered prices by the Centre, the liberal concessions given in reducing the prices of cement, farm equipments, electronic equipments, etc. reduction in income tax and Union excise duties, launching of various patras and various other schemes for the benefit of rural poor and SC/ST population which duplicated the States' efforts in these directions. He also felt that the present overdraft regulation scheme applicable to the States was unreasonable, pointing out that it would not be realistic to assume that States could not face a resource crisis when the Government of India had a deficit of Rs. 15,000 crores.

135. The Chief Minister stated that the National Development Council should discuss these fundamental issues as also issues relating to various checks and controls on the financial administration of the State Governments and the discipline to which the financial management of Union Government should be subjected.

136. **Shri E. K. Nayanar**, Chief Minister, Kerala, stated that there was a necessity to devise ways for improving the working of the National Development Council. He referred to the significant shortfalls in the achievement of targets during the first three years of the Plan and stated that flaws in our strategy of development had pushed the country into a debt trap. Efforts for improving per-capita income for an equitable distribution of assets and income and eradication of unemployment were needed in this context. Measures to develop the home market to sustain national industrialisation and political will to implement thorough going reforms were also needed.

137. Referring to the recommendations of the Sarkaria Commission on Centre-State Relations, the Chief Minister stated that two major recommendations of that body, namely, the Inter-Governmental Council and the Council for Economic Development to create proper mechanism for what it calls "cooperative federalism" should be constituted, besides implementing the other wholesome recommendations made in the Report of the Commission.

138. Small deficits in State Government's finances should not be construed as financial indiscipline on the part of the State Government when the Central Government had far exceeded the Rs. 14,000 crores limit of deficit financing for the entire 7th Plan period and had reached a deficit of Rs. 26,000 crores during the first 3 years of the Plan.

139. The terms of reference of the 9th Finance Commission which were fixed unilaterally by the Centre without consultation with the States needed suitable amendment.

140. Certain Central decisions like raising the standard deduction for income tax, non-integration of the surcharge with the income tax and revival of estate duty in the form of tax on wealth transfer, adversely impinge upon the States' resources position. The intended amendment of Section 44 AC of the Income Tax Act was likely to adversely affect the excise revenue of the States from toddy and arrack.

141. A more even handed approach towards financial discipline was called for by way of fixing realistic and liberal ways and means limits for the States and by extending the period of repayment of overdraft from the present 7 to 21 days.

142. The Chief Minister also drew attention of the NDC to the special problems which the State was facing on account of complete dependence on hydel power and its lack of a thermal plant and

the paucity of investment to tackle the problem of unemployment (10 per cent of the national total) in the State. He urged that Centre should consider creation of a fund with Rs. 750 crores to tackle the problem arising out of return flow of the gulf migrants. Pleading for adequate Central assistance for drought relief, he suggested increase in the present rate of input subsidy @ Rs. 200 per tonne for restoring agriculture production, inclusion of the State of Kerala in the Central Scheme for intensive paddy cultivation and taking adequate steps to revive the coconut economy of the State by eradicating the rootwilt disease.

143. **Shri Arjun Singh**, Chief Minister, Madhya Pradesh said that the NDC meeting was an appropriate opportunity to take stock of the past two year's performance of the Plan and also to deliberate upon measures and steps to be taken to realise the Plan targets during the remaining years.

144. The Chief Minister reminded the members of the N.D.C. that 1987-88 was the worst drought year hitherto faced by the country during this century. However, he expressed his satisfaction about the country's ability to face such calamities. Madhya Pradesh had taken up massive relief works during the year. Various schemes under different sectors of the State Plan had been dovetailed for countering drought effects. On the one hand, it had created employment, fought drinking water shortage and scarcity of fodder etc. and on the other hand it had helped in the creation of productive infrastructural assets in the concerned areas. Available buffer-stock in the State was also used to reach relief to the needy, through the public distribution system. The Chief Minister stated that Madhya Pradesh had achieved the targets laid down by the Central Government for various Anti-Poverty Programmes and had also successfully implemented the 20 Point Programme during the first half of the Plan. Some of the more important programmes/schemes which were being implemented in the State relate to digging of wells at Government cost to augment water supply to marginal farmers as a counter drought measure, reviewing of the progress of the on-going irrigation projects so as to hasten their completion, mass scale digging of tube wells to provide adequate drinking water, etc. The Chief Minister pointed out that under power generation the State had spent the total outlay approved during the first three years of the Plan resulting in a three per cent surplus on Madhya Pradesh Electricity Board's fixed assets. The targets fixed for rural electrification had been exceeded and energisation of pump sets were also expected to cross the plan targets for the current year. Alternative sources of energy were popularised in the State by electrifying 50 villages through solar panels and by commissioning solar heater systems in a number of villages. The Chief Minister stated that Madhya Pradesh had achieved a high rank in the implementation of various Family Welfare Programmes during the first two years of the Plan.

145. Madhya Pradesh he said, gave importance to the Tribal Sub-Plan. Progressive increase of its share in the State Plan outlay bore witness to it. The Chief Minister pleaded that the Working Group recommendation for providing an assistance of Rs. 12,500 per poor Scheduled Tribe family be accepted to enable them to cross the poverty line.

146. The Chief Minister expressed his State's inability to go in for additional resource mobilisation through additional taxation because of the already existing high tax rate in the State. He further stated that cutting down of non-plan expenditure was also not feasible due to its links with maintenance/developmental expenditure. He felt that there was a need to go in for a planned approach even for handling non-plan expenditures.

147. In conclusion, the Chief Minister pointed out that considerations for ecological balance should not come in the way of developmental activities, though this was no doubt important. He

recalled the suffering of the people at Bhopal after the 1984 tragedy, and pleaded for help to enable the people to overcome the difficulties caused by it.

148. **Dr. Farooq Abdullah**, Chief Minister, Jammu & Kashmir commended the analysis of the economy given in the Mid-Term Appraisal and expressed satisfaction with the performance of industrial as well as the agricultural sector under adverse weather conditions. He, however, expressed concern over the growing internal debt together with the increase in non-plan expenditure, larger deficit financing and lower returns from the public sector enterprises. Referring to the rising inflation, he stressed the need for tight budgetary controls, and improvement in the work ethics. He stressed the need for setting up an international airport and casino in places of tourist interest like Goa and Kashmir.

149. Referring to all round progress made by the State during the first three years of the Seventh Plan, in spite of adverse weather conditions, the Chief Minister stressed the need for exploiting vast hydel potential in the Northern States and the frontal attacks on the problems like housing, inadequate sewerage and drainage facilities, malnutrition etc. He welcomed the Prime Minister's directive for a Hill Area Development Programme for comprehensive development of areas like J. & K., Himachal Pradesh and northern hilly areas of Uttar Pradesh with necessary financial and practical help of the Government of India.

150. The Chief Minister stressed the need for the States coming to an understanding regarding uniform sales tax and explained the adverse effect of the recent amendments to the Income Tax Act on the revenues of the State. He suggested reduction in the Central sales tax as it was affecting the non-manufacturing States like Jammu and Kashmir. Referring to the report of the Sarkaria Commission, the Chief Minister recommended the flexible approach to problems through a common endeavour of national reconciliation. He also stated that the Ninth Finance Commission should take into account the requirements of each State on the basis of its resources, geography, special requirements and funds required for maintenance of created assets. He requested that the Centre should change the pattern of Plan assistance to J. & K. to provide for 90 per cent grants and 10 per cent loan as in the case of other Special Category States. He also mentioned the various steps being taken by the State Government to strengthen the district administration.

151. **Shri Laldenga**, Chief Minister, Mizoram stated that Mizoram was participating in the National Development Council meeting for the first time after attaining status of a full-fledged State. After signing the peace accord, a new era of peace and development had dawned on Mizoram and the people were full of enthusiasm and determination to march ahead. He stated that Mizoram was one of the economically most backward States and five year plans prior to the Sixth Plan did not make much dent in Mizoram due to lack of infrastructure and other constraints. During the Seventh Plan, the outlay for the first four years had already exceeded the Seventh Plan approved outlay of Rs. 260 crores. As such, an upward revision would be required at least to Rs. 380 crores.

152. The Chief Minister stated that Mizoram was years behind in development compared to other States and was most disadvantageous State even within the North East. He pointed out that the economy of the State was based on the primitive practice of jhum cultivation. The State had to switch over to the development of horticulture, and better technique of permanent cultivation. However, development of horticulture was difficult without good transport facilities and markets. In addition, it was necessary to develop all available land fit for permanent wet rice cultivation. The Chief Minister further stated that Mizoram still continued to remain outside the Indian Railway map and Indian Airlines' map. It was, therefore, of utmost importance and urgency to construct a standard

air strip to receive such aircrafts as Boeing. In the matter of telecommunication also, much remained to be done.

153. The Chief Minister stated that Mizoram was completely dependent on its neighbour for electric power. The Bharavi Hydel project with generating capacity of 100 MW needed immediate decision. He stated that the project was not only a power generation project, but it would have far reaching impact on agriculture, forestry, jhum replacement, inland water, transport, tourism etc. The Chief Minister, therefore, requested that Bharavi Hydel Power Project should be taken up without any delay and be given utmost urgency.

154. **Shri P. A. Sangma**, Chief Minister, Meghalaya, stated that the Mid-Term Appraisal of the Seventh Plan had critically analysed the state of the economy of the country. The overall growth rate of economy in the first two years of the Plan had been short of the target and was bound to be further depressed in the current year due to the severe drought that the country had to face. He hoped that necessary remedial measures would be taken to maintain the stipulated rate of growth of the national economy during the remaining two years of the Plan. He stated that non-plan expenditure had to be restrained and anti-inflation strategies adopted to contain inflationary tendencies. He also hoped that regular wage employment opportunities would be created under the various programmes for alleviation of poverty in the rural and tribal areas.

155. The Chief Minister stated that the Mid-Term Appraisal had rightly focussed attention on the special problems of the hill areas. He stated that the cost of inputs for the development programmes in the North Eastern Region was very high. Therefore, there was need for a close look at the cost of construction in the hill areas of the North East in order to arrive at a reasonable norm for determining Central assistance.

156. Speaking about the need to generate targetted level of resources, the Chief Minister stated that every effort would be made to improve the resource mobilisation by the State. He requested that the present practice of earmarking Central assistance for the special category States should be continued in future also.

157. The Chief Minister stated that Meghalaya was lagging behind the rest of the country in many areas such as literacy, adequate supply of drinking water, roads, villages electrified, etc. In view of this, the Chief Minister emphasised that the States in the North Eastern Region including Meghalaya required continued special attention of the Central Government.

158. Speaking about the Mid-Term Appraisal of the State, the Chief Minister stated that additional funds to the extent of Rs. 145 crores over and above the approved Seventh Plan outlay of Rs. 440 crores would be required. A sizeable portion of this requirement would go towards the completion of Umiam-Umtru Stage-IV Power Generation Project. He stated that the State had been able to keep non-development expenditure quite low. However, assets created as a result of investment in previous plans required to be maintained and this aspect should be taken into consideration while determining the level of non-development expenditure.

159. The Chief Minister stated that the hilly terrain of the State imposed a limitation on the potential for food grain production. He stated that improvement in the productivity of land could be brought about only through better horticulture practices and extensive horticulture plantations.

160. The Chief Minister stated that social planning, particularly, human resources development was very important. As the level of literacy in the State was lower than the national average,

considerable investment was necessary for expanding educational facilities. He also emphasised the need for larger Central investment in infrastructural development such as roads and communication, particularly, the national highway by-passes to help smooth flow of traffic on national highways.

161. The Chief Minister stated that he did not agree with the views expressed by the Chief Ministers of Karnataka and Andhra Pradesh on the Mid-Term Appraisal document. He pointed out in this connection that welfare schemes included in the Central Budget like Jaladhara and Kutir Jyoti were complementary to the efforts made by the State Governments. Also, the view that schemes like Indira Vikas Patra and Kisan Vikas Patras would deprive the State Governments of their small savings was not correct as seventy five per cent of small savings would go to the states. The Chief Minister felt that the economy has been managed very well despite the unprecedented drought, and congratulated the Finance Minister for presenting a very good Budget.

162. **Shri R. K. Jaichandra Singh**, Chief Minister, Manipur expressed satisfaction regarding the industrial and infrastructural development as well as the anti-poverty and employment oriented programmes which had gained momentum. He stated that the programmes should not only be sustained but also more vigorously implemented. Mentioning the shortfall in agricultural sector on account of the adverse weather conditions, he stated that irrigation projects should be expedited by providing adequate funds so that the required output of foodgrains could be achieved in the remaining years of the Plan. He stated that in the context of the recent drought followed by floods, soil and water conservation assumed particular significance.

163. In Manipur, about 9/10th of the total geographical area comprising of hills, was inhabited by tribes who followed the traditional practice of Jhum cultivation, and this was causing great concern. He stated that attempt to wean away the Jhumias from this practice showed slow progress primarily because of inadequate provision of funds as well as general apathy of hill people to adopt any new process.

164. The Chief Minister stated that the performance of major and medium irrigation projects had been poor. He suggested that a fresh look was called for in respect of major and medium irrigation projects in the country and any slippage in allocation of funds to the agriculture and irrigation sectors should be made up in the balance years of the Seventh Plan.

165. Speaking about the infrastructural development, the Chief Minister stressed the need for more extensive road network and improvement of the existing roads. He stated that unless liberal flow of funds was made to the sector, much improvement could not be expected. He also suggested that the railway projects already taken up in the North Eastern Region should be expedited.

166. As regards rural electrification, the Chief Minister stated that only 52 per cent of the villages had been electrified in Manipur as against 65 per cent of the country as a whole. This was again due to lack of funds. In respect of large and medium industries, the State had not made much progress. The Chief Minister stated that unless the Central Government came forward, the States with poor resource position like those in North Eastern Region would not get any benefit of industrialisation.

167. The Chief Minister stated that Manipur had reached the target of enrolment of children in the age group of 6-10 and 11-13. However, a more massive investment would be required to fulfil the basic infrastructural requirements in respect of 10+2 educational system. The Chief Minister

highlighted the stress given by the Manipur State Government in the promotion of Sports, adventures and related activities of the youth. It was a matter of pride for the people of Manipur that athletes from their State represented the nation in various Asian Games and swimming. However, he regretted that there was so great a shortage of facilities for sports in the State that it did not have a single swimming pool. He stated that vigorous efforts were being made to achieve the Plan targets in respect of rural health, drinking water supply, urban water supply, use of non-conventional sources of energy, etc.

168. The Chief Minister stressed the urgent need for a coordinated approach by the Central Government, the State Government and other agencies to preserve the Loktak Lake which fed the 105 MW power project. He stated that the Loktak Project was under great stress because of inundation and siltation problem due to deforestation in the hill areas. The State Government had constituted an authority to monitor all aspects of the preservation of the lake including matters like afforestation and dredging. He requested the Planning Commission to pay special emphasis to the needs of this authority.

169. Contesting the view that raising of capital by Public Sector Units from the market swelled only the coffers of the Central Government, the Chief Minister, Manipur pointed out that benefits from units like Indian Petro-chemicals, one of the biggest Petro-chemical complexes in the country, had gone to the States. He justified the increase in the administered prices, pointing out that the Central Government could raise the Central assistance to the States only by increasing its own resources.

170. **Shri T. S. Oberoi**, Lt. Governor, Andaman and Nicobar Islands welcomed and hoped that the goal of welfare society, which the nation had pledged, would soon be realised. He fully endorsed the agenda paper.

171. Shri T. S. Oberoi, Lt. Governor, Andaman and Nicobar Islands appreciated the process of evolving a development strategy for the ecologically sensitive area of Andaman & Nicobar Islands. He expressed the hope that the various studies being done under the directions of the Island Development Authority (IDA) would considerably assist the Administration in ensuring its development.

172. The Lt. Governor observed that the development of the Territory was closely linked with the provision of adequate infrastructure in respect of Shipping and Transport. He stated that during the last year of the Seventh Five Year Plan, the Union Territory's requirement would be of Rs. 105 crores and it would not exceed the Seventh Plan limit provided the un-utilised portion of Rs. 90 crores for Mainland Island Shipping was utilised for other sectors.

173. **Dr. Gopal Singh**, Governor, Goa and Administrator of Union Territory of Dadra, Nagar Haveli, Daman & Diu observed that in the past much progress could not be achieved in the two pockets of Daman & Diu of the erstwhile Union Territory of Goa, Daman & Diu since the seat of the Government was in Goa.

174. The Administrator said that Gujarati and Hindi text Books prescribed for the students was becoming complex problem for them. In this connection, he wanted that the text books should be simplified and vocabulary confined to 800 words in all the 15 recognised State languages. Also, he wanted the adoption of a single script. He suggested that technical postings should not be done on the basis of a particular religion, caste or language group and if necessary Constitution should be amended in this respect. Daman Ganga Project had been completed, but canals within these territories were not repaired on time. Gujarat Government did not pay any heed to the complaints

with the result that these territories did not get water at the time of crops. Realignment of canals in the territories was stuck up due to a land dispute between the territories and Gujarat Government. Air strip in Diu was to be repaired, cost for which was indicated at Rs. 48.42 lakhs. STD facilities in both the Territories and T.V. transmission centre in Silvassa were required.

175. **Shri N. D. Tiwari**, Minister for Finance and Commerce, recalled the spirit and acclaim with which the Seventh Plan was adopted and said that it would be appropriate while discussing the Mid-Term review to keep in perspective the international situation. He pointed out that volatility of exchange rates had affected the economies in most of the countries. Many developed countries were themselves in trouble. Latin American countries were yet to come out of the debt trap; African countries were in difficult economic situations. In Socialist countries a new dimension was being given to economies and economic development. The Non-aligned nations under the chairmanship of the Prime Minister had adopted the Charter of Economic Principles and Programmes, which the developing world should adopt. In this international atmosphere, it was good that in spite of difficulties, India was marching ahead on the path of self-reliance and would continue to do so.

176. The Minister of Finance stated that whatever had been achieved so far in the Seventh Plan was a measure of the combined effort of all sections of the people and pleaded that inadequacies or inefficiencies should be overcome collectively. He regretted the political slant contained in the speeches of the Chief Ministers of Karnataka and Kerala and mentioned that the former had suggested curtailment in the size of the Plan. This was contradictory to the demand made by him to increase the outlay of Minimum Needs Programme at the N.D.C. Meeting held in November, 1985.

177. Referring to the issues of deficit financing raised by the Chief Minister, Karnataka the Finance Minister pointed out that limited deficit financing was globally accepted as an effective tool for financing plans. He recalled the Karnataka Chief Minister's suggestion for higher savings ratio at the previous N.D.C. meeting and pointed out the relationship between higher savings, higher borrowings and correlated deficit financing. He pointed out that savings and borrowings formed a cycle in the management of finance. Refuting the criticism made by the Chief Minister of Karnataka that the Centre was making an all out effort to deprive the share of States by introducing various Patra schemes, the Finance Minister pointed out that mopping up of savings ultimately benefit the States in the form of Central assistance. He also said that the Reserve Bank of India and the NABARD had already reduced the interest rate for short-term loans to agriculturists and the burden would be borne by these Central organisations and would not fall on the credit cooperatives.

178. The Finance Minister allayed the fear of the Kerala Chief Minister that the share of taxes in the divisible pool would be less than that of the Centre. The share of States would in fact be more than the Centre. He pointed out that Central assistance to the States had more than trebled in the last five or six years and even in the financing of the State Plans, the share of the Central assistance had gone up from 36.8 per cent to 42.6 per cent.

179. He pointed out that based on the recommendations of the Eighth Finance Commission, Rs. 12846 crores worth of debts had been rescheduled and Rs. 324 crores written off. The Ninth Finance Commission would also go into the matter of debt burden. The Finance Minister said that Clause 44 of the Finance Bill was actually meant to help the States because 85 per cent of the income tax was meant for the States. The drive to check tax evasion and plugging leakages of revenue in this score would greatly help the States. He requested the Chief Ministers to help tighten the price monitoring mechanism and thus check inflation. He thanked the Chief Ministers

for the efforts in this regard and said that he had requested that control rooms be set up at State and District levels to monitor prices and also take severe steps on hoarding and blackmarketing. This would help fighting inflation. He, however, pointed out that while everybody agreed that inflationary pressures should be controlled, it was not correct to say that deficit financing led to inflationary pressures. Quoting from an article written by a renowned economist/administrator, the Finance Minister said that money supply was not the only factor determining the price level. This could be countered or further aggravated by the other factors. He stated that every effort would be made to strictly check the tendency of increasing expenditure and sought the cooperation of Chief Ministers and other colleagues in pursuing a policy of curbing expenditure. He said that only with political will and cooperation of all that we could confront this rising tendency of expenditure.

180. Recalling the Budget of 1977-78, the Finance Minister pointed out how an increase in the deficit of Rs. 800 to 900 crores had led to tremendous distortions in the financial situation of the country but there had been no correlation between the tremendous budgetary deficit and inflation. He pointed out that deficit was being measured in terms of Gross Domestic Product (GDP) the world over and every care had been taken to contain inflationary pressures in the Budget. He appealed to all for cooperation in restricting the deficit of the budgetary level so that any inflationary pressure on the economy was got rid of.

181. Concluding, the Finance Minister said that the Seventh plan era marked the return of the leadership of the 'blooming rose' in the rose garden of planning and expressed the confidence that with the support and determination of all the Chief Ministers and Governors and of the dedicated team of officials, all difficulties would be overcome and the targets envisaged in the Plan would be achieved.

182. **Shri Jag Pravesh Chandra**, Chief Executive Councillor, Delhi congratulated the Prime Minister and the Chief Ministers of different States for their successful handling of the difficult drought year.

183. The Chief Executive Councillor thanked the Deputy Chairman, Planning Commission and Minister of Planning for providing enough plan provision for the development of the Capital. Explaining the problems faced by the Union Territory of Delhi he said that it faced a situation of poverty among plenty. Increase in population and pollution was a rate much faster in Delhi than in any other State in the country.

184. Despite its population explosion, Delhi had been able to keep its per capita income at higher level because it had utilised the plan funds appropriately. The 62 lakh population of the Union Territory in 1961 had gone up to 88 lakhs till date, and further it was expected to rise at a faster rate in the coming years. More than a half of the yearly addition to population of the capital was due to immigration of about 2 lakhs from different parts of the country. To curb the rate of population explosion, he felt the need to have compulsory registration of marriages. Other measures he suggested were dissemination of family planning literature and birth control devices among newly weds and raising the marriageable age for girls from 18 to 21 years.

185. **Shri Jag Pravesh Chandra** stated that there was a need for satellite cities around Delhi to reduce the congestion. He regretted the lack of concern of the concerned Chief Ministers in implementing the National Capital Region (NCR).

186. The second major problem in the Union Territory of Delhi was the scarcity of raw water. The Chief Executive Councillor, Delhi stated that the gap between the demand and supply for water was widening day-by-day. Despite its location on the bank of Yamuna, Delhi was the last to get raw water. Bringing of Ganga water to Delhi also remained a distant dream so far. Subsoil water scale



showed a decreasing trend in Delhi. Therefore, he requested the Prime Minister to prevail upon the neighbouring States to help Delhi in getting sufficient water supply.

187. **Shri M.O.H. Farook**, Chief Minister, Pondicherry fully endorsed the view that efforts were to be made to increase productivity, intensify research and management programmes and raise productivity of small and marginal farmers in the interest of stepping up agricultural growth. The Chief Minister stated that adequate institutional finance was necessary to help the trend of diversification of rural economy and creation of non-agricultural employment.

188. The Chief Minister, Pondicherry felt that there was not much justification in NREP and RLEGP maintaining their separate entities. These may be merged. Also, maintenance of assets created under poverty alleviation programmes was very important and the desirability of using NREP and RLEGP funds not only for construction but also for maintenance could be examined as adequate maintenance substantially cut down the need for replacement investment.

189. While appreciating the points made in the Mid-Term Appraisal document of the Planning Commission, the Chief Minister felt that the classification of expenditure into plan and non-plan was not a simple one and that while avoiding wasteful expenditure under non-plan, care had to be taken to ensure that several important sectors like education, health, etc. which are largely met out of non-plan, did not suffer.

190. **Shri Bhishma Narain Singh**, Chairman, North Eastern Council (NEC) congratulated the Planning Commission for the Mid-Term Appraisal Document. He fully endorsed the document. He further said that agriculture was the main and most important sector of the country and the policy of giving due emphasis to agriculture was appreciated. He complimented the Government for according the highest priority to agriculture in the remaining two years of the Seventh Five Year Plan.

191. The NEC was engaging its attention to various projects like power, flood control, transport and communications, manpower development etc., which were of regional nature and which carried the common interest of more than one State of the region. The NEC had proposed a much higher Seventh Plan Outlay but the Planning Commission had approved it at Rs. 675 crores. The NEC had been repeatedly asking for allocation of higher outlays for the Seventh Plan but on grounds of constraint of resources the Seventh Plan size had not been enhanced. He suggested that the size of the Seventh Plan of the NEC may be raised to Rs. 927 crores. The Chairman, NEC briefly explained the various schemes/programmes being implemented in the region.

192. **Shri S. B. Chavan**, Chief Minister, Maharashtra stated that Maharashtra had already undertaken a Mid-Term Appraisal of the State's Seventh Five Year Plan and proposed to place the document before the State Assembly. While complimenting the Planning Commission on making a cogent presentation of the achievement and shortcomings of the Plan in different sectors, the Chief Minister drew attention of the N.D.C. to certain disquieting aspects which had become visible in the economy, namely, the price situation and the steep increase in non-plan expenditure both by the Centre as well as the State Governments. The Chief Minister pointed out that the Centre had done a commendable job in restraining inflation within manageable limits and the situation might improve substantially after a normal kharif. However, he cautioned that the situation needed close watch.

193. The Chief Minister, Maharashtra, suggested that the country would need a National Policy on incomes and wages covering government employees and employees of public sector undertakings, in order to keep a check on non-plan expenditure incurred by the Governments.

194. The Chief Minister stated that while the State Government had fulfilled its target of additional resources mobilisation, the situation had become difficult for the State on account of the successive drought years and on account of certain decision taken by the Centre in the middle of the Plan. These decisions pertained to conditions governing investment of provident fund amounts and the rate of interest on certain small savings instruments. He stated that the State would lose revenue to the extent of Rs. 1700 crores during the Plan period on this score. Notwithstanding the fact that Maharashtra had attempted and succeeded in saving Rs. 50 crores under non-plan expenditure through zero based budgeting and had been raising additional resources through tax levies, the State was finding it extremely difficult to bridge the gap in resources for funding the Plan.

195. The Chief Minister observed that over the years, the share of the States in open market borrowings had declined from about 63 per cent in the Third Plan to about 23-24 per cent during the Sixth Plan. He felt that there was a case for stepping up the States' share in the open market borrowings.

196. The Chief Minister, Maharashtra mentioned a few other points relating to resources of the State requiring attention. In view of limited manoeuvrability in resource mobilisation available to the State, the question of levy of consignment tax needed early decision. The State was of the view that the proceeds arising out of this levy should accrue to the respective States in full. There was also a need to suitably revise the ceiling on professional tax which had remained at the same level for too long a period. The Central Budget of 1988-89 included a new levy known as wealth tax on transfer of wealth through inheritance. This tax was nothing but estate duty in a different form though unlike estate duty, it was not shareable. There was a feeling among the States that the Centre had not been adequately exploiting the levy on additional duties on excise in lieu of sales tax on sugar, textiles and tobacco which the States had voluntarily surrendered in favour of the Centre as early as 1956. There were also many commodities which were either exempted from additional excise or on which the rate of duty was 'nil'. The State felt that on such commodities levy of sales tax should be permitted at the State level. The State was of the view that Central assistance passed on to the States in respect of externally aided projects should be enhanced from 70 per cent to 100 per cent.

197. Referring to the criticism against increase of administered prices by the Centre, the Chief Minister, Maharashtra, mentioned that such increase was being resorted to not only by the Centre but also by the States. He stated that this was necessary in the interest of the public undertakings though it had to be ensured that the increase in administered prices did not induce inefficiency in the undertakings.

198. Notwithstanding the general impression that Maharashtra was a developed State, the Chief Minister referred to the problem of regional imbalance in the State. For the removal of the backlog in development in the regions, the State had provided an amount of Rs. 1500 crores during the Seventh Plan period. This had become a political issue and there was no other way of finding the required money for the purpose except through Plan.

199. Highlighting the importance attached by the State to the poverty alleviation schemes and the 20-Point Programme, the Chief Minister welcomed the suggestion to merge NREP and RLEGP. While supporting strict implementation of the Forest Conservation Act, he was of the view that the State Governments should be delegated powers to clear proposals of deforestation for development projects upto a ceiling of 10 hectares subject to appropriate guidelines by the Government of India. Though achievements in the agriculture sector in the State had, to some extent, been

disappointing on account of the severe drought, the State had taken up a massive programme for treating dryland areas on watershed basis. In this context, the Chief Minister welcomed the package of measures in Government of India's Budget proposals of 1988-89, to assist the farming sector by grant of discount in fertiliser prices and by downward revision of rate of interest on crop loans. He stated that the State also welcomed the establishment of National Agricultural Credit Relief Fund (NACRF) designed to assist flow of credit on a sustained basis to farmers affected by droughts.

200. The Chief Minister pleaded for Government of India's clearance to 11 new cooperative spinning mills. Stating that the State Electricity Board had achieved a load factor of 56 per cent, he pleaded for clearance of the State's proposals for installation of Gas Turbines totalling 864 MW based on gas from Bombay High. In the interest of power development in the State, he referred to the long standing request of the State to allow its State Electricity Board to enter the capital market and raise Power Bonds like the Central Government undertakings.

201. In the industries sector, while welcoming the scheme of classifying industrially backward districts into 'A', 'B' and 'C' categories, thereby making them eligible to subsidies at varying levels, the Chief Minister suggested a review of the policy regarding "No Industry District". He also suggested that the Central investment subsidy should be continued during the Eighth Five Year Plan and apart from monetary incentives, infrastructural facilities like telecommunications, roads, railways and social amenities should receive attention for rapid industrialisation in remote areas. In the context of Government of India's stand not to nationalise any sick textile mill, the Chief Minister suggested that a distinction should be made between mills which were potentially viable, but which had closed down due to mismanagement or disputes and mills which had closed down due to technological absence and were economically unviable.

202. Expressing concern over the increasing incidence of sickness in industries in the country, the Chief Minister welcomed the setting up of the Board of Industrial and Financial Reconstruction (BIFR) and suggested that financial institutions should come up for rehabilitation of sick units. As scope for employment in the small scale sector was much larger than under the large industries, the State welcomed Government of India's initiative to link small scale industrial organisations to organised industries and the announcement by the Union Finance Minister to set up a Small Industries Development Bank.

203. The Chief Minister pleaded for a branch pipeline to supply gas to fertiliser plants in Vidharba and other areas, expeditious completion of railway projects in the State and taking up new national highways in the Marathwada region. The Chief Minister pleaded for assistance to help deal with the special problems of Bombay urban area.

204. **Shri P. Shiv Shankar**, Deputy Chairman, Planning Commission and Minister of Planning and Programme Implementation thanked the Chief Ministers for their generally favourable reaction to the Mid-Term Appraisal document. He assured the Chief Ministers that all the points raised in their speeches would be analysed in a constructive manner and further action initiated.

205. Responding to the observations made by some of the Chief Ministers on the issue of land reforms, the Minister of Planning clarified that the programme of land reforms was a continuous process. Quite a few States had passed Land Ceiling and other land reform laws but a greater thrust towards implementing them was needed. He drew attention to the letter written by the Prime Minister to all the Chief Ministers in April, 1987 impressing upon them to go ahead with the implementation of land reform laws and land ceiling laws. He had in fact suggested that the beneficiaries of land reforms should be grouped together. The Minister of Planning expressed the

hope that all the States would provide the necessary thrust to the implementation of the land reform laws.

206. Referring to the concept of cooperative federalism advanced by some of the Chief Ministers, the Minister of Planning pointed out that ours was a federal structure with a strong bias towards the Centre and this was so because it helped to keep the diversity of the nation intact without impairing unity.

207. In regard to mobilisation of resources, the Minister of Planning recalled that practically all the Chief Ministers had, at the time of finalising the Annual Plan 1988-89, promised to raise additional resources. He urged them to see that additional resources are raised so that the commitments made towards a Welfare State became a reality. He was optimistic that the targeted public sector outlay of Rs. 180,000 crores would be surpassed by the end of the Plan period.

208. Welcoming the suggestion made by the Chief Minister of Haryana, the Minister of Planning said that action had already been taken for the creation of a buffer stock of seeds. Emphasising the need for sustained attention to the extension aspects of agriculture like supply of fertilizers, pesticides, seeds, credit, etc., the Minister requested the Chief Ministers to ensure follow up action on the suggestions made in the Task Force report prepared by the Planning Commission so that the Seventh Plan Target of 175 million tonnes of foodgrains could be achieved.

209. Clarifying the position in respect of certain projects like the Vijayawada thermal project stage III referred to by the Chief Minister of Andhra Pradesh, the Minister of Planning pointed out that the progress of this project was hampered because the problem of coal linkage, which had been brought to the notice of the Chief Minister, was yet to be sorted out. He said that the Natural gas turbine project had been approved and the Manuguru project cleared. But in the latter case also coal linkage was yet to be settled and now the State Government appeared to be keen that the National Thermal Power Corporation (NTPC) should take it over. He also mentioned that the Central Electricity Authority (CEA) have clarified that no proposals for the Nagarjunasagar project was pending with them.

210. The Planning Minister informed the Governor of Tamil Nadu that once the scheme for dealing with the environmental degradation of Madras city was ready, there would be no delay in initiating follow up action. He also promised sympathetic consideration in the matter of financial assistance.

211. Referring to the observations of the Chief Minister, West Bengal in regard to export strategy, the Minister of Planning pointed out that accelerated exports were very necessary in order to avoid a foreign debt trap. Import of technology or equipment, not available within the country had to be resorted to upgrade the economy. Seeking to set the records straight in respect of the quantum of Central assistance made available to Kerala, the Minister of Planning observed that Kerala was provided Central assistance of Rs. 430.16 crores (27.75 per cent of the Sixth Plan outlay for the State) and Rs. 1136.9 crore (54 per cent of the Seventh Plan outlay for the State). The quantum of Central assistance allocated to Kerala had thus been practically doubled. Also, in terms of total Central assistance provided to the States, the percentage share of Kerala increased from 3 per cent in the Sixth Plan to 4.2 per cent in the Seventh Plan.

212. The Chief Minister of Kerala's observation that no thermal power project had been recommended for Kerala and that two project reports, namely, Kayamkulam and Trikkaripur were pending with the Central Government was contested. **Mr. Vasant Sathe**, Minister of Energy and

Communications clarified that because of the inability of the State Government to do so, the Centre had come forward to help prepare a feasibility report for the Kayamkulam project. But the State Government was yet to process the project for environmental clearance. In so far as Trikkaripur was concerned, he pointed out that there was no coal linkage for the project and unless this was settled it could not be taken up. He also pointed out that when Kerala was faced with a power crisis recently, the Centre had extended help by arranging power supply all the way from Maharashtra.

213. The Prime Minister intervened at this stage to point out that the cost of projects escalated mainly because the projects were processed without Detailed Project Reports being prepared. He drew the attention of the Chief Minister, Kerala to the fact that clear instructions had been issued over a year ago that no projects were to be cleared without a detailed project report.

214. The Minister of Planning referred to the Chief Minister, J & K's plea regarding promotion of tourism in his State and said that a high level group had already been set up to go into this issue for the country as a whole, and as soon as the report was ready he would convene a meeting of the states to help concretise follow up action. He concluded with an expression of thanks to the Governors and the Chief Ministers.

215. The Prime Minister, in his concluding address, thanked all the Governors and Chief Ministers, especially those who continued to remain present. He stated that many valuable comments and suggestions had been made and these would be carefully looked into. The Planning Commission had commenced a detailed perusal of the speeches presented and would initiate necessary follow up action. Barring some adverse comments by a few Chief Ministers, which had been taken note of, there was no other criticism. It could, therefore, be assumed, he said, that the Mid-Term Appraisal document was approved by everybody and on behalf of the Council and himself, complimented the Planning Commission.

216. The Prime Minister said that the Finance Minister and the Deputy Chairman of the Planning Commission had already responded point by point to what had been said at the meeting. He wanted to touch only on one or two basic points. Some Chief Ministers had cast doubts on the strategy of the Seventh Plan, about the strategy of Planning itself. He pointed out that the strategy for the Seventh Plan had been considered by the NDC and approved by it. There could be no change in that strategy.

217. The basic thrust, the Prime Minister said, was on agricultural growth with special emphasis on spreading the Green Revolution eastwards and to the dry and semi-arid zones. Not only had this emphasis been renewed at the meeting held on the previous day when a number of Chief Ministers had also participated, but a new thrust imparted to agriculture, the most critical sector of our economy.

218. Reacting to the West Bengal Chief Minister's, observations that there was no specific mention of employment, the Prime Minister pointed out that the anti-poverty programmes were in essence employment programmes. During the Seventh Plan, the anti-poverty programmes, which generated employment had been strengthened to levels which have not been reached before. He made it abundantly clear that the way to remove poverty was to give employment, and not provide hand outs. Poverty, he emphasised, can be removed effectively and permanently only by providing adequate employment and this was the thrust of the Seventh Plan.

219. Massive effort and investment, the Prime Minister said, had gone into infrastructure, especially energy and transportation, the two key areas without which there can be no progress.

These two areas, he pointed out, help all, the rich and the poor as well as the strong and the weak. In areas of infrastructure, he said, the country had performed better than ever before, the records set up now never having been achieved earlier. He pointed out that the Plant Load Factor (PLF) achieved in the thermal power sector was 56.5 per cent and not 55 per cent - as inadvertently mentioned by him earlier in the morning - a level never ever reached before, despite the fact that some States continued to have very low generation. Education was another major area to which a new thrust had been imparted during the Seventh Plan. In Industry, the Prime Minister said, the major thrust on modernisation, expansion, investment and increasing competition, was geared to the objective of achieving rapid growth and providing increased employment opportunities outside agriculture. He pointed out that the strategy adopted for the Seventh Plan had led to very rapid growth in Industry, to levels which the country had never seen in the past.

220. Referring to the issue of resource mobilisation raised by the Chief Minister of Karnataka, the Prime Minister regretted **Shri Hegde's** absence from the meeting as he had been keen to respond to some of the points raised by him. The key parameters for resource mobilisation, the Prime Minister said, were productivity and efficiency. There could be no growth without productivity increase and better efficiency in the utilisation of resources. The Prime Minister emphasised the need to seriously consider what was required to be done to enhance productivity and achieve better efficiency in the utilisation of resources, in order to aid development and growth. The Prime Minister expressed concern that instead of positive thinking on these issues there was a tendency among some States to resort to competitive populism, which could lead to many undesirable consequences - undesirable from the point of view of the stability and independence of our nation. He pleaded for a realisation that nothing comes free and everything had to be earned collectively through concerted hard work. In that context he also deplored the fact that actions like bandhs and strikes were resorted to in some States leading to losses for the country as a whole. The entire country, he pointed out, got unfairly penalised on account of losses suffered and not just the State which resorted to such populist bandhs. He wondered whether it would be possible for losses suffered to be cut from the States which resorted to such bandhs.

221. The Prime Minister stated that the need of the hour was not populist slogans but a serious discussion about the basic issues concerning development. He mentioned in this connection that while processing proposals and demanding projects, it was necessary to ensure that accompanying home work was properly and completely done and the projects were economically and technically feasible. Otherwise, costs escalated and delays took place. The basic thing was to pursue the agreed strategy for development. Ideas had to be argued out, setting aside party positions, as otherwise no conclusions would be arrived at.

222. The Prime Minister said that the Karnataka Chief Minister's suggestion that economics be separated from politics was not acceptable. Economics and politics were closely inter-linked. At best, economics could be kept apart from party politics. But, he emphasised that political thinking could not be made to subserve economic expediency. His party's political line was based on the independence, integrity and security of the country and the economic policy had to fall in the line with that line of thinking.

223. The basic issues, the Prime Minister said, were productivity, efficiency, better utilisation of our resources and improving the system. It was necessary to see as to how much of our resources were actually being absorbed by the system productively and whether a disproportionate amount was not being put aside to support only the establishment. It was necessary, he said, to provide

correctives to these imbalances. While it was necessary to raise more money, it was even more necessary to spend it more sensibly.

224. The Council was meeting, the Prime Minister, said, to discuss one issue only and that was the mid-term review of the Seventh Plan. This was the forum to identify mistakes which we may have made and to reorient our thinking to changed circumstances. But for this, active input was required from everybody. Unfortunately, he said that from the speeches of the Chief Ministers it appeared that less than half of them had referred to or commented on such aspects. He pleaded for a change to this attitude.

225. The Prime Minister pointed out that the Seventh Plan was a strategy for the whole nation - the means to develop the country strengthen it and achieve progress. There were some weaknesses which he had referred to earlier and others which had been mentioned in the Mid-term Appraisal document. These would be overcome and corrected. In that context he referred to the Action Plan for Agriculture which had been discussed at great length on the previous day and hoped that similar action plans for other important specific areas could also be taken up.

226. The Prime Minister, in conclusion said that during the remaining two years of the Seventh Plan, the endeavour of all should be to dedicate themselves to implement the Plan fully, making up the shortcomings wherever they are and for whatever reason. The challenge, he said, was to overcome all hurdles, meet the set targets and where possible exceed them in order to take our great country forward.

227. **Shri J. B. Patnaik**, Chief Minister of Orissa proposed a vote of thanks to the chair. He also thanked the members of the National Development Council for contributing to the discussions and giving their valuable suggestions.

## PARTICIPANTS

Shri Rajiv Gandhi	Chairman
Shri P. Shiv Shanker	Deputy Chairman, Planning Commission
Shri P. V. Narasimha Rao	Minister of Human Resource Development and Member, Planning Commission
Shri N. D. Tiwari	Minister of Finance and Commerce and Member, Planning Commission
Shri Buta Singh	Minister of Home Affairs and Member, Planning Commission
Shri Bhajan Lal	Minister of Agriculture and Member, Planning Commission
Shri B. S. Engti	Minister of State for Planning and Programme Implementation
Prof. M. G. K. Menon	Member, Planning Commission
Dr. Raja J. Chelliah	Member, Planning Commission
Shri Hiten Bhaya	Member, Planning Commission
Shri Abid Hussain	Member, Planning Commission
Dr. Y. K. Alagh	Member, Planning Commission
Prof. P. N. Srivastava	Member, Planning Commission

## STATES

Andhra Pradesh	Shri N. T. Rama Rao Chief Minister Shri K. E. Krishnamurthy Minister of Major & Medium Irrigation.
Arunachal Pradesh	Shri Gegong Apang Chief Minister Shri Todak Basar Minister of Agriculture Shri T. Dulom Minister of PWD
Assam	Shri P. K. Mahanta Chief Minister



	Shri B. K. Phookan Home Minister
	Shri Atul Bora Minister of PWD and T & CP.
Bihar	Shri Bhagwat Jha Azad Chief Minister
	Shri Sidheshwar Prasad Minister of Agriculture & Cooperation
Goa	Shri Pratap Singh Raoji Rane Chief Minister
Gujarat	Shri Amarsinh Chaudhary Chief Minister
	Shri Arvind Bhai Sanghvi Minister of Finance & Planning
Haryana	Ch. Devi Lal Chief Minister
	Ch. Virender Singh Minister of Irrigation & Power
Himachal Pradesh	Shri Virbhadra Singh Chief Minister
Jammu & Kashmir	Dr. Farooq Abdullah Chief Minister
	Shri A. R. Rather Minister of Finance
	Shri P. L. Handoo Minister of Revenue, Housing & Urban Development
Karnataka	Shri Ramakrishna Hegde Chief Minister
	Shri S. R. Bommai Minister of Revenue & Planning
Kerala	Shri E. K. Nayanar Chief Minister
	Prof. I. S. Gulati Vice Chairman, State Planning Board.
Madhya Pradesh	Shri Arjun Singh Chief Minister
Maharashtra	Shri S. B. Chavan Chief Minister

## Summary Record of Discussions of the NDC Meetings

Manipur	Shri R. K. Jaichandra Singh Chief Minister
Meghalaya	Shri P. A. Sangma Chief Minister
Mizoram	Shri Laldenga Chief Minister
	Shri Zoramthanga Finance Minister
Orissa	Shri J. B. Patnaik Chief Minister
	Shri Sarat Rout Minister of State for Planning and Co-ordination.
Punjab	Shri S. S. Ray Governor
Rajasthan	Shri Shiv Charan Mathur Chief Minister
Sikkim	Shri Nar Bahadur Bhandari Chief Minister
Tamil Nadu	Dr. P. C. Alexander Governor
Tripura	Shri Sudhir Ranjan Majumdar Chief Minister
	Shri Nagendra Jomatia Minister of Agriculture
Uttar Pradesh	Shri Bir Bahadur Singh Chief Minister
West Bengal	Shri Jyoti Basu Chief Minister

### UNION TERRITORIES

Andaman & Nicobar Islands	Lt. Genl. T. S. Oberoi Lt Governor
Daman, Diu & Nagar Haveli	Dr. Gopal Singh Administrator
Delhi	Shri Jag Pravesh Chandra Chief Executive Councillor
Pondicherry	Shri M. O. H. Farook Chief Minister

**UNION MINISTERS**

Shri K.C.Pant	Minister of Defence
Shri Vasant Sathe	Minister of Energy and Communications
Shri Dinesh Singh	Minister of Water Resources
Shri M L. Fotedar	Minister of Steel & Mines
Shri Motilal Vora	Minister of Health & Family Welfare.
Shri Ram Niwas Mirdha	Minister of Textiles

**SPECIAL INVITEES**

Shri Bishma Narayan Singh	Chairman, North Eastern Council
Shri R. N. Malhotra	Governor, Reserve Bank of India
Shri C. Ranga Rajan	Deputy Governor, Reserve Bank of India

**MINISTERS OF STATE (INDEPENDENT CHARGE)**

Shri Brahm Datt	Minister of State of the Ministry of Petroleum & Natural Gas
Shri Jagdish Tytler	Minister of State of the Ministry of Labour
Shri Madhavrao Scindia	Minister of State of the Ministry of Railways
Smt. Rajendra Kumari Bajpai	Minister of State of the Ministry of Welfare
Shri Rajesh pilot	Minister of State of the Ministry of Surface Transport
Shri Sukhram	Minister of State of the Ministry of Food & Civil Supplies

**MINISTERS OF STATE**

Shri Dalbir Singh	Minister of State in the Ministry of Urban Development
Shri Hans Raj Bhardwaj	Minister of State in the Ministry of Law & Justice



**FORTY FIRST MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
JUNE 18-19, 1990**

**SUMMARY RECORD**



**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE DISCUSSIONS AT THE FORTY FIRST MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD AT NEW DELHI ON JUNE 18 AND 19, 1990

---

### AGENDA & SUMMARY RECORD

---

The National Development Council (NDC) met at its Forty-first meeting at the Parliament House Annexe, New Delhi on 18-19 June, 1990.

2. Welcoming the members to consider the Approach to the Eighth Five Year Plan, Dy. Chairman, Planning Commission, **Shri Ramakrishna Hegde** stated that the NDC was the highest deliberative body for discussing and arriving at a broad national consensus on goals and strategies of Five Year Plans. There had been a steady diminution of the NDC, which to an extent was the result of its infrequent meetings. Shri Hegde stressed that through the mechanism of the NDC the consultative process must be reinforced. Before delineating the Approach to the Eighth Plan, Dy. Chairman, Planning Commission referred to achievements and failures of the last four decades of the country's planned development, and the problems which had surfaced in more recent years. In a broader sense these problems underscored the need for conceiving development as essentially a process of social transformation rather than merely as a phenomenon of rate of growth in certain economic parameters.

3. Shri Hegde pointed out that it would be difficult to reconcile the many dualisms that had emerged in our society. There was growing unease and questioning about the type of development which we had been pursuing. We had to simultaneously address ourselves to correcting the more basic failures and lacunae in our approach to development, even while containing and correcting the current strains and stresses. Shri Hegde stressed that the basic approach of planning had to be reoriented to creating conditions in which people would have adequate work at reasonable wages, afford reasonable level of sustenance, and avail themselves of at least a minimum level of health and educational facilities. That was what is meant by development with a human face. More of the same would not do. We should pay more attention to ensure increased employment opportunities. Conditions of life need to be improved sufficiently in rural areas. Therefore, the share of public investments meant for the benefit of rural population was to be increased to 50%. Optimal utilisation of resources was crucial to ensure sustained increase in production, provision of better amenities and a need-based flow of resources to different regions.

4. Referring to the need for democratic decentralisation, Dy. Chairman stated that the present planning system had become highly centralised, fragmented and did not fully involve the people. It was only a combination of local area planning and democratic decentralisation that would bring about substantial improvement. The subject had already been discussed in a recent meeting with the Chief Ministers, but he wanted to reiterate the crucial importance of both reforms. The accelerated increase in employment opportunities (average of 3% per annum over the next decade) without significant acceleration of growth in overall investment rate is predicated and contingent on both local area planning and democratic decentralisation. He also referred to the importance of promoting a convergence of basic services, particularly those for women and children.

5. Shri Hegde pointed out that unproductive and irksome controls on private sector need to be removed. Detailed direct controls must yield to strategic and indirect regulation and opportunities

for improvement in efficiency. He emphasised the importance of improving efficiency in sectors which produced essential raw materials and underscored the need to conserve the use of such inputs. Shri Hegde explained that the approach paper deliberately laid emphasis on conservation and efficiency in the production of energy and fertilizers. There was scope both for reducing the energy input in several sectors, and also to get more production out of existing facilities. Conservation and better utilisation of capacity should have precedence over investment in new projects.

6. Referring to public enterprises, Shri Hegde mentioned that improvement in their performance was imperative if we were to finance development programmes and employment guarantee schemes on the scale envisaged. Surpluses of public enterprise had been considerably below target. The problem of efficiency in public enterprises would have to be confronted and necessary corrective action taken. Dy. Chairman pointed out that improvement of fiscal position called for mobilisation of additional resources through taxation. We might, however, benefit more by exploring and exploiting all available measure of economy in non-development expenditure.

7. The Prime Minister and Chairman of the NDC, **Shri Vishwanath Pratap Singh**, inaugurated the two-day meeting. Prime Minister stated that the first meeting of the NDC after his Government assumed office at the Centre was an important step towards fulfilling the promise of moving towards a cooperative federation. Unity of purpose based on wide-ranging consensus was needed if the challenges being faced by our nation, from forces within and outside the country, were to be met. He drew attention to the pledge in the National Front's election manifesto that the NDC would be activated in order to achieve and maintain a national consensus on all issues relating to planning and development.

8. **Shri V. P. Singh** pointed out that the Approach to the Eighth Plan outlined the broad directions in which policy must be reoriented in the years ahead to achieve social and economic objectives. Based on a realistic appraisal of the strengths and weaknesses of the economy, the Approach paper also recognised that the world was going to change in a manner and at a speed that had been never experienced before.

9. Referring to the strengths of the Indian economy, Prime Minister mentioned that the past decade had seen an acceleration in the rate of growth in GDP. Production of foodgrains had grown satisfactorily though the overall performance in agriculture had been below expectations. There had been a distinct acceleration in industrial growth. Indian industry had begun a process of modernisation and structural transformation. However, there were serious weaknesses which had accentuated in recent years. Faster growth had not benefitted all sections of the population equally and had not been spread evenly across regions. The poor did not benefit as much as the large, new middle class. The income gap between urban and rural areas had widened. The Prime Minister highlighted the fact that the faster growth in GDP was accompanied by a slowing down in the growth of employment. That was a serious problem, especially in view of the growing numbers of educated youth entering the labour force. Expressing concern about the serious deterioration of the fiscal situation during the past five years, Shri V. P. Singh pointed out that the budget deficits on the revenue account had grown rapidly. In 1989-90, the combined deficit of the Central and State Governments amounted to nearly 5% of GDP. The deterioration in the fiscal situation had been exacerbated by shortfalls in resource generation in the public sector. A direct consequence of the fiscal imbalance was the uncomfortably large balance of payments deficit. Our foreign debt stood at \$ 63 billion.

10. Prime Minister emphasised that the Eighth Plan must chart a course which reversed the above mentioned trends, build on the underlying strengths of the economy and correct the apparent

weaknesses. The country must be geared to the challenges of the nineties. India must look both inwards and outwards at the same time. The title of "Towards Social Transformation" of the Approach paper was apt, observed the Prime Minister. Growth must go hand in hand with an improvement in the quality of life. In facing that challenge, great importance was attached to institutional reforms. The National Front Government was committed to transferring substantial planning and administrative and financial power to the Gram Panchayats. Equal importance was attached to land reforms as a necessary pre-condition for higher agricultural productivity and better equity. In order to pave the way for effective land reforms, the Government had put land reform legislation in the ninth schedule of the Constitution. A Commission on Land Revenue Administration is being set up to prepare plans to update and modernise land revenue records. The Prime Minister emphasised that he attached great importance to on-the-spot verification of those records to unearth benami ownership, and to the setting up of Land Tribunals for land redistribution in which Scheduled Castes and Tribes are also represented. The Government was committed not only to improving the lives of Scheduled Castes and Scheduled Tribes but also give them a significant share in management of the affairs of the country.

11. The Prime Minister then drew attention to some of the tasks in specific areas. So far there had been only limited success in curtailing the growth of our population. Efforts must be doubled, re-doubled to bring down the birth rate rapidly in the next decade. About provision of health care, he said the record had been uneven, as was reflected in the wide variation among States in infant mortality. That had to change and all-round improvement aimed at.

12. The Prime Minister pointed out that agriculture and economic and social infrastructure in rural areas had been sadly neglected in the past. Real investment in agriculture stagnated through the decade of Eighties. It was not, therefore, surprising that agricultural growth was below the target in the Seventh Plan and employment generation in agriculture slowed down. The Approach document sought to correct those imbalances. Their objective was, Shri V. P. Singh stated, to ensure that 50% of the total Plan resources in the Centre and States taken together was allocated to agriculture, rural development and the provision of infrastructure serving rural areas. A start had already been made in that direction in the Central budget 1990-91. Green revolution must be spread to areas which did not have assured irrigation or suffered from inadequate water management. The system of irrigation and water management should be expanded and improved. The farmer should be provided with better seeds and a strong credit system.

13. Referring to debt relief to the farmers for loans upto Rs. 10,000 in cases other than those of wilful default, Prime Minister pointed out that the Central Government was bearing two-thirds of the cost of the write-off. That was a desirable once-for-all step to remove the crippling burden of debt accumulated over several years of innumerable small farmers, and giving them a fresh start as viable productive farm units. Steps had been taken to ensure remunerative prices to the farmers. The Prime Minister added that the steps taken were at best a beginning. Our long term goal must be to see that farmers maximised their incomes. Our objectives in the Eighth Plan should be to ensure that Indian agriculture was firmly set on a path of rapid growth with diversification into higher value crops and ultimately into agro-processing. The Agricultural Policy Resolution would spell out more fully the various issues and policy directions.

14. Turning to the industrial sector, Shri V. P. Singh observed that agricultural growth and modernisation would provide a strong impetus to industrial development. But there were several



other challenges facing us as to how we would manage the Indian industry in the decade ahead. The world economy was rapidly becoming more integrated through trade, technology and investment flows. We had to consider such developments carefully and their implications on our industrial and trade policy. Many of our factories and equipment in them were old and obsolete. Our cost of production was far too high. Such condition had to be changed, Prime Minister urged.

15. Efficiency in the public sector had suffered, Shri V. P. Singh pointed out, because we had been willing to tolerate high costs and inefficiency. Ways must be considered to overcome the problems. The Government would bring before Parliament a white paper on the public sector. In the private sector too, sufficient pressure had not been created for cost reduction. As had been indicated in the Approach paper, a new direction was needed in our methods of control. While Government must retain strategic control over the broad directions of industrial development, a climate which promoted competition, generated pressures for greater efficiency and encouraged entrepreneurship and innovation was needed. The new Industrial Policy was designed to make it easier for firms to enter new industries, to produce high quality goods more efficiently, and to obtain new technology on a continuing basis for their ventures. Village and small industries, Shri V. P. Singh emphasised, had a special place in their strategy. No effort would be spared to foster their development. The Export-Import Policy, announced earlier, reflected the Government's commitment to strengthen our export capability.

16. The Prime Minister highlighted the need to think about our attitude to technology. Technology could create millions of more jobs just as it could destroy them. We need to be open to advances in technology. We must retain the power to choose as to what was appropriate technology for us. He added that in the age we were now entering, it was technology which would shape our lives. Nowhere was it more true than in energy.

17. Stressing the need for a hard look at our educational system, Shri V. P. Singh stated that there was need to re-examine our goals and to assess whether the system that had been evolved was best suited to achieve them. Education should enhance the capabilities and skills of our people, to enable them to stand on their own feet. The education policy was being reviewed. Prime Minister urged State Governments to contribute to the review process.

18. Focussing attention on the problems of women, Shri V. P. Singh mentioned that they make up half of our population but were an underprivileged half. He mentioned that the Government was in the process of setting up a National Commission on Women to enquire into their problems and to ensure compliance with laws which protect their rights. In the Eighth Plan programmes would be targeted directly at improving their economic condition and social status.

19. The agenda that he had outlined was extensive and called for hard work and heavy investment, the Prime Minister stated. We must not only cut expenditures but also raise more revenues. Every aspect of our policies should be re-examined to see how the same could be achieved. Rs. 80,000 crores invested in the public sector must generate adequate returns. Tax revenues must be increased, as far as possible, by expanding the tax base and improving compliance with the laws rather than by raising tax rates. The Prime Minister urged that we must ask similar questions about some of our pricing policies. In this connection he specifically mentioned the growing annual deficits of State Electricity Boards. The Prime Minister also stressed the need for innovative ways of financing particularly the infrastructure projects. While a decision to allow

investment by the private sector in power sector had already been taken, its participation in other infrastructure areas could also be considered. He pleaded for a spirit of austerity. Fiscal incentives must be tailored to give maximum incentive to savings. Private savings must be encouraged to flow into productive investment. Simultaneously, fiscal tools must be used to actively discourage amassing of unproductive or ostentatious wealth. It was in that context that he had mentioned a few days earlier that a limit on personal unproductive wealth should be considered. He had called for a public debate on such issues and invited the views of the participants.

20. Concluding his address, the Prime Minister stressed that the task before us was both challenging and exciting. We had an opportunity to steer the economy at a crucial point in its development and put it on a new path of growth with social justice and people's participation, for which we would require the cooperative effort of both the Centre and States. The broad directions proposed to be taken were outlined in the Approach document. Once the NDC approved it, they would move quickly to spell out the details in the Eighth Plan document. With these words, the Prime Minister commended the Approach paper for the consideration of the NDC.

21. **Dr. M. Chenna Reddy**, Chief Minister, Andhra Pradesh (his speech was read out by **Shri K. Rosaiah**, Finance Minister) stated that in a democracy, planning for national development had necessarily to be an exercise in political economy that dealt with social forces and not merely an econometric model that generated numbers. At the time of the discussion of every Plan, the rate of growth targeted had become a symbol of commitment, a kind of short hand indicator of one's approach to the planning process and its goals. We did have problems, but we now had them with growth; which was better than having them without growth. Now that we had gained a certain momentum in development, that momentum should not be discarded but used to achieve the other goals which had undoubtedly become urgent. The one area in which a consensus would have a direct impact on the development of the country was in regard to measures that would improve productivity. Dr. Reddy stressed the need to switch over to "intensive" methods which rely on greater productivity.

22. Chief Minister, Andhra Pradesh stated that they were fully committed to Panchayati Raj. It was a process involving people and all such processes had their inherent rhythms. If these institutions were subjected to a target oriented, time bound physical programmes, their very functioning might well be distorted. Their experience with planning at the grass-roots level and with people's participation through Panchayati Raj institutions showed that a firm foundation for their functioning could be laid only if the pace and rhythm of the democratic process was respected. The imposition of time bound targets on that process would lead to its bureaucratisation. Therefore, while they wholeheartedly supported such institutions and while there could be no question that local level planning should be through this structure it should not be assumed that certain targets like the 3% per annum target for employment, or the literacy target would be achieved within the time frame imposed by us, merely because they had been entrusted to those institutions, particularly when other parameters of the plan did not support such a target.

23. Dr. Reddy welcomed the emphasis on the rural sector. However, by reaching the percentage of 50% it could not be said that the outlays were being significantly raised since, even in the past,

outlays on similar programmes were not much below that target, depending on the definition of the relevant sectors. A mere assurance of the flow of public funds to the rural sector would not achieve our objective. The market forces were likely to produce results counter to that objective. In respect of infrastructure and skilled personnel, the advantage still lay with the urban and better developed regions and the market forces would induce the flow of resources to such regions on private account. The introduction of modern technology in the rural and agricultural sector would require organisation of various functional groups. The traditional form of organisation for this had been the cooperative. Unfortunately a large number of cooperatives had run into serious difficulties due to mismanagement and local politics. Nevertheless, that was an instrument which had to be resuscitated, revitalised and used for the achievement of several of the objectives set out in the Approach paper.

24. Regarding family planning Dr. Reddy pointed out that adoption of a more fundamental and long term strategy, which was necessary and desirable should not result in our failing to persist in whatever effort we had already been trying to make. The basic infrastructure for both agriculture and industries was water and power and both were in short supply in several backward areas. The scope that existed for increasing power supply by increasing the efficiency of the existing units was not enough to meet the shortage and, therefore, if the problem was to be solved new starts in power generation would have to be made in the Eighth Plan. They fully endorsed the proposals in the Approach for local level and integrated area planning. The Panchayati Raj set up would provide the institutional framework for this purpose, but considerable changes in the procedures regarding devolution of funds, both from the Centre to the States and from the States to the Panchayati Raj Institutions, would have to be brought about. As rightly pointed out in the Approach document, the rural development programmes had to be released “from the stranglehold of standardised ‘schematic’ projects conceived centrally.” Chief Minister, Andhra Pradesh urged that before the Eighth Plan outlay was finalised the States should be consulted on various issues related to provision of Central assistance to States. It was only when they had an idea of the magnitudes and priorities of the Eighth Plan that they would be able to say, with any degree of assurance, that the Approach was indeed more than a “declamation” about “social transformation”.

25. Chief Minister, West Bengal, **Shri Jyoti Basu** stated that the subject of the meeting was very important because it was with hopes and aspirations that the common people of our country were looking forward to the Eighth Plan. The upholding of employment generation as the major objective in the Eighth Plan Approach paper was specially appropriate. He supported the emphasis on labour-intensive small scale industries and decentralisation in planning by involving the common people through the Panchayats. Similarly, the goal of self-reliance should be strongly upheld. The thrust of decentralisation should not only mean devolution of powers from the State level to the districts and below but also decentralisation of financial and decision-making powers from the Centre to States. Shri Basu asserted that it was essential to reduce concentration in the ownership of productive assets and income. That required redistribution which should be accepted as a special objective. For ensuring feasibility of major objectives related to employment generation it was necessary to formulate concrete policies.

26. In agriculture, Shri Jyoti Basu emphasised, it was essential to begin with land reforms and for their effective implementation there was a crucial need for political will and involvement of

poorer peasants in an organised manner. Land reform measures needed to be supported by the provision of non-land inputs. The socially appropriate choice of technology for non-land inputs should be one which was modern and, at the same time, could make fuller use of labour and local resources. While agreeing with emphasis on those industries, often in the small scale, which were labour intensive and produced goods for mass consumption, he stated that indiscriminate de-control would be inconsistent with the basic objectives of the Eighth Plan. There had to be some social direction of investment and production activities, and there should be clear public accountability. It was indeed desirable to forge linkages between small scale and large scale industries which might make the entire industrial matrix viable, and at the same time, employment-generating. In the interest of employment-generation, Chief Minister, West Bengal urged that separate attention needs to be given at the national level to the problems of closed and sick industrial units. The thrust of industrialisation should be based on domestic market and with a technology based primarily on capital goods and other inputs which could be domestically produced. There should be an overall approach towards self-reliance with a socially balanced view of needed imports and exports. They were totally in favour of improving the efficiency of public enterprises. What was crucial for improving efficiency, particularly in public enterprises, was regular public accountability and motivation of the workers. Accountability should be extended to all spheres of the Government, he suggested.

27. Shri Basu proposed that a comprehensive package of anti-inflationary measures should be immediately adopted. In public distribution, subsidies cannot be wholly done away with. There should be, for some time, a moratorium on further increases in administered prices. They, once again, strongly urged the abolition of selective freight equalisation. Or else, all raw materials and industrial items should be made available at uniform prices to all the regions.

28. In the sphere of Centre-State relations, Shri Basu agreed with the steps taken to set up an Inter-State Council and also to involve Chief Ministers in the Planning Commission. Along with those moves, expeditious decision was required to correct distortions in the Centre-States financial relationships. Some of the recommendations of Sarkaria Commission, specially those relating to Corporation tax and consignment tax might be implemented as early as possible. Among the States, there was enormous discrepancy in credit-deposit ratio of the commercial banks, disbursement of advances by the term lending institutions and also in the pattern of investment by the Central Government itself. There was an immediate need for evolving a balanced policy in all those spheres. It was appropriate that during the formulation of the Eighth Plan, the question of Central plan assistance was reviewed, including the immediate need of rephrasing of some of the loan burden so that the State's plans could be duly protected.

29. Since the Approach Paper attached special significance to decentralisation in the planning process, West Bengal suggested that funds for Centrally Sponsored Schemes, particularly in the sphere of State subjects, be appropriately transferred to the States, with broad guidelines and provision for periodic Centre-State concurrent review. Due weightage be given to the achievement of decentralisation in a State in the formula for determining the quantum of Central plan assistance for the concerned States.

30. Chief Minister, Arunachal Pradesh, **Shri Gegong Apang** stated that during the past 42 years our country had made tremendous progress. But the gap between the rich and the poor

could not be removed so far in spite of the concerted efforts made by both the Central and State Governments. Before preparing the draft Approach paper, a committee, consisting, inter alia, of some intellectuals and intelligensia should have been constituted by the Central Government and the members of the committee should have visited all the States and Union Territories to discuss with leaders and officers various factors responsible for the failure and success of the poverty alleviation scheme and the committee's report should have been in the agenda for the current NDC meeting.

31. Chief Minister, Arunachal Pradesh suggested that the distribution of Central assistance should also be done on the basis of the natural resources of the concerned State. Clear cut policies should be laid down for the exploitation of such resources in a scientific manner without disturbing the eco system. More incentives should be given to encourage industrialists to set up more and more industries in rural areas. They should also be encouraged to include in their schemes development of the infrastructure with bank loans.

32. Shri Apang mentioned that the development of Arunachal Pradesh which, barring 6 small townships, was wholly rural, was possible only through integrated area development planning. In Arunachal Pradesh, Panchayat system was quite firmly rooted, though there was no institutional support to the system. They had adopted decentralised planning in 1989 but had yet to set up sub-State planning units. Arunachal Pradesh appreciated and endorsed the thinking of the Central Government for waiving of agricultural loans to small and marginal farmers. Due to the extremely limited resources base of the State, he requested the Central Government to provide all funds required for the purpose. The NDC should take into account the impact of the Ninth Finance Commission report on various States, especially on the poor and backward hill States. The two reports of the Ninth Finance Commission had failed to realistically assess their receipts and expenditure. It was learnt that the Planning Commission was not likely to recommend full financing of whatever plan size had been agreed to by them in respect of special category States for the current financial year. Agreeing to a particular plan size and then not financing it fully amounted to playing a cruel joke on a poor and backward State like theirs. He urged the Planning Commission to recognise their negative balance from the current revenue. The Central Government might continue to cover their plan and non-plan gaps as assessed by the Planning Commission. On that decision depends the economic future of their State and its people.

33. Chief Minister, Maharashtra, **Shri Sharad Pawar** stated that they fully agreed with the two central objectives of the Eighth Plan, namely, creation of employment and emphasis on rural sector. They wholeheartedly endorsed the suggestion that for removal of disparities between the rural and other sectors, larger outlays would have to be given to the rural sector. They also favoured more effective decentralised planning. Effective water conservation through watershed development, optimum water harvesting and diversification of agricultural production were important for removing poverty and unemployment in rural areas. Through the Employment Guarantee Scheme, Maharashtra had taken up an ambitious watershed development programme and had just launched a massive horticulture development programme to cover two lakh hectares per year. They would like to use the funds of various related Centrally Sponsored Schemes for the programme to supplement their own resources. While they laid emphasis on rural areas, their State had also to pay a lot of attention to the needs of urban areas as urban population formed near about 40% of the total population. Large investments would be required to create urban amenities. The Planning Commission should recognise the problems of Bombay as of national dimension. The provisions

in urban ceiling and rent control and tenancy laws would require amendments to facilitate housing activity.

34. Shri Pawar suggested that special programmes should be undertaken for women. Similarly, special programmes of economic development should be continued for SCs and STs and the implementation of such programmes should be made more effective. In the sphere of education, there was a need to redefine priorities. More attention must be paid to primary education and literacy programmes rather than on the spread of higher education. Illiteracy must be banished from our country by the end of the Eighth Plan. A national consensus should be created to recover at least 50% of the cost incurred on higher and professional education on each student for his education.

35. Shri Pawar pleaded that a national policy should be evolved for distribution of natural gas to states for thermal projects and gas based industries and due weightage should be given to the natural aspirations of the adjacent States. Similarly, the Government of India should arrive at an overall settlement on the question of giving royalty on the oil and gas.

36. Chief Minister, Maharashtra observed that resources must be raised for the plan and used efficiently. There should be some incentives in the fiscal system for efficiency and disincentives for inefficiency. A national consensus should be arrived at on the social and economic criteria for regulating the eligibility and extent of subsidies. The Government of India, he hoped would take necessary steps regarding consignment tax without further delay. States were undercutting sales tax even in a luxury item like personal car. The practice should be stopped immediately in the national interest. Shri Pawar suggested. For mobilising resources, a minimum level of sales tax on 29 groups of commodities, agreed to earlier by Chief Ministers, should be implemented speedily. Government of India should bear the entire burden of writing off of loans upto Rs. 10,000. In the alternative, interest free loans be given to the States to be recovered in easy instalments. Open market borrowings quota should be given to the States on the basis of their ability to service the loans. Non-Government employee provident fund should be treated as small savings. Good State public sector undertakings should be permitted to float bonds and other concessional instruments. Shri Pawar suggested that infrastructure building areas like power generation, transmission and distribution, express highways and minor ports should be thrown open to the private sector. There should be more plan allocation for coal sector to enhance power generation. He also pleaded that the population problem deserved the highest attention as all development efforts were almost coming to nought because of unrestricted population growth.

37. Chief Minister, Assam, **Shri Prafulla Kumar Mahanta** pointed out that for removing regional imbalances they welcomed inclusion of the concept of area-based planning in the Approach Paper. The entire State of Assam should be treated as a special category area. A State, such as Assam, which had not been able to come up to national averages in respect of well accepted economic indicators should be given special consideration. Implementation of the recommendation of the the **L.C. Jain** Committee, which dealt with the problems of Assam, would be a step in the right direction. In order to give operational content to the priority programme of employment, special emphasis had to be given to small scale and cottage industries utilising natural resources of the State including downstream products of natural gas. An early decision on their proposal to establish a gas cracker plant would prevent national waste and provide employment. The emphasis on infrastructure was very appropriate. The State where infrastructure levels were far below all India

levels as well as requirements, would require massive investment in infrastructure. Shri Mahanta advocated that value addition to local products locally should be the key stone of development. The outflow of primary products from and the inflow of consumer goods to backward regions should be checked on priority basis. Making available inputs for development and adequate compensation for additional freight cost were very important.

38. While stating the floods was a major problem of Assam, Shri Mahanta suggested that apart from storage reservoirs on the Brahmaputra and major tributaries, an integrated and massive watershed development project should be taken up in the neighbouring States of Arunachal Pradesh, Nagaland, Mizoram, Meghalaya and also in Bhutan in addition to Assam hills. Low cost power generation should receive priority based on the hydel and gas resources available in Assam.

39. In connection with the priority given to the rural development, Chief Minister of Assam drew attention to the confusion created by National Sample Survey Organization by showing a decrease of nearly 30% points in a short period of about six years in the figures of people below poverty line in Assam. He desired the confusion must be removed.

40. The report of the Ninth Finance Commission had dealt a severe blow to the Special Category States, particularly Assam. They had jointly represented to the Prime Minister pleading for restoration of the practice of the Government of India and the Planning Commission filling the non-plan revenue gap of the special category states. The pattern of financing of Assam should be, Shri Mahanta pleaded, 90% grant and 10% loan as in the case of other Special Category States.

41. Chief Minister, Tripura, **Shri Sudhir Ranjan Majumder** stated that the thrust of Approach to the Eighth Plan was on creating employment. However, the Approach did not spell out the shift clearly, indicating that the plan programmes would use capital sparingly and would rely significantly on labour to generate output. He stressed that the present regional imbalances be clearly identified. Unless specific plans within specific time-frame were formulated and implemented the present imbalances would not only continue but would also get further widened. He suggested that a special fund be earmarked to take over the economic/infrastructural factors leading to such imbalances.

42. Shri Majumder pointed out that the land-man ratio in India was highly unfavorable. Population growth was quite high. Ecological situation was deteriorating very fast. The public debt-external and internal-had been increasing very speedily. Unless and until those problems were dealt with in concerted and comprehensive manner, more focus on creating employment might have only temporary impact and be in the nature of relief, rather than development. Artificial distinctions between plan and non-plan expenditure which owe their origin to an accounting rather than a functional view needed to be discarded.

43. Chief Minister, Tripura mentioned that every State was endowed with special resources characteristics. How and in what manner its local resources should be exploited by the local people to meet the local needs deserve special consideration as a strategy to formulate the plan. The Forest Conservation Act had practically limited the scope of undertaking social and economic programmes in the forest area in a State like Tripura. To transform the shifting cultivation economy into a more modern economic entity, necessary rehabilitation schemes were undertaken. With the enactment of the said act, all the schemes had come to a grinding halt. The increased plan allocation for the developmental purpose would not serve any purpose unless the inflationary trend was not

only slowed down but also arrested. It was to be ensured that the programmes under Centrally Sponsored Schemes were examined in detail so as to find out which were included as Centrally Sponsored Schemes. The issue might be discussed where the State Governments participated. The Ninth Finance Commission award had not recommended any grant to meet the committed liability of the Special Category States on the plea that it should be taken into account while formulating the revenue component of the next plan. On the other hand, they were told by the Planning Commission not to include any committed liability of the Seventh Plan while framing the Annual Plan for 1990-91. Thus, they were faced with the situation where they had not got any funds for meeting the committed liability of the Seventh Plan period. Shri Majumder stated that the central thrust of the Eighth Plan in Tripura was the attainment of self sufficiency in foodgrains production. Employment generation scheme should be backed by adequate funding.

44. Chief Minister, Orissa, **Shri Biju Patnaik** stated that in order to break the vicious circle of low productivity, low income, unemployment and poverty, emphasis had to be laid on increased efficiency and productivity in all sectors. Our work culture should be 'work more and more'. Unlike the previous plans, the focus of Planning has to be shifted toward improving the lot of the common man; emphasis laid on employment, integrated rural development, active involvement of people and decentralisation of planning. All these changes were welcome. Growth had to be combined with equity. While projecting growth, rate of inflation should be taken into consideration. He referred to levy of heavy import duties on capital goods, resulting in higher cost of production. It did not stand to reason.

45. Shri Patnaik mentioned that even after 40 years of Planning, glaring disparities persisted across sections of people as well as various States and regions. For example the gap between per capita income in Orissa and that at the national level at current prices had increased from Rs. 376 in 1980-81 to Rs. 1397 in 1988-89. Orissa did not have even one per cent normal traffic growth of railways for the last 40 years. He gave another example. Orissa had 11% of the irrigation potential of the country but investment on irrigation had been a mere 2%. He requested the Planning Commission Members to take note of these facts. Shri Patnaik disclosed that they had decided to make Kalahandi and Bolangir Districts as full literacy as well as zero unemployment districts by the end of the Eighth Plan.

46. Chief Minister, Orissa referred to freight equalisation policy. He asked as to who had gained and himself replied, Delhi had gained, Madras had gained and Bombay had gained. But was there any freight equalisation for Cotton? What about pulses, oilseeds? What about the agricultural produce? He requested that the issue should be considered.

47. Shri Patnaik stressed that Planning imposed on us a certain amount of discipline and self-restraint. The work culture had to undergo a sea change if the nation was to survive. The strike, instead of being the ultimate weapon was the first weapon for everything. In Japan, they went on strike only with a black band. Planning involved a common vision of dreaming together and working in unison, utilising all our resource endowments for the common good.

48. Chief Minister of Orissa observed that the policies enunciated by the Central Government were self-defeating. If he had the material and he wanted to develop something, he could not develop because of some kind of restriction which came from bureaucracy or from the Minister.

49. Chief Minister, Kerala, **Shri E.K. Nayanar** stated that the states needed to enjoy vastly more powers than at present. They must have an effective voice in areas of Central action which



affected them, such as marco-economic management, export import policy and pay and dearness allowance revisions. He stressed that there was need for a mechanism by which the States could play an effective role to ensure that the institutions effecting transfers to the States from the Centre functioned in an independent and objective manner. The State's demand to extend the ways and means limit and the time given for overdraft clearance brooked no further delay.

50. Shri Nayanar pointed out that the Approach Paper was silent on the concrete steps to be taken to remedy regional imbalances and stressed the need to divert additional Central investment to areas which had in the past been relatively neglected. Kerala's share in Central investment had fallen drastically from 3.24% in 1975 to below 1.6% by 1988.

51. It was imperative that the national plan recognised regional diversity in priorities and requirements. With Kerala's record in education, health and availability of infrastructure like roads, their emphasis would now be on the producing sectors and required larger plans accordingly. Effective and thorough-going land reforms were important not only for agriculture but also for industry, capital accumulation and growth of an extensive home market. The Approach Paper, as well as the recently announced industrial policy of the present government, indicated no move to curb monopolies. Purposive action in that direction was required. He pleaded for strengthening of South-South cooperation and the non-aligned movement. The public sector's vital role must be reinforced.

52. Shri Nayanar welcomed the proposed shift to local area planning from department-wise schemes. Funds required for effective local area planning, however would be far in excess of the allocations for IRDP and JRY proposed to be transferred to the States. The Central transfers to the States should take this into account. It was important to involve voluntary groups, the class and mass organisations of the working people and political parties in local area planning. Regarding waiving of loans, there was urgent need to review the decision to allow the benefit regardless of the size of the loan and land holdings. No distinction should be made between nationalised banks and cooperative credit institutions with regard to financing of the waived loans. The recently announced industrial policy of the Government echoed the policies of the previous regime, in its concessions to big business. A broad-based industry, catering to mass consumption demand, consequent on effective land reforms and other redistributive measures that enhance the purchasing power of the vast majority of our people, was what had to be aimed at. That would generate large scale employment as well.

53. Shri Nayanar welcomed the concern shown for women, although certain formulations that present women as objects of development needed to be corrected.

54. Referring to Kerala's problems, he pointed out that unemployment, accounting for as much as 10 per cent of the national total, was the most pressing problem of Kerala. The special emphasis on employment should result in Kerala's share of Central investment being raised, and the whole state being covered by the National Employment Guarantee Scheme. Urgent central action was required to create fresh power generation capacity in the State and instal interstate transmission lines for want of which Kerala was unable to draw its full share from the Central Pool.

55. Shri Nayanar observed that the Ninth Finance Commission had departed from past practice in not covering on a year-to-year basis the States' non-plan deficits as estimated by itself, justifying its action as being in compliance with its mandate "to work towards eliminating deficit on revenue account". He enquired as how they were supposed to cover such a large revenue account deficit

in a particular year. He desired to know as to how the Planning Commission proposed to come to their assistance in this regard.

56. Chief Minister, Sikkim, **Shri N. B. Bhandari** observed that the type of development strategies, the nature of the programmes, the limitation of the overall planning procedures and mechanisms involved, had revealed definite shortcomings. The Government at the Centre had taken due cognisance of the new mandate and bring about a complete reorientation of our development policy. Full employment strategy had been adopted as the central focus in the new approach to planning. The goal towards attainment of a zero unemployment situation was a herculean task. The content of our development programmes would have to be sensitive to the needs of the common man, particularly the poor and the underprivileged. The role of women as equal partners in the development process should be sharply defined. Agriculture and allied activities and particularly programmes of rural development would have to receive high priority.

57. Shri Bhandari mentioned that in the light of the Approach Paper, a shift in the thrust of the Sikkim's Eighth Plan would be undertaken. It would have sharp focus on employment, democratic decision making and decentralisation of the planning process including identification of programmes for integrated rural development, based on area approach. He expressed his reservations on the award made by the Ninth Finance Commission, which have overlooked the numerous requirements projected by his State. It had created a serious resources crisis with the result that diversion of development funds to cover the shortfalls on account of committed liabilities would be inevitable. He requested that the matter be reviewed. Shri Bhandari stressed that there was need for a conscious effort to curb inflation. Keeping in mind the peculiar situation in Sikkim, he pointed out that the all-India norms, be it in the context of the cost of building construction or in relation to rural electrification, had no relevance so far as Sikkim and other similar hilly States were concerned. The developmental needs of hilly states required far greater attention than had been given so far.

58. Chief Minister, Karnataka, **Shri Veerendra Patil** mentioned that in the Approach Paper, it is said that the Commission had tried to project an alternative model of development within the framework of national planning. He did not know what they meant by alternative model of development. Were they thinking of changing the basic structure of the planning itself? He had not been able to follow this assertion. What they thought as the alternative model of development meant that there was something wrong with whatever model of development there was in the country for the last 38 years. We should remember the efforts put in by the people of the country in achieving the progress while finalising the draft of the Eighth Plan. There were still so many problems, unemployment problem and other problems. Whatever achievement was there was diluted because of the unchecked population growth. That was the concern of everybody. The Approach paper said that 50 per cent of the public sector outlays should be devoted to rural and agricultural development. But in Karnataka, they were already spending 59% of the State's plan outlay on agriculture and rural development.

59. Shri Patil suggested that 50% of the Central Plan outlay should be spent on rural and agricultural development. So far as the employment opportunities in rural areas were concerned, it had been mentioned that with 3% growth, it was possible to meet it. The National Sample Survey's figure of unemployment is ridiculously low. It was at least twice or thrice the figure that had been quoted by the National Sample Survey. If we make employment a fundamental right, then we would be compelled to provide jobs or give unemployment benefit. He enquired whether the Planning Commission had worked out the financial implications of implementing the assurance given by the

Central Government about the right to work. We had to spend thousands and thousands of crores of rupees either on providing employment or for giving unemployment benefits to those people who were unemployed. It is said that our approach should be on employment generation through traditional village industries. He felt that the proposal required an indepth study because the village at the time of independence and the village now was not the same. Now the rural population would not like to have pottery or the handloom cloth. They would like to have bush shirt. It has already reached the villages. Instead of chappals which are man-made, they required rubber chappals, which were available in the urban areas. He emphasised they had to take into consideration the change in perceptions and needs in rural areas. Otherwise, it might be difficult to find market for whatever would be produced in the rural sector or the cottage sector. It was possible to provide employment at least in rural areas if we concentrated on building infrastructure like power and irrigation. We had to spend more on power and irrigation. Wherever there were irrigation facilities, there was not any unemployment in that area.

60. About waiving of loans to the farmers, artisans etc., Shri Patil asked as to why the Centre should not take the responsibility with regard to cooperative banks' loans also? In Karnataka, if he had to bear 50% of the burden, it meant he would have to pay Rs. 150 crores. Then, he would have to cut down the Plan as there was no other resource at all. Therefore, he pleaded that the Centre must honour it. There were very good suggestions made by the Ninth Finance Commission. He requested Government of India to implement some of the recommendations of that Commission without any further delay. Shri Patil offered to host the first meeting of the Inter-State Council at Bangalore.

61. The Chairman informed Shri Patil that we would have the first Inter-State Council meeting at Bangalore, and also discuss the Sarkaria Commission's recommendations.

62. Governor, Punjab, **Shri Virendra Verma** referred to various aspects of the proposed reorientation of the planning process in the Approach Paper. He mentioned that the Approach Paper emphasised the desirability of making agriculture a more stable and productive occupation through expansion of irrigation and other facilities and equitable access to resources and inputs within the rural society and by assuring remunerative prices to the farmers in general and diversification of agriculture into more remunerative enterprises. In this connection, he pointed out that average yield per hectare in Punjab for major crops like wheat, rice and cotton was the highest in the country and far above the national average.

63. Shri Verma observed that the industrial sector in Punjab had not been given due priority so far. He stated that Punjab's share of investment in Central enterprises had come down from 2.2% in 1978-79 to 0.95% in 1988-89. Larger Central Sector investment in the State was, therefore, justified. A large petrol-chemical complex in the Central Sector might have a tremendous multiplier effect. The emphasis in the Approach Paper on technology upgradation for ensuring quality and cost-effectiveness to make the products more competitive both in indigenous and international markets was commendable.

64. Governor of Punjab pointed out that the problem of unemployed in Punjab, mainly in respect of educated and technically qualified youth, could be resolved only through diversification of agriculture and large-scale expansion of the industrial and services sectors. It was also necessary to improve the education and vocational training facilities so that holders of diplomas and degrees from schools and colleges were straightaway employable. Growing population was the root cause of many problems threatening to tear apart the socio-economic fabric of the nation. He proposed

that family planning be made a people's movement and health education be intensified especially among the women.

65. Governor of Punjab mentioned that all cities and towns in Punjab, particularly, small towns were woefully short of basic minimum urban amenities. An urban renewal programme had been formulated and about Rs. 125 crores would be invested in such programmes in the next two years. Shri Verma suggested that it would be useful if hydro electricity potential in the Himalayas was exploited jointly by the States in the northern zone under the aegis of the Union Government through National Hydro Electric Power Corporation and other similar institutions. Such an approach would be more cost effective and ecologically more desirable. Referring to fiscal measures, he mentioned the desirability of having a uniform salary structure and evolution of guidelines to be followed by different State Governments in the matter of giving fiscal and financial concessions for development of industries. Shri Verma also suggested that the State Governments should be vigilant about the losses of enterprises which were not viable and a committee be set up to work out appropriate remedial measures including winding up/merger of enterprises.

66. Chief Minister, Manipur, **Shri R. K. Ranbir Singh** observed that the four decades of planned development had not resulted in desired reduction in disparities among different sections of the people as also among the different regions of the country. The impact of green revolution had not been felt in the North Eastern region. Therefore, he requested the NDC to lay emphasis on the removal of disparities among regions. His State was very backward. The size of the plan received some boost from the Sixth Plan onwards. However, the quantum jump in the plan size and Central assistance did not help the State much because of the inflationary trend during the 70's and 80's. It was also due to faulty plan. There had been no private sector investment in Manipur. They had been denied investment by any Central public sector undertaking. They had not received their due share from the national financial institutions.

67. Shri Singh laid emphasis on the removal of jhum cultivation as it had deforested the hills and had made the entire State prone to an annual on-slaught of floods and/or drought. It was so in all States in the North Eastern region. A bold approach was needed to save our eco-system. Chief Minister, Manipur observed that their approach to the Eighth Plan was, therefore, conditioned by the relative development of the State vis-a-vis the Country, on the one hand, and the disparity of development among different districts and sections of the State, on the other. One of the serious constraints the State had been facing in the implementation of poverty alleviation programmes was the non-availability of bank finance in the hill areas of the State. He requested that the banks be asked to help the people in the implementation of the IRD programmes. Within the overall framework laid down by the Planning Commission and with a view to achieving speedy economic development, the thrust areas for the Eighth Plan of his State would include self-sufficiency in foodgrains by the end of the Eighth Plan, high priority to plantation and settlement of jhumias, improvement and consolidation of existing social services, restructuring of education to facilitate the realisation of full employment, removal of disparity between hill and valley areas, conservation and maintenance of eco-system and emphasis on agro-based industries and handloom sector to generate more employment.

68. Shri Ranbir Singh pointed out that the Ninth Finance Commission award had assessed the states in the North Eastern region on par with other advanced states. There had been over-assessment of revenue receipts and underassessment of revenue expenditure. The States in the North Eastern region except Meghalaya were now left with an opening deficit of crores of rupees

plus the committed liability brought forward after the completion of the Seventh Plan. If there was drastic cut on the plan size, the credibility of the new Governments would be questioned. The Planning Commission and the Centre should find out ways and means to cover up the deficit without cutting the plan size.

69. Chief Minister, Meghalaya, **Shri B. B. Lyngdoh**, appreciated the new and increased awareness of the national leaders at the Centre about the needs and the problems of the North Eastern region. Emphasising its importance, he observed that the NEC was not established merely for the developmental purpose alone. It was very important for the integration of the North Eastern region and also its integration with the rest of the country. But the annual allocation for the North Eastern Council this time was disappointing. He hoped that it would be changed before the finalisation of the Eighth Plan.

70. While commending the Approach Paper, he emphasised that the programmes be implemented right away. He hoped that the Planning Commission would come in a big way to supervise and get things implemented in all parts of the State, as far as local area planning was concerned. Regarding the thrust on employment, he preferred to put it as 'productive employment'.

71. Referring to emphasis on environment, Shri Lyngdoh mentioned that in most parts of his State unchecked deforestation had led to destruction of the soil. Twenty lakh tonnes of soil from Meghalaya every year was being washed and carried away. The forest sector had been neglected. He requested that funds be provided without limit for afforestation in his State.

72. Chief Minister, Meghalaya observed that he felt uneasy to read about 'right to work'. The thought we should emphasise more was the duty to work. We were lagging behind as compared to many countries in the world in work and working. We ourselves, specially the privileged 5% of the people in the Government employment, had set a very bad example.

He proposed to have a new look in the matter, and stressed that work culture had to be created. He did not favour a blanket debt relief without sufficient rationale.

73. Chief Minister, Mizoram, **Shri Lal Thanhawla** observed that the emphasis on employment generation in the Approach paper had not come a day too early. He was particularly happy that village and small industries were being projected as one of the major employment avenues. That would have particular relevance for backward and hill States like those in the North East. It would be essential to draw up an imaginative programme with all back up services for success of such an approach. He also pointed out that in the matter of planning process, the suggestion for closer association of the Planning Commission with the State Planning organisation was most welcome. In the past there had been only periodical and somewhat casual interaction between the Central planning organisation and State planning bodies. Modalities for greater cooperation and co-ordination might be worked out, he proposed.

74. While accepting the contention that many of the public programmes suffered from leakages and wastage of resources, Shri Thanhawla suggested that a detailed study by the Central body into the causes for such a situation should be undertaken and remedial measures suggested. While he fully endorsed the strategy of decentralisation and integrated area planning, it had to be emphasised that motivation and training of the elected representatives at different levels as also of the people generally had to be ensured.

75. Chief Minister, Mizoram mentioned that the urgent need to check erosion of the resource base and social and cultural heritage of Scheduled Tribes was rightly highlighted. It however, called for a deeper study not only by the bureaucrats, but in consultation with the tribal people and various organisations engaged in their cultural and social upliftment. He suggested that initiative in that regard might be taken by the Centre. The problem of environmental degradation was very acute in the hill areas in the North East. The problem called for a multi-pronged and coordinated programme under a perspective plan to control and eliminate jhuming by the turn of the century.

76. While appreciating the emphasis in the Approach paper on a policy which took into account the regional diversity in resource endowment and the need for balanced regional growth, Shri Thanhawla proposed provision for more than proportionate resources to the backward States in the North East. Chief Minister of Mizoram referred to the award of the Ninth Finance Commission and requested the Prime Minister to give proper and sympathetic thought to the issues relevant to the North East, in consultation with the Finance Minister, and make good the lapses that had been created by the recommendation of the Ninth Finance Commission.

77. Chief Minister, Tamil Nadu, **Dr. M. Karunanidhi** stated that the priorities outlined in the Approach document were in accordance with the election manifesto of the National Front and outlined an alternative model of development that aimed at meeting the basic and urgent needs of our people. The essential elements of the alternative strategy are adequate employment, satisfaction of basic minimum needs, allocating at least half of all public outlays for rural areas, decentralisation of planning and implementation and emphasis on village and small industries to produce mass consumption goods. Those were also the priorities which their Government had followed when it was in power earlier and in the two budgets which they had presented during their present term in office. They were happy that the Approach document had forcefully brought out that development in our country had no meaning unless it was for the people and by the people.

78. Dealing with some major implications, Chief Minister, Tamil Nadu, mentioned that the basic priorities in the Approach document had to be implemented primarily by the States. They could not be translated into reality unless the States were provided with adequate resources. In this connection he pointed out that as a consequence of the Ninth Finance Commission, the allocable share to the States had been reduced as compared to what it was in 1979-1984, notwithstanding the vast increase in the development responsibilities of the States.

79. The Commission had overestimated the resources of the States, underestimated their non plan expenditure and had allocated a sizeable sum of Rs. 9,000 crores as plan grants in a manner that substantially benefited only a few States. The award of the Commission was clearly in violation of the Gadgil formula, in 1968. He suggested that the Council might appoint a Committee to review the requirements of the States for Central assistance having regard to their outlays in the Eighth Plan and the award of the Finance Commission. The NDC might then decide the quantum of plan assistance that would be necessary from the Centre to the States and how it should be distributed among them. Tamil Nadu had been able to achieve a breakthrough in bringing down the birth rate to 22.5. But the forward looking population policy of the State had become detrimental to its economic and political interests. The Ninth finance Commission had taken the population of 1981 as the basis for the allocation of resources on account of additional excise, in place of 1971 population figure adopted earlier. He suggested that for all such purposes, the population figures of 1971 should only be used in future.

80. While appreciating the emphasis given to decentralisation and integrated area planning, Chief Minister, Tamil Nadu pointed out that the Approach paper was silent on the need for greater decentralisation from the Centre to the States. It was necessary to reverse the centralisation that was brought about in 1976 during the emergency. He also proposed that subject to broad guidelines that might be decided by the NDC, financial allocations for Central sector and Centrally sponsored schemes be transferred to the States and they be given the fullest freedom in utilising those resources for achieving the relevant purposes.

81. Dr. Karunanidhi pointed out that Tamil Nadu was chronically deficit in power. The withdrawal of the coal linkage from Singareni coal fields to the plants in Tamil Nadu and the revised linkages to get coal from upcountry sources through rail-cum-sea-cum-rail route had thrown considerable financial burden on his State. The Centre should correct the anomaly by allotting the entire power generated in Neyveli to Tamil Nadu. He also suggested that the additional burden on account of the revised coal linkages should be suitably compensated. In the power sector an early decision be taken to promote private sector participation. He also mentioned that they were interested in adequate Central investments for utilising oil in the Cauvery basin for petro-chemical complexes in Madras and in the Thanjavur area, and for establishing a Southern gas grid linked to natural gas from Bombay High. The conversion of the Salem Steel plant into an integrated steel complex was another project of vital importance to their State. Being highly urbanised State, special assistance to Tamil Nadu was necessary for urban development, particularly in respect of water supply and mass transport in Madras.

82. Chief Minister, Tamil Nadu hoped that the process of formulating the Eighth Plan would be expedited and the States would be closely consulted at all stages of Plan formulation and that the National Development Council would be convened as frequently as necessary to give its guidance and support to the planning process.

83. Chief Minister, Goa, **Dr. Louis Proto Barbosa** stated that the Approach paper had very rightly focussed as the central thrust employment. The unemployment problem in Goa was still within manageable limits and they were applying themselves to the matter in detail to ensure that gainful employment was provided to all. There was an absolute need to further accelerate agricultural and rural development by earmarking sufficient resources to these two vital sectors. Goa had earmarked nearly 62% of the Plan Outlay for 1990-91 for programmes in the rural sectors. He favoured change in the approach to rural development away from the present system of department-wise schemes to integrated local area planning.

84. The development that we were aiming at could be achieved only if we succeeded in reducing the birth rate to the targeted level. Goa had already achieved a birth rate of 17.09. The Central Government should reward them by way of monetary incentives for having achieved the optimum birth rate. Such a system should also be adopted for other States which tried and reduced the birth rate, he added.

85. **Dr. Barbosa** stressed that unless we succeeded in bringing the inflationary pressures under effective check, the process of development might not receive adequate stimulus to make it move at the pace and in the direction envisaged in the Approach Paper.

86. Chief Minister, Goa suggested that location of one or two major public sector units in the State would further strengthen their efforts to relieve the problems of unemployment in Goa. The export of iron ore and tourism activity generated substantial foreign exchange for the country from

the State. It was therefore, only fair that some percentage of the foreign exchange earnings was ploughed back to the State to act as a catalytic agent in its economic development. It would be helpful if the State Capital Project grants were released expeditiously. He requested the Council to consider their case for Special Category status sympathetically. The loans given to Goa prior to its becoming a full-fledged State should be written off.

87. Governor of Goa and Administrator of Daman and Diu and Dadra and Nagar Haveli, **Shri Khurshed Alam Khan** observed in his statement that there was no other tool stronger and lasting than education—the right kind of education based on values and rationality, which would equip the people to face the changes and challenges of the times. He was happy to note that, among other areas, the Approach to the Eighth Plan puts priority to education. Education should move from the stage of information and knowledge to the stage of skill, wisdom and understanding. He made a special plea for primary and pre-primary education to be adopted as a thrust area by the Planning Commission. The Wardha Scheme of basic education as expounded by **Dr. Zakir Hussain** offers a welcome framework to evolve our new education policy at the primary and pre-primary level. He strongly recommended the use of our vast human resources available in our colleges and Universities for some community work. Our Universities should become outstanding training centres for extension work. Now that our major thrust was on giving maximum employment opportunities to maximum number of people, Shri Khan felt that the handicraft industry must receive a renewed and better deal in the Eighth Plan. We must identify the skills of the people in the rural areas to promote handicrafts and handlooms.

88. Referring to Dadra and Nagar Haveli, the Administrator pointed out that his administration was committed to provide education to all, and full care had been taken to see that no child had to go beyond a distance of one kilometer to attend a primary school. In order to reduce the dropout rate, they were planning to promote the idea of combining work like raising of nurseries and chalk-making, tailoring and training in agriculture, with academic learning. Agricultural activity would achieve greater heights with full utilisation of the Damanganga Canal project. Besides agriculture, the allied sectors like animal husbandry, dairy, poultry and fishery had tremendous potential for generating employment and provide regular income. Similarly, in Daman & Diu also, priority would be given to education, industry, agriculture which are vital to the Territory's progress, along with other sectors. He made a plea to the Planning Commission and the Ministries of the Central Government that the problems of the two Territories be considered sympathetically.

89. Governor, Jammu & Kashmir, **Shri Girish Chandra Saxena** stated that they fully endorsed the central thrust given to employment generation. In Jammu and Kashmir, the growing unemployment among educated youth is one of the most burning issues and has wide social and political implications, it is, therefore, imperative to formulate an effective strategy for creating job opportunities for the young people coming out of schools and colleges. The emphasis given to small scale and village industries in the Approach to the Eighth Plan was both relevant and timely. This sector is particularly important for a State like Jammu and Kashmir. Whilst modern industries, like electronics can be selectively promoted, the real potential lies in the development of the traditional handicrafts and handlooms as well as in newer areas of sericulture, agro-processing and other small scale enterprise. At the national level, there had to be sufficient recognition of the need to provide adequate resources, both in terms of finances and expertise, for research and development in the decentralised sector.



90. The hill States of the country face a host of unique problems which do not affect the plain areas. Difficult terrain, extreme climate, fragile ecology, and small landholding are some of the special characteristics of the hill areas. For these reasons they have been categorised as Special Category. Shri Saxena observed that hill States were eligible for Central assistance on a different pattern. However, Jammu and Kashmir, although included in the group, had not been treated at par in the matter of Central Plan assistance. Despite this matter having been raised at several fora, the anomaly still persists. Even the Ninth Finance Commission had not responded to their plea.

91. Because of the mountainous terrain it became necessary to lay an efficient and strong infrastructure base, necessitating earmarking of a fairly large part of the plan outlay for infrastructure development. Similarly, adequate provision had to be made for sectors like tourism. They appreciated the rationale for earmarking 50 per cent of the Plan outlay for the rural sector, but there should be a degree of flexibility in financing sectoral outlays on the basis of mutual consultation. Governor, Jammu and Kashmir welcomed the recognition given to the tourism industry as a significant foreign exchange earner. It was necessary to supplement the State's resources with investment by the Centre in the infrastructure for the tourist industry.

92. Shri Saxena observed that development of rural areas on the basis of a spatial concept rather than the traditional sectoral approach was another commendable objective contained in the Approach document. Whilst there could be no two opinions about the necessity and desirability of decentralisation, it needed to be considered whether a uniform system would be feasible for the entire country. Over the years, several experiments in decentralisation had been tried and various models have emerged in different States. Jammu and Kashmir has been following what has come to be known as 'single line administration' for the last fifteen years. Considering the diverse experiences in the process of decentralisation, it would be useful to have in-depth discussion with the States before any final view was taken. They would recommend that a concerted and systematic effort be made during the Eighth Plan to strengthen institutional infrastructure for state and district planning and monitoring, and adequate Central support should be forthcoming for the purpose. Before any decisions were taken in respect of individual Centrally Sponsored Schemes, it was hoped that detailed consultations with the State Governments would be held. While transferring programmes to the state sector the impact on the State's resources had to be given due consideration. Referring to environmentally sustainable pattern of development, Shri Saxena stated that they were only too conscious of the criticality of environmental considerations in States like Jammu and Kashmir. They believed that it was essential to build into the planning system, mechanisms that were responsive to long term environmental needs. There was, however, a trade of which sometimes acted as a disincentive. For instance, conservation of forests involves a loss of revenue and a reduction of the resource base. That needs to be compensated through a national policy.

93. Chief Minister, Gujarat, **Shri Chimanbhai Patel** in his statement observed he was happy that employment had been chosen as the central theme of the Eighth Plan. One way of demonstrating our resolve for full employment would be to choose two or three districts in each State for reaching zero level of unemployment. The Central Government should provide additional funds of sizeable magnitude of at least Rs. 100 crores for each major state to ensure that a good start in that direction was not hampered by lack of funds. Self employment, rather than wage employment, appeared to hold the key in our strategy to tackle unemployment. Productivity and incomes of our small and marginal farmers could go up substantially, if appropriate technological

inputs were made available to them through agro service centres. They intended to develop at least one out of every three small towns as centres for providing jobs and incomes to the semiskilled and skilled artisans from nearby villages. One or two lead activities would be identified in such small towns and sufficient working space and other amenities would be provided. Diamond cutting and polishing, garment making, carpet weaving, and repairs and services of various kinds were some of the productive activities he had in mind.

94. With falling share of agriculture in national income, Chief Minister, Gujarat pleaded for taking vigorous steps towards reducing the dependency on agriculture. We could do so by removing the barriers to the full exploitation of our natural resources. There were a large number of villages in their State where the physical targets had been stated to have been achieved. But these villages suffered from many qualitative problems, such as excessive fluorides in water and other contaminants arising from pollution and salinity ingress. If such villages were taken into account, the number of villages that required a safe dependable source for drinking water all the year round would be much larger. The Eighth Plan must concentrate on these qualitative aspects in equal measure.

95. Fuel and fodder had been recognised as a part of basic minimum needs in the past but not enough had been done to provide them where they were needed. These two items make a world of difference to the lives of women in villages. Wherever possible, non-conventional sources of energy would have to be tapped imaginatively. Chief Minister, Gujarat mentioned that his State Government had transferred substantial portions of plan and non-plan activities in agriculture, animal husbandry, minor irrigation, education, public health and cooperation to Panchayati Raj bodies. Alongwith the funds, necessary technical and administrative staff had also been placed at their disposal. They had found it advantageous to implement beneficiary oriented programmes of rural development through District Rural Development Agencies, which work very closely with, but not as a part of Panchayati Raj institutions.

96. There were a number of activities, such as the Post and Telegraphs, Railways, Telecommunications, Broadcasting, and major ports which had a vital bearing on economic development. District Panchayats are seldom aware of the developments of such activities until they actually take place. Shri Patel proposed that the activities of Central Ministries, autonomous agencies and even public sector corporations be disaggregated to the State and district levels, wherever practicable, and full information be made available to district level planners. An integrated plan for the development of coastal areas in the country was yet to find a proper place in the scheme of national planning. A major Central initiative with sizeable funds was long overdue in that area.

97. Shri Patel stated that they could not be expected to meet the demand for power in Gujarat unless they completed in time the gas based power plants at Gandhar and Pipavav in Saurashtra. A number of important schemes for development of surface and air transport also required the active help of the Central Government.

98. There were a number of areas relating to resource mobilisation which required urgent attention. He referred to their known views on the revision of crude oil royalty. Shri Patel referred to the recommendation of the Finance Commission relating to prohibition and stated that a state which had faithfully implemented the Directive Principles of the Constitution in that respect ought not be penalised for doing so. He proposed that the question ought to be settled at the national

level. In the true spirit of federalism, Gujarat Chief Minister agreed that the number of Centrally Sponsored Schemes be kept to the bare minimum. As regards the formula for Central assistance, they had found the Gadgil formula, with all its shortcomings, working reasonably well. In fact, the weightage for tax effort ought to be increased from 10% to 15% with corresponding reduction for per capita income or for special problems. Considering the magnitude of amount needed for repayment, it is time, Shri Patel also suggested that the loans to grants be revised from 70 : 30 to 30 : 70. He pleaded that the Sardar Sarovar project be designated as a project of national importance and funded from special funds.

99. Chief Minister Uttar Pradesh **Shri Mulayam Singh Yadav** stated that the Approach Paper to the Eighth Plan reflected the promises made in the election manifesto of the National Front. The main problem was that of unemployment—educated and uneducated. So far as uneducated unemployment was concerned, the U.P. Government had decided to create a “Bhoomi Sena”. They should pay utmost attention to that problem as poverty would be alleviated through the creation of employment opportunities. He considered poverty as the main challenge. Their State was poor and backward like Bihar and Orissa. They were not getting adequate help from the Centre and public sector. Uttar Pradesh was getting 6% whereas the share of its population was 16%. According to the formula of the Centre, assistance would depend on revenue collected. In that way, they might never be able to develop the backward regions. He, therefore, requested that assistance should be on the basis of population and backwardness. The second problem was that of poverty. Here, his suggestion was to increase production. 36 million tonnes of foodgrains had been produced in Uttar Pradesh. They wished to increase the production to 50 million tonnes in the next five years. For this the Central Government had to give assistance. For increasing production, assistance for irrigation and other facilities would have to be given at all levels viz., Centre, State, Gram Sabha and Gram Panchayat.

100. Shri Yadav pleaded for provision of more facilities for agriculture. The development of agriculture and industry should go hand in hand. There was no conflict between the two. Agriculture could survive without industry but without increase in agricultural production industry could not survive. In his opinion, facilities like irrigation, power, seed, fertilizer should be provided for laying greater stress on agriculture. Population was the greatest problem for development. There would be no development if the population continued to increase. If some new legislation was to be enacted for this purpose, it could be undertaken, but there must be no compulsion because our previous experience in that regard was not good. Shri Yadav proposed for consideration that in the event of more than two children, there would be no responsibility for the employment of additional children.

101. Another problem which confronted the entire nation was that of drinking water, Shri Yadav mentioned. Chief Minister, Rajasthan had just requested them to provide water for 15 more days. They would provide water for more than 15 days on humanitarian consideration. He referred to the installation of hand pumps and enquired as to what would be their condition after ten years because no assistance had been given for their up-keep and they were not going to last for more than ten years. If they were to arrange for water for the entire State, they would need Rs. 1500 crores against which they were spending Rs. 80 crores. He asked whether we would be making arrangements for water supply only during the next 20-25 years. It was being said that wells would be closed in the villages. If wells were made non-functional in the villages, the water problem would become more acute. Therefore, in their opinion, wells in villages should be accorded primacy and the ponds and tanks must also be maintained. In that task, the Central Government would

have to provide assistance and arrange for drinking water on a permanent basis. The level of water was going down. That had to be stopped. If there was scarcity of water, we would not be able to show our face to the people. Without talking of roads, housing and irrigation, arrangements were not being made to provide drinking water on a permanent basis. He requested for serious consideration of the problem.

102. Some plans had been formulated by the previous Government in his State, requiring Rs. 1100 crores for implementing their promises. The present Government was new. If they continued to attend to the old programmes, they would not be able to attend the new programme. That aspect had to be borne in mind. He mentioned that Uttar Pradesh was being ignored. That had resulted in backwardness and poverty. If a dual policy was adopted in the field of education, Uttar Pradesh would remain backward. They required more assistance for employment and they would not achieve this without the assistance of Centre. First of all Central Government would have to help in changing the education policy. Education policy should be such that people got employment. They could succeed in that task if the Central Government assisted the State. Chief Minister, U.P. also observed that if Panchayats were strong, poverty would be banished and un-employment problem would be solved.

103. Lt. Governor, Andaman & Nicobar Islands, Shri Ranjit Singh Dayal observed that the Approach documents had been given a sense of direction for harmonious peace and development. During the earlier Plans efforts were made to create infrastructure for development in A & N Islands. People were settled in areas having no road and jetty, educational and health institutions. Such facilities were provided to some extent. Much more remained to be done. In spite of giving highest priority to transport and communication in the earlier Plans, the demand for it had not been fulfilled. As a result, take-off stage for development had not arrived. A and N Islands was keen to lay highest priority on transport sector in the current plan. It would be only fair that all the schemes for development of ports and light house, shipping and Andaman trunk road should be financed from the Central Sector or else, the Government of India should be liberal in providing adequate funds.

104. Shri Dayal mentioned that ship repairing and bunkering was a lucrative economic activity and creation of such facilities in the proximity of one of the busiest international shipping routes would help generate income for the development of the islands and earn foreign exchange for the Country. Therefore, he suggested that a study be undertaken by the Government of India to go into the details of the proposal. Lt. Governor A & N Islands mentioned that about 30% of the exclusive economic zone of the country surrounded these islands. There was a vast resource of marine wealth lying untapped. The Administration proposed to go for chartering of vessels initially for carrying out deep sea fishing through tuna long liners with 100% exports. He sought assistance of the Centre for this venture. He also sought higher plan outlay for development of tourism.

105. Chief Minister, Pondicherry, **Shri D. Ramachandran** observed that the concept of right to work had been introduced for the first time. With the target of achieving 3% growth rate of employment, they would be in a position to reverse the trend of unemployment by the end of the Eighth Plan. Majority of the people in the country lived in the rural areas and depended on agriculture and allied activities for gainful employment. Hence, it was but natural that substantial part of investible resources should be deployed for benefit of the agricultural and rural sectors. To step up agricultural growth which was still the locomotive of overall growth, he fully endorsed the various issues which needed attention to make agriculture a productive occupation. Shri Ramachandran pointed out that as a result of efforts made in the past, there was a shift in the labour force from agriculture to

non-agricultural activities. Non-agricultural employment had experienced significant growth leading to diversification of the rural economy. Smooth flow of adequate institutional finance was necessary to sustain that trend.

106. Shri Ramachandran pointed out that their performance during Seventh Plan was impressive both on mobilisation of additional resources and achievement of physical and financial targets. Drinking water supply had been provided to all problem villages. On education side facilities had been extended to achieve 100% enrolment. Education, health and welfare programmes would be given priority towards development of human resources. The overall strategy was to generate productive employment through increase in cropping intensity, extension of new agricultural technologies, expansion of labour intensive construction activities for providing housing, urban amenities and roads, and through changes in the pattern of industrial growth. He requested conferment of statehood on Pondicherry as it would provide a further impetus to the development programmes being carried on in the territory. Shri Ramachandran was glad to know that the Government of India was examining various recommendations included in the report of the Mandal Commission. Pondicherry was not in a position to adopt development schemes launched in the neighbouring States for the benefit of Backward Classes as there was no policy decision for extending such benefit to Backward Classes other than Scheduled Castes/Scheduled Tribes.

107. Chief Minister of Nagaland in his speech (which was circulated) observed that the North Eastern region was still lagging far behind other States in the country. It would be their endeavour to uplift the rural poor and the downtrodden by the end of the Eighth Plan. The thrust areas in Nagaland during the Eighth Plan would include provision for steady development of infrastructure needed for increasing productivity and production to the level of self-reliance and self-sufficiency; focus on human resources development through provision of facilities for universalisation of elementary education with special emphasis on female education; wide-ranging network of health care, clean drinking water to all; substantial growth of employment; and gearing up the Plan machinery with greater emphasis on democratic decentralisation and people's participation in the Planning Process. In the Eighth Plan, the Nehru Rozgar Yojana Scheme for the urban poor should be suitably modified for Nagaland and other hill states in the North Eastern region and the schemes should be funded fully by the Government of India.

108. Chief Minister, Nagaland urged that the Central Government as well as the Director General, ICAR might urgently review the working of the existing setup of ICAR in Nagaland and consider its upgradation/strengthening. Chief Minister, Nagaland mentioned that the Government of India had been very generous in allocating them industrial growth centres. However, a state like Nagaland would find it extremely difficult to implement the growth centres on the basis of the present formula of funding. He, therefore, proposed that the Central Government might take up such growth centres under 100% Centrally Sponsored Scheme. There was potential in Nagaland for electronics industry. Nagaland might be linked with a electronic industrial house so that manpower planning and product specialisation could be given coordinated direction. Higher priority should be considered for road development in the Eighth Plan for hilly States like Nagaland. For the development of agriculture, industries, etc. power was an important input. Unless the development of power was given due consideration and Special Category States made self sufficient in power generation, industrialisation or development of various sectors would not achieve the desired goal.

109. Chief Minister, Bihar, **Shri Laloo Prasad** stated that Bihar was very rich but the people of Bihar were poor. Bihar had contradictions. There were plentiful rich mines, on the one hand and it

faced the flood fury, on the other. He wanted that losses due to damages caused by the flood should be borne by the Centre. Infrastructural facilities like power, roads, irrigation and flood control were lacking in Bihar. Investments had been made in all sectors but in comparison to other States, Bihar had been discriminated. The Gadgil formula for assistance would not help in the matter. He suggested that a policy of reducing the prevalent disparities in progress of States by offering special assistance to backward States, on the basis of an average index of progress, should be adopted. It would necessitate earmarking a part of the Central Plan assistance in the form of a special fund. Only such States should receive assistance from that special fund which were below the average index of progress. The allotment of funds to the eligible States should be in proportion to their distance in respect of the national average. The states which were above the national average should not get any assistance from the fund. The performance of States might also be looked into while making allotments from the fund.

110. With a view to re-enforcing that policy, Shri Laloo Prasad suggested that the present system of allotment of market borrowings between States should be amended. Every Year, 50% of the total market borrowings should go to the Centre and the remaining 50% should go to the States. The share of the States above the national average should be pegged to the level of market borrowings allowed in 1990-91. The remaining amount should be distributed between States which were below the national average of index of progress.

111. Chief Minister of Bihar also mentioned that there was disparity in the distribution of external assistance for development projects of States. He suggested that in respect of external assistance, no State should get in a particular year less than what was admissible to it on the basis of the Gadgil formula. In cases where States were in receipt of an amount less than what was admissible to them, they should be compensated for the shortfall by grant of more assistance from the funds earmarked for special problems. He pointed out that the Central sector investment policies had not been able to reduce regional disparities in any significant way. In his view, Central projects should as a rule be located in less developed States. He also suggested for consideration as to how the big resources raised through floating of mutual or magnum funds by banks and financial institutions could be used for reducing regional disparities. He favoured incorporation of the rural and poor population in the Gadgil formula to counter paucity of resources in the State plans to create infrastructural facilities. Shri Prasad referred to shortage of electricity in Bihar and pointed out that it was necessary to increase the power generation capacity of the State.

112. Chief Minister, Madhya Pradesh, **Shri Sunder Lal Patwa** stated that Madhya Pradesh stood at the second place from the bottom amongst the backward States. He expressed regret that despite State's forest cover being highest in the country and its heavy mineral deposits, its population was poor. 37% of the State's population consisted of Adivasis and Harijans whose economic status and social standing were low. The State was deprived of the basic facilities like telecommunications, literacy, transport, medical facilities, etc., 40 to 45 districts are backward from the point of view of industrialisation. Shri Patwa observed that 50% of the population was below the poverty line and average per capita income was less than half of the average per capita income of developed States. He emphasised that regional imbalances should be removed. Financial assistance should be provided for Narmada Sagar Project and development of Chambal region. He pointed out that HBJ gas pipe line passes through 550 Kms. in Madhya Pradesh. However, their State had been denied a gas-based power plant.

113. Shri Patwa stated that the right to levy royalty on minerals was vested in the Central Government by the Constitution. The royalty on coal constituted 76% of the total income from royalty in Madhya Pradesh and the rates of royalty on coal were not increased. Whereas Madhya Pradesh could earn Rs. 275 crores per year from cess on royalty, a recent judgement of the Supreme Court debarred the State from levying that cess, while Bihar and West Bengal were not debarred. It shows discrimination between States. He invited attention of the Council towards Environment Conservation Act. He stated that 36 projects of the State were pending for approval under Forest Conservation Act and 293 projects had been returned by Government of India. Crores of rupees invested by the State was locked up in these projects. Besides major projects, small development works like schools, hospital buildings were also pending. About 1.5 lakh Tribals and Harijans were affected by this delay. He suggested that such problems could be sorted out by mutual discussions. Shri Patwa further suggested that higher officials of the Central Government should devote time to solve problems of States, at least as much as they devoted in conferences, meetings and seminars abroad. Their schemes relating to railways, roads and telecommunications should be included in the Eighth Plan.

114. Chief Minister, Madhya Pradesh pointed out that in order to improve productivity in agriculture their focal point of attention would be the small and marginal farmers. Agriculture should be transformed from subsistence farming to commercial and industrial activity. He referred to the genuine demands of the State for setting up a Thermal Power Plant in Western Madhya Pradesh and a special steel sponge iron, pelletization plant based on Bailadilla iron mines. The share of Central assistance in the total plan outlay was decreasing fast. He observed that it had come down to 16.52% by the end of the Seventh Plan, from 60.38% in the Third Plan. He opined that it should be 50-50. The ratio of the Centre and States in market borrowings should be 1:1. Shri Patwa also mentioned that they could put a stop to the six monthly D.A. increase if they could provide essential items of daily necessity to Civil employees of Government as was being done for defence personnel. It was necessary that the rate of growth in population was brought down to zero. The chasm in confidence between the private sector and administration needs to be removed. The rights which could be given to States should be considered in broad terms. The abolition of all controls except financial control also needed to be considered.

115. Chief Minister, Rajasthan, **Shri Bhairon Singh Shekhawat** pointed out that the Approach paper had made a good analysis of deficiencies of the previous plans. But it did not indicate as to how to overcome them. He stated that Rajasthan's situation was very disappointing in comparison to other States. Until and unless the widening gap between backward and developed States was bridged, there was always a possibility of exploitation of the backward States. He informed the Council that in the growth of population Rajasthan was ahead of other States and as a result, problems were increasing rapidly. Industries were being allotted to those States which could provide better facilities. Since backward states were unable to provide such facilities, Rajasthan was deprived of industries. He regretfully pointed out that while abroad, we talked about new economic order but did not implement it. His State was extremely deficient in water resources and also in resources for power development. He further pointed out that 2/3rd of the State was desert and faced droughts every year. If such problems were not resolved by the Finance Commission or the Planning Commission, Rajasthan's own financial resources could not remove them. He observed that while we were having discussions on the Eighth Plan, we could not guarantee drinking water, electricity to each village and shelter to all the people of Rajasthan.

116. Shri Shekhawat invited attention towards the recurring menace of droughts. The assistance which Government of India provided for desert development was too inadequate to control it even in 500 years. If they wanted to take assistance from outside to make use of foreign experts to convert the desert into greenery, the Government of India's diplomatic relations came in the way.

117. Regarding the modified Gadgil formula, Chief Minister, Rajasthan said that distribution on the basis of that formula needs to be stopped because it widened the gap between backward and prosperous States. A new formula, based on minimum needs of a particular State, should be evolved. He suggested that the Government of India should have a permanent industrial policy, on the basis of which they would establish small scale industries. Government of India prepared guidelines for Centrally Sponsored Schemes which might or might not fit in to the prevailing conditions in the State. The State Government could prepare more appropriate guidelines according to its conditions and administrative apparatus. He suggested that to achieve the objective of balanced regional development and removal of disparities, the Central Government would have to take initiative with provision for its own investment. The Central Government would have to incorporate Rajasthan's plans in its Plan.

118. Chief Minister, Haryana, **Shri Banarasi Das Gupta** stated that it was for the first time that provision in the Eighth Plan was being made to realise the goals of food, clothing and housing which had so far been slogans in the air. After 42 years of Independence, the wrong economic policies of previous Governments had resulted in crores of people living below the poverty line. Certain revolutionary economic and social reforms contained in the Approach paper had already been initiated in Haryana. Efforts to enshrine right to work in the Constitution as a Fundamental Right was commendable, but to solve the awesome problem of unemployment certain drastic measures would have to be adopted. He suggested that Sutlej-Yamuna Link Canal should be constructed speedily so as provide irrigation and electricity to the farmers. Shri Gupta referred to the power shortage Haryana was facing. They were going to instal a super thermal power plant in Yamunanagar. Gas plant in Faridabad should be started, he suggested. The industrial policy needed to be changed since all industries were under the monopoly of a few houses. Small industrial units must be encouraged and big industries should serve as mother unit to small units. He urged that the work on oil refinery in Karnal should be started. He also suggested that the decision taken earlier regarding the consignment tax should be implemented.

119. Chief Minister, Himachal Pradesh, **Shri Shanta Kumar** laid emphasis on formulation of a National Himalaya Policy to focus special attention on the problems of the concerned States. After 1988-89, the method of allocation of funds to the Special Category States had been changed, and as a result their problems have increased. The credit deposit ratio of Himachal Pradesh is 40% whereas it was 65% at the national level. So more and more attention should be paid in that regard to his State. He referred to the low rate of Central investment and mentioned that in Himachal Pradesh electronics, H.M.T. and herb-based industries may be promoted.

120. In Himachal Pradesh the concentrate of apple remains unsold whereas the farmers of this State are the largest producers of apple. In this connection, Shri Shanta Kumar suggested that the use of 20% fruit juice in all soft drinks might be made obligatory. That would benefit the fruit growers to the extent of several hundred crores of rupees. He observed that the production of electricity may be enhanced by optimum utilisation of the resources available in the State. The run-of-the river hydro-electric projects hold the key to an optimal solution of the power shortage. For Hydel Power generation there was no need of making big dams or creation of ecological imbalances. In the power generation sector, private sector's participation could be encouraged.



121. All the programmes/schemes introduced so far had not benefited the poor. Therefore, the poorest persons should be identified and new plans introduced for their benefit. The Antyodaya scheme might be reconsidered. While appreciating the emphasis given by the Planning Commission on employment, Shri Shanta Kumar observed that there were several questions in this regard whose answers were not available in the Approach paper.

122. At the resumed session on 19-6-1990, the Deputy Chairman, Planning Commission, **Shri Ramakrishna Hegde** suggested that to facilitate purposeful discussions on a few key aspects, there would be a presentation on five issues by the Members-in-Charge one after the other. It would be useful to discuss the issues in the light of their observations and elucidation.

The suggestion was accepted.

123. **Shri L.C. Jain**, Member, Planning Commission stated that several Chief Ministers had expressed concern the previous day that while the Approach paper had emphasised decentralisation, it had overlooked the problem of over-centralisation. They have arrived at decentralisation through the route of over-centralisation. They noticed that the country had spent over Rs. 25,000 crores in the last ten years on various poverty alleviation programmes through Centrally Sponsored Schemes. Again, about Rs. 1400 crores had been spent through Centrally Sponsored Schemes on drought prone areas programmes and desert development programmes. At the State level, we were spending something like Rs. 7500 crores per year mainly on the salaries of primary school teachers and primary health workers, which meant about Rs. 75,000 crores in the last 10 years. But we all know that many of these teachers and health workers did not attend to their jobs satisfactorily. We were not getting adequate results through the Centrally Sponsored Schemes or schemes controlled at State level without involving the people. It had been recognised that in dryland areas we would get results only through integrated planning. One could make an integrated plan, but if the actors and characters who were supposed to work in an integrated way did not do so, one ended up spending the money without getting the full benefit. While we had been aware of and concerned about the limitations of the trickle down theory, we had paid little heed to the success of the trickle up practice namely, the process through which the resources meant for the grassroots were absorbed mainly by the agents of change. That, alas, had not occupied our mind adequately.

124. All this led them to conclude that we could not afford to proceed in the same over-centralised way. Rationality demanded that the system must be decentralised, especially for activities which were being done at or relevant to the village or local level. The objection to such a step was: where was the institution at the village level? That led them to stress that at the village level we should have a panchayat within the first year, and to recommend a definite and prior action. If we did not create an institution at the bottom, we could not bring accountability into the entire exercise of development.

125. Shri Jain mentioned that in the manifesto of the National Front there was a commitment to restore the federal system. The experience of the last 40 years had shown that by keeping the system of centralised command at the central level, we could not get commensurate results. The planning process itself, they had noticed, had been preventing even a rational degree of decentralisation and *per contra* it had been accentuating the process of over-centralisation. The Planning Commission, therefore intended to make a drastic change in the planning process. It would look only at critical things and follow, "what is called management by exception".

126. Citing the achievements of West Bengal and Karnataka in increasing resources and reducing cost of projects at Panchayat/Zila Parishad level, Shri Jain stressed that they in the Planning

Commission believed that if one allowed local people to plan the use of sums and administer local level programmes, they would improve the productivity of the available resources as well as raise additional resources locally as demonstrated by the people of Karnataka, West Bengal and elsewhere. The community was likely to do so only if they had decision-making power and had a say in the local development affairs. Referring to regional disparities, Shri Jain emphasised that one of the reasons why regional disparities had accentuated was that we had been totally basing the development efforts upon our own official machinery. If one created a network of decentralisation, with village panchayats across the entire space of the country and gave them the responsibility to look after their schools, hospitals, soil, water, grazing grounds and so on, then even the regionally backward areas would get at least some attention, and some more local food to eat in dryland areas. That had been focussed in the Approach paper.

127. In his concluding remarks Shri Jain referred to the Prime Minister's first broadcast to the nation in which he had stated that they had brought to the capital the dust of the fields and granaries and that its message would guide them in everything that they did. The theme of decentralisation in the Approach paper was in keeping with this sentiment, Shri Jain added.

128. **Smt. Ela Bhatt**, Member, Planning Commission stressed that employment constituted the central thrust of the Eighth Plan. It was recognised that employment was not merely a way of utilising the mass of unemployed labour but also an effective way of fulfilling the major objectives of development planning. The proposal to guarantee right to work to all adult citizens was indicative of the primacy being given to employment. The concept of right to work envisaged the creation of greater productive employment in the process of development itself, so as to absorb both the backlog of unemployment and additions to the labour force over a period of time. The projected 3% growth in employment would enable us to achieve the goal of full employment by 2000 AD. However, policies and strategies would have to be suitably restructured so that greater priority was accorded to sectors which had a high employment potential, and within sectors towards products which were labour-intensive. In addition, wherever possible, more labour-intensive techniques would have to be favoured. The employment strategy would aim at generating jobs for the unemployed and ensuring minimum income levels to them as well as those already employed, so as to enable them to rise above the poverty line.

129. Smt. Bhatt observed that a significant feature of the employment and unemployment situation was its tremendous variation among the States and often among regions of the same State. Such variations suggested that different States would need to work out different strategies for employment maximisation even though for the country as a whole, certain sectors like agriculture, forestry, small and village industries and unorganised sectors might be identified as the major source of employment growth. The nature and structure of unemployment was found to significantly differ among States. Promotion of self-employment and wage employment might also require different emphasis in different States and areas within a State. Unorganised sector contributed about 90% of employment in the Indian economy. Still, the Right to Work would have to be concretised into economic reality. The concerned households would have to be identified in terms of their "productive Activities" and "producers status". Their labour-skilled and unskilled—would have to be identified and would have to be harnessed in productive channels. For extending those inputs to the producers groups, several national and State level structures—corporate and cooperative—were in existence. They were the delivery systems for transmitting the benefits of Central and State Governments' policy decisions and resources—allocations. The first task that they would need to do was to carry out an identification of various artisans, workers and producers in the districts. Production and

promotional structures would be needed to develop receiving system, i.e. the workers artisans, producer groups with whom they work or provide partial, occasional or full time work. They would be encouraged to organise themselves into artisan groups/producer groups.

130. To further strengthen their work and productivity, as well as improve the quality of life, the employment would be linked with food and social security, Smt. Ela Bhatt added. What we needed was to change the perception from social welfare to social security. It should be linked directly with the producer-workers groups/cooperatives wherever possible.

131. Smt. Bhatt stated that the economic activities that had proven to be of high employment elasticities were the very activities, like vegetable growing and post-harvest processing, food-crafts, dairying, forest-based activities, which had immediate prospects for supplying wage goods that directly improve the consumption and nutrition level of poverty stricken and work deprived households. We had to think of ways of rehabilitation of those displaced from employment because of advent of new technologies. Displacement to integration in the economic mainstream would have to be worked out in each and every sector and subsector of the economy. A special reference to women's employment was very crucial to poverty alleviation. Measures to enhance women's access to productive resources were critical. Raising female earning power would be very important for increasing effective demand for education, health and family planning services so very crucial not only to improve women's welfare, but also to enhance the family's capabilities to enjoy better quality of life.

132. **Dr. Rajani Kothari**, Member, Planning Commission stated that the continuing growth of population was among the major concerns facing the country. If current trends continued, the population of India may cross 1000 million by 2001 AD. Whether our already depleted natural resources would be able to provide the basic life support systems to such a large population, was a worrying question. It was therefore, proposed to make the family welfare programme more effective by giving it an inter-departmental and multi-sectoral approach through a convergence of various field services. Area specific integrated plans of action, at the State, regional and district levels, had to be drawn up with the objective of stabilising the population in the first decade of the next century and taking steps right now so that we could progressively reduce the rate of growth of population.

133. Dr. Kothari pointed out that even with our current population levels, the use of our resources was neither sustainable nor equitable. The emerging approach at the Planning Commission, therefore, was oriented towards a four-pronged strategy. First, steps need to be taken towards social transformation that makes the system more just with an equitable sharing of the existing resources, and redistribution of the surpluses currently cornered by a few. Second was the role of women in the entire development process by enabling our women to occupy catalytic positions in the management of the economy. Stress on employment and the right to work was the third aspect. Fourthly, the strategy was based on the perception of our inability to provide even the bare minimum to a large and growing population. If we must constantly strive for bettering the living conditions of our people, we needed to protect nature from wanton and wasteful destruction.

134. The Approach to the Eighth Plan, Dr. Kothari stated, had emphasized improvement of the quality of human resources through achievement of the goal of elimination of illiteracy by the end of 1990's making education a resource for the mass of the people to enable them to participate in the productive process and avail of the right to work, and restructuring of the system of health and nutrition with a view to raising the levels of living. The major programme in the area of child care

was the integrated child development services (ICDS) project, which provided a package of services to children below six and their mothers. The health programme in the Eighth Plan must aim at correcting the distortions, apart from strengthening and expanding the infrastructure in the form of rural health centres that were not just set up, but actually operated and provided services to the people by being placed under the control of local level elected institutions which in turn draw upon people's organisations and voluntary bodies.

135. Referring to education, Dr. Kothari pointed out that Government had already appointed a committee to review and revise the national education policy. The recommendations of the Committee would suggest corrective measures and new programmes. The pursuit of education should take place within the framework of a decentralised and integrated local area planning. There should be a conscious shift towards elementary education and attainment of high levels of literacy, on the one hand and vocational education for only the secondary school children (starting fairly early in their career as students) and for non-student youth, adult women, school drop-outs and the unemployed, on the other. He would recommend a substantial transfer of resources from the higher education segments to elementary and vocational education at the secondary levels. He added that the Planning Commission was thinking of recommending that higher education should be made to become self-financing. He re-emphasized that women, especially rural women, had to be accorded a special role in measures towards universalisation of elementary education, eradication of illiteracy, training for skill-formation, provision of child care services through much better nutrition and health care facilities.

136. Concluding his observations Dr. Kothari mentioned that while the UNDP composite 'index of human development' could not be said to be entirely foolproof, it did serve to underline the vast distance we were required to travel before we could consider our human resources to be adequately developed.

137. **Dr. J.D. Sethi**, Member, Planning Commission observed that although many of the Chief Ministers had mentioned about the need to curb population growth, there was not enough concern for population control. The prevailing political will to find a solution was not adequate. Somehow, people were afraid of making it a political issue. While raising some issues, Dr. Sethi mentioned that if the existing norms for the classification of population control and family welfare schemes into Plan and non-Plan were to be followed, by the end of Eighth Plan 80% of the amount would have to be under the non-Plan. The NDC had to decide how to rationalise such outlays so as to commit the needed funds for the programme.

138. Dr. Sethi said that the programmes in social services sector had been scattered across several departments in many States. There had been no mechanism for evolving a coordinated and integrated policy for this sector. The programmes that were being made by the Planning Boards were more in the nature of aggregation of schemes rather than well-planned programmes. Suitable mechanisms in the Planning Boards and also outside had to be developed for formulation of social development programmes. There was an urgent need for strengthening the social sector monitoring at the State level so that programmes were reviewed on the basis of data, and necessary corrective action initiated at the district and State level.

139. The concept of human resource development (HRD) needed clarity, Dr. Sethi pointed out. The definition of HRD should not be confined only to the imparting of skill through various forms of education. Besides, HRD should focus on maternal care; prevention of handicaps and disabilities;

prevention of infant and maternal mortality and morbidity; early detection of handicaps; control of communicable and preventable diseases and imparting of vocational skills on the basis of needs and requirements. Optimal utilisation of the existing infrastructure and improvement of quality of services for all should be ensured through better management and community participation. Population control programme had to be viewed, planned and implemented as a multi-sectoral programme involving health and family welfare, female education, female employment, age at marriage of women, social justice, rural development, social welfare etc. How to achieve that type of integration effectively should be discussed, Dr. Sethi suggested. For population control to become a priority national programme strong social and administrative commitment was a necessary prerequisite. How to achieve it and what parameters of fertility should be monitored in place of crude Birth Rate also needed to be discussed ?

140. Dr. Sethi stressed the need for a National Population Commission which would be a political-cum-administrative-cum-policy making body. The proposed Commission would not directly administer any programme. Programmes would be administered by the States and Panchayats. It would give lead, make policies, coordinate programmes, evaluate and monitor. Such a high powered Commission should be presided over by the Prime Minister.

141. **Dr. Arun Ghosh**, Member Planning Commission emphasised the importance of conservation generally, but much more specifically the conservation of energy and of power in the coming years.

The share of energy in the total Plan outlay had been increasing steadily. It was 25.2% in the Fifth Plan and 30.6% in the Seventh Plan. That was partly because the capital intensity and capital cost of the entire energy sector had been increasing rapidly. The demand for power had been increasing rapidly. Presently, the elasticity of energy demand in relation to GDP growth was 1.7. Such an order of increase in energy supply was not sustainable. He, therefore, highlighted the need for conservation and for making better use of whatever energy we had. He also stressed the importance of conservation from the angle of environment. Apart from explaining the horrendous impact of an increasing quantity of flyash from coal-based power houses, Dr. Ghosh pointed out that the hydro-electric projects were now embroiled in diverse considerations of environment and safety. Therefore, we had a major problem in regard to power generation as to how we approach the issue in the Plan and how we provide the power supply that we needed quickly. Referring to petroleum and petroleum projects, Dr. Ghosh mentioned that our production capacity was limited and by 1994-95, with the best of efforts and with the maximum amount of investment, we could push up the production of crude oil and oil products to about 50 million tonnes. But the demand in that year was likely to be over 70 million tonnes. By the year 2004, it was estimated that our demand for oil and oil products would go up to more than 100 million tonnes and maximum production, that we foresaw now, might be something like 55 million tonnes. Dr. Ghosh referred to an optimum technical ratio that one had to maintain between oil reserves and production. In the Seventh Plan period, that ratio was 21:1. By 1994-95, it was going to come down to 16:1 and by the year 2000 to 13:1 which was unsustainable. There was thus enormous need for conservation.

142. Continuing his speech, Dr. Ghosh mentioned that it was both possible to achieve substantial savings as well as optimise or increase the production from the existing capacity. Our plant load factor had been raised already to something like 56%. Before the Seventh Plan, it was 48%. If we could raise the plant load factor further, we would need that much less new capacity. The Planning Commission attached the highest importance to increasing the efficiency of existing power stations.

We were prepared to give all assistance for modernisation and improvement of existing power plants so that their efficiency could be improved. Secondly, we had to reduce transmission and distribution losses for which there was enormous scope. Refinery losses could also be cut down.

143. **Dr. Ghosh** stressed that there was considerable scope for demand management by flattening the load curve, it had been done in some parts of the country. Rajasthan had been able to achieve good demand management of power in the last five years and they had brought down the difference between the average demand and the peak demand significantly. It had to be pursued everywhere. With the help of figures from the D. V. Kapoor Committee, Dr. Ghosh emphasized that there was enormous potential for conservation of energy in industry, agriculture and transport. He suggested for the consideration of Chief Ministers as to whether we could think of a uniform or at least a small range of power rates for agricultural purposes, because power rates for agriculture were extremely low. They were highly subsidised; there was no incentive for the farmer in having a fuel efficient pump.

144. Speaking on fiscal management, **Dr. A. Vaidyanathan**, Member, Planning Commission, pointed out that the savings target for Eighth Plan— to raise the average rate of total savings from about 20.5% to around 22% seemed on the face of it modest. But it had to be viewed against the near stagnation of savings rate in the last 10 years. Private savings as a proportion to GDP had been fairly stable and that might be expected to continue. But it was public savings which gave cause for deep concern. He mentioned that aggregate public savings as percentage of GDP had declined steeply and progressively from a peak of 4.5% in 1981-82 to 1.6% in 1988-89. The performance of public enterprises had shown a welcome improvement (from 1.5% in 1980-81 to 3.8% in 1988-89) but remained well below the Seventh Plan targets. Particularly worrisome was the deterioration in the budgetary savings. In 1980-81, they amounted to 1.9% of GDP in 1988-89, the budget did not generate any savings but in fact, had a deficit equal to 2.2% of GDP. This phenomenon was manifest both in the Centre and States. However, the Centre's budget went into deficit somewhat earlier (around 1980-81) than the States (around 1984-85).

145. Dr. Vaidyanathan emphasised that the declining trend in public savings had to be arrested and reversed in order to achieve the projected overall savings rate and finance the scale of investments envisaged, without aggravating budget deficits and consequent pressures on the balance of payments and prices. Measures to improve the fiscal situation and increase public savings were needed both in the public enterprises and in the budgets of the Centre and States. Additional resources had to be raised by local decentralised bodies. In public enterprises, there was obviously room for improving the utilisation of capacity and rationalising tariffs. There was also need for reviewing continuing state involvement in enterprises which were chronically losing, which did not serve an essential social purpose, and which did not offer reasonable chances for being made viable. In the case of Government budgets, Dr. Vaidyanathan stressed that revenues must rise considerably faster than expenditure. Measures for both increasing revenues and restricting expenditure were needed to be pursued with far greater vigour than had been apparent. Special attention would need to be given to the expenditure part of the budget, and in particular the containment of growth in staff and staff salaries, non-development expenditures, and subsidies. More efficient use of public resources would ease the fiscal imbalances. The exploitation of such potentials was a common task facing both the Centre and the States.

146. Dr. A. Vaidyanathan mentioned that the Approach paper drew special attention to review the scale content and rationale of the subsidies, now amounting to nearly Rs. 14,000 crores; which

compared with the public sector gross capital formation of Rs. 42,000 crores. The magnitude of subsidies (the above figure was in fact conservative) was not only large, but was also rising at an inordinately high rate. The importance and urgency of all such actions were not diminished by the fact that they had been repeated often. Serious action on those obvious fronts was needed. They were indeed difficult questions. But our present situation did not permit them to be dismissed as unfeasible. They needed to be at the centre of the agenda. Unless they were confronted and decisive action was taken, the Plan and achievement of worthwhile social goals, to which we were committed, would not be feasible. In the end he urged : "Could we perhaps use this occasion to get a national consensus on at least a few things, e.g., on making higher education more self-financing; agree to keep differentials in sales tax within a narrow margin; raising the irrigation tariff by a certain amount and charging a minimum uniform tariff on electricity for pumping; staffing policies?"

147. Chairman, North Eastern Council, **Shri D. D. Thakur** suggested that at the time when we were thinking of giving a Constitutional status to the Planning Commission, could it be possible to consider clubbing the Planning Commission and the Finance Commission so that they took into account all the aspects. Otherwise, what happened now was that the moment the Finance Commission submitted its award, it became a *functus-officio*. There was no forum for anybody to seek a review of the recommendations of Finance Commission. Instead of making the Planning Commission as an additional Constitutional body, we might have a Common Commission, which could be called the Finance and Planning Commission and a permanent body would have the opportunity to review the State plans on the basis of the requirements of the non-plan budget also.

148. While proposing an enlarged role for the NDC, Shri Thakur pointed out that it was not necessary that NDC should only be concerned with the Approach to the plan, or to the finalisation or the approval of the plan, but also with a number of areas which had a bearing on the finalisation of the plan. He mentioned areas like imports and exports and price rise. Shri Thakur also suggested the constitution of House Committees on important subjects as was the case in the USA.

149. Chairman, NEC suggested that we needed a mechanism which ensured correspondence between the States and the Union, particularly in respect of wage policy. At the time when the Finance Commission took into account the requirements of the Union in respect of the employees working under the Union, they must also take into account the corresponding requirements of States. Local bodies should be kept away from the bodies having political label, and should consist of individuals, the respectable ones, the trusted ones and the honest ones. If it was a case of politics not being avoidable, then the executive bodies of the panchayats must be based on proportional representation. Shri Thakur also made a few suggestions on area planning and unemployments. In the latter case, the problem in a substantial measure was the problem of educated unemployment. Specific schemes had to be devised to absorb educated unemployed. The education policy would have to be reoriented. Manpower planning would need to be considered. Emphasis had to be laid on employability. Referring to land reforms, Shri Thakur observed that the system of administration of land reform laws had not been improved.

150. Finance Minister, West Bengal, **Dr. Ashim Kumar Das Gupta** referred to land reforms while discussing the question of decentralisation and stated that as far as the crops and cropping intensity were concerned, the maximum employment and output record was obtained from the land of the smaller farmers. Land reform was not a charity. It was a productive move. After carrying out land reforms, it was very important to support it in terms of provision of non-land inputs like irrigation, seeds, fertilisers, manure and so on. In each one of them there was a crucial choice of technology which had not been fully emphasised in Approach document. We needed technological

progress a shift in the frontier of technology but with a bias in favour of labour. When agricultural production increased, the purchasing power also increased. Then a basis was created for industrial production and a due place, therefore, arises to small scale industries with labour intensity. They strongly underscored the importance of linkage between small scale and large scale industry. That kind of a model was something they placed here for consideration. Alongwith such a move, he suggested special employment programmes in both rural and urban areas. They would strongly urge transfer of funds for this purpose to States.

151. Dr. Das Gupta pointed out that they supported universalisation programme of elementary education totally. In connection with the prevention of drop-outs he emphasised the importance of mid-day meal programme. Regarding population problem, he stated that their studies at the State level showed two important things; one was female literacy and the other panchayat involvement. Vocational education was crucial in connection with the self-employment programme. It should be at the secondary level where the students would have to be exposed to the actual production field, agricultural in rural areas and industrial in urban areas. In their State they were thinking of involving panchayats in supervision of schools as well as public health institutions.

152. Regarding decentralised planning, Finance Minister, West Bengal, explained what they had attempted. They began with the land reforms and then the panchayat elections every five years. Panchayats had been entrusted with different activities. As regards financial provisioning, the plans for each department had been split into two categories, State level schemes and district and block level schemes. In that way they had split the budget of every department and had devolved about 51% of their plan budget for decision-making at the district and block level.

153. Referring to direct taxation, Dr. Das Gupta said that the percentage of direct taxation, which was about 30 in the 60's - had dropped to 15. He asked why this cannot be increased. As regards financial disciplining, he mentioned that for West Bengal they presented a zero-deficit-budget and they ended up with no deficit. He also mentioned that the fiscal balance of the States was getting distorted for two important reasons, the cooperative loan sharing and debt trap of the States vis-a-vis the Centre. Central Plan assistance was a misnomer. 70% of it was loan and the rate of interest on it was increasing every year unilaterally. For major States, that was a fact. Loan repayment liability of the States was way above the Central plan assistance. So, there was a kind of debt trap. He suggested that the loan repayment burden of the States should be reduced.

154. Shri Ashim Kumar Das Gupta mentioned that since the Governor of Reserve Bank was present, he would suggest that the district credit plan of the banks might be integrated with the district fiscal Plans of the States. Here there was a real need of cooperation from the banks. Important suggestions were made by the Planning Commission on reduction of competitiveness among States regarding sales tax, reduction of expenditure on higher education, on electricity charges etc. For such issues, Finance Minister, West Bengal suggested that a special meeting with the Union Finance Minister or the Prime Minister might be convened by the Planning Commission where representatives from different States would be present.

155. Chief Minister, Karnataka, **Shri Virendra Patil** mentioned that Mandal Panchayats and Zilla Parishads in his State were functioning, by and large, satisfactorily and 30% of their plan funds had been earmarked for Zilla Parishads. The only concern with regard to those institutions was as to how to meet the administrative costs. Referring to employment, Shri Patil urged that it should not be for employment's sake but for productive work. If the right to work became a fundamental right, then he would have to spend thousands of crores of rupees every year. He



suggested that the item required serious consideration. Regarding eradication of illiteracy, Karnataka had selected two districts in which they would like to see that illiteracy was eradicated and then they would extend it to other districts. Referring to self-financing of higher education, Shri Patil mentioned that there were several people and several organisations prepared to come forward to take up the responsibility of higher education without asking for any money from the Government. One should put an end to such societies which were collecting a lot of money over the table and under the table. He had been struggling hard to put an end to that scandalous practice but had not been able to find a way-out. He sought guidance in that regard. While mentioning that health facilities were very poor in rural areas, he stated they were asking the doctors to work in rural areas for five years. Otherwise, they would not be eligible for promotion.

156. Shri Patil agreed that conservation of energy was very important. But only by conservation of energy, we were not going to solve the problem. He emphasised that in the energy and irrigation sectors, there should not be any cut at all. The Planning Commission should find out how best we could save the transmission losses. Shri Patil stated that it was unfair to unilaterally declare that 50% of loans waived would be borne by the State Government. He suggested that the Union Finance Minister should discuss the matter with all the Chief Ministers so that a solution could be found.

157. Minister of Finance and Planning, Maharashtra, **Shri Ramrao Adik** mentioned that Maharashtra had been ahead in the matter of decentralisation. He gave some details about the working of Zilla Parishads and Panchayat Samitis in his state. Zilla Parishads, Panchayat Samitis had the power to levy tax. They were independent bodies and undertook development work in the districts. In addition, they had Municipal Councils and Municipal Corporations which were also autonomous bodies with powers of taxation and other statutory duties managed by the elected representatives. They had introduced district planning many years back and had State as well as District plans. Out of the State plan, certain portions are allotted to each district taking into consideration the size of the population and the requirements of the district. The District Committee which is headed by the Minister in charge of the district, consists of MLAs, MPs, MLCs and other responsible social workers. They fix the priority to be given to different welfare and developmental schemes. While expressing agreement with area development plan, Shri Adik pointed out that they had gone a step further. Out of the district plan, they had allotted Rs. 20 lakhs per MLA to be spent for the welfare or development activity in his constituency. That was as per the district plan. The amount was for one year. Now, the demand was for Rs. 50 lakhs which would cost them Rs. 150 crores. Referring to land reforms, he stated that Maharashtra was the first State where land ceiling laws were enforced strictly.

158. In order to solve the problems related to faster growth of urban population, they introduced about 15 years back the employment guarantee scheme. The result of the scheme was that the exodus of the rural workers to the cities had been reduced considerably. He pleaded for a special provision of about Rs. 1000 crores for Bombay. As regards the problem of educated unemployed, Shri Adik referred to the measures being taken by the State Government. Horticulture was being developed in two lakhs hectares in one year, a high percentage of the land made available by the Government. That was a programme where the unemployed youth would be employed. They intended to create more jobs by encouraging sericulture and Khadi and Village Industries. The Government of Maharashtra had decided that it would not allow concentration of industries in big cities. Industries should go to the backward areas and rural areas so that the rural people could be

employed there. There would be an industrial estate in every taluka in the State. They had also announced a package of incentives in October, 1988, whereby they gave more incentives than were available in any other State. They wanted to create more opportunities for employment so that more and more people got employment. Centrally Sponsored Schemes should be transferred to the states alongwith the money. Shri Adik favoured introduction of self-financing principle in higher education. More emphasis should be laid on primary education. They would like to see that by the end of the century, there was not a single illiterate person in Maharashtra. He pleaded for modification of the Gadgil formula as it had become outdated and required complete revision. He also pleaded that Maharashtra should also get its share of gas because it was found near Bombay. They must also get royalty on gas. Before the Central Government decided about granting of pay revision or even giving additional DA and other allowances, there should be some consultation with the State Ministers, as otherwise they would have to fall in line. Shri Adik supported the proposal of the Chief Minister of Madhya Pradesh that the proportion of market borrowings should be 1 : 1 between the Central and State Governments.

159. Planning Minister, U. P. **Shri Shatrudra Prakash** pointed out that unemployment had reached dangerous proportions. Fortunately, the Planning Commission and the Central Government were considering to change the economic scene. A corrective measure had for the first time been taken by giving more emphasis to economic process rather than growth rate. The present unemployment problem was the product of our wrong education policy. The education policy which was opposed to labour and employment had resulted in increasing the number of unemployed. A radical change in the education policy should go hand in hand with the removal of unemployment. It would also necessitate basic industrial policy. Shri Prakash stressed that the production of goods which could be undertaken manually should not be done by big industries. For such an approach the Central Government should frame the policy. He appreciated the move towards decentralisation as indicated in the Approach document, but hoped for greater details in that regard from the Planning Commission. He urged that while modifying the Gadgil formula the interests of the backward areas should be kept in view. During 1952-1982 injustice was shown to Uttar Pradesh in regard to the Central assistance. That should not happen now.

160. Chief Minister, Bihar, **Shri Laloo Prasad** drew attention of the Members of the Planning Commission and other participants of the Council towards the fact that the prices of the coal and iron in Punjab and Haryana were the same as in Bihar. That was so because of the freight equalisation policy which was leading the people of Bihar towards violence and naxalism. He stressed that special attention should be paid to backward States like Orissa, Bihar, Assam and other North Eastern States. Import policy should be changed and handicrafts must be encouraged. Educated unemployed persons should be given loan from nationalised banks so that they could start their own ventures and small scale industries must be encouraged. Cottage and village industries should be given preference to heavy industries. Ongoing power projects must be given priority for timely completion.

161. Chief Minister, Himachal Pradesh, **Shri Shanta Kumar** stated that there was emphasis on the problem of unemployment in the Approach paper. But he was disappointed as it did not throw enough light on how to resolve it. The problem of unemployment, particularly that of educated unemployed, had assumed explosive proportions and for solving it there was need for a revolutionary change which was not evident in the Approach paper. It had been stated that by providing more funds for rural development, jobs would be created. It would no doubt create

jobs, but such employment would be temporary. Until the production of mass consumption goods was increased substantially through small and tiny units, the problem would not be resolved. Mass production should be achieved through masses. The tiny sector rather than small sector which had now an investment limit of Rs. 65 lakhs, should be promoted to undertake production and some goods should be reserved for that sector. The subject of employment needed further in-depth consideration. He requested that Himachal Pradesh should be given due share in power projects.

162. While agreeing with genuine decentralisation of development functions, Chief Minister, Kerala **Shri E. K. Nayanar** asked whether they could assume that the Centre would back up their effort with larger transfer of resources. Regarding mobilisation of popular participation for local area development, there could be no greater guarantee than the involvement of class and mass organisations. Their success in achieving total literacy in Ernakulam District was due to the participation of mass organisations. Targeting of growth in employment alongwith growth in output was a move in the right. They would be giving utmost importance to tackling unemployment. It was their hope that they could count on help from the Centre in that regard. Shri Nayanar pointed out that the non-availability of credit in adequate measure had contributed considerably to the relatively low levels of economic development in his State and the resultant low growth in employment opportunities. Going by the experience of Kerala, Shri Nayanar observed that the population policy must contain : granting women equal status they rightfully deserve; women literacy; and ensuring survivalship of the child. They were not in favour of introducing any compulsion with regard to limiting the size of the family.

163. The Chief Minister of Kerala stated that while considering energy conservation, inland waterways supplemented with development of coastal shipping should be an important area of investment during the Eighth Plan. The acute power shortage being faced by Kerala since the beginning of 1980s had contributed, to a large measure, to the stagnation in industrial growth in the State. That had to be urgently rectified. Inflation had to be kept under effective control. The Centre should consult with States on matters relating to pay revision and grant of dearness allowance.

164. Shri Nayanar urged that the Sarkaria Commission's recommendation on bringing corporation tax into divisible pool should be implemented. The decision of the Chief Ministers' Conference to impose a tax on consignment transfers should be implemented without further delay. Ways and means limits of the States should be revised upwards. There was need for re-determining the ways and means limit on the basis of an objective formula. Since the Ninth Finance Commission had failed to cover the State's revenue deficits as normatively determined by them, it was extremely important that the States thus affected should be suitably assisted. Debt relief measures recommended by the Ninth Finance Commission needed to be accepted without any delay. Loan waiver must be borne fully by the Central Government. The new industrial policy enhancing the ceiling for small scale industry considerably raised serious doubts as to whether small-scale would hereafter remain either small or labour intensive. The policy was likely to further promote the cause of big industry. The proposal to offer shares of the public sector enterprises to private holders might have to be seen as systematic campaign against the growth of public Sector. Shri Nayanar emphasised consultation with States while formulating export-import policy. Various Commodity boards had to show a much greater sensitivity to the interests and concerns of the small farmers than had been shown in the past.

165. Dealing with population and human resource development, Chief Minister, Tamil Nadu **Dr. M. Karunanidhi** observed that the apprehension about success in population limitation becoming detrimental to States needed to be dispelled. States should be given specific incentives for attaining population limitation objectives, he suggested. While recounting the measures taken for the development of women and backward classes, Chief Minister Tamil Nadu mentioned that the Government of India should take early steps for implementation of the recommendations of the Mandal Commission. It would be their endeavour to further strengthen the efforts of the rural poor to participate in the development process. In undertaking new measures it would be necessary that commercial banks also played their role, extending credit for land reforms. Dr. Karunanidhi pointed out that the Ninth Finance Commission, in determining plan revenue grants, seemed to have penalised States like Tamil Nadu, with a good record of implementing programmes for human resource development. A State which had chosen to invest in population limitation and in human resource development had been adversely affected. He urged that a committee of the NDC should re-examine the question. Referring to increase in the unemployed in Tamil Nadu, he suggested that the employment guarantee scheme should be implemented country-wide and not limited to a few districts. There ought to be a specific emphasis on job oriented vocational and technical education. While endorsing the emphasis placed on conservation and efficiency Dr. Karunanidhi stated that Tamil Nadu had a good record in that area.

166. Tamil Nadu welcomed the importance placed on decentralisation as a key process of development in the Eighth Plan. While referring to the important role that financial institutions would play in the Eighth Plan, he urged the formation of local boards for commercial banks to help decentralised decision-making. If the States were to undertake a meaningful Eighth Plan, their resources base would have to be strengthened. The Chief Minister of Tamil Nadu suggested that the share of all States in Union excise duties should be increased from 37.5% to 42.5%. Central assistance for State plans needed to be stepped up much more than the usual 10%. State undertakings should also be allowed to go in for capital bonds. The Share of States in market borrowings should be stepped up from the present level of 28% to 50%.

167. Chief Minister, Orissa, **Shri Biju Patnaik** suggested that the PIB ought to be disbanded because it was a very delaying machine. If one wants to speed up, then we have to find some other machine, or give the existing machine a time-table to adhere to, he added. A solution must be found so that all gerrymandering amongst a few officials would stop for ever. He pointed out that Bihar and Bengal had the disadvantage of having coal, steel and iron-ore and other raw materials and products, a material which was enjoyed by every one in the country at great cost to the eastern zone. Advantage had been taken by other States because of the equalisation of prices. The result was that eastern zone had continuously remained poor. He, therefore, urged reconsideration and review of the matter. As regards the employment formula in the Approach paper, Shri Patnaik felt that a wishful thinking had crept in. When some-body said what could be done by hand should not be done by machines, we had to see the reaction of the Members of the Planning Commission. The fact was that most of us were wedded to machines.

168. Shri Patnaik asked, "why don't you float your currency? Indonesia has grown by leaps and bounds by floating its currency. Malaysia, Thailand and other countries have grown. Japan has grown. Even America has grown by floating its currency. Then, why don't we do it ? You need to think how to get the Rs. 40,000 crores of blackmoney which is in circulation now in this country. The point is : the world has money. Delhi has no money. I have no maney. The world has money."

169. Shri Patnaik mentioned that as far as Panchayati Raj system was concerned, West Bengal had done very well. Since West Bengal was close to them, they would exchange their views. Further, they would prefer tiller-tenant system which meant land to the tiller. Even when they had got only 10 acres as the limit, he did not want absentee landlords. He would prefer that tiller should get the land so that maximum products were produced there and maximum employment was generated there. That was what Ch. Charan Singh wanted. He stressed that the Gadgil formula was something which was not applicable to areas like Orissa. The deficiencies were vast and they could not be made up by the Gadgil formula as it was a set formula.

170. Chief Minister, Arunachal Pradesh, **Shri Gegong Apang** stated that the allocation given to Arunachal Pradesh was totally inadequate. While endorsing the proposal of decentralisation, he requested the Planning Commission that necessary funds be given to the newly formed to build infrastructure facilities. Chief Minister, Arunachal Pradesh pleaded for preferential treatment to the backward States to the newly born States, so that they also came on par with others within a time-frame. That should be worked out. Otherwise, the gap and the imbalance created in the past would be widened. He also welcomed the proposal regarding generation of employment. For getting gainful employment, people had to be educated. For getting employment in private enterprises or in public undertakings, they needed some education. They did not want that their people should be employed in fourth grade jobs. Therefore, some more funds should be given for education to Arunachal Pradesh. Regarding population and human resources development, Shri Apang stressed the need for imparting education to girls. Conservation and environment should go together. But at the same time, they should have a liberal attitude towards the developmental projects.

171. He suggested that investment by the Centre should be on the basis of potentiality. Himachal Pradesh and Arunachal Pradesh should be allowed to generate power. If the States and the Centre could not finance it, they should allow them to go for collaboration from outside. On fiscal matters, he asked as to why the Central Government could not constitute an economic committee at the national level. Members of the Planning Commission must visit all the States and know the people and the geography, the potentiality on the basis of the report of the economic committee.

172. Minister of Planning, Assam, **Shri Thaneswar Boro** stated that they subscribed to the idea of decentralisation as brought out in the Approach paper. They would like to place adequate funds at the disposal of the Panchayats for which there might be need for extra financial allocation from the Government of India. They recognised that elected local bodies were best suited to carry out local decentralised planning. They would take steps for holding elections for Panchayats and municipal bodies. Pending elections, they were having decentralised planning through the nominated sub-divisional planning and development councils. The full employment strategy, implied in the right to work philosophy was the proper approach for the decade. He suggested that if the right to work meant implementation of schemes, such as the National Employment Guarantee Scheme, the entire State of Assam had to be covered under the scheme, and adequate provisions had to be made for the same.

173. Shri Boro appreciated that the Approach paper had recognised the need for attention to the constraints on productivity growth under rainfed cultivation in relatively high rainfall areas. Self-employment in sectors such as small scale mechanisation of agriculture, agro-processing, sericulture and handlooms, based on natural resources of the State was going to be emphasised. Most of

them would be in the cottage and small-scale sector. However, establishment of mother industries, such as gas-cracker would be essential to achieve such goals. One way in which Central Government could directly help was by asking all Central Government departments and public undertakings in Assam to make purchases of low technology goods required by them from local manufacturers and entrepreneurs.

174. Shri Boro observed that the approach to humane resource development was on the right lines. We must emphasise literacy, more particularly on functional literacy through elementary education as also secondary education. Secondary, vocational and technical education had been rightly emphasised. However, the NDC might deliberate on steps to make education, particularly technical education, more practical and socially useful. Regarding conservation, the Assam Planning Minister said that he had repeatedly pleaded for undertaking a massive and integrated watershed management project in the hills of the North East, including Bhutan, in the interest of conservation of the soil and water resources of the region. They had realised the importance of efficiency in their public delivery system including the State level enterprises. But he asked, could the Central Government departments and undertakings show the way?

175. Deputy Chief Minister, Goa, **Shri Ramakant Dattaram Khalapnand** pointed out that two years back Goa became a State and with that elevation their problems had also got elevated. In plan allocations from the formula of loans and grants ratio of 90 : 10, they had come on par with other States to the ratio of 70 : 30. They had already a debt liability of almost Rs. 460 crores. On the literacy front, Goa had achieved 64%. They were capable of reaching the coveted target of more than 90% within a very short time. But then this progress given rise to unemployment among the educated. Out of 12 lakh population almost one lakh were educated unemployed. The thrust in the Approach paper was on achieving rural employment. But their villages were urbanised. Shri Khalapnand stated that tourism was something which every one wanted them to go in for and they also wanted to go in for it. But with the increase in the number of tourists, the embargo placed on the facilities which they created, particularly from the environment side had become an obstacle. A large amount of money was deposited in the banks, but the credit deposit ratio was roughly about 30-35%. Their Railway line required to be turned into broad gauge. Out of 4000 industrial units in Goa, 1000 were sick, and because of change in the Government of India policy backward area subsidy about 1000 units which had come up in Goa from September 1988 onwards were sagging. In view of such a situation, Shri Khalapnand urged that the NDC and Planning Commission to pay special attention to Goa.

176. Finance Minister, Andhra Pradesh, **Shri K. Rosaiah** referred to the power situation in his state and pleaded for supplies of gas and coal. About the loan waiver he stated that whatever Chief Minister of Karnataka said was good for his State also.

177. Deputy Chairman, State Planning Board, Andhra Pradesh, **Shri B.P.R. Vithal** while referring to democratic decentralisation and commitment to it in plan formulation itself, pointed out that given our administrative structure, a very important aspect was to incorporate it into the normal budgeting procedure also. He suggested that a working group should be set up to see as to how the budget should reflect State schemes and district schemes so that a scheme was marked as a district scheme and it got into the budget only in the district segment. That would also prevent re-appropriation from such schemes to other schemes. If we wanted to really see that democratic decentralization was built into our democratic structure, we had to take into account the Constitutional provisions, the budget procedures and the service rules for public

servants. Shri Vithal suggested that a sub-committee of the NDC might go into the question of which Centrally Sponsored Schemes should be transferred to the States. Any Committee that was appointed in this regard should be answerable to the NDC sub-committee.

178. Chief Minister, Madhya Pradesh, **Shri Sunderlal Patwa** stressed that revision of the Gadgil Formula was necessary as emphasised by him and other colleagues the previous day. For removal of regional imbalances, allocation of plan funds should be on the basis of the S.C. & S.T. population. Local availability of resources should also be taken into account while allocating funds. There should be some flexibility on the part of the Central Government on the funds obtained by exploitation of natural resources. The parameters of backwardness and population living below the poverty line should be given weightage in the distribution system.

179. While talking about decentralisation, Shri Patwa pointed out that the tendency of centralisation in the past few years had made the position of the States on par with municipalities as every matter was decided in Delhi. He pointed out that the centralisation of all powers in the hands of Central Government was a matter of great concern. He suggested that powers of plan formation, its implementation and evaluation should fully be in the hands of the local Government. He further said that to promote a feeling of confidence and responsibility in the elected institutions, it was also necessary to give Panchayats, municipal corporations etc. certain powers. Chief Minister of Madhya Pradesh mentioned that his State had selected one district for zero unemployment and one district for zero illiteracy. However, until opportunities of employment were provided in the villages, the problem could not be solved. In this regard, he suggested that use of the machines should be banned where the work could be done manually. Automatic machines should be replaced with manually operated smaller machines and investments should be done in small scale and cottage industries instead of big industries. He suggested that during the Eighth Plan, the distribution of market borrowings between the Central and States should be 1:1. The growth rate of population should be decreased to 1% during the Eighth Plan period. The rate of infant mortality should be reduced and measures taken to improve welfare schemes for pregnant women and spread of literacy among women.

180. The Chief Minister invited the attention of the NDC to the problem of sanitation in the villages. He said that due to lack of proper lavatory system in the villages, 70%-80% of the country's population had to suffer a lot. He highlighted the need to involve arrangements for proper sanitation and lavatory system in the villages. While speaking on environment, Shri Patwa pointed out that they could not even make roads without the consent of the Central Government. Around 250 to 300 schemes of M.P. were pending with the Central Govt. for forest clearance.

181. Union Minister of Food and Civil Supplies, **Shri Nathu Ram Mirdha** stated that there had been satisfactory increase in the production of rice, wheat, sugarcane and sugar. But the production of edible oils and pulses was inadequate. He suggested that states in which there was potential for producing non-conventional oilseeds like soyabean should pay special attention to their exploitation. The policy for increasing oil production should be on similar lines as that of Malaysia which is supplying palm oil to the World. The Planning Commission had identified about 15 lakh hectares of coastal land where palm plantation can be undertaken. He appealed to the Chief Ministers of States having coastal areas to pay immediate attention to the task. Shri Mirdha while stressing the importance of increasing the agricultural production, pointed out the need for utilising ground and surface water on a large scale. He also suggested that in areas where after Kharif paddy, rabi paddy without irrigation is not grown should be utilized for gram cultivation.

182. At this stage, Union Minister of Industry, **Shri Ajit Singh** stated that he would take a few minutes to respond to the points raised about the recently announced policy measures. He made it clear that in the announcement of policy measures, they had not announced a comprehensive industrial policy, as it was generally understood. They had taken steps which might be regarded as the beginning of a process of change in our system of control and regulation. It was also a beginning of the programme for the development and growth of small scale and agro-based industries. The central objective of the policy changes they had made revolved round their determination to increase the employment potential of industrial growth. It aimed at an equitable dispersal of industries. They were determined to reduce Governmental control and bureaucratic discretion in investment decisions. Within the broad parameters laid down in conformity with our Plan objectives, they should allow investors, be they in the private sector or the public sector, to take their own investment decision. They were determined to make Indian industry competitive both domestically and internationally. While they were extremely keen to encourage the capital goods sector and the use of indigenous technology, they felt that if the objective of competitiveness and better quality at lower price required Indian entrepreneurs to have reasonable access to both capital goods and technology from sources outside the country, they must be allowed reasonable access.

183. Shri Ajit Singh pointed out that in the small scale sector the State Governments were expected to provide the motive force to the programme of growth. In the medium scale industries, where they had exempted investment upto Rs. 25 crores in non-backward areas and Rs. 75 crores in notified backward areas, the location would be decided by the State Governments in keeping with the policy of each State in that respect. Similarly environment clearances would have to be obtained from the State Government according to the procedures prescribed by the State Government. In metropolitan cities with a population of about four million, certain restrictions on location had to be followed so that overcrowding could be avoided.

184. In the small scale sector, Shri Ajit Singh stressed, they would ensure balanced growth of all constituents, namely, village/house-hold enterprises, tiny units and modern small-scale undertakings. The revision in the investment ceiling had been necessitated to offset the inflation factor. The revision was not going to endanger the small-scale sector through encroachment by medium and large-scale enterprises. It would provide the necessary flexibility to the small scale entrepreneur to modernise and to become more viable and face competition more effectively. The regime of reservations of items of production for the small-scale sector would be enforced vigorously.

185. In the tiny sector, Minister of Industry explained, they were drawing up schemes to give support in a number of important areas. The activities of the KVIC and KVI Boards were being expanded and revamped to fulfil their role more effectively. Training facilities and free consultancy to groups of artisans were being made central to their programme. They would plan to organise marketing bodies to assist rural artisans. Such bodies would also undertake the responsibility of supplying raw materials to artisans. Under the agro-processing industries, they would plan to have close links forged between growers and processor units, and would especially promote projects on the basis of joint ownership. The cooperative sector, or similar institutional framework, would be promoted. In the agro-processing industries where units required licensing, location of units in rural areas would be encouraged. The policy regarding upgradation of technology in this sector would be liberal.



186. The remaining measures which related to procedures in industrial approvals, Shri Ajit Singh stated, would cover investments upto Rs. 25 crores in non-backward areas and Rs. 75 crores in the backward areas. The package was designed to encourage medium-sized units and to promote entry of a new class of entrepreneurs. The differential in investment was aimed at making investment in notified backward areas more attractive. The facility of exemption of licensing procedures did not cover clearances required under MRTP or FERA regulations. Minister of Industry emphasised that action against restrictive trade practices would be strengthened and they would come down heavily on monopolistic tendencies. Referring to the point that the measures announced the echo of the old policy, Shri Ajit Singh pointed out that in the past the improvements made in the licensing system were piecemeal and covered only industrial licensing. Within the limits that they had indicated in their policy, in the new package there would be no requirement for entrepreneurs to seek any clearance from the Central Government. They were optimistic that whatever clearances were needed at the State Government level would be forthcoming expeditiously. Some doubts had been expressed that their approach to import of capital goods, raw materials and components as well as the automaticity in financing of foreign collaboration agreements within limits prescribed by them, would have a deleterious effect on our balance of payments position. He urged the members to look at the measures in the background of their decision to be selective in the application of the new package to various manufactured products. They had taken care to exclude those items which were either import intensive or would create a permanent dependence on foreign raw materials. Furthermore, the selection of items also left out products in the category of "luxury" goods.

187. Minister of Industry mentioned that in the new package, there was a system of reporting by new investors which would enable the Government to keep track of the channels in which investment was flowing and also the type of products which were being taken up for manufacture. He stressed that they would not hesitate to make mid-course corrections should they become necessary. Thus, while aware of the need for caution in certain areas, they were also conscious of the urgency to reform the system so that we could march along with other nations in the development of industry and trade, and not be left behind. They would follow the first package with other reforms as they became necessary.

188. Union Minister of Finance, **Prof. Madhu Dandavate** stated that he would react to two controversial issues which had been referred to by a number of members, one regarding the structure and the recommendations of the Ninth Finance Commission and the second about the scheme of waiver of loans of kisans, artisans and others. He appreciated the various difficulties that Chief Ministers and others had pointed out and had taken note of their view that they were dissatisfied with the award of the Ninth Finance Commission. Some members clearly indicated that we should totally revise the Finance Commission report. He brought to their notice that just as States suffered from certain deficiencies and had to face certain financial constraints on a bigger scale the Centre also faced financial constraints. He added that the exercise here should be, "how do we accommodate each other, so that you help us to remove our constraints and we, at the Centre, help you remove your financial constraints ? It is in that spirit of accommodation that it is necessary to place before you certain realities".

189. Finance Minister pointed out that the Finance Commission was constituted in such a way that it tried to function in an objective manner. Even the Centre felt aggrieved on some of the

recommendations of the Finance Commission just as the states justly felt about a number of recommendations. But since the Finance Commission was the creature of the Constitution, the rationale of accepting the broad recommendations of the Finance Commission had been the well-set tradition right from the first one. There was only one exception of one Finance Minister who tried to change the Finance Commission's report, and he himself, the Government and the States came into trouble. Therefore, it was realised that there should be a convention of broadly accepting the recommendations of the Finance Commission. It was necessary to recognise the fact that recommendations of the Finance Commission would not satisfy all. He had taken note of what the Chief Ministers had said. It was necessary to try jointly to find out ways and means by which they would be able to overcome the difficulties.

190. When our present Prime Minister was the Finance Minister, he himself had mooted the idea that if a number of States had certain difficulties about the deficits, we could consider the entire aggregate deficit and try to find out how best they could help them to get over their difficulties in a staggered manner. Therefore, he assured all the Chief Ministers that if they have any difficulties arising out of the deficits and other expenditure which they had inherited, they would try to find out and work out solutions. But changing the structure and the broad recommendations of the Finance Commission would not be possible at all.

191. Referring to the issue of waiving of the loans, Prof. Dandavate stated that that was the commitment made by those who had come to power. After the Lok Sabha elections were over, even those who did not belong to the present ruling party adopted resolutions increasing the amount to be waived beyond Rs. 10,000. Many friends felt that if the promise was really to be kept, regarding the waiving of loans, then the amounts which had to be waived should be borne by the Centre. On the question of how the amount involved was estimated as Rs. 2842 crores, the Finance Minister clarified that if the Chief Ministers undertook the exercise of waiving of loans without imposing any restriction, the amount involved would have been exceedingly large. Their aim was that the assurance in the manifesto had to be fulfilled. At the same time, the credibility of the banking system should not be allowed to be eroded. He added, "Wilful defaulter" should not get the advantage of a reform meant for poor peasants. Finance Minister urged the states to complete the exercise before the coming kharif season, and further lending should not be disturbed. As far as relief was concerned, it would be only upto Rs. 10,000. Those who had taken loans upto 2nd October, 1989, would be eligible for the benefit of the scheme in respect of their overdues. Current dues were not to be touched.

192. There were so many activities of agriculture, including fishery, social forestry, animal husbandry and so on. All such activities had been brought into the orbit of the scheme. As a result, the estimated Rs. 2842 crores might go up to near about Rs. 3000 crores and the States would have to share the expenditure. As far as all the banks in the Central sector were concerned, the Centre would take 100% responsibility of giving debt relief. Then we come to the institutions that were in the State sector, i.e. cooperatives. 50% of the responsibility would be taken up, even in the cooperative bank loans, by the Centre and the rest 50% would be left to the States. Realising the difficulties of some Chief Ministers, he had talks with the Governor, RBI, and it had been agreed that they would work out a formula with the RBI about the repayment of loans. Whatever difficulties were there would be worked by that particular exercise in a phased manner. The number of phases would be known while working out the exercise. Prof. Dandavate particularly appealed to two or three States, which had not given assurance of waiving of loans, to go along the common stream.

Of course, if some States decided that it was not their programme and that they did not want to implement it, the Centre could not force them. He urged : “let us try to jointly implement this scheme so that this programme does not appear a programme of any particular political party or even of the ruling party. Let it appear as a national consensus.”

193. Deputy Chairman, Planning Commission, **Shri Ramakrishna Hegde** expressed his gratefulness to the members of the NDC for creating a new political atmosphere of development in the country, Having personally attended NDC's meetings from 1957 onwards, he had never seen a better and more cordial atmosphere in which discussions had taken place objectively. Members had expressed their views very frankly. He thought it augured well. He had always, held the view that development should be a national endeavour and in that matter we must rise above party politics. He was very happy to see such a favourable climate at this meeting for which he congratulated all the members.

194. Shri Hegde mentioned that several issues had been raised. He did not want to either reply to those issues or even mention all of them one-by-one because it would take some time. Prime Minister would deal with several points that had been raised. But one of the points he might refer to by way of clarification was that the Gadgil formula was not the Gita or the Bible. We have had first the Gadgil formula several years ago and later on the modified Gadgil Formula. As the situation had changed, it would be necessary to make changes in the formula also. Therefore, they were going to consider the suggestions made and see the kind of weightage that had to be given so that the disparity between region and region could be minimised.

195. Dy. Chairman was very happy to know, as referred to by a few Chief Ministers, that two most important programmes had been taken up very seriously for implementation by the Chief Ministers. One was to ensure that by the year end they would see that one particular district in a State would be a zero unemployment district. And one district would be zero illiteracy district. Kerala had shown the way. While complementing Shri Nayanar, he observed that there was a lot which we could learn from them in this connection. On the opening day, the Chairman of the NDC and some Chief Ministers had mentioned in their speeches about the problem of drinking water. It was a matter of shame that even after more than four decades of Independence, we had not been able to ensure potable water to the people of every village. He stressed that if only we were determined to do it was possible to do it. They had done it, in Karnataka within a period of three years. Today there was not a single village in Karnataka where people had to walk three or four miles to fetch water.

196. On behalf of the Chairman, Shri Hegde informed the members that hereafter, the meetings of the NDC would be held more frequently than in the past. He proposed that the next meeting be held some time in August. Chief Minister of Karnataka had so graciously invited the Prime Minister to hold the meeting of the Inter-State Council in his State. He would like to take advantage of that invitation and suggest holding of the meeting of the NDC as well at that time so that certain urgent issues could be settled, namely, formula for Central assistance and decision regarding Centrally Sponsored Schemes, etc. Then they could sit down and start the drafting of the Eighth Plan on a definite basis. Dy. Chairman pointed out that he was very happy to note that there was consensus on several issues. For example, regarding decentralisation, he did not think that there had been a dissenting voice. He congratulated the Members on this and also for the concern shown for the deprived sections of our society. They were deprived even of the most

essential things of life. They must be attended to. Regional and other imbalances should be put an end to. We would proceed with the issues on which we had a consensus. He was also very happy to note that practically every Chief Minister or the representatives from the States had complemented the Planning Commission for producing a different kind of an Approach paper. Of course, there was some criticism also. They could not provide all the information in the Approach paper. He assured members that they had definite ideas. The States, the Centre and the UTs. should unite together and rise above party politics in this endeavour, Shri Hegde urged. If party politics was kept in view in that connection, he would consider it to be a sin. So, we take it that the Council has generally approved the Approach paper. He, once again, expressed his gratefulness to all members of the NDC for the unstinted cooperation they had extended. The deliberations were not only lively but also extremely fruitful. The Planning Commission was grateful to all the participants. He then requested the Prime Minister to deliver his concluding speech.

197. In his concluding speech, Prime Minister, **Shri V. P. Singh** while thanking the members of the NDC stated that the spirit shown in the meeting was that of cooperation, understanding and also frank expression of views. This was as it should be. It had given them great strength to go ahead in finalising the Plan document. They were now assured that they were on firm ground so far as the Approach paper was concerned. It had now the endorsement of virtually the whole country. Prime Minister pointed out that if Independence was indivisible, so was development. We should never forget that we were addressing one organic whole—economic, political and social—from different angles. The present Government was very keen to involve you all in various aspects. That was why they formed the Inter-State Council which was not on the statute book for several decades. Otherwise, there was a feeling among the States that something was going on behind their back. The Prime Minister assured that as in the NDC, in the Inter-State Council also the Central and the State Governments would work collectively.

198. Shri V. P. Singh emphasised once again that the Centre and the States were there with a shared responsibility for the management of the affairs of the country. They had given various responsibilities under the Constitution. But it was just a division of work for the management of the country. When any investment or development was undertaken, the whole country got the benefit. There was no territory like Centre. So, all the Central Budget was State money. If we saw from that perception rather than snatching resources, pooling of resources would be an appropriate approach for the problems that we both faced.

199. As mentioned by Shri Hedge, there was need for reorientation to overcome the deficiencies of the past, a special focus on agricultural and rural investments, employment; and of the need to involve the weaker sections of the society and give them the fruits of development and a share in managing the affairs of the country and shaping its destiny by decentralisation of power right up to the village level where the poor live. Highlighting the importance of decentralisation, Prime Minister said, “let us take democracy to where people are present, i.e., villages, Panchayats and blocks. Let it spring from there rather than follow the stereo-typed practice of flowing from the Centre to the State and from district to the block level”. Destinies of nations had not been changed by legislation. They had been changed by the social forces. As politicians we sit together to determine how to mobilise the resources for effective change of the structure. That was a challenge to all of us. He agreed with the Finance Minister of West Bengal that land reforms was not a question of merely some grace being shown to the poor people. We had seen that in the agricultural sector in

the rural areas the economic relationship had changed. The tiller came nearer the production apparatus and intermediaries got eliminated. Productivity also went up in the process. We could see this in the villages.

200. Where we were short of capital, we must think constructively as to how we could change economic relationship to ensure that productive forces were released ? That should be a part of our strategy. Therefore, the emphasis on labour participation in management. By introducing labour participation in management we were democratising the process of production itself. As we had decentralisation in the political sphere, it was a form of economic decentralization that we had in mind. Continuing, Shri V. P. Singh stated that we should not stop only at workers' participation in management, but also look to workers' ownership in public sector, in equity participation, and of workers' involvement in the whole economic structure.

201. About employment, the Prime Minister pointed out that it had been the main theme and it was the theme of the younger generation. Rightly, many of the speakers had pointed out that it was the most explosive political material and if we did not attend to it, the very stability of our system would be in jeopardy. Alongwith it, many suggestions were made as to how to approach the problem of the use of socially appropriate technology. In his view, that was the correct approach, and that was also the Government's objective, i.e. how do we mobilise our greatest asset, the manpower. In modern technology, what were the options by which we could employ people fruitfully? Research had to be matched with education and education had to be matched with employment generation a point made by the Chief Minister of West Bengal.

202. As regards the resources problem, Shri V.P. Singh observed that after what the Finance Minister had said, he would not enter that area because he could not improve on what the FM had stated. He, however, referred to the question of erosion of resources. The States and the Centre had generally achieved their objective of resources mobilisation in the Five Year Plans. Most of them had achieved ARM. Still then he asked, why was there the problem of resources? It was the problem of erosion of resources and the non-Plan expenditure, both in the Centre and States. We have been unable to control it. As he had seen it from the Finance Ministry, it was very easy to speak about controlling the non-Plan expenditure but difficult to implement. A lot of political will was necessary. The erosion of resources in the public sector was well recognised and we had to improve generation of resources here also. Even for revenue expenditure, the Centre was now borrowing money. By borrowing for capital expenditure, we were producing something with which the loan could be serviced. But if we are borrowing for revenue expenditure, then some drastic measures had to be taken. Referring to the suggestion as to whether the Planning Commission and the Finance Commission should be merged, the Prime Minister stated that this could not be decided off the cuff. The suggestions would need fuller examination. He, however, agreed that there was need for creating some body, some mechanism, apart from the Finance Ministry to bring about a coordinated approach. Continuing his speech, Shri V. P. Singh said that it might be that in the Planning Commission or some where else, a mechanism to check on the Central Government's non-Plan expenditure could be thought of. It might also be worthwhile to go to the Parliament to have some sort of legislation on the subject. We would come up with a mechanism wherein such a restraint could be exercised objectively on non-Plan expenditure.

203. Referring to Shri Biju Patnaik's suggestion that the world had got money but we had not got money, the Prime Minister pointed out that the deficit had become integral to the Central and

State Budgets. We were facing challenges all around. To meet those challenges, we would have to devise ways of augmenting investments where we did not get into a debt trap, where we should be careful about managing the burden of debt servicing or repayment or repatriation. We should augment our capacity to earn foreign exchange. If there was investment, the profits made in rupees had to be repatriated in dollars. This meant that for the investment which the foreign investor makes in our country, we had to sustain it by our effort at exports in other sectors. This could lead us to a problem if we did not strengthen those sectors. The Prime Minister disclosed that he had in his recent meetings impressed upon the Heads of various Governments that they should help us to export and earn foreign exchange. Only then, investments could grow here. Shri V.P. Singh re-emphasised that we did not want the nation to get into a debt trap. If need be, we would face all hardships, but would not get into a debt trap. While commending what Shri Biju Patnaik said, Shri V. P. Singh observed that it should fit in with our national priorities. Our middle-class had grown and it could go on providing the market for quite a bit of investment. But we should ensure that in the process the common people did not get starved of their essential goods and services. So, we would need to have social control; keep to our chosen priorities and see that we did not get into a debt trap. With those two qualifications, we should give a boost to investment and be competitive in the world.

204. Continuing, the Prime Minister stated that it was necessary to keep our eyes on the flow of our resources to see where the resources went. We would have to spell out our priorities. In our heterogenous socio-economic structure, we would have to address ourselves to those who were in the lowest rungs. Economic and other policies and programmes should address themselves to their problems. But what should be the tool of prioritisation to see how funds flow in that direction? There were items of mass-consumption which the people needed. Could we do it through financial institutions or interest rates in the priority areas? We could have an easier package of financing for high priority projects. In low priority areas, we could make it more difficult. Decisions were being made in the Government from desk to desk which led to mis-allocation of resources, delays in time and ultimately it led to corruption. Therefore, the decision should be made in the financier's room more objectively, elegantly and efficiently. Yet, we would have the hold and control on the direction of the economy. We would not have the principle of laissez-faire because of inadequacy of resources. The Prime Minister stated further that the Government intended to dismantle a lot of unproductive bureaucratic controls. They were clear about this. But they would keep their minds clear about the other modes of control where we could serve the people and ensure that priorities were maintained. Shri V.P. Singh pointed out that we should not forget the small scale sector. It was the small scale sector which had given employment and also boosted exports. So, we would have to continuously give them protection. For instance, there was the handloom sector. Just like land reform laws, the Government intended to put the handloom laws in the Ninth Schedule so that delays that come through the legal methods were done away with. Another approach had to be built in simultaneously i.e. the approach of ancillarisation, organic integration of the small-scale and large-scale sectors where the relationship became symbiotic rather than antagonistic. Also, agro-industries have priority because it did fit in with our socio-economic context. If we wanted to give more purchasing power to the rural area people—apart from agriculture for which we were making special provision for investment—agro-industries would be the strategy for transferring resources to the rural sector through the price mechanism and Governmental spending on infrastructure in rural areas.

205. Expressing concern about the tight balance of payment situation, Prime Minister stressed that we had to closely scrutinise imports. We would have a midway path. Much of our imports were inelastic. There was very small margin. But if we were not careful, the imports could grow very large. So, we have to be mindful. If we imported only all that was necessary for growth, we would remain healthy and the economy would remain healthy.

206. While referring to the point made regarding floating of the currency, Shri V. P. Singh stated that it was a serious subject as it had a lot of implications—plus and minus. It could be examined. Turning to infrastructure, Prime Minister mentioned that if we increased our plant load factor in our power generating plants, money required in meeting our power requirements would be reduced. And it would be better to use our resources on a priority basis on projects in rural areas. We would have to address ourselves to all such issues very seriously. For augmenting our investment and flow of resources, we should not be averse to inviting the private sector to share the responsibility. Commercial energy was increasingly needed by the worker and the farmers for faster growth.

207. Shri V.P. Singh referred to the point made by the Chief Minister, West Bengal regarding industrial sickness and stated that those units which could be revived or had a potential for revival, because fresh investment might be much more costlier, should be identified and something concrete done for their revival. Fresh investment for the same output is likely to be costlier. At the same time, we had to evolve a policy jointly where it was known that particular sick units could not be revived, as to how we should approach it. It would be better if some day we got together to discuss the issue in a frank way.

208. In the end, Prime Minister stated that he might not have answered all the points raised. In fact he had himself raised some questions. Those questions would have to be addressed in the Inter-State Council meetings or in the next meeting of the NDC.

209. The meeting ended with a vote of thanks by the Minister of State for Planning and Programme Implementation, **Shri Bhagey Gobardhan**.

**PARTICIPANTS**

Shri Vishwanath Pratap Singh	Chairman, Planning Commission
Shri Ramakrishna Hegde	Deputy Chairman, Planning Commission
Prof. Madhu Dandavate	Minister of Finance and Member, Planning Commission
Shri Ajit Singh	Minister of Industry and Member, Planning Commission
Shri Bhagey Gobardhan	Minister of State for Planning and Programme Implementation
Dr. J. D. Sethi	Member, Planning Commission
Dr. Rajni Kothari	Member, Planning Commission
Shri L. C. Jain	Member, Planning Commission
Mrs. Ela Bhatt	Member, Planning Commission
Dr. Arun Ghosh	Member, Planning Commission
Shri A. Vaidyanathan	Member, Planning Commission
Shri Rahamathullah Ansari	Member, Planning Commission
Dr. Harswaroop Singh	Member, Planning Commission
Shri T. N. Seshan	Member, Planning Commission

**STATES**

Andhra Pradesh	Shri K. Rosaiah Finance Minister
	Shri B. P. R. Vithal Dy. Chairman, State Planning Board
Arunachal Pradesh	Shri Gegong Apang Chief Minister
	Shri R. K. Khrimy Minister of Planning & Development
	Shri Todak Basar Minister of PWD
Assam	Shri P. K. Mahanta Chief Minister
	Shri Thaneswar Boro Minister of Planning
Bihar	Shri Laloo Prasad Chief Minister
Goa	Dr. Luis Proton Barbosa Chief Minister



## Summary Record of Discussions of the NDC Meetings

	Shri Ramakant Dattaram Khalapand, Deputy Chief Minister
Haryana	Shri B. D. Gupta Chief Minister
	Shri Hira Nand Arya Planning Minister
Himachal Pradesh	Shri Shanta Kumar Chief Minister
	Shri Roop Singh Thakur Minister for Planning
Jammu & Kashmir	Shri G. C. Saxena Governor
Karnataka	Shri Veerendra Patil Chief Minister
	Shri M. Veerappa Moily Minister for Planning
Kerala	Shri E. K. Nayanar Chief Minister
	Shri V. Vishwanatha Menon Finance Minister
Madhya Pradesh	Shri Sunderlal Patwa Chief Minister
	Shri Ram Hit Gupta Minister of Planning
	Shri Baboolal Gour Minister of Law
Maharashtra	Shri Sharad Pawar Chief Minister
	Shri Ramrao Adik Minister (Finance & Planning)
Manipur	Shri R. K. Ranbir Singh Chief Minister
	Shri Chunokhokai Doungel Finance Minister
Meghalaya	Shri B. B. Lyngdoh Chief Minister
Mizoram	Shri Lal Thanhawla Chief Minister

Orissa	Shri J. Lalsangzuala Minister of Finance & Planning Shri Biju Patnaik Chief Minister Shri Ramakrushna Patnaik Finance Minister
Punjab	Shri Virendra Verma Governor
Rajasthan	Shri Bhairon Singh Shekhawat Chief Minister
Sikkim	Shri Nar Bahadur Bhandari Chief Minister
Tamil Nadu	Dr. M. Karunanidhi Chief Minister
Tripura	Shri S. R. Majumder Chief Minister Shri Billal Mia Minister of State, Planning Shri S. C. Tirpura Vice-Chairman, State Planning Board
Uttar Pradesh	Shri Mulayam Singh Yadav Chief Minister Shri Shatrudra Prakash Minister, Planning
West Bengal	Shri Jyoti Basu Chief Minister Dr. Ashim Kumar Dasgupta Finance Minister

**UNION TERRITORIES**

Andaman & Nicobar Islands	Lt. Gen. (Retd.) R. S. Dyal Lt. Governor
Chandigarh	Shri Virendra Verma Administrator
Dadra & Nagar Haveli, Daman & Diu	Shri Khurshed Alam Khan Administrator
Delhi	Shri Arjan Singh Lt. Governor

Pondicherry

Shri D. Ramachandran  
Chief Minister

**UNION MINISTERS**

Shri Mufti Mohammad Sayeed

Minister of Home Affairs

Shri Arun Kumar Nehru

Minister of Commerce & Tourism

Shri Arif Mohammad Khan

Minister of Energy with additional  
charge of the Ministry of Civil Aviation

Shri M. S. Gurupadaswamy

Minister of Petroleum and Chemicals

Shri K. P. Unnikrishnan

Minister of Surface Transport

Shri Murasoli Maran

Minister of Urban Development

Shri Dinesh Goswami

Minister of Steel and Mines with  
additional charge of the Ministry of  
Law & Justice

Shri Nathu Ram Mirdha

Minister of Food & Civil Supplies

Shri Nilamani Routray

Minister of Environment & Forest

Shri P. Upendra

Minister of Information & Broadcasting  
& Parliamentary Affairs

Shri Ram Vilas Paswan

Minister of Labour & Welfare

Shri Sharad Yadav

Minister of Textiles with additional  
charge of the Ministry of Food  
Processing

**SPECIAL INVITEES**

Shri D. D. Thakur

Chairman, North Eastern Council

Shri R. N. Malhotra

Governor, RBI

Shri C. Rangarajan

Deputy Governor, RBI

Shri P. R. Nayak

Chairman, NABARD

**MINISTER OF STATES (INDEPENDENT CHARGE)**

Shri Janeshwar Mishra

Minister of State of the Ministry of  
Communication

Shri Manubhai Kotadia

Minister of State of the Ministry of  
Water Resources

Shri Rasheed Masood

Minister of State of the Ministry of  
Health & Family Welfare

**FORTY SECOND MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
OCTOBER 11, 1990**

**SUMMARY RECORD**



**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE DISCUSSIONS AT THE FORTY SECOND MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD AT NEW DELHI ON OCTOBER 11, 1990

---

### AGENDA & SUMMARY RECORD

---

The National Development Council (NDC) held its Forty Second meeting at the Parliament House Annexe, New Delhi on October, 11, 1990.

2. Welcoming the members to the meeting, Deputy Chairman, Planning Commission and Union Finance Minister, **Prof. Madhu Dandavate** stated that after the Approach Paper had been approved unanimously in the last meeting of the NDC, the process of formulating the Eighth Plan had started. It is hoped that before the presentation of the next Union Budget and various State Budgets, it would be possible to present the detailed Eighth Plan document in a draft form to the NDC for its consideration and approval. Two specific items had been placed on the agenda, Central Assistance to the State Plans and Right to Work to be introduced as a Fundamental Right in the Constitution.

3. Prof. Dandavate mentioned that before proceeding with the agenda items, he would like to make a specific reference to the very severe constraint created in the country due to the Gulf crisis. The prices of crude oil had gone up from \$16 per barrel to about \$39 to 40 per barrel. Consequently there was very severe impact on the balance of payments position (BOP). If we took the average price of crude oil as \$25 per barrel, the net impact on the BOP position would be of the order of \$2.8 billion per year, and if the average rose to about \$35 per barrel, the impact might rise to \$3.9 to 4 billion. Remittances of the order of \$200 million from Indians in Iraq and Kuwait would be lost and similarly, exports of \$100 million from India to Kuwait and Iraq would suffer. We could say that if the price of crude rose by one dollar per barrel, we were going to have an additional burden of Rs. 400 crores each year at the current level of imports.

4. Referring to the recent meeting of the world Bank and the IMF, the Union Finance Minister mentioned that our demand for creation of special 1974 facility for oil had not unfortunately been accepted. We had urged the IMF and the World Bank delegates to see that a more flexible attitude was taken to various schemes of assistance to which developing nations were entitled. However, it had become apparent that no special assistance for countries like India, such as oil facility of 1974, was likely to be put in place in the foreseeable future. However, the Interim Committee of the IMF was likely to act on our suggestion to modify the compensatory/contingency financing facility, which meant to compensate for export shortfall and increase in prices of imported commodities. However, relief from that source was likely to be relatively small in relation to the size of our problem.

5. Prof Madhu Dandavate stated, that we have to take some hard measures on our own. We have to take steps to reduce consumption and imports of oil, the present scale of which we can no longer afford. We have to take action to correct the likely fiscal impact. We have to re-double our efforts to increase exports and to reduce imports. We also have large amounts of concessional aid in the pipeline, which lies un-utilised. Here the State Governments can play a particularly helpful role as many projects are in the State sector. The times ahead are going to be hard and call for sacrifices from all of us. This is the foremost challenge facing the nation today and we should not

be found wanting in meeting it. The Central Government appeals to State Governments to help in this national effort and to prepare our people for meeting the adverse economic impact of the Gulf crisis on our economy.

6. Continuing his speech, Finance Minister mentioned that for gold jewellery exports we were importing gold. It has now been decided to stop import of gold and instead use whatever smuggled or seized gold was at our disposal. We would sell that gold to exporters.

7. Referring to the first item on the agenda regarding distribution of Central Plan assistance to States in the Eighth Plan period, the Deputy Chairman pointed out that there were various alternatives in seeking to modify the prevailing Gadgil Formula. The agenda papers present five alternatives for consideration. And on the basis of the consensus to be arrived at, in the meeting, Central assistance Statewise could actually be decided upon. The Deputy Chairman mentioned that 30% of the total kitty would be given as assistance to the Special Category States. The remaining amount would be distributed as financial assistance to various States. One of our colleagues in the Planning Commission would explain the details of the various alternatives. He, however, stressed one aspect, namely, need for careful fiscal management and requested the Chief Ministers to pay special attention to it.

8. Turning to the second item of the agenda, the Deputy Chairman pointed out that with the present difficulties we should take prior note of problems that may have to be faced in the implementation of 'Right to Work' as a Constitutional right, because it would then be a justiciable right. There were various aspects of right to work as a fundamental right which the NDC would have to discuss. Since it would be a justiciable right, we would have to take suitable precautions to see that adequate work potential was created in the country before we implemented the right to work as a Constitutional right. Initially, therefore, some reasonable restrictions may have to be fixed taking into account the availability of funds and constraints of an organisational nature. "These considerations", he continued, "will relate primarily to the nature of work, location of work, wages to be paid and coverage of a work guarantee programme." It had to be implemented both by the Centre and the States. Prof. Dandavate stated that certain schemes like IRDP, Jawahar Rozgar Yojana, Nehru Yojana had to be integrated, so that all the resources and machinery available were also integrated. It has been roughly estimated that if the right to work was to be implemented effectively during the Eighth Plan period, we would require about Rs. 65,000 crores. In the first year (1990-91) we would have to spend around Rs. 13,500 crores with the amounts tapering in the following years. That expenditure would have to be incurred because to every citizen to whom work was offered we would have to offer the minimum wage and for those who do not immediately obtain work, will need to be paid some compensation. In the context of the present crisis of resources which had been further accentuated by the Gulf crisis, we would have to move carefully, give priority to creating employment in the rural areas which are drought prone or flood prone, create un-skilled jobs in rural as well as urban areas. These are the various aspects that have to be kept in mind.

9. Welcoming, once again, all the Members who were attending the NDC meeting, Dy. Chairman hoped that just as at the previous day's Inter-State Council meeting, it would be possible to arrive at a consensus on the urgent problems facing the country. He then requested the Chairman and Prime Minister to address the gathering.

10. The Prime Minister, and Chairman, NDC, **Shri Vishwanath Pratap Singh** in his address stated the presently the criteria for Central assistance to the States under the modified Gadgil formula were population, per-capita income, tax effort and other development problems. It has been proposed that area and social indicators also be considered. The argument for including area was that in large States like Rajasthan and Madhya Pradesh, where investment in infrastructure

was costly, that factor was not explicitly taken into account in allocating resources. Similarly, the hill areas in the north-east were having special problems. The quality of life should also be one of the criteria to be assessed. Therefore, the proposal for social indicators. We had to include new indicators and make variation in other indicators. It is inevitable in the context of our resolve to reduce disparities and to promote social transformation. But the changes should not be too drastic. With these changes if we were to give some benefit to the weaker States, some other States might be deprived of the benefits. Even the best of the States did not have enough resources for their development requirements. So the variation should not be more than an agreed ceiling, say, 7% either way. While population had 60% weight in the present Gadgil formula, in order to include area and other factors, it was proposed to reduce it a little and give weightage to other factors. In the same way in order to give the poorer States more resources, the weightage of per capita income is proposed to be increased. Social indicator was a new concept. Infant mortality Rate (IMR) has been proposed as one of the indicators of social development. Others could be suggested during the discussions. Regarding quality of life, the States which had made an effort in that direction should be rewarded.

11. Continuing his address, the Prime Minister explained that instead of tax efforts, which had been in vogue as a criterion, fiscal management could be taken into account. So far as tax effort was concerned, States had not been lagging behind in additional resource mobilisation. The problem had been of fiscal management particularly in terms of expenditure control, rather than raising of resources per se. That was why we wanted to redefine this criterion. Any State which makes good tax effort, but did not manage the budget properly, resulting in erosion of resources for development was not considered as doing good fiscal management. This was the reason why the criterion was proposed to be changed from tax effort to fiscal management. Shri V. P. Singh also referred to another proposal regarding Assam and J&K to have a more beneficial formula for their loan and grant pattern of assistance.

12. Turning to 'Right to work', the Prime Minister pointed out that it was in fact related to the central problem of employment. The Eighth Plan has made employment as its central theme. So far, we were considering mainly the development aspect. Without development, we could not have fruitful employment. So, development had to be there. "But", Shri V. P. Singh said, "we want to focus attention directly on employment in the Eighth Plan; much of the alienation, that we are seeing of the youth today, which has been channalised into destructive activity at some places, needs greater attention particularly in respect of the educated unemployed. In the last two decades, the pattern of employment has changed. There is gross unemployment in rural areas also. The reason has been that the rate of growth of employment has been lower than the growth in the labour force. Therefore, we have to directly address ourselves to the task of clearing the backlog and seeing that in future the backlog does not take place".

13. The Prime Minister pointed out that the slowing down of employment growth had been in agriculture as well as in the organised industry. In fact, it was the services sector that had provided employment. The labour force was projected to grow by 30 million during 1990-95; another 41 million during 1995-2000 AD. To achieve the goal of full employment by the year 2000 AD, employment would have to grow by over 3% per annum. Shri V. P. Singh pointed out : "That is what the Eighth Plan is aiming at. The strategy proposed is rapid and geographically diversified growth of agriculture, diversification of agriculture into high value crops, development of appropriate support and policy framework for the growth of non-agricultural activities in rural areas, emphasis on small and decentralised segments of manufacturing sector, large scale programmes of construction, expansion and strengthening of social infrastructure, education and health, particularly in rural areas."

14. As regards the legal aspects of right to work, the Prime Minister stated: "Once we make it a Constitutional right it becomes justiciable. I must make it clear, at the very outset, that we do have a resource constraint to make it an open-ended right. Therefore, certain reasonable restrictions have to be imposed. But, basically once we incorporate it in the Constitution, whichever Government may come, it will be obliged to follow policies where the employment problem is squarely addressed. Various proposals have come. One of it is, what broadly Prof. Madhuji has mentioned, a form of employment guarantee scheme. This primarily addresses itself to giving relief to those who are ready to work with their own hands. Still the explosive problem of the educated unemployed remains. I will pose it, as an issue on which you could give your views." Shri V. P. Singh then referred to certain initiatives taken recently. He mentioned that a National Youth Council would be formed within October. The idea was to involve the youth in a participative and constructive way in national development. We had also announced that for those who were qualified in various professions, such as medicine, engineering etc. Rs. 120 crores would be set apart for providing bank loans and thus providing job opportunities of self-employment. For the poorer and meritorious boys who wanted to go for higher education, provision had also been made for loans. It had been decided that those boys who were meritorious and those who were economically weak could be straightway offered bank loans to become self-reliant. In this regard, he referred to gas agencies, petrol pumps, fertilizer agencies etc. which could be awarded to them. The number of Class-I jobs in the Central Government was between 1000 to 1500 in a year. The number of Class-I IAS Officers was only 150. Much more opportunities had to be created and offered to the youth. The question of merit and economically weak also had to be considered.

15. The Prime Minister pointed out that emphasis had to be laid on labour intensive technologies, agro-industries and decentralised production in the small-scale sector. Agro-industries in the rural side would relieve pressure from land and would give non-agricultural job opportunities in the rural sector itself. The strategy of 50% of the total investment in rural areas would change the demand pattern. "Today the demand pattern is arising from the elitist and the upper middle class. If the purchasing power goes to the masses, then that will have an influence on the structure of the industry itself and it will be a very important factor of restructuring of the industry. It will be in consonance with the needs of the masses."

16. Shri V. P. Singh referring to the Gulf crisis stated that it was an economic war that had been thrust on us. A tidal wave had hit us from outside and its dimensions were of an order that we could not have imagined. The Prime Minister pointed out, "We bought crude oil roughly at say, \$ 15 per barrel. The average price in September was \$ 30 and now it is quoted at \$ 35. Even at this level, it is more than Rs. 4000 or 5000 crores, we may be hit by something of the order of Rs. 7000 crores and above per year on account of higher cost of imported oil. It is time that we took the country into confidence and I take this occasion to urge the Chief Ministers and other Members of the Planning Commission to squarely put this issue on the national agenda. It is like fighting a war for our economic survival and for our economic independence. I plead that you may politically explain it to the people that it is not some Governmental action for raising resources, but a calamity that has come from outside which we as a nation have to face. For this, our aim is that while we take these measures, growth is not affected or wherever it is affected, it is only marginally affected. The core sector of the economy will have to keep going. Certainly, it will require severe fiscal disciplinary measures. Apart from expansion of exports, we will have to tighten on the import side. Also we will have to review the OGL list. As regards fiscal discipline, I would plead with you that not only the Centre but so also the States, as a nation all of us, have to make this effort." The Prime



Minister urged the Members of the NDC to give their valuable suggestions on the situation arising from the Gulf crisis.

17. At the end of the Prime Minister's speech, Prof. Madhu Dandavate said that two Planning Commission Members, Dr. A. Vaidyanathan and Shri L. C. Jain, would briefly present the two agenda items.

18. **Dr. Vaidyanathan**, Member, Planning Commission stated that both the Prime Minister and the Deputy Chairman had underlined the gravity of the resource crisis facing the economy, both internal and external. The need for utmost efforts for mobilising additional resources on the part of the Centre and States and also to observe maximum economies in expenditure, emphasised by him at the last meeting of the NDC, had become very much more imperative and urgent in the light of recent developments. Turning to the modification of the existing Gadgil formula, Dr. Vaidyanathan pointed out that the exercise had been undertaken in response to a widespread feeling given expression to in the last meeting of the NDC and earlier, that the formula and its working needed to be reviewed. We did that. On the basis of discussions, suggestions and reactions, we crystallised a set of alternatives which were in the agenda papers.

19. Dr. Vaidyanathan pointed out that the Central assistance to the State Plans flowed under three broad categories : (i) assistance for externally-aided projects, (ii) Special Area Programmes, and (iii) assistance under the modified Gadgil formula. Under the first category, many of which were currently under implementation, flow of assistance can not be determined on the basis of a predetermined formula. Our main suggestions on this category of flow of assistance were three:-

- (a) the entire aid meant for projects implemented by the States be passed on to the States,
- (b) special assistance be given to weaker States to prepare projects for external aid, and
- (c) relax restrictions informal or formal that might exist in taking up such projects in the Special Category States.

As for the Special Area programmes our suggestion was that they be merged with the corpus of the Central assistance from which allocation was governed by the formula with such modifications as the NDC might decide upon. The Special Area programmes (except the North Eastern Council) could be included in the list of problems eligible for assistance under the head "special development problems". Continuing his observations, Dr. Vaidyanathan stated that the proposals for the modification of the modified) Gadgil formula covered three aspects:-

- (i) the proportion of assistance to be allocated to the Special Category States,
- (ii) the set of criteria for allocating assistance between non-special category States, and
- (iii) the weights to be allocated to each criterion.

Regarding the Special Category States, the proportion of Central assistance transferred to them had been increasing rapidly from Plan to Plan. Taking in view the reasons which were indicated in the main paper it is proposed that the proportion of block Central assistance in the Eighth Plan allocated to the Special Category States be maintained roughly at the same level as in the Seventh Plan and that this should include the NEC requirement also. Since the financial position of many of the Special Category States was weak, we have suggested that upto 10% of the Plan assistance could be allowed to be used to meet their non-Plan deficits and that a committee to be set up to find durable, long-term solution to their finances.

20. On the question of criteria for distribution of Plan assistance among non-Special Category States, we had two major components as in the past, namely, population and per capita income, along with tax effort and special problems. Both population and per capita income would continue to be the dominant criteria in any allocation formula. We would continue to use the 1971 population as the basis for allocation with reference to population. Instead of the tax efforts criteria we were proposing a broader concept of fiscal management. We have suggested introduction of new criterion, namely, social indicators as a way for giving a positive incentive for good performance in terms of improvements in family welfare. As the Prime Minister stated, it was rather a composite and many faceted phenomenon. To begin with for lack of adequate data, it was proposed to use IMR as the indicator. There were differences of opinion on whether area should be included or not as a criterion. We have suggested in one of the alternatives in the agenda papers to include 'area' as a criterion with a 5% weight. Having defined the criteria, we have to decide on the weights. The options are :

- reduce weights for population from 60% to 50%.
- increase weight of per capita income.
- fiscal management 5-10% to be weighted by population.
- social indicators 5%.
- special problems 10-15 %.
- area 5%.

He urged the Council to bear some important considerations in mind : We must try to give more weight to poverty so that the poorer States might get a somewhat higher per capita assistance. It was desirable to move to a system where some part of the assistance related to actual performance of the States in two crucial areas of fiscal management and social development. It was also desirable to agree on guidelines on the kind of considerations which should weigh with the Planning Commission in allocating funds under the head 'special development problems,' even while giving the Commission sufficient discretion in deciding inter-se allocations as between eligible programme activities and as between the States. Lastly, it was proposed that the share of assistance accruing to the States did not increase or decrease by more than a ceiling, say, 1% in its entitlement under the existing formula. The existing loan grant pattern of 70 : 30 might continue except in the case of Assam and Jammu and Kashmir for whom the 90 : 10 pattern, applicable to the other Special Category States, be extended.

21. Dr. Vaidyanathan pointed out that the number and financial magnitude of Centrally Sponsored Schemes had increased rapidly and was now nearly 80% of the amount given under the Gadgil formula. The CSS were mostly in fields which fell within the sphere of the States, and had introduced considerable rigidities and fragmentation in programmes. The interests of decentralisation, as much as of more efficient use of resources would be better served if several of CSS programmes were transferred to the States and consolidated and decentralised, with the Centre playing the role of facilitating exchange of ideas, and knowledge and evaluating experiences. Social purpose meant to be served by the programmes can be safeguarded in other ways (including guidelines and in some cases even earmarking). However, some CSS projects might continue with such modifications as warranted by experience.

22. Shri L. C. Jain, Member, Planning Commission made a brief presentation on the approach to 'Right to Work', its operational implications and possible sequence of steps. The country has a

democratic political base with arithmetical equality of political rights, that is, one person one vote. He asked, “can it afford for too long to tell its unemployed that a provision for work will be made for them some day, somehow or the other, and then expect that its political system can continue smoothly” ? Pressures were bound to be generated. The situation had been aggravated in the past few years as the Central Pay Commission had raised salaries of the Central Government staff, thus adding the burden of several thousand crores of rupees. The unemployed rightly thought that if such a massive diversion of resources continued, would there ever be any resources left for the unemployed? It was in that context that the demand for a Constitutional mandate on the system of governance of the country, to ensure work to all, had gained ground.

23. Shri Jain explained that the thrust of the Eighth plan was to recognise that reality. The Constitution could create the right but it could not generate work. Work would have to be generated from out of our productive system. It was only in the context of full employment orientation of the economy that the goal of right to work would be attained and sustained. In terms of operational implications, employment had to be provided for the unemployed and the under-employed in the entire country. It meant that in every village and small town, an effective institutional arrangement was required to be the operating agent of what we might call : Work Guarantee.

24. Shri Jain explained further that before we came to the Constitutional back up for right to work, we should create the institutional back up—to be in a position to plan, organise and offer work to those who seek work. One experience we have is from the Maharashtra Employment Guarantee Scheme which has been in operation during the last 15 years. To operate such a scheme across the country and to cope with its challenge, we had to either rely (a) Primarily on administrative machinery of the Government (revamped or extended meaningfully) or (b) primarily use the shoulders of millions of our people through representative Panchayats and the administration would play essentially an enabling/supportive role.

25. In our judgement, Shri Jain added that unless we relied primarily upon the shoulders of people, we would not be able to cope with the challenge of work, ensure focus on productive work related to local needs and priorities, minimise leakages and wastage of resources. Therefore, a vital operational implication was that before putting right to work into the Constitution we should try to set up effective local institutions, namely, village and town Panchayats. An enabling Constitutional amendment for village/town Panchayat had already been introduced in the last session of Parliament. It was necessary that all the States take the necessary legislative, electoral, administrative and other steps to put teeth in their Panchayat Raj System without waiting for the aforesaid Constitutional amendment to be passed by Parliament. We must bestow on Panchayats adequate financial and administrative powers and more importantly, technical and planning capabilities. Shri Jain added that existing resources could be used in a comprehensive and compatible manner only with a technically sound local area plan. If the Work Guarantee Programme had to be undertaken, scientific use of every inch of soil, drop of water and other resources had to be planned. Likewise food production and fodder production had to be planned systematically, field by field. For all this, an army of technical persons would be required village by village. Such a vastly expanded technical back up was a solution also for the employment of educated unemployed technical persons. If we had even 5 technical persons per village, we were talking of something like one and a half million of educated young people providing muscles for the Work Guarantee Programme.

26. Shri Jain stressed that it was our moral and material duty to ensure efficient use of the existing resources. The amount which is spent on compartmentalised schemes for agriculture,

rural development and welfare must be pooled together. An essential operational implication was that right from the Centre and through the State level, there should be a drastic shedding of over-centralisation and avoidable expenditure. There should be substantial de-centralisation of decision-making and devolution of resources to local organisations. We needed a clear cut administrative design to transfer such resources to the local bodies at the village, block and district level to enable them to plan for local works and to determine local priorities. If such operational conditions were created in a package, the productivity of available resources would increase substantially and employment generated right upto the remotest village in the country. Besides, the local people would feel that since they had the responsibility for providing work to their men and women as well as the authority to do so, they must also raise additional resources.

27. Shri Jain reiterated that the starting point should be the establishment of Panchayats without delay. The next step was to extend the work guarantee programme across the country. It might take a year or two as the organisational capability of different States was not uniform. If through these steps the country got ready to handle Work Guarantee, then and then only, in our view, the Constitutional amendment could be meaningfully carried out. At the policy level, we must ensure that the operation of the entire economic system centres on the problem of underemployment, unemployment including educated unemployment - as that was vital for creating conditions for full employment.

28. **Shri R. Changa Reddy**, Minister of Panchayati Raj, who represented the Chief Minister, Andhra Pradesh, stated that they had no objection to the suggestion made in para 2.5 of the agenda Paper regarding the special category States. While reducing the percentage of population it would be well to remember that the most backward States in our country were also among the most populous. The population percentage had an element of progression and any diversion from that criteria should satisfy the test that it was more progressive than a simple population criteria. Considering the fact that the problems of some of the backward States were compounded by their larger area, there was merit in introducing the area criterion. Merely increasing the allocation for special problems would not serve that purpose as it would get mixed up with other criteria. There was no objection to increasing the weightage for backwardness from 20 to 25% since per capita income was now a widely accepted criterion of backwardness. However, the method of calculating that factor need not be changed as suggested.

29. While they agreed to the introduction of the criterion of fiscal management for determining inter-se share of states, 5% could be based on tax effort and 5% on fiscal management. Central assistance on the basis of the Gadgil formula had always been fixed for the Five Year Plan period based on the data at the beginning of the plan. It would not be appropriate to update this quantum annually as suggested in para 2.10 of the agenda note. While they welcomed the idea of introducing a factor measuring the quality of life, a single indicator like Infant Mortality as proposed would not be a suitable index for measuring the various aspects of quality of life. As regards the criterion of special problems he suggested that the weightage should be retained at 10% only with the nature and types of problems eligible to be considered under the item being clearly specified for the guidance of the Planning Commission.

30. Continuing his speech, Sh. Reddy stated that the various criteria discussed above had been given different weights in the five alternatives proposed by the Planning Commission. It would be easier to arrive at a quick consensus if we stuck to the existing structure of the Gadgil formula and make some changes in the weights so as to benefit backward States rather than

introducing new criteria. He suggested either alternative-I but with 10% for fiscal management and no social indicator, or alternatively. In regard to externally aided projects, his State Govt. was in agreement with the proposals contained in paras 2.12 and 2.13 of the agenda note. He summed up his comments on right to work as follows : “The implications of providing a right to work are so enormous that they have been sought to be circumscribed in these proposals by restricting the nature of the work to be provided and the areas in which the right will be honoured. In the .process, the whole exercise may ultimately appear a cynical diversion. The real practical proposal in all these (agenda) notes is the extension of a Maharashtra type of Employment Guarantee Scheme to select areas in all the States. It would be much more honest to say that this is what we propose to do in pursuance of the fulfillment of the Directive Principle already present in the Constitution in Article 41, rather than say that we have now conferred on our citizens a new right to work”.

31. Chief Minister, Bihar, **Shri Lalu Prasad** stated that the ‘central theme of the proposals made for modification in the existing Gadgil formula as contained in the agenda papers was for extending relatively greater assistance to weak and backward States in the Eighth Plan. But there would not be any significant gain if the results of the amendments in the principles of Central assistance were kept restricted within a range of 7% plus or minus. The problems of regional imbalance were quite wide and serious and its solution called for strong and solid steps irrespective of whether it resulted in changes in States allocations by more than 7%. Earmarking 30% of the total Central Plan assistance for the special category States was far excessive because they accounted for only 16.4% and 5.4% respectively of area and population. The amount earmarked for the Special Category States should be proportionately reduced. He suggested earmarking of a part of the Central Plan assistance for the special fund from which assistance would be received only by such States who were below the average “index of progress”. The allotment of funds to the eligible States should be proportionate to their distance from the national average. The States above the national average would not get any assistance from this fund. The performance of States could also be looked into while making allotments from this fund. Referring to the modifications as proposed in the agenda papers, in his view the formula for distribution of Central plan assistance to States should be simple and easy to understand. Introduction of two new elements in the existing formula would make it complicated. He did not favour the use of IMR as the measure of social indicator in the Gadgil formula as the same was determined not only by economic progress but also by social attitudes.

32. **Shri Lalu Prasad** stated that the Planning Commission had proposed a re-definition of three existing elements of the Gadgil formula. These elements were related to per capita income, tax efforts and special problems of States. In the existing formula, per capita income of States had a weight of 20% so as to help the weaker States. The second one aimed at reducing the weight of this element to 15 per cent, considering the progressive decline in financial assistance received by the advanced States and basing the allocation on the distance from the highest income State following the methodology adopted by the Finance Commission. Both reduction in the weight assigned to per capita income of States and basing of the allocation on the Finance Commission formula, would be a retrograde step. For reducing regional disparities, it was necessary to strengthen the financial conditions of poor and backward States. It was an important element of the Gadgil formula as it included in its fold only those States whose per capita incomes were lower than the national per capita income. This element should get a weightage of 40%. The substitution of tax effort by the proposed fiscal management would be a retrograde step.

33. As regards the proposal concerning special problems, the weightage under the criterion should be kept at 10% and the assistance for special area programmes should not be brought under the ambit of the Gadgil formula. On their representation, the 9th Finance Commission recommended that the entire external assistance received for externally aided projects should, in all cases, be passed on to the States implementing those projects. The loan and grant portion of the World Bank assistance to be passed on to the States should also be in the ratio of 70 : 30 as in the case of general Plan assistance. States with unduly low shares in assistance for externally aided projects should be allocated a larger share of the 10% of the Plan assistance reserved for special problems. No action had been taken to implement this recommendation. The State Government would strongly plead that no State should get in a particular year less than what was admissible to it on the basis of the Gadgil formula and the Government of India should make such efforts as would enable external assistance to flow in abundant measure to States with low levels of investment.

34. Chief Minister, Bihar, stated that in the context of the decentralization advocated in the Approach Paper, suggesting that majority of the CSS should be transferred to the States and funds meant for them should be added to the Central block assistance in the form of 85% grant and 15% loan, was most welcome. All States whose per capita income was lower than that of the national per capita income should receive the Central assistance in the form of grants and loans to the extent of 70% and 30% respectively.

35. Chief Minister, West Bengal, **Shri Jyoti Basu** pointed out that in the context of major Constitutional responsibilities in the sphere of development lying with the States on the one hand, and their weak and inelastic resource base on the other hand, no serious attempt had been made in the past to evolve a formula for determining the quantum of overall Central Plan assistance to the States in proportion to the developmental responsibilities of the States. Since the financial allocations for the Eighth Plan were being finalised, could not that issue be taken up he asked. Also, the Central Plan assistance being related to plan expenditure, which in the case of States was primarily on public utilities why had the loan component of the assistance kept at such a high level of 70% Shri Basu suggested that the loan component of the Central plan assistance be reduced to at least 50% and at least 50% of the States outstanding Central loan should be written off or at least re-phased so that the States could come out of their internal "debt trap" and protect their plan expenditure. If that meant transfer of the Central resources to the States it was in support of our collective pledge for decentralisation. He further observed that in the case of external loan for any State plan project, the entire quantum of loan should be passed on to the States and at a rate of interest comparable to the rate at which the loan had been obtained by the Central Government. His State agreed with the views expressed in the agenda note regarding transfer of CSS to the States with the understanding of transfer of funds.

36. So far as modification of the Gadgil formula was concerned Shri Basu stated that we might limit modifications within 5 to 1% variation. Since needs of development planning had to be perceived in terms of people, the existing weightage of 60% for population should not be altered. While there was a case for retaining the weight of per capita income at 20%, its distributing among the States should be on distance method. If any weightage was to be given to social indicator some index of distributive justice consistent with national priority should be chosen. Reduction in the inequality of land ownership could be an appropriate indicator. In carrying forward the task of decentralised planning, a small incentive of 2.5% could be allocated in terms of the percentage of the State's total plan expenditure devolved down to the level of districts and below. As regards the criterion of tax efforts or fiscal management the weightage should be retained at 5%. However, for measuring

the tax effort and fiscal management, instead of the proposals made in the agenda paper, direct indicators, such as the rate of growth of collection over the last three years or so, actual plan expenditure realised as a proportion of approved plan outlays, and ability to balance the budget without recourse to over drafts or deficits should be adopted. The types of problems specified in the agenda paper for determining eligibility under special problems criterion should include area as a special factor. Weightage should be given to land-population ratio of a State in proportion to the distance in either direction from the all India average. Special allocation for hill areas as at present should be continued and need not be merged with the special problem criterion. Shri Basu agreed that for the Special Category States a committee be constituted to consider the long term solution to their financial problems.

37. As regards the employment policy, Chief Minister, West Bengal stressed “unless we can locate the root cause quest for a solution may again be misdirected”. In their opinion the root cause of growing unemployment was located in the past economic strategy. If we wanted to maximise production and employment generation then we had to begin by redistributing land in favour of smaller working farmers. After land reforms an objective condition could be created where decision making in agricultural production could be looked at from the stand point of the poor working farmers. An immense potentiality would be created for the development of industries in response to growth in effective demand. That would lead to setting up of employment intensive small scale sector. To support such production impulses for employment generation, two types of crucial employment programmes would be necessary: (i) self employment type programme specially for educated unemployed for setting up small scale Industries and (ii) the work guarantee programme.

38. Chief Minister, Arunachal Pradesh, **Shri Gegong Apang**, felt that while the Planning Commission had Correctly diagnosed the problems of the Special Category States, they appeared to be hesitant in recommending proper application of their own prescription to solve the problems. During the Seventh Plan there were eight Special Category States (without the NEC) which got 30% share in the block Central 1 assistance. Now that two more states, Arunachal Pradesh and Mizoram have been included the proposal to contain the share in the block Central assistance at 30% in the Eighth Plan and that too inclusive of the NEC was not appropriate. Most of the Special Category States having negligible or no share in the Central assistance for externally aided projects and also having negligible share of Central Public sector investment not only the share of the Special Category States out of the block Central assistance for the Eighth Plan should be sufficiently enhanced but also no limit on the non-plan component of the Central assistance be fixed in advance. In respect of Centrally-sponsored schemes to be transferred to the Special Category States, the pattern of assistance should be in conformity with the existing grant-loan break up of the Central assistance for such states i.e. 90% grant and 10% loan.

39. The Planning Minister, U.P. **Shri Shatrudra Prakash**, stated that along with the decision to modify the existing Gadgil formula, it was extremely necessary to consider Statewise allocations of total investment both public and private separately and taken together, as might have been projected by the Planning Commission for the Eighth Plan as well as the States' share in public sector outlay. The relevance of modification proposed in the Gadgil formula would not have any basis if backward States like U.P. do not have an assurance of higher flow of investment. As regards the State's views on medication in the Gadgil formula, as suggested through the five alternatives, the State Government was not in support of any reduction in the weightage of 60% given to the population factor in favour of a new criterion, namely, area. Similarly, the introduction of IMR as a measure of quality of life was not justified because any. State's ability to bring any

reduction in the birth rate was not dependent on the State efforts alone. Many factors were beyond the scope of direct regulation by the State Government. Further, allocation of the Central assistance for the Five Year Plan as a whole would require to be fixed entirely, and not left to year to year determination as proposed in the agenda notes. The existing criterion of tax effort with 10% weightage, needed to be dropped as the Ninth Finance Commission had already taken that in their forward projection of tax revenues. That 10% weightage should be added to the criterion of per capita income below the national average to raise the total average under the factor to 30% from the present level of 20%. The State Government would not support the merger of 'area programmes' with the Gadgil formula under 'special problems' criterion. In-stead of further strengthening of these programmes which were helping the hill and tribal people, the proposed sudden departure as proposed would be totally unacceptable to the people of the hill and tribal areas. Instead, the Planning Minister of U.P. suggested that 'even the existing 10% weightage under special problems criterion be distributed among the States strictly on the basis of some physical index to judge the spread of backward pockets within a State and investment needed for improving the condition in such areas. The present discretionary elements in determining the allocations under this criterion should be minimised. Thus in the overall context there was no need for any major changes in the existing formula, except to increase the weightage under backwardness criterion from 20% to 30%. As regards the pattern of assistance, taking into consideration the increasing debt burden on the States, loan and grant component for the Non-Special Category States be made 50:50.

40. The U.P. Government was in full agreement with the proposals regarding the transfer of CSS to States. There was no need to keep 50% of the funds allocated for CSS with the Central Ministries as they would have no direct responsibility in their implementation.

41. The U.P. Planning Minister stated that right to work was already enshrined in the Directive Principles of our Constitution. Considering the slow progress made in providing employment opportunities to our increasing labour force, inclusion of right to work as a Fundamental Right had become one of the greatest responsibilities of the Government. However, for its fulfilment, it was necessary to give due consideration to geographical diversity of States, then size of population stage of industrialisation, number of people below the poverty line etc. Hence adoption of a common policy or prescription would not be desirable. While they supported the continuation of employment guarantee schemes, State Govt. would suggest that states should have adequate flexibility in the implementation of such schemes.

42. Chief Minister, Assam, **Shri Prafulla Kumar Mahanta** stated that the State Government was happy that their long standing demand to place Assam on par with other Special Category States by giving Central assistance as 90% grant and 10% loan had been accepted by the Planning Commission. In View of the proposed inclusion of the NEC in the same pool, the share of the Special Category States in the Central Plan assistance should be increased to 35%. A percentage of the Central Plan assistance for covering non plan gap had their support. But the exact quantum could be left to be determined through discussions between the States and the Planning Commission.

43. **Shri Mahanta** welcomed the approach to right to work contained in the agenda papers. He stressed that the work to be provided should be productive and, not dole-oriented. He also emphasised the growth of ancillary, small scale, tiny and cottage industries for absorbing the growing number of educated unemployed youth. Agro-industries and industries based on vast natural resources of his state would be given emphasis.

44. Chief Minister, Madhya Pradesh, **Shri Sunderlal Patwa** pointed out that the proposed earmarking of 30% of the Central assistance for States coming under Special Category would



hardly help. So long as the present situation continued, these States would never be financially viable. A great imbalance between the per capita Central assistance provided to other States and these States had developed and it was necessary to remedy this because their plan size was totally dependent on these resources. Therefore, it would be appropriate to make a separate in-depth assessment for the next four years. His State was in agreement with the suggestions regarding the CSS as contained in the agenda papers. But it would not be proper to discontinue: beneficiary oriented schemes, as they were meant for the weakest sections whose population differs, from State to State.

45. Among various modifications suggested in the Gadgil formula, it had been proposed that amounts available for special area programmes should be included as a part of allocation under special problems criterion of .the formula. The State would like to submit that beneficiary oriented schemes under the special area, programmes should not be included, particularly tribal development schemes which are aimed at a very special class. According to Article 275 of the Constitution, the development of the tribal areas was a special responsibility of .the Government of India. This could not be compared with other geographical problems. Therefore, the present arrangement about these schemes should continue. His state would have no objection to the discontinuance of all the .remaining schemes. However, if any amount was earmarked for special problems, the principle, laid down for its utilisation should be transparent and information should be furnished annually with all the details of such utilisation to the members of the NDC. Otherwise, it would be best to end this category. The Central assistance on per capita basis should be limited only to States which had lower per capita income than the national average and there was no need to adopt the distance method. In alternative II, it had proposed to increase the importance of social indicator and special problems. The social indicator was proposed to, be based only on infant mortality. Since statistics of infant mortality were not very reliable and also because infant mortality alone was not an adequate indicator of social development, allocation on this principle would not be advisable. As regards introduction of financial management criterion, the efforts at resource mobilisation by a State should be viewed in the light of taxation capacity and not just on the percentage increase in the rate of tax realisation when compared with the previous year.

46. Shri Patwa expressed satisfaction about the incorporation of the special needs of some States arising out of their vast size in the Gadgil formula. The suggestion to reduce the importance of population was an effort in the right direction. However, jibe weightage proposed for social indicator should be integrated with the area criterion with weightage of 10%.

47. Shri Patwa stated that the strategy for removing unemployment should aim at augmenting productivity from agriculture and minimising the period of unemployment, under-employment of the people associated with agricultural activities by providing opportunities of employment, which they could utilise along with their basic activities. He added that the problem of unemployment could be redressed to a considerable extent by encouraging village industries.

48. Chief Minister, Tripura, **S. R. Majumdar**, pointed out that his State would request the NDC to consider an increase in the block assistance for Special Category States beyond 30% due to addition of two more States (Arunachal Pradesh and Mizoram) as well as the NEC to the list for sharing the overall allocation. He welcomed the concept of “zero unemployment” as the very consideration of the concept is to provide employment to every job-seeker. Insufficient access to adequate employment resulted in poverty. For the ideal of “zero unemployment massive resources would be needed and it was hoped the Central Government would provide assistance. If Right

to Work was made a fundamental right and funds were not provided by the Centre for employment or absorption in productive job, there would be a chaotic situation. Since mass-scale transfer of additional labour force from agricultural to non-agricultural sector was ruled out, solution had to be found mostly within the agricultural sector. Even in the agricultural sector, because of enormous growth of population in relation to the available land, the possibilities of creating substantial wage employment appeared to be limited. With such a backdrop, they were to find out the ways for providing employment through comprehensive area planning.

49. Chief Minister, Goa **Dr. L. P. Barbosa**, stated that a careful study would indicate that the modified Gadgil formula had serious shortcomings in its applicability to Goa. While the state had been able to contain the population growth by effective implementation of family planning measures, greater weightage has continued to be given to population criterion. Instead of rewarding the State by way of monetary incentives for achieving the optimum birth rate, allocation under population. Criterion would have a negative impact on a progressive State like Goa. The criteria of higher allocation on the basis of per capita income below the national average was also detrimental to Goa as without knowing the sources of state income generation and its availability for investment in the State, the criterion was misleading. Under special problems criterion, rehabilitation of the repatriates returning from the Gulf should be liberally supported. The grant of Central assistance to the States being linked to the tax efforts was in order. But in the case of a small State like Goa with limited ability to raise additional resources as compared to the bigger States, this criteria by itself might not be very helpful. Perhaps realising and appreciating this shortcoming the Ninth Finance Commission in its second report had pleaded for a different treatment of Special Category States including Goa from what the Commission had accorded to the Non-special Category States. The next logical step would be for the Planning Commission and the Government of India to formally accord Special Category status to Goa.

50. As regards right to work, Chief Minister of Goa pointed out that merely providing unemployment doles would not solve the problem as it 'would be unproductive. Unemployed youth should be given gainful employment by creating right kind of job opportunities. He mentioned that they had decided to establish the Goa Land Army Corporation on the lines of a similar corporation in Karnataka with a view to providing gainful and ^continued employment to the youth.

51. Chief Minister, Orissa, **Shri Biju Patnaik** asked if the modified Gadgil formula was to continue with either of the proposed five alternatives, how would that help? The justification for the proposal to contain the range of variation within 7% was not clear. If no grant was given to Bombay or Maharashtra, it would hardly matter for them. A totally new approach was required to be evolved. However, going through the proposed five alternatives, alternative II was preferred. But it was more important to find out as to why a State was backward and how could that be remedied. In the last 41 years, not one extra railway line had been built in his State. Every time when we went to the Railway Board for adding some lines, they rejected it but favoured new lines in areas which were already developed. That was a pity of the whole planning process. That was happening not only in one sector but in all the sectors.

52. Shri Patnaik suggested that the basis of loan and grant, or whatever it may be between the States and Centre should be 50 : 50. He cautioned that right to work would have to be implemented a little slowly and stated "once you make it justiciable, we will be in trouble". The employment guarantee scheme should be considered carefully before being implemented. He said, "you can not think like Maharashtra and Gujarat employment guarantee schemes. They have the income generating capacity. You cannot have that kind of scheme. Applied to backward areas. You must

develop a type of education to make them productive. Prepare a massive dose of young people who are prepared to use their hands and brains for productive work”.

53. About the Gulf crisis, Chief Minister asserted that if it came to tightening the belts, all the Chief Ministers would be with the Central Government. He exhorted: “Whatever you have to do, do it quickly”.

54. Chief Minister, Gujarat, **Shri Chimanbhai Patel** stated that the overall plan assistance for State Plans must be increased, since the resources available to the States were not as flexible as the Government of India. He suggested a ratio of 70 : 30 as grants and loans. He stated that the Gadgil formula had withstood the test of time. He did not favour any major changes in the formula.

55. Since investment in social services did not yield any economic returns immediately and it would be impossible for the State Governments to bear the interest or to raise interest bearing loans, the loan portion of the Central assistance be reduced to 30% from 70% at present.

56. The Gadgil Formula had stood the test of time and hence no major changes were needed. On balance of considerations weightage to various criteria be given to the extent of 60% on the basis of population 5% on the basis of area 10% on the basis of per capita income but calculated on the basis of distance criteria; 10% on the basis of tax effort; 5% on the basis of social indicators; and 10% on the basis of composite index of backwardness.

57. Shri Patel stated that the schemes of national importance, such as family planning should be continued to be funded and implemented as at present. Other CSS might be transferred to the States alongwith the financial assistance.

58. Chief Minister, Gujarat, suggested to go slow on right to work if it was going to be a right enforceable in the court of law. We would have to think whether we were in a position to implement it. The best approach would be to adopt a growth strategy which gave primacy to generation of employment. He further suggested that the right to work be implemented in two phases, in phase I it would be one job per family and in phase II jobs for everybody.

59. About the Gulf crisis, Shri Patel stated “we will support anything you want us to do. You have to take measures to reduce the consumption of petroleum products and to increase domestic production”.

60. Minister of PWD and Tourism, Government of Sikkim, **Shri Chamla Tshering**, in his speech delivered on behalf of the Chief Minister stated unlike in the past, the gap between the assessed developmental needs and the State’s own resources in the case of the Special Category States were not being met by Central assistance. That had put the weak resource based state like Sikkim into great difficulties. Hence, to be more realistic, the plan size of the Special Category States should be decided first by taking into account appreciable rate of growth and then to consider the Central funding of the plan by taking into consideration the State’s own resources. That might even require change in the Gadgil formula and they would request that it be modified suitably.

61. Shri Tshering continued that before including right to work as fundamental right in the Constitution, we must consider all aspects, specially the financial implications.

62. Planning Minister, Rajasthan, **Prof. Kedar** stated that while his State was generally in favour of alternative I, there were certain issues which would require special consideration. The proposed weightage to area by a proportionate reduction in the weightage to population was welcome. However,

a higher weightage of at least 10% should be assigned to that criterion. As regards per capita income criteria, the weightage should be increased to 25% as proposed and be allocated only to the States having per capita income below the national average. While the State Govt. was in agreement with the proposal for replacement of the factor of tax effort by fiscal management (5%), methodology to be adopted would require to be more specific. The present formula gave no special consideration for attaining a higher level of performance in the factors which determine the quality of life. A reasonable weightage was needed to be given to this factor. However, by replacing weightage of 5% given to population with an indicator of IMR, as being considered by the Planning Commission, the allocation on this account to backward States like Rajasthan, Orissa, Madhya Pradesh, etc. would get reduced. It was therefore, necessary to consider some other indicator so that the gap in social disparity was bridged to some extent. The ideal situation would be to base this on the level of backwardness of a State and the gap to be filled for such a State to reach the national average of that indicator. For example, indicator like road length per thousand square km. of area, infrastructure development index, deficit in satisfaction level of minimum needs, and the ratio of SC/ ST population in each State, etc. could be used for determining the quality of life.

63. As regards special problems criterion, which the proposal of the Planning Commission to specify the types of purposes/problems for which this part of the assistance could be used could be supported, but not in substitution of allocations under the Centrally sponsored programmes of DDP, HADP. These area programmes must, continue as Central schemes and not be brought within the scope of the modified Gadgil formula. Planning Minister, Rajasthan, further observed that Rajasthan was backward not only when compared with the general category of States in terms of its development, but was even behind most of the Special Category States in terms of its development. Hence there was a need to extend pattern of the Central assistance of 90% grant and 10% loan as available to the Special Category States.

64. Prof. Kedar stated that the CSS with nationally accepted objectives like poverty alleviation and employment, family welfare, area development programmes like DDP, BADP etc., with necessary modifications should be continued. The Centre's role in such schemes should be restricted to defining broad objectives and the States must be given the flexibility in their planning and implementation to suit local conditions. He endorsed the proposal in the agenda notes regarding assistance for externally aided projects.

65. Prof. Kedar welcomed the proposal to provide gainful employment to every one and resolve to achieve that goal substantially in the next 10 years. During next 10 years the investment pattern would have to be restructured towards sectors, activities and technologies with higher employment potential. He expressed agreement with the approach that the guarantee programme should only be for manual work. However, the programme should seek to build durable community assets, which would provide employment on a sustained basis. He also stressed the need for skill development leading to self-employment. The Planning and execution of works under the programme must be the responsibility of elected local bodies. He felt that for the work guarantee programme, Rajasthan should receive 90% funding from the Centre.

66. The Chief Minister, Manipur, **Shri R. K. Ranbir Singh**, urged that the share of the Special Category States be increased from 30% to 35%. The purposed allocation should be exclusive of the NDC's outlay. He welcomed the Planning Commission's proposal regarding external funding.

67. Chief Minister, Manipur, pointed out that implementation of right to work would require large sums of money. Therefore, before embarking on that programme, we should first try giving employment to one member per family.

68. Finance Minister, Government of Maharashtra, **Shri Ramrao Adik**, pointed out that except for some methodological changes, the modified Gadgil formula not require any changes as it struck a good balance between the requirements of the less advanced States and the better developed States. The method of calculating per capita income had created an impression that whole of Maharashtra was prosperous. Barring the industrial belt of Bombay-Thane-Pune, the State income in the rest of Maharashtra would be on par with the national average. This factor should be taken into consideration while distributing Central assistance on the basis of per capita income. Referring to special problems, he mentioned that Maharashtra had to face many of them, namely, excessive immigration, rapid urbanisation, very large drought-prone areas, substantial hilly and inaccessible area of Western Ghats and regional imbalance in development. He was in agreement with the Minister from UP and also the Chief Minister of Orissa, who demanded more for the tribal people living in hilly areas. He pleaded that Bombay development should be treated as the responsibility of the entire nation and it should not be merely the responsibility of the State of Maharashtra. Shri Jyoti Basu was very fortunate to get Rs. 1500 crores for the Calcutta Metro. During the Seventh Plan, what Bombay got was Rs. 50 crores and in the Eighth Plan, the 9th Finance Commission had not provided even a single paisa for Bombay though they had demanded Rs. 1000 crores.

69. Finance Minister, Maharashtra, stated that his Government did not support reduction in weightage to the population criterion. If at all area was to be introduced as an additional criterion the total weightage given to area and population together should not be less than 60%. As regards the criterion of per capita income, the present weightage of 20% was quite adequate. What was required was adoption of the distance method in substitution to the deviation method. In respect of introducing a new criterion of social indicators, the state Government could not support IMR as a criterion. As regards fiscal management, the criterion suggested for measuring this did not seem to be appropriate. The existing tax effort criterion should continue with the weightage at 10%. Regarding special problems criterion, while the need for some flexibility was recognised, the existing 10% weightage was adequate and need not be raised to 15%. Alternatively, the weightage assigned to special problems could be added to the weightage assigned to population, with the stipulation that the States would use the additional accrual for tackling their special problems. He agreed with the suggestion regarding the loan component of the Central assistance should be reduced to 30% and grant increased to 70%. This could at least be 50: 50. So far as Centrally Sponsored Schemes were concerned, except those schemes which were taken as pilot projects, the rest should be transferred to the States along with the resources. No new schemes should be introduced in the middle of the Plan, unless the entire scheme was funded by the Central Govt.

70. Finance Minister of Maharashtra requested the employment guarantee scheme be introduced in all parts of the country. He explained details of the scheme as in operation in Maharashtra. One major problem was educated unemployed. In this connection, he referred to the launching of an ambitious horticulture programme during the current plan. Educated people could also be absorbed in the scheme as also in cottage and other industries and sericulture.

71. Regarding the Gulf crisis, Finance Minister of Maharashtra said that efforts must be made to promote exports. They had already given instructions to all Departments to cut down expenditure by 10%. He suggested that some ceiling on consumption of petrol and diesel in all Government Departments should be imposed.

72. The Chief Minister, Kerala, **Shri E. K. Nayanar** stated that unless, the issue relating to continuous decline in the quantum of the Central assistance as a ratio to State Plan outlay was faced and tackled effectively, changing the modified Gadgil formula might turn to have little more than cosmetic effect. Any change of the formula, which failed to maintain, if not improve, the share of a poor State, such as his, in the assistance being distributed would be invalid. All the alternatives suggested by the Planning Commission failed on that ground. Population and per capita income were indices of unquestionable validity. He had reservations!, however, about the proposal to add to the weightage of per capita income. Adoption of area as a criterion was wholly unacceptable as it is highly inequitous. Shri Nayanar urged that 75% of the weight for the social indicator be allotted to achievement in the base year and the balance to subsequent improvement. The choice of IMR proposed to be as the social indicator would penalise Kerala, for having made the kind of advance sought to be promoted by the introduction of the social indicator. He strongly advocated the retention of tax effort as the index of fiscal management.

73. Chief Minister, Kerala, welcomed the proposal to merge the outlays for the Special Area Programmes with the assistance to be distributed on the basis of the formula, specifically in its segment for special problems. However, he expressed apprehensions as to whether area was not being covertly brought in as a major index. He made the following suggestions:

- (i) 5% of Central assistance should be kept aside specifically for the creation of educated employment and distributed on the basis of statewide unemployment.
- (ii) The proportion allotted to Special Problems need not exceed 10% with no grouping of special problems as has been suggested by the Planning Commission.
- (iii) Rehabilitation of displaced workers returning from the Gulf and high density of population with low per capita availability of land should be added to the list of special problems. Shri Nayanar drew attention to the constitution of the national committee that had been promised would be set up to give concrete shape to our response to the workers forced to return from Kuwait and Iraq. Its formation brooks' no further delay.

74. The rehabilitation of the returning Indians must be worked out on a war footing. The fund that he had proposed to be set up at the national level should be set up immediately.

75. Shri Nayanar suggested for consideration another index that would serve the interest of equity well, namely, the inverse of cumulative per capita plan outlays since the Fourth Plan weighted by population. A separate weightage of 5% may be assigned to that index. His approach to the question of Centrally Sponsored Schemes was similar to that expressed in the Eighth Plan Approach Paper. The grievance of several States regarding the basis of allocation for the schemes would have to be removed. In this connection, he gave the example of arbitrary adoption of the ratio of the poor, an index whose statistical and technical base is highly questionable, for the purposes of inter-state distribution under Jawahar Rozgar Yojana. Their share of resources under the scheme had declined from 3.72% to 2.5%. Recurrence of such a situation should be guarded against. He fully endorsed the proposal of the Sarkaria Commission in that regard, i.e., to have a range of ratios between loan and grant between 10 : 90, the ratio applicable to a particular State depending

on its per capita SDP and ability for debt servicing. On the resources being transferred as block assistance with the CSS, he requested that 100% be treated as grant. He hoped that our discussion would fully reflect the spirit of mutual accommodation and goodwill with which alone the diverse constituents of our country would prosper as a nation.

76. In a situation of soaring unemployment, Shri Nayanar welcomed the move to adopt right to work as a fundamental right. While it was generally acceptable that the solution to our problem of massive unemployment “lies in an employment-oriented growth strategy”, it implied more than “restructuring of the pattern of investment and output towards sectors, activities and technologies with higher employment potential”. We should not run away from the structural problems of our economy and the consequences of the strategy of development adopted since independence. Only by tackling such basic issues, which entails implementing thoroughgoing land reforms and permitting the growth of a broad-based small scale industry, and, therefore, rejection of the interests of landlords and big business, could a beginning be made to sustainable growth of employment. The regional dimension of the problem of open unemployment and under-employment was evident from the fact that the rate of unemployment (unemployment as percentage of labour force) was as high as 21% in Kerala compared to the national average of 6.1% in 1987-88. The regional problem had other dimensions, such as skill composition of the work force prevailing wage rates, perceived standard of living etc. One could speak of a national minimum wage.

77. Shri Nayanar suggested that local bodies could be entrusted with the registration of workers; choice of schemes could also be entrusted to them. In Kerala, Panchayats were already assigned untied plan funds with the only guideline that they would spend them on schemes from their Action Plans, which they themselves had prepared as part of the Eighth Plan exercise. The programme must not be geographically selective. They did not favour the selected area approach. The attempt should be to reach the most deserving house-holds everywhere. Women should be given particular stress in the choice of schemes as well as beneficiaries. Kerala’s percentage of poor is supposed to have declined sharply from 65% in 1973-74 to 26.5% in 1983-84. This is totally without any basis and a gross mis-statement of the reality. During the same period, Kerala’s unemployment position had grown from bad to worse, with the end result that today the incidence of unemployment of Kerala is several times the all India figure.

78. On the balance of payment crisis, Shri Nayanar stated that while we must take immediate measures to reduce our consumption of oil, we must also consider steps to encourage our NRI workers to transfer their savings back home.

79. Union Minister of Labour and Welfare, **Shri Ram Vilas Paswan**, stated that we were committed to include right to work in the Fundamental Rights of the Constitution and the moment it was included as a fundamental right, it would become justiciable. Every body would have the right to work. What was to be done in case one did not get work had also been pointed out.

80. Shri Paswan explained that right to work did not mean right to Government employment. What we could do was to ensure that a person who wanted to work did not die of hunger, and arranging work for him was our aim. But, for the educated youth, doctors or engineers, it might not be possible to provide work necessarily of their profession. Right to work only means that whatever work was available would be provided and those who were willing to take up such work would be given the minimum wages. The place of work was to be decided by the State Governments. Those who could not be provided work would be given one-third of the minimum wages and a minimum of Rs. 5.00.

81. Shri Paswan mentioned that the responsibility of implementation would be that of the State Governments. Central legislations would be there but ultimately the responsibility would be that of the State Governments. The age range to be covered would be 18 to 60 years. But for those above 60, it was proposed to have schemes for social security and other welfare schemes. For the youth and the educated unemployed training was necessary. Therefore, more and more ITIs should be opened. If progress was made in the direction of commitment to rural development and available resources were used to provide more employment to the unemployed, we could definitely proceed to large extent towards achieving the goal. Finance Minister and Deputy Chairman, Planning Commission, .Prof. Madhu Dandavate has stated that the requirement for implementing Right to Work is that of Rs. 65000 crores for the Eighth Plan, Rs. 13000 crores annually. In view of the financial stringency which the country was facing that was a challenge. But if the challenges are not accepted, unemployment would assume dangerous proportions and a time would come when it would get out of our hands. The commitment to right to work should be taken as a challenge even if resources had to be reduced for other purposes. At the same time, it needed to be seriously thought over as to how unemployment could be controlled with our limited resources.

Chief Minister, Orissa, intervened at this point to strike a note of caution on our ability to raise resources on the scale required.

82. The Chief Minister, Nagaland, Shri **Vamuzo**, stated that the lump-sum amount kept for Special Category States should be sufficiently large to take care of their problems. They were somewhat dismayed at the proposal that financial assistance coming through the NEC would also be included in this block of funds. It was an unwelcome departure from the existing arrangement and would not serve the interests of the Special Category States in the North East. He, therefore, pleaded that NEC allocations be kept out-side the purview of the earmarked block assistance for Special Category States.

83. As regards right to work, Shri Vamuzo welcomed the Central Government's initiative to provide gainful employment and work to every citizen of the country. The magnitude of the problem was such that reasonable restrictions would necessarily have to be put on the Constitutional guarantee on right to work. He suggested that instead of restricting the nature of work to basically that of manual and unskilled type, adequate flexibility might be given so that the nature of work could be determined according to the local condition. Nagaland was well placed to implement the programme through the local bodies. Chief Minister, Nagaland requested that in choosing areas for the implementation of the scheme, due recognition should be given to Nagaland.

84. Chief Minister, Haryana, **Shri Hukam Singh** mentioned that the development process in India was one in which the imperatives of productivity could not be lost sight of, whilst engaging in an academic debate concerning theoretical criteria for the allocation of resources. His State government had forwarded detailed comments bringing out conceptual deficiencies of some of the proposals for modifications to the Gadgil formula. The Agenda Paper had not taken note of those observations. Taking for instance "per capita income" as a criterion for apportionment of assistance, all that needs to be said was that too large a weightage should not be given to it because it was more a theoretical than a real indicator of the earnings of the people. As regards the proposed criterion of social indicators, while acknowledging that the factors such as literacy, primary health care, nutrition, clothing etc. were relevant, it was proposed in the Agenda Papers that IMR should be used as the indicator since relevant data for other criteria were not available. Data pertaining to literacy, health care etc. were available, and had in fact been used by the



Finance Commissions. The State Government was of the view that rural drinking water, rural electrification, and social security schemes, such as old-age pension were important instruments for improving the quality of life, and achievements in such areas too must be assigned due weightages. If social indicators were at all to be used then they should be introduced after a very comprehensive debate. Otherwise, the amount proposed (5%) should be distributed strictly in the ratio of population. Further, instead of 1971 the census data of 1981 should be adopted for determining the allocations under the population criterion.

85. **Shri Hukam Singh** pointed out that in a country where population density was often a more serious problem than relatively unpopulated or arid areas, adoption of “area” being a relevant criterion for apportionment of assistance was hardly justifiable. Again, factors such as “fiscal management” and “special development problems” were imprecise and even subjective. He would suggest that “tax-effort”, which was simple criterion for the apportionment of Central assistance, should be continued. As far as the amount kept apart for special development problems was concerned, there was no need for enlargement of the existing weight of 10%. However, special problems should include problems relating to law and order, anti-reservation activities, etc. He added that a general formula like the Gadgil formula based on a meticulous exercise to gauge fiscal management needed to be simple. To build into it too many indices and factors on very complex theoretical considerations was likely to have very extraordinary and unpredictable results. His State Government was, therefore, opposed to any change in the Gadgil Formula.

86. As regards right to work, Chief Minister, Haryana pointed out that the core issue was our ability to formulate, and effectively implement, a Plan which would generate the requisite number of productive jobs within a definite time frame. He said, “if the jobs are there, then the constitutional provisions to some extent become redundant. If the jobs are not there, then the Constitutional provisions alone will provide little satisfaction. I feel that we should not rush into a Constitutional amendment without first carefully evaluating all aspects of the matter”. Regarding the work guarantee programme, he suggested that greater thought be given to provision of jobs for the educated youth as well. They would like more jobs to be generated in dairying, horticulture, the services sector and in small scale and village industries.

87. Chief Minister, Mizoram, **Shri Lal Thanhawla**, stated that the proposal that 30% Central assistance being earmarked for the Special Category States should also include the NEC allocations was totally untenable. It would go counter to the concept of NEC and defeat the very objective behind the constitution of this special body. While welcoming the proposal to allow a part of the Central Plan assistance to cover non-plan gap, he suggested that the Planning Commission might make a realistic assessment of individual State’s total requirement, including non-plan deficit, and provide adequate fund to cover such requirement totally. No doubt, these States had been receiving large amounts over the years through the Finance Commission devolution and Plan transfers, but it might be noted that the Special Category States had a tremendous backlog to make up. They were economically handicapped and that there had hardly been any investment by the Central public sector corporations or the private sector in those States. Besides, the project cost in these States was 25 to 40% higher compared to that in the advanced States. In the light of such considerations special favour being shown to them should not be diluted.

88. About right to work, Shri Thanhawla pointed out that in Mizoram they had a programme, known as New Land Use Policy. They would extend it from the current year’s four blocks to all development blocks during the Eighth Plan thereby giving work to all eligible persons. He requested

for the Central financial back up for the scheme. He also pleaded for special consideration to the States in the North East. While transferring CSS to the States, he suggested, resources thereon should also be transferred as grants and not as part-grant and part-loan as proposed in the agenda note.

89. Chief Minister, Tamil Nadu, **Dr. M. Karunanidhi**, stated that there was no need to make a major change in the existing Gadgil formula which has been - providing a fair and equitable basis for transfer of resources. However, in respect of 20% of allocation under per capita income criterion, instead of present deviation method, distance method be adopted as otherwise the interests of States like Tamil Nadu and a few other States having SDP just above the national average income could not be protected.

90. The Chief Minister stated that the need for any major change to the Gadgil formula had been virtually eliminated by the grants on Plan revenue account recommended by the Ninth Finance Commission. If it was studied closely these plan revenue grants mainly went to those States with a per capita income below the national average. It also needed to be noted that while the four Southern States accounted for 26.27% of the population of the non-Special Category States, they had been given only 9.19% of the Plan revenue grants. It was all the more essential that the Southern States were not once again affected in the operation of the Gadgil formula.

91. Dr. Karunanidhi pointed out that a view had been expressed in the agenda notes that the grant element for the non-Special Category States would continue to be 30%. This ignored three points. Taking into account the plan revenue grants awarded by the Ninth Finance Commission, the overall grant component in respect of some of those States was more than 50 per cent. Secondly, the debt service burden of the States was rising rapidly. Thirdly, the emphasis on decentralisation had resulted in an enhanced revenue plan component for all States. He, therefore, recommended that the grant component for every non-Special Category State be stepped up to at least 40 per cent taking the grant for the plan revenue component also into account in computing that.

92. The Chief Minister, Tamil Nadu, felt that very few, say four or five nationally important schemes might be retained as Centrally Sponsored Schemes. The Gadgil formula as finally adopted could be the basis for transfers to the States of the resources meant for all other CSS. That should, he said, be given on 100 per cent grant basis.

93. **Shri Jagdev Chand**, Public Works Minister, Himachal Pradesh, who represented the Chief Minister, stated that as two new States viz., Arunachal Pradesh and Mizoram had been added to the list of Special Category States, 30% block assistance proposed for such States should be raised at least to 35%. The suggestion for allowing 10% Central assistance for meeting the non-plan revenue deficits of these States was a small step towards mitigating the wrong-doing of the Ninth Finance Commission. However, the size of the problem was so large that the Only way it could be resolved was to revert to the pre-1989-90 system of providing assistance with reference to overall resources as assessed by the Planning Commission. Otherwise, development would suffer. For a long-term solution, the suggestion of constituting a committee to look into the problem of non plan-revenue deficits was most appropriate. He requested for adequate representation of the Special Category States on the committee. The Committee should be asked to lay down guidelines for the future Finance Commissions in the matter of resource assessment. As regards externally aided projects, all assistance be passed on to these States as normal Central assistance and much dispensation should include power projects as well. In case where the aid came as grant, it should be passed on to the Special Category States as such.

94. As to the transfers on the Centrally Sponsored Schemes, 100 per cent resources should be transferred to these States. Otherwise, any shortfall in transfers will be additional financial burden on the States.
95. Shri Jagdev Chand pointed out that the issue of right to work was too large to be rushed through without giving a detailed thought to it. He proposed that for Special Category States the entire financial support would have to come from the Centre. The demand of earmarking 35% of the Central assistance for them was more than justified.
96. Shri Jagdev Chand, gave his support to the proposed measures for meeting the Gulf crisis. He endorsed the suggestion of Chief Minister, Orissa to levy some cess for meeting the emergency created by the Gulf crisis. The crisis should be faced collectively.
97. Governor, Punjab, Shri Virendra Verma pointed out that all the five alternatives suggested generally implied a reduction in the weightage given to the factor of population from 60% to 50% or 55% and increase in the weightage given to factors of per capita income/social indicators. They were generally in agreement with the reduction in the weight-age of population.
98. However, it would be appropriate to consider giving some weightage under the population factor to performance in regard to population control. Of course, the indicators for performance on population control would have to be carefully worked out. As regards giving a separate weightage to the factor of areas, it was not logical to assume that large area was always a constraint. Large areas with special features like deserts, should be included under the special problems factor and weightage for special problems could be increased, if necessary.
99. Referring to the factor of per capita income, Shri Verma mentioned that it would not be appropriate to increase the weightage further to 25% as now proposed. It was necessary to reconsider as to why the distribution of Central assistance under per capita income criterion be restricted to the States having income below the national average. The national average could not by itself be considered a watershed between advanced and backward States. The structure of the economy and various other factors were thus also relevant. The income levels of different States should be considered as a continuum and all States should be entitled to get some assistance. He suggested modification of the criterion by taking the basis of distance of the per capita income of a State from that of the State with the highest per capita income. The tax effort should be retained at 10% and, as suggested in the agenda, it could be related to the State's performance 'vis-a-vis' assessed resources at the time of finalising the Annual Plan. Weightage to the special problems could be increased to, say, 15%. The special problems of certain States having international borders with the related problems of law and order and terrorism should be recognised as one such problem.
100. Governor, Punjab stated that any change in the prevalent Gadgil formula should not result in drastic reduction of the share of any State, The number of CSS should be minimised if not eliminated altogether. Pending a decision on the existing ones, no new CSS should be added. Even where a Centrally Sponsored Scheme was considered necessary as serving an objective of national importance, it should avoid a rigid format. The entire aid meant for externally aided projects should be passed on to the States. With a view to reducing the burden of indebtedness of the States, the grant component should be increased to 50%.
101. Referring to the manual work guarantee programme in the form given in the agenda paper, Shri Verma mentioned that they would like to lay emphasis on creation of additional employment opportunities for the educated unemployed including skilled and semi-skilled hands. They proposed

to lay greater stress on that aspect in the Eighth Plan than in the past. Development of skills for making success of employment schemes was another aspect which deserved special attention. He also suggested that it needed to be considered as to whether to begin with, the work guarantee programme could not be implemented with-out resort to legislation.

102. Governor, Jammu and Kashmir, **Shri Girish Chandra Saxena** mentioned that while the Gadgil formula was basically sound and fully recognised social and economic handicaps of the Special Category States and their special developmental needs, the Planning Commission's proposal to freeze the total lump sum allocation set apart for Special Category States at 30% of the Central assistance could possibly be considered for an increase. The suggestion for including NEC in this pool was a welcome step as long as it accompanied by a corresponding increase in the allocation for this pool. The suggestion for earmarking 10% of Central Plan assistance set apart for Special Category States for being utilised to meet non-plan deficit appears to be on the low side. Yet the State would emphasize the need for containing diversion of plan funds for non-developmental expenditure. They supported the proposal to liberalise assistance for externally aided projects, by enabling the States to secure the entire aid amount for such projects, with the Central Government providing advances in suitable cases. While the State Government would agree to the proposed appointment of a Committee for the study of the financial problems of Special Category States, its terms of reference should cover, among others, objective norms and criteria for *inter se* distribution of earmarked funds among the Special Category States.

103. Shri Saxena welcomed the proposal of bringing Jammu and Kashmir on par with the other Special Category States in the matter of pattern of Central assistance as it would improve the State's resources significantly.

104. Chief Minister, Meghalaya, **Shri B.B. Lyngdoh** emphasised that the percentage of the Central Block Assistance to be set apart for the Special Category States should be based on their actual needs and should be increased beyond 30%. He stressed that sufficient investments should be made in the North Eastern States to accelerate the pace of development.

105. Chief Minister, Pondicherry, **Shri D. Ramachandran** pointed out that since the Gadgil formula was not applicable to the Union Territories, he had no comments on the formula. Of late, the Home Ministry were pressing them to meet some Non-Plan expenditure like D.A. payments, bonus payments, etc. without any extra allocation of funds from the Government of India, which only meant that they had to increase their receipts to meet that expenditure also. For a small Union Territory like Pondicherry, mobilising additional resources to the extent of Rs. 212 crores within the Five Year Plan period itself was very difficult. But, to mobilise more receipts for meeting the additional commitments like additional D.A., bonus, and other Central Government decisions, would be an impossible task. He requested the Prime Minister to give suitable instructions to the Home Ministry not to press for any additional mobilisation for such purposes which were normally taken under the Non-Plan.

106. Chief Minister, Pondicherry, expressed confidence in the promotion of employment opportunities during the Eighth Plan. The sectoral strategies highlighted in the working paper would go a long way to make right to work scheme a reality in the near future. He extended the cooperation of Pondicherry to the Govt. of India for any measure that would be taken to meet the Gulf crisis.

107. Minister for Petroleum and Chemicals, **Shri M. S. Gurupadaswamy** explained the ramifications of the oil crisis. He said, "during the Sixth Plan, the self-sufficiency rate was 69%. In

the Seventh Plan, it has been reduced to 59 or 58%. The demand for oil has been growing. The gap between demand and supply has been increasing all along. The international market for oil is very volatile. The prices have been fluctuating and this year, particularly, because of the Gulf crisis, the effect of oil prices in the world has been tremendous. In the early part of the financial year, till July, the prices of crude oil per barrel was about \$15 or \$16. Today, the prevailing rate is about 33 dollars. A few days back, it has touched even 40 dollars. Last year, we spent about Rs. 6,250 crores approximately in foreign exchange for import of oil. We imported about 19 million tonnes last year. If this trend was allowed to continue, this year we may require about Rs. 10,000 crores and we are not in a position to meet this increase in foreign exchange. As a result of the Gulf crisis, two or three things have happened. Firstly there has been disruption of supplies; secondly the prices of oil in the world market have increased; and thirdly there is a tremendous adverse impact on foreign exchange and rupee resources”.

108. Petroleum Minister pleaded that in order to meet the situation, certain measures had to be taken. The demand has to be contained. Conservation measures had to be taken. Before the oil crisis, the Petroleum Ministry had taken certain measures. And these measures were yielding some results, though it was too early to say the exact impact. In order to meet the Gulf crisis import of oil had to be reduced. We had been thinking of restricting the import to 17 million tonnes of crude and about 7 million tonnes of petroleum products. That would require Rs. 7,500 crore which was much higher than last year. This would mean some sort of a negative growth in the demand.

109. Shri Gurupadaswamy stressed : “We must take some severe and stringent measures and I appreciate that some Chief Ministers have made some constructive suggestions like cuts in the supply of oil, rise in the oil price, Gulf surcharge, etc. I appreciate their comments. We are thinking on these lines and I appreciate their cooperation. This meeting has really helped me and has induced some sort of a confidence as to how to go about in future. We will be coming out with more measures in future, for which we will seek the cooperation of trade, agriculture and industry sectors as well as all the State Governments”.

110. Responding to the observations made by the Chief Ministers and others, Deputy Chairman, Planning Commission, Prof. Madhu Dandavate stated that they had very carefully listened to the various suggestions which had been made. One concrete result of the discussion was that none of the five alternatives was acceptable and a new or a sixth alternative had emerged and that could be called a consensus. Dy. Chairman stated that the following consensus had emerged from the deliberations :

- I. From the total Central assistance, set apart funds required for externally aided schemes, as is now being done.
- II. From the balance, provide reasonable amounts for only three Special Area programmes:
  - (a) Hill areas;
  - (b) Tribal areas;
  - (c) Border areas.
- III. (i) From the balance, give 30% to the Special Category States inclusive of the North Eastern Council.
  - (ii) Appoint a Committee of Experts to suggest durable solutions for the financial problems of the Special Category States.

## Summary Record of Discussions of the NDC Meeting

(iii) Give Assam and J & K, the same grant loan ratio (90 : 10) as for the other Special Category States.

IV. Distribute the balance among the non-Special Category States as per the following formula:

Population	55%
Per-capita income	25%
(5% by Distance method and 20% as per existing Deviation method)	
Fiscal management	5%
Special Developmental Problems	15%
<b>Total</b>	<b>100</b>

Special Developmental problems would cover:

- (1) Coastal areas.
- (2) Special environmental issues.
- (3) Flood and drought prone areas.
- (4) Exceptionally sparse or thickly populated areas.
- (5) Special financial difficulties for achieving minimum reasonable plan size.
- (6) Desert problems.
- (7) Problem of slums in urban areas.

111. **Prof. Dandavate** noted that there was general endorsement on other matters of detail mentioned in the agenda notes and reassured that no non-Special Category States would lose or gain more than 7% in their proportion of assistance as compared to the position under the existing formula.

112. Consensus itself meant that it did not correspond exactly with any individual's view. It was the collective wisdom of all and from that point of view, certain things should be noted. Prof. Dandavate mentioned that all allocations in the Eighth Plan would be higher than the Seventh Plan. They were proceeding on that basis. As regards the total Central assistance for externally aided schemes, there was no difference of opinion. From the balance, we will provide separate amounts for only three special areas as indicated earlier. Of the total Central assistance, 30% would be given to the Special Category States inclusive of the NEC and a committee of experts would be appointed to suggest durable solutions for the financial problems of the Special Category States. In States like Kerala the density of population was very high and that also created problems. Therefore, they would move from the standard density in both the directions. Then there was the problem of financial difficulties for achieving a minimum reasonable plan size. As regards the desert problem, originally it was suggested that it should be put as a special area programme but some friends have suggested that it should be a part of the problems.

113. On a query from Minister of Planning, U.P., Dy. Chairman assured him : "As far as your allocations are concerned, it will be protected and there will be no decrease at all." He assured Kerala, "If due to Indians coming back from Kuwait new problems are created, we will together sort

out the problem.” He added in reply to another query, “Our effort will be to see that we protect the allocations that are there for you, even under the present schemes.” Responding to a question, Prof. Dandavate said, “As far as area programmes are concerned, formerly known as hill areas, tribal areas, NEC, border area development programmes and other programmes, now we are concentrating on hill, tribal areas and border.” Dy. Chairman, Planning Commission reassured the Chief Ministers, “We will sit together and on the basis of new allocations that will be made in the Plan, we will try to work out what will be available under the new formula.” Chairman also assured members that Finance Minister would interact with Chief Ministers.

114. Regarding right to work, Deputy Chairman, Planning Commission stated that everybody pointed out rightly that the programme had to be taken up slowly, in a gradual way, but on a priority basis. We would have to take note of the fact that if the Constitution was amended immediately without any reasonable restriction on the Right, we were likely to come to difficulties. Therefore, Chairman had proposed to set up a small committee from the Members of the NDC. That was a general consensus.

115. In his concluding remarks while referring to the modified Gadgil formula, the Prime Minister, **Shri V. P. Singh** stated, “We will have one round more with every State. We will not rush with it. If any State is going to face a serious problem, we will take cognizance of it. It is in a spirit of consensus and not a trick that we want to push the formula. It will be done taking into account the reasonability of everyone here with mutual accommodation in the overall interest. That is the strength of this forum.”

116. Chairman, NDC thanked the Chief Ministers for the support given to face the Gulf crisis. He said that sometimes we had to tighten our belts to maintain our economic independence. There was no option except tightening of belt. Shri Gurupadaswamy was mentioning Rs. 5,000 crores That was at the rate of \$ 25 per barrel. But now it had gone up \$ 35 and beyond. What we were faced with would be something like Rs. 7,000 to Rs. 10,000 crores extra per year on oil exports. We would have to share that burden. By ‘sharing’, “I do not mean, putting the burden on the States. But in the effort we had to take the country into confidence. I look forward to the Members of the NDC to give the message to the people. Make them understand this difficult situation. It was: something which had come from outside. Also, there should be a commitment, as soon as the situation eases, we would scale it down. That point also should be conveyed because that apprehension was always- there”. The Prime Minister proposed that we would evolve a rational basis of fixing our prices of petroleum products on the basis of international crude prices. When they went up, domestic prices would go up automatically. When the international prices came down, the domestic prices would also come down. That would be a rational way. The country would have to accept some sort of a formula which accepted the outside reality and that would be more sensible management.

117. Regarding right to work, Shri V. P. Singh stated that though everyone appreciated the idea and also endorsed that employment should be the priority, the educated youth were a problem which we should address ourselves to and particularly those who were in the rural side. But a measure of caution had been sounded by most of the speakers. Along with that, very good suggestions regarding land reforms, education system had been made. If we were to approach the problem of employment, we had to adapt suitable economic policies, labour intensive projects and decentralised production so that the economy generated work. By law, we could give the right, but it was the economy that would give the work. So, all economic measures also would have to be

taken into account than the mere legislation. One very important point was made by Shri L. C. Jain that the necessary decentralised infrastructure of the Panchayati Raj had to be established if right to work had to really reach the people. Many Chief Ministers also referred to the administrative support that would be necessary and would have to be built up. "Therefore", said Shri V. P. Singh, "I would suggested that we form a group that will go into the details and come up with a proposal. After that, we can deliberate over it again. The group will consist of the representatives from the States, representatives from the Planning Commission and the Central Government".

118. The Prime Minister stated that they were actively considering further decentralisation of the Centrally Sponsored Schemes. The Planning Commission had very strongly recommended it. The Government was also actively considering it. He added : "We want to make it clear that there should not be decentralisation only from the Centre to the State capital. That is not the central idea. Therefore, the commitment from the Chief Ministers has to come that this will be further decentralised to the Panchayat level or at the appropriate level with a particular scheme of improvement. With this genuine decentralisation, people would get the benefit.

119. Reverting to modifications to the Gadgil formula, Shri V. P. Singh stated that one point was made by Shri Nayanar that instead of taxation, fiscal management was being put forward. Tax effort was part of fiscal management. We were going to make great improvement of it. "When you qualify from Standard-I, then you have to go to Standard-II. Tax effort was one qualification of fiscal management. Now, we are going to have total fiscal management. We will include tax effort also. Certainly, it will get reflected in it. So, that factor is not dropped and in fact the other factors have been included."

120. Regarding the North-East, the Prime Minister stated : "I want to mention that it does require special attention. I want to go on record and I recognise it. Let me assure Vamuzoji that this is on our top priority list whatever be the resources. Whatever we can do, we will certainly do".

121. Minister of State in the Ministry of Planning and Minister of State in the Ministry of Programme Implementation, **Shri Bhagey Gobardhan** moved a vote of thanks. He thanked the Prime Minister and other members of the NDC for participation in the deliberations of the 42nd meeting of the NDC, for offering constructive suggestions on various issues and for facilitating a consensus in a spirit of mutual adjustment.



**PARTICIPANTS****PLANNING COMMISSION**

Shri Vishwanath Pratap Singh	Chairman, Planning Commission and Chairman, National Development Council
Prof. Madhu Dandavate	Minister of Finance & Deputy Chairman, Planning Commission
Shri Ajit Singh	Minister of Industry & Member, Planning Commission
Shri Bhagey Gobardhan	Minister of State for Planning & Programme Implementation
Dr. J. D. Sethi	Member, Planning Commission
Dr. Rajni Kothari	Member, Planning Commission
Shri L. C. Jain	Member, Planning Commission
Smt. Ela Bhatt	Member, Planning Commission
Dr. Arun Ghosh	Member, Planning Commission
Shri A. Vaidyanathan	Member, Planning Commission
Shri Rahmatullah Ansari	Member, Planning Commission
Dr. Harswaroop Singh	Member, Planning Commission
Shri T. N. Seshan	Member, Planning Commission

**STATES**

Andhra Pradesh	Shri R. Changa Reddy Minister for Panchayati Raj and Rural Development
	Shri B. P. R. Vithal Dy. Chairman, State Planning Board
Arunachal Pradesh	Shri R. K. Khrimy Minister of Planning
Assam	Shri Prafulla Kumar Mahanta Chief Minister
	Shri Thaneswar Boro Minister of Planning
Bihar	Shri Lalu Prasad Chief Minister

## Summary Record of Discussions of the NDC Meeting

Goa	Dr. Luis Proto Barbosa Chief Minister
	Shri Ramakant D. Khalap Dy. Chief Minister
Gujarat	Shri Chimanbhai Patel Chief Minister
Haryana	Shri Hukam Singh Chief Minister
	Shri Tayyab Hussain Finance Minister
Himachal Pradesh	Shri Jagdev Chand Public Works Minister
	Shri Roop Singh Thakur Minister for Planning
Jammu & Kashmir	Shri G. C. Saxena Governor
Kerala	Shri E. K. Nayanar Chief Minister
	Shri V. Viswanatha Menon Finance Minister
	Prof. I. S. Gulati Vice Chairman, State Planning Board
Madhya Pradesh	Shri Sunderlal Patwa Chief Minister
	Shri Ram Hit Gupta Minister of Planning
Maharashtra	Shri Ramrao Adik Minister (Finance & Planning)
Manipur	Shri R. K. Ranbir Singh Chief Minister
	Shri Chungkhokai Doungei Finance Minister
Meghalaya	Shri B. B. Lyngdoh Chief Minister
	Shri H. B. Dan Minister, Planning

Mizoram	Shri Lal Thanhawla Chief Minister
	Shri J. Lalsangzuala Minister of Planning
Nagaland	Shri Vamuzo Chief Minister
	Shri I. K. Sema Dy. Chief Minister
Orissa	Shri Biju Patnaik Chief Minister
Punjab	Shri Virendra Verma Governor
Rajasthan	Shri Bhairon Singh Shekhawat Chief Minister
	Prof. Kedar Planning Minister
Sikkim	Shri Chamla Tshering Minister for PWD, STCS and Tourism
Tamil Nadu	Dr. M. Karunanidhi Chief Minister
Tripura	Shri S. R. Majumder Chief Minister
	Shri Nagender Jamatia Minister for Agriculture
	Shri Shyamacharan Tripura Vice-Chairman, State Planning Board
Uttar Pradesh	Shri Shatrudra Prakash Minister, Planning
West Bengal	Shri Jyoti Basu Chief Minister
	Dr. Asim Kumar Dasgupta Finance Minister
<b>UNION TERRITORIES</b>	
Andaman & Nicobar Islands	Lt. Gen. (Retd.) R. S. Dyal Lt. Governor

## Summary Record of Discussions of the NDC Meeting

Chandigarh	Shri Virendra Verma Administrator
Dadra & Nagar Haveli, Daman & Diu	Shri Kurshed Alam Khan Administrator
Delhi	Shri Arjan Singh Lt. Governor
Pondicherry	Shri D. Ramachandran Chief Minister

### UNION MINISTERS

Shri I. K. Gujaral	Minister of External Affairs
Shri M. S. Gurupadaswamy	Minister of Petroleum and Chemicals
Shri K. P. Unnikrishnan	Minister of Surface Transport
Shri Murasoli Maran	Minister of Urban Development
Shri Dinesh Goswami	Minister of Steel and Mines with additional charge of the Ministry of Law and Justice
Shri Nathu Ram Mirdha	Minister of Food and Civil Supplies
Shri Nilamani Routray	Minister of Environment and Forests
Shri P. Upendra	Minister of Information and Broadcasting and Parliamentary Affairs
Shri Ram Vilas Paswan	Minister of Labour and Welfare
Shri Sharad Yadav	Minister of Textiles with additional charge of the Ministry of Food Processing

### SPECIAL INVITEES

Shri D. D. Thakur	Chairman, North Eastern Council
Shri R. N. Malhotra	Governor, Reserve Bank of India
Dr. C. Rangarajan	Deputy Governor, Reserve Bank of India

### MINISTER OF STATE (INDEPENDENT CHARGE)

Shri Manubhai Kotadia	Minister of State of the Ministry of Water Resources
-----------------------	---

**MINISTERS OF STATE**

Shri Arangil Sreedharan

Minister of State for Commerce

Shri Nitish Kumar

Minister of State for Agriculture &  
Cooperation

**DEPUTY MINISTER**

Shri Anil Shastri

Deputy Minister, Finance



**FORTY THIRD MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
DECEMBER 23-24, 1991**

**SUMMARY RECORD**



सत्यमेव जयते

**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE DISCUSSIONS AT THE FORTY THIRD MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON DECEMBER 23-24, 1991

---

### AGENDA & SUMMARY RECORD

---

The National Development Council held its Forty Third Meeting at Parliament House Annexe, New Delhi on 23rd and 24th December, 1991. The meeting, under the Chairmanship of **Shri P.V. Narasimha Rao**, Prime Minister, deliberated upon the following agenda items :

- (a) Directional Paper Objectives, Thrusts and Macro-Economic Dimensions of the Eighth Plan;
- (b) Future of Centrally Sponsored Schemes;
- (c) Distribution of Central Assistance and Open Market Borrowings among the States during the Eighth Plan; and
- (d) Population Control :
  - (i) Perspective and Planning; (ii) Challenges and Strategies.

The List of Participants is appended.

2. Welcoming the participants for the 43rd meeting of the National Development Council, **Shri Pranab Mukerjee**, Deputy Chairman, Planning Commission referred to the historical backdrop of the present planning process in India. He pointed out that the recent global developments have ushered in dramatic changes in international social and economic order. In the wake of this tidal wave of change, which had not left India untouched, he said, the country had to respond and adjust to the changes quickly and creatively, and adjust its planning system to the lessons learned both at home and abroad from the development experience of countries.

3. The Deputy Chairman made specific references to the adverse balance of payment situation and fiscal deficit and their effects on the economy. The growth process, he said, was being threatened by fiscal imbalances, mounting inefficiencies in the public sector enterprises and diminishing marginal returns from public sector outlays. He stressed that the task before the planners was not only to develop strategies for overcoming the present crisis but also to forestall such crisis in future.

4. Drawing attention to the number of policy changes undertaken by the Government in order to put the economy back on the rails, the Deputy Chairman made specific references to the liberalisation of the trade and industrial policies, fiscal reforms and adjustments of the external value of rupee. He however, stated that there would be sometime lag between the policy changes and the desired results. He expressed confidence that our resilient economy would as in the past bounce back.

5. Pointing out that the National Development Council was meeting to consider the formulation of the Eighth Five Year Plan, he observed that the challenges and opportunities before this august body are well known and it has to provide direction for the future growth of the Nation. He also mentioned that a creative reorientation of our approach to planning was called for in the face of acute resource constraints and imperatives of a higher rate of growth.

6. The Deputy Chairman stressed that the role of Planning had to be redefined in such a way as to proceed from a highly centralised planning system towards a scenario of indicative planning.



This would require Planning Commission to confine itself to building a long term strategic vision of the future and to lay down priorities for the Nation.

7. Shri Mukherjee stated that through clear prioritisation of goals, efforts would be made to remove the bottlenecks - thus making higher rates of growth possible. Planning Commission would play an integrative role in development of a holistic approach to policy formulation in critical areas of human and economic development. In the social sector, schemes which require coordination and synthesis like rural health, drinking water, rural energy needs, literacy and environment protection need to be subjected to coordinated policy formulation.

8. While emphasising the resource allocation role of the Planning Commission, the Deputy Chairman stated that the concentration should now be on maximising limited resources by using them optimally. He pointed out that Rs. 48,000 crores of foreign aid remain unutilised at a critical time when the country was facing severe balance of payments position. It costs the nation Rs. 1,000 crores if commissioning of a gas cracker plant is delayed by a year. Cost overruns of 308 projects in the public sector stand at a staggering Rs. 34,000 crores. He mentioned that if we could bring down the cost of production in public sector by mere 5%, we would be able to generate another Rs. 5,500 crores for productive purposes. He felt that the time had come to look for increases in the efficiency of utilisation of the allocations being made.

9. Drawing attention to the burning issue of the day, i.e., erosion of the essence of the planning process, the Deputy Chairman suggested that those plan schemes or projects which did not make economic sense need to be weeded out, while those which fell in priority areas must be adequately funded and completed on schedule.

10. Shri Mukherjee affirmed that the development of social sector with focus on human development would be the priority for the Eighth Plan. In the social sector the specific areas of thrust would be employment generation, population control, universalisation of elementary education, provision of safe drinking water and primary health facilities. He observed that an additional employment at the rate of 10 million per year for the next 10 years was to be created in order to achieve near full employment by the end of the decade. However, he cautioned that all the developmental efforts would come to a naught, if we allowed the population to grow unchecked-with a growth rate of 30.5 per thousand. In order to focus the attention of the policy makers on this issue, the document on population and family welfare was being placed on the agenda of the meeting.

11. In the field of literacy, in addition to the significant progress through Governmental endeavour, people's participation in the programme through "voluntary primary schools" in rural areas has to be built up. It was also necessary to widen the reach at the senior school level by providing open channels of education by setting up open schools. He observed that the avowed goal of health for all by the year 2000 could be achieved only with the meaningful reorientation of the health programmes.

12. The Deputy Chairman pointed out that the priorities in the economic sector would include, (i) growth and diversification of agricultural and (ii) development of infrastructure with special emphasis on power, transport, communication and irrigation. He mentioned that the Eighth Plan would aim at taking the Green Revolution of north-western India to other parts of the country.

13. Shri Mukherjee observed that given the demands of the infrastructure facilities, an outlay of the order of Rs. 4,00,000 crores in the public sector as envisaged in the directional document appeared minimal. However, he drew attention to the fact that since household sector is the main source of savings, in the context of liberalisation of the policies, the Central as well as the State

Governments would have to compete with others for the savings and may, therefore, have to pay an interest rate higher than what was being paid. He mentioned that the balance from current revenues of the States was expected to be substantially negative because of the failure to mobilise adequate resources and to contain expenditure. Consequently, the anticipated plan expenditure of the States was likely to be lower than the approved outlay. Similar short fall in the plan expenditure was expected at the Centre also. He mentioned that taken together, it is likely that the short fall may be of the order of 10%. This necessitates extra caution to reverse the rising trend in the dissavings of the Government. He opined that fiscal prudence should receive the attention it deserves. He also stressed the need to curtail non-plan expenditure and to reduce subsidies.

14. During the Sixth and the Seventh Plan periods, the Deputy Chairman stated, the divisible pool of Central Plan assistance was shared by the non-Special Category States according to what was known as the Modified Gadgil formula. This was considered by the NDC in its 42nd meeting and what became known as the 'Consensus formula' was arrived at. This did not satisfy many of the States and resentment was expressed even before the meeting ended. The then Prime Minister and the deputy Chairman, Planning Commission had offered to sort this out through bilateral discussion which, however, could not take place. Since the issue was kept open, the Planning Commission set up a Committee in September, 1991 to examine the matter further and to make recommendations. The Committee considered possible alternatives and felt that any formula now devised should remain as close as possible to the Modified Gadgil Formula because it had stood the rest of time and was most likely to reconcile the largest number of expectations. It is also necessary that the scheme of assistance to States should provide some incentives for good performance and disincentives for poor or non-performance particularly in the nationally accepted thrust areas. The proposed formula has broadly retained the weightage for the various criteria as in the Modified Gadgil formula. The weightage for population remains 60%. However, 20% allotted to per capita income is split between 15% under the "deviation" method and 5% under "distance" method. Even States with low percapita income might not be adversely affected by the change because even distance-wise they would be farthest from the highest per capita income and would therefore benefit. The other modification was that the 10% weightage set apart for tax effort in the Modified Gadgil formula, has now been split between tax effort, fiscal management, and performance of States in population control, universalisation of education & adult literacy and on-time completion of externally aided projects, all of which may be regarded as areas of national concern.

15. Appropriate indicators to measure the performance of the states in the selected areas will be evolved after discussions with the state Governments and will be explicitly stated in the Eighth Plan Document.

16. Referring to the second item on the agenda, namely, the future of Centrally Sponsored Schemes, the Deputy Chairman stated that the report of the NDC Committee appointed in 1985 formed the basis of the proposals being considered, which involved a transfer of 113 Centrally Sponsored Schemes, with a combined Seventh Plan outlay of Rs. 1260.75 crores to the States. He pointed out that the Planning Commission was willing to transfer more responsibilities to the States provided they are willing to take up the same. Only those schemes of inter-state or regional character or in the nature of a pace setter and relate to setting up of demonstration or research projects would henceforth be taken up by the Centre, he said.

17. Shri Mukherjee laid special emphasis on decentralised planning process. He urged the Chief Ministers to consider whether time is not ripe to delegate responsibilities alongwith allocations of resources to people's institutions at various levels in order to ensure better accountability while at the same time creating user friendly systems.

18. The Deputy Chairman urged that the time had come to consider hard options, because they were the right decisions even though they involved some sacrifice from all. Certain concepts like performance, result orientation and efficiency should become part of our everyday thinking and living and these concepts should get reflected in the systems we design and the institutions we create. This approach, he said, would call for certain degree of self-denial and self-discipline for all.

19. Welcoming the members to the 43rd meeting of the National Development Council, the Prime Minister pointed out that the Council is meeting at a crucial time in the domestic economic situations, and momentous trends emerging in the world. These changes will have great bearing on the 8th Plan now under formulation.

20. Referring to the bold policy initiatives taken by the new government in the areas of trade, industrial and fiscal policy, he expressed confidence in the positive impact of these measures on the economy. While commending the Directional Paper prepared by the Planning Commission, outlining the objectives, thrusts and the macro-economic dimensions of the Eighth Plan, the P.M. emphasised that development of human resources and building up the institutional framework required to meet the aspirations of the people should receive priority during the Eighth Plan.

21. Drawing the attention of the members towards the role of planning in the changed socio-economic scenario, the Chairman observed that the time had come to enlarge the area of indicative planning, leaving larger areas open to private investment, sharpen our tools and methods and pay more attention to building up a long term strategic vision of the future. An important corollary to more effective planning and implementation is decentralisation and micro-level planning, he said.

22. The P.M. pointed out that the Directional Paper lays down the objectives, thrusts and the strategy for the Eighth Plan, and calls for a re-examination of the role of the government. While real initiative should be transferred to the people, State has to be fully protective of the interests of the poor. He observed that his vision of the year 2000 envisages complete elimination of poverty, attainment of near full employment, provision of basic needs like food, drinking water, clothing, elementary education, adult literacy and health care. He pointed out that there would be a marked improvement in living standards and that the life expectancy will increase to well over sixty years and infant mortality will decline sharply.

23. The Chairman drew attention to the fact that the foremost objective of generation of adequate employment could be achieved only when the educational process generates a full array of skills for self-employment. He stressed that illiteracy in the 15-35 age group should be eradicated in the next five year. Side by side, the strategy should involve the provision of basic infrastructure in the villages and implementation of an effective population policy. He reiterated that the country would be able to achieve a balanced growth of population only if such a population policy is accepted as a national commitment by all. A conference of States Health Ministers would be convened shortly to consider an "Action Plan" to check population growth. Scavenging, he stressed, should be eliminated in the next five years.

24. The Chairman stressed the need for strengthening infrastructure-energy, transport, communication and irrigation. He wanted that in the preparation of the Plan, sectors requiring priority in investment should be identified.

25. Underlining the concept of the planning process in which the Centre and the States are partners, the P.M. opined that the national priorities must be determined together. There are several areas where innovative schemes for mobilising resources can emerge through a joint effort.

26. The P.M. stated that the Eighth Plan aims at a growth rate of 5.6% per annum of GDP involving a public sector outlay of Rs. 400,000 crores at 1991-92 prices. He hoped that with the recent policy measures and the earnest cooperation from the States, inflation would be checked and the public distribution system streamlined. He reiterated his optimism in the achievement of the proposed goals as outlined in the Directional Paper.

27. **Shri N. Janardhana Reddy**, Chief Minister, Andhra Pradesh, expressed his agreement with the objectives, thrusts and macro-economic dimensions as outlined in the Directional Paper. He opined that the new approach envisaged that the growth in the productive sectors would be dependent upon private initiative. However, he felt that indicative planning wherein the State would confine itself to the role of removing obstacles to development and creating infrastructural base appear to militate against the objective of expanding employment opportunities. Resolving this contradiction would be the major task to be addressed during the Eighth Plan.

28. The Chief Minister stated that our plans had always served the function of “safety-net” for those in our society who might not have benefitted directly by the growth process. There might be some complementarity between these functions and the new concept of “safety-net”, being spoken of now.

29. Pointing out that the income disparities in the rural sector are more socially disruptive than the urban, **Shri Janaradhana Reddy** stressed that the adverse effects of the incursion of organised industry into the rural sector should be minimised. The crux of the several safety-net programmes in the rural sector would involve some measure of asset redistribution. The Chief Minister mentioned land utilisation, land reforms and land records in this context and said that these programmes would have to be brought within the plan.

30. **Shri Reddy** endorsed the directional change in the planning process towards indicative planning. He felt that it was necessary to, devise a mechanism where by there was more frequent consultation between the Centre and the States.

31. The Chief Minister pointed out that it had been customary, in the meetings of the Council, for the Centre to tell the States to raise more resources and for the States to tell the Centre to distribute more resources to the States. Neither of these solved the problem in its totality. He agreed that there was a need to examine various subsidies now being given as also to see how government could charge adequately for the services it rendered.

32. **Shri Reddy** observed that the Central Sector would not form a much smaller portion of the total public sector plan and a major part should be in the State's sector. He felt that the determination of Central assistance to the State Plans should take this into account. Analysing the implications of decentralised planning the Chief Minister quoted the Directional Paper which stated that the Rural Development Ministry at the Centre should make provisions for an integrated local area development programme and that operational flexibility should be given to the States themselves in regard to their own plans. He further stated that such flexibility should be immediately brought into operation in plan procedures.

33. With regard to the modifications in the formula to distribute Central assistance to the States, Shri Reddy felt that despite several sincere efforts, the relative position of backward States had not improved and there seemed to be no justification for reducing the allocation for States with Lower than national average per capita income from 20 per cent to 15 per cent. However, such

a reduction would not occur if the deviation method continue to apply to those States whose per capita income was below the national average while the distance method to all States.

34. In regard to Centrally Sponsored Schemes, the Chief Minister felt that during the Seventh Plan the Limits laid down by the NDC had been deviated considerably. He urged that the meeting should resolve that the original limit permitted by the Council namely, 1/6th of the total Central assistance to the State Plan should be enforced for CSS.

35. Shri Reddy observed that while our planning might be entering a new phase, it was not an uncharted course. Our planning was always indicative and only partly allocative. The inadequacies in those plans were not so much due to want of policy instrument as lack of will to enforce them. The present policies had demonstrated that such will was no longer lacking. Thus the document prepared by the Planning Commission represents a consensus in the nation regarding the task before it and the way these should be handled.

36. **Dr. J. Jayalalitha**, Chief Minister, Tamil Nadu, pointed out that the mood of despondency reflected in the macro-economic situation should be cast aside and we should get down to the urgent task of nation building in the Eighth Plan. She welcomed the shift in the scope and focus of planning. She opined that planning should not become an instrument of holding back growth in States. The States should be allowed to be innovative in charting out their growth strategy.

37. She observed that Tamil Nadu had virtually exhausted its surface water potential for irrigation. She urged the Centre to take the lead in the Eighth Plan in setting up a Peninsular River Water Grid.

38. Pointing out that Tamil Nadu had not seen a single substantial Central investment for over two decades, the Chief Minister hoped that the Centre would come forward to sanction more Central Public Sector projects for Tamil Nadu.

39. Welcoming the new direction of allowing the private sector to participate in core sectors, Ms. Jayalalitha stated that an integrated lignite mining and thermal generation project at Jayamkondacholapuram had been proposed as a joint sector project costing Rs. 5,000 crores. The C.M. mentioned that the emphasis now had to be on how to integrate the Indian economy with global economy. She mooted the idea of creating a trade corridor between Tamil Nadu and Singapore.

40. Expressing her concern about the low level of investment on roads, the Chief Minister stated that the Central Road Fund was specifically augmented, but funds have not been made available to States, inspite of a resolution of the Parliament. She also mentioned that her government is actively pursuing the concept of toll collections to finance accelerated road improvement programme.

41. Stating that planning would have no meaning if it did not focus on employment and poverty alleviation, the C.M. stressed the need for giving States greater flexibility in planning and implementing poverty alleviation programmes. She mentioned that Tamil Nadu had always placed the highest emphasis on human resource development. While pointing out that the success of Tamil Nadu in population control should not be held against the State, the Chief Minister sought a specific assurance that all Central assistance flows were linked to the 1971 population.

42. The Chief Minister emphasised the need to ensure adequate resource flow to the State to ensure that the relative size of State Plan during the Eighth Plan did not drop below the Seventh Plan level. She stated that the share of State in market borrowings should be stepped up to 40% and should reach 50% by the end of the Eighth Plan.

43. Ms. Jayalalitha mentioned that Tamil Nadu was facing massive non-plan deficit although the Ninth Finance Commission projected a non-plan surplus. Stating that the mounting debt service liability of the States is a cause of concern, the Chief Minister emphasised that as a measure of relief, the sharable pool of Union Excise duties should be stepped up to 50% making available the extra 5% to all the States. She also opined that the plan revenue grants awarded by the Ninth Finance Commission should be reviewed with reference to the actual emerging situation. She suggested that the consignment tax should be levied. She expressed concern that the small savings of the States are showing a negative trend.

44. Welcoming the spirit behind the proposed transfer of Centrally Sponsored Schemes to the States, the Chief Minister pointed out that the transfer should be accompanied by the transfer of full assistance for these schemes.

45. With regard to the formula for the distribution of Central assistance to the States, Ms. Jayalalitha endorsed the suggestion to restore the weight to the population factor from 55% to 60%. She, however, requested the Council to consider the question of whether 20% weightage be given on the basis of the distance from maximum per capita income. She further stated that the criteria of 10% for tax effort be restored.

46. The Chief Minister felt that Tamil Nadu should be made eligible for a special allocation of market borrowings in 20% pool set apart for backward States. Alternatively the entire pool could also be distributed on a distance from the maximum basis. She further noted that the Centre must pass on 100% assistance in respect to all externally aided projects.

47. The Chief Minister requested that the special problems with a sea border of Tamil Nadu be considered while continuing the Special Area Programmes during the Eighth Plan.

48. **Shri Gegong Apang**, Chief Minister, Arunachal Pradesh, invited the attention of the participants to the backwardness of certain States and requested them to lend their support to remove the imbalances that had been created in the past. He mentioned that Arunachal Pradesh was still lagging behind the rest of the States in all spheres because of long and historical isolation. The State capital, he said, is still incomplete due to non-receipt of financial assistance from Central Government. He made specific references to inadequacies in the State with respect to roads, potable drinking water, banking services, telecommunication and health services.

49. The Chief Minister urged the members to recommend special allocation to remove the utter backwardness of Arunachal Pradesh. Endorsing the view expressed in the agenda papers relating to the transfer of Centrally Sponsored Schemes to the States, he pointed out that the schemes should be fully funded by Central assistance in case of special category States.

50. The Chief Minister, while highlighting the problems faced by special category states, requested that the non-plan gaps of special category States as worked out in consultation with the Planning Commission and Union Finance Ministry from year to year should be fully covered by Central assistance- (as was the practice up to 1988-89). He pleaded that the share of the special category States out of the block Central assistance should be enhanced during the Eighth Plan. He also desired a revision of the decision made by NDC to include NEC in the 30% of the Central assistance earmarked for the special category States.

51. **Shri Jyoti Basu**, Chief Minister, West Bengal pointed out that generation of employment had been stated as the major objective in the Directional Paper. He also said that there was a mention of the need for fiscal balance internal and external, the need for efficiency and also the need for peoples' participation.

52. The Chief Minister said that this approach accepted the existing unequal distribution of assets, which has been followed by Government of India all along. Such an approach, he felt, neglected or stalled land reforms. Consequently increases in production could not translate themselves in terms of generation of adequate purchasing power in rural areas. Similarly, inequality in the ownership of industrial capital had led to capital intensive technology which displaced labour leading to unemployment and resultant lack of purchasing power in urban areas. Shri Basu pointed out that the bias in favour of upper income groups had also been the cause of fiscal imbalance. There had been a lack of political will to go for direct taxation of the rich and unearthing of black money. The latter, he stated, gave rise to increased borrowings, deficit financing, and frequent increases in administered prices of essential commodities thus leading to inflation further eroding the purchasing power of the common people.

53. He pointed that the paucity of purchasing power had been the major hindrance to industrial development. Though salvation from the situation was sought through exports, the latter did not grow as expected. On the other hand, imports bills had been increasing to satisfy the sumptuary aspirations for Luxury goods and because of the increasing oil bill. He pointed out that the inability to attain self-sufficiency in terms of oil had made the reliance on imports inevitable. Thus, the ever increasing gap between the imports and exports had resulted in balance of payments crisis, with the Government of India going in for IMF loans. Shri Basu opined that the conditionalities of the IMF loans were counter productive. He felt that policy measures aiming at liberalisation of imports and devaluation of rupee would further increase the import bill. Thus, he predicted that the economy would be pushed towards external debt-trap and the economic sovereignty of the nation would be compromised.

54. Given this backdrop, and given that the priorities of Planning were in effect away from the aspirations of the people, Shri Basu stressed that there was hardly any involvement of people in formulation or implementation of Plans. He proposed, as a way out, an alternative approach to Planning which could provide a better solution to the objective of employment generation, fiscal balance, internal efficiency and decentralisation through people's involvement. He emphasised that the alternative approach for a vast country like India should be primarily based on self-reliance, and on the development of domestic market, related to the growth of purchasing power of common people on the basis of a more equal access to productive assets, particularly on the basis of land reforms in agriculture and ensuring due place for the small scale sector in industrial activity.

55. The Chief Minister observed that any blanket characterisation of viability or sickness, efficiency or inefficiency of any unit in terms of its public or private ownership was an exercise in superficial oversimplification. The proper course, according to him was to introduce the concept of social accountability through a sharp incentive penalty mix in both the public and the private sectors.

56. While supporting selective entry of the foreign capital, Shri Basu said that the entry should be in keeping with the norm of comparative advantage, national priority, and overall social control. He felt that the forces of domestic competition should be unshackled in interest of employment generation. He emphasised the crying need for land reforms as a pre-requisite to generate competitive atmosphere in agriculture. He further stated that unfortunately land reforms had received only a cursory reference in the Directional Paper. The industrial sector, the Chief Minister stated, should define a proper place for the small scale sector.

57. Urging that a comprehensive national approach be adopted in order to achieve the goal of employment generation on a large scale, the Chief Minister pointed out that a special meeting of the Planning Commission should be convened to formulate concrete policy measures in this regard.

58. Shri Basu observed that the issues relating to the Centrally Sponsored Schemes need to be discussed in the overall perspective of the Centre-State relationship. In carrying on the developmental activities, the States were increasingly finding themselves constrained and held back by the scarcity of financial resources, particularly because of the policies recently adopted by the Centre, he asserted. Drawing attention of the members to the excessive overcentralisation in Centre-State relations, the Chief Minister stated that of the total resources raised in the country, about two thirds got raised by the Centre. He also mentioned that of the total market borrowings, about 75 % went to the Centre and the States' share was only 25%.

59. The Chief Minister, stated that over the last one year there had been new intrusion into the limited resource base of the States. He cited the case of loan from small savings accretion, which was a significant source of income for the States. However, the incentives given by the Central Government and the Reserve Bank of India to competing saving schemes like bank deposits and mutual funds, which attract higher interest rates and tax exemption benefits had, resulted in a serious fall in small savings collection to the tune of about 38% for all the States and 36% for West Bengal, between April, 1991 and September, 1991. He estimated that the losses in terms of financial resources on this account for West Bengal might be of the order of Rs. 500 crores. He also made a mention of the denial of about Rs. 215 crores of Central assistance to the State in the current year, despite a commitment by the Planning Commission. Given this, Shri Basu made a strong case for according the advantages and benefits to small savings so as to restore the relative position between the small savings schemes and other competing saving schemes to the pre-October, 1990 level. He also mentioned of other factors responsible for the erosion in the financial resources of the State, viz., coal cess and royalty, etc.

60. The Chief Minister stated that the transfer of Centrally Sponsored Schemes to the States might prove financially counter-productive for the States as the present proposal severely limits itself to only those schemes which account for barely 8% of the total Central plan outlay on CSS during the Seventh Plan. He pointed out that important schemes such as Rojgar Yojna had been kept outside the purview of the transfer. In addition, the Chief Minister pointed that transfer should not substitute the present grants by a loan and grant mix. Thus, he emphasised that unless the proposal was changed by exhaustive inclusion of the CSS for transfer and also by retaining in financial form of transfer, the entire exercise would be counter productive.

61. Shri Basu expressed his agreement to the proposed revision in the modified Gadgil formula, provided that additional considerations were taken into account in the performance criteria and special problems. Elaborating on these considerations, he mentioned that the percentage of redistribution of agricultural land through land reforms in a State should be included as an important factor for performance evaluation. Taking decentralisation as an objective of planning would necessitate that the index of decentralisation of Plan expenditure in a State, should also be a factor in the performance criterion. In addition, he argued that the timely completion of all the priority projects, and not merely the externally aided projects, should form the basis of performance evaluation.

62. The Chief Minister stated that while listing the special problems, along with the specific disadvantages of a State, such as slum problems in metropolitan areas, problems in coastal, laterite and other problematic areas, special attention should be given to the possibility of injustice against a State in allocation of the Central Plan assistance during the previous plan period. He mentioned that during the Seventh Plan period, the per capita Central Plan assistance for West Bengal had been Rs. 223.60 which was not only the lowest among the comparable category



States, but also among all the major States. He also felt that the existing loan-grant pattern of 70 : 30, fixed in 1969, called for revision in favour of a higher weightage for grant (e.g., 50 : 50) in view of the debt servicing liabilities of the States.

63. He urged an early decision with regard to certain recommendations of the Sarkaria Commission relating to immediate enactment of legislation for imposition of consignment tax, sharing with the States of proceeds of corporation tax, avoidance of surcharge on income tax which was not shared with the States, need for Central consent for borrowing by the States from the banks and financial institutions for periods less than one year, and review of royalty rates on minerals every two years.

64. While emphasising that special importance had been accorded for population control and family welfare programmes in West Bengal, Shri Basu pointed out that the birth rate in the State had declined from 42.9 in 1951-61 to 27.3 in 1990 as against the national level which had declined from 41.7 to 29.9 during the same period. The death rate was 8.1 in the State as against the national level of 9.6 in 1990. Similarly, infant mortality rate stood at 63 in 1990 in contrast with a national rate of 80.

65. The Chief Minister observed that the success of family welfare programmes to a great extent depended on the involvement of the common people through elected local institutions. He emphasised the need for an integrated approach which involved decentralised planning coupled with mass literacy drive, vocational training, and self-employment programme. Citing the example of Burdwan district, Shri Basu stated that there was a positive correlation between the literacy rate and the effective couple protection rate. This, he said, exemplifies the importance of an intergrative approach with organised involvement of the common people.

**Shri Hiteswar Saikia**, Chief Minister, Assam mentioned the problem of economic disparity in Assam. He mentioned that the per capita income of the State which was higher by Rs. 50.00 over the All India average, in 1950-51 was Rs. 402.00 lower in 1987-88. The per capita income of Assam had fallen from a level of Rs. 1474.00 in 1986-87 to Rs. 1000.00 in 1990-91. He said that this explains the sense of alienation and deprivation among the people of Assam.

66. Outlining the major constraints faced by his State, the Chief Minister observed that the rate of growth of population in Assam had been about 35 % since 1951 against 22% in the country. Secondly, recurring floods had crippled the economy of the State. He opined that the perennial floods of the mightily Brahmaputra deserved to be treated as a national problem. Expenditure on the Brahmaputra flood control, he said, has been met by 100 per cent loan assistance from the Centre, thus adding to the growing debt burden of the State. He requested that the debt on account of Brahmaputra flood control expenditure be treated as grant and that future assistance in this regard also be treated as grant.

67. Shri Saikia pointed out that the means of transport and communication were inadequate both between Assam and rest of the country and within the State itself. He added that although Brahmaputra passes through the mainland of Assam and was a highly potential mode of communication, development of water ways was unsatisfactory. Commenting upon the bottlenecks in the area of industrialisation of the State, the Chief Minister observed that private capital had been extremely shy and public sector investment was far from adequate. He also mentioned weaker sections of the State, namely, SC/ST, Hill Areas, and Tea Garden Tribes.

68. While pointing out that computing the percentage of people below the poverty line, as published by the National Sample Survey Organisation has been unrealistic with respect to Assam,

Shri Saikia stated that these estimates had shown that rural poverty in the state had reduced by 29.15% in six years. Citing the findings of the Agro-Economic Research Centre of North East India, he stated that according to these, the percentage of people below the poverty line in Assam for 1986-87 was 47.5% (as against the NSSO figure of 23.51%). He urged that even if Planning Commission did not accept this estimate, they might atleast adopt the all-India average for Assam. Otherwise, adopting the unrealistic figure of 23.5 per cent would adversely affect the efforts at rural development.

69. Shri Saikia thanked the Government of India for having restored the special category status of Assam in the matter of Central Plan assistance with effect from 1991-92. However, he urged that the benefit be extended from the beginning of the Seventh Plan. He stated that since the Ninth Finance Commission had not allowed normalisation of plan schemes, the entire committed liabilities of the Seventh Plan should continue to form part of the Eighth Plan. He requested the Council to recommend automatic annual revision of the rate of royalty on crude oil. He also requested that the period of over drafts be extended to atleast 14 days as recommended by the Sarkaria Commission.

70. With regard to the transfer of Centrally Sponsored Schemes, the Chief Minister felt that the Centre should right away transfer 90 per cent of the outlay as block grants. For special category States like Assam, full funding of such schemes be made by providing additional Central assistance outside the plan assistance.

71. Welcoming the emphasis on expansion of employment opportunities as a Central objective, the Chief Minister endorsed fully the plan objectives, direction, and strategies envisaged for the Eighth Five Year Plan and conveyed the commitment of his State to the realisation of these objectives.

72. Shri Ravi Naik, Chief Minister, Goa said that the meeting was to consider topics which were of immediate relevance to all the States and U.Ts. He pointed out that the proposed modifications in the formula for the distribution of Central assistance among the States, which envisaged a weightage of 60% to population would harm the interests of the States like Goa with a total area of 3701 Sq. Kms. and a population of about 12 lakhs where the family planning programme had been implemented fairly effectively. He pointed out that the birth rate in the State was 15.5 per cent thousand which was, perhaps, the lowest in the country.

73. The Chief Minister pointed out that Goa would not benefit under the "deviation method" of assigning weightage to the criteria of per capita income. He maintained that though Goa would get some amount as per the "distance method" the amount would be insignificant in view of the small weightage of 5%. He also mentioned that the high per capita income of Goa was slightly deceptive and misleading because of the skewed distribution of income among the people and because of the fact that the income was accounted for substantially by the deposits of Rs. 429.00 crores of Goans living abroad. He observed that the picture would be even more clear, from the credit deposit ratio which was only 36% when the optimum level should be around 60%. Thus, he felt that the economy of the State was not as vibrant as it appeared.

74. Drawing attention to the weightage of 10% accorded to the performance criteria, Shri Naik stated that as far as tax effort was concerned, his State had mobilised resources to the tune of Rs. 95.80 crores as against a target of Rs. 68.27 crores during the Seventh Plan period. During the two years 1990-92, he stated an additional amount of Rs. 30.58 crores was expected to be raised. He also mentioned that the State was tapping and improving non-tax sources of revenue like

tourism. He maintained that on fiscal management side, Goa had by and large stuck to the commitment made during the Plan discussions from time to time.

75. Commenting on the question of achievement of specified national objectives, Shri Ravi Naik observed that the performance of his State had been commended by various agencies. The State had achieved a birth rate of 15.5 and death rate of 6.45 per thousand population. The infant mortality rate was 21.99 while the maternal mortality was 0.05 per thousand live births during the year 1988. The literacy rate had improved from 31% in 1961 to 76.96% in 1991, he stated.

76. The Chief Minister wanted the problems of coastal areas to be considered under the criteria of Special Problems. Elaborating on the special nature of the problems faced by his State, he stated that Goa entered the national mainstream only in December, 1961 and, hence could not benefit from the first two Five Year Plans. He mentioned that the State received Central assistance on a liberal scale up to 1990-91, with a percentage of Central assistance to total plan outlay ranging between 84 to 100%. He stated that there was a sudden fall from Rs. 110.00 crores in 1990-91 to Rs. 42.00 crores in 1991-92. The surplus balance available for the next financial year would be considerably reduced as per the latest estimates. The total resources for funding the Annual Plan 1992-93 would thus place the size of the Plan much below the size approved for 1991-92. Thus, he urged the Planning Commission and Ministry of Finance to appreciate the request of his State not to regulate the Central assistance strictly according to the proposed formula but to take a liberal view as was done till 1990-91.

77. Shri Ravi Naik quoted the Second Report of the Ninth Finance Commission, wherein it was recommended that Goa be treated as a Special Category State. Keeping in view the momentum of development already achieved, unless special financial difficulties for achieving minimum reasonable plan size were taken care of by funding under the "Special problems" weightage of the proposed formula, he said, the pace of development in the State would considerably slow down.

78. While pointing out that the above views would be applicable also to the proposal to transfer the Centrally Sponsored Schemes to the States, the Chief Minister stated that out of the total 97 Centrally Sponsored Schemes in operation in Goa, ten schemes with an outlay of Rs. 1.02 crores would be transferred to the State as per the recommendations of the NDC Committee. He further stated that 27 schemes with an outlay of Rs. 5.58 crores did not figure in the list of schemes.

79. The Chief Minister emphasised that the Ninth Finance Commission had recognised the need to assist the State in the matter of its requirements of certain essential buildings in the State capital, particularly the Legislative Assembly and the Secretarial Complex. He urged the Union Government to take a view in this matter early and allocate special funds for the purpose whether it be under plan or non-plan.

80. Shri Naik broadly endorsed the Approach to the Eighth Plan as outlined in the agenda paper. He opined that the National Population Policy had to be enunciated as mentioned in the approach paper. He emphasised the need to enhance the efficiency and productivity of the public sector.

81. **Shri Vamuzo**, Chief Minister, Nagaland welcomed the bold initiatives and measures taken by the Prime Minister and the Finance Minister to tone up the economy. He felt that there was no alternative to cutting deficit, improving efficiency and opening up the economy. However, he observed that the disadvantaged regions and individuals were likely to suffer in the process of structural changes initiated.

82. He stated that the objectives and thrusts of the 8th Plan were set on a premise that up to the Seventh Plan a good deal of infrastructural development had taken place. He opined that this assumption was not true of the special category states, particularly of Nagaland. The State had not inherited any infrastructure worth the name, and private sector investment in the State was more or less non-existent. Thus, he felt there had to be a sizeable investment in the Government sector and almost all of it had to come from the Central Government. While generally endorsing the approach paper for the Eighth Plan for the country as a whole, Shri Vamuzo urged upon the Council not to treat Nagaland and other States in similar situation with the same yardstick as the rest of the country.

83. The Chief Minister pointed out that the fact that financial support to the State from the Centre would be necessary was recognised by the Government of India through Clause 11 of the 16-Point Agreement arrived at with the Naga People's Convention in July, 1960. The non-plan resource gap of the special category States must be covered through Central assistance as was done up to 1988-89.

84. Commending the emphasis in the Approach to the Eighth Plan on people's initiative and democratic decentralisation, the Chief Minister stated that the decentralisation of planning process had been institutionalised in Nagaland through various measures. He mentioned the Village Development Boards and District Planning and Development Boards. He spoke at length about the compact area approach under which the State had been divided into 60 compact areas, each of which was given Rs. 75 lakhs to take care of the area's need in various sectors. He requested the Planning Commission to earmark funds to be placed at the disposal of local organisations so that appropriate schemes as per local socio-economic and cultural needs can be implemented.

85. He suggested that alongwith the Centrally Sponsored Schemes the corresponding outlays should also be transferred to the states as grants-in-aid.

86. Shri Vamuzo said that there was a need for structural change in the North Eastern Council as well as for more equitable distribution of its funds among the member states. He felt that the Council should have predominance of elected representatives.

87. The Chief Minister shared the national Concern regarding the containment of population growth. He opined that the crucial point for the Eighth Plan would be to ensure balanced regional development and bringing up the remote, neglected and deficient areas to strengthen the bonds of national unity and integrity. Concluding, he urged the Planning Commission to take note of the special problems peculiar to Nagaland and step up the plan allocation so that some constructive activity could be undertaken.

88. **Shri N.B. Bhandari**, Chief Minister, Sikkim endorsed the objectives and the focus of the Eighth Five Year Plan as outlined in the Directional Paper. He mentioned that the Eighth Plan document for the State of Sikkim had been finalised in the light of the guidelines given by the Commission. He said that the Plan envisaged new schemes for employment generation, population control, primary and adult education, providing drinking water and primary health care to every village, intensive use of watershed management, water management and wasteland development and diversification of agriculture to allied activities.

89. The Chief Minister recalled the assurance given by the Planning Commission on 1-1-1991 that even if Sikkim is not included in the North Eastern Council, the Planning Commission would

ensure that the State would get all the benefits which were accruing to a Member State of NEC. He wanted that the assurance be redeemed.

90. Shri Bhandari stated that communication bottlenecks have created hindrances to economic development of the state. He mentioned that the only link with other parts of the country was the single lane National Highway number 31-A which was also frequently disrupted especially during the rainy season. He urged for air communication to the state so that the transport bottlenecks could be eased to some extent.

91. The Chief Minister emphasised that tourism was a major economic activity of the State, more so because of the disturbances in other States. He requested the Government of India to provide adequate funds for developing essential infrastructural facilities for tourism. He stated that Sikkim had a recognised capacity of generating 8000 MW of Hydro Power. Pointing out that the III Phase of Teesta Hydel Project of 1200 MW had been lying pending with the Central Government for a very long time, he urged for its early approval, which would help not only Sikkim but also the power starved states of West Bengal and Bihar. The Chief Minister mentioned cultivation of tea as another area with great potential for the economy of Sikkim. He felt that soil conservation work in hilly areas should be funded with 100% grant.

92. Drawing attention to the fact that there was not a single Central Government undertaking in the States, Shri Bhandari pleaded for the setting up of such units. In the area of land reforms, the Chief Minister felt that unless the former Chogyal's property dispute was settled, land reforms in the state may not make any head-way.

93. The Chief Minister pointed out that the share of Central assistance to special category States was placed at 30% during the Seventh Plan. Now that the number of these States had increased from 8 to 10, the share of Central assistance should be enhanced to 35%. Shri Bhandari endorsed the view taken by the Planning Commission regarding the distribution of market borrowing during the Eighth Plan.

94. While welcoming the proposal to transfer the Centrally Sponsored Schemes to the states, the Chief Minister suggested that the phasing out of these schemes should be done as per the duration of the existing continuing schemes. He also felt that there should be an in-built provision in the Schemes for the continued maintenance of the assets created during their implementation. Concluding, he assured the total commitment of his State to the preservation of the country's integrity, unity, honour and the general well-being of the nation.

95. **Shri Girish Chandra Saxena**, Governor, Jammu and Kashmir endorsed the objectives and assessments outlined in the Directional Paper, the suggested size of the Plan and the proposed growth rate for the Eighth Plan. While commending the priority given to the interests of the poor and the weak, the Governor felt that in the course of implementing the principles of market economy and confining the scope of public sector to certain essential fields, the definition of weak and poor had often been broadened to include the not so poor.

96. The Governor agreed with the idea of having incentives and disincentives in the schemes to contain population control. He opined that in the field of health care, in addition to the progress attained so far more weight consciousness, figure-consciousness, and awareness regarding the advantages of physical fitness should be built into the system.

97. Shri Saxena pointed out that many of the public enterprises in various States including Jammu and Kashmir continued to be loss-making. The nation could not afford such sub-optimal

utilisation of resources in the name of social obligation. He felt that the public sector units both in the Centre and the State sectors should be subjected to detailed scrutiny. Some of these units might need to be discontinued or pruned, though this would have to be done with due consideration to the interest of workers.

98. Drawing attention to the fact that the Ninth Finance Commission had not made adequate provision for maintenance requirements and other non-plan needs of the special category states, the Governor, made specific reference to the fact that Jammu and Kashmir had been brought on par with other special category states, in the matter of loan-grant ratio only from April, 1991. He requested that the State should be given Central assistance on the basis of 90 : 10 grant-loan ratio at least from April, 1990 and that some special assistance be given to help the State to bridge its huge non-plan deficit (of about Rs. 600 crores) at the end of the current financial year.

99. Endorsing the proposal to transfer the Centrally Sponsored Schemes to the States, Shri Saxena felt that it would be desirable to transfer funds for these schemes in the case of Special Category States on the basis of the outlay earmarked for 1991-92.

100. The Governor stated that a significant shift in the public sector investment in the Eighth Plan in J&K would be towards the power sector and about 29% of the outlay would be spent on energy generation and transmission. He pointed out that of the total hydel potential of 15000 MW available in the state only 3-4% had been harnessed so far. He stated that an ambitious programme of generating over 4000 MWs of hydel power had been envisaged over the next decade.

101. Shri Saxena drew attention to the major problem of educated unemployment in the State. He pointed out that by the end of the Seventh Plan there were about 80,000 matriculates without jobs. The problem had been the cause of unrest in recent years and assumed added importance in the current situation. He requested for a considerable step-up in the Eighth Plan outlay for the State in this context.

102. Concluding, Governor, J&K said that the current militancy in the Valley abetted and actively aided from across the border had caused disruptions in the economic activities and development works, led to closure of many industries and loss of tourist traffic, thus decreasing the revenue flow. He expressed his confidence of continued support from the nation in coping up with the crisis. Chief Minister, Karnataka, **Shri S. Bangarappa** stated that his Government fully appreciates and supports the measures taken by the Central Government to liberalise Industrial licensing policies and procedures.

103. Referring to the problem of unemployment in rural areas, Shri Bangarappa emphasised the need to formulate schemes intended to provide continuous and productive employment by producing quality goods and services utilising the indigenous resources. He referred to launching of a programme of rural productive employment called "VISHWA" in Karnataka which aims at providing input support to the rural artisans. The "VISHWA" products are expected to achieve a turnover of about Rs. 2000 crores in the next 3 years, besides earning valuable foreign exchange by way of exports.

104. Shri Bangarappa pleaded for increased price support to Indian agriculture and cited the instance of USA, EEC countries and Japan where agriculture is being heavily subsidised.

105. While appreciating the capabilities of Indian scientists in developing products to suit our agro-climatic conditions, Shri Bangarappa desired that we should not change our patent laws for

product potentiality at the instance of Western countries, as it might lead to “Technological Colonialisation” by the advanced countries.

106. Expressing concern over the problem of ever increasing population in our country, Shri Bangarappa remarked that unchecked population growth in the past has, in a large measure, neutralised many of our impressive achievements. He informed that although Karnataka has reduced its population growth rate from 2.6% per annum to 2% per annum, this was far from satisfactory as compared to Sri Lanka which has reduced its population growth rate to 1.5%, China to 1.4% and Thailand to 1.9%. Shri Bangarappa, therefore, suggested that a meeting of the leaders of all political parties and heads of all religions be called to evolve a concrete action programme aimed at controlling population growth during the current decade.

107. Shri Bangarappa was in favour of linking the individual benefits under various developmental programmes of the country to future adherence to the family size norms. He endorsed the opinion of the Hon'ble Prime Minister regarding the desirability of giving special incentives to villages doing well in this area.

108. Focussing attention on the problems of irrigation being faced by Karnataka, Shri Bangarappa observed that while there has been a substantial increase in the national foodgrain production, food production in Karnataka has declined by 1.7% per annum between 1984-85 and 1989-90. This has happened primarily due to slow growth of irrigation facility in the States. The existing irrigation potential of the State, therefore, needed to be harnessed to boost agriculture in Karnataka and the country. The Chief Minister considered paucity of funds as a main constraint in expanding irrigation facilities in the State and therefore requested Government of India to help the State in funding their irrigation projects. He also pleaded for permission to issue bonds to raise resources for irrigation and power projects.

109. Referring to the Inter-State River Water Disputes, which he considered very delicate and sensitive in nature, the Chief Minister of Karnataka pleaded strongly for finalising a comprehensive water policy to provide a long term and accepted basis of utilisation of river waters in the country. In this context he mentioned about a suggestion given by the C.M., Tamil Nadu regarding setting up a Southern River Grid, he would suggest that a National River Grid should be set up. He also said that feasibility report on Southern Gas Grid, a reference about which has been made by the Tamil Nadu C.M., has already been made on more than one occasion. He also suggested that the projects which aimed at utilising undisputed share of water should not be stalled till the dispute is resolved.

110. While appreciating the importance of ecology and environment, the Chief Minister, Karnataka observed that irrigation and power projects in the State were being held up for environment clearance for years. He stressed upon clearance of such projects within reasonable time by the Ministry of Environment & Forests so as to prevent cost escalation. He cited two externally aided power projects of Karnataka awaiting clearance with the Ministry of Finance and Environment for the last seven years.

111. Dwelling at length over the Gadgil Formula, the Chief Minister observed that as a proportion of the total expenditure of the Central Government, the plan assistance to the States had declined from 15% in the Fifth and Sixth plans to 12.7% in the Seventh Plan which has adversely affected the States. He desired NDC to deliberate on the issue so as to correct the situation. Besides, he urged the NDC to revive the 1968 formula and provide only 10% for per capita income and

allocate 10% to irrigation and power projects. He was in favour of giving equal importance to deviation and distance methods or the Annual Plan, 1992-93, and then switching over entirely to the distance method in the next year's plan.

112. Drawing attention to the problem of regional disparities within the State, the Chief Minister desired due weightage to be given to intra-State disparity in the Gadgil Formula which would enable States to deal with such problem more effectively. He referred to the prosperous old Mysore area on the one hand and an extremely backward Hyderabad-Karnataka region and Malnad area on the other.

113. Shri Bangarappa stated that a substantial chunk of their resources were spent on debt servicing. With the introduction of several social and anti-poverty programmes, the revenue expenditure in State Plans have sharply increased. He, therefore, suggested that the loan and grant components in the Central Plan assistance should be at the ratio of 55 : 45. He wanted full external assistance for projects to be passed on to the States.

114. Welcoming the proposal to transfer 113 Centrally Sponsored Schemes to the States alongwith their outlays as per recommendation of the Narasimha Rao Committee, the Chief Minister desired that a natural growth must also be allowed for the outlays of these schemes. It was his experience that when Rs. 2000 crores worth of schemes were transferred in 1978 the outlays were provided only for two years till the commencement of the Sixth Five Year Plan. He, therefore, insisted that the proposed transfer of such schemes should not become a means of stopping the flow of funds from Centre.

115. Shri Bangarappa invited attention to an anomalous situation which existed in the flow of Central assistance to States. While Government of India desired States to generate their own revenue surplus, success achieved by a State made it ineligible for grant under the awards of the successive Finance Commissions. He therefore, desired Government of India to re-examine this aspect of the recommendation of the Ninth Finance Commission and see that States which performed well in fiscal management were rewarded. It should look into the overall devolution of central funds to the State Government in the spirit of the new liberalisation and decentralisation being pursued.

116. **Shri Shanta Kumar**, Chief Minister, Himachal Pradesh observed that financial constraints at the Centre as also in the States were threatening the prospects of all developmental activities. He desired certain basic changes to be incorporated in the next Five Year Plan. It should aim at providing social security, employment generation and reduction in the ever increasing disparities between the rich and the poor.

117. While endorsing the strategies and objectives outlined in the draft paper, the Chief Minister referred to the problem of massive unemployment in the country and said that schemes which aimed at creating job opportunities in the next plan were not enough. He desired that manufacture of consumer goods should be reserved for small, tiny and cottage industries which would offer gainful employment opportunities to our young people, and multinational should be discouraged to enter into these areas. Efforts should also be made to initiate new schemes intended to create self-employment opportunities. He mentioned about the afforestation scheme launched in the State of Himachal Pradesh which aimed at doubling the forest area in the State in the next 10 years besides providing job opportunities to 5,000 people in the villages.

118. The Chief Minister said that with the investment projections made for Eighth Plan in the State, it was estimated that it would generate additional employment opportunity of 1.90 lakh



standard person years. The State economy was thus expected to progressively move towards creation of a full employment situation.

119. The Chief Minister welcomed the idea of bringing hydel power production in the private sector but made a strong plea for rectification of worsening hydel thermal ratio. In view of its inherent advantages, he desired that larger part of planned additions to capacity should be restricted to hydel sector. The existing potential of hydel power production in Himachal Pradesh which was estimated at 10,000 MW, needed to be harnessed. He felt that some interests were trying to thwart hydel power production.

120. Welcoming the proposals put forth to revise the Modified Gadgil formula regarding distribution of Central assistance, the Chief Minister made a strong plea for raising the Central assistance earmarked for special category states from 30% to atleast 35%. Besides, considering the mounting debt burden of these States, the Central assistance to them should be on 100% grant basis. He also pleaded for increasing the allocation of funds to hilly States like Himachal Pradesh, where per unit cost of construction is much higher.

121. The Chief Minister stressed that the existing rate of increase in our population was one of our great problems and if no timely action was taken to check this trend, it would render all of our development work irrelevant. He made a forceful plea for arriving at a consensus on this issue by associating all the political parties in the country and formulating a National Policy on Population. Citing achievements made by Himachal Pradesh in population control, the Chief Minister informed that birth, death and infant mortality rate are considerably lower in Himachal Pradesh.

122. Referring to the marketing problems being faced by farmers engaged in horticulture activities in Himachal Pradesh, Shri Shanta Kumar suggested that the use of 20% fruit juice in all soft drinks should be made compulsory. It would enable lakhs of fruit growers in his State to market their produce at profitable rates.

123. Endorsing the proposals regarding transfer of Centrally Sponsored Schemes, the Chief Minister emphasised that in the case of special category states, the schemes should be transferred alongwith the resources. He suggested 1-4-1992 as the effective date of transfer of these schemes. While transferring such schemes to the States, the Centre may fix targets and allocate funds but the manner in which the schemes are to be actually implemented should be left to the State Governments.

124. The Chief Minister pointed out that 66% of the land in his State was recorded as forests on paper whereas actual amount of land under forest was not more than 18 to 20%. Implementation of projects in the State was held up for want of environment clearance. The existing rules regarding environment clearance needed to be changed and States should be given power to give environment clearance. He drew attention of the NDC to the deteriorating condition of Himalayas and made a strong plea for enunciation of a "National Policy on Himalayas" under which the entire burden of afforestation, catchment treatment and preservation should be a national responsibility.

125. The Chief Minister said that all villages in his State would be provided with clean drinking water by the end of 1992-93. He commended the contribution of the Planning Commission for providing their support through the Central sector to achieve this objective. Regarding elementary education and eradication of literacy, Himachal Pradesh had formulated programmes for universal literacy to be achieved by the end of 1994, he said.

126. Referring to the poverty alleviation programmes, Shri Shanta Kumar informed that his State had initiated “Antodaya” programme which aims at helping poorest of the poor where selection of beneficiaries was done purely on economic considerations. He also mentioned another socio-economic programme called “*Gaon Bhi Apna-Kam Bhi Apna*” which aims at improving rural infrastructure in which the project cost was shared by the communities, individuals and the Government.

127. The Chief Minister pointed out that it was not feasible to achieve self sufficiency in food in his State due mainly to its climatic condition. He however proposed to diversify to horticulture and other cash crops so as to raise the income level of small and marginal farmers.

128. Chief Minister, Bihar, **Shri Lalu Prasad** stated that the Directional Paper circulated in the meeting did not give any indication that the country would be rescued from the present difficult situation. By entrusting our trade to private sector and foreign companies, he felt, the Indian economy was intended to be globalised, instead of being localised. Referring to the papers circulated in the last NDC and the present one, the Chief Minister, Bihar stated that both sets acknowledged the problems being faced by the country, but differ in their response. He, therefore, suggested reorientation of the development policy which would give primacy to the urgent needs of the poor, namely employment opportunities to all at minimum wages and access to adequate means of livelihood and skills as also availability of food, education, health and child care and housing. Instead of bothering about what was happening around the world and looking towards foreign countries we should pursue the path of development shown by Mahatma Gandhi.

129. The Chief Minister desired that poverty alleviation programmes, should be reinforced as decided in the last meeting of the NDC with the guarantee of right to work and earmarking 50% of the outlay for the rural sector. Jawahar Rozgar Yojana needed to be reinvigorated by paying a part of the wages in foodgrains. This would protect the poor from rising prices. Besides, sincere efforts were needed to check the galloping prices. Despite successive good harvests, the CM felt, Food Corporation of India, had not been able to control prices of grains by releasing stock in the market.

130. As regards selective role assigned to the public sector for development of infrastructure, the Chief Minister, Bihar broadly agreed with the principle but desired that infrastructural facilities should be so planned and executed as to cover areas which do not have such facilities in adequate measure. Drawing attention to the annual visitation of floods and consequent loss of human and animal lives, damage to crops, besides colossal waste of water throughout the country, he desired that flood control should be included as a priority programme in the Eighth Plan to be funded fully by the Central Government. Government of India may set up a Technology Mission for flood control and drainage as promised by the ex-Prime Minister, Late Shri Rajiv Gandhi.

131. Turning to the power sector, Chief Minister, pointed out that his State had a per capita installed capacity of 19.5 watts as against 65.2 watts for the country. He hoped that the Centre would not only clear the power projects pending for long but would also execute them so as to eliminate power shortage in Bihar. He referred to Tennghat Satge II, the Nabinagar and the North Karanpura Super Thermal Power Project and the Koel Karo Hydel Power Project.

132. Referring to the inadequate rail and road facility in the State, the CM desired strengthening of road network by construction of more national highways and lateral link roads. Similarly, the railway network, should also be strengthened by connecting district and divisional headquarters, and doubling the rail tracks between Patna and Gaya and Mokama and Bhagalpur, besides conversion of existing meter gauge into broad gauge lines as promised by the late Prime Minister.

133. Banking sector required to be strengthened. Although the number of branches in the State has increased over the years, the credit-deposit ratio in the State continued to remain low at 38% as against 60% or more for the country as a whole.

134. The Chief Minister pointed out that the new policy of structural reforms would lead to unemployment. He mentioned a recent study of the National Institute of Public Finance and Policy which had estimated that this policy would result in additional unemployment of one to three million persons in 1992-93 and four to eight million persons in the following years. The tripartite workshop organised recently in Delhi by the ILO and the UNDP had also come to similar conclusions. He therefore pleaded for providing a safety net to the programme.

135. The Chief Minister, urged the Centre to share greater responsibilities in meeting the social needs like population control, health and education as the States did not have adequate resources to meet such commitments. He stated that the proposals related to cost recovery of social services in the field of higher education, medical services in the urban hospitals (charging full cost to the rich and subsidising the poor) were anti-poor and required reconsideration. He also disapproved of marketisation of economy since it tended to concentrate industrial activities in the regions having improved infrastructural facilities, thus increasing disparity between different regions and classes of people. It would also adversely affect the cottage, village and SSI units because they could not withstand the onslaught of competitive forces.

136. Bihar had lagged behind other States mainly because of poor infrastructural facilities. It had not been able to exploit its precious raw materials such as coal and iron ore due mainly to the freight equalisation policy. Chief Minister, therefore, pleaded for scrapping freight equalisation of iron and steel.

137. Agreeing generally to the proposals of peoples' involvement in the formulation and implementation of the Plan programmes, the Chief Minister observed that the voluntary agencies in his State were not as developed as in other States. The State Government therefore, had to intervene to ensure proper functioning of the cooperative institutions. He referred to the model cooperative Act drafted by the Planning Commission which aimed at freeing the cooperative movement from Government control and suggested that the Act should retain the provision for government intervention to prevent autocracy in cooperatives.

138. While endorsing the criteria of funding IRDP and Jawahar Rozgar Yojna, the Chief Minister desired adequate funds to be provided to areas having poor infrastructure and high concentration of poor people.

139. Referring to the proposal for not entertaining any new scheme after the Eighth Plan was formulated, the Chief Minister observed that it would introduce rigidity in our plans which was not desirable. Similarly, the proposal to fix annual plan outlays for the ensuing year on the basis of actual performance of the previous year and not the approved outlay was likely to cause undue hardships to poorer States.

140. As regards proposal to increase State revenues, the Chief Minister stated that there was not much scope for growth of tax revenue. An important source of tax revenue in the State was the cess and royalty on minerals, but since the imposition of cess on minerals by states has been declared ultra vires by the courts, the only recourse before the State was the royalty rates. The Chief Minister, therefore pleaded for increase in the royalty rates so as to help them restore their

fiscal balance. He urged the Government of India to concentrate on price stability so that staff expenditure was kept within limits.

141. Shri Lalu Prasad regretted that the goal of promoting balanced regional development of the country had been relegated to the background in the Eighth Plan. He emphasised the need for special efforts to lift backward and the poor States like Bihar and pointed out that Gadgil formula which was made more progressive in the last meeting of the NDC, was being revised probably to the detriment of interest of poorer States, like Bihar. The record of central sector investment in Bihar during the recent years had been poor. Some of the major projects in the States for example, Petro-chemical complex around Barauni Refinery had been pending with the centre for the last several years.

142. While referring to the new proposals for distribution of Central assistance, the Chief Minister recalled the suggestions made by him in the last meeting that there should be a special category of poorer states and a part of the central assistance should be set apart as a special fund out of which these special category States should be assisted. There should be a set of principles for fixing the size of the divisible pool of central assistance. The total share of the special category States should be rationalised. The pattern of central assistance to non-special category States having per capita income below the national average should be in the ratio of 70% grant and 30% loan. Besides, the distribution of funds to States for externally aided projects should be based on the Gadgil Formula. CM, Bihar reiterated his earlier suggestion to set up a committee of the NDC to evolve principle-based guidelines on the points made by him.

143. Drawing comparisons between the principles proposed for distribution of central assistance in the last meeting of the NDC and the present one, the CM, urged upon NDC to reduce the weightage of population from 60% as provided in the Gadgil formula to 50% and include only rural poor population in place of general population. He suggested 40% weightage to per capita income and stated that the entire amount under this element should be distributed to States having per capita income lower than the national average. He disapproved of the proposal for keeping performance as a factor for distribution of Central assistance since tax effort which was a constituent of performance factor was an unsuitable indicator of performance according to Planning Commission. He desired that weightage be given to areas having special problems such as desert, slums, plateau, diara, extremism and the concentration of scheduled caste population.

144. Regarding market borrowings, the CM suggested that the total market borrowing in a particular year should be shared between the Centre and the States on 50 : 50 basis and the share of backward States in the States total should be progressively increased from its present level of 30%.

145. Coming to the recommendations of the NDC Committee regarding transfer of 113 Centrally Sponsored Schemes to the States involving an outlay of Rs. 1261 crores in the Seventh Plan period, the CM pointed out that there would still be a substantial amount of outlays retained with the Central Government and its subordinate institutions for implementation of the Centrally Sponsored Schemes. The transfer thus proposed was negligible and the arrangement did not appear to be helpful in augmenting state plan outlays.

146. Agreeing generally to the two-fold criteria recommended by the NDC Committee for the start of the CSS in future, the CM felt that schemes of national importance such as poverty alleviation, employment generation, disease control, family welfare should continue. He suggested that the outlays on Centrally Sponsored Schemes should not exceed about one sixth of the total central

assistance as decided earlier by the NDC. Regarding distribution of outlays alongwith CSS as recommended by the NDC Committee, the proposal was generally acceptable subject to the suggestions made earlier for revising the Gadgil formula. Further, he desired that transfer of funds in the event of transfer of CSS, should be in the form of grant only, and agreed with the recommendation of the NDC Committee that CSS should not be introduced midway between the plans except in case of emergency or fulfillment of some national goals and that 100% cost of such schemes should be borne by the Central Government.

147. Referring to population control programmes, the CM stated that the growth of population in Bihar during the last decade (1981-91) had shown a slight decrease but it was still high as compared to the national target of reducing the population growth rate to 1.2 per cent per annum by 2000 AD. The Planning Commission paper, he said, had rightly emphasised the social factors as the main cause of our rising population. He pointed out that family welfare programmes could not be strengthened in Bihar due to inadequate financial support from the Government of India. He referred to the claim of Rs. 63 crores of Bihar Government on account of excess expenditure on the programme during the period 1981-91, pending with the central government and desired its early release. He demanded additional allotment of 32 crores in the current year for implementation of the family welfare programme. He however did not consider linking the Central Plan assistance with the performance or non performance as the best way of motivating a State to achieve targets.

148. Speaking on the National Minimum Tariff for electricity for agriculture, the CM expressed his concern about the declining performance of the Bihar State Electricity Board which he attributed to the severe lack of resources with the State Government. He pointed out that 15 per cent of the total Eighth Plan outlay, as recommended by the Working Groups of the Planning Commission, for power sector in Bihar was unlikely to show any tangible improvement in the sector. Considering the poor financial resources of the State, he urged strongly the inclusion of Super Thermal Power Projects pending for long in the Eighth Plan period itself. He stated that revised tariff structure which included upward revision of agricultural tariff from 35 paise per unit in 1983 to 41.36 paise per unit with effect from 1st August, 1991 would not cover the cost of power generation and supply which was presently 113.85 paise per unit. The revised structure had raised agricultural tariff close to the proposed national minimum tariff for agriculture. The emphasis must now shift to realisation. CM, Bihar urged upon creation of a National Commission on Power Tariff in the context of the creation of National Grid to facilitate inter regional transfer of power.

149. Shri Lalu Prasad desired NDC to take a vow to create job opportunities for those who were hungry and unemployed as was done by the previous Government without which one should not hope to establish peace and solidarity in the country.

150. **Shri Chimanbhai Patel**, Chief Minister, Gujarat congratulated Government of India for having taken bold steps to liberalise Indian economy. He, however, desired Central Government to see that these policies were properly implemented and monitored. He felt that the major concern at the present stage was to reduce wastage in Government, deregulate the economy to promote a "culture of efficiency" and to introduce and operationalize a more participative and decentralised pattern of development. It was important to increase domestic competition and secure cost reduction to increase exports and to integrate India's economy with the world-economy. Diversification of agricultural growth for generating more employment was a crucial step. Integrating artisan communities and small and medium enterprises in agro-processing, manufacturing, trade and services with the national and World Economy was equally important. The CM, however, stated

that the Directional paper contained very few concrete steps towards this end and hoped that these would be taken care of while finalising the Eighth Plan.

151. The Chief Minister observed that despite paucity of resources and recurring drought, Gujarat had succeeded in maintaining a respectable rate of industrial growth. Adult literacy has encouraging signs in Gujarat. Population growth rate has declined. It was possible now to make a frontal attack on problems of poverty, unemployment and “dualistic developments” in the State.

152. Supporting the strategy to reduce Government deficit and improve savings of public enterprises, the CM desired that Planning Commission should bring dissaving of the Government sector down to zero in the Eighth Five Year Plan. He hoped that the pricing of public services would be rationalised since it was his experience that the people were willing to pay for properly delivered inputs and services. He proposed to shed unnecessary functions and controls in the Government departments.

153. Chief Minister stated that Eighth Plan should contain concrete targets and funding mechanisms for such programmes as water management, traditional system of irrigation, watershed development, wasteland development, marketing and agro-processing. The process of agricultural diversification and income and employment generation had to be backed by a detailed strategy of infrastructure creation, particularly marketing and communication support to the farmers. The Central Government must have a consistently steady policy to liberalisation in agricultural export. His experience was that even this year export of cotton was restricted and non market mechanisms were being introduced in an adhoc fashion in the edible oil economy instead of a proper commodity management policy. Chief Minister urged the Central Government to formulate a concrete plan for agricultural diversification and commercialisation and provide necessary resources for this strategic area.

154. Shri Patel proposed to involve private sector in augmenting power generation in the State. He, however, pleaded for funds to create additional power capacity in the public sector and desired sympathetic consideration to his proposal for gas based power plant as also power generation and transmission in the cooperative sector.

155. Referring to the Sardar Sarovar Project, Chief Minister stated that the project was environmentally sound and would go a long way in meeting the country's deficit in edible oil, besides producing agricultural surpluses for exports. He referred to the Eighth Plan Approach Paper produced by Government of India in 1989 which made a specific reference to national funding of important irrigation, power and flood control projects, and insisted that this proposal must be included in the Eighth Five Year Plan.

156. Shri Patel proposed to accelerate the diversification of State's economy from agriculture into agro-processing, services and industries in which the State of Gujarat proposed to integrate private and voluntary activity. Endorsing the priority given in the Plan Paper to provide minimum needs like drinking water, education and health in the Eighth Plan, he hoped that this programme will be optimally funded.

157. The Chief Minister said that his Government was making serious efforts to combat the social consequences of industrial sickness and desired cooperation with the Centre in sharing experiences in the rehabilitation programmes for unemployed workers. He referred to the ILO sponsored seminar conducted recently which suggested that unemployment consequences of an

industrial restructuring programme would be much greater than those estimated by international financial agencies and desired serious consideration to be given to this suggestion. He asked Central Government to support their efforts to tackle problems arising out of closure of Textile Mills of Ahmedabad.

158. Referring to the draft approach paper prepared by Planning Commission in 1989 in which it was indicated to move towards an Employment Guarantee Scheme in around 100 Districts by integrating available rural development and employment schemes and providing some additional resources for this purpose, the Chief Minister hoped that this scheme would be initiated in right earnest with special taxes levied for the purpose. He stated that Gujarat has decided to target for zero unemployment rates in Dangs and Gandhinagar districts which was proposed to be further expanded to cover two talukas in each district of the State.

159. Turning to the Constitutional Amendment Bill on Panchayat Raj, Chief Minister desired village level bodies to be economically enfranchised. He pointed out that Gujarat provided discretionary outlays to local level bodies. Besides funds available from schemes like Jawahar Rozgar Yojana, the discretionary outlays for village level schemes needed to be enhanced. Provision should also be made to match the contribution made by villages with labour and other resources for schemes for balanced social and economic development at the village level.

160. Coming to the pattern of allocation of funds the Chief Minister stated that the new formula suggested was very close to the Modified Gadgil Formula. Although the new formula provided for continuity, stability and equity, it did not go far enough. He referred to his suggestion made in the Last NDC that while agreeing to an allocation of 60% for population, the geographical spread of the population should not be overlooked. In a State with large area and thin population, large investments were needed for providing various social and economic services such as roads, schools, public health facilities and basic needs. The Chief Minister considered it more appropriate to identify population control as an overriding priority and provide weightage for it out of the allocation for population. He suggested that of the allocation of 60% for population, 5 per cent should be on account of area and 5 per cent on account of success in containing population growth.

161. Shri Patel observed that deviation method led to conflict of interest among different States. While agreeing that there was need to pay special attention to the needs of the poorer States, he stated that even in the so called advanced States there were large sections of people as poor as anywhere else. He, therefore, suggested that "distance" method as endorsed by the Ninth Finance Commission should form the basis for the allocation of funds. Even if the deviation method was to be adopted the weightage to the deviation method and distance method should be equal and restricted to 15 per cent overall.

162. Chief Minister agreed with the concept that performance in mobilising resources or exercising fiscal prudence or achieving national priorities should be rewarded. He suggested that allocation under this head be increased from 10 to 15 per cent, 5 per cent being allocated for tax efforts, 5 per cent for fiscal prudence and 5 per cent for the achievement of national priorities.

163. Referring to the original Gadgil Formula in which a provision of 10 per cent had been made for large irrigation and power projects considering the fact that some of the States were implementing projects which were beyond their means, the Chief Minister pleaded that States like U.P., Himachal Pradesh, Andhra Pradesh, Tamil Nadu, Gujarat, Maharashtra, Madhya Pradesh and Rajasthan needed special financial assistance. He was of the view that some projective norms have to be

worked out for giving weightage of 10 per cent to the States having special problems such as States having coastal areas, border States, hilly States, drought prone, desert areas etc. He suggested that the calculation of shares of various States in Central assistance must be transparent and the methodology should be communicated to the states and urged that 70 per cent of the plan assistance should be in the form of grant and 30 per cent in the form of loan.

164. The Chief Minister desired greater proportion of plan funds to flow into the rural sector, into various anti-poverty programmes and programmes for the weaker sections. He felt that besides Central assistance, States must also realise that the pace of development to a large extent would depend on the resources they themselves would mobilize. He referred to the small savings scheme which was an important source of resource mobilisation, but felt that the scheme would not help the States in achieving the purpose unless interest on various small saving scrips were made attractive and comparable with the interest on securities offered by U.T.I. and Mutual Funds. It should also have tax concessions under 80 L. He welcomed the proposal to allocate the share of market borrowings with a uniform step-up to States which were capable of raising resources and repaying the sums borrowed.

165. The Chief Minister urged upon the Centre to permit floatation of rupee bonds for the Narmada Project and Sardar Sarovar Project in order to attract investment from the ethnic Gujarati community living abroad.

166. Chief Minister desired that Central assistance should reach States in time and in its entirety so that they can plan their resources and incur expenditure in a timely manner. It was also important that payments due to commercial undertakings like Coal India and NTPC were not adjusted from the Central assistance. He urged the revision of ways and means limits which were determined in March, 1988.

167. The Chief Minister supported the implementation of the recommendations made by the Narasimha Rao Committee that Centrally Sponsored Schemes of national importance, such as Family Welfare Programme would be retained by the Centre while other schemes should be transferred to the States with financial assistance on the present pattern.

168. Welcoming the proposal to assign high priority to containing population growth through people's active cooperation and an effective scheme of incentive and disincentives, Chief Minister stated that his State had achieved a significant decline in the average annual rate of population growth from 2.5 per cent during 1971-81 to 1.9 percent during 1981-91. He supported the proposal to link Central assistance to the States with achievements in the field of family welfare programme, and suggested allocation of additional funds to districts and panchayats in proportion to the success of their effort aimed at controlling the birth rate. He mentioned about a Task Force on Population constituted in Gujarat which aimed at formulating effective policies to accelerate decline in infant child and maternal mortality and to ensure that the gains in the fall of death rate were not neutralised by a larger population growth. The CM was in favour of formulating a national policy on population control.

169. Referring to the statement made by the Bihar Chief Minister regarding freight equalisation policy, CM Gujarat observed that there was no equalisation of freight on coal. He also did not agree with the view expressed by Bihar CM that the Supreme Court has not approved charging of Cess and quoted CM, West Bengal having said that Cess has already been approved by the Supreme Court.



170. Supporting the case of village, Khadi, tiny and small scale industries, CM, Gujarat pointed out that the high-tech and capital intensive industries were equally important as these produced intermediary products which were ultimately used by small and tiny group of industries.

171. Chief Minister, Haryana, Shri Bhajari Lal congratulated the Prime Minister for attaining great success in solving the financial crisis of the nation during the last six months. Despite facing economic crisis during the last 4 years, foodgrains production in Haryana has increased to one crore tonne from a mere 27 lakh tonnes in 1966 and its per capita income risen to Rs. 3193 as against the national average of Rs. 2142 only. He, however, pointed out the burden of interest payment on the State has increased substantially. He considered implementation of old age pension and loan schemes as the main reason for deteriorating economy of Haryana and adversely affecting banking system in the State. The schemes introduced by the previous Government have not proved beneficial to the farmers, small entrepreneurs and other poorer sections of the society. The present Government has restructured the old age pension scheme and introduced a productivity incentive scheme in place of loan remission scheme which has gone a long way in benefitting the weaker sections of society.

172. Referring to the aims and objectives of the Eighth Plan and the emphasis laid on the thrust areas, the CM stated that the States would have to raise resources and strengthen their capacity to meet new challenges.

173. Laying emphasis on the development of infrastructure in the State, the CM informed that every village in the State has been electrified and linked with roads, and potable water would be made available to all its villages by 31st March, 1992. In view of the State's proximity to the national capital, Delhi, he considered it necessary to equip the National Capital Region with modern facilities. It would not only lead to integrated development of the neighbouring areas but would also considerably check the increasing pressure of population in Delhi.

174. The Chief Minister said that since the failure to levy consignment tax was causing great loss to the State Governments, the draft bill on the subject may be passed by the Parliament at the earliest. He considered lower rates of taxes in Delhi as one of the hurdles in the development of National Capital Region and suggested that it was high time that a bold decision was taken in the matter.

175. Expressing concern over the power position of Haryana, the CM referred to the proposed Yamuna nagar Thermal Power Project, 800 MW Gas based Power Plant to be set up at Faridabad and 1000 MW Thermal Power Project at Hissar and felt that if these projects were not completed in the near future Haryana would have to face grave energy crisis.

176. Referring to the Satlej-Yamuna Link Canal the CM pointed out that 10 per cent of work of this Canal was still incomplete. He pleaded for early completion of the canal since water from this canal would lead to substantial increase in the foodgrains production in the State. Besides, there would be a marked improvement in fruit and vegetable production which would not only meet the demand of Delhi and its surrounding areas but would also give a push to export oriented agricultural produce. The CM submitted that Lift Irrigation Schemes built at a cost of Rs. 200 crores would be useful only after the SYL Canal was completed. Similarly, schemes such as Mewat Canal Project and Gurgaon Canal System could not be completed due to non-availability of water. He referred to the priority assigned to the construction of SYL Canal in the Rajiv-Longowal Accord and the recommendation made by the Tribunal relating to the share of water between Punjab and Haryana.

177. The CM informed that his Government has decided to transfer the maintenance of 1584 irrigation tubewells constructed between 1970 and 1984, and proposed for expediting construction of a barrage at Tajewala.

178. As regards possibilities of privatisation in the field of transport, the CM desired that private agencies should be associated in constructing National Highways where toll tax could be realised easily. He proposed widening up State Highways and associating private agencies in the State road transport.

179. Laying emphasis on the need of diversification of agriculture, the CM desired Central assistance for establishing a national level market complex for fruits and vegetables in close proximity to Delhi, which would benefit not only Haryana but all the neighbouring States as well. He favoured the idea of setting up Medical and Technical institutions in the private sector and pointed out that education for girls upto the level of graduation has been made free in Haryana. The State has set a target of achieving cent per cent literacy during the Eighth Five Year Plan.

180. While talking about rural development, the CM expressed concern about the unhygienic conditions in the villages and spread of diseases. He referred to the programme of constructing "Power Flush Latrines" in a village of each block by providing subsidy and proposed to spend Rs. 7 to 8 crores every year. He desired that programme be given priority in the national planning.

181. The CM referred to the 25 Point Programme prepared to give impetus to development work in his State and stated that the priorities assigned in the programme were quite akin to those mentioned in the approach paper of the Eighth Plan. He assured that their efforts would aim at achieving all targets during the Silver Jubilee Year being celebrated in Haryana.

182. The CM said that the consumption of petroleum in the North Western region was more than one fourth of the total consumption of petroleum products in the country. He, therefore, pleaded for expediting the work relating to proposed oil refinery at Karnal for which all necessary formalities including acquisition of land has already been completed.

183. As regards Centrally Sponsored Schemes, the CM desired that the recommendations made by the NDC Committee on the subject may be implemented during 1992-93. He, however, felt that resources given with these schemes should also be in the form of grant and not loan and the total scope of CSS should not exceed one third of the State Plan. He favoured the idea of having a meeting on the subject immediately so that the views expressed by the Chief Ministers may be implemented fully.

184. Welcoming the suggestions of the Planning Commission in regard to distribution of Central assistance, the CM pointed out that his State has suffered a great loss due to consensus formula of the previous Government. He pleaded for special budget assistance to Haryana being close to Punjab which was a disturbed state. He favoured distribution of Central assistance on the basis of 1991 census and not 1971 census, and proposed that 10% weightage should be given to deviation method and 10% to distance method. The efforts made towards increasing tax during 1990-91, fiscal management, overdraft position and surplus on revenue account should also be taken into consideration while allocation resources among the States. Due weightage should also be given to the States' efforts in providing basic civic amenities to its villages.

185. The CM desired 100% assistance in respect of externally aided projects to be provided immediately. Regarding market borrowings, he proposed that considering the heavy responsibilities of the States, 50% may be given to them.

186. The CM proposed winding up of two State Government undertakings which have been incurring huge losses. Referring to the State Electricity Board which has the largest chunk of losses, he did not consider unreasonable to suitably hike the rate of power tariff in the agriculture sector, which would help to some extent in covering up the losses of the State Electricity Board.

187. Referring to family welfare programme, the CM informed that the existing birth rate in Haryana was a bit higher than the national rate but their achievement in such programmes as infant mortality rate, couple protection rate was better compared to the national level. Social and voluntary organisations in Haryana were fully cooperating with the Government in such programmes. He was in favour of providing maximum benefit under the programme to the couples having less children.

188. The CM assured the Prime Minister that his State under his guidance would achieve all socio-economic targets in a record period in an atmosphere of love, peace and security. Lastly, he suggested that imposing income tax on agricultural produce would not be a practical proposition and required reconsideration.

189. Chief Minister, Kerala, **Shri K. Karunakaran** agreed with the Planning Commission's view that planning requires a new orientation and a thorough review of its premises, assumptions and working process so as to make it more effective. Welcoming the series of policy measures initiated by the Government of India he observed that the thrust areas identified by the Commission were on right lines with focus on human development. He said that Kerala had already made much headway in these areas as compared with other States, but these achievements should not place the State at a disadvantage when it comes to allocation of Central resources for the State.

190. Expressing concern about the serious unemployment problem in his State, the CM stated that with only 3.5% of the country's total population, the State has 10% of the country's total unemployment. He was glad to note that Planning Commission had considered creation of employment opportunities as the central objective of the planning effort and proposed giving top most priority in the State Plan to the development of physical infrastructure and poverty alleviation through increase in employment.

191. Welcoming private initiative wherever possible in developing physical infrastructure, the CM stated that the shift in favour of indicative planning was quite in keeping with the emerging national and international trends. He endorsed the proposals aimed at increasing revenue and restricting non-plan expenditures and called for a determined effort on the part of both the Centre and the States to increase Government savings. He considered 5.6% annual growth rate as proposed in the Eighth Plan document as realistic.

192. The CM stated that they have already formulated new industrial policy which aimed at attracting as much private investments as possible. They would soon be formulating a new agricultural policy aimed at achieving higher production, promotion of horticulture and agro-processing activities. The State had drawn an ambitious programme of building one million houses with minimum budgetary support. The programme was intended to create large employment opportunities in rural areas.

193. Drawing attention to the continued erosion in State's financial resources due mainly to increased expenditure on development social services, the CM observed that the per capita plan expenditure in the State had remained much below the national level and the shortfall on this account in the Seventh Plan was as much as Rs. 300. Besides, flow of institutional finance into

Kerala had been the lowest compared to other States (2.9 per cent of the total assistance to all states so far). Similarly, the proportion of Central investment in Kerala had been the lowest (only 1.5% of the total investment so far). Per capita income growth which he attributed to low productive investment, had also been much lower in the State as compared to the national average.

194. Referring to the large amount of foreign remittances into our country by the people of Kerala working abroad, the CM maintained that unlike import entitlements against foreign exchange earnings from commodity exports, his State did not enjoy any such advantage although it was exporting manpower. He desired Government of India to give due consideration to this fact while deciding on location and clearance of projects, specially in the power sector. If the new power projects in Kerala were not cleared and implemented quickly, the CM felt, the already critical power situation in the state would make the plan emphasis on productive sectors meaningless.

195. Referring to the financial resources of the State, the CM stated that huge revenue deficit on non-plan account was their main problem. He desired Government of India and Planning Commission to initiate a fiscal structure adjustment programme to assist the States which were in deficit during the period of transition. He mentioned about constitution of a Resources Commission in Kerala to suggest ways and means of improving the finances of the State Government.

196. Coming to the Centrally Sponsored Schemes, the CM agreed to the approach that the Schemes of inter-State character or those serving national goals alone need be retained as Centrally Sponsored Schemes while all other Schemes should be transferred to the States. Continuing, the CM asserted that the States may be given freedom to review the Schemes, drop those which were no longer relevant and substitute them with more urgent and productive ones. As regards Central assistance for such schemes the amounts as suggested by the Planning Commission might be merged with the total pool of plan assistance and distributed on the basis of the formula applicable to normal plan assistance.

197. Agreeing broadly with the different criteria recommended by the Planning Commission under the Modified Gadgil formula for determining Central assistance during the Eighth Plan, the CM felt that the weightages assigned to different criteria should be reviewed to give importance to the criterion of achievement of specific national objectives which have been emphasised by the Planning Commission. He suggested that it should be assigned a separate weightage of 5% and a corresponding reduction in the weightage for population from 60 to 55%.

198. Referring to the principles of Central assistance to the states, the CM suggested that the grant component of Central assistance be raised from the present level of 30 per cent to 50 per cent which would reduce to some extent, the future debt servicing liabilities of the States.

199. Turning to the sharing of market borrowings, the CM desired that while fixing the respective shares of the Centre and the States out of the total pool of market borrowings, the aggregate share for States should take into account the changes in the development responsibilities under which the State's role in the development of physical infrastructure would be greater. He pleaded for the increase in States' share to fifty per cent.

200. Supporting the views expressed by Chief Minister, Gujarat, on small and national savings, Shri Karunakaran felt that unless interest rates on these schemes were increased it would not attract substantial investment.

201. **Shri R.K. Ranbir Singh**, Chief Minister, Manipur emphasised the need for removal of disparity in infrastructure development of different regions, particularly the transportation bottleneck

faced by Manipur. He stated that the infrastructural development in Manipur, in areas such as roads, energy and irrigation lags behind the rest of the country by 30%. He observed that roads constitute the only means of surface transport in the state where 90 % of the areas was difficult hilly terrain.

202. The Chief Minister mentioned that the investment made in the State through different plan periods had been extremely low - for e.g. as low as Rs. 1.5 crores in the First Plan. He pointed out that Manipur had been totally denied any investment by the Central public sector undertakings. The State did not receive its due from the National financial institutions like IDBI. He also mentioned that the State was kept out of the external assistance till recently. The cumulative effect had been, he felt, the structural backwardness of the State.

203. The Chief Minister observed that the primary objective of the Eighth Plan should be removal of disparities among different regions, states and sections of the society. He felt that the infrastructural backwardness of the North Eastern states should be removed by making special provisions outside the 30% Central assistance provided for the special category states. While pointing out that due to transportation bottleneck and remoteness of the areas cost of construction materials like steel, cement and bitumen was relatively higher in the North East. He emphasised that the high cost norms be kept in view while allocating funds during the Eighth Plan. He also added that the restriction on movement of foreign tourists be relaxed so as to realise the potential of tourism as a source of revenue.

204. Shri Ranbir Singh said that the Loktak Lake, which, though located in Manipur was of environmental and economical importance to the neighbouring States. He opined that the Planning Commission should consider funding the development of the Lake under "Area Programmes".

205. The Chief Minister felt that as far as North Eastern States were concerned, those Centrally Sponsored Schemes which were suitable for development of States/regions and which also serve the national objective should continue as CSS. He observed that all the funds should be given as 100% grant and not in the grant-loan ratio of the existing Central plan assistance. He endorsed the views expressed in the agenda papers regarding the introduction of new Centrally Sponsored Schemes.

206. Shri Ranbir Singh expressed his apprehensions regarding the proposed reduction in the size of the Plan. He felt that such a reduction would prove detrimental to the developmental activities of the State.

207. **Shri Biju Patnaik**, Chief Minister, Orissa while endorsing the policy outlines and the priorities suggested in the Directional Paper, desired that NDC must also address itself to issues which were generally lost sight of while discussing the national economy. He congratulated the Prime Minister for having initiated difficult steps to improve our economy within a few months of his assuming Office. He said that 10% of the relatively affluent people of the society should be prepared to make sacrifice and bear the heavier burden for the benefit of the 90% who are deprived and underprivileged. A large amount of nation's income is spent on payment of salaries and DA to Government employees who constitute only 2.5 per cent of the population. To provide social justice to the 90 per cent of our people who were have-nots, the CM urged for introducing the hardest type of austerity. He stated that concepts like performance, result and efficiency must be reflected in our thinking and living as also in the institutions we create.

208. The CM pointed out that a system of administration which was evolved under the Act of 1935 and has worked ever since has landed 45 crore of our people below the poverty line. He suggested that a critical look at the system is warranted.

209. The CM referred to the statement made by Francis Fukuyama in this essay published in 1989 that marxism and Leninism were a dead ideology and the vacuum thus created would be filled by forces of religious fundamentalism or ethnic assertiveness. He stressed that with communism ceasing to be a political system, the world has not become any better. Other forces which represent a more serious challenge to liberalism and humanism will become stronger and demand greater attention. He, therefore, desired that the new technique of management of the economy must be accompanied by a new technique of political management. Citing recent developments in the Soviet Union and its failure to manage a federal polity, the CM insisted that we should not allow the proposed new economic order to perpetuate regional disparities which had considerably weakened our integrated nationhood.

210. The CM submitted that equitable regional development should be assigned as high a priority as macro level planning policies. Continuing, he asserted that if the benefits of development did not accrue to some people due mainly to inadequate investment on exploitation of national endowments, poor communication or production infrastructure, it would be difficult to convince people of such States that no injustice has been done to them.

211. Agreeing with the Planning Commission's view that public sector investment should primarily be on infrastructure, the CM felt that since the needs in the major areas of infrastructure developments such as irrigation, power, communication, roads and railways have increased considerably, our old principles determining the level of Central assistance to States would not hold water any longer. He suggested identification of areas with the largest cost effective potential and devising a mechanism of finding investible funds without being limited by the size of the State Plan.

212. Discounting Planning Commission's optimism regarding the state of our agriculture, the CM, felt that we should not allow the recent output figures for rice and wheat to lead us to the unfounded premise that long term agricultural growth has been ensured. He referred to the falling trend in the production of coarse grains and static output of pulses during the last several years. The CM deprecated the practice of ridiculing the Eastern States for their alleged failure to make agriculture as productive as in Punjab or Haryana, considering the fact that the entire cultivated area in those States was irrigated, whereas the irrigated area was less than 30 per cent of the total cultivated area in the Eastern States. If this disparity was removed, he said, the Eastern States would account for the larger part of the incremental production during the next two decades.

213. Focussing attention of the NDC to the poor infrastructural base and inadequate economic development of Orissa as compared to other States, the Chief Minister said that his State was the poorest of all judged by the percentage of its population below the poverty line. He cited Gunnar Myrdal's saying that tolerating inequality and deprivation amounts to neo-colonialism and stressed that if our moral sense of justice is aroused, it would not be difficult to find funds to correct such patent disparities.

214. While appreciating Government of India's inability to fully meet the needs of under-developed States, the CM desired that some critical projects in such States be identified for special funding. The State Governments, he felt, should also be allowed to mobilise external resources with the parameter of National Policy. He thanked the Prime Minister and his colleagues for support he received from them in his endeavour to raise external resources in the field of mineral development and energy production. The CM also extended his thanks to the Prime Minister for evincing a refreshingly modern and long overdue perception of Centre-State relations and expressed confidence that he would rejuvenate the Indian Federal System.

215. Referring to the abundance of natural resource available in Orissa in the shape of coal, iron ore and river waters, the CM said that he proposed to make substantial investment for the development of infrastructure in the State.

216. Coming to the transfer of Centrally Sponsored Schemes to States, the CM desired that Central assistance for these schemes may be governed by the formula applicable for Central assistance to State Plan with the small modification that for the next five years the assistance should be given wholly as grant.

217. Referring to the new formula of distribution of Central assistance, the CM endorsed the consensus formula arrived at in October, 1990 but did not agree with the proposal that deviation method should carry less percentage points. He disapproved of proposal to reduce allocation for special problems from 15 to 10 per cent and felt that allocation on this account should have been higher. Expressing his disagreement with the increased allocation to States for performance, the Chief Minister stated that some of the States have not been able to achieve the results at par with other in the field of socio-economic development merely because history and factors beyond their control had imposed a constraint on their efforts. He fully subscribed to national priorities like population control and universalisation of primary education but strongly resented being punished for a legacy he was not responsible for, but was trying to overcome.

218. The Chief Minister while expressing concern about the population explosion in our country stated that due importance had not been assigned to the programme of population control during the post-independence period. He called upon the Central Government to initiate action in this direction without bothering about electoral fortunes.

219. Turning to the question of royalty on Coal, the Chief Minister referred to the reduction in the rate of royalty from Rs. 50 per tonne to Rs. 25 per tonne and stated that his State would be losing in the process Rs. 800 crores in the Eighth Plan. He pleaded for a review of this matter.

220. **Shri Surendra Nath**, Governor of Punjab and Administrator of Chandigarh stated that NDC was meeting at a crucial juncture. The economy had faced serious problems necessitating hard decisions. With this in the background, one would generally support the thrust and the perspectives stated in the approach paper. However, the economic development problems of Punjab needed to be viewed against the backdrop of violence and terrorism that the State has been experiencing for the last ten years. The problems were related mainly to the lop-sided development in the State and the unemployment of youth. In spite of Green Revolution in agriculture, there were large packets of poverty in the State. Further, the landed gentry who benefited from Green Revolution were able to get their children educated; who after education were unwilling to go back to agriculture and were looking for jobs which were not available worsening the unemployment situation. To successfully channelise the energies of its unemployed youth into gainful and legitimate activities was the biggest challenge before the State administration today. He, therefore fully endorsed the objective of employment as the central thrust of the Eighth Five Year Plan. On the industrial front Punjab has suffered on account of disturbed conditions. There was understandably an apprehension in the minds of industrialists to expand their activities; the industrial growth of Punjab could have been much more rapid but for these factors. The industries needed urgent reliefs which have been separately brought to the notice of Finance Minister.

221. Governor of Punjab stated that in the past the power position in the State had been satisfactory which helped both agriculture and industry to increase production. But now the State was entering a phase where unless power generation was stepped up substantially, the State

would run into difficulties during the Eighth Plan. Other infrastructure building activities which needed attention were irrigation, transport and marketing infrastructure. In the matter of universalisation of elementary education, the target achievement in the lower age groups had been to the full but there had been shortfall in the higher age groups. There was need to step up vocationalisation and technical education. He stated that efforts were being made to encourage private sector in power generation, transport and technical education. On the health front, though the doctor, patient ratio compared favourably with all India ratio health facilities were wanting in the rural areas. He said that efforts were being made to encourage private sector to enter in big way. He also pointed to the acute scarcity of safe and adequate drinking water in a large part of the State, which was not so well known. These areas included Kandi area and south and south-western districts.

222. The Governor supported the proposal to transfer some of the Centrally Sponsored Schemes on condition that these schemes were transferred with full allocation of funds and that the allocation was not made on the basis of Gadgil Formula. He added that the transfer of these schemes should not mean additional burden on the States resources.

223. Shri Surendra Nath also supported the proposed modifications in the Gadgil Formula. He, however, suggested that in the weightage of 60% to population, a factor reflecting the performance of the State in the matter of population control should be built in as that would give greater incentive to States to control population. He also suggested that out of the proposed 20% weightage to per capita income criterion, 10% weightage may be given to distance criterion instead of 5% as proposed.

224. He was in full agreement with the Centre's concern for population control and informed that Punjab had done fairly well in the matter of reduction of birth rate and overall population growth. He agreed that lot more needed to be done for which strategies had been drawn up.

225. Shri Surendra Nath lamented that the work culture in the government agencies had eroded significantly over the years mainly due to excessive job security. He stressed the need for thorough overhauling of the work culture in government agencies. He informed that in Punjab stern steps were being contemplated to tackle absenteeism in the border areas of the State.

226. In his capacity as Administrator of Chandigarh, Shri Surendra Nath stated that Chandigarh was still in the process of growth with increasing population and pleaded for continuing assistance and help of Centre to maintain certain level of services for Chandigarh which was capital of two States and also the capital of U.T. itself.

227. In the end, he stated that a socio-economic package had been worked out to take care of the felt needs of the State and to tackle problems like lop-sided development, unemployed youth etc. and pleaded for liberal help and assistance of the Centre to push through with this package.

228. **Shri Bhairon Singh Shekhawat**, Chief Minister of Rajasthan wanted to know why there had been financial crises for which IMF had to be approached for assistance. Inviting reference to the Chairman's opening remarks wherein it was stated that Rs. 48,000 crores meant for foreign aided projects remained unutilised, he wanted to know the circumstances responsible for their non-utilisation. Pointing to the fact that during the last one year, the Planning Commission had three Deputy Chairman, he felt that the Commission was being politicised which was unfortunate. He also stated that the role of Planning Commission had gradually changed from rendering technical advice to that of a monitor. He also wanted a detailed discussion on the impediments in the process of development. The Chairman intervened to say that he himself was keen to undertake such a study on impediments to development and assured to give him these details soon.



229. Gadgil Formula, Shri Shekhawat asserted, was responsible for regional imbalances in the country and the backward States have been receiving lesser assistance than they deserved. He felt that the formula needed to be mended suitably so as to bring the backward states to the national average. He also stated that States have become financially weak as all the financial resources have been usurped by the centre. He wondered why the decision to levy consignment tax taken in 1982 could not be implemented so far and why the corporate tax was not made sharable. Similarly centre was not justified to levy surcharge on income tax and excise duty which was not sharable. Though there was a decision to revise the royalty every three years, he pointed out that in actual practice it took even six years to do so. He pointed out that the Sarkaria Commission had recommended such a revision every two years. The matter of administered prices also needed reconsideration. He also suggested that the Finance Commission recommendation that the States which were in deficit but were financially well managed be provided with long term loans should be accepted. In the matter of externally aided projects, he felt that the assistance should be available to the States on terms and conditions on which it was secured from aid providing agency. He also stated that the Small Savings of the States had been adversely affected due to a number of schemes with high rate of interest floated by the Centre. He, therefore, suggested that the share of States in the small savings should be raised from 75% to 100% and the loan component of assistance should be made as loan in perpetuity. Regarding the Ninth Finance Commission's recommendation to create a national calamity fund at the State level funded partly from Central funds and partly from State funds, he felt that resources for the fund were grossly inadequate. He recalled that during the severe drought in 1987-88 and 1988-89 the State had spent Rs. 646 crores and Rs. 450 crores respectively against which the amount available in the fund for one year for Rajasthan was Rs. 124 crores only. He, therefore, suggested that the need was to create a National Calamity fund at the Centre level rather than at the State level to which States could also contribute. He said that the Rajasthan Canal had resulted in substantial increased agricultural production and wanted that it should not be abandoned in the name of resource constraints. He also pointed out that the deserts in Rajasthan were moving and the desert area was gradually on the increase. He warned that if the problem of growing desert area was not handled at national level, it may have serious consequences for other areas as well. He suggested that for handling the problem of Rajasthan deserts, a special scheme on the pattern of Hill Area Development Programme needed to be implemented.

230. The transfer of Centrally Sponsored Schemes to the states was acceptable to Shri Shekhawat but the transfer of funds on Gadgil Formula was not acceptable to him. He pleaded that the funds for the scheme should be transferred with the schemes, only specifying the objectives of the schemes and broad guidelines, leaving the implementation and the methods to be adopted to the States.

231. The Forest conservation Act, he felt, was the greatest hinderance in the matter of development of infrastructure scheme like electricity, irrigation, water etc. and the Centre was squarely responsible for it. He stated that the delay in clearance of Rajasthan Power projects alone must have resulted in cost escalation to the tune of Rs. 20,000 Crore and Projects for 26,000 megawatt were pending consideration. He wondered why it was thought that the states were enemy of forests and environment. He pleaded that the Forest Conservation Act should be repealed and the States be made responsible for the conservation of forest and environment. The Chairman intervened to say that he intended to review the matter in a month or so.

232. As regards the population problem, Shri Shekhawat stated that he had already addressed a letter to the Chairman wherein he had suggested that instead of discussing this matter at the

NDC meeting, it should be taken up in a meeting of all political parties so that a consensus could emerge and no single party could try to take political mileage out of it.

233. **Shri Sudhakarrao Naik**, Chief Minister of Maharashtra felt that population and family welfare should be the crux of the entire planning process. One of the prestigious programme undertaken in the State for diversifying the agricultural activity was the horticulture programme linked to Employment Guarantee scheme. Further new venture in agro-processing linked to the Horticulture Programme and Sericulture would be encouraged. He informed that the State was already leading in the export of grapes and mangoes and the new policies would give considerable boost to the export in fruits and vegetables. Dwelling on the other thrust area of the State Plan, he informed that State intended to concentrate on Watershed development in a big way. Maharashtra was fortunate in having a network of voluntary organisations which have been actively participating in the development process, he noted. He also informed that a massive programme to achieve 100% literacy by the end of Eighth Plan had been launched and the stress would be to intensify primary education. Further, all the problem villages would be provided drinking water during the Eighth Plan. Efforts would be concentrated to streamline infrastructural facilities in the health sphere with a view to make health services available in the remote areas of the State. Having achieved 100% Rural Electrification, concentration would now be on establishing more efficient transmission and distribution system. The public distribution system would also be strengthened to make available the basic necessities to the poor/needly. He also informed that economy measures were taken to curtail the expenditure by restraining establishment costs, reducing subsidies, restricting new items of expenditure and by reviewing the performance of State Public Undertakings.

234. Shri Naik Submitted that Central Government was preempting the resources. In the Open Market Borrowings, the share of State had gone down from 63 % in the Third Plan to 23 % in the Sixth Plan and pleaded that it should be restored to atleast 50%. He also urged immediate legislation for levying Consignment Tax for which concensus of all State Governments had been reached in May 1989. He stressed the need for checking the under-cutting of tax rates by States and suggested that an agreement could be reached that no State should charge less than a mutually agreed rate of tax for certain identified high value items. He also urged early release of States' share out of Central Road fund.

235. Regarding floating of bonds by viable State Public Sector Undertakings, he wanted to know why the facility of raising resources through bonds and deposits, so readily available to the Central Public Undertakings, was not extended to the well-establishment Public Sector Undertakings of the State. He also referred to a Maharashtra's pending proposal with the Central regarding raising of Project specific Irrigation Bonds for financing the completion of major/medium irrigation projects, and desired an early consideration.

236. In the matter of future of Centrally Sponsored Schemes, Shri Naik, stated that State agreed with most of the recommendations of the NDC Committee. He did not agree with Committee's recommendation on the manner of transfer of resources for which he suggested that it should be based on the real requirements of the State for a particular scheme as assessed by the concerned Ministries in the Government of India in consultation with the State Government. Further he suggested that these resources should be separately identified from the Central Assistance what was due to the State Government and should be designated as Special Central Assistance in lieu of Centrally Sponsored Schemes. He pointed out that since the assistance available under Gadgil Formula was on 70:30 formula, clubbing of funds transferred for Centrally Sponsored Schemes which was at present 100% grant would result in increased loan burden for the States. This would

be against the recommendations of the NDC Committee itself which he quoted states that the transfer should result in net addition to the resources being transferred to the States. Referring to some of the Centrally Sponsored Schemes which were proposed to be funded fully or partially for the initial few years and later the entire burden was to be transferred to the States, he stated that such an arrangement was not acceptable to Maharashtra. He added that if the schemes were perceived to be very important by the Centre, the Central Government should continue its involvement through out.

237. In respect of the formula for devolution of Central Assistance, he stated that Maharashtra had consistently taken the stand that the Modified Gadgil Formula as it existed prior to the NDC meeting in October 1990 should be continued except for some methodological changes. On the fresh changes under consideration he had following comments :

- (i) Supported the retention of weightage to population criterion at 60%.
- (ii) Welcomed the weightage to per capita income at 20 per cent but suggested that equal weightage be given to distance and deviation methods. Also in computing the weightage to distance method, it may be taken as distance from twice the National average.
- (iii) Under performance criterion, the indicator of fiscal management in implementation would lead to many distortions. The State would, therefore, insist that fiscal management criterion be dropped and equal weightage be given to tax effort weighted by population and achievement of specified national objectives. Further for assessing the performance of States on the basis of population control and maternal and child health there was need to examine whether independent, reliable and comparable statistics for all the States were available. Also on-time completion of externally aided projects may not be a suitable criterion for assessing the performance of the States. He suggested that States be consulted while evolving appropriate indicators to evaluate performance in the matter of achievement of specified national objective.
- (iv) Endorsed the weightage of 10% to be given to special problems of States, but suggested that the discretionary element be kept to the minimum.

238. He pleaded for Special Central Assistance to Bombay City in view of its special problems as also recognised by the National Commission on Urbanisation. He also advocated for equal weightage to loan and grant component in the treatment of Central Assistance provided to non-Special Category States.

239. He pleaded that the entire external assistance meant for projects under implementation by the States should be passed on to the States.

240. **Shri Sunder Lal Patwa**, Chief Minister of Madhya Pradesh was of the opinion that the assumptions & estimates on which growth rate of National Income was targeted between 5.6 and 6% for the Eighth Plan seemed to be impracticable. He was of the view that if the main areas of growth were to be agriculture, small scale industries etc; then the States share in the Plan funds will have to be increased from about 50% in the past to 60%. The resource mobilisation capacity of the State will have to be strengthened & Centre should desist from measures like raising the administered prices or delaying the revision of royalties. The royalty revision cases were delayed sometimes by 6-8 years inspite of the provision that it should be revised every three years. The various Market borrowing schemes with attractive interest rate structure introduced by the Centre had adversely affected mobilisation for small saving schemes.

241. Shri Patwa stated that abolition of regional imbalances should find a mention in the Approach Paper to Eighth Plan. Also the Special Central Assistance provided for SC/ST welfare was grossly inadequate. Further, he felt that the plan objective of creation of 10 million additional jobs per year was stupendous task in the present circumstances. For achieving the universalisation of elementary education, Centre will have to provide additional assistance, he added. For strengthening the basic infrastructure, establishment of a gas based thermal power house in Gwalior district and a refinery in Madhya Pradesh during the Eighth Plan were essential. He suggested that a High Level Inter-Ministerial Task Force be constituted to select private enterprenures for oil refining. He also pleaded for the sanctioning of rail linkages between Jagdalpur in Bastar District and Dalli-Rajhara in Durg District and between Rewa-Sidhi.

242. The Forest Conservation Act, Shri Patwa felt was an impediment to development. He questioned the belief that States were irresponsible in the matter of environment and, therefore, the matter should be taken over by the Centre. There were large chunks of lands which on paper continue to be forest and, therefore, could not be used for genuine development needs without the concurrence of the centre. The resultant delay caused escalation of costs. The Chairman intervened to say that he agreed that in the name of environment there should not be a blanket ban on schemes meant for development. He noted that with the growth of population, need for development was increasing and, as a result, there were increased encroachment of forests. He emphasised the need to evolve such a policy which should enable development on the one hand and protect the environment on the other. He assured that he would go into the details of the matter and would revert back to them soon.

243. Shri Patwa also pointed out that a recent amendment to the Forest Conservation Act to the effect that in the 'sanctuary area' tribals, would not be allowed to collect minor forest produce was irrelevant. He asserted that the States would be given their due responsibility in the matter of conservation of forests.

244. Regarding the future of the Centrally Sponsored Scheme, he felt that it was odd to discuss the issue as the present proposal meant keeping of more than 90% of the funds for these projects with Centre.

245. He added that the then Janata Government had decided to prune Centrally Sponsored Schemes in the interest of democratic decentralisation and had transferred 1/3rd of such schemes along with their funds to the States. It is necessary for the NDC to set a limit to taking up of these projects by the Centre. Regarding the manner of transferring the funds of CSS, he stated that earlier these were distributed amongst less development states on the basis of the total population keeping States' income in mind. However, in the present proposals this system was proposed to be changed without stating the rationale. He proposed that all the Centrally Sponsored schemes except the Poverty Alleviation and Family Programmes be transferred to the States and the basis for distribution of funds adopted in 1978-79 be maintained. Further as the CSS generally had 50% grant-in-aid component, the funds released for CSS should be 100% grant.

246. The Chief Minister did not find any justification for the proposed changes in the formula for distribution of central assistance and pleaded for the continuation of 1980 modified Gadgil formula. He asserted that the proposed changes would favour the States which were above the national average at the cost of backward states. Further the restoration of weightage of 60% to population and the emphasis proposed to family planning under the performance criteria would send contrary signals, he felt. Also he doubted that comparable and dependable statistics could be generated on

the selected indicators to monitor performance which was proposed to be added as a criteria for allocation of assistance. He felt that inclusion of performance in the distribution formula was unnecessary and also may have little operational significance in view of very small weightage attached to it.

247. Regarding the funds for special problems, Shri Patwa, noted that what constitutes special problems has been listed which would make every State eligible for a share. He suggested that if it could be ensured that all non-Special Category States get a share out of it and that no State was provided more than 10% of the total assistance, distortions in favour of a few States could be avoided. Shri Patwa stated that Madhya Pradesh had launched certain schemes from 1-11-91 aimed at Family Welfare and raising the social status of women. He emphasised that along with incentive schemes to check population growth, there was a need to consider disincentives for people who did not limit family sizes. The Chairman intervened to say that there was a need to have a national consensus on this issue and that he proposed to convene a meeting of the leaders of other parties soon. He was also proposing to constitute a sub-committee of the NDC on this subject.

248. **Shri Sudhir Ranjan Majumdar**, Chief Minister of Tripura congratulated the Chairman for having taken timely action in the right direction to restore confidence in the economy through a series of structural reforms and bold measures. He also endorsed the measures to open up the economy to the market forces in the back-drop of momentous changes in world economic order. He felt that the role of market economy was central particularly in the sphere of production and distribution of non-essential goods and services. He also endorsed the view that active people's participation in the development process should be secured.

249. Shri Majumdar endorsed fully the objectives, thrusts and macro-economic dimensions of the Eighth Plan, and assured wholehearted support of the Tripura Government to implement the policies of Central Government. He stated that the Eighth Plan proposals formulated by Tripura Government emphasised the core areas like agriculture and allied services, removal of poverty and unemployment and provision of minimum needs, eradication of illiteracy, provision of safe drinking water etc. He stated that due to special problems of the State, the public sector will have to continue to play a pioneering role in building, strengthening and diversification of industrial base.

250. The issues of population and family welfare he felt had social and cultural aspects and emphasised the need for an indepth study and evolving of techniques and approaches which were more or less area specific rather than of general applicability. He also voiced the State Government concern at the continuing infiltration from Bangladesh and appealed to the Prime Minister to secure, at the earliest, repatriation of about. 50,000 Chekmas who took shelter in the State since 1986.

251. Regarding the proposed transfer of CSS, the Chief Minister wanted to know how and in what manner the interests of Special Category States will be protected. He pointed out that since the present proposal to transfer CSS had come after the award of Ninth Finance Commission, the expenditure on staff and maintenance component of these schemes may result in additional financial burden for the State. He felt that since States operate under different set of priorities, after transfer of CSS some of the schemes may not get the attention which the Centre wanted them to receive. Also, poor and backward States like Tripura may find it difficult to properly implement some of the schemes in the absence of technical support, advice and guidance from the respective Central Ministries/Departments.

252. Shri Majumdar welcomed the proposal for inclusion of NEC allocations as part of the Special Area Programme. He stated that discontinuance of the procedure of utilising a part of the Central Assistance since 1989-90, and net capital receipts to cover the non-plan resource gap of the Special Category States was causing great financial hardship and pleaded for revival of the earlier procedure. Though, he supported the continuance of the principles applicable for the allocation of market borrowings during the Seventh Plan, he pleaded for lowering interest rate and increasing the repayment period for the Special Category States. He also requested for expediting the submission of report of the Committee set up to study the financial problems of Special Category States and suggest durable solutions in the long term perspectives. He noted that with the problem of insurgency solved, the State was now set for taking developmental activities in more planned, systematic and intensified manner and pleaded for support and cooperation of the Central Government.

253. **Shri Kalyan Singh**, Chief Minister of Uttar Pradesh observed that the Directional Paper under consideration contains objectives which the Eighth Plan will try to attain. He stated that a Plan normally has two important aspects, one related to economic development and increase in incomes and the other related to human and balanced development. He felt that though in the previous plans some effort had been made to strike a balance between the two, such an attempt seemed to be missing in the Directional Paper.

254. Shri Kalyan Singh, observed that the backward States of U.P., Bihar, Rajasthan, M.P. and Orissa were very populous and their per capita income was appreciably lower than that of advanced regions. There was lack of basic amenities like drinking water, roads, electrification etc. primarily due to constraint of resources with the States and, as such, the life in these areas was full of hardships. He expressed his apprehension that Minimum Needs Programme started 15 years back to raise the standard and quality of life of rural areas seemed to have been ignored since the paper did not seek to earmark any outlays for the upliftment of rural areas. The Chief Minister asserted that the blame for the backwardness and poverty of these regions should not entirely be thrust on the people who inhabit them. According to him, although the previous plans did recognise the problem of regional imbalances, the unhappy state of affairs continues much as before and he expressed his distress that the paper on Eighth plan, did not really address itself to resolve regional imbalances in any meaningful manner. He suggested creation of a special fund for providing assistance to States whose rural areas lack basic amenities.

255. Shri Kalyan Singh pointed out that the problem of vast disparities in personal income and poverty to some extent was attempted to be handled by poverty alleviation programmes. The 'Approach' to the Eighth Plan did not recognise poverty as a major problem and did not spell out what special efforts will be made for poverty alleviation and also did not indicate the targeted decline in number of people below poverty line. The paper only suggests that creation of employment opportunities would bring about a reduction in poverty, but it has left out other vital questions as where, for whom and in what numbers employment opportunities will be created. He also opined that the proposed target of creation of employment of 80-90 lakhs people, though desirable, was unattainable. Further the aim should be creation of durable employment opportunities commensurate with increase in productivity. The problem of acute underemployment of agricultural workers needed special attention, he added. He opined that the problem of unemployment was the biggest challenge and suggested that the Planning Commission may prepare a detailed paper on the subject, with an in-depth analysis of the problem.

256. Shri Kalyan Singh noted that the 'Approach' paper made no mention of any change or improvement to be introduced in the plan formulation process and suggested that some concrete proposals may be brought before the Council in this regard so that meaningful decisions could be taken after collective deliberations. He also noted that States were unable to fully utilise the assets created in the earlier years due to shortage of funds in the non-plan sector.

257. Regarding Centre-State financial relationship, he made following observations:

(i) There has been increase in the responsibilities of the States in the field of economic and social development but in the past there has been a clear trend towards decreasing the overall percentage of outlays allotted to States. Quoting the figures of the share of States in the public sector outlays, he felt it was imperative that the strange and arbitrary imbalance in the distribution of outlays was removed and the share of States should not, in any case, fall below 50%.

(ii) The quantum of central assistance under the modified Gadgil formula for 14 populous States during the Fourth Plan constituted 39% of their total outlay which came down to 24% in the Seventh Plan and pleaded for evolving a just formula by the Council keeping in view the interests of economically backward states.

(iii) The share of UP in the overall central assistance available under the modified Gadgil formula during the Fourth Plan period was 64% which came down to 50% during Fifth Plan and to 38% during Seventh Plan. On the other hand the proportion of funds released for Centrally sponsored Schemes had shown an increase from Plan to Plan. This tendency was certainly not conducive to the interest of States.

(iv) The proportion of share of Centre and States in the market borrowings, which constituted a major source of funding the Plans has been continuously changing in favour of Centre and to the detriment of States.

258. As regards, Centrally Sponsored schemes the Chief Minister of Uttar Pradesh observed that there has been proliferation of such schemes with the passage of time, contrary to the wishes of the NDC and recommendations of high level bodies like the Administrative Reforms Commission and the Sarkaria Commission. He desired that schemes other than of inter-State and national importance, should be transferred to the States with funds to be distributed on the 'Income Adjusted to Total Population' formula. He added that adoption of approved formula for the distribution of general central assistance for this purpose was not justified.

259. Shri Kalyan Singh asserted that the proposed amendments to the modified Gadgil Formula were not acceptable to him. In the context of the performance criteria to which 10% weightage was being proposed, he felt that it would be difficult to evolve norms acceptable to all States for evaluating performance. He stated that UP would favour a formula which given 60% weightage to population, 30% to per capita income (on the basis of deviation only) and 10% for special problems.

260. He noted that a number of schemes with high interest rates introduced by the financial institutions in the last decade to attract savings have adversely affected the small savings efforts of the States. Further, in the case of backward regions, the Credit-Deposit ratio being less than the national average which in effect means that money deposited within the State was being used elsewhere will lead to increased regional disparities.

261. The Ninth Finance Commission, he noted, had estimated the States' Plan revenue expenditure after accounting for the plan grant receivable under the modified Gadgil formula, and

recommended that 50% of this deficit should be met by provision of a plan grant to the States. For the remaining 50%, if the states fail to fill the deficit by their own efforts, the Finance Commission had recommended that the Planning Commission may give them Special long term loans. Under this dispensation, Planning Commission had approved a Special long term loan of Rs. 787 crores to U.P. for 1991-92, which was being denied now.

262. The Chief Minister referred to the delay in the release of central assistance meant to reimburse the expenditure on certain programmes/schemes and the avoidable strain it caused on the limited State's resources. He pointed out that U.P. Government were to be reimbursed Rs. 150 crores for the family planning programme alone. Similar central releases were pending in respect of Agricultural Debt Relief Programme and fertiliser subsidy.

263. Consignment tax, he pointed out, was an area where central legislation was pending since long. Effective action to stop evasion of sales tax caused by despatch of goods by train was another area needing urgent concrete steps. Uttar Pradesh, he pointed out, was estimated to be losing Rs. 300 crores per annum on this score alone. He pointed out that inadequate share (8.6%) in the investment of Central Public Sector Undertakings in U.P. was also, one of the major reasons for the State's backwardness. He also referred to the acute shortage of power in the State and stated that due to lack of resources the State was not in a position to strengthen the transmission and distribution system. He also mentioned that the earthquake in October, 91 in the Garhwal Division had caused immense damage to life & property and the assistance provided by the Centre was grossly insufficient. He pointed out that the Ninth Finance Commission had classified such occurrences as national calamities and had recommended special assistance in such cases. He also noted that the growth in the population had neutralised the development achieved under the Plans and expressed his happiness that family planning was envisaged to be taken up as a national programme aiming at better health and enhanced welfare for all families. He felt that the programme should be seen as a national movement and suggested that a National Population Control Commission should be set up to prepare a National Population Policy.

264. **Dr. Manmohan Singh**, the Union Finance Minister said that planning has been the foundation of economic policy in India since independence. It was intended to serve two basic aims—first, to raise the level of ambition in policymaking and thereby to get the best performance out of the economy and secondly, to distribute investible resources based on social justice and economic rationality. He observed that in both respects, our performance had fallen short of our potential. There was need to ponder over the way we managed our economy. This re-thinking was to be done both by Central and State Governments. Our performance in 1980s could have been better. It was nevertheless very creditable. But that performance cannot be maintained in 1990s let alone improved upon unless stern measures to reform the structures and institutions and to improve the efficiency of productivity of resources were taken.

265. Dr. Manmohan Singh stated that today planning was being undertaken in a situation of extreme difficulty. The difficulty arose from the extraordinary high fiscal deficit, the difficulty of paying even for essential imports. Inflation threateand to get out of control. This difficulty came to a head in mid 91 just before the present Government resumed power at the Centre. The magnitude of the crisis was not sufficiently realised. Our reserves had come down to Rs. 2600 crores which was barely enough to finance two weeks of import. Severe import restrictions had been imposed four months earlier. It caused steep decline in industrial production. Buyers of our goods abroad held off in the expectation of a devaluation. NRIs were withdrawing their deposits at the rate of



over Rs. 300 crores a week. Banks abroad were not even prepared to give short-term credit for our most essential imports-fertiliser and diesel and the accelerating inflation was threatening to destroy the confidence in our ability to manage the economy. Under these circumstances, stern measures were taken and the crisis was averted. The decline in reserves was reversed and today the reserves stood at over Rs. 9000 crores. International confidence has been restored and access to the international capital market reopened. The gold we had pledged in our extremity has been redeemed. However, a great deal has to be done to ensure steady and rapid growth in employment and incomes, which must be the aim of the Eighth Plan. There was need to bring down inflation, manage the balance of payments and reduce our foreign debt.

266. Control of inflation required bringing down the fiscal deficit both by the Centre as well as by the States. The revenue deficit at the Centre and the States exceed Rs. 20,000 crores per annum. Ability to finance Plan investments was getting adversely affected and soon we may be unable to finance the most essential investments in defence, roads, health care, communications or irrigation. This spectre of inability to fulfil the minimum expectations of our people faces not only the Central Government but also the States. This was the danger that he wanted the Hon'ble Chief Ministers seriously to address themselves to.

267. Dr. Singh stated that a beginning in facing the crisis at the Centre had been made by restricting non-Plan expenditure, abolishing export subsidies, reducing fertilizer subsidies, etc. With these drastic measures, we aimed to bring down the fiscal deficit of the Centre from 8.9 per cent of gross domestic product to 6.5 per cent this year. But this was by no means enough. If investment in priority areas was to be restored, the deficit will have to be reduced further. And if the Centre was to reduce its deficit from 6.5 per cent this year to 5 per cent next year and further following year, and at the same time, to continue to make the most unavoidable investments in infrastructure, its ability to assist the States will be limited.

268. Further, the responsibility for reducing the deficit was as much of the States' as the Centre's. For, a substantial part of the Centre's fiscal deficit can be traced to Central assistance to the States, besides, the States' own fiscal deficit runs to another 3.5 per cent of gross domestic product. This the States must aim to eliminate within the next two to three years. The year 1992-93 must be a year of fiscal consolidation. Maximum emphasis must be laid on completion of ongoing projects. New project starts must be avoided as far as possible. There was a need for strict discipline in respect of non-Plan expenditure and better management of States' finances. In the past, we had largely met our revenue targets; it was the inordinate rise in our non-Plan expenditures that had thrown our plan finances out of gear. Important among these non-Plan liabilities was losses of public sector undertakings. He stressed, in particular, the need to eliminate the losses of the State Electricity Boards, which now exceed Rs. 4000 crores, and their average rate of return on capital was minus 14 per cent. Currently, about two billion dollars of foreign aid remained utilised because our State Electricity Boards were not being properly managed. It was not possible to attract private capital. It was imperative that the State Governments should insulate the State Electricity Boards from the consequences of the subsidies forced upon them, which were not in the long run in the interest of farmers or small scale industries. He suggested that these subsidies should be given out of general revenues, so that the incentives to SEB managements did not get severally distorted. Equally serious was the plight of the State Road Transport Corporations. Their average rate of return on capital was minus 12 per cent. It ranges from minus 2 per cent to minus 83 per cent. The State Governments cannot afford this burden. When private

operators can earn a positive rate of return there is no reason why SRTC's should run in losses. Dr. Manmohan Singh felt that when the Government runs a social service, it should really serve that society in terms of the price charged and the quality of service. This was particularly true of education. Our record here has improved in recent years, but it still remained inferior to that of our neighbouring countries to the East. We were still quite far from universal literacy which many comparable countries had attained starting far behind us. Our State Governments continue to spend heavily on tertiary education, and a large part of their subsidies went to students who could well afford to pay for their education. He, therefore, suggested that the State Governments should target their subsidies better, and ensure that education met quality standards and prepare the students for the skills that will be required in the 21st century.

269. The Finance Minister, emphasised that it would be particularly important to ensure that resources in the Eighth Plan were not spread too thinly over far too many projects. Taking up of a large number of projects simultaneously resulted in underfunding of all the projects, their delayed completion and cost escalation entirely avoidable with greater financial discipline. If we must be careful with our own resources, we should be doubly so with the resources we borrow from others. He recalled that we once had an enviable record in the use of external assistance from multilateral organisations. Our country was considered to be the model borrower by the World Bank. This record had recently been tarnished; and poor utilisation and administration by the States was one of the factors for this. In particular, our acceptance of concessional loans requires that we should meet the standards set by the multilateral agencies in respect of tenders, bids, monitoring, release of funds etc. It was thus incumbent upon us to tighten up our administrative procedures considerably. He felt that the requirements of effective utilisation of external assistance should be looked upon not as unwelcome restrictions and constraints but as lessons in efficient resource administration and management.

270. Regarding Consignment Tax he stated that there had been a difference of opinion regarding concurrent exercise of powers for exemptions both by the Centre and the States. The National Institute of Public Finance had drafted guidelines for the exercise of exemption powers which had been sent to State Governments. He stated that he proposed to discuss these at a meeting of State Finance Secretaries to be followed by a meeting of the Finance Ministers of States as was decided at the last meeting of the Inter-State Council held in 1990.

271. As regards poor performance of small savings during the current year, he shared the concern of Chief Ministers and informed that he had already appointed a Committee under **Dr. C. Rangarajan**, Member, Planning Commission to look into this matter. The Committee was to report by 10th January, 1992. However, he pointed out that small savings in the last few years had received an artificial and unsustainable boost by way of special support by the UTI. The UTI did not have surplus resources now and that naturally had affected growth of small savings. Moreover, States will do well to recognise that in a more competitive environment, small savings could become a very high cost source of borrowing. Thus there was need for greater prudence in increasing the reliance on small savings for financing State expenditure.

272. Dr. Manmohan Singh further stated that States often complained about the inelasticity of their resource base. However, he felt that there was lot of evidence that a better administration of the system of sales taxation could add significantly to resources. Also, there was need to avoid the present often unhealthy competition amongst States in offering incentives to attract industrial investment. The emphasis should be on improvement of physical infrastructure rather than competitive reduction in taxation which left all the States poorer collectively. In this context, he

urged the State Governments to pay particular attention to the financial health of State Financial Corporations and State Industrial Development Corporations. Administrative procedures needed to be streamlined to facilitate quicker decisions. Otherwise, at a time, when the Central Government was deregulating and delicensing, there would be no visible improvement in the climate for industrial investments. The State Governments should device appropriate procedures for speedy supply of basic facilities like land, power and water connection to prospective entrepreneurs.

273. He stressed the need for improving the performance of agriculture which was essential for raising employment and production growth. There was a need to get maximum return out of limited available resources. He pointed out that the returns in agriculture of State-assisted inputs such as water and fertilizers were poor and could be considerably improved. The resources were also poorly directed. The over-pricing, for example, of sugarcane together with the under-pricing of water, had ensured that a very high proportion of precious irrigation water was used by sugarcane and the production of other essential crops had suffered. The state of agriculture credit system and of agricultural research and extension was a cause of concern. In several States, degradation of land and water resources had reached alarming proportions. He stated that currently, about Rs. 6,500-7,000 crores annually were being spent on anti-poverty programmes but there were a large number of leakages and their effectiveness needed to be greatly improved. He, therefore, suggested an indepth analysis, state-wise of agricultural development and the working of anti-poverty programmes. He also suggested a systematic review of present arrangements for the management of natural disasters such as drought and floods so as to ensure greater cost effectiveness and speedy provision of needed relief.

274. Finally, he urged the Hon'ble Chief Ministers not to lose sight of what was happening beyond their States, beyond our Union, to the cataclysmic changes that have occurred in the world around us. Only two years ago, the Union Soviet Socialist Republics was the second-most powerful country in the world. Its socialist planning was a model, and we ourselves took lessons from it. Today that mighty country has been fragmented but this fragmentation has brought it no nearer to the resolution of its terrible problems of inflation, shortages, an unmanageable payments deficit, loss of control over the economic system. Yugoslavia only fifteen years ago was a model federation where enterprises were owned by workers and banks were owned by enterprises. Today, Slovenia has already seceded from the federation and Croatia's attempt to do so has led to the shedding of much innocent blood. In the case of both the USSR and Yugoslavia, countries that were very close to us, the political collapse was preceded by economic chaos. In fact, the roots of the political crisis lay in the malfunctioning of their economies. This had important implications for the management of Indian economy. If fiscal discipline was on discount, if efficiency of resource used remained as low as it was, if subsidies were allowed to proliferate, there would be no viable basis for a credible planning of development. In that event, inflationary expectations could gather added momentum, the weakening of currency could lead to a rush to place money abroad and increased economic uncertainty could seriously erode the climate for productive investment. He stated that he did not seek to spread alarm; we have much better preconditions, much better chances of pulling through than our less fortunate friends. But if we were to do so, the Governments at the Centre and the States, India must display foresight and wisdom in the management of our economy and the time to do so was now; tomorrow it may be too late.

275. The Chairman, before breaking for the lunch, stated that he may have to be calling the Chief Ministers rather more often than before to seek their opinions on many issues of National character and having nationwide importance and implications.

276. **Shri Surendranath Dwivedy**, Chairman NEC wanted that a frank discussion on whether NEC has been given appropriate powers and authority to work as an agent of the Planning Commission. He regretted that there was neither any mention of the North Eastern backward region nor any specific reference to the development of remote and backward regions in the Directional Paper. However, he has no objection to endorse the Objectives, Thrusts and Macro Dimensions of the Eighth Plan. Regarding population control, Shri Dwivedy stated that the State under the jurisdiction of the NEC comprised of large areas with low population density. Therefore, there was no problem of population explosion in these States. He stated that he was entirely in agreement with the suggestion for treating NEC allocation as one among the Special Area Programme. He pointed out that he has the carefully assessed NEC's role and felt the need to strengthen it with a view to play a more effective role in the economic development of the region. He felt that the following which should be the real concern of the NEC.

- (a) The Council needed to be strengthened and given more powers so that it can play a more effective role as one of the instruments for economic development of the NEC region, and
- (b) The Council could perform the functions of the Planning Commission in the North Eastern region and it should be treated as an independent ministerial entity under the Planning Commission or separately under the Prime Minister's Secretariat. The Central Ministries/Departments and agencies should formulate their Plans and schemes for the North Eastern region in close consultation with the Council to achieve harmony and to avoid duplication of investment efforts.
- (c) The Council should concentrate on programmes of regional or inter-State character in a few critical sectors.
- (d) In respect of productive sectors like agriculture, the Council could play a pioneering or catalytic role.
- (e) The Council should continue to support the various regional institutions already set up with its assistance.
- (f) The Council should continue to offer technical expertise, disseminate information, give consultative services to the State Governments and play a more active role in arranging the extension of various services facilities and funding by national level institutions and external agencies to projects in the North Eastern Region.

277. Regarding the development of border areas in the North East, he suggested that a major policy decision should be taken to pool the resources of the Defence Departments and the Civil Administrations for the development of such areas and the resources channelised through the Defence or the Home Ministry. The allocation of resources to various States from the pool could, however, be done taking into consideration length of international borders each has.

278. Raising the issue of border trade Chairman, NEC stated that abrupt cessation of the traditional and natural trade across the international borders in the North Eastern Region has been a great set back for the large number of people living near there. He urged the Central Government to actively pursue possibilities of opening border trade with China, Burma and Bangladesh which would greatly benefit people living along these borders. He also urged to explore the possibilities of resuming the transportation of goods from Calcutta by sea to Chittagong and from there by rail to the North Eastern Region which will reduce cost of transportation of materials from other parts of the country to South Assam, Mizoram and Tripura.

279. He was of the considered view that as a result of the special dispensation to the Special Category States considerable development has taken place in these States in terms of infrastructure communication and manpower development. This according to him should help these States to tap their own resources to some extent. In this context he wanted the National Development Council to review the work already done by the Expert Committee appointed by the Council at its last meeting to look into the financial resources and other related problems of the North Eastern Region. He felt that the Committee of Experts should complete its work as quickly as possible.

280. **Shri Madhukar Dighe**, Governor, Meghalaya stated that his State is, perhaps, the most peaceful State in the country and, therefore, he would request that the State be given proper attention. He pointed out that the Objectives, Thrusts and Macro Dimensions of the Eighth Plan contained in the document circulated were laudable and were relevant for the entire country. However, he felt that the small hill States of the North East had to make suitable adoption keeping in view their special problems and needs. In this connection he mentioned that as a hill State they attached great importance to proper land use and measures for environmental conservation and improvement.

281. The Governor, stated that for historical reasons and geographical isolation the States in the North Eastern Region had remained economically backward. Hence, substantial investments were made in these States to accelerate the pace of their development. He stated that owing to unsatisfactory industrial climate and other factors, flow of non-government resources to the Special Category States was too meagre and this necessitated a more positive bias of government resources flow in favour of these States. In this connection, he requested the Centre to make special efforts for ensuring a share of external assistance either bilateral or multilateral to the hill States and to assist them to formulate suitable schemes. He stated that the Ninth Finance Commission did not make any assessment of the Non-Plan gap of the North Eastern States and it was expected that the Planning Commission could take care of this gap while assessing the States' financial resources. He strongly urged the Council that at least 35 per cent of the total Central Assistance be earmarked for Special Category States. He further submitted that allocation for the NEC should be in addition to the earmarked funds for the Special Category States.

282. Governor, Meghalaya suggested that some selected Centrally Sponsored Schemes should be framed to meet the special requirements of the small hill States of the North East. Keeping in view the narrow resource base of the Special Category States, the pattern of Central Assistance for Centrally Sponsored Schemes should preferably be on 100 per cent grant basis.

283. **Shri Lal Sangzuala**, Finance Minister, Mizoram stated that his State fully Supported the Objectives, Thrusts and Macro-Dimensions as laid out in the document circulated by the Planning Commission. However, he stated that removal of inter-regional imbalances should continue to be one of the important objectives of planning in the country. In the context of employment generation programmes, he wanted village, cottage and small scale sectors to receive very high priority.

284. He pointed out that Mizoram has attained 80% literacy and was hoping to achieve cent per cent literacy. He requested Central Assistance for the programme of vocationalisation of education and adult education. For marketing of agricultural and horticultural surplus produces he called for the assistance of the Ministries of Agriculture & Food Processing Industries to evolve suitable schemes for the State. He stated that a Central Team was to visit the State for finalising the State Capital project and requested the Centre to expedite the matter.

285. Regarding Distribution of Central Assistance in view of the weak resource base of the State and the absence of any scope for generating additional revenue in the foreseeable future, he stated that Mizoram should be given 100% Central Assistance. He welcomed the proposal to keep NEC outside 30% of normal Central Assistance earmarked for Special Category States, and urged that share of these States should be raised.

286. The Finance Minister indicated that the Ninth Finance Commission while recommending revenue gap grants to Special Category State ignored committed liabilities which has resulted in upsetting their Non-Plan balance. As a solution to this either they should be given special Non-Plan grants or Planning Commission should build a special component into the allocation of Plan assistance for this purpose.

287. **Shri Vaithyalingam**, Chief Minister, Pondicherry, was glad to report that Pondicherry was declared as fully literate after Kerala. He pointed out that enrolment under elementary education was full and drinking water supply has been provided to all problem villages. The territory has achieved the target set for population control. The indices of social significance—infantry mortality rate, birth rate etc., were lower than the national averages. In short, he stated, the State's performance during the Seventh Plan was impressive both in mobilisation of additional resources and achievement of financial and physical targets.

288. The Chief Minister pointed out that as the Union Territory was industrially backward it has become necessary to ensure supply of power for the growth Centre at Karaikal by setting up power generation plant using natural gas from Narimanam in Cauveri basin.

289. Regarding the transfer of Centrally Sponsored Schemes to States he requested that the interests of Union Territories should be protected. He also wanted credit to be given for the additional resources to be generated during the Eighth Plan.

290. He stated that the damages caused by the recent cyclone and floods in the Union Territory needed relief costing Rs. 24 crores and suggested that a separate fund for natural calamities be created for Union Territory to provide adequate timely relief.

291. **Shri Markandey Singh**, Lt. Governor of Delhi appreciated the importance being given to population control because of its special relevance to Delhi whose population swelled from 17 lakhs in 1951 to 94 lakhs today. The burgeoning population has put tremendous pressure on social services, like water, sewerage, power, transport, education and health care.

292. Delhi depends entirely on the Jamuna for its water supply. Prolonged discussions have been going on regarding this and Shri Singh hoped that the problem would be got over soon. To supplement this source, he wanted Delhi's share from Rihand Dam and Rehuka Dam should be earmarked. Delhi is willing to bear its share of construction cost.

293. Shri Singh mentioned two very difficult problems in the power sector. The first one is unauthorised tapping by unauthorised dwellings in the Juggis and some other sections of the population, and the second one is heavy defaults in paying dues. To make Delhi self-sufficient in power in the foreseeable future, a gas-based power plant of 900 Megawatts costing about Rs. 2000 crores is being contemplated.

294. The Lt. Governor said that the inescapable solution to the transportation problem will be the execution of what is known as Mass Rapid Transport System which has been accepted in principle at the Secretaries' level. He also pleaded for avoiding multi-storeyed buildings in the core areas of the city.

295. On the education front and health front, the Lt. Governor highlighted the satisfactory performance of Delhi and he said that he wanted to do still better in future.

296. Shri Singh mentioned the problem of encroachment of land and, subsequently, of all other resources. Slums are increasing. This has to be stopped. Very hard decisions about removal of Juggi Jhompdis might have to be taken since they impede Master Plan execution. To develop the National Capital Region, Shri Singh suggested that a sub-plan for this area be prepared and accepted so that we are in a position to decongest Delhi and lessen immigration.

297. The Lt. Governor was very happy with the attention he has been getting from the Planning Commission regarding the problems faced by the Union Territory and he hoped this will continue in future also.

298. **Lt. Gen. (Retd.) R.S. Dayal**, Lt. Governor of Andaman & Nicobar Islands apprised the participants of the special features and problems of his Union Territory. Separated by about 1,200 kms. of sea from the mainland, there is a general feeling of isolation and neglect among the islanders. The chief means of communication between the Union Territory and the mainland and between one island and another is by sea. In spite of this, the number of ships and boats at the disposal of the Union Territory is acutely inadequate. Therefore, Shri Dayal called for the development of faster and better water/sea communication.

299. The Union Territory has no resources of its own. Everything comes from the mainland. Even construction material has to go from the mainland. He felt that we should develop these islands faster to make as self-sufficient as possible.

300. As far as population is concerned, the Lt. Governor wanted to check its growth which is mainly due to immigration. According to the Island Development Authority, the carrying capacity of these islands is only 2,50,000 and we have already crossed that level. He wanted stricter control over immigration to the islands.

301. Speaking about the slow progress in development, Gen. Dayal pointed out that only one crop, paddy, is being cultivated at present. Double-cropping could not be thought of due to absence of irrigation facilities. The Lt. Governor wanted to change this by developing the rolling land on which are canut and coconut, interspersed with fruits like pineapple, papaya, etc., and also spices, can be grown. This will fetch good return to the people. To save the eco-balance, these islands, he informed, are not supposed to have any industry.

302. In order to achieve real progress and develop faster, the Lt. Governor outlined two new thrust areas: deep-sea fishing and tourism. He said that he had already floated a couple of schemes, a joint venture with FIC India for coastal fishing which is already in operation, and deep-sea fishing. As regards tourism, the General said that the U.T. has the best corals in the world. These have attracted foreign tourists from the West and are now attracting tourists from the East also.

303. The Lt. Governor wanted bunkering and repairing facilities for ships. Being on an international sea route, this will not only generate jobs but it will also save foreign exchange as well as earn foreign exchange because of the large number of ships passing through the Malacca Straits every day. This scheme, he said, has been submitted to the Planning Commission.

304. As far as energy is concerned, the Union Territory has been using only diesel. Now a small hydel project of 3.5 MW has been cleared. Solar energy cannot be tapped because the sky is cloudy there for eight months. Now, they are trying to tap tidal energy.

305. Regarding supplies, the Lt. Governor stressed the need for more storage space. He requested the Government of India to give three months buffer stock, to prevent the occurrence of crisis situations which can become very embarrassing.

306. Gen. Dayal said that education and medical care are the best in these islands. The only problem is in regard to specialist doctors. The Chairman promised to look into this.

307. **Shri Pranab Mukherjee**, Deputy Chairman, Planning Commission clarified the points raised by the various Chief Ministers and other participants with regard to the items of agenda. Regarding transfer of Centrally Sponsored Schemes some Chief Ministers were apprehensive that only the liabilities of such schemes were proposed to be transferred. He clarified that along with the schemes the outlays for such schemes will also be transferred to the States which will be released outside the formula of Central assistance. The exact pattern of finding for each centrally sponsored scheme now transferred to States would be maintained at the present level.

308. Referring to the various issues raised by the Chief Ministers in respect of market borrowings Shri Mukherjee stated that the agenda paper circulated to the Members of the Council sought their approval on the principle of allocation of market borrowing and not on the quantum. He pointed out that a mechanism of weightages has been built up giving weightage to backwardness of a State in the distribution of market borrowing during the Sixth and Seventh Plans. As per that a part of market borrowing was earmarked for backward States and the balance distributed among the States. He said that the same principle would continue in the Eighth Plan also. He was not able to indicate the exact quantum of market borrowings at this stage because these figures will emerge after Plan discussions with the State Governments and consultation with the Ministry of Finance.

309. Coming to the formula for Central assistance which was the most important aspect of distribution of Central assistance, the Deputy Chairman stated that he was happy to announce that a consensus has been arrived at on which almost all the Chief Ministers have agreed. He stated that as per the direction of the Prime Minister he had the privilege of having separate discussions with some of the Chief Ministers on the subject. The Deputy Chairman stated that the formula for distribution of Central assistance arrived as a result of the consensus will be :

- |                       |   |      |
|-----------------------|---|------|
| (a) Population        | : | 60%  |
| (b) Per Capita Income | : | 25%  |
| (i) Distance Method   | : | 5%   |
| (ii) Deviation Method | : | 20%  |
| (c) Performance       | : | 7.5% |

(The criteria of performance will be tax effort, fiscal management, achievement in certain programmes of national priority viz., population control, elimination of illiteracy, on time completion of externally aided projects and in Land Reforms).

- |                      |   |      |
|----------------------|---|------|
| (d) Special Problems | : | 7.5% |
|----------------------|---|------|

310. Referring to the background of the Committee chaired by him which formulated the formula of Central Assistance, Shri Mukherjee stated that even before the Committee started its work the Prime Minister had given the direction to keep in view the need of backward States in order to see that they could improve their situation and contribute meaningfully for the development process. He hoped that the formula ultimately arrived at by general agreement would meet the need in this regard.



311. Allaying the fears felt by some States with regard to the possible errors in the computation of per capita income, the Deputy Chairman observed that the Central Statistical Organisation (CSO) will be consulted in this regard and the matter will be finalised in consultation with the States concerned which had raised doubts about the accuracy of the figures and no State would suffer on that account.

312. Referring to the criteria of performance stipulated in the consensus formula of Central assistance, the Deputy Chairman emphasised, that the time had come when some credit should be given to performance. He mentioned that originally 10% was proposed for performance criteria but for certain reasons the percentage had to be lowered to 7.5%. He stated that the additional criteria of Land Reforms which was not originally included in the agenda and which has now been incorporated in the approved formula was as per the suggestions of the Chief Ministers of West Bengal and Bihar. He stated that the Prime Minister had readily agreed to this. Concluding, the Deputy Chairman drew the attention of the members of the Council to the very difficult time through which the country has been passing. He appealed to them that all had to share the burden contributing the best one could in order to overcome the difficulties. Henceforth the efforts should be to streamline the institutions and to evolve a system which would be function oriented and effective. He assured the Council that it would not be mere wishful thinking or a pious desire. However, he pointed out that success of any system depended on the cooperation which it received from all sections and the manner in which people could work shoulder to shoulder to achieve the objective. He stated that the mandate which has been given by the Council would no doubt inspire us to work more effectively and to ensure that we would not only launch the Eighth Five Year Plan but also successfully implement it. He hoped that the spirit of cooperation in which the deliberations were held during the last two days would not be lacking when the question of implementation came. He thanked the Council Members for giving the Planning Commission the broad support to the proposals which it placed before them for consideration.

313. **Shri Jyoti Basu**, Chief Minister, West Bengal stated that he was happy that the Deputy Chairman, Planning Commission has accepted many of the points raised by the Chief Ministers in regard to the formula for distribution of Central assistance and West Bengal's suggestion for accepting land reforms as one of the criteria for assessing the performance of the States. Regarding transfer of Centrally Sponsored Schemes he suggested setting up of a Standing Committee of the NDC comprising some of the Chief Ministers and Members of the Planning Commission to go into the issues. The Chief Minister, West Bengal also wanted that in view of the magnitude of the problem of unemployment being faced by the country, a committee should go into the issues within a time frame. Shri Basu, sought clarification as to whether there was any reduction in the Central Plan assistance to State Governments because of the resource crunch. He wanted to know what steps the present Government was contemplating to tackle the parallel black money economy reported to be existing in the country. He stated that if a few thousand crores of black money could have been tapped and channelised for developmental purposes the country could have avoided going for loans with all sorts of conditionalities. He stated that the Central Government was responsible for the financial deficit being faced by the country. He wanted the Centre to undertake self introspection in this regard.

314. **Shri Chimanbhai Patel**, Chief Minister, Gujarat wanted to know whether his State would suffer losses in its share of Central assistance as per the new consensus formula.

315. Deputy Chairman, Planning Commission stated that though the Statewise figures will have to be worked out yet, as he had mentioned earlier no State would be losing because of the change in the formula.

316. **Shri Sunderlal Patwa**, Chief Minister, Madhya Pradesh pointed out that unemployment was on the increase in his state due to the closure of textile mills and other old industrial units. He wanted the Central Government to prescribe a solution to this problem in the industrial policy. Regarding the weightage given to the population in the formula for distribution of Central assistance he suggested that special weightage should be earmarked for the population of Scheduled Castes/ Scheduled Tribes and other backward communities.

317. **Shri Bhajan Lal**, Chief Minister, Haryana stated that in Haryana Rs. 45 crores used to be spent every year for programmes related to special problems of the State. As per the new formula for such programmes Rs. 123 crores should have to be spent and it is possible that this might increase further in the future. In view of this he requested that more money should be allocated for special problems of State like Haryana.

318. **Shri Lalu Prasad**, Chief Minister, Bihar suggested that the distribution of the outlays of the Centrally Sponsored Schemes which were to be transferred to the States should be done in accordance with the Gadgil formula as this would facilitate provision of more money to States like Uttar Pradesh, Madhya Pradesh, Bihar, Maharashtra etc., which has large population.

319. **Shri Gegong Apang**, Chief Minister, Arunachal Pradesh suggested that special provision should be made for the development of border areas to keep the morale of the people living in the border areas high. He endorsed the suggestion of the Chief Minister, Himachal Pradesh regarding the need for protection of flora, fauna and the fragile eco-system of the Himalayas. He also pressed for having need based plans taking into consideration the requirements of different States and called for making realistic assessments of requirements of States. He suggested that on the basis of on the spot studies decision should be taken on the investments so that no State was left behind and all States could come up to the national average within certain time frame.

320. **Shri Kalyan Singh**, Chief Minister, Uttar Pradesh suggested that the present pattern of allocation of Central assistance on the basis of 70% loan and 30% grants to non-Special Category States should be changed to 50% loan and 50% grant. Regarding population control, the Chief Minister, suggested that a time frame of 25 years should be fixed for achieving the target and 100% grant should be provided to the States for implementing the family welfare programmes. Regarding distribution of outlays for the Centrally Sponsored Schemes among the States he suggested that this should be done as per the Income Adjusted Total Population (IATP) formula as was done in 1979.

321. **Shri Madhukar Dighe**, Governor, Meghalaya wanted to know whether there was any consideration for Meghalaya in respect of Centrally Sponsored Schemes.

322. **Shri P.V. Narasimha Rao**, Prime Minister thanked all Chief Ministers and Members of the Council for having participated in the meeting. He stated that he would like to say a few points before the meeting was concluded. He observed that the exercise of planning was a partnership where joint efforts were made to achieve desired objectives. He was happy that the joint efforts made in the meeting had been particularly successful not only in a general sense, but also in bringing out a consensus on the formula of distribution of Central assistance to the States. Before the meeting had started there was concern that it may not be possible to secure an agreed formula. He was happy that as a result of the joint efforts between the Centre and the States a consensus had been arrived at in this regard frustrating those people who wanted a show down on this point. He had no misgivings about how the formula would work but in case any difficulty arose that would be sorted out.

323. Regarding the criteria of performance which formed a part of the consensus formula he pointed out that performance of all States should not be measured with the same yardstick and some sort of fine tuning would have to be done by the Planning Commission in this regard. In this connection, he stated that the capacity of the States like the capacity of the individuals varied from one another. An ordinary performance in the case of one State could be a very high performance in the case of another State.

324. He stated that we have come to the conclusion that the Planning Commission and the National Development Council would have to continuously appraise and evaluate the situation in several matters of importance. That could be done only through the work of some sub-committees of the NDC which should be set up for the purpose. He stated that after hearing the views of the members he had come to the conclusion that there were four areas in which the Chief Ministers had shown keen interest and he would like to set up Committees to go into the issues in those four areas.

325. Accordingly, the Prime Minister stated that one Committee was to be set up on Micro Level Planning and Involvement of the People at Grassroot Level. In this Committee the Planning Commission would, of course, discuss with the Chief Ministers the various issues relating to the matter. He emphasised that the major share of initiative and work had to be done at the grassroot levels in which he expected the Chief Ministers' contribution would be the maximum.

326. The second Committee he said would be on Austerity. Recalling the observations made by the Chief Minister, Orissa, the Prime Minister stated that austerity was the need of the hour. The reason for setting up this Committee was that the time had come to do something concrete in this direction and reducing expenditure. In this connection he stated that austerity was needed not only for the States; the Centre was also equally concerned in the matter. The Prime Minister stated that he had set up a Committee at the Centre to go into the various issues relating to austerity and reduction of expenditure. He said that he had great pleasure in announcing that the Committee had come up with some tentative conclusions and which would be taken up at the Central Level. The Committee which was set up at the Centre had not completed its work and would come up after some time with some more suggestions. He wanted such types of Committees to be formed at the State Level also.

327. The Prime Minister stated that this Committee had recommended a significant reduction in the number of senior level posts—Joint Secretaries and above—in all Ministries and Departments including the field formations and public sector undertakings. In the Central Government there were 123 posts of Secretaries including 44 equivalent level posts, 103 posts of Additional Secretaries, including 30 equivalent level posts and 373 posts of Joint Secretaries including 133 equivalent level posts. Prime Minister stated that there would be a significant reduction in these posts, say, to the extent of 10 per cent. He stated that the rationale was that deregulation and liberalisation which had been initiated by the Government necessarily meant less Government control and hence logically there had to be a reduction in the senior level functionaries and at all levels down the line also.

328. Referring to the changes which had been initiated in trade and industrial policies recently, he stated that it had been decided to abolish over 1000 posts in three organisations—the Chief Controller of Exports and Imports, the Cement Controller and the Directorate General of Technical Development. He stated that a committee under the Cabinet Secretary was examining the scope for similar pruning of the strength of all other Ministries and Departments also and the exercise would be completed by 29-2-1992. He stated that all Ministries and Departments should surrender

by 31-1-1992 at least 10 per cent of the telephone lines under them. In this connection he pointed out that at a time when there were long waiting lists for the new telephone connections there was no justification for the Government Departments to preempt large number of telephone lines. The Prime Minister stated that the allocation for travel both domestic and international, in the 1992-93 budget was proposed to be cut by 20 per cent from the current year's level. At present, travel by first class by Air during foreign tours was banned for all Central Government officials. This ban, he announced, would now be extended to all Central Ministers. In fact, he was happy to announce this because the Ministers should have to set the same example as was done in the case of officials. Further, he stated that it was proposed to move the Chairman of the Rajya Sabha and the Speaker of the Lok Sabha to extend this ban to cover all MPs. as well. Likewise he wanted to request the Chief Justice of the Supreme Court also to see what the judiciary could do in this regard.

329. The Prime Minister pointed out that the path of economic reforms that had been taken up was not an easy and smooth one and called for considerable tightening of the belt in the coming two years. It was, therefore, but appropriate that one sought the support of the officials at all levels in the Government as well as in the public sector undertakings for the success of these measures.

330. Therefore, he wanted to have the entire exercise of pruning completed which had now been done partially. He added that we would come to even more stringent cuts in the months to come and assured that the final picture would be better than what had been attempted any time before.

331. He wanted the proposed Committee on Austerity and Reduction in Expenditure to go into the various issues at the State level also.

332. The Prime Minister stated that he was happy that everyone was in agreement about constituting a Committee on Population. In this connection he stated that the Health Minister was going to take a meeting of the State Health Ministers in the near future and the conclusions of that meeting would be highly valuable. Meanwhile, the Committee on Population could go ahead with its work.

333. The Prime Minister stated that the constitution of a Committee on Employment was again something which every member had emphasised. As regards the suggestion for setting up a Standing Committee of the NDC, the Prime Minister said that there was lot of sense in having that kind of a Committee but he would like to have a little more consultation with the Chief Ministers before such a Committee could be formed.

334. Regarding the points raised by the Chief Ministers in respect of special problems like desert area advancement, the Prime Minister stated that some efforts to check this problem had been taken and he would like to review what had been done so far in this regard and find out from people closely connected with it what should be done to stop desert advancement. Similarly, he wanted to streamline the programmes already being implemented for the development of coastal areas and drought prone areas. He wondered why the Island Development Authority had been allowed to be dormant for the last two and half years. He stated that the Authority should be revived and the meeting of the Authority should be held either in the Andamans or in Lakshadweep at an early date. He assured the Council that all special problem areas would be given special attention in order to make available the existing opportunities equally to all.

335. The Prime Minister observed that very useful contribution had been made by some Chief Ministers on agriculture. He stated that agriculture had been slipping over the Plans and it should be restored to the place of primacy which it enjoyed in the past.

336. The Prime Minister stated that one challenge which had to be faced in agriculture was that of a breakthrough in the production of oil seeds. The country had been spending three to four thousand crores of rupees every year in importing edible oils. This was a shame. There were other items like phosphates or potash, for example, which were not available in the country and which had to be imported. But edible oil was not one of the items which should be imported. In this connection he stated that the Kerala Government had started a plantation scheme for cultivating edible oil seeds and the scheme was doing very well according to the Kerala Chief Minister. The Prime Minister stated that Shri Balram Jakhar, Union Agriculture Minister was working on it for taking up the programme in a big way. He pointed out that it should be taken up as a challenge so that in the next three years we would not ask the Finance Ministry for foreign exchange for import of edibleoil. He stated that we might have to face challenges but if special attention was devoted to the problems we would be able to overcome them.

337. He said that when we believed in social justice, it would have to be a kind of differentiated social justice. The country could not afford a Public Distribution System for everybody. Besides it would perpetuate the disparities. He stated that he would like the Chief Ministers and other friends in the country who thought about these issues and who had been participating in such programmes to make a determined bid to say that there should be a differentiated distributive system so that benefits in the name of going to all were not grabbed by people with clout and influence at the cost of those who real needed them. This was because there had not been any proper identification of the targetting of the relevant beneficiary groups for any programme envisaged for the betterment of the deserving. For instance, the Prime Minister said, it was doubtful whether there was any register at all of people possessing land below five acres or two acres. If it existed all the benefits of our poverty alleviation programmes would not have been taken over by people other than the real poor. There was no reason why such a situation should be tolerated, the Prime Minister added. He stated that this was an important question which he wanted to bring to the notice of the National Development Council at the beginning of the Plan. The methods of identification of the beneficiaries should be perfected in the best possible scientific manner that human ingenuity was capable of. He emphatically stated that we could not allow any specific programme not achieving the desired results simply because of the lack of precise data on relevant beneficiary groups. In this connection the Prime Minister referred to the Andhra Pradesh Government's scheme for providing rice to the poor at Rs. 2 per kilogram and the distorted implementation of the scheme by which affluent people managed to get the benefit at the cost of the real poor. He stated that this was the result of administrative lapses and if such lapses were not corrected and removed our social justice programmes would just flounder. He stated that the Chief Ministers who were very close to the field in respect of such programmes could advise what should be done in this regard and called for consultations to thrash out all related issues.

338. The Prime Minister observed a great debate had been going on regarding the comparative advantages of labour intensive and labour saving industries. It had started in Mahatma Gandhi's time. He pointed out that all over the world large industries which used up natural resources like monsters were being phased out because of environmental compulsions. It had come to be realised that development could not be sustained for long if the technologies being used were not up-dated. Technology was developing very fast and we have not been able to cope with the speed of the change and adopt the latest versions. By the time we adopted a particular technology it became outmoded and got rejected by the modern industrial nations. He pointed out that we would have to compete with them in evolving the latest technologies and not remain imitating them all the time. In

this connection the Prime Minister made a reference to our traditional takli and stated that the textool developed in khadi was much more efficient than the takli and enabled the worker to get more income. He observed that the real cause for sufferings of the handloom weavers was technological. He stressed that there was no alternative to modernisation. He said that we had to have a second look at the policy of reservation which had been perpetuating non-modernisation of the handloom industry. But modernisation should take into account the conditions available in the country. He stated that he had seen in Africa literally thousands of tractors lying idle because there was no oil to run them, whereas Indian agriculture with the age old bullocks had been going on though some people might laugh at it. There was some sense in our age old methods and the technological breakthrough we aimed at should take into account these factors also.

339. The Prime Minister expressed his happiness at the meeting having been very useful. He said that he would be announcing the formation of the committees shortly, after consultations. He thanked the Council members and other participants once again for attending the meeting and making it a success.

340. **Shri Bhajan Lal**, Chief Minister, Haryana proposed a vote of thanks to the chair.

## PARTICIPANTS

### PLANNING COMMISSION

Shri P.V. Narasimha Rao	Chairman, Planning Commission and Chairman, National Development Council
Shri Pranab Mukherjee	Deputy Chairman, Planning Commission
Dr. Manmohan Singh	Minister of Finance and Member, Planning Commission
Shri Sharad Pawar	Minister of Defence and Member, Planning Commission
Shri Balram Jakhar	Minister of Agriculture and Member, Planning Commission
Shri H.R. Bhardwaj	Minister of State with Independent Charge of the Ministry of Planning and Programme Implementation
Dr. (Mrs.) Chitra Naik	Member, Planning Commission
Dr. D. Swaminadhan	Member, Planning Commission
Shri V. Krishnamurthy	Member, Planning Commission
Dr. C. Rangarajan	Member, Planning Commission
Dr. S.Z. Qasim	Member, Planning Commission
Prof. J.S. Bajaj	Member, Planning Commission
Dr. Jayant Patil	Member, Planning Commission

### STATES

Andhra Pradesh	Shri N. Janardhan Reddy Chief Minister  Shri B.P.R. Vithal Deputy Chairman, State Planning Board
Arunachal Pradesh	Shri Gegong Apang Chief Minister  Shri Thupten Tempa Minister of Planning  Shri T. Ngemu Minister of PWD

Assam	Shri Hiteswar Saikia Chief Minister
	Dr. B.N. Shastri Vice Chairman, State Planning Board
Bihar	Shri Laloo Prasad Chief Minister
Goa	Shri Ravi S. Naik Chief Minister
	Dr. Wilfred D'Souza Deputy Chief Minister
Gujarat	Shri Chimanbhai Patel Chief Minister
Haryana	Shri Bhajan Lal Chief Minister
	Shri Brinder Singh Planning Minister
Himachal Pradesh	Shri Shanta Kumar Chief Minister
	Shri Roop Singh Minister for Planning
Jammu & Kashmir	Shri G.C. Saxena Governor
Karnataka	Shri S. Bangarappa Chief Minister
	Smt. K.S. Nagarathnamma Minister for Planning & Institutional Finance
Kerala	Shri K. Karunakaran Chief Minister
	Shri Oommen Chandy Finance Minister
	Shri V. Ramachandran Vice Chairman, State Planning Board
Madhya Pradesh	Shri Sunderlal Patwa Chief Minister



## Summary Record of Discussions of the NDC Meeting

	Shri Ramhit Gupta Planning and Finance Minister
	Shri Shitla Sahai Minister for Water Resources
Maharashtra	Shri Sudhakarrao Rajusing Naik Chief Minister
	Shri Ramrao Adik Minister of Finance and Planning
Manipur	Shri R.K. Ranbir Singh Chief Minister
Meghalaya	Shri Madhukar Dighe Governor
Mizoram	Shri J. Lalsangzuala Finance Minister
Nagaland	Shri Vamuzo Chief Minister
Orissa	Shri Biju Patnaik Chief Minister
	Shri Prafulla Chandra Ghadei, Minister of Planning & Coordination
Punjab	Shri Surendra Nath Governor
Rajasthan	Shri Bhairon Singh Shekhawat, Chief Minister
Sikkim	Shri Nar Bahadur Bhandari Chief Minister
Tamil Nadu	Ms. Jayalalitha Chief Minister
	Dr. V.R. Nedunchezian Minister of Finance
Tripura	Shri S.R. Majumdar Chief Minister
Uttar Pradesh	Shri Kalyan Singh Chief Minister
	Shri Rajender Kumar Gupta Finance & Planning Minister

West Bengal

Shri Jyoti Basu  
Chief Minister  
Dr. Asim Kumar Dasgupta  
Finance Minister

## UNION TERRITORIES

Andaman & Nicobar

Lt. Gen. (Retd.) R.S. Dyal  
Lt. Governor

Chandigarh

Shri Surendra Nath  
Administrator

Dadra & Nagar Haveli, Daman & Diu

Shri Bhanu Prakash Singh  
Administrator

Delhi

Shri Markandeya Singh  
Lt. Governor

Lakshadweep

Shri S.P. Aggarwal  
Administrator

Pondicherry

Shri V. Vaithyalingam  
Chief Minister

## SPECIAL INVITEES

Shri S.N. Dwivedi

Chairman, North Eastern Council

Shri S. Venkitaramanan

Governor, Reserve Bank of India

## UNION MINISTERS

Shri Arjun Singh

Minister of Human Resources  
Development

Shri S.B. Chavan

Minister of Home Affairs

Shri M.L. Fotedar

Minister of Health and Family Welfare

Shri Ghulam Nabi Azad

Minister of Parliamentary Affairs

Shri C.K. Jaffer Sharief

Minister of Railways

Smt. Sheila Kaul

Minister of Urban Development

Shri Sitaram Kesri

Minister of Welfare

Shri Vijaya Bhaskara Reddy

Minister of Law, Justice and Company  
Affairs

Shri Madhav Rao Scindia

Minister of Civil Aviation and Tourism

Shri B. Shankaranand

Minister of Petroleum and Natural Gas

## Summary Record of Discussions of the NDC Meeting

Shri V.C. Shukla	Minister of Water Resources
Shri Madhavsingh Solanki	Minister of External Affairs

### MINISTERS OF STATE (INDEPENDENT CHARGE)

Shri P. Chidambaram	Minister of State of the Ministry of Commerce
Shri Santosh Mohan Deb	Minister of State of the Ministry of Steel
Shri Ashok Gehlot	Minister of State of the Ministry of Textiles
Shri Tarun Gogoi	Minister of State of the Ministry of Food
Shri Giridhar Gomango	Minister of State of the Ministry of Food Processing Industries
Shri Kamal Nath	Minister of State of the Ministry of Environment and Forests
Shri Ajit Kumar Panja	Minister of State of the Ministry of Information and Broadcasting
Shri Rajesh Pilot	Minister of State of the Ministry of Communications
Shri Kalp Nath Rai	Minister of State of the Ministry of Power and Non-Conventional Energy Sources
Shri P.A. Sangma	Minister of State of the Ministry of Coal
Shri Jagdish Tytler	Minister of State of the Ministry of Surface Transport
Shri Balram Singh Yadav	Minister of State of the Ministry of Mines

### MINISTER OF STATE

Smt. D.K. Thara Devi Siddhartha	Minister of State for Health
---------------------------------	------------------------------

**FORTY FOURTH MEETING  
OF THE  
NATIONAL DEVELOPMENT COUNCIL  
MAY 22 - 23, 1992**

**SUMMARY RECORD**



**GOVERNMENT OF INDIA  
PLANNING COMMISSION**

## SUMMARY RECORD OF THE DISCUSSIONS HELD AT THE FORTY FOURTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL ON MAY 22-23, 1992

---

### AGENDA & SUMMARY RECORD

---

The National Development Council held its forty-fourth meeting at Parliament House Annexe, New Delhi on 22<sup>nd</sup> and 23<sup>rd</sup> May 1992, under the Chairmanship of **Shri P.V. Narasimha Rao**, PRIME MINISTER, and chairman of the Council. The meeting considered the Eighth Five Year Plan (1992-97) document.

The list of participants is appended.

2. **Shri Pranab Mukherjee**, Deputy Chairman, Planning Commission welcomed the participants and expressed satisfaction that it had been made possible to present the draft of the Eighth Five Year Plan in almost record time. The work on this Plan had started in 1988-89 under the guidance of the then Prime Minister and Chairman of Planning Commission, **Late Shri Rajiv Gandhi**. The change in the Government and subsequent events disrupted preparation of the Plan, leading to the postponement of the Eighth Plan by two years. However, his immediate predecessor had started the work and the spadework done has been of great help.

3. After the new government came to power in June 1991 and the reconstitution of the Planning Commission, the Commission had presented the Directional Paper and obtained the approval of National Development Council on the broad parameters of the Plan in December, 1991. Completion of the Eighth Plan document had been possible due to the guidance and willingness of the Prime Minister to discuss and consider the planning issues at short notice and the help and cooperation extended to the commission by Union Ministers and Chief Ministers.

4. He stated that the Plan had been formulated under a difficult situation. Fiscal problems limited the ability of the Government to provide as much resources as were needed to maintain the pace of growth. At the same time, through this Plan, it had to be ensured that the stimulus for sustaining long-term growth of the economy was strengthened in the immediate future. The process of economic reforms and structural adjustments had to be carried forward without sacrificing the imperatives of development. This called for delicate balancing of options in the formulation of the Plan. We had to start rolling back the Public Sector investment from those sectors of the economy where Private Sector could move in and step up our investment in the social sector. At the same time we had to ensure that the infrastructure needed for economic development continued to grow in this transitional period.

5. The Deputy Chairman stated that India is a poor country. A third of our population live in conditions of poverty. We could not adopt the attitude of the developed market economies which could afford to provide social security to its people. We do not have those kind of resources. So we have to move with caution. Those very processes which stimulated growth, sometimes tend to neglect the poor. He quoted the Prime Minister who had put the issue in the following words: "there is, however, one danger which we must recognise and guard against in the 'opening up' process. This could lead to wider disparities within the society. To meet this situation, we have to enable the under-privileged sections also to derive the benefit of the new opportunities. This process would

naturally need some time to fructify. Until that happens, there has to be a by-pass arrangement whereby benefits reach the lowest rungs of the social pyramid directly from the State. We are doing this”.

6. The Eighth Plan has been formulated in the face of these challenges. This makes it a Plan with a difference. It is a Plan for managing the change, for managing the transition from centrally planned economy to market-led economy without tearing our socio-cultural fabric.

7. He stated that in preparing this document he had the benefit of two rounds of discussions with the Chief Ministers. Since the full document spells out in detail the strategy and programme content of the Plan, he proposed to describe those salient features of the Plan, which in his view were its essence, and the pre-conditions for its successful implementation.

(i) This Plan is indicative in nature. It concentrates on building a long-term strategic vision of the future and has set forth the priorities of the Nation. While for the public sector the Plan goes into the details examining the alternatives and identifying the specific projects in various sectors, for the rest of the economy it works out sectoral targets and lends to provide stimulus to the economy to grow in the desired direction.

(ii) The Plan recognises “human development” as the core of all developmental effort. It was only healthy and educated people who could contribute to economic growth and this growth contributes to human well being. The priority sectors of the Plan that contribute towards realisation of this goal are health, education, literacy and basic needs including drinking water, housing and welfare programmes for the weaker sections. In the Eighth Plan, the government at the Centre and in the States would expand their role in this sphere.

(iii) No society in the long run can sustain the welfare of its people without economic growth. For rapid economic development, the priority sectors identified for the growth of infrastructure were power, transport and communications. The basic assumption is that if we could provide these three essential ingredients in the urban and rural areas, it would lead to accelerated economic growth.

(iv) The Plan attempts to correct the fiscal imbalances from which the Sixth and Seventh Plans suffered. The funding of the Plan had to be done in a non-inflationary manner by avoiding debt trap both internally and externally. This calls for a reduction in government’s dissavings, higher resources mobilisation both by the Centre and the States and improvement in the performance of public sector units.

(v) This is an integrative Plan. If the results of our development activities so far have not been commensurate with the investments made, one of the main reasons for that have been our fragmented approach. Too many agencies trying to do too many things with thin spread of resources have led to poor results. If we could integrate our development efforts, the results could be much more impressive even with these levels of investment. He opined that a time had come for us to take a close look at the structure of the government particularly in the priority areas of rural development, energy and transport and bring together the various departments/agencies dealing in each of these areas under one umbrella for coordinated policy formulation and implementation.

(vi) The Eighth Plan recognises the essential need to involve people in the process of development. The attitude of passive observance and total dependence on the government for development activities have become all pervasive. It has to be altered to a pro-active attitude of taking initiative by the people themselves. In the process of development, people must operate and the government must cooperate.

(vii) The new role of the government in the process of Plan implementation envisages substantial devolution of power to the peoples' organisations at the district, block and village levels. Panchayats and Nagar Palikas elected by the people should have a larger role in formulating and implementing the developmental projects in their areas. They should be vested with adequate financial resources, technical/managerial inputs and decision making authority. Involvement of voluntary agencies and other peoples' institutions is essential for effective micro-level participatory planning.

(viii) This Plan is performance-oriented. It concentrated not so much on its allocative role, but on how to utilise the allocations optimally. The stress is on performance improvement, quality consciousness, competitiveness, efficiency of operations and on-time completion of the projects.

(ix) The Eighth Plan pays special attention to employment in the rural areas. If people could get adequate earning opportunities where they reside normally, they would not migrate to urban areas. Such an expansion of employment opportunities called for a shift in the emphasis in the rural development programmes from the creation of relief type of employment to building up of durable productive assets in the rural areas. These assets could enhance productivity and create more job opportunities, leading to sustained development.

(x) This is a flexible Plan with scope for change, innovation and adjustment. In the outlays that we proposed for the States and some of the Central Ministries, there is a fairly large component of resources that the States and central Ministries had to raise themselves. Unless these resources became available, it would not be possible for us to fund this Plan. Also, there are some sectors like power, transport and communications which we felt should have got higher outlays in line with the priorities accorded to them. This resource gap is sought to be filled by private sector investment in these areas. We intend to undertake mid-course review both with the States as well as the Central Ministries and if needed, to take remedial measures.

8. The macro-dimensions of the Plan, Shri Mukherjee stated, had already been approved by the National Development Council. The directional paper had proposed a growth rate of 5.6 per cent per annum over the period of the Plan, an investment level of Rs. 7,92,000 crores in the economy and a public sector outlay of Rs. 4,00,000 crores. In the elaboration of details, this Plan document still proposed a growth rate of 5.6 per cent per annum on an average during the Plan period. The level of national investment was proposed at Rs. 7,98,000 crores and public sector outlay was proposed to be at Rs.4,34,100 crores. Consistent with the expected resource position, the size of the States' and UTs' Plans was projected at Rs. 1,86,235 crores and of the Central Plan at Rs. 2,47,865 crores. Against this the Seventh Plan outlay was of Rs. 1,80,000 crores split into Rs. 89,466 crores for the States and UTs and Rs.95,534 crores for the Centre.

9. The outlays in the public sector were financed by budgetary support and domestic and foreign borrowings. The total budgetary support in the Eighth Plan is Rs. 188,475 crores at 1991-92 prices, which was 43.4% of the outlay as compared to the corresponding figure of 55.2% in the Seventh Plan. This decrease in the level of budgetary support was because of our compulsion to keep the fiscal deficit at a particular level. Budgetary support became a crucial factor in determining the outlays of sectors which did not have any access to internal resources or borrowings. Besides, in the physical infrastructure areas such as power and transport including railways, a certain minimum budgetary support had to be made available even though they may have access to internal resources and borrowings.

10. Nearly 81.7 per cent of the total budgetary support to the central ministries have now gone to the social, infrastructure and agricultural sectors, compared to 70 per cent of the support given to these sectors in the Seventh Plan. The total Plan outlay of States including Area Programmes would be Rs. 179,985 crores of which the total budgetary support to the State Plans would be Rs. 78,500 crores including normal Central assistance, against externally-aided programmes as well as plan revenue deficit grants. What has now been planned for the States was a little more than twice the Seventh Plan size. The distribution of outlay across the development heads for the Central Plan, as also for the Plans of the States and UTs is indicated in the Plan document. The distribution for the States and UTs is, by and large, indicative at this stage. While the aggregate outlay had been firmed up with the States, the interaction with the States on their proposals for sector-wise distribution of outlay was still continuing.

11. Shri Mukherjee observed that agricultural investment in the economy has been declining as a proportion of the total investment. Agriculture had to keep growing under the constraint of limited availability of land for which non-agricultural demands were also increasing. The burden of feeding a growing population lied on agriculture. We should also not lose sight of the fact that about two-third of the employment was provided by agriculture and a large segment of our export earnings came from this sector. Therefore, the agricultural sector needed to be given a high priority. The private investment in this area could flourish only in the backdrop of a good infrastructure created by the efforts of the public sector. Major developmental responsibilities in agriculture lied with the States, and greater efforts would have to be directed towards the development of agriculture and rural infrastructure. He drew particular attention to those States which so far have not experienced the benefits of green revolution—the States in the Eastern region.

12. If we were to reach ultimately the goal of full employment by the turn of the century, we would have to concentrate on creating job opportunities, particularly in the rural areas. The Central Plan made a substantial step up in the outlay for Department of Rural Development from Rs. 4,900 crores approved in the Seventh Plan, against which the actual expenditure was about Rs. 10,800 crores, to Rs. 30,000 crores in the Eighth Plan. The rural development programmes would have to be revamped in order to become more effective and more productive.

13. The emphasis had to shift from creation of relief type of employment to building durable assets in the rural areas. The productive assets which contributed to the overall development of the rural areas were, all weather rural roads, minor irrigation works like percolation tanks etc., land levelling and prevention of soil erosion/improvement of soil, social forestry, school buildings and buildings for primary health centres, vocational training and production centres etc. Any additional resources for generation of wage-employment should be restricted to the identified “backward” districts.

14. The Deputy Chairman mentioned that the Sixth and the Seventh Plans made a determined effort at improving power supply. While we had not been able to electrify all homes, we had, by and large, been able to provide power to productive activities particularly in industry, agriculture and commercial sectors. This was possible because of the leading role played by the Centre. The Central Plan contributed 45 per cent of the capacity addition during the Seventh Plan as compared to 6 per cent in the Fifth Plan. The central projects had enabled creation of regional grids which were being enmeshed into a national grid. The priority of the central plan in power sector now would be towards integrating the national power supply system so as to improve its utilisation, and to correct the present adverse hydel thermal mix. To make this possible, States would have to



assume a greater role in the short and medium term power capacity addition and the associated distribution network. He urged the States to allocate adequate resources for power sector to match with their expansion in demand in the Eighth Plan and in the early years of the Ninth Plan. These resources had to be generated from within the State electricity Boards and the Electricity Departments. The State would also have to supplement the Central Plan in a large measure for the creation of industrial infrastructure for medium and small industries.

15. He stated that while working out the financing pattern of the Eighth Plan, one of our major concerns was to avoid the trap that we had got into during the Seventh Plan. At the time of formulation of the Seventh Plan, it was envisaged that nearly 40 per cent of the total public sector outlay would be financed by balance from the current revenues and contribution from public enterprises, both inclusive of additional resource mobilisation. Ultimately, the contribution from BCR and public sector enterprises turned out to be only 20 per cent of the total outlay and the balance was met through borrowings. That created an internal debt-trap and acute BoP crisis. We wanted to avoid that situation and confine the Public Sector outlay to an irreducible minimum level essential for ensuring the targeted growth. To achieve that, we had to drastically reduce the government's dissavings from 2.3 per cent of the GDP in 1991-92 to an average of 1.1 per cent in the Eighth Plan period. Generation of more savings by the government was a crucial element underlying the financing pattern of the public sector investment in the Eighth Plan. It was essential that contribution from BCR during the Eighth Plan was not less than 8.5 per cent of the GDP against 2 per cent during the Seventh Plan. Contribution from State Public Sector enterprises must improve substantially. Hard decisions both in relation to resource mobilisation and containments of expenditure including subsidies were called for, in order to achieve this.

16. The Deputy Chairman further stated that in his discussion with the Chief Ministers, he had been insisting on the need for resource mobilisation and improvement in BCR. The situation for both, special and non-special category States were really grim. In respect of non-special category States, negative BCR was as high as Rs. 2340 crores in 1991-92. After discussions with them they had agreed to improve it through additional resource mobilisation to a positive level of Rs. 1696 crores for the 1992-93. Similarly, for the Eighth Plan period the ARM indicated by the States was as high as Rs. 36000 crores. Although the States have promised to raise these resources, he knew it was daunting task and will require utmost efforts and very careful monitoring. Since no soft options are left, all have to stick to rigorous fiscal discipline. In the case of special category States, at present, the Planning Commission has ignored the impact of negative Balance from Current Revenue to the extent of Rs. 17640 crores. We had to find a solution to this problem, otherwise the plan funds would go to finance non-plan expenditure. He said, he was awaiting the recommendations of the Rangarajan Committee set up to look into the financing pattern of the special category States.

17. Shri Mukherjee stated that he was fully aware of the fact that most of his colleagues in the Central Ministries and some in the State governments were not happy with the plan outlays indicated to them. But his constraint was that as against the availability of resources to the extent of Rs. 400,000 crores, the demands made by the Central ministries and State Governments added up to over Rs. 800,000 crores. Therefore, it was essential for him to adjust the allocations to bring it in line with the availability of resources.

18. He stressed that the success of the Eighth Plan rested on some assumptions. These were: a reasonable degree of price stability; growth of our exports in volume term at the rate of 13.6% and limiting our imports to a growth rate of 8.4% of the GDP; the rate of savings to be in the region of 21.6% and government dissavings to be limited to 1.1%. The present inflationary trend in the

economy had to be contained. Determined effort to augment our resources had to be made. Current revenue must generate surplus to fund the development expenditure by drastically reducing the non-developmental expenditure. We must consider seriously how long the sectors which had the capacity to pay would be allowed not to contribute to the exchequer to overcome the crisis and restore fiscal balance. While reducing the non-developmental expenditure, we must look critically at the spending on defence, subsidies and establishment cost. Resources necessary to improve the conditions of the weaker sections would just not be available if the relatively affluent sections were not made to share the burden of financing the poverty alleviation programmes.

19. Another area of critical concern related to the Balance of Payments (BoP). It was imperative that during the Eighth Plan steps were taken to correct the fundamental weakness in India's BoP position. Originally it was felt that the current account deficit should be contained at a level equivalent to 1.4% of the GDP. In a further assessment of the export prospects and import needs, it had been decided to keep the current account deficit at 1.6 per cent of the GDP during the Eighth Plan. In absolute terms this would be US \$ 22 billion. Containing the current account deficit at this level was not going to be an easy task. We would need to pay special attention to restricting the imports of crude oil and petroleum products. And this task had been made very difficult by the fall in output of crude oil much below the levels projected just about a year ago. We had to provide for adequate energy input to sustain economic growth. In this context he urged a more concerted effort on tapping commercially viable sources of alternate domestic fuels, close monitoring of consumption and an appropriate pricing policy.

20. Turning to the vital area of implementation and operationalising the concepts presented in the Eighth Plan which only could ensure that the benefits of plan programmes like minimum needs programmes and employment generation schemes reached the intended beneficiaries, he called for wide involvement of the people in the process of development. We had set up a task force to suggest various practicable institutional options for involving people in the task of development and for reducing their dependence on government for everything. The report had since been received and examined by us. As a first step towards the implementation of some of the recommendations made by the task force, he had called a meeting of the voluntary agencies in order to workout an action plan and also to seek their whole-hearted involvement in this process. The action plans formulated in this workshop were now ready for implementation. It was proposed to launch the experiment of micro level participatory planning in 150 blocks during the first year of the Eighth Plan through creation of a three-tier institutional system. This system required local communities at village, block and district level to diagnose needs, workout the priorities and implement plans using the collective wisdom of the people, knowledge of the experts and administrative skills of the government functionaries. This might require a change in the existing programme oriented approach wherein determined standardised activities were undertaken in all the villages without any flexibility. Our accent on institutional approach was to provide a community instrument which would determine what people really needed and how it could be achieved most effectively. The organisational structure had already been worked out and he intended to write to the Chief Ministers in this regard in the near future.

21. Another initiative taken by the commission to bring together the farmers, business community, banking institutions, scientific institutions and various governmental agencies was reflected in the setting up of Small Farmers Agri-Business consortium (SFAC). We had identified 10 areas where we had comparative advantage by global standards because of our agro-ecological and socio-economic conditions. These were food crops, oilseeds, cotton, sugarcane, horticulture, sericulture,

dairy development, poultry, aquaculture and agro-forestry. By setting up this consortium, we intended to improve the efficiency of production and post-harvest technologies and develop suitable marketing network. This would lead to creation of jobs as well as income generation. He stated that he had written to the Chief Ministers asking for their recommendations for starting 12 to 15 pilot projects and positive responses had already been received from eight States. All the ground work for setting up of this Consortium as a registered society had now been completed and he hoped that the Consortium would start functioning from June 1992.

22. He mentioned that a monitoring system was being worked out which would provide us timely signals of the performance of the State governments in the priority sectors of the plan. He hoped that with all the measures which had been initiated, it would be possible to monitor and implement the plan more effectively.

23. He stated that for sometime now we had been thinking of developing a policy on Himalayas for its integrated development. This issue, he noted had been raised by some of the Chief Ministers in the last NDC meeting. He informed that the Planning Commission had set up a Group of experts under the Chairmanship of Dr.S.Z. Qasim, Member, Planning Commission to make recommendations towards development of a national policy on Himalayas. The group had already started its work and was expected to submit its report by October 1992.

24. He also informed that after the last meeting of the NDC, the Prime Minister had set up NDC committees in the priority areas of population control, employment generation, literacy, decentralized planning and austerity. The committees had started functioning and their recommendations were likely to be available by October, 1992. Action to implement these recommendations would be started as soon as the reports are received.

25. In order to provide expert advice to the State governments and Central Ministries, he proposed setting up of consultancy groups in the priority areas of education, horticulture and micro-level planning. Each group would have a panel of experts drawn from Government agencies as well as educational and professional bodies. On invitation from State governments and Central Ministries, these groups would work with them in chosen areas for development and problem solving. They would also act as “integrators” and build effective channels of communication and inter-action between main wings of the government.

26. He opined that at the threshold of the Eighth Five Year Plan we had an India which possessed differentiated infrastructure with immense potential for industrialisation. Most of the villages had access to electricity and would shortly be within the reach of modern telecommunication network. In fact the Ministry of Communication was proposing to spend about Rs.8000 crores to improve the rural telephone communication system. Income and consumption levels had risen. Consumption basket had diversified. Incidence of poverty had declined. The average life expectancy had gone up. The death and birth rates had declined. Literacy had improved and the educational base had widened. We now have a robust and resilient agricultural economy with near self-sufficiency in food production. We have a large pool of skilled manpower and ample entrepreneurial resources. The growth performance of at least a decade preceding the Eighth Plan has been good. The liberalisation process initiated last year was gathering momentum offering new opportunities. It was in this background that the Eighth Plan was being launched which represented our shared commitment to fulfill our objectives. He stated that that was the time for us to act and act unitedly.

27. The Deputy Chairman then requested the Prime Minister to address the august gathering.

28. **Shri Narasimha Rao**, Prime Minister and Chairman of the National Development Council welcomed all the participants to the 44<sup>th</sup> meeting of the NDC. He stated that the Council had before it for consideration the draft Eighth Five Years Plan which had been prepared in the light of the directional paper on the Eighth Plan earlier approved by the NDC in December 1991 and on the basis of extensive discussions the Planning Commission had with Central Ministries, State Governments and Union Territory Administrations.

29. The Prime Minister noted that momentous changes were taking place around us in the economic, social and political spheres. A philosophy of growth guided by market forces and liberal policies was emerging. In this context, the role and even the relevance of planning was being questioned. But, the emerging global economic and political changes did not mean a reduction of responsibility on the part of government and the Planning Commission; rather, these changes only serve to reinforce their roles. He stated that in the last NDC meeting he had emphasized that planning had a critical role in the social, human and economic development of our people. It had a particularly crucial role in the creation of social infrastructure and in the sphere of human development.

30. He stated that our past experience with the Public Sector, and the experience of several countries of the world, had shown that, under some conditions, the market could serve as a device for promoting efficiency. However, the growth and development of this country could not be left entirely to the market mechanism; fulfilling the minimum needs of our people, providing education and health for all, ensuring employment and a living wage to all our rural poor, could not be left to market forces. The limitations of the market as the sole vehicle of development had to be recognised, and needed to be supplemented by some other way; and that other way could only be through State intervention. Planning will, therefore, continue to have a crucial role in a number of areas, particularly, in macro economic management, in the creation of social infrastructure, and in the sphere of human development. Planning was necessary to take care of the poor and the downtrodden, who were for the most part, outside the market system and had little asset endowment to benefit from the natural growth of economic activities. Development of backward, hill and remote areas and their integration with the mainstream of economic activities also could not be completely left to the market, and would, therefore, have to be undertaken as a planned effort. Market could not play the required role in areas like protection of the environment, forests and ecology, and in guiding the use of scarce resources like rare minerals, land and water. A long term perspective, and hence planning, was called for in these areas. Strengthening of physical infrastructure, like energy, transport, communications and irrigation, which support the growth process on a sustainable basis, was another area where the role of planning was crucial. The expected increasing participation of the private sector in investments in these sectors did not, in any way, detract from the criticality of the need for planning. Planning and the market mechanism should be so dovetailed as to be complementary to each other.

31. Planning for public investment had to be detailed, somewhat like corporate planning. For the rest of the system, it had to be indicative, outlining the broad directions in which the economy should be moving. It will provide a vision of the future along with medium term projections for the entire economy, appropriate information systems, an indication of areas of strengths and weaknesses and appropriate policies to meet the desired goals. It will also seek to ensure a degree of consensus in the system through a meaningful dialogue between “social partners” in

development, namely, government, farmers, trade union, business, etc. As such the question was not of a choice between the market mechanism on the one hand and planning on the other, on an either or basis. The crucial question was how to strengthen a decentralised structure from the micro-level upwards and how to truly involve the people in the development process. The real challenge for the Government, both at the Centre and the States, was to play an integrative role in developing a holistic approach to policy formulation, especially in critical and inter-sectoral areas of human and economic development. The State Governments and Panchayati Raj institutions had to address this question in a thoroughgoing manner.

32. The Prime Minister sought to illustrate the point, with reference to two critical areas: literacy and family welfare. Adult education programmes had till recently been viewed only as Government's responsibility. It was only the recent success of the area-specific and time-bound mass campaigns for total literacy launched first in Kerala, and now even in the more backward regions of the country, that had given confidence and hope for the eradication of illiteracy during the Eighth Plan. These campaigns enlisted the active support of all members of society, volunteer activists, students, teachers, NGOs, and the local community. Similarly, the Eighth Plan strategy for family welfare and population control squarely places the major role in the planning, implementation and administration of the programme on Panchayat level institutions, and also places great reliance on the involvement of the people.

33. The Prime Minister stressed the need to involve Members of Parliament in the development programmes in their constituencies. Considering the responsibility they owed to the Parliament and also in view of the fact that as representatives of the people, the Members of Parliament were entitled to take interest in their constituencies, a uniform pattern of their involvement in the various development processes in the country was essential.

34. The Prime Minister noted that there was a heavy backlog in the provision of social consumption needs of the people; poverty and deprivation levels, though reduced, were still unacceptably high. Literacy levels, especially among women, continued to be abysmal. The high incidence of infant mortality and the acute unemployment situation, were matters of anxiety. The increasing fiscal and budgetary deficits, the critical balance of payments situation, inflation, as well as the urgent need to restructure the economy to make it vibrant and internationally competitive, also require immediate attention.

35. Against this background the Prime Minister stated that the Eighth Plan accords priority to the generation of adequate employment to achieve near-full employment by the turn of the century. Towards this end wage employment programmes particularly in rural areas would be a major thrust area. The other priority areas would be control of population growth, universalisation of elementary education and eradication of illiteracy, provision of safe drinking water and primary health facilities for the entire population, growth and diversification of agriculture to achieve self-sufficiency in food grains and to generate surpluses for exports, and strengthening of infrastructure to support the growth process on a sustainable basis.

36. He opined that to handle the problem of unemployment in the rural areas through wage-employment would be a temporary measures. With universalisation of primary education, with more and more high schools, etc. coming up in the rural areas, wage-employment could not be continued beyond a point. A time would come when the young people would say, "they were not for wages, they were not ready to go for wages, they needed a different kind of employment". This might not happen during the present generation but the next generation would not be content only

with earning wages, unlike their parents, which means the country will have to be ready for this change. The kind of development being pursued now would have to change and a more sophisticated form of development, would have to be studied and formulated and a different kind of employment would have to be introduced, maybe in the next five years. The Prime Minister stated that in his view this change could not wait much longer. If we were not conscious of this and if this is not dealt with right now, the very programme of universalisation of primary education, of having more and more secondary schools, etc. in the rural areas would reach a stalemate situation where we would not be able to cater to their needs. He thought that the Ninth Plan would have to take care of that. He felt that the Eighth Plan was safe so far as wage-earning was concerned. But something had to be done in order to cater to the age group of 15 to 20, and prevent them from going into the towns, and prevent the large scale urbanisation that was taking place today. He stated that we had to think in the Ninth Plan of something which will keep these semi-educated or educated boys and girls within the village by providing the kind of employment which really benefited them, which they considered worth their while and not below their dignity. This was a social as well as an economic problem and one would have to go into greater details.

37. Highlighting the macro-dimensions of the Eighth Plan the Prime Minister said that the Plan envisages an average annual rate of growth of 5.6% in the GDP- the rate of growth approved by the Council in December, 1991. It involves a total investment of Rs. 798,000 crores, most of this was to be financed from domestic resources. Public sector investment is placed at Rs.361,000 crores and outlay at Rs. 434,100 crores. The size of the State's Plan is projected to be Rs. 179,985 crores. The declining trend in the share of the States in the Public Sector Plan has been sought to be reversed in the Eighth Plan: the share is expected to be 41% against the realised level of 39% in the Seventh Plan. The Plan proposes a significant shift in investment in favour of agriculture and allied sectors. Investment in agriculture has been declining over the years, although agricultural growth is crucial for maintaining food security and for generating employment. The relative share of the infrastructure sector was proposed to be maintained to strengthen the foundations of growth in the future.

38. The Prime Minister stated that the private sector would be given a larger share than before in a number of economic activities—electricity, communications, oil and coal, petro-chemicals, heavy capital good industries and organised commercial services, to name a few. He expected the private sector to rise to the occasion and contribute substantially to the development of these sectors of the economy.

39. The realisation of the projected level of investment and, therefore, of the objectives set for the Plan, called for a well conceived set of macro-economic policies and the utmost financial discipline on the part of all concerned, the Central and State Governments, public and private enterprises and the financial institutions. The Plan is a programme for the development of the nation and it is our joint responsibility to successfully implement it.

40. The P.M. specifically drew the attention of the Council to certain issues. The Central government had already taken a number of steps, like reduction in the size of the Government machinery, and reducing government expenditure, with a view to reversing the sharply deteriorating trends in Government savings. The restructuring of the Central public sector enterprises is also under the active consideration of Government so that they might contribute to internal resource generation needs of the Public Sector Plan. He requested the Chief Ministers to initiate similar action in the States, if it had not already been done. The tendency in smaller States and even

smaller districts in bigger states, to develop administrative structures similar to larger ones needed to be checked. In general, State Public Sector enterprises currently make a negative contribution to the government kitty. It was necessary to make them contribute substantially to the resource needs of the Plan by imparting operational efficiency to them and by appropriate pricing of the utilities so as to make them viable. In other areas like the public distribution system, the need was to go in for sharper targeting of beneficiaries to ensure avoidance of leakages and to channel scarce resources to those sections of the people who needed and deserved the benefits most.

41. Shri Rao opined that policy changes initiated recently on the economic, trade and financial fronts represented a good beginning. These needed to be carried further and the pace of reforms sustained, to reap their full benefits and to ensure successful implementation of the Eighth Plan. The reforms have to be accompanied by fiscal and monetary policies aimed at maintaining a reasonable price stability and a sustainable balance of payments. The last two budgets of the Central Government were steps in this direction. He requested the Chief Ministers to take similar steps in their States in regard to fiscal discipline and price stability. He expressed confidence that the Central and State governments, the private sector and all sections of society would contribute fully to the successful implementation of the Plan. He opined that expenditure alone did not help in achieving targets. What would help was a reorientation in the way of implementing the programmes through a much higher degree of involvement of the people.

42. Drawing on his personal experience he stated that he had found that some kind of avoidable discrimination was being resorted to at the grass-root levels where some political overtones were being felt in the process of development. He earnestly appealed to the Chief Ministers to ensure that this is avoided. Development was development and should be seen as such. When resources were made available, they were not a bounty; they were resources meant for the people. If the spirit was one of discrimination on political or other lines, then the entire point was lost, funds were lost and we did not get any results. He stated that he had visited some places where he was faced with nothing but complaints, some of which were more personal in nature than objective. If somebody had told him that something had not been done which ought to have been done by way of development, he would have been happy. But he had received only a series of personal complaints. There was need to avoid them.

43. He emphasised that the difference between development and political angles had to be very clearly understood at the grass-roots level. There was a time in the early fifties when a raging controversy had existed on whether political parties should fight elections on party lines at the Panchayat level. Some leaders said they should, others said they should not. Ultimately he thought, by and large, a kind of working arrangement had been reached whereby we did not really go and campaign for the parties in the Panchayat elections but still if a party had overwhelming or appreciable support in a particular area, the Sarpanch and Panchayat Members, by and large, belonged to that party and that was where we drew the line. That line is getting blurred. The Prime Minister stated that development will have to be kept a little aside from party considerations. He stated that he would not like to add anything more at this stage but wherever and whenever he found these complaints coming persistently, he would like to appeal to the Chief Ministers and other leaders of the States to correct this aberration because ultimately the whole country was going to suffer and the entire developmental programme at the grass-root level was going to suffer. He stated that he felt very strongly about this and that it was necessary to impress this at the beginning of the Eighth Plan rather than after the damage was done and when we were half way through. So, this was the time to consider this point.

44. The Prime Minister thanked all participants and commended the Eighth five Year Plan for the consideration of the Council. He suggested that the written speeches may be taken as read and invited the Members to present their suggestions in brief.

45. **Shri N. Janardhana Reddy**, Chief Minister, Andhra Pradesh felt that the Plan was historic in the sense that it was being formulated after some basic changes have been brought about in the economic policies of the nation. Given this background, even if the rate of growth achieved would be somewhat low during the current year due to the process of adjustment not having been completed, it would be possible to achieve the overall rate of growth of 5.6 per cent over the five year period.

46. He pointed out that while the percentage of investment in the public sector has been projected at the same level as in the Seventh Plan, there has been a welcome shift of priorities towards agriculture, rural development and social services. However, he drew attention to the fact that the State Plan outlay remained at 41 per cent of the total public sector outlay as was actually realised during the Seventh Plan and desired that the same would have to be increased in order to mitigate the negative consequences of the new economic policy. He felt that this could be achieved within the overall resource constraint, by transferring more allocations from Central Sector and Centrally Sponsored Schemes to the State sector. While agreeing to the proposed emphasis on number of programmes of rural development, he stressed the need for adoption of a holistic approach together with decentralised planning and implementation. Shri Reddy felt that the number of schemes which were directly regulated from the Centre as well as by the States would have to be considerably reduced.

47. The Chief Minister felt that what might be needed was a harmonization of the rate structure of indirect taxes and not of the powers of taxation as indicated. Drawing attention to the suggestion that the long run objective of our indirect tax reform should be one of replacing the indirect taxes by a value-added tax, he apprehended that this might reduce the States into a mere agency of expenditure, bereft of the two major sources of revenue viz., Sales Tax and Excise on liquor. What may, therefore, be needed was not a constitutional amendment but coordination of tax policies of the States and the Centre in such a way that the total impact of their indirect taxation did not affect production adversely.

48. Inviting the attention of the participants to the travails of the farming community, Shri Reddy expressed that measures like reduction of fertiliser subsidy, raising of power tariff for agriculture and reduction in the directed credit might create a wrong impression that the thrust of the policies was against the farmer. In the context of taxation of Agricultural Income, he felt that yield was not likely to be substantial given the distribution of assets and incomes in the sector. The farmer is affected by drought, floods and cyclone and therefore, implementation of a proper Crop Insurance Scheme should precede any proposal of agricultural income taxation. He felt that the withdrawal of fertiliser subsidy should be gradual to avoid any adverse impact on agricultural production, since the use of fertiliser by the farmer was highly price elastic. He stated that there was a need to evolve a mechanism whereby different policies were all coordinated with a view to ensuring the welfare of the farmer. He stressed the importance of maintaining adequate buffer-stocks as it had a psychological impact in curbing speculative interests and their mere presence had salutary effect on prices. However, much reliance cannot be placed on imports to achieve this objective.

49. With a view to raising the resources for the Plan, the Government of Andhra Pradesh had taken a bold decision to raise power tariff for agriculture and given freedom to other public sector



units including RTC in the matter of fixing their prices. He appreciated the GOI decision to pass on the entire external assistance for externally aided projects to States and said that Andhra Pradesh availed of record external assistance of Rs. 291 crores during 1991-92. Referring to liberalisation of financial system and in particular, interest rate structure, he apprehended greater competition from private sector for house-hold savings and expressed his concern about getting the projected level of share of market borrowings and small savings. He wanted GOI to take adequate policy measures to ensure projected level of receipts from market borrowings and small savings were realised by the States.

50. He stated that shedding of regulatory and supervisory functions may help GOI to curtail central administrative expenditure but there was not much scope for States administrative expenditure to decrease due to the additional responsibility cast on them to oversee maintenance of adequate standards of social services, tackle law and order problems and strengthen village administration and tax collection machinery. However, he assured that every effort will be made to cut down wasteful expenditure.

51. Shri Reddy agreed with the proposed emphasis on dryland farming and diversification of agriculture during the Eighth Plan. He felt that proper extension efforts should receive immediate attention to spread the results of bio-technology research. For eliminating post-harvest losses suitable measures will have to be adopted. No sudden drop in the lending for priority sector programmes including agriculture should take place so that there was no adverse impact on agricultural production. He emphasised that evolving any water policy seeking to transfer water from one river basin to other should be consistent with the findings and awards of River Water Tribunals.

52. While agreeing with the proposed priority for the on-going Major Irrigation Schemes, he felt that some provision for at least a few new schemes would be essential with a view to removing regional disparities. New irrigation projects may have to be taken up in certain drought affected areas as the most effective and primary means of raising level of living of people in these areas.

53. The CM pleaded for a more liberal policy for increasing natural gas availability for power generation with a view to eliminating power shortage. He was of the opinion that power generation in the public sector should continue to play a significant role. He reiterated his earlier stand that with a view to limiting competition among States to attract industries, the centre should take initiative in evolving a consensus regarding the type of incentives which may be offered by different States; taking into account factors like comparative advantage a state enjoys in the matter of raw material and skilled manpower, employment intensity, revenue yielding characteristics etc. He stated that the States provide necessary infrastructure to encourage export oriented industries and wanted the GOI to consider possibility of providing some incentives to States for their contribution in export promotion efforts.

54. In the agriculture sector, our problem today is to make benefits of development reach the un-organised sector of the economy which is the major area of poverty. He stated that Andhra Pradesh Government had initiated programmes targeted at women agricultural labour who outnumber the male agricultural labour. The scheme seeks to provide assistance of Rs. 900 to women agricultural labour on first and second pregnancies. Other schemes were also being evolved to provide welfare and social security to other un-organised segments of the society. A number of measures were also proposed for improving the working conditions and productivity of handloom weavers which account for one-sixth of total weavers of the country. He also mentioned that recently a Poverty Alleviation Project with an outlay of Rs. 1149 crores covering 9 lakh farmers belonging

to SC/ST and Backward classes was prepared and posed to the World Bank for Assistance. Special Employment Schemes were also being implemented for providing productive employment on a sustainable basis.

55. Shri Reddy stated that in the matter of distribution of surplus land the states performance had been excellent accounting for 70 per cent of the country's total achievement. In order to enable the State Government to update its Land Record so that Land Reforms could be implemented more effectively, he requested the GOI to consider meeting the cost of re-survey through the NRSA.

56. He welcomed all efforts to make vocational education not only more attractive but also to make them more employable. In this connection support of voluntary agencies and individuals in primary education also needed to be enlisted. He felt that setting up of residential school where quality education might be imparted was a better way of helping SC/ST students. He urged the GOI to take up such a programme on large scale, funded on a matching basis.

57. In the direction of efforts to check growth of population, he stated that the State Government has decided on a number of steps of which promoting literacy and the provision of incentive to innovators and participators would be important features. He mentioned that to further the process of decentralised planning, a certain amount of untied funds was being provided to local level representatives for taking up income generating and asset creating schemes for poor and the weaker sections of the society.

58. In the end Shri Reddy assured the fullest cooperation of his Government in the Prime Minister's unlisting efforts to carry our great Nation into an era of prosperity and justice.

59. **Shri Gegong Apang**, Chief Minister, Arunachal Pradesh stated that Arunachal Pradesh was considerably backward due to the historical reasons and has low resource base. The State was most backward in infrastructure; vast areas are still inaccessible and therefore isolated. Minimum essential facilities required for a State capital do not exist. All the districts of the State are 'Zero industrial districts' in spite of vast potential resources. There is no national project or central undertaking set up in the State. Even a fraction of the vast hydro-potential of the State has not yet been harnessed. Housing is another area of great concern. There is an acute shortage of accommodation of offices, institutions and government staff.

60. Shri Apang observed that outlays fixed for the Eighth Plan for the State suggested that their problems had not been adequately appreciated; the outlay was not even sufficient to maintain the current level of investment let alone enabling the state for tackling the most pressing problems. He, therefore, pleaded for a substantial step up in the outlay. He also reiterated the State's demand for setting up of an oil refinery and a paper mill. He pleaded for special central allocation in view of State having international borders with three countries. He also mentioned the State's long pending demand for construction of a national highway from Bhairabkund to Ruksin and pleaded for its early sanction and implementation through Border Roads Organisation.

61. **Dr. J. Jayalalitha**, Chief Minister, Tamil Nadu stated that it was a happy augury for the future that the country had been able to overcome severe economic crisis and chart out in the Eighth Plan new course of purposive action towards growth and development. The Eighth Plan marks a significant landmark in the history of planned economic development and the Tamil Nadu Government broadly endorses the size content and priorities of the Eighth Plan. For an economy like India with a massive population and millions of poor the strategy of development has necessarily to be home-spun drawn from our own experiences and had to pass the ultimate test as to where it

will improve the quality in the food prices will have to be contained. The State Governments had to bear the brunt of protecting the poor against rise in food prices and therefore require extreme caution and restraint in any attempt of increasing administered prices of foodgrains.

62. Tamil Nadu was faced with total absence of any more surface water potential and the fast dwindling ground-water potential. There was a need to establish a peninsular River Water Grid to effect inter basin water transfers from surplus areas. The Chief Minister also stated that there was an urgent need for special support from the Centre to rehabilitate the existing irrigation systems, particularly in the Cauvery delta.

63. In the context of accepted goal of full employment by the turn of the century, she stated that indicative planning will have to facilitate private sector initiative to blossom and flourish. She informed that Tamil Nadu had already taken initiative in this regard. She welcomed the suggestion for encouraging competition among development finance institutions which extend term loan assistance to new industries. She suggested setting up of 4 or 5 Industrial development banks with a regional focus and suggested for the setting up of southern Regional Industrial Bank with headquarters at Madras.

64. In the matter of achieving full employment, small industries and business, particularly in the rural farm sector would need special attention. While there was a need to restore health to the financial institutions, it was equally important to ensure adequate credit flows to the priority sectors which generate massive productive employment. She thanked the Prime Minister for giving clearance for the Aromatics mega project to be established in joint sector at Madras. For achieving rapid development of the energy sector she requested for early start of third Lignite Minecut of at Neyveli and creation of Southern Gas Grid. She stated that State government wanted to take up exploitation of structures in the Cauvery off-shore area with a linked 300 MW Gas based power plant.

65. She stated that the State government proposed to involve private sector in energy development project in their proposed 1500 MWs integrated lignite mining and thermal generation projects and coal based thermal plants of 500 MW capacity each at Tuticorine and Guddalore.

66. She pointed out that Tamil Nadu was adversely placed when it comes to pricing of key inputs like steel and coal and their plea for freight equalisation has had no response. She stated that a comprehensive package to facilitate the import of inputs like coal should be developed and Tamil Nadu should be allowed to go to outside markets for procuring basic inputs. For developing outward leaning economy, she repeated her earlier suggestion of setting up free ports and a trade corridor with Singapore. Tamil Nadu should also to be considered for setting up of one of the free ports. She also pleaded that earlier clearance of State's road projects, namely, East Coast National Highway, four-laning of certain national highways and the conversion of certain state highways to national highways. She also requested for an early decision on the allocation to the States of the augmented Central Road Fund. She also suggested that, to tackle the worsening situation in the four metros, a new programme may be launched to provide assistance for the rehabilitation of services and improvement in the quality of life of the urban poor. As an incentive for population limitation programmes, she suggested that in allocating resources to States on the basis of per capita income below the national average in modified Gadgil formula, the computation of per capita income may be done with reference to 1971 population. Reduction of resources from the Centre to States which have done well in population limitation would be unfair. She also expressed

her concern about cut back in the outlays for the Jawahar Rozgar Yojana. Even in the midst of the fiscal crisis, she exhorted, let us not deny the daily meals to the poor.

67. She observed that while there was a pronounced shift in the responsibilities from Centre to the States, the accompanying shift in the sharing of resources had not taken place. At present due to mounting repayment obligations including the interest burden, net transfers to the States were indeed quite low. She pleaded for continuation of an exclusive reservation of Central assistance for States having sea border problems. She suggested that a dialogue between the Centre and the States should take place to expedite appraisal and clearance of States projects in the pipeline involving external assistance. She pleaded that in the light of assurances already given to the States 100 per cent of the external assistance be passed on to the States in respect of all projects without exception. She also mentioned about the serious erosion in the flows of small savings loans and suggested for provision of tax benefits on investment in small savings also to improve the States fiscal position. She stated that the severity of normative assessment approach which ignored substantial expenditure incurred by the States and the imperfections in the operation of the scheme of the plan revenue grants resulted in considerable deficit in the State's balance from current revenues. She stated that in the process of drawing the terms of reference for the Tenth Finance Commission, the State government may also be involved. She pleaded for an early decision in the matter of levying consignment tax for which a broad consensus among the States had already been achieved. She also wanted the State Governments to be given a share in the corporation tax in view of the specific responsibility of the States to provide for infrastructural facilities for Industrial growth. Special Central Assistance also needs to be provided to improve the infrastructure in town with export oriented industries. She urged the participants to rededicate themselves to the task of providing a better life for the millions of Indians during the Eighth Plan.

68. Finally, referring to a statement made by the Prime Minister in his introductory remarks in which he had expressed his deep concern about the political discrimination being done in various States, with regard to the implementation of development schemes, she stated that as far as Tamil Nadu was concerned, there was absolutely no political discrimination. She pointed out that Tamil Nadu recently launched a new scheme of providing Rs. 1 crore for development works to each and every Panchayat Union in the State; there were 386 Panchayat Unions in Tamil Nadu and regardless of which party was in power and regardless of which party the local MLA or representative belonged to, the government has provided Rs. 1 crore to each and every Panchayat Union. She assured the Prime Minister their total commitment to democracy and their co-operation in fulfilling the Eighth Plan.

69. **Shri Jyoti Basu**, Chief Minister, West Bengal felt that the observations made by the P.M. & the Deputy Chairman regarding planning and market economy in a poor country like ours, programmes for employment of poorer sections, decentralisation, public participation were laudable objectives but did not find reflection in the new economic policies, the Central budget, the Eighth Plan and in the Centre-State relations. He observed that the meeting was being held at a time when the Nation was confronted with an unprecedented crisis in economic terms and also faced with a threat to the sovereignty of the country. So called New Economic Policy being implemented under the pressure of IMF and World Bank make certain assumptions with regard to inflation, production levels and exports. He stated that experience showed that these expectations were not fulfilled and resulted in widespread ill-effects, like stagflation and disastrous consequences for the common people. He stressed that there was a need to identify our past mistakes and try to ensure

that these did not get repeated. He asserted that the present problems were primarily a result of the policies pursued at the national level for several years now. These policies have resulted in extremely unequal distribution of assets-land and capital-and faulty decision making in production had resulted in concentration of purchasing power in the hands of a few which resulted in restricted domestic market. These together with stress on capital intensive technology resulted in adequate absorption of labour force and widespread unemployment. While selective increases in the incomes of upper income group took place, the poor were made to share relatively higher tax burden, as there had been a greater reliance on indirect taxes in the scheme of taxation. Also while there has been a growth in the consumer durable industry to cater to upper income groups, the mass consumption goods industries have relatively tended to be stagnant and resulted in significant increase in industrial sickness and unemployment. The consumer durable industry has been both capital intensive and heavily import dependent. Over the years our import bill swelled due to higher imports of capital goods, petroleum and related products, our exports stagnated due to faulty policies pursued resulting in increasing import-export gap and falling foreign exchange reserves and mounting external debt. Attempts to tide over the situation through external loans of nearly Rs. 5 thousand crores from IMF and World Bank with severe conditionalities created more problems to the economy. The conditionalities attached to the recent loans which gradually unfolded, included hike in administered prices of essential items, increase in bank rate of interest, removal of MRTP ceiling, further liberalisation of imports and entry of foreign capital and devaluation of the rupee. The impact was being felt throughout the current budget in which in the name of fiscal deficit reduction, reduction in the budgetary provision had been effected for food subsidy, employment programmes and for the small scale sector. Further the deficit was sought to be reduced by transfer of assets of the Government to private sector including sale of shares of even profit making public sector units. There has also been an assault on the resources of the State. The unilateral decision to make mutual fund schemes more attractive in terms of interest rates and tax exemption benefits in comparison with the small savings schemes had adversely affected the States' resources. The country was thus caught in external debt-trap leading to foreign intrusion in our decision making and an ultimate threat to our sovereignty.

70. He proposed to outline an alternative approach to deal with the foreign exchange crisis. He stressed that greater reliance needed to be placed on flow of NRI funds and phasing down appropriately the external loan taking. Planning priorities need to be established after taking stock of assets of the economy and greater efforts should be devoted to the attainment of self-reliance and resort to trade should be primarily guided by the considerations of comparative advantage. The choice of technology would take into consideration local conditions and social situations and should be capable of making efficient and adequate utilization of abundant manpower and local resources. To reduce the fiscal deficit, black money will have to be unearthed. Study of deterioration of balance from current revenue of the Centre and the States suggested that the deterioration was serious in the case of Centre calling for a higher degree of financial discipline. Poorer sections of the society will have to be protected through subsidised public distribution system. In subsidised public distribution system. Instead of handing over public sector units to private sector, there was a greater need for their improvement through performance efficiency in the interest of employment and for getting full social return from investment already made. In the interest of overall development and employment, an effective link will need to be forged between large scale and small scale industry sector. To ensure equal access to productive assets, land reforms needed to be implemented in right earnest. This would be an essential step towards increasing production and generating employment. Land reforms also had

a bearing on population control, spread of mass literacy and involvement of people in the planning process. There was also need for substantial augmentation of wage based anti-poverty employment programmes, both in the rural and urban areas.

71. In the sphere of infrastructural facilities, apart from transport and communication, greater importance will have to be attached to energy sector. Over the years the eastern region has been neglected in the matter of power which needed urgent rectification. In order to reduce over dependence on imports, special emphasis needed to be placed on domestic crude oil production and refining and outlays in this sector required to be stepped up.

72. In the last meeting of the NDC intentions were expressed in favour of transferring some Centrally Sponsored Schemes but no action had been taken so far to transfer the schemes to the States. Instead, an increasing tendency towards centralisation was evident from fall in share of States in overall provision of public sector outlay from 46.9 per cent in the Seventh Plan to 42.9 per cent in the Eighth Plan. The trend in centralisation needed to be reversed and he offered following measures in this regard.

73. In the first place, cuts in the Central Assistance to the States being imposed without the approval of NDC may be restored. Secondly, no further steps be taken which may adversely affect the resources of the States from small savings; otherwise, there had to be a full compensation for the loss of resources to the states. Thirdly, long pending issues, like consignment tax, sharing of corporation, rationalisation of original rights to impose sales tax on the specified items under additional excise duty may be resolved quickly. He suggested that the NDC may fix a deadline for this. At least a substantial part of the augmented plan outlay under the Central budgetary support for rural development, he pleaded, should be transferred to the States as employment programmes with general indication of priorities relating to minor irrigation, drinking water, agro-industries & business etc.

74. He stated that decentralisation will have to be down to the district level and below. He informed that the West Bengal attempts along these lines were being implemented over the last fifteen years or so.

75. **Shri Lalu Prasad**, Chief Minister, Bihar, pointed out that the Eighth Plan document did not contain State-wise data on proposed outlay and physical targets on most of the Schemes/ Programmes; in the absence of which it was not possible to draw any inference about the State-wise level of development and regional disparities. He stated that in reducing the regional disparities, the Centre had important role to play as the poor States were financially weak to help themselves and also the share of Centre in the public sector outlay was on the increase in the successive plans and for the States it was on the decrease. State share decreased from 45 percent in the draft Seventh Plan to 41 percent in the draft Eighth Plan.

76. The Chief Minister stated that the creation of employment opportunities for one lakh persons per year seemed to be an ambitious target. Further, the document did not spell out the schemes/ programmes through which this objective would be achieved. The assumption regarding growth of the economy also appeared to be unrealistic. He also pointed out that whereas on the one side there were some higher outlays for agricultural development, significantly lower outlays were proposed for irrigation & flood control. He felt that stipulated agricultural development without corresponding stress on irrigation facilities was not possible.

77. He pointed out that there was no indication about the outlays proposed for Poverty Alleviation Programme; if outlay for 1992-93 were any indication, the position was not very encouraging. More or less the same was true in respect of Minimum Needs Programme. The Village & Small Scale Industries, which had great employment potential was also being neglected and will have ill effect on the employment generation efforts. He supported the steps proposed to check the growth rate of population which was proposed to be brought down to 1.78 per cent per annum. He stated that Bihar was the second populous State and all the socio-economic factors responsible for its growth were present there to a greater extent. Since women's literacy had a significant effect on population growth, the State has made education for women upto graduation level free. There was also a provision for three percent reservation in the jobs for them. A great deal, however, was required to be done in the matter of mother and child health care for which the State had no resources. He pleaded for liberal assistance to upgrade health care facilities in the State and also for full reimbursement of States' expenditure on family planning; the State's claim for which was Rs. 167 crores for 1991-92.

78. The Chief Minister pointed to the inequalities in the level of literacy in different States and stressed the need for greater emphasis on adult literacy and universalisation of primary education during the Eight Plan. He stated that the expenditure on education was an investment in human resource development and needed to be stepped up. However, in the absence of State-wise break-up of the public sector outlay, it was not possible to know how far the Centre will be a partner in sharing this problem. He stated that Bihar was lagging in education and the State had formulated special schemes like shepherd schools and scheme to give Rs. one per day of attendance to the children of selected backward communities. He also stressed the need for extension of health facilities to all, particularly the children and women. He said that health facilities available in Primary Health Centres should be in proportion to population and should be free whereas the higher health facilities could be a charged service. There was also need to check the spread of communicable diseases. He pointed out the problem of floods facing the Bihar State every year. As the concerned major rivers originate in other States, the Central intervention was essential to effectively handle this problem. He requested that an earlier promise on setting up of a Technology Mission on Flood Control and Drainage be fulfilled.

79. **Shri Lalu Prasad** observed that during the Eighth Plan greater shares of the outlays were proposed for infrastructure building particularly energy, transport, irrigation and communication. However, in the absence of State-wise break-up of the public sector outlay for energy sector, the State was not able to know which of their projects were included in the Plan. He wanted to know the fate of Tenughat Phase II, Navinagar and Northern Karanpur power projects of the State. He also wanted to know the details of rail and road projects of Bihar included in Centre's plan for development. He stated that expansion of infrastructural facilities was essential for the successful implementation of Centre's privatisation plans. He also expressed his apprehension that the policy of deficit financing will have adverse effect on prices situation and lower buffer-stocks with the Food Corporation of India will adversely affect the Public Distribution System and the price stability. He also expressed his concern about the serious balance of payment positions, fall in the exports and its adverse effect on the industrial development.

80. **Shri Chimanbhai Patel**, Chief Minister of Gujarat proposed to make certain general observations. He stated that the new policy of economic liberalisation being followed in the wake of serious economic crisis was unthinkable in the past. A new vista had been opened up based on the international economic scenario unfolding in rapid succession. He noted that the policy framework and orientation of the Eighth Plan had very successfully addressed itself to the overall objective

of rapid economic development coupled with poverty alleviation. The finalisation of the Eighth Five Year Plan was a matter of considerable satisfaction and morale booster for the country, he opined. He discounted opinion held in certain quarters that Indian Planning had a pro-industrialisation and urban bias and this had resulted in the neglect of agriculture. He stated that he had always argued for greater initiative towards agriculture and support for it and yet, in the main, he believed that the industrialisation process in India has supported agriculture and rural development rather than threatened it; the basic industrialisation in India had not been at the cost of rural development, he said. He argued that it was wrong to pose the problem of planning and development of India as that of agriculture versus industry or rural versus urban and that the Eighth Plan very correctly argued for fast industrial and agricultural growth reinforcing each other. Gujarat, he stated had a long tradition of self-reliant industrial development as diversified in terms of a shift away from low productivity foodgrains to value added crops but also its labour force showed a marked shift from agriculture.

81. Shri Patel stated that Gujarat had achieved a significant decline in the average annual rate of population growth from 2.5 per cent during 1971-81 to 1.9 per cent during 1981-91; the total fertility rate had also declined considerably.

82. The Chief Minister supported the process of fiscal reforms initiated by the GOI and felt that it needed to be deepened. Also, process of decentralisation of resource mobilization needed to be carried further to its logical end. He was of the opinion that communities could always be motivated to save a little extra for economic and social purposes if convinced of tangible benefits. He suggested that incentives for mobilization of small savings must continue and the State Governments which mobilised additional resources must get larger matching resources through central schemes like IRDP, Jawahar Rozgar Yojana, MNP and the like. Shri Patel supported the Eighth Plan approach to diversification and wide-spread growth of agriculture and to horticulture and non-crop based agriculture like dairying, fisheries and poultry, water harvesting devices etc. and pleaded for greater support to local level institutions to enable them to organise such development. He noted that some of the innovative schemes for watershed development and improving agriculture and irrigation had been included in the Eighth Plan but adequate funds had not been provided for them.

83. The CM felt disheartened to find that no concrete action plan had been indicated to tackle the gigantic task of providing gainful employment to all able-bodied persons; the provision of employment was the single most important task before the Central and State Governments and there was need to chalk out specific programme of action to deal with this burning issue. He strongly advocated adoption of labour intensive techniques and felt that certain areas of production having greater employment potential could be reserved for the purpose. Our development efforts should result in creation of gainful employment to the rural and urban masses of our population; and the employment to be gainful and sustainable will have to be productive in character. Transformation of agriculture to agri-business had good potential for employment in rural areas. In the urban areas the training programmes will be required to be re-fashioned and skills of worker upgraded to remove mis-match between skills of educated unemployed and the demand. He informed that Gujarat had started, on pilot basis, a scheme named 'Rozgar Nirman Karyakram' which envisaged provision for employment for at least one person per family below poverty line in districts of Gandhinagar and Dangs. The programme was successfully completed and was proposed to be extended to cover two talukas of each district in the State every year.



84. He apprehended certain problems from the GOI policy of liberalisation and de-regulation of trade and industry. The regime of industrial licensing implied, in principle, a commitment with regard to availability of essential infrastructural facilities, inputs and other ministerial clearances. But, now the entrepreneurs will be required to approach individual ministries for allotment of wagons, coal, gas etc. creating new problems. He, therefore, suggested that the concept of 'Single Window' clearance be continued as part of liberalised licensing package. He also stated that for ensuring healthy growth of industry, there had to be an effective 'exit policy' alongwith liberalised policy of its re-entry. He welcomed the proposal for setting up of a 'National Renewal Fund' for rehabilitation and restructuring of industries and for providing a 'social safety network to workers' and pleaded that its ambit be extended to cover private sector as well. Further, drawing attention to a recent Notification requiring environmental clearance even for SSI, he pleaded that industries mentioned in Schedule I of the Notification were pollution free and should be exempted from detailed Environmental Impact Study. He also pleaded that the State pollution Control Board should be empowered to accord environmental clearances. Also there was need to provide credit to SSI on soft terms.

85. Shri Patel then went on to mention some of the major issues facing the State economy. He pointed out that there was serious shortage of energy. In view of limited hydel resources, there was no alternative but to consider gas based power generation in the State. He pleaded that the off shore gas from Bombay High may be made available to Gujarat. He advocated formulation of a proper National Fuel Policy. Gujarat, he informed, had successfully implemented wind farm project at Lamba and would be willing to replicate it if liberal central assistance could be provided. Also a Power Corporation had been set up to involve private sector and financial institutions in power sector. He pleaded that the national financial institution should assist the Corporation at a favourable debt-equity ratio of 4:1 and at reasonable rate of interest. He was of the opinion that for the execution of power projects, while the Central Electricity Authority should confine itself to technical aspects, the environmental clearance be vested in State Water Pollution Control Boards.

86. The CM stated that with some concerted efforts, the benefits of Sardar Sarovar Project would start flowing during the Eighth Plan. The State Government was faced with the lack of funds, making it difficult to expedite the drawal of external assistance for the project. He, therefore, pleaded for special funds for it.

87. Due to long international borders, the State had substantial investment required for security aspects apart from the need to meet, on priority basis, the socio-economic transformation of the people living along the borders, to check any feeling of frustration and alienation. He wanted the scope of the Border Areas Development Programme to be expanded to cover all aspects of development. To tackle the problem arising out of rapid urbanisation, he pleaded for provision of special assistance particularly for Surat and Baroda as had been done in the case of Bombay city. He also expressed his concern over ingress of salinity. The State was also faced with acute problem of safe drinking water in rural and urban areas due to long coastal line and various other factors; number of 'no source village' had been on the increase over the years. He, therefore, pleaded that higher allocations may be provided under the Accelerated Rural Water Supply Programme. Besides, the coverage of Technology Mission Programme which had been very successful in tackling the problem of hilly tribal belt and coastal areas be expanded to cover more areas. He also informed that concrete proposals were being drawn up for tapping private initiative in the development of infrastructure like ports, industry, power, irrigation, tourism etc.

88. As far as resources for the State Plan was concerned, sales tax continued to be the major source of revenue, followed by electricity duty, motor vehicle tax etc. He noted that internal resources of State public enterprises including State Electricity Boards and Road Transport Corporations was generally negative. He was of the opinion, that scope of reduction of their overall losses was limited in view of their social responsibilities. He stated that to improve BCR, his Government was willing to cut expenditure on administration. He pleaded that to enable the State to do so, no new IAS recruit be given to Gujarat. He wondered, if a particular quota continued to be given to the State, how could they reduce expenditure on administration. He also requested the Centre to restrict granting of D.A. to their employees as that had direct bearing for the States.

89. Shri Patel stated that the States continue to receive step motherly treatment in the matter of devolution of central taxes such, as excise duty, income tax. He pleaded that the Centre should reduce its direct intervention in the implementation of schemes and should leave it to the State Governments to devise schemes which were suited to local requirements. He pointed out that the issue of levying Consignment Tax was pending with the GOI, for nearly a decade and the States were losing important revenue by such delay. He also pointed out that when the State and the Central public Sector undertakings were operating in the same area and the Central PSU were permitted to issue Public Bonds, there was no reason why SPSUS be denied this source. He also pleaded for changing the pattern of central assistance to 70 per cent loan and 30 per cent grant as greater proportion of plan outlay got utilised for rural development for various anti-poverty programmes and programmes for the weaker sections and in projects which yielded no return. He pointed out that various attractive schemes of UTI and mutual funds with tax benefits had adversely affected the States collection through small savings and pleaded for liberal tax concessions for States schemes to mobilise small savings as well.

90. Referring to the notification issued by the Ministry of Environment, he requested that a meeting to discuss this issue may be convened where Minister may also be present. He also requested that as per last NDC decision the identified schemes with funds be transferred early.

91. **Shri S. Bangarappa**, Chief Minister of Karnataka congratulated the GOI for having initiated a process of structural adjustments which had started yielding impressive results by way of spectacular growth of foreign exchange reserves, increased exports and comfortable balance of payments position. Also the policy changes in regard to public sector and industrial licensing had brought in their wake a new spirit of entrepreneurship among the people. He observed that the draft Eighth Plan was being discussed in the backdrop of such an environment of success.

92. The CM expressed satisfaction that the diversification of agriculture was being rightly accorded high priority. This thrust was essential to accelerate the rate of growth of food grains production which of late had been very sluggish. The policies oriented towards the agricultural sector should be simpler and clearer so as to be beneficial to the farmers, labourers and poor rural masses. He felt that the demand in certain quarters to treat agriculture as an industry was mainly due to a feeling of comparative neglect of the agriculture sector and, as such, there was a need for evolving a much more comprehensive package of measures for agricultural development. Research and Development in agriculture sector was very important and needed suitable encouragement. He mentioned that, in Karnataka, a number of schemes meant for increasing agricultural production had been initiated; some of them were special campaigns to conduct soil testing, large scale manufacture & supply of modern and scientific agricultural implement, establishment of research institutes for pulses & oil seeds, establishment of a sericulture college etc. He stressed need to

make a national movement so as to bring about a second, more durable and more effective, Green Revolution. It had also great relevance in the context of expansion of employment opportunities. He felt that agriculture should be given a still higher prominence and suggested convening of a meeting of the NDC to exclusively consider issues relating to agricultural development.

93. Shri Bangarappa noted that lack of irrigation was largely responsible for lower foodgrains production in the State; irrigated area in the State being only 19 per cent of the net sown area. The irrigation potential was indeed high and expansion of irrigation was vital to bring about improvement in the farm sector and to effectively tackle the problems of poverty and unemployment. He pleaded that either the Central Government should itself Plan for direct investment in large irrigation projects in Karnataka or the State be permitted to issue Irrigation Bonds.

94. Describing the power scene in Karnataka the CM noted that it was marked by severe shortages; the gap between demand and supply of power had widened over the years. The demand for power was growing in industry, agriculture and service sector. Huge investments were required in the power sector. He noted that a greater role was being envisaged during the Eighth Plan for the private sector in power generation. He felt that in view of limited experience of the private sector in power generation, the public sector investment should not be reduced in the immediate future. Hydel Power Projects in view of long gestation period, were not attractive to private sector as yet and, therefore, required investment will have to come from the public sector. Karnataka being situated far away from the coal fields and having limited accessibility to railways and shipping, the State has to place greater reliance on hydel power generation. He reiterated his appeal to extend the gas pipeline to South and allow the southern States to have cheaper and less polluting power generation out of gas. In this context he supported the suggestion of C.M. of Tamil Nadu for a gas grid for the entire southern region.

95. Shri Bangarappa pointed out that it was the responsibility of the States to provide food, clothing, shelter and basic education to the poor at nominal cost so as to ensure social justice to them. He stated that his Government had undertaken massive schemes in the field of primary education, health, housing and rural industrialisation. He mentioned in particular, the schemes aimed at economically weaker sections like Akshaya - an incentive scheme of cash payment of Re.1 per day of attendance by the rural poor children; Ashraya - for providing free house sites to all the poor people; sushrusa - for providing health checks against major diseases; and Vishwa aimed at rural industrialisation and providing productive employment. In the context of Akshaya scheme he requested the Finance Minister to issue instructions to banks so that accounts could be opened in the names of parents of beneficiaries. He informed that under the Ashraya scheme already five lakh house sites had been distributed.

96. **Shri R.K. Dorendra Singh**, Chief Minister of Manipur, commended the Planning Commission for its analysis of the various policy issues involved and projection of suitable development strategies for the Eighth Plan period. But he wanted that the approach and policies adopted during its implementation be fair and equitable to all regions, States and sections of the society and more so to the border States like Manipur. He expressed his unhappiness that even after four decades of planning, regional disparity has not been reduced. He went on to show how far Manipur is lagging behind other states in various sectors of development. He lamented the fact that, prior to the sixth Plan, the Plan allocations to Manipur had been dismally low. This, coupled with the lack of inflow of investment from other sources, has resulted in the State's infrastructural backwardness. While

supporting the objectives and priority areas identified for the Eighth Plan, he called upon the Planning Commission to pay special attention to the problems of States like Manipur.

97. Stating his views on the Eighth Plan, the Chief Minister felt that regional disparities should go by 1997. He also wanted that special aspects of high cost that were peculiar to the North-Eastern States like Manipur be kept in mind while allocating the Eighth Plan outlays to these States. Shri Dorendra Singh pleaded for taking up externally-aided projects in the State, lifting of restrictions on foreign tourists, the offering of special incentives to the private sector to set up industries in the North-Eastern region setting up public sector undertakings in the state to invest in industries like electronics, telecommunication equipments, watches, etc., funding under "Area Programmes" the development of the Loktak lake and the taking up of new infrastructural development schemes in the State through NEC funds. Loktak lake, he stated, had tremendous bearing on ecology of Manipur and neighbouring States of North Eastern region. Manipur was rich in agro-based resources and needed urgent attention for setting up of industries based on forests & fruits to provide self employment opportunities. Mentioning the poor resource base of the state, the Chief Minister urged upon the Planning Commission to consider the State's genuine developmental needs meet the plan investment needs and meet the plan investment needs through increased central plan assistance. He also pleaded for finding a durable and lasting solution to the financial problems of the region and requested that the report of the Expert Committee in this regard be expedited.

98. **Shri D.D. Lapang**, Chief minister of Meghalaya, highlighted the peculiar problems of the State due to its locational disadvantages. The state was bound by sensitive international border and the people were economically back-ward, socially weak and politically frustrated. The frustrated educated unemployed youth were being exploited by anti-social elements. To bring the state at par with other States in the country, he felt that it was absolutely essential to provide substantial investment in Meghalaya during the Eighth Plan period. Since the Eighth Plan Outlay for the State had not yet been finalised, he hoped that the Planning Commission would take a favourable and positive view while deciding its size. Shri Lapang also informed that private investment in the State had been very meagre due to unsatisfactory industrial climate and requested the Centre to counter-balance this by a more positive Government resource flow.

99. The Chief Minister also described the adverse financial position of the Special Category States which arose as a consequence of the normative approach of the Ninth Finance Commission. He pleaded that the percentage of earmarked funds from the total block of Central Assistance be raised to 35 per cent in view of the peculiar problems of the Special Category States. As far as Centrally Sponsored Schemes are concerned, he wanted that they should be transferred with 100 per cent grant or, at least, 90 per cent grant and 10 per cent loan for Special Category States. Shri Lapang also requested for additional assistance to maintain the assets created in the preceding Plan period. Highlighting the state of the State's economy, he prayed for large investments in the Eighth Plan period to improve the infrastructural facilities.

100. To arrest deforestation and save the ecology and environment of the State, the Chief Minister suggested that the autonomous District Councils set up under the Sixth Schedule of the Constitution which were willing to impose a ban on the export of timbers and the cutting of trees be fully compensated for their loss of revenue. Referring to the growing unemployment of the youth in the State, he urged upon the Centre to evolve a national policy to tackle this serious problem.

101. **Shri Lal Thanhawla**, Chief Minister of Mizoram expressed full agreement with the objectives and orientations outlined for the Eighth Plan. He stated that the North-Eastern States being financially

weak would need greater support from the Centre for a few years to come. For the socio-economic development of the region, the public sector will have to continue to play a dominant role for quite sometime. He noted that the rising revenue component in the plan expenditure and mounting loan repayment liabilities had, to greater extent, resulted in reverse flow of the resources from States to Centre and hence there was a case for revision of the grant-loan component in the Central assistance. He pointed out that all sectors important from the point of employment generation, namely, agriculture, small scale industries, forestry etc. were States' responsibility and there was need for higher public sector outlays to discharge it.

102. The Chief Minister pointed out that the failure of the Ninth Finance Commission to recommend revenue gap grants and Planning Commission's decision not to cover non-plan gap have completely upset their non-plan balance position. He strongly pleaded to revert to pre 1989-90 practice of covering the non plan gap. This would be in the interest of justice to financially weaker States. With rising proportion of revenue expenditure of the Plan, he felt there was a case for upward revision of grant component in the Central Assistance. He also pleaded for writing off of an earlier loan of Rs. 202 crores inherited by the State on 20.2.1987 from the U.T. period. He informed that most of the offices of the State were operating from hired private buildings and pleaded for a provision of Rs. 21 crores in the Eighth Plan for the completion of Phase I of the Capital Project.

103. **Shri Loknath Misra**, Governor of Nagaland congratulated the Planning Commission for their strenuous efforts in formulating pragmatic objectives and strategies to be adopted in the Eighth Plan. He mentioned that the fact that Nagaland would be economically a non-viable state was well recognised at the time of its creation and, therefore, urged that adequate Central assistance for the economic development of the State should continue to be provided till such time the State attains the stage of self-reliance. He stated that the special category States were facing financial problems due to the change in the pattern of central assistance introduced since 1989-90. He noted that a committee of the Planning Commission was examining this matter. He urged that, in the mean time, the past practice of covering the BCR gap of the special category States including Nagaland be revived till the report of the Rangarajan Committee became available.

104. The Eighth Plan outlay indicated for Nagaland at Rs. 844 crores was even less than Rs. 925 crores i.e., five times the current year's level of Rs. 185 crores. Even the maintenance of assets created during the last seven years would leave very little to meet the developmental needs of the State. He pleaded that the Eighth Plan outlay for the State be raised to at least Rs. 1130 crores. In addition, he pleaded for special central assistance to enable the State Government to complete the four special projects, namely, 500 Bedded Referral Hospital, Likim Ro Hydel Project, Assembly Complex and High Court Buildings started towards the close of the Seventh Plan.

105. Shri Misra also pleaded for considerable step up in the outlay agriculture and allied sectors to enable Nagaland to strengthen infrastructure and to achieve self-sufficiency in foodgrains, poultry, milk, fish, horticultural products etc., by the turn of the century.

106. In order to tide over the present power crisis, higher priority was proposed to be given to survey and investigation and construction of mini hydel power projects in the Eighth Plan. He pleaded for higher outlays under power sector to enable the State Government to complete Likim Ro mini hydel project already in hand. In view of importance of road communication to Nagaland, stress would have to be given to strengthening and improvement of the existing roads and to make them all-weather roads. He also pleaded that the State Highway No. 1 which was a strategic

road and connected three district headquarters of the State now in bad shape should be included under the national highway programme for the Eighth Plan and its execution be entrusted to the Border Roads Organisation.

107. **Shri Shanta Kumar**, Chief Minister, Himachal Pradesh, stated that the NDC meeting was taking place at a time when the economy was passing through a historical watershed in regard to the country's movement towards a liberalised economic set up; the need of the hour was total commitment to implement the changes expeditiously. He noted that there was a welcome move to rectify the worsening thermal hydel mix in the energy sector. He wanted that the State's Larjil hydel power project be included in the shelf of projects for the Eighth Plan. He noted that some action had been initiated for evolving a National Himalaya policy and suggested that States located in the Himalayas be involved in this process so that the solutions which emerged were realistic and long lasting.

108. While endorsing the Eighth Plan objectives and strategies which sought to progressively move towards privatisation and industrial deregulation, the Chief Minister made a strong plea for reserving the production of certain goods of mass consumption for small scale, tiny and cottage sectors with suitable technology up-gradation support. These activities had enormous employment potential, he stated. He reiterated one of his earlier demands for the soft drink industry to use fruit juices to the extent of 20 per cent in all soft drinks. He fully supported the measure of raising the user charges with regard to electricity, transport and higher education, but expressed his serious reservations on raising charges for water supply and irrigation services specially for the hilly areas where the cost of lifting water was prohibitive. He felt that cost reduction for providing these utilities should be achieved through efficiency improvements. He pleaded for some kind of uniform policy with regard to charging of higher education; the University Grants Commission could play a leading role in this connection, he suggested.

109. While endorsing the policy on administered prices and of progressive reduction in the burden of food and fertilizer subsidies, he felt that a certain degree of protection to the small and marginal farmers in the matter of fertiliser subsidies and the poor in the matter of food subsidies will have to continue. The public distribution system should cater to the needs of the poor only.

110. Shri Shanta Kumar stated that the strategies with regard to realising the objective of near full employment needed a more concrete programmatic back up. Afforestation, rural community assets creation programmes, small scale manufacturing and construction activity had good employment potential. He also mentioned that Himachal Pradesh initiatives for people's involvement had met with great success.

111. In the context of resources for financing the State Plan he mentioned the problem of negative BCR. He pleaded for early finalisation of the report by Rangarajan Committee which had been set-up to go into this problem and suggest long term and short term measures. He also wanted that in the framing of terms of reference for the Tenth Finance Commission, State Governments should also be consulted. He pointed out that a large part of the aggregate public sector investment was in the Central Sector and wanted to know its details with regard to their spatial allocation. He welcomed the scheme of integrated development of towns and pleaded for the reduction of population norm to 10 thousand for hilly states as against 20 thousand for others. On the question of delays in the project clearance due to multiplicity of agencies involved, he welcomed the suggestion of constituting a Standing Committee under the chairmanship of Deputy Chairman, Planning Commission for expeditious clearance of the projects. He suggested setting up of Environment-cum-Pollution Control Board to serve as a single window mechanism to accord clearances.

112. **Shri Kalyan Singh**, Chief Minister of Uttar Pradesh complemented the Deputy Chairman, Planning Commission for presenting the Draft Eighth Plan document. He observed that the Plan commenced at a time when the country was passing through an inflationary situation, the balance of payment position was critical and the country was caught in a debt trap. A number of steps had been taken aimed at liberalisation and privatisation of the economy. He stated that failure of Centrally planned economies suggested that such development strategy should not only result in economic and social development in general but should also result in benefiting the socially and economically backward areas and the poorer sections of society. He expressed his appreciation that the new economic policy would result in greater benefits flowing to the better endowed areas and having better infrastructural facilities and would thus result in widening of regional disparities.

113. He pointed out that while the Draft Plan conceded regional disparities and stressed the need to remove them, it did not spell out the policy changes required to remove them. He suggested setting up of a special fund for providing assistance to States lacking in infrastructural facilities. He also stressed the need to formulate specific programmes and economic policies to remove the gap between the rich and the poor. He felt that in view of one third of the country's population being below poverty line and vast unemployment, a planned credit system and interest subsidy must be allowed to continue. Agriculture and the tiny sector will require credit at reduced interest rates. There was also a genuine need for subsidy on fertilizers and foodgrains and reduction in them would not be in public interest. It would adversely affect the agricultural production and the weaker section of the society. Instead the working of the Food Corporation of India needed to be improved to cut down unnecessary expenditure.

114. He stressed the need for taking wide measures to reduce the regional imbalances. Merely giving priority to backwardness in the distribution of Central assistance would not solve the problem. The Tenth Finance Commission should be asked to include within its ambit measures to reduce inter-State disparities.

115. Shri Singh stated that while he would not like to comment on the overall assumed growth rate of 5.6 per cent, he wondered why the annual growth rate of agriculture sector was envisaged at 3.02 per cent in the face of 3.8 per cent achieved during the last ten years and 5.6-5.7 per cent in Punjab and Haryana during Seventh Plan. He was of the view that special efforts to increase agricultural production and productivity in predominantly agricultural States like UP, Bihar and Madhya Pradesh could certainly boost the all India average for agriculture to 3.8 per cent.

116. The Chief Minister pointed out that share of States in the Plan outlays in the public sector has successively gone down from 49.8 per cent in Sixth Plan to 44.8 per cent in the Seventh Plan and now to 41.5 per cent in the Eighth Plan and thus the disparities between the Centre and the States were increasing to the detriment of the States.

117. Shri Singh wanted the role of Centre in development to be reviewed. He pointed out that Rs. 6111 crores earmarked for Centrally Sponsored Schemes in 1992-93 should have been made available to the States to be spent at their discretions. To him there seemed to be no justification for providing large sums in the Central budget for development heads like Agriculture, Animal Husbandry, Cooperation, Education etc. which were primarily State sector schemes. This was leading to a situation where a major part of States' legitimate central assistance was being denied to them. He stressed the need for greater faith to be reposed in the States, strengthen them and recognize and respect the respective spheres of activity of Centre and States in the development.

He pointed out that while Centre had tax sources which were more elastic and had wider economic base and responsibilities less burdensome, the States had less elastic sources of tax with narrow economic base and responsibility involving more financial resources. The balancing mechanism of sharing Central taxes with States was not being operated to the desired extent. He desired that as suggested by Sarkaria Commission surcharge on Income Tax and Corporate Tax should also be made sharable with the States. Early decision on Consignment Tax was also desirable.

118. In the context of the methods to improve the planning process, he felt that the NDC should play a more active role in the matter of review of policies and means for the implementation of the Plans. He felt that the States should also be associated with the task of monitoring the country's economy. The process of plan formulation did not involve the representatives from various segments of the society and as such failed to take note of the perceptions and aspirations of the common man into account. The Plan process should originate from below and move upwards to national level. Such a Plan will be informed of ground realities and the common man would have faith in the implementation of such a Plan. He also stated that role of Centre and States were well defined and should be respected by the Centre. The Centre should strengthen the States to enable them fulfil these responsibilities of social and economic development. He asserted that our economic and social development depended on the entire development expenditure and the expenditure should be classified as development and non-development rather than 'Plan' and 'Non-Plan' as at present. Such a division would be more appropriate for healthy planning process.

119. **Shri Bhajan Lal**, Chief Minister of Haryana, congratulated the Prime Minister and the Planning Commission for presenting the draft Eighth Five Year Plan document in less than one year of their resuming the office. Endorsing this draft, he expressed confidence that it will usher in a new era of social and economic transformation. In line with the priorities enunciated in the draft Eighth Plan document, the Chief Minister pleaded for the early completion of the SYL canal, on which 5-7 per cent work was left, so that the State can augment its foodgrains production to one and a half times the present level. Power and water were the top priorities of Haryana, he stated. Shri Bhajan Lal thanked the Prime Minister for according clearance to a gas-based power unit at Faridabad and a Thermal Power Plant at Yamunanagar. He wanted that the construction work on these projects should begin immediately. He also pleaded for early installation of 1000 MW Power Plant at Hisar, in the private sector. Taking up of the Karnal Refinery Project on a priority basis and improvement in the provision of facilities like roads, telephones, electricity, water, etc., were also pleaded. Provision of these facilities in the National Capital Region would greatly ease the problem of congestion in Delhi.

120. The Chief Minister was apprehensive of the two notifications issued recently under the Environment (Protection) Act, 1986 by the Ministry of Environment & Forests that these might adversely affect the developmental activities in Gurgaon district. As such, he wanted a review of these notifications by the Central Government. He stated that Gurgaon which was emerging as an Electronics City and a ready made garment centre could be considered for being declared as an Export Processing Zone along with such other Zones in the country. He also wanted the Central sector investment in Haryana to be increased. He also highlighted the State's achievements in the field of promoting industries in the rural areas, agro-based industries, road transport, rural sanitation, human resource development, and agriculture and tourism. He felt that a new National Highway linking Kotputly (Rajasthan) to Ludhiana via Narnaul and Rohtak would be useful. He also suggested starting of a periphery railway service surrounding Delhi to facilitate the daily commuters.

121. Shri Bhajan Lal shared the Centre's concern for curtailing the non-plan expenditure and pleaded that IAS/IPS officers should not be allocated to the State during the next five years. He



also suggested the government employees be granted exemption in income tax instead of dearness allowance. He wanted that States should be consulted in the framing of terms of reference of the Finance Commission and in the Central Budget proposals. The issue of bonus and subsidies also needed a closer look.

122. Quoting statistics, he stated that the share of Haryana in the State sector and the central assistance had been getting reduced during the last two Five Year Plans. He pleaded for implementation of Karnal Oil Refinery, Faridabad and Yamunanagar Power Plants and the national Capital Region which had direct bearing on the prosperity of the State.

123. **Shri G.C.Saxena**, Governor, Jammu & Kashmir stated that the Eighth Five Year Plan was a very comprehensive and a very well reasoned document. And taking into consideration the circumstances and factors, the basic approach and the special features of the Plan would appear to be eminently suitable and acceptable. As far as J & K was concerned the Centre had been very generous to it for decades and it had enabled the State to develop and to create an adequate infrastructure of communications and social service like education, health, water supply, electrification and the like.

124. Shri Saxena felt that our future strategy needed to be oriented towards strengthening productive activity in sectors in which the State had a natural advantage like hydel power as also towards generating employment opportunities. Consequently our efforts in the Eighth Five Year Plan would be to concentrate on consolidating the existing infrastructure and making appropriate investment in such areas which had the potential to place the State's economy on a sound and self-sustaining footing. Viewed from this perspective, the outlay of Rs. 4,000 crores for Jammu & Kashmir in the Eighth Five Year Plan was inadequate. He stated that with an allocation which was substantially lower than what had been projected, it had become necessary for them to curtail investment in power generation schemes. Besides, for the first time the financing of the Plan outlay included a component of market borrowings, negotiated loans, and small savings loans in addition to Central Plan Assistance. This was a significant departure from the earlier practice in the case of Jammu & Kashmir, he observed. This change was bound to adversely affect the availability of resources, particularly to cover the non-plan requirements and increase the fiscal deficits. It would also dilute the benefit which accrued to them from the formula of 90 per cent grant and 10 per cent loan in the matter of Central Plan Assistance made applicable to the State from April 1991, and eventually it was very likely that even the investment in the Plan side may have to be curtailed to meet the non-plan commitments. He would, therefore, urge the Planning Commission to take these considerations into account while allocating funds in the remaining years of the Plan.

125. The Eighth Plan of J & K had been drawn in accordance with the policy aimed at making a shift in the investment mix in favour of resource generating sectors like power, employment-oriented sectors like industries and rural development. With a large component of schemes spilling over from the Seventh Plan, the scope for manoeuvrability for the State was very limited. Nevertheless most of the programmes formulated in different sectors were designed to increase productivity and to create new employment avenues in the non-government sector.

126. He stated that the very major problem which the State was facing right now was an acute resource shortage in the non-plan budget. The recovery of tax and non-tax revenues had been adversely affected as a result of the disturbed conditions in the State and at the same time expenditure had sharply mounted on security related items and on relief particularly to the victims and sufferers of terrorist violence and uprooted displaced persons.

127. The earlier funding pattern of Central Plan Assistance at 70% loan and 30% grant, despite J & K being a Special Category State, had left the State an accumulated liability of over Rs. 2700 crores in April, 1990-91, which meant that we had to refund about Rs. 400 crores annually. The award of the Ninth Finance Commission had also very seriously underestimated the State Government's needs and over-estimated its receipts. For the first time, as a result of the recommendation of the Ninth Finance Commission, the non-Plan gap assessed annually by the Planning Commission had been left uncovered from 1989-90. These factors had made the planning process in J & K quite unrealistic.

128. The problem of accumulated deficits stood at Rs. 1,265 crores at the end of the current financial year. The State Government, on its part, was doing whatever it could to effect economy in non-productive expenditure and we had also taken various measures to mobilise additional resources.

129. Shri Saxena stated that hydel power was our greatest resource and we must develop it in an aggressive manner. But with the available funds and the technological capacity, the State could only take on relatively smaller hydel projects. However, it was of crucial importance that a long-term view was taken of the energy producing capabilities of the State as source of revenue. Unfortunately the feeling was that the NHPC had not been able to proceed with the desired urgency in completing the on-going works or in undertaking the new works. We have had a cut of over Rs. 700 crores by the Planning Commission from the amount we had proposed for the power sector in the Eighth Five Year Plan. So, he would suggest that the NHPC should fill this gap by moving fast on starting and completing the various major power projects like Baghbyas Project and the Sawla Accord Hydel Project. He added that in the case of projects undertaken by the NHPC the usual formula of sharing was not acceptable to them. It was essential to ensure that the matters relating to the sharing of power and employment of engineers and other personnel in the State in such projects would be on mutually agreed terms.

130. He stated that he would like to take the present opportunity to reiterate their resolve to restore normalcy and peace in the troubled State. He was confident that that should be possible in the not too distant future. He was happy to endorse the Eighth Five Year Plan.

131. **Shri K. Karunakaran**, Chief Minister of Kerala, complimented the Planning Commission on the timely completion of the task of formulating the draft Eighth Five Year Plan. He fully endorsed the Plan approach, thrust and policy frame-work. Welcoming the emphasis of the plan on the need for involving people in the tasks of development and for strengthening the people's participatory institutions, he said that the success of the Eighth Plan would depend largely on people's initiative and participation. The Chief Minister also agreed with the Plan's advocacy of increased delicensing of industries, reforms in the banking sector and trade policy, a practical industrial exit policy, decontrol of administered prices, simplification and widening of the tax base, emphasis on minimising time and cost overruns of projects and programmes, resource mobilisation and containment of government expenditure. He noted that in Kerala, a large number of projects, particularly in the irrigation sector had been spilling over from plan to plan and to ensure speedier completion of such projects he suggested setting up of a separate Fund during the eighth Plan to assist the States. He also informed that the State had set up a Resource Commission, the recommendations of which have been already implemented and were expected to result in consolidation of the State's financial position. However, he sounded a note of caution against inflation which may upset all calculations and assumptions of the plan and make it difficult to achieve the projected

annual growth rate of 5.6 per cent. The organised sector, he suggested, should be compensated in kind rather than granting an automatic dearness allowance.

132. The Chief Minister also stressed the importance of agriculture in our economic development. In Kerala great stress was also being laid on organising agriculture on modern lines and to achieve higher productivity and production of major agricultural crops. Highlighting the menace of growing unemployment, he expressed satisfaction that the Eighth Plan proposed to lay highest emphasis on employment-oriented schemes. He stated that the problem of unemployment in Kerala had assumed massive dimensions; nearly 36 lakhs, i.e. about 30 per cent of the labour force was estimated to be unemployed. He called for liberal financial support to tackle the problem. Shri Karunakaran also repeated his earlier plea for special assistance out of foreign exchange contributions of the NRIs from Kerala. He emphasized the need for evolving innovative schemes for assisting States earning foreign exchange remittances. While thanking the Union Finance Minister for mentioning in his budget speech the great contribution made by Kerala workers abroad, he deplored the low credit-deposit ratio in his State. He said that changes in the banks' lending policies especially to small scale industries would be vital for the rapid industrialisation of industrially backward areas. He also suggested consideration of a scheme to allot a percentage of foreign exchange earned by a State for infrastructure and industrial projects in such States as an export promotion measure. Referring to the recent happenings in country's financial system, Shri Karunakaran wanted top priority to be given to protection of interests of small investors against speculative and criminal activities in the financial system. He also strongly pleaded that high priority should be accorded to family planning and child welfare so essential for population control. He expressed his firm belief that the Eighth Five Year Plan will successfully meet the social and economic challenges facing the country.

133. **Shri Bhairon Singh Shekhawat**, Chief Minister, Rajasthan noted that rapid changes had taken place during the last two years both in India and abroad. These changes had forced our planners to re-examine the precepts of development. Of late, changes have been introduced and now the growth was getting determined by market forces. Despite impressive gains in production of foodgrains, creation of social and economic infrastructure the economy was showing some alarming trends. Diversification of exports had taken place, but their growth had been sluggish. This was perhaps due to the restrictive and in-ward looking policies which had created a regulatory regime and in turn resulted in serious balance of payments crisis. He also noted that for long the economy had been living beyond means through deficit financing and external borrowings. These easy options resulted in accumulation of huge public debt and inflationary spiral. The trends of increasing burden of bureaucracy, subsidies, and deficit in current revenue account needed to be reversed by exercising greater control over the Government expenditure, cutting wasteful expenditure and increased resource mobilisation. There was also a need to evolve a broad national consensus on economic issues like wage policy, pricing of goods, exit policy, management of sick units and the safety net for weaker sections. All possible efforts were required to be made to increase efficiency of resource use.

134. Emphasising the need for decentralisation of decision making, he pointed out that despite the decision of the NDC the management of centrally sponsored schemes continued to be with the centre. He wanted the Central Government to only specify the objectives of the schemes and lay down broad guidelines and to leave the formulation of detailed projects and the implementation methodology to the States. He mentioned that Rajasthan Government had undertaken detailed exercises to decentralise the decision making by delegating powers of the secretariat to functionaries

down below. The Central Government should perform the role of facilitator by providing advice, technology and resources rather than assuming a regulatory role. He stated that a recent decision of the Central Government to transfer the subject of education and forests from State list to concurrent list was unfortunate. He pointed out that in 1975 during emergency also powers of states in a number of areas were taken away by Centre through 42nd amendment of the Constitution; in all these areas the progress had been quite slow. He quoted Sarkaria Commission report "Indeed, centralisation does not solve but aggravate the problems of the people". He also stated that the two recent notifications issued by the Ministry of Environment and Forests put severe restrictions on the developmental activities in the States in the name of environment and ecology; power projects were most seriously affected. He, particularly, referred to the delay in the clearance of Dholpur power project on flimsy grounds. Stressing the need for consensus and participatory decision making in democracy, Shri Shekhawat observed that though Union Budget had substantial bearing on the States' finances, there was no system of pre-budget consultations with the States. He suggested that prior consultations with the States should take place on all important financial matters including the Union Budget and terms of reference of the Finance Commission. The issue of levying consignment tax and sharing of surcharge on income tax should be settled early. The royalty on major and minor minerals and excise duty need to be increased. He wanted the NDC to consider inclusion of State Chief Ministers also as members of the Planning Commission by rotation.

135. Shri Shekhawat expressed his serious concern over the widening developmental gap between the States and pleaded for special emphasis on the faster development of backward regions. He pointed that the central investment had also gone more to the developed States rather than the backward States. Even the formula evolved for the distribution of Central assistance did not ensure balanced development of all regions. The criteria of per capita income and performance were detrimental to the interests of backward States. He stated that for every indicator of performance included in the formula, the States should be grouped in two categories namely those below the national average and those above and the funds for both the groups should be earmarked in proportion to the population of the States included in each category. He stated that area should also be included as a criterion for distribution of Central assistance as larger area of a State necessarily posed special problems. He pleaded that the Tenth Finance Commission must give due consideration to the factors of backwardness and the legitimate budgetary needs of the States in the devolution of funds including share in the small savings.

136. Rajasthan, the CM noted, was still amongst the most backward States and was still far behind other States in respect of most of the socio-economic indicators. The State was even behind most of the special category States for the purposes of Plan assistance.

137. Shri Shekhawat observed that the broad objectives of the Eighth Plan were indeed laudable. The public sector which had contributed significantly to the diversification of the industrial base of the country, however, needed more return from their investments. There was a need to give greater autonomy of decision making to the public sector units to enable them to contribute adequate returns to the exchequer. He noted that performance of Rajasthan State enterprises and co-operative institutions had now improved and these had started earning profits.

138. He welcomed the Eighth Plan objective of generating adequate employment during the Eighth Plan to achieve near full employment. However, the reduced investment in the public sector and the exit policy would create dislocations in the employment market. As such, it would be necessary to create the safety net for the workers so affected. He opined that it was paradoxical

that the allocation of power to the States from the Central projects was made on the basis of power consumption rather than on the power deficit. He also pointed out that the desired thrust on the removal of regional disparities was lacking in the Eighth Plan.

139. Shri Shekhawat pointed to the problem of desertification and recurring droughts. He pleaded that the Desert Development Programme should be broadened and the desert areas should be treated at par with the hill areas for plan assistance. He also stated that the funds recommended by the Ninth Finance Commission for the Calamity Relief Fund based on the average of actual ceiling of expenditure approved in the last ten years was grossly inadequate. He noted that the Aravallis had important role in determining the surface and ground water reserves of Rajasthan and the neighbouring States and were also an effective barrier against the eastward spread of the desert. He pleaded that Aravallis be included in the Hill Area Development Programme as recommended by working group for eco-development of Aravallis set up by the Planning Commission.

140. The Indira Gandhi Nahar Project was conceived with the basic objectives of utilising the Ravi-Beas water was of considerable significance to the State and needed to be completed expeditiously through Special Central Assistance. He pleaded that all our developmental efforts should be focused on the poorest of the poor; any complacency in this would have disastrous social costs.

141. **Shri Sunder Lal Patwa**, Chief Minister, Madhya Pradesh, expressed his gratitude to the Prime Minister for solving some problems like revision of royalty for major minerals. He also congratulated the Planning Commission for the early finalisation of the Eighth Plan. He felt, that this plan was likely to be more flexible giving more scope for periodic adjustments in accordance with the changing economic environment. Regarding the proposed allocations of the Eighth Plan, he observed that apart from Rs. 361,000 crores indicated for the Public Sector, Rs. 73,000 crores were also shown for the Public Sector as current outlay. He wondered why this amount was not merged with the other outlay for the Eighth Plan and what would be its distribution among the Centre and the States.

142. Shri Patwa pointed that more than 50 per cent of the budget went for meeting salaries and allowances. Public Sector continued to receive higher attention with an indifferent attitude for the household sector. The deficit financing being resorted to by the Centre for investment in the public sector was resulting in inflation. Even today the plan largely depended on the income and savings of the household sector which was being neglected. Small farmers were being denied funds even to energise irrigation pumpsets. Interest rates had been raised sky high by all India financial institutions. On the one hand we intend to give high priority to increasing the employment opportunities, on the other hand indifference was being shown to the household sector which had maximum scope for employment.

143. There was a talk of decentralisation but the Eighth Plan was heavily weighted in favour of the Centre. Even for the programmes of Rural Development where the basic responsibility rested with the State Governments, considerable outlays were being retained by the Centre. The decision of the NDC to transfer a limited number of Centrally Sponsored Schemes had not been implemented.

144. He stated that the States did not have resources to match the schemes implemented by them. Even the reimbursement of the external assistance after some deduction was counted as central assistance. As such on the whole Central Assistance for implementing the plans was

shrinking. Further, more than 70 per cent of the State Plan outlays were earmarked by the Centre according to its own priorities. A shortfall in the expenditure of earmarked sectoral outlays attracts cuts in the Central Assistance.

145. Shri Patwa also pointed out that Jeevandhara scheme under JRY benefited SC/ST poors only. He felt that poverty did not differentiate between castes and groups and pleaded that these distinctions should be removed. He stressed the need for better targetting of funds of JRY on the rural poor. Regarding industrial workers, while on the one hand there was a talk of national safety net for worker, on the other hand big changes introduced in the economy were rendering a large number of them jobless. He also urged urgent administrative and policy decisions to help them. He also stressed the need for strengthening the Public Distribution System with improved supply of commodities and better targetting. The Chairman intervened to say that the more urgent need was to improve the channel of distribution so that the supplies could reach the intended beneficiaries to which Chief Minister expressed his full agreement. He wanted the norms of allocation of supplies to different States under the Public Distribution System to be suitably changed; per capita income, he felt, could be a better indicator. Allocation of kerosene needed to be related to the extent of electrification to check its misutilisation.

146. In order to achieve the avowed objective of increasing the share of hydel power to about 40 per cent, the State's pending hydel projects, particularly, Omkareshwar, Maheshwar and Indira Sagar Projects pending for want of forest and environmental clearances be given early clearance. He felt that the policy of forest conservation was prejudicial to States having high percent of their area under forest. In such States, the priority should be to improve the degraded forests rather than new afforestation for which land was simply not available. The requirement of compensatory afforestation should be allowed to be considered next by undertaking afforestation of degraded forests as well. He pointed out that 79 irrigation projects of the State were held up for want of environmental clearances. The proposed submergence of forest area was less than even 4 per cent of the proposed irrigation potential of these projects. He pleaded that power be delegated to State Governments to decide diversion of forest land up to 100 hectares. He also pleaded that as recommended by Sarkaria Commission, powers to accord environmental clearance under the FCA be delegated to the State Governments.

147. Shri Patwa mentioned that the National Wasteland Development Board which had agreed to provide Rs. 25.71 crores for their scheme envisaging improvement of degraded forest had gone back on assurances and provided only Rs. 1.32 crores. He requested the Prime Minister to direct the NWDB to release the promised assistance. Shri Patwa reiterated his earlier requests for allotment of gas for the proposed gas based power plant in Gwalior, setting up of a high level inter-ministerial task force for selection of a private entrepreneur for an Oil Refinery in Madhya Pradesh; and Jagdalpur-Dallirajhra railway line.

148. The size of the natural calamities relief fund at Rs. 37 crores for M.P. recommended by the Ninth Finance Commission was grossly inadequate. The size needed to be fixed in relation to total expenditure incurred by the State Government in a number of years rather than on the basis of actual Central assistance released. The size of the fund should have been Rs. 80 crores per annum. He informed that all out efforts were being made to completely eliminate scavenging by the end of the Eighth Plan and to fully rehabilitate the scavengers rendered jobless as a result of it.

149. Shri Sudhakar Rao Naik, Chief Minister of Maharashtra fully endorsed the re-orientation of the role of Government more as a facilitator in development activities, more involvement of people

and voluntary organisations in nation building activities, vacating larger areas for the private sector, Government commitment towards the poor and underprivileged etc., which were to be the guiding principles during the Eighth Plan. He stated that the views of his government on priorities of the Plan, raising additional resources, the formula of sharing Central assistance had already been presented by him in the last meeting of the NDC and he, therefore, would not repeat them.

150. Shri Naik stated that in the matter of economic development the State was comparable with other less developed States except the Bombay-Thane industrial belt and, therefore, pleaded that the State should not be denied of its due share in the Central assistance. Marathwada and Vidarbha were particularly very backward regions. He disclosed that 85 per cent of the cropped area of the State was rainfed and suffered very severe scarcity conditions. Hence irrigation facilities in the State needed to be stepped up. However, with the meagre allocation for agriculture, even the ongoing projects would take around 15 years for completion resulting in tremendous time and cost overruns. He stressed that eradication of scarcity should be given a high priority and in this context, the norms for water harvesting structures under the Wasteland Development programme needed to be reviewed and relaxed. He said that with the Employment Guarantee Scheme and other schemes like Jawahar Rozgar Yojana etc., the State had been able to provide a safety net for the poor and the needy. However, to strengthen these programmes more resources were required.

151. He briefly mentioned the developmental activities being undertaken in the State. Steps had been taken to streamline the mechanism of planning and implementation of Special Component Plan, Tribal Sub-Plan and other schemes for the welfare and development of SC/STs. Horticulture and development programmes have been linked with EGS. Horticulture production had increased and there was a need for evolving a long term agricultural export policy. Efforts for increasing production of oilseeds and paddy had been intensified. He sought central government's encouragement and support.

152. The State Government was making all out efforts to raise resources. Electricity tariffs were being raised. Efforts to cut non-plan expenditure were being made. He pointed out that the Union government had recently taken steps which had made the financial position of the States difficult. The Central Government's actions had adversely affected the States' share in the small savings collections. Also no decision so far had been taken by the Union Government regarding the consignment tax, sharing of Central Road Fund etc. The share of States in the open market borrowings has also been steadily declining. He pointed out that while the Central Public Sector Undertakings had the privilege of raising capital through issue of bonds, such a facility was being denied to the States' Public Sector Undertakings. In the end Shri Naik assured that the State Government would take all necessary steps to implement the Plan in letter and spirit to achieve the crucial goals.

153. **Shri Beant Singh**, Chief Minister, Punjab thanked the Prime Minister for the peaceful conduct of the general elections in Punjab on 19th February 1992. He praised the courage and bold determination of the voters, the contesting candidates, the large number of security and civil officials deployed on duty during the elections in the face of threats of violence by the terrorists and the election boycott by certain political parties. He stated that the MPs and MLAs of the State were fully involved in the process of decentralised planning and grievances redressal system. They were members of the District and Block level Planning Boards and of the monitoring committees to review the implementation of various schemes. It was being ensured that women and scheduled castes get due representation on these Boards. Financial autonomy to States, he felt, was desirable only up to a point, but it should not cripple the Centre.

154. The CM stated that the size of the State's Eighth Plan was lower than that proposed by the State and would result in glaring imbalance in the State's sectoral outlays. Allocations for the power sector will be adversely affected. Some of the new starts expected to generate power in the Ninth Plan namely Goindwal Thermal Power Project and the GNDTP stage III, Bhatinda would have to be abandoned. This would result in serious power shortage during the Eighth Plan itself with adverse effects on all economic activities.

155. Referring to the employment scenario, he noted that agricultural production had reached its climax and could not absorb the surplus manpower. He, therefore, stressed the need for substantially strengthening the industrial base of the State to generate employment opportunities. He noted that the small scale sector which produced a wide variety of industrial and consumer goods was the backbone of the State's industry and this was likely to be adversely affected by the proposed liberalisation policies. He requested for stepping up of the Central Public Sector investment, the share of which had gone down from 2.2 per cent in 1979-80 to 0.74 per cent in 1989-90. He noted that credit-deposit ratio of the commercial banks in Punjab was as low as 43.69 per cent as compared to 66 per cent at the National level.

156. Shri Beant Singh observed that in the matter of devolution of Central assistance, the high weightage of 60 per cent to population was disadvantageous to Punjab, also the weightage to per-capita income below the national average, which had now been raised from 20 to 25 per cent was adversely affecting the interests of Punjab. He noted that Punjab's share in the divisible portion of Income Tax and Excise duty was determined well below what is collected in the State. He also pointed out that the State received less than two per cent of the total market borrowings and pleaded for a more equitable distribution of the same. He pleaded that in view of the multiplicity of State's special problems, Punjab be treated as a category apart for the provision of Central assistance.

157. Regarding Centrally Sponsored Schemes (CSS), the CM noted that the schemes through which the major portion of the assistance got developed had been retained by the Centre. Also, since the quantum of central assistance available through CSS was not known in advance, that task of planning and orientation of priorities was rendered somewhat difficult.

158. The CM stated that the deteriorating financial position and ever widening gap in the State's resources was mainly the cumulative result of the special problems faced by the State over the last decade. The expenditure on police establishment has risen many folds over the years. There had been very limited efforts at resource mobilisation. The large public sector undertakings also contributed substantially to negative resource position. The position had also deteriorated due to mounting burden of salaries, wages, pensions and periodic revisions in the DA. Budgets of the last few years had been in the deficit. The developmental efforts could be sustained only through generous assistance and accommodation allowed by the Centre. As a result, the debt burden of the State has increased.

159. Annual Plan 1992-93 and the Eighth Five Year Plan 1992-97 of the State was faced with a big resource gap and there was no possibility of imposing a heavy dose of taxation to cover it up. The collection of excise duty on liquor which was the major source of tax revenue in the State was likely to suffer further set back. The expenditure on providing relief to terrorist victims and migrants, pension to bereaved families and on police was quite high. The State Transport Undertakings and the State Electricity Board continued to incur losses for various reasons. The position in relation to



repayment of loans was not expected to improve in the near future. Punjab will, therefore, need special dispensation outside the normal channels of funding for implementing its Eighth Plan. He pleaded for implementation of a suitable package of measures including debt relief to put the State's finances on a more sound footing. He also pleaded that as an immediate measure, the Special Term Loans to Punjab be written off and that the entire expenditure on police and para-military forces be borne by the Centre.

160. The CM further requested that the quota system of recruitment to the Army be abolished and free entry of the youth based on their physique, temperament and military traditions be allowed. He mentioned that the Union Home Minister, recently, while inaugurating the new district of Fatehgarh Sahib had announced that 5000 youth from Punjab would be inducted into the paramilitary forces immediately. He had also assured the people of Punjab that the much awaited economic and political package would soon be announced by the Prime Minister. He requested that these measures may be announced urgently. He stated that there was a need for an intake of at least two thousand men per district per year in the forces during the Eighth Plan period. This would greatly help to deal with the problem of unemployed youth and in bringing the misguided youth to the main stream.

161. Shri Beant Singh requested that Punjab be given a special grant to fund its proposed Eighth Five Year Plan of Rs. 8,277 crores. He stated that a war by proxy was being fought in Punjab which must be won.

162. **Shri Biju Patnaik**, Chief Minister, Orissa stated that some of the problems faced by the States were due to present administrative arrangement under which the Centre wielded too much power. He stated that the Sarkaria Commission had rightly observed that "over dose of power had created blood pressure at the Centre and lack of power created anemic conditions in the States". He felt that present state of affairs was totally unsatisfactory and for little things the States had to seek clearance from Delhi. Other nations were very practical and that is why they have progressed. There were a lot of bright and well meaning people at all levels of administration in the country but the system frustrated them all. There were 45 crores of people below the poverty line - and this figure did no credit to any Government. If we did not change even now, higher ratio of the population would go below the poverty line. Today, there were 95 million of educated and semi-educated unemployed.

163. While he appreciated the need for protecting the ecological system and environment, he was strongly opposed to controls over all development activities being imposed by the Ministry of Environment of Government of India. The Forest Conservation Act, according to him needed revision urgently. He stated that he had submitted a note to the Prime Minister suggesting review of the entire matter. He cited the case of Narmada Dam project of Gujarat from which Japan withdrew offer of assistance because of protests by the environmentalists. In their country when they had proposed a Dam on Narera, they faced similar problem but they were not deterred. They worked out the balance of advantages - and went ahead with the dam which, after all, was meant for the benefit of the people. Then he referred to a case in USA. To protect a species of owl which was available only in Washington and Oregon, environmentalists wanted a blanket ban on exploitation of all forests. The American President overruled them because he was equally alive to developmental needs and economic interests of his people. In Orissa the simplipal forest was converted into a National Park to protect the white tiger but nobody bothered about the hardship the ousted families had to face. If forest land was required for any development activity corresponding area of revenue land was demanded. Since such lands were not available, he suggested

compensatory afforestation could be taken up in degraded or denuded forest land where no tree growth exists. Conservation of eco-system was important, but so was development. And the clearances took so long that project costs increased many times. The industrially developed countries were primarily responsible for eco-imbalance; but while they were going ahead with development activities, we were applying the break thoughtlessly not realising that India would take another 100 years to pose as great a threat to environment as in the developed countries. Even the World Bank had come to the conclusion that poverty and human degradation were the worst pollutants.

164. Today in India, felt the Chief Minister, everybody wanted to get something from the nation. He was reminded of the famous saying of President Kennedy when he said in his inaugural speech "Ask not what the nation can do for you, ask what you can do for the nation". Our present system was inherited from the British which was devised to rule and not to serve. Unfortunately, even the elected leaders of the people became part of this system and forgot the people quickly.

165. He felt that we had failed to identify our biggest problem i.e. the growing population. The C.M. felt that Population Control Programme should be taken up in real earnest for which there should be adequate funding. He was surprised that gravity of the problem had not yet sunk in. He said, only the late Sanjay Gandhi tried to tackle the issue seriously but because he made it an election slogan the programme virtually collapsed. No body talked of it after that. Unemployment also was adding to popular discontent and unless we did something about that quickly, the whole edifice might collapse. Being one of the senior most amongst the people gathered in the NDC, Shri Biju Patnaik said that the Centre should have all the authority needed to hold the nation together like Defence, Currency, Railways, Transportation, Communication and may be some others. He was also willing to concede special powers needed to tackle special problems like the ones we were facing in J&K and Punjab. But, he strongly pleaded that rest of the tasks should be left to the State Governments, who also had people capable of thinking and doing. Given the freedom they could take the initiative to develop their States by exploiting their local resources in their own way. The additional human resources available in the States if harnessed, at local initiative would ultimately strengthen the nation and not weaken it. In this connection he suggested that the additional allocation proposed for rural development should justifiably be transferred to the States.

166. In Orissa, said the C.M., women had been given 1/3rd representation in Panchayat Samities and Zila Parishads. The State had decided that women should be given similar representation in judicial and general services also.

167. **Shri Hiteswar Saikia**, Chief Minister of Assam proposed to place before the P.M. certain basic problems of the State. He said that Assam was facing the problem of deceleration in the development process. In 1950-51, Assam's per capita income was above the national average. After four decades, the per capita State Domestic Product of Assam became less by Rs. 212.9 compared to National Domestic Product in 1984-85. The people of Assam were now asking the basic question as to what had gone wrong with the development process as a result of which this State had become poor while others had prospered. They wondered whether the planned economy had led to a situation where Assam's resources are being exploited for the benefit of others.

168. He pointed out that the mighty Brahmaputra River cause great devastation with untold miseries year after year in Assam. The average loss per annum was estimated at Rs. 200 crores in Assam. However, under the planning process the task of controlling the Brahmaputra River had fallen on the State. Out of a total investment level of Rs. 7,92,000 crores in the Eighth Plan, a paltry sum of Rs. 20 crores per annum only had been allocated to Assam to tackle this massive problem. Even this meagre amount was given as loan. He wondered why the State Government

should be made to take loans for a basically national responsibility. He expressed his gratitude to the Deputy Chairman and Hon. Minister Shri Shukla for sanctioning some extra amount for completion of some new projects to stop erosion by the Brahmaputra. The constitution of Brahmaputra Flood Control Board had undoubtedly been a step in the right direction. It was absolutely essential that the Government of India should allocate money to control the Brahmaputra River on need-based criteria as grant every year.

169. Another aspect of the problem, the C.M. said, pertained to relief arrangements arising out of floods or droughts. Earlier, the loss used to be assessed by the experts sent by the Government of India and allocations were made accordingly. According to the Ninth Finance Commission, a sum of Rs. 30 crores had been earmarked for Assam irrespective of the actual needs of the State in a particular year. This system he felt needed to be changed and earlier practice restored.

170. He pointed out that a stage was coming when it would not be possible to retain any programme content in the Plan. He said that the earlier practice was to transfer committed liability to non-Plan at the end of every Five Year Plan. This allowed more programmes under the Plan. However, at present, a large part of such liability was being met from Plan, as a result, precious little was left to take up any new work. This balance was also dwindling in real terms for undertaking any meaningful developmental programmes. The enormity of the problem was enhanced as the salary of teachers and other functionaries were frequently revised upwards by the Central Government as a result of which the State Government was left with no other option but to follow suit. Even in case of University teachers, Central Government provided higher salaries and allowances only for a limited period of four to five years after which the State had to bear the additional commitment.

171. The C.M. stated that unless special dispensation was made for backward States, these could not come up industrially for lack of infrastructure and entrepreneurship in spite of bold steps taken to liberalise industrial and trade policies. He also felt that for such areas it would not be appropriate to withdraw all subsidies suddenly. He pointed out that the Industrial Policy announced on July 24, 1991 promised step up industrialisation to backward areas of the country which would be actively promoted through appropriate incentives institutions and infrastructure Investments. Need for State intervention in certain areas would continue. He referred to the colossal loss being suffered by the country due to flaring of natural gas in the N.E. This gas could have been put to a number of productive uses. Valuable time and resources had been wasted in narrow interpretation of Government policy. Conversion of natural resources to wealth was important for the whole nation and not for a State alone. He expressed his gratitude to the Planning Commission for agreeing to convert the meter gauge railway line to broad gauge from Gauhati to Lumding. This would substantially improve the transport facilities in his State. He pleaded for retention of the transport subsidy scheme.

172. He said that the problem of unemployment had to be given serious attention. Assam had witnessed different level of manifestation of a large number of educated unemployed youth to provide better employment opportunities in agriculture, fisheries, dairy and animal husbandary, sericulture, proper planning and investment were called for. He also expressed his hope that Government of India would actively promote tiny tea gardens in Assam which will be able to provide self-employment to a large number of educated youth.

173. Qualitative improvement in education coupled with the required quantitative expansion to attain universalisation of elementary education were the twin objectives of the State Government

during the Eighth Plan. He expressed his unhappiness over the outlay for education in the Eighth Plan and pleaded for its augmentation.

174. The C.M. said that Assam did not have the happy experience of development funding by institutions like IDBI, LIC, etc. He said that new Industrial Policy package could only help if adequate institution financing was assured. He said that the State had started with the physical plan and the investment requirement had been derived from this Plan. The State had identified all physical targets necessary to achieve the desired rate of growth for which the State needed an investment of Rs. 8400 crores during the Eighth Plan. Assam had large tribal tracts, hill areas and many special problems. The riverine areas and inter-State border areas were backward and therefore needed special attention. The Planning Commission had however fixed the 8th Plan outlay of the State at Rs. 4672 crores ostensibly because of poor State resources.

175. The State was very earnest in involving the Panchayati Raj bodies in development programmes, he stated. Elections to these bodies were held recently after a long gap. He reiterated that his Government was one with the Centre in the approach to the Eighth Plan and proposed that the Plan document be adopted while keeping in view the points made by him.

176. **Shri Samir Ranjan Barman**, Chief Minister of Tripura congratulated the Deputy Chairman, Planning Commission on the preparation of an excellent document and reiterated his whole-hearted support to the objectives and thrusts of the Eighth Five Year Plan (1992-97). Enumerating a few core areas the State would like to emphasise on, he said that the State Government wanted to consolidate the gains achieved so far, to diversify the productive base and capacity of the economy and to achieve greater self-reliance during this Plan period. However, he expressed unhappiness at the unilateral fixation of the size of Tripura's Eighth Five Year Plan at Rs. 1130.00 crores only which is much below the amount recommended by the Working Group of the Planning Commission.

177. The Chief Minister referred to vast regional disparities in this country and pointed out that various mechanisms devised to remove this problem have been unsuccessful. However, he maintained that the objective of removing regional disparities ought to be given due priority to deny this fertile platform to anti-national and secessionist forces. It is in this context that the Chief Minister said he is perturbed with the niggardly allocation of Rs. 1130.00 crores to the State of Tripura.

178. Reminding that the States of the North-East were created out of overriding political consideration, Shri Barman pleaded for more than proportionate assistance to these States. He described the special features and problems of his State and added that account had not been taken of these while fixing the State's Eighth Plan size. Since the North-Eastern States have been denied the benefit of externally aided projects on national security considerations, he pleaded that this should be suitably compensated for. The Chief Minister also highlighted the special implementation problems of States like Tripura and their insignificant share in the Central Sector Plans. He is especially unhappy with the results of the 38th round (1983-84) of the National Sample Survey which calculated the incidence of poverty in the State to be only 23% and said that this is patently absurd. Pending further verifications, he requested that allocation for poverty alleviation programmes in the State be made on the basis of the results of the 32nd round of the National Sample Survey.

179. Shri Barman welcomed the proposed target to generate 8 to 9 million additional employment per year during the Eighth Plan but said that the State's target on this front would have to be curtailed due to reduction of their Eighth Plan's size. While supporting the Eighth Plan's objective of assigning a greater role to the private sector, he said that, in Tripura, the public sector may have

to continue playing a more pioneering role. Regarding the provision of Central assistance to the Special Category States to cover their non-plan resource gap, he hoped that a permanent solution would be found to this vexing problem. The problems of the 7th Plan committed liability also needs to be resolved. Shri Barman also informed that the state Government has been making efforts to mobilise additional resources.

180. The Chief Minister also expressed his unhappiness with the North-Eastern Council due to the State's dwindling share of NEC funds. Nevertheless, he welcomed the enhancement of the plan allocation to the NEC. He also pleaded for extension of the rail link upto Agartala and extension of NH-44 from Agartala to Sabroom. He hoped that his strong plea for his State would not go unheeded.

181. **Shri Wilfred D'Souza**, Deputy Chief Minister, Goa, congratulated the Planning Commission for preparing a comprehensive Five Year Plan with bold initiatives and clear priorities. The indicative Plan was a very judicious blend of liberating impulses for growth and channelising them only where necessary.

182. He said that the Raunaq Singh Committee had submitted its report about establishing a free port. In its order of selection, Goa had been placed on the top. The State Government had also welcomed and accepted the recommendation and now the Central Government, should take a decision favorably and early.

183. Although Goa had a number of favourable factors, it would also require some further planned allocation to upgrade its infrastructure so that Goa could compare with other free ports. He, therefore, pleaded for increased allocation, specifically for this purpose, as in the Eighth Five Year Plan, this aspect had not been included. Normal allocation of Rs. 761 crores for the Eighth Plan may not suffice.

184. Goa had a small population of just about eleven lakhs. Consequently, the tax base itself was narrow; resource generation is a daunting task. None-the-less, in the current year bold measures had been introduced in the Budget to achieve unprecedented level of resource mobilisation of Rs. 17.9 crores. However, there was a limit beyond which popularly elected Governments would not like to burden the people. The infant State had yet to attain financial stability and self-reliance. The Ninth Finance Commission appreciating these factors, recommended bracketing Goa with Special Category States for financial dispensation. Referring to the Rangarajan Committee he requested that the case of Goa may also be studied by the Committee.

185. He further stated that there were areas in which going by performance indicators, States like Goa have done well. Goa had achieved a birth-rate of less than 18 per thousand as against the target of 26 per thousand fixed for the country, to be achieved by the Eighth Plan. Similarly, infant mortality rate was as low as 21.99, as against the national target of 70. Literacy rate already achieved was about 77 per cent. Keeping in view such areas of progressive performance, incentives may be given by higher allocation for still better performance.

186. He pointed out that due to limitation of resources, Goa had suffered a reduced plan allocation in the current year. At this rate, ambitious projects of the Konkan Railway and the free port were likely to suffer. Perhaps, the Rangarajan Committee, if entrusted with the task, would suggest a way out by only gradually tapering off Central assistance to Goa.

187. **Shri V. Vaithialingam**, Chief Minister of Pondicherry stated that he was giving a brief summary of the points raised by him in his speech already circulated.

188. The Plan document, he said, had emphasised on employment generation, containing population growth, universalisation of elementary education, eradication of adult illiteracy, provision of safe drinking water and primary health facilities, growth and diversification of agriculture and strengthening the infrastructure. There was full enrolment under the elementary education in Pondicherry. Drinking water supply to all problem villages had been ensured: Population control targets had been achieved. Pondicherry's performance during the Seventh Plan was impressive both for mobilisation of additional resources and achievement of financial and physical targets.

189. Towards achieving the objectives of the employment generation and diversification of agriculture, Pondicherry had been identified as the programme area by the expert group of Planning Commission so that the appropriate programme could be initiated by the Small Farmers' Agri-Business Consortium to be set up by the Government. Pondicherry could emerge as a model in the country. He, therefore, pleaded for liberal Central assistance to Pondicherry.

190. He stated that Pondicherry, being a Union Territory with Legislature, could not resort to outside borrowings and also was not eligible for any share out of divisible pool of Central Tax revenue. Only Central assistance and the resources raised by the State form the basis for financing the Plan. More than Rs. 290 crores could be mobilised as additional resources for the entire Eighth Plan. Adding Central assistance of Rs. 320 crores to this at the rate of Rs. 64 crores per year, as fixed for 1992-93, the Eighth Plan outlay for Pondicherry would come to more than Rs. 600 crores, but the Planning Commission had fixed the size of the Plan as Rs. 400 crores. He, therefore, appealed that the Planning Commission should fix the Eighth Plan outlay of Pondicherry at not less than Rs. 600 crores.

191. He fully endorsed the strategy for the Eighth Plan outlined in the document.

192. **Shri K.N. Upreti**, Minister, Govt. of Sikkim, said that he considered it a privilege to take part in the National Development Council meeting on behalf of the Chief Minister, who would like to express his sincere regrets for his inability to participate in this meeting due to a very important State-level Conference. He said his written statement may be treated as read.

193. He commended the Planning Commission for the excellent work done in bringing out Eighth Plan document. He said that his Government fully endorsed the Plan approach, thrust and policy framework.

194. By the time the Eighth Plan would come to an end on 31st March, 1997, only three years would have been left for the 21st century to begin. It was, therefore, of utmost importance that we carefully discuss the Eighth Plan and ensure that after the Plan was approved, it was implemented properly so that we were ready to face the challenges of the 21st century and establish a society where there was hundred per cent education, all Indians were above poverty line, un-employment problem was not so acute and so on.

195. He felt that topmost priority must be given to population control. He sincerely felt that some drastic, unpleasant political decisions must be taken lest we land ourselves in a situation from which it would be impossible to extricate ourselves. He did not advocate coercive measures. However, stringent steps would have to be taken to control population. If the present rate of growth went on, we would be the largest populated country in the world in the near future. Let us be the largest producer of anything other than children. Any family which had more than two children

should be debarred from the benefit of development. If population growth could be checked, we could tackle all other related problems such as providing food, shelter, education, medical facilities, etc.

196. Shri Upreti stated that Sikkim was a sensitive border State surrounded by three countries. It was in the national interest that the State remained peaceful. However, of late, there had been a move to disturb the tranquility by some undesirable people who want to capitalise on the issue of un-employment. There was a large number of educated unemployed youths in the State. Hon'ble Chief Ministers of some of the North-Eastern States were quite right when they said that insurgency or terrorist activities in most of the States were the result of un-employment. Sikkim, also, might go out of our hand if timely action was not taken. He urged upon the Government of India to send a Central team to discuss with the State Government measures necessary for creation of employment.

197. Next was the problem of natural calamity, due to heavy rainfall and hail-storm. Unlike other parts of the country, such calamities had become an annual feature in Sikkim for the last few years. This calamity damaged all the standing crops, fruits and vegetables so severely that the rural poor become helpless and we were not able to give them any relief due to paucity of funds. The natural calamity fund of Rs. 3 crores provided to us by the Centre annually was not even sufficient to repair roads and other public property damaged. He, therefore, requested that adequate amount may be provided in the Plan for meeting the expenditure in connection with the natural calamity.

198. Lastly, even though this was not related to the Plan, they were facing the problem of refugees who were crossing over to Sikkim from Bhutan. Sad experiences of GNLF agitation in Darjeeling District of West Bengal bordering Sikkim was still fresh in their minds where they had to provide food, shelter and medical aid to thousands of people who crossed over to Sikkim. They did not want such things to happen again. Before it was late, the Government of India may kindly take appropriate action to see that refugees from Bhutan did not enter Sikkim.

199. **Shri P.K. Dave**, Lt. Governor, Delhi said that while Delhi's plan expenditure had grown from Rs.4.70 crores in the First Plan to Rs.2631 crores in the Seventh Plan, the National Capital continued to try and cope with crippling power and water shortages, a clogged transport system and mushrooming growth of slums, unauthorised colonies, straining every civic amenity. All prognostications about population and almost all the plans about decongesting Delhi had gone wrong.

200. He pointed out that the geographical area of Delhi had not changed. Its population had grown from 17 lakhs in 1951 to 94 lakhs last year and was likely to reach 132 lakhs in 2001. This was not, of course, entirely due to natural causes. In fact, the main cause was the influx of immigrants. From all indications, it was now clear that the capital's future life and success and failure of diverse development schemes would substantially depend on our will to tackle this important factor of migration. He expressed his thanks to Shri Bhajan Lal for pointing out the special aspects of the NCR that required attention and added that all measures that he had suggested required immediate implementation.

201. Allocation of financial resources was primarily made by the concerned Ministries of the Govt. of India with the approval of the Planning Commission. Distributing the allocations to the States and Ministries who had their own priorities, not necessarily supportive of NCR objects, could lead to difficulties. He proposed that a financial mechanism of Special Component Plan for NCR be established in the Central and State Plans. Under such a mechanism the outlays for the

Special Component Plan for NCR should be earmarked both in the Central Plan and the concerned State Plans. Such outlays should not be diverted without prior approval of the NCR Planning Board.

202. In fact, the problems faced by the NCR were so acute that, in his opinion, we should enlarge the concept and scope of the scheme itself. The success of NCR development depended almost entirely on the pivotal role envisaged for the NCR Planning Board. The Board should operate as an autonomous authority to which power of project formulation and execution should be delegated by the various constituents, namely, the National Capital Territory, Haryana, Rajasthan and UP States along with a budget approved by the Parliament. In the modern world, when countries had selectively surrendered their sovereignties to regional groupings, this was not a strange concept.

203. Nonetheless, the NCR Plan would take some time before it actually made a difference to Delhi's problems. Our strategy, therefore, had to be based on improving the living conditions of Delhi's population with all the given constraints. In this connection, he focused on Delhi's water problem. The present water supply was 472 MGD and by maximising production, it was possible for several weeks in the year, to provide 500 MGD. However, the present requirement of water was 655 MGD and this was expected to go upto 785 MGD by the end of the Eighth Plan. The National Water Policy gave over-riding priority to drinking water requirement above all other needs. He earnestly urged the Ministry of Water Resources as well as Governments of UP, Haryana, Rajasthan and Himachal Pradesh to expedite the agreement on sharing of Yamuna waters and ease the situation obtaining in the National Capital.

204. The situation in the energy and public transport sectors was also a cause for concern. The maximum demand of power in Delhi had already crossed 1500 MW and by the end of the Eighth Five Year Plan, the demand for power would be 2500 MW in Delhi. Shri Dave expected to meet this to a substantial extent if the Bawana Gas Turbine Project was implemented. Unfortunately, the provision for this was only nominal in the Eighth Plan and he was hoping that the project will be urgently taken up in the Central or private sector.

205. The transport system was also under great stress. The number of vehicles had risen from little over 12,000 in 1951 to over 19 lacs in 1991. The free flow of traffic had been impaired and until the MRTS was implemented, he did not think the decongestion of Delhi roads will be possible.

The civic amenities in Delhi had become poorer and poorer as the influx of population continued. The Jhuggi-Jhompri clusters, resettlement colonies and other slum areas were being attended to but with insufficient resources, both as regards land as well as water, sewage and power. For these areas too he thought allocations had to be more imaginative and more generous.

206. He endorsed the strategy and approach contained in the Draft Eighth Five Year Plan.

207. **Lt. Gen. R.S. Dyal**, Lt. Governor, Andaman & Nicobar Islands, said that it was indeed heartening to have the Eighth Five Year Plan document today despite doubts having been expressed in some quarters about the fate of the country's Eighth Plan. This showed the Government's determination to continue the process of development initiated with the launching of India's first Five Year Plan.

208. The Plan document laid down strategies and priorities for the balanced development of different sectors of the economy. The various economic and fiscal measures adopted by the Government in the recent past had already shown encouraging results and the economy as a whole had started looking up.



209. He observed that the document rightly emphasised the need for generating adequate employment, controlling population growth through active participation of the people, universalising elementary education, providing safe drinking water and primary health care facilities, achieving self sufficiency in foodgrains and strengthening the infrastructure by providing adequate outlays for priority sectors like energy, transport, communication, irrigation, etc. with a view to supporting the growth process on a sustainable basis. Speedy completion of the projects and more effective utilisation of capital assets already created, particularly in the power and irrigation sectors would help in achieving the proposed growth rate. He fully supported the proposals for rationalisation of subsidies and more appropriate pricing of certain products and services like electricity, water and transport. There was urgent need for cutting down Government expenditure, particularly on staff and recent efforts of the Central Government in rationalising the staff structure should have his full support, he stated.

210. The Andaman and Nicobar Islands constituted a group of 572 islands which were separated from the mainland by 1200 Kms of sea. Shipping and air services were the lifeline of the Union Territory. There was hardly any industry in the islands except a few plywood factories. Almost the entire requirement of foodgrains and other essential commodities was met through import from mainland. Development of transport facilities was, therefore, accorded the highest priority from the second to the Seventh Five Year Plan while investment in social services came next in the order.

211. There was hardly any scope for further extension of the area under cultivation. Cropping intensity had, therefore, to be increased by adopting double cropping pattern of high yielding varieties of paddy and taking short duration second crop of oil seeds, pulses and vegetables in the post-monsoon period. The administration was also encouraging people to go in for plantation crops like coconut, arecanut and spices which promise better economic returns to the farmers. He had requested the Min. of Agriculture to establish a Krishi Vigyan Kendra of the Central Agricultural Research Institute in the southern islands instead of in the Andaman Group as decided by the Ministry.

212. There was ample scope for developing tourism in the islands on a selective basis without destroying the environment. There was considerable scope for developing water sports as an added attraction for foreign tourists. The Government of India had already agreed to open a few islands for foreign tourists. He stressed the need to develop necessary facilities very fast. Next to tourism, he planned to exploit the vast fisheries resources of the islands. With a 1960 Kms coastline and continental shelf area of around 16,056 Kms. the islands had renewable resources of fishes like tuna, shark etc. of the order of around one lakh metric tonnes annually. A Corporation, a subsidiary of Andaman and Nicobar Islands Integrated Development Corporation had been set up which had taken up the task of harnessing the vast marine resources on systematic and commercial lines in collaboration with M/s Frick India Ltd, a privately owned specialised organisation.

213. He stated that for power generation large quantities of diesel were being consumed which was a costly proposition. The Administration proposed to set up a Hydro Electric project on Kalpong river in North Andaman with a capacity of 5.25 MW. The project had already been approved by the Planning Commission and they were awaiting environmental clearance from the Ministry of Environment and Forests.

214. Gen. Dyal stated that shipping was the lifeline of the islands and all activities were totally dependent on shipping services both for mainland as well as inter-island transportation. As such,

57.64 percent of the Eighth Plan outlay would be utilised for the development and strengthening of the transport sector which would include shipping, ports and harbours, roads and bridges, road transport and civil aviation. The Govt. of India had approved their proposals for purchasing four big passenger-cum-cargo ships for handling mainland-island passenger and cargo traffic. Two out of these, each with a capacity of 1200 passengers and 1500 metric tonnes cargo, built in Poland had since been delivered. The Polish authorities have not, as yet, started building the third vessel. He requested the Min. of Surface Transport to settle the issue with the Polish authorities so that fabrication of the third vessel was taken up immediately. Further, the Ministry might also finalise the modalities for acquiring the fourth vessel.

215. In the Health Sector, his Administration had launched an innovative scheme for planned families by the year 2000 which had been approved by the Planning Commission. For containing population, improving literacy and providing social security to women, the scheme would cover 48000 girls in the islands during the year 1992-2000 with a total cost of Rs. 11.20 crores. The scheme would provide incentives for delayed marriage; each girl would be paid Rs.2000/- if she delayed her marriage upto 21years. She would be paid an additional amount of Rs.500/- upto a maximum of Rs.2000/- for every additional year of delay in marriage after the age of 21 years. For adopting a small family norm, women would be paid Rs.50,000/- at the age of 50 years if they had two surviving children and Rs.75000/- with one surviving child or no child. The scheme also had a supportive component of literacy among girls; every girl covered under the scheme shall be paid Rs. 2000/- after passing the 10th class Board examination. The scheme provided adequate social security cover to women and would be self financing after a period of 8 years. Under the scheme, a girl would be registered at the age of 13 years and a sum of Rs. 2500/- would be deposited in her name. Payments will be made in accordance with the schedule indicated earlier. While they had been able to make a dent in the family welfare programme in the islands, they were to check the continuous migration of people from the mainland in search of employment. They were intending to issue identity cards to the existing inhabitants of these islands so that various concessions were availed of only by the bonafide residents of the islands.

216. They had, at the same time, to ensure that the primitive tribes of Jarawas were systematically protected and their access to food resources assured. The Administration was planting fruit bearing trees of different varieties in an island close to the Jarawa area.

217. The Lt. Governor stated that South Bay in Great Nicobar lied 30 nautical miles off the international shipping route i.e. Malacca strait. He opined that creation of ship repairing and bunkering facilities would, besides, generating job opportunities for the people of the Union Territory, prove a lucrative economic activity and big source of foreign exchange earning. The Andaman and Lakshadweep Harbour Works, an Organisation of Ministry of Surface Transport had conducted a study and recommended that the harbour could cater to ships of about 300 metres length and upto 14.5 metres draft. No berthing facilities were available for inter-island and mainland ships calling at Car Nicobar, the district Headquarters of the Tribal district of Nicobars. The Andaman and Lakshadweep Harbour Works had proposed an outlay of Rs. 34.74 crores in the Eighth Plan for providing breakwater at Mus for which funds may be provided by the Min. of Surface Transport.

218. With the opening of the islands for tourism, tourist traffic was expected to increase substantially. The present runway at Port Blair could not receive larger aircrafts and only Boeing 737 were operating and that too with load penalty. A decision was taken in the fourth meeting of the Island Development Authority chaired by the then Prime Minister that the runway should be extended by 1500 feet. Since neither the National Airport Authority nor the Naval Authorities who

own the runway were ready to take up this task, the Administration had decided to take up the proposed project. He was happy to say that the Planning Commission had provided Rs. 40 crores in the Eighth Plan for extension of the runway. The people of Andaman had been demanding air fare concession on the pattern obtained in the North-eastern region for reasons of remoteness. The Min. of Civil Aviation had agreed to this and a formal notification specifying the date from which this would become operative was awaited.

219. He pointed out that against a projected outlay of Rs. 867.224 crores for the Eighth Plan for the territory, the Planning Commission had, agreed to allocate only Rs. 685 crores. While he fully appreciated the constraint of resources with the Planning Commission and were grateful for having met the Administration's demand to a considerable extent, he pleaded for full support for quicker development of the islands so that the distance separating the island from the mainland was forgotten.

220. He stated that it was indeed a daunting task for the Planning Commission to draw up a five year development plan for the Nation when the country was faced with a grim economic situation. The Plan document had taken into consideration the obtaining ground realities and identified thrust areas where further investment would remove existing distortions leading to a more balanced growth of the economy. The Planning Commission had discharged its onerous responsibility. It was now upto us to gear up the administrative machinery and convert financial outlays into schemes and projects on the ground. Let us join hands in implementing the Plan with speed and vigour.

221. **Shri Surendra Nath**, Administrator of Chandigarh said that Chandigarh was a city State or a city Union Territory and its problems on that account were somewhat peculiar. With a population of six-and-a-half lakhs which was likely to grow to ten lakhs by the end of the Eighth Five Year Plan, his prime concerns were planned growth of the city and provision of basic amenities to the growing population such as electricity, water, sanitation, housing etc. For this reason 75 per cent of our Plan budget was devoted for the provision of social services, particularly health, water supply and housing. He opined that Chandigarh perhaps presented a micro image of what was happening to cities all over the country. Even a planned city like Chandigarh had seen unplanned growth. In a population of 6<sup>1</sup>/<sub>2</sub> lakhs approximately one lakh lived in slums. The Administration had launched a drive under which in the next two years they intend resettling this entire population of one lakh into properly constructed tenements, with water and electricity. This was a difficult task but taking it in a spirit of challenge, they shall be able to achieve it so that at the end of two years there shall be no slums in Chandigarh. Chandigarh had become the centre of learning, education, arts, culture, etc. and had achieved the target of universalisation of elementary education. On 1st May this year they had launched a drive for complete eradication of illiteracy from Chandigarh which would be completed within one year.

222. He stated that the UT could have done with a more liberal outlay for the Plan than had been provided. He said that, he was not raising that issue in the meeting, though being a Union Territory they could depend on Centre's munificence as they go along, particularly for the projects which were vital and which were going to be fruitful.

223. He drew attention of the Central Government as well as some of the neighbouring State Governments, to the problem of water supply of Chandigarh. They were beginning to face an emerging crisis. There was a stage when the entire water supply of Chandigarh was met from tubewells. The water table went down. Then water had to be pumped into Chandigarh from a

distance of 27 miles from Bhakra main line canal. This was a very expensive way of providing water. By the end of the Eighth Five Year Plan the expenditure on pumping would go up to Rs.30 crores per annum which was not acceptable either to the consumer nor to the administration. There was a viable alternative which was to take water from Khagri river in Haryana and they would be able to provide water not only to Chandigarh but also to various adjoining parts of Haryana and Punjab. This project had the merit of being a gravity block project and the expenditure on the project would be minimal.

224. He referred to the compliments of Lt. Governor, Delhi to Chaudhary Bhajan Lal for his liberal attitude to Delhi and said that he expected the same generosity towards the city of Chandigarh. He fully and forcefully supported the thrust and features of the Plan. He felt as we are on the human enterprise and initiative there were no limits and we could unshackle these and create conditions for them to flourish. That was why the emphasis on human development in this Plan became important and equally important was the creation of the conditions in which, free from unnecessary government controls, free from oppressive over centralised decision making and free from the tyranny of Inspector-raj, this Plan and all that was envisaged in it could be achieved.

225. **Shri Kamal Nath**, Minister of State for Environment and Forests on being invited by the Chairman, said that by trying to protect environment we did not want to hinder development. We are concerned about contamination of rivers, of ponds, of drinking water. When we talked about forests, we just did not talk merely to preserve the forests for the sake of aesthetic value. We talked of preservation of forests to help the people who were dependent on fuel wood, which our forests management was able to sustain, which was the real subsidy to the poor. One hundred and sixty million tonnes was the demand for fuelwood and it was this fuelwood which sustained the poor.

226. He said that he was not an environmentalist, nor was he oblivious to the needs, the pains and dilemmas which his colleagues had expressed. He felt like raising a debate himself.

227. Commenting on Chief Minister of Orissa's reference to delays in projects clearances, he hoped that he would also appreciate that it was within 30 days he got his forest clearance for a major steel plant. Regarding the Chief Minister of Rajasthan's mention about the Dholpur Thermal Plant, he pointed out that this project had been rejected in 1987 and again in 1988 for its likely ill effects on the Taj. It came back in 1990 when, on calculation, it was found that 75 tonnes per day will be the SO<sub>2</sub> and NOK emissions ultimately going up to 225 tonnes per day. He clarified that location of the project in the CM's constituency had nothing to do with its technical evaluation. He also stated that in a meeting convened by him in 1991, he was informed that Archaeological Survey of India had expressed an apprehension that the Dholpur Project may have ill effects on the Taj Mahal. This needed to be thoroughly investigated. Referring to a statement made by another Chief Minister stating that 170 projects were pending approval, he informed that in a letter to his Ministry about a week back it had been stated that only 27 projects were pending for over three months. Referring to a query of the Chief Minister, Uttar Pradesh, he informed that a detailed investigation of Tehri Dam Project, in consultation with the technical experts needed to be done and, therefore, declined to say anything about the project at this stage.

228. Shri Kamal Nath stated that he was in agreement with the Chief Ministers, in principle, that environmental clearance should be a job on the States' for which the State Pollution Control Board needed to be strengthened; for which he had endeavored during the past eleven months. He informed that he had brought in a Water Cess Amendment Bill which sought to increase the water

cess on industrial units. Water, he observed, was a community asset and its excessive pumping by industry resulted in lowering the water table in the neighbouring areas adding to drinking water problem. Eighty five per cent of the cess collection would go to State Pollution Control Board, and would strengthen their position. He was also taking other steps to strengthen the SPC Board with necessary infrastructure. Thus the present time was a transitory phase and ultimately this work had to be transferred to the States. Referring to the issue of notification regarding Aravallis raised by the Chief Ministers of Haryana and Rajasthan, he stated that he would have been failing in his duty if he would not have issued this notification. This was desirable in view of the heavy deforestation of Aravallis. He quoted a paragraph from the speech of Shri Shekhawat which highlighted the significance of Aravallis to the adjoining areas. He, however, volunteered to get the difficulties and modalities in its implementation sorted out at the officers level meeting. He felt that there were lot of misgivings. Talking about the scope of the notification, he stated that it extended only to two districts and that too partially and would be applicable to new industries likely to result in deforestation. It was applicable to new mining activities and haphazard construction by massive housing colonies and the power to grant permission vested with the States and not with the Centre.

229. There had been a reference about the impact of some other notifications which had been issued. The impact of industries in certain areas which did not have the carrying capacity had to be gone into. For the first time fifty-three industries were to be controlled environmentally through the instrument of the Industrial Development Regulation Act by the Central Government. States have been given authority to deal with 53 others. He proposed to give control of more industries to the States as soon as the State Pollution Control Boards were strengthened so that this responsibility vested with the State Governments. He informed that he had discussed the matter with the apex industrial organisations and their suggestions were discussed by him in the Environment Ministers' Conference and everybody welcomed it. Thus it was not a retrograde step but it certainly blocked reckless development which was the intention of the Chief Ministers also.

230. Responding to some apprehension that India's position in Rio will not be safeguarded and that United States was going to bully us, he assured the Chief Ministers that nothing of the kind was going to happen. He asserted that we were conscious of our developmental needs and our efforts towards poverty alleviation and that they were going to Rio with full understanding. He stated that it was not India alone but it was India and its friends in the Third World and India's strong position between the developed countries where we shall all be taking this line. He had no doubt that nobody was even going to attempt to put pressure on them. The Chairman intervened to say that he must send the full literature of the Rio Conference, the pre-preparatory conference and whatever he had on the subject, to all the Chief Ministers at the earliest so that they knew what the Government of India was doing.

231. Shri Kamal Nath on his own behalf and on behalf of the Chief Ministers sought stepping up the outlay for forestry as it was the only real employment generation programme in this country; seventy per cent of expenditure on forestry was wage.

232. Responding to Shri Kamal Nath's statement, the Chief Minister, Rajasthan stated that an impression was sought to be created that protection of environment was the concern of only the Centre and that the States had nothing to contribute in this regard. He felt that it would have been better if the difficulties and modalities had been discussed before the issue of notification on Aravallis, as it was to be implemented by the State Government. He stated that it was difficult to implement the Notification in its present form as the public was not likely to cooperate and it would lead to increased litigation with no positive results.

233. He stated that the State Government had conducted a number of studies regarding Dholpur Power Project between 1984 and 1990. Every time a new issue was raised by the Environment Ministry. He stated that as per the prevalent norms no such new project could be taken up within a radius of 24 kilometers of Taj; but the Dholpur project was 50 to 55 kilometers away. He wondered why and how this radius was being increased continuously. At the request of the Chief Minister, the Chairman agreed to convene a meeting to decide the issue.

234. The Chief Minister, Madhya Pradesh stated that Shri Kamal Nath had not reacted to his main issue that afforestation of degraded forests should be counted as alternative afforestation for the purpose of this Act; the real issue was not the number of projects pending clearance. He reiterated his demand that utilisation of forest land upto say 100 acres or a few hectare be left to the States and wanted the Minister to react to this point.

235. The C.M. of Orissa also raised the issue of treating afforestation in degraded forests as compensatory afforestation. Shri Kamal Nath stated that some of the States particularly those with large forest covers had genuine problems in this regard. He stated that after a series of meetings he had at Bhopal, it was agreed that in December or January a committee at the level of district collectors, forest officials and revenue officials will be formed. At the State level, State Advisory Board will be formed to accord approval upto 20 hectares. The problem was being sorted out and, he assured, soon there shall be no scope for complaints.

236. The Chairman intervened to say that the condition of forests had deteriorated overtime. The development process had also brought destruction of forests in its wake. He stated that 15 years back when we had visited Garhwal on way to Badrinath, the area was lush green; now 4-5 days back when he had passed through that area he was shocked to see the condition of forests. The dwindling forests had adverse effect on rain and the rate of siltation of the irrigation projects at an alarming rate. It was, therefore, necessary that before any project was undertaken for implementation, the area is given proper treatment. He pointed out that the review so far undertaken suggested that necessary steps had not been even initiated for the projects for which undertaking had been given at the time of clearance of the projects. It was, therefore, necessary that both Centre and State should think of the problem and evolve suitable measures to achieve the objective.

237. The Chief Minister of Kerala intervened to say that a number of projects were held up in the name of environment clearance resulting in cost escalation and with negative effect on the process of development of the State. The Chairman, stated that during the last 10-11 months a lot of speeding up had taken place. However, it was necessary to have a closer look at the projects and the clearance could not be given simply because its delay would result in time and cost overruns. However, he assured all attempts would be made to expedite the clearances. The Chief Minister, Bihar observed that in most of the cases the project clearance was held up on flimsy grounds in the name of environment and pollution and in certain cases after sometime some of the projects were cleared without the objections having been removed. He, therefore, suggested convening of a meeting of the Chief Ministers to discuss this issue to which the Chairman readily agreed.

238. **Shri Ramhit Gupta**, Finance Minister, M.P. observed that the non-plan expenditure of both the Centre and the States was on the increase year after year. The major components responsible for this increase were the increasing salaries of employees, D. A. and the bonus. He wondered what for the bonus was paid to employees even though there was no production taking place. He suggested that the initiative to curtail growth in the non-plan expenditure should be first taken by the Centre. He also pointed out that the disparities in income in the country were on the increase.

While, the capital was getting accumulated, with 10 per cent of the population are prospering, 75% of our population living in villages remained poor. The farmers and labourers are not able to earn even as much as peons in Government offices. While, the Government servants after rendering 15-20 years of service were eligible for pensionary benefits, the labourers even after working for 20-25 years had no such assured income. The problems of these workers needed to be reconsidered seriously. He was of the opinion that the growing burden of D.A. and pension would not leave any thing for development purposes after a period of 10 to 15 years.

239. The Chief Minister, Tamil Nadu suggested constitution of a Committee of the National Development Council for making recommendations on the modality of transfer of the augmented resources for rural development under Central budgetary support to the States providing complete flexibility to the States to implement programmes appropriate to their conditions. She suggested that this transfer must be on a 100 per cent grant basis, over and above the Central assistance given to the Plan of the States. She wondered why delay was taking place in the actual implementation of consignment tax. She noted that Shri Rajiv Gandhi had taken the initiative to discuss this subject and certain conclusions were reached. Now, it seemed that in our attempt to finalise all details relating to exemptions to certain commodities and the role of the Centre and the States in exercising certain powers, the entire issue was getting delayed. She was sure all the other Chief Ministers would join her in requesting that this levy be brought into force through an enactment at least in the next Session of Parliament. This levy had become crucial to the financing of the States' Eighth Plan and an immediate decision was necessary.

240. The Chief Minister of Orissa drawing attention of the Finance Minister, stated that the Austerity Committee had sent some recommendations. One of the recommendations was to freeze all wage increases. But in the meantime two installments of Dearness Allowance and bonus had already been released costing Rs. 3,000 crores altogether. He wondered if the Central Government behaved in a wanton fashion, then no option was left to the States. The States will have to do the same thing. He stated that he had rejected the grant of bonus and Dearness Allowance to his employees. The Chairman was of the view that over the years, something had been happening; one could put some damper on that, but one could not stop it altogether overnight. It was just not possible to stop it immediately. It would take some time. When the Chief Minister of Orisa insisted that it would have to be stopped, the Chairman stated that there was a time 20 years ago when the State Governments refused to fall in line with the Centre. At that time it was stated that whatever the Central scales for salaries or D.A., the States were not going to adopt them as conditions were different. That was the line taken by the Chief Ministers boldly. Later on, there had been some change. Probably, the Chief Ministers could not sustain that stand and therefore, whatever happened at the Centre started happening in the States. If it had to be reversed or changed, we would have to think about it. On a suggestion of Shri Patnaik to take a decision right now to freeze the D.A., the Chairman stated such a decision could not be taken just now and the point will have to be gone into. Shri Biju Patnaik observed that in such a case another Rs. 10,000 crores would go down the drain which was very unfortunate.

241. **Dr. Manmohan Singh**, Finance Minister recalled Pandit Jawahar Lal Nehru's words, who once described the National Development Council as the 'conscience keeper of the nation'. It had been the tradition of this august Council to articulate the Indian people's collective resolve to rid this country of its ancient scourge of poverty, ignorance and disease and it had also been the tradition of this Council to approach this solemn task not in a spirit of partisan policies and inter-State rivalries, but in the context of broad national perspective. That was why, in these seven

Plans, our country had made considerable progress, even though the pace of progress had fallen far short of the aspirations as well as the objective needs of our people. We must pledge to do more in full consciousness of the fact that our country was in a deep economic crisis, as Shri Jyoti Basu and many other Chief Ministers reminded us.

242. The Finance Minister stated that the fiscal crisis was acute; the management of public enterprises in our country was dismal; the balance of payment situation was extremely weak; our administrative structures were over-burdened; their capacity to cope with the new challenges was increasingly in question and we had to tackle these problems. He believed that the objectives and the targets of the Eighth Plan were by no means ambiguous. Our country needed much more than what was listed in the Eighth Plan document. He advised that ambition needed to be highly restrained unless it was backed by a credible programme of action. He felt that the way our economy had been managed in recent years, the resource generating capacity of the system, as a whole, was such that if we persisted in the path that we had been following, the implementation of this Plan would be seriously in doubt. The status quo in the management of the economy, and this applied to the Central Government and equally to the State Governments, would spell disaster for the Eighth Plan and it could have serious consequences for the economic health of our country.

243. The FM pointed out that the small savings was an extremely costly way of borrowing particularly if investments were made in power projects which yielded no return; in irrigation projects where even the operating costs were not being recovered; in road transport corporations which were making losses year after year. That was not the route to development, but a route to the impoverishment of the States. Five years later, you would say that the Finance Commission should be asked to write off debts of the States because if development was financed on the basis of such high cost of borrowings and the rate of return on these investment was as poor as it had been in recent years, development could not become self-sustaining. He pointed out that while the State Governments repaid this loan over a period of 25 years, the Central Government had the responsibility to repay the money in a period of six years; the Central Government's capacity to carry on this debt was seriously in doubt. He wanted to reduce the fiscal deficit of the Central Government. Therefore, he urged the State Governments to look to other instruments for financing their development. Within this broad constraint, if there was anything that needed to be done to stimulate small savings, he was willing to consider suggestions with an open mind. As regards, the issue of public sector bonds, raised by the Hon'ble Chief Ministers of Gujarat, Tamil Nadu and West Bengal, he pointed out that there was a gap between illusion and reality. Some Central Public Undertakings did have the right to borrow on the basis of tax free bonds. These were some of the best enterprises in the country like the National Thermal Power Corporation. Even this Corporation was finding it difficult to borrow on the basis of this tax free bonds. If it was expected that the bonds of the State Electricity Boards and other corporations of States would attract investments in bonds, he doubted if they would succeed. It was for this reason that he wanted to phase out the tax free bonds except in a few strategic important areas. As far as other areas were concerned, he felt there should be no discrimination between the Central enterprises and the State enterprises. Certain enterprises of the Central Government did borrow in the market without the guarantee of the Central Government. If the State Government enterprises wanted to borrow without any guarantee, if they could satisfy the test of credit rating, the Finance Ministry would be quite willing to let the State enterprises also borrow from the market.

244. The FM noted that the trend of disbursement of external assistance was exceedingly disturbing. There was, in the pipeline, twenty billion dollars of undisbursed foreign assistance.



Every year our disbursement was not more than 15 per cent and if we could improve this to about 20 per cent, he assured that there would be no need to go to the IMF. If we wanted our balance of payment to become viable without having recourse to institutions like the IMF, then it was obligatory on us to do some soul searching as to how this twenty billion dollars of undisbursed aid could be utilized. There was proliferation of projects. Projects had started but they were not completed. They were financed thinly. There were several administrative bottlenecks. He informed that the Finance Ministry was going to transfer 100 per cent of foreign aid to the State Governments. Further from the next year, there was a proposal to provide to the State Governments an advance of eight per cent to improve their liquidity position so that there would be no alibi for any State to claim that paucity of funds was standing in the way of utilisation of assistance. If we did not want to have recourse of institutions like IMF, if we did not like their conditionalities, then, this year we must raise this ratio of foreign aid utilisation to 20 per cent.

245. Dr. Singh stated that the Central Government had a deficit of over Rs. 17000 crores and not correcting this situation would mean putting our development in jeopardy and it would also seriously interfere with the capacity of the Central Government to come to the aid of the State Government. Therefore, if we took the task of carrying out the social and economic revolution in the framework of an open society seriously as Panditji wanted to carry out, it was obligatory for this Council to take some basic decisions. It must be recognised that, in the Seventh Five Year Plan, we were lucky in some ways in that despite our inadequacies, the system somehow managed to grow. But we now did not have that leeway. Firstly, we started the Seventh Five Year Plan with limited foreign borrowings. But that is no longer the case. Today even if we wanted to borrow more, our credit worthiness was seriously in question both from commercial lenders and financial institutions. The burden of financing development simply could not be passed on to the foreigners. He recalled that there was a time when most international financial institutions like the World Bank considered it a pride to invest in Indian railways. But today if you took a power project to any international agency, the way our power sector was mismanaged and its utter incapacity to generate resources was such that nobody wanted to look at the power project. So, unless we improved project management; unless we improved resource generating capacity of our country, planning could become mere day dreaming and a mere wishful thinking.

246. Secondly, in the Seventh Five Year Plan, we had started with relatively low rate of inflation. Therefore, we could have larger recourse to deficit financing and internal borrowings. But today that option was also not there. We were faced in the last one year with double digit rate of inflation. If we went through the route that we had been going through in the past, inflation would accelerate. For example, in the Seventh Five Year Plan, 80% of the States resources came by way of borrowing. If we continued to rely as heavily on borrowings, this applied both to the Central Government and to the State Governments, then we were not planning for progress, but for retrogression. He stated that in the Central Government, a process of correcting fiscal imbalance had begun and in the last 11 months, fiscal deficit of the Government had been reduced by nearly two percentage point of the GDP and a further 1.5% this year. It was obligatory that the States must also follow this path. He stated that when he listened to the debate of Hon. Chief Ministers, he got the impression that somehow the Central Government's public relations were not very good as there seemed to be very inadequate appreciation of the fact that the Central Government was in acute financial distress. The States today could not solve their problems by dipping into the pockets of the Central Government, which, last year, had a revenue deficit of Rs. 17,000 crores. The transfers, by way of Central assistance to the States in one form or the other, added to about Rs.22,000 crores. If the Central Government had to shell out more resources, this could only be done by printing more

money or by cutting back on Central assistance to the States. Neither course would be desirable. In this context, he felt there was a need for restructuring the Centre-State financial relations. But if States were expecting that out of this restructuring, larger resources were going to be made available to the States, this was a mistaken view.

247. The FM observed that several Chief Ministers had talked about looking at the terms of reference of the Finance Commission. He stated that a Group consisting of several Finance Secretaries of the States had been set up and that the Group had finished its report. He assured that whosoever happened to be the Chairman of the Finance Commission or its Member, if they took their work seriously, they would have to do serious thinking to protect the integrity of the Union Government because that was seriously in doubt today. A revenue deficit of Rs. 17,000 crores year after year was not acceptable. Therefore, the capacity of the Central Government to transfer more resources by way of devolution or by way of more discretionary funds, had reached the ultimate limit. The Chief Ministers, of course, would like more resources and he shared their concern.

248. The delay in enacting the consignment tax, however, was not on account of anything that our Government had done. Soon after, he became the Finance Minister, he looked at the files and found that the Chief Ministers had been discussing this matter. A vague sort of consensus was reached, but what should be the area of concurrent jurisdiction for granting exemption from this levy, was never settled. The Chief Ministers had decided in 1990 that this was a matter which should be referred to the National Institute of Public Finance and Policies. This was done. This institute had submitted a report which was forwarded to all the State Governments inviting their response. Only six State Governments had sent their replies. These six replies had also reopened some issues, though many of these issues were considered to have been settled. A major State Government had challenged the old consensus that the Centre and the States should concurrently exercise the right to grant exemption. Some States had questioned the very need for consignment tax; that it would be very hard on poorer States, on those who were net consumers of manufactured goods. Besides, some reopened the issue of what should be the rate of consignment tax. He requested all State Governments to send their replies as soon as possible. On his part, he promised to call the Finance Ministers of all the States for consultation and make every effort to evolve a meaningful consensus. But, he pointed out that since many of these issues were sought to be reopened, he could only be an honest broker. He could not promise that he could bring forward a legislation in the next Session of Parliament taking into account many issues which were considered settled but had been reopened by several States.

249. Some State Governments had raised the issue of small savings. He informed that last year, he had appointed a Committee with Dr. Rangarajan, Member of the Planning Commission to look into this matter. Most of the recommendations of that Committee had been implemented and the Central Government was open to any further constructive suggestion.

250. He mentioned that because of the abnormal problems that had arisen in Jammu and Kashmir, in Punjab, in Assam, over and above the figures in the Central Budget, there was an additional burden of Rs.3,500 crores. If the Central Government had to manage all these things, the Central Government must practice greater self-discipline. One issue was the burden of subsidies. The Prime Minister had rightly said that food subsidy was to be accepted as a part of our social safety net. Food and fertilizer subsidies together accounted for about Rs.9000 crores in the current year's Budget. Where fertilizer subsidy had been growing, creating a serious problem about financial management at the centre on which he sought the guidance of the Council. He observed that if the

rate at which fertilizer subsidy was growing was allowed unchecked, it could wreck the Eighth Five Year Plan because next year it was going to reach Rs. 10000 crores.

251. He stated that the Centre had made honest efforts in the course of last 11 months to contain the deficit. And for the next year, for the first time, the Government had ambitious plans to see that the non-developmental expenditure would be less than the revised estimates. But as several Chief Ministers had pointed out, this burden of the aid was becoming a problem. A Committee was appointed by the National Development Council; its report was awaited. He stressed the need to evolve an integrated income policy for the public sector. If we did not do so, both the Central plan and the State plans would be in serious difficulties. DA payments being made this year added Rs.2000 crores to the Central Budget. He appreciated the anxiety of the Chief Ministers and the Finance Ministers of the States about the matter. The time had come to do some collective thinking in this matter. He was sure that the NDC Committee would do precisely that.

252. Dr. Singh stated that he did not want to conclude on a pessimistic note. He expressed faith in the country's tremendous resilience, tremendous potential. It was the responsibility of Members of this Council to give expression to the nation's collective will, to get this country moving again because that was the only way to keep people's faith in politics as a purposeful instrument of social change and not merely as an instrument of personal advancement.

253. About the natural calamities assistance, the Ninth Finance Commission had gone into this matter in great detail and the position today was that whether there was a calamity or not, the Central Government, every year, shelled out Rs.700 crores, which went to the States to help them tide-over these calamities. Some States had a calamity, but those who did not face natural calamities in a particular year, also got their share. Besides, the Central Government today was in dire distress and it could not have an open ended commitment with regard to natural calamities.

254. The Chief Minister, Tamil Nadu intervened to say that they were not asking him to give an open ended commitment, but the request was to consider setting up a special contingency fund. Govt. of India had allotted a certain amount to each State as a calamity fund; each State had got Rs. 35 or Rs.37 crores. But when they faced the consequences of natural calamities like cyclones, the damage caused sometimes go up to Rs.400 or Rs.500 crores. In such circumstances, this meagre calamity fund was sadly inadequate. Snapped electricity connections had to be restored, roads had to be relaid, but funds were not adequate. She suggested that the Centre may constitute a special contingency fund and if the States required funds over and above the calamity fund allocated to them, the Centre could then depute a team to assess the damage and allow some more funds out of the contingency fund.

255. Dr. Manmohan Singh stated that he would certainly ask the next Finance Commission to have a look into it.

256. Deputy Chairman, Planning Commission expressed his thanks for such an overwhelming support for the Eighth Plan document. All had agreed with the national priorities and shared the determination to achieve the target that we had set for ourselves. Various issues had been raised. After obtaining NDC approval of the directional paper on the macro-economic dimensions, many people suggested that perhaps, something very ambitious was being attempted. He said that in today's context, the numbers may appear ambitious but, at the same time, compelling situation of not only today but tomorrow's needs also could not be ignored. And planning was essentially for tomorrow, despite the constraints and difficulties prevailing for the time being.

257. He then responded to some of the points raised by the Chief Ministers. Regarding Shri Patwa's question as to what was the current outlay and how it was being distributed, he referred to para 3.10 of Vol.1 wherein the issue had been discussed. He clarified that some sort of expenditure, which was a plan expenditure but were of revenue nature, was described as the current outlay which was necessary to avail of full benefits of completed schemes/projects. In every plan, it varied from 15 to 20 per cent of the total outlay of fresh investment. And in this plan, it had been stepped up to 20 per cent at Rs.73,000 crores. The fresh investment was to be Rs. 7,98,000 crores, of which Rs.3,61,000 crores, was for the public sector and the balance was for the private and the household sectors.

258. Another question raised by some Chief Ministers was as to what was the share of the States in respect of the central outlay. There could not be any formula that "X" amount of money was being ear-marked for the central sector outlay and that should be proportionately distributed. It was linked with various projects which were located in the States. And investments were being made on those projects, creating new assets and investments on the continuing projects. But some rough and ready calculations have been made and if the Chief Ministers were interested the data could be sent to them.

259. A question had also been raised as to why the share of the States in the total public sector outlay had come down from the level of the Seventh Plan. It had also been suggested that a part of the allocation for rural development may be passed on to the States. He clarified that the entire money on rural development would be spent in the States. It was not possible to transfer this amount of money to the States. It was, however, possible to look into the programmes under rural development and to revamp the programmes in consultation with the Chief Ministers. There should be adequate flexibility left to the States as to which of the development projects were relevant in respect of the States and those projects would be implemented. There would be projects which would have relevance to each state and it was for the State Chief Ministers to decide as to which of the projects would be applicable to these States. He added that the type of parameters under which we were functioning particularly in respect of some employment programmes, the ratio between material and man component would also have to be looked into and the Prime Minister had indicated that he would like to have a fresh look into the entire gamut of the rural development programmes. He reiterated that the success of the Plan depended not on allocation of resources, but on, how we could utilise the available resources. He clarified that by resources he did not mean merely the borrowed resources, where we had reached the dead end. Thus even if all the concessions were given to the small savings or other borrowing instruments ultimately, it would not lead us any further, unless we could augment our own resources. He drew the attention of the Chief Ministers particularly to the observations of the Sarkaria Commission in respect of the elasticity of the State revenues and the Central taxes. Elasticity of the Central revenues and the States' revenues compound growth rates over a period 1951-52 to 1984-85 were almost identical; the growth of the Central revenues were around 14.6 per cent before devolution and after devolution and that of States revenues it came to one per cent point higher. Thus even without going in for new areas of revenue realisation, we could augment the resources mobilisation by mopping up our own resources. This was applicable to both the Centre and the States. He pointed out that when we started our Plans in 1951-52, the contribution of land to the overall State exchequer was more than 26 per cent and today, it had come down to 2.6 per cent. Each State needed to explore from where and how much the resources could be mobilised because both at the Centre and at

the States, we had reached the limit of borrowed resources. The areas of subsidies needed to be looked into very seriously. Though the need for subsidies for certain sectors was well recognised, it has to be appreciated that we could not go on distributing non-existing resources.

260. The Deputy Chairman stated that regarding the question of sharing the budgetary support between the Centre and the States, despite the total budgetary resources available to fund the Eighth Plan being less compared to that of the Seventh Plan, efforts would be made to keep the deficit around 43 per cent during the Eighth Plan against 55 per cent in the Seventh Plan. But despite that, so far as the budgetary support to the States during the Eighth Plan was concerned, it had increased to 41 per cent as compared to 33 per cent during the Seventh Plan. In other words, from the reduced scale, more had been allocated to the States in terms of percentage keeping in view that the States would require some support to augment the Plan. He noted that during the discussions, in respect of the State Plan, he had with the States, particularly, the non-Special Category States all the projections made by them were agreed to. Naturally, the size was all right and it was quite comfortable. But, it largely depended on the extent to which resources could be mopped up. He felt 21.6 per cent rate of savings was achievable. But, to transfer the resources from the house-hold sector to the Government sector would be extremely difficult during the current Plan because the instrumentality through which we were doing had been limited. We shall have to depend on our own resources to the extent possible. Therefore, our concerted effort should be to ensure that the projections which we were making were translated into reality.

261. It had been suggested by the Chief Minister of West Bengal - that one of the major objectives to achieve the Plan targets of economic development was to put thrust on the land reforms. Keeping that in view, in the first meeting which the Prime Minister had with the Chief Ministers, immediately after assuming office, dealt with the problem of land reforms. In the last NDC meeting we had agreed to include land reforms as one of the performance criteria so that the States had some incentive to implement land reforms expeditiously. Another important area which the Finance Minister had touched and which he wanted to emphasise was about the externally aided projects. For on-time completion of externally aided projects, some incentives would be available under the performance criteria, so far as the Central assistance was concerned.

262. He stated that questions of helping the backward States had been raised. Obviously, the entire formula approved in the last December, had some weightage towards the backward States in respect of population, in respect of higher share in the per capita income. But at the same time, the NDC in its collective wisdom had decided that the States which were trying to improve, should also not be completely forgotten. So, five per cent was agreed to be distributed among those States on the distance formula and balance 20 per cent on the deviation formula. The assurance which the Prime Minister had given in the last NDC meeting that no State will lose more than 20 per cent and gain more than 10 per cent had been fully implemented in current year's distribution of the resources and was, therefore, not reiterated in the plan document. He hoped that it would be possible to maintain that position while distributing the assistance from year to year.

263. Coming to the special category States, he said, it was true that he did not have discussions with all of them because he could not tell them anything and he simply could not artificially jack up the outlay of the special category States in the face of a negative contribution of more than Rs. 13,000 crores. Under which carpet this negative contribution of Rs. 13,000 crore was to be pushed was a question to be answered very squarely. He was awaiting the recommendations of Dr. Rangarajan Committee. He had requested the special category States to have detailed

discussions with Dr. Rangarajan and to work out what could be done. We had given more than Rs. 17,000 crores of plan allocation to ten special category States - even if the figure was jacked up to Rs. 30,000 crores but if the money was not available, the entire money would be spent on non-plan expenditure and it would not lead us anywhere. If we wanted to make the resources available, we shall have to change our developmental approach also, particularly in respect of the North-Eastern States. He stated that since he assumed responsibility of Deputy Chairmanship of the Planning Commission, he had visited a number of the North-eastern States. He found that if we could sort out the problem of overlapping between Kharif and Rabi seasons in many of the North-Eastern States, it could make a real dent in the economy of those North-Eastern States. Because of the typical weather conditions there, there was overlapping between the Kharif season and the Rabi season. Moisture contents of the land did not permit the Rabi cultivation in time. He felt that the answer lied in a short duration crop. The unfortunate part of it was that in the very heart of that area, there was an agricultural university which had not been able to come out with a solution. Ultimately, some other agricultural university came to their rescue by making a short duration variety of paddy available. If in the valley of Manipur and in the valley of Assam and in certain other areas, we could raise more than one crop, the situation would greatly improve. He stated that he had discussed the problem with Dr. Balram Jakhar, the Agricultural Minister and he hoped to come out with a scheme in consultation with the Agricultural Ministry. In certain far-flung areas of the North-Eastern States, we were to import food. Sometimes we had to drop food from the air because, after all, food security was the most essential element which the States were bound to provide. He would like to work out a scheme and the State Governments could come out with a proposal that even if your cost of production was more, some incentive to the farmers could be given to produce more without, of course, destroying the forests and creating environmental problems. It may turn out to be cheaper than airlifting the food-grains to feed the people in certain area.

264. He pointed out that in respect of the North Eastern States, the Eighth Plan outlay had been stepped up to twice the size of Seventh Plan. However, the projections made by the States could not be accepted because in that case, Rs.800,000 cores would be needed. Even in respect of other States, it was true in terms of percentage between the Central and the States Plan; it was 41 per cent. But if one looked at the actual realisation at the end of the Sixth Plan it was 40 per cent. Similarly during the Seventh Plan, distribution was 45:55 but the actual realisation was 39 by the States. With our combined efforts, if we could achieve that, he was sure that it would be possible for us to fulfil the plan target in real terms and there would be no slippage; there could be an improvement. It would be possible for us to have that type of improvement which we were visualising. That was why, the entire figure projected by the State Chief Ministers during discussions had been accepted. But at the same time, we shall have to keep in view, in aggregate, the negative contribution of Rs.3,000 crore in the year 1991-92. In 1992-93 itself, we shall have to make a positive contribution of Rs. 1,696 crore. During the period of the next four years, all States taken together will have to make additional resource mobilisation of Rs.36,000 crore. If the entire additional resource mobilisation came from the borrowed resources, the cost of the borrowed resources will pose serious problems on the States and on the economy. He clarified that he was not compartmentalising between the States and the Centre because, after all, the economy as a whole was to bear this burden.

265. Another point to which he drew attention was the Commission's keenness to see that the Plan was built up from the lowest level. When you made your projections at the annual plan stage,

except the broad parameters which had been indicated and the broad national priorities which all of us had agreed, in all matters, the States were to decide in which area to invest and level of discussion. In certain States, it was being done. Panchayats were playing much more effective role and in fact, the Prime Minister and he himself liked to build up those institutions and to strengthen them where the institutions already existed. The type of institutions to be created, the authority to be given to them, etc. were matters to be decided by the State Governments. However, he observed, so many agencies were working at cross purposes at the ground level, each agency being under-utilised. There was need to think over whether and how these agencies could be brought under one umbrella. If these agencies were brought under one umbrella and an integrated approach was adopted through panchayats and other types of institutions, the Centre would make available assistance and consultancy. So far as decentralisation and building up the institutions were concerned, the States' approach and that of the Commission were identical. But there were certain other issues like constitutional requirements and other things which some of the Chief Ministers had referred to and Finance Minister had responded to, would have to be looked into.

266. The Deputy Chairman once again expressed his gratitude for overwhelming support extended by the States and stated that now all would depend on our collective sincerity in implementing the plan. Fortunately, an atmosphere had been created by the Prime Minister where we were taking decisions on consensus, by sharing our views. Implementation of this Plan was our shared commitment. Let us fulfil that commitment and whatever support would be needed from the Planning Commission, would be made available. He clarified that the Commission was not averse to going to the States. The initial work of the Annual Plan of Uttar Pradesh this year was not done at Delhi but at Lucknow because they were to cope with the aftermath of a severe earthquake.

267. Reacting to the Finance Minister, West Bengal comments that the NDC towards the end was raising an issue which tended to suggest that we had reached a point when the Central Government was in such a financial stress that it could not help the States any further, he stated that that aspect was just not factually true. The PM intervened to say that we just could not have this discussion re-opened. Everyone had given his views and Ministers had responded. Naturally, there would be points on some grey areas on which more discussion would be needed. He thought that this meeting should not end on a note like this and offered to consider any point sent to him in writing.

268. **Shri Surendranath Dwivedy**, Chairman, North Eastern Council observed that the Eighth Plan had laudable objectives, namely employment generation, population containment, universalization of elementary education etc. He noted that the North Eastern Council was set up to be an advisory body and to work for the removal of disparities in between the North Eastern States. The North Eastern Council as a funding body had funded projects of inter-state character in the sectors of power, transport and construction of bridges across Brahmaputra. It had also funded regional institutions like Engineering College, Medical College, Police Academy and various other training institutes. During the Seventh Plan some State-specific projects also got funded through NEC which was a wrong thing and in the recent past steps had been taken to rectify the situation. The Council was now giving more emphasis on projects in the productive sectors for exploiting the natural resource potential of the region and also sought to attract institutional and international funding. The Council was also looking forward to full participation in the Small Farmers Agri-business Consortium, the setting up of which was recently announced by the Finance Minister.

269. Shri Dwivedy lamented that the Council was not being consulted by the centre while finalising the Plans of the member States/Union Territories. He wanted that the Council should be given a due role in the matter of formulation and execution of schemes and should not be required to seek approvals of individual schemes. He stated that the outlay of the NEC at Rs. 1160 crores was grossly inadequate and would not be enough to meet the needs of even the on going power and road projects. He suggested that Ranganadi Hydel Project in Arunachal Pradesh and Doyang Hydel Project in Nagaland be funded and executed by the Ministry of Power.

270. The Prime Minister, concluding the discussion, observed that the discussion had been of a very high order. Matters had been raised which ought to have been raised and matters would have to be looked into wherever there were grey areas and decisions were needed. He assured all the participants once again that this was a cooperative endeavour, a joint endeavour of the States and the Central Government. The Centre and the States were facing the same kind of problems. They had the same strengths and weaknesses, so there should be no difficulty in sorting out whatever problems come up and whenever they would come up.

271. The Chairman once again thanked all the Chief Ministers and other Members of the National Development Council for having given the benefit of their views and having analysed the document before them in the manner which befitted experienced administrators at the State level. The task was now for everyone to put their heads together in thinking of ways and means of getting the Plan implemented. The administrative machinery, both at the Centre and at the State level, would have to be empowered to take up the task and complete it in the stipulated time. This was one of the most crucial areas in which attention should be paid now. On this note he proposed that the Eighth Plan document be taken as approved by the National Development Council. When the Chief Minister of West Bengal stated that some of the Chief Ministers had reservations on some aspects of the Plan document, the Prime Minister observed that these reservations would be noted.



**PARTICIPANTS****PLANNING COMMISSION**

Shri P.V.Narasimha Rao	Chairman, Planning Commission and Chairman, National Development Council
Shri Pranab Mukherjee	Deputy Chairman, Planning Commission
Dr. Manmohan Singh	Minister of Finance and Member, Planning Commission
Shri Sharad Pawar	Minister of Defence and Member, Planning Commission
Shri Balram Jakhar	Minister of Agriculture and Member, Planning Commission
Shri H.R. Bhardwaj	Minister of State with Independent Charge of the Ministry of Planning and Programme Implementation
Dr. C. Rangarajan	Member, Planning Commission
Shri V. Krishnamurthy	Member, Planning Commission
Dr. D. Swaminadhan	Member, Planning Commission
Dr. (Mrs.) Chitra Naik	Member, Planning Commission
Dr. S. Z. Qasim	Member, Planning Commission
Prof. J. S. Bajaj	Member, Planning Commission
Dr. Jayant Patil	Member, Planning Commission

**STATES**

Andhra Pradesh	Shri N. Janardhan Reddy Chief Minister  Shri B.P.R.Vithal Deputy Chairman, State Planning Board
Arunachal Pradesh	Shri Gegong Apang Chief Minister  Shri Thupten Tempa Minister of Planning

## Summary Record of Discussions of the NDC Meetings

	Shri Todak Basak Minister of Finance, Health and Family Welfare
Assam	Shri Hiteswar Saikia Chief Minister
	Shri G.C. Langthasa Minister of Health and Family Welfare
Bihar	Shri Lalu Prasad Chief Minister
Goa	Dr. Wilfred D'Souza Deputy Chief Minister
	Shri Luizinho Minister of Law and Labour
Gujarat	Shri Chimanbhai Patel Chief Minister
Haryana	Shri Bhajan Lal Chief Minister
	Shri Brinder Singh Planning Minister
Himachal Pradesh	Shri Shanta Kumar Chief Minister
Jammu & Kashmir	Shri G.C. Saxena Governor
Karnataka	Shri S. Bangarappa Chief Minister
	Smt. K.S. Nagarathnamma Minister for Planning & Institutional Finance
Kerala	Shri K. Karunakaran Chief Minister
	Shri Oommen Chandy Finance Minister
	Shri V. Ramachandran Vice Chairman, State Planning Board
Madhya Pradesh	Shri Sunderlal Patwa Chief Minister
	Shri Ramhit Gupta Planning and Finance Minister

Maharashtra	Shri Sudhakarrao Rajusing Naik Chief Minister
	Shri Ramrao Adik Minister of Finance and Planning
Manipur	Shri R.K. Dorendra Singh Chief Minister
Meghalaya	Shri D.D. Lapang Chief Minister
Mizoram	Shri Lalthanhawla Chief Minister
	Shri Sainghaka Vice Chairman, State Planning Board
Nagaland	Shri Lok Nath Misra Governor
Orissa	Shri Biju Patnaik Chief Minister
	Shri Prafulla Chandra Ghadei Minister of Planning & Coordination
Punjab	Shri Beant Singh Chief Minister
	Shri Kewal Krishan Minister of Planning
Rajasthan	Shri Bhairon Singh Shekhawat Chief Minister
Sikkim	Shri K.N. Upreti Minister of Food and Civil Supplies
Tamil Nadu	Dr. (Ms.) J. Jayalalitha Chief Minister
Tripura	Shri Samir Ranjan Barman Chief Minister
Uttar Pradesh	Shri Kalyan Singh Chief Minister
	Shri Rajender Kumar Gupta Finance & Planning Minister
West Bengal	Shri Jyoti Basu Chief Minister

Dr. Asim Kumar Dasgupta  
Minister for Planning and Coordination

## UNION TERRITORIES

Andaman & Nicobar

Lt. Gen. (Retd.) R.S. Dyal  
Lt. Governor

Chandigarh

Shri Surendra Nath  
Administrator

Dadra & Nagar Haveli, Daman & Diu

Shri K.S. Baidwan  
Administrator

Delhi

Shri P.K. Dave  
Lt. Governor

Lakshadweep

Shri Satish Chandra  
Administrator

Pondicherry

Shri V. Vaithialingam  
Chief Minister

## SPECIAL INVITEES

Shri S.N. Dwivedi

Chairman, North Eastern Council

Shri S. Venkitaramanan

Governor, Reserve Bank of India

## UNION MINISTERS

Shri Arjun Singh

Minister of Human Resources  
Development

Shri S.B. Chavan

Minister of Home Affairs

Shri M.L. Fotedar

Minister of Health and Family Welfare

Shri Ghulam Nabi Azad

Minister of Parliamentary Affairs

Shri Madhav Rao Scindia

Minister of Civil Aviation and Tourism

Shri C.K. Jaffer Sharief

Minister of Railways

Smt. Sheila Kaul

Minister of Urban Development

Shri Sitaram Kesri

Minister of Welfare

Shri Vijaya Bhaskara Reddy

Minister of Law, Justice and Company  
Affairs

Shri B. Shankaranand

Minister of Petroleum and Natural Gas

Shri V.C. Shukla

Minister of Water Resources

**MINISTERS OF STATE (INDEPENDENT CHARGE)**

Shri P. Chidambaram	Minister of State of the Ministry of Commerce
Shri Santosh Mohan Deb	Minister of State of the Ministry of Steel
Shri Ashok Gehlot	Minister of State of the Ministry of Textiles
Shri Tarun Gogoi	Minister of State of the Ministry of Food
Shri Giridhar Gomango	Minister of State of the Ministry of Food Processing Industries
Shri Kamal Nath	Minister of State of the Ministry of Environment and Forests
Shri Ajit Kumar Panja	Minister of State of the Ministry of Information and Broadcasting
Shri Rajesh Pilot	Minister of State of the Ministry of Communications
Shri Kalp Nath Rai	Minister of State of the Ministry of Power and Non- Conventional Energy Sources
Shri P.A. Sangma	Minister of State of the Ministry of Coal
Shri Jagdish Tytler	Minister of State of the Ministry of Surface Transport
Shri Balram Singh Yadav	Minister of State of the Ministry of Mines