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Sunday, 25 July 2010

MUMBAI THIRUVANANTHAPURAM KOLKATA HYDERABAD CHENNAI BANGALORE AIZAWL

Saturday, July 24, 2010

Prime Minister's Office**PM'S ADDRESS AT THE 55TH NATIONAL DEVELOPMENT COUNCIL MEETING**

11:12 IST

The Prime Minister, Dr. Manmohan Singh, addressed the 55th National Development Council meeting in New Delhi today. Following is the text of the Prime Minister's address on the occasion:

"Three years of the Eleventh Plan are over. It is time to look back on what we have achieved, identify areas where performance falls short and take corrective steps where needed.

The Eleventh Plan objective was to achieve inclusive growth at an annual rate of 9 per cent. As the Deputy Chairman has pointed out in his opening remarks, we have done well on growth despite the effects of the global economic crisis and the severe drought of 2009. The Mid Term Appraisal projects that the Eleventh Plan will achieve an annual average growth rate of 8.1 per cent per year. This is lower than the target of 9 per cent, but is still the highest ever achieved in any Plan period.

Our objective was not just growth, but inclusive growth. This means a growth which would bring tangible benefits to the weaker sections, the SC/ST, minorities and other excluded groups. To measure progress on inclusiveness the Plan had identified a total of 27 monitorable indicators. The data to measure progress on many of these indicators will become available only after some time. For example, the only data available on poverty is for 2004-05. The next estimate will be from the 2009-10 survey, which is now in the field, and will become available in about two years time.

However, some assessment of our success in achieving inclusiveness is possible using other measures. One aspect of inclusiveness is the growth performance of individual States. The Mid-Term Appraisal (MTA) shows that all States have shown significant acceleration in economic growth in recent years, including those which had earlier tended to lag behind. This is a matter of some discussion.

Agricultural performance is yet another important indicator of inclusiveness. The MTA concludes that agricultural growth is likely to be better than in the Tenth Plan, although it may not reach the target of 4 per cent. The supplementary note circulated for this meeting points out that many aspects of our agricultural strategy are working well, but there are others which need much more attention.

The MTA points out that productivity per hectare can be doubled with existing varieties, provided we can adopt improved cultivation practices. We need to do more to manage our water resources and also to increase efficiency of water-use. We also need to focus on soil quality and the use of micro-nutrients, better seeds, improved extension and modernization of agricultural markets and also the development of a distribution network linking farms with consumers.

I would especially draw the attention of Hon'ble Chief Ministers to the Commission's assessment that agriculture is not receiving the priority it deserves. This must be corrected if we want to achieve a broad based improvement in living standards in rural areas. In this context, I would like to lay particular emphasis on the improvement of the agricultural research system, the working of State Agricultural Universities and the weaknesses of the extension services that are presently visible now.

Better agricultural performance, including especially performance in food production, is crucial for food security and would help in tackling the problem of inflation as well. The present high rate of inflation is mainly due to food price inflation. The government has taken a number of steps to curb inflation. With a normal monsoon, which is the expectation at present, the rate of inflation in food prices will abate in the second half of the year. We expect to see the rate of inflation in wholesale prices come down to around six percent by December.

Our programmes for improving infrastructure in rural areas are very important elements of our development strategy. These include schemes like the Prime Minister's Grameen Sadak Yojana (PMGSY), Accelerated Irrigation Benefit Programme (AIBP), Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). These programmes are doing well in many States but there are examples of poor implementation as well. We need to make a sustained effort to improve performance, especially in States where it is below the national average.

Other sectors critical for inclusive growth are health and education and skill development. In the past health and education have received less attention than they deserved. The Eleventh Plan has signaled a new direction by giving higher priority to these sectors. But, as the MTA points out, we have made a start but much more needs to be done in these critical areas in the remaining period of the Eleventh Plan and the effort must continue with greater vigour in the Twelfth Plan. Initiatives like the Right to Education and the National Rural Health Mission need to be implemented with vigour. This will require more resources. However, it is equally important to pay attention to improve the quality of delivery system in order to achieve the desired outputs.

The problems of marginalized sections of our country, many of whom live in areas which are affected by Left Wing Extremism, call out for special attention. Our development schemes have not worked well in these backward and impoverished parts of our country, particularly the areas inhabited by the adivasi population. We must make a concerted effort to bridge the development deficit in these backward areas and reduce whatever sense of alienation that may exist among the adivasis living in these areas. As the word "adivasi" implies, they were the original inhabitants and their rights must be fully protected.

There should be no doubt that the security challenge posed by Left Wing Extremism has to be met and it will be met, with the Centre and the States cooperating fully with one another. But this must be supplemented by action on two other fronts. First, we must recognise that good governance alone gives people a sense of participation and empowerment. In this context, effective implementation of the Forest Rights Act and Panchayat Raj (Extension to Scheduled Areas) Act (PESA) are of critical importance. Failure to implement these laws in letter and spirit reduces the credibility of our commitment to bring development to these neglected areas.

Second, these areas must be provided with additional resources for development and the development programmes must be aligned to the special circumstances of these areas. I have asked the Planning Commission to design a holistic development programme for these areas in consultation with the States and other stakeholders.

As all of you know, the state of infrastructure in the country is not good enough to achieve 9-10 per cent growth over a sustained basis. Because the resources required for bridging the infrastructure gap are huge, we adopted the strategy of supplementing public investment by encouraging public-private partnership in infrastructure. This strategy has worked reasonably well. The investment triggered in PPP projects in infrastructure is impressive and many states have also used this route successfully, often with help from the Central Government.

We need to do much more in future. We also need to improve the terms and conditions on which PPP projects are awarded to ensure that the process is transparent, bidding is competitive and public interest is adequately safeguarded.

The power sector is particularly important if we wish to achieve 9 per cent growth. The MTA suggests that we are doing better than in the Tenth Plan. The generation capacity in the Eleventh Plan is likely to expand by 62,000 to 64,000 MW. Though short of the Eleventh Plan target of 78,000 MW, it will be nevertheless three times the capacity that was added in the Tenth Plan.

However, there are problems in this sector, which need to be addressed effectively, which have been highlighted in the supplementary agenda note circulated by the Commission. One of these problems is the need to reduce the high level of losses in power utilities. These losses arise from low-levels of tariff for some categories of consumers, combined with high aggregate technical and commercial (AT&C) losses. The total loss in 2009-10 is estimated at Rs. 40,000 crores. This is simply not sustainable and unless corrected it will make the whole power sector unviable, since investment in generation and transmission depends upon the ability of the distribution companies to pay.

As the MTA has pointed out, corrective steps needed in this area lie entirely in the domain of the State Governments. I would therefore urge Hon'ble Chief Ministers to give this problem their personal attention.

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We must pay special attention to the need to protect our environment, which is under threat from numerous sources. Air pollution, pollution of our rivers from untreated effluent discharge, erosion of our forests in both area and quality; all these are challenges we must face. The threat of climate change also looms large, which requires a national action plan plus international action. How well we handle these problems, will determine whether our growth strategy is indeed sustainable.

Let me now turn to the subject of Plan financing. The MTA points out that we have been able to achieve the investment envisaged in the Eleventh Five Year Plan, at constant prices, I repeat, at constant prices although the sectoral composition of expenditure differs from what was originally planned. However the financing of the Plan expenditure has depended far too much on debt. This must change. We have to reduce our fiscal deficit in the coming years and this means we must find non-debt resources on a much larger scale if we wish to finance a substantial size plan. This would need reducing large losses in the public sector and also reducing the scale of untargeted subsidies. The operationalisation of the Unique Identification Number Scheme, together with developments in information technology, provides an opportunity to target subsidies effectively to those who really need them and deserve them.

Reform of tax structure and tax administration is another important step in resource mobilisation. The implementation of the GST is particularly important in this context and I commend the leads being given in this regard by my colleague Shri Pranab Mukherjee. I would urge Chief Ministers to give full support to the efforts to implement GST with effect from April 1, 2011.

Finally, I would like to emphasise that as we proceed with our ambitious plans, which require substantial deployment of resources, we must keep in mind the need to spur innovation as a driver of national performance. The policy environment in which the private sector functions must stimulate competition and innovation. The Government too must innovate both at the Centre and in the States. There is a strong case for each institution in government to try to re-invent itself to reflect changing needs and circumstances and changing expectations. Information technology now allows us to achieve levels of efficiency undreamt of in the past. Both the Central Government and the State Governments must fully explore the scope for restructuring existing processes to take full advantage of IT to increase efficiency and to impart transparency in public sphere.

I look forward to hearing your views on the many issues posed in the MTA and in the supplementary agenda note. These will be valuable inputs as the Planning Commission formulates the approach to the Twelfth Plan.

With these words, I once again extend a very warm welcome to each one of you for your participation in this important meeting of the National Development Council."

AD/LV