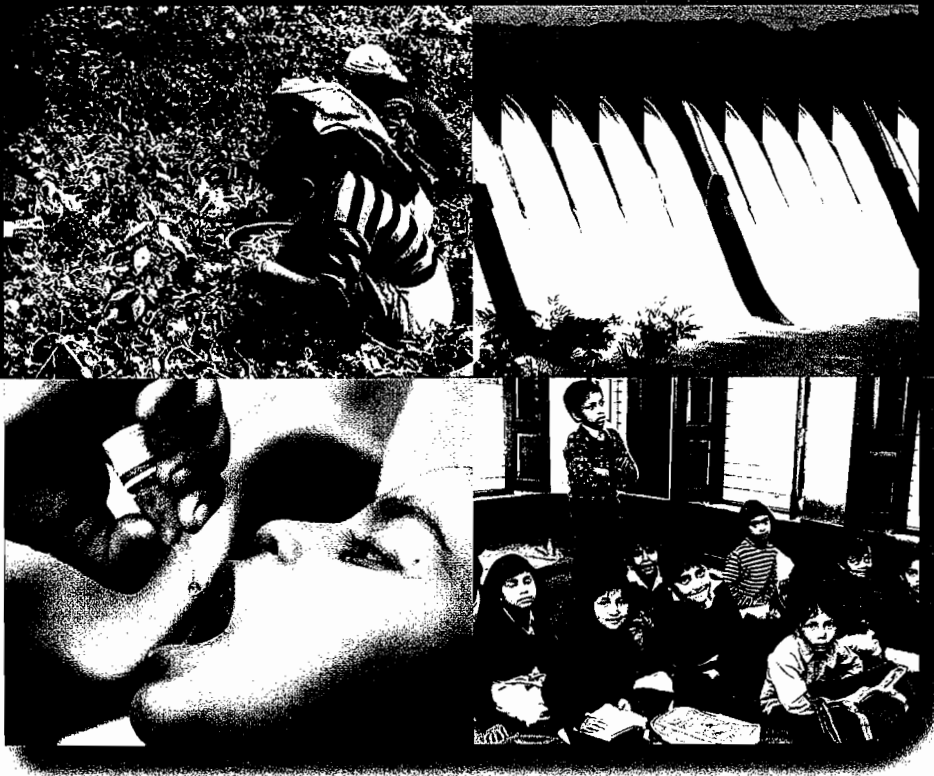




सत्यमेव जयते
Government of Gujarat

Speech of Shri Narendra Modi Chief Minister of Gujarat



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New Delhi

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Hon'ble Prime Minister, Hon'ble Deputy Chairman Planning Commission, Hon'ble Members of the Union Cabinet and Planning Commission, Hon'ble Chief Ministers, Distinguished Participants, Ladies and Gentlemen,

I am happy to inform that despite several natural calamities in terms of a devastating earthquake and recurrent floods, Gujarat has continued to contribute to the nation's development by achieving the targets set before it—regarding both the Tenth Plan outlay and the growth rate for the plan period. Against a target of Rs. 47,000 cr for the Tenth Plan we have achieved Rs. 49,415 cr. which is 105% of the target. As regards growth rate, Gujarat has attained **10.6%** against a target of 10.2% the highest amongst all major States. Further, in the last year of the Tenth Plan (2006-07), Gujarat has achieved a revenue surplus of Rs. 1770 cr—one year ahead of the target of achieving zero revenue deficit by 2007-08. Similarly, the fiscal deficit was at 2.3% of GSDP in 2006-07 against the FRBM target of 3 % to be achieved by 2008-09—two years ahead of the target year.

Gujarat and the Eleventh Plan

As compared to the Tenth Plan target of Rs. 47,000 cr, Gujarat has now set a challenging task of achieving an Eleventh Plan outlay of **Rs. 1,06,918 cr**. The key growth targets set for Gujarat for the five year period include 5.5% in Agriculture, 14% in Industry and 10.5% in Services—accounting for a GSDP growth target of **11.2%** for the Eleventh Plan. We have already begun in right earnest by identifying the major thrust areas for the Plan. These include an outlay of Rs. 15,000 cr under the **Van Bandhu Vikas Yojana** for tribal areas that would ensure a “tribal-centric, tribal participative and tribal-managed” development process as envisaged in the Plan document. With a view to focus attention on the developmental issues of about 60 lakh people living in approximately 3000 villages of the 38 coastal talukas of Gujarat, we have launched the **Sagarkhedu Sarvangi Vikas Package** with an outlay of Rs. 11,000 cr. Another identified thrust

area relates to the programme for the prosperity of 50 lakh urban poor families—the **Garib Samruddhi Yojana** with an outlay of Rs. 13,000 cr. Social sectors like education and health have been identified as the other thrust areas. Completion of the **Sardar Sarovar Project** is another challenge we expect to fulfil during the Eleventh Plan.

We are now poised at a point in time when the requisite acceleration is required to propel the state and the nation into an orbit of self-sustainable growth. We need to seize this great opportunity to take the country on a developmental path that ensures “**faster and more inclusive growth**” for everyone. The Eleventh Plan document has tried to analyze most of the important challenges related to development. I would now like to focus on certain key issues and sectoral strategies that need to be addressed to enable us achieve our vision.

Creating a national will

As we finalize the Eleventh Plan, I foresee a need to evolve a national consensus so that the Plan becomes a rallying point for triggering all round development. The Plan would succeed in achieving its vision of improving the quality of life of the people of this great nation only if it can create a national will as regards its avowed objectives. The required momentum would be possible once the philosophical content behind planning is added. The common man must be facilitated to unleash his or her full potential—thereby contributing his or her energy in the attainment of the desired future state. We need to carry the common man along and develop a national will for the Eleventh Five Year Plan. This is also necessary in order to ensure that the programmes and policies are in tune with reality, closer to the ground, and seek to fulfill the aspirations of the people at large. Such a strategy would also ensure better outcomes and help fill the missing gaps in the Plan. Development should ultimately become a public movement rather than be lost in a maze of statistics.



Planning Cycle

The current mismatch between the cycles of Five Year Plans of the Planning Commission and the implementation of the recommendations of the Finance Commission needs to be corrected. The merits of aligning the two institutions in terms of time frame will ensure that the States would be able to have a more precise information about the forecast of available resources so as to enable them to make more accurate Five Year Plans.

Once a well thought out scheme is launched, it should be allowed to have its full tenure of at least one Plan period of 5 years. There have been instances when plan schemes have been transferred to the states without their consultation and yet such schemes are supposed to be continued subsequently with the States' own resources. Once a scheme is launched by the Government of India, there should be an assurance of its continuity until the outcomes and its due impact are realized. This is important from the point of view of optimum utilization of public finances.

Presently, financial years start from 1st April. There is a need to examine the necessity of changing the beginning of the financial year, to align it with the end of harvest season in the country.

Efficiency and Productivity

The Eleventh Five Year Plan needs to encourage efficient States by way of incentives for their performance. Central devolutions hitherto have been based on incidence of poverty, backwardness, and population. As a result the Central support keeps on reducing to the States which have lesser poverty and population. In a way this encourages inefficiency and creates vested interests for States to remain backward. Further, the States which put innovative schemes in their plans and achieve certain parameters of development remain deprived of similar schemes announced by Government of India later. In this connection I wish to give examples of three Government of India schemes which are having rigidity in their guidelines. For example, Gujarat

has attained almost 100% rural roads connectivity. As a result, the benefits of PMGSY are not available to Gujarat in the same measure as compared to some of the other developing States. Flexibility is required in the Central Schemes so as to benefit all the States equally, irrespective of different stages of a state's development in a particular sector. Similarly, Gujarat does not get any significant amount under RGVY for the simple reason that electricity connections to the villages have been already completed under the Jyoti Gram Scheme of the State. Another such illustration for Gujarat is that of AGRISNET, a scheme of Government of India, where the State is likely to suffer for being proactive. Since Gujarat had already provided—before AGRISNET came into implementation—the hardware, software and network requirements upto the taluka levels, Gujarat needs to extend the hardware upto village levels. Therefore, it may now be difficult for the State to get any substantial assistance under the Government of India project since these have been framed subsequently.

I would urge the Planning Commission to promote incentives to efficient States in order to ensure that the nation's resources are not utilized in a sub-optimal manner. Ultimately, boosting the nation's growth through better factor productivity is a much more efficient option. The consumption of items that are heavily subsidy dependent should be disincentivised. Efficient substitutes need to be promoted through the appropriate incentives. Consumption of fertilizer, for example, could be reduced by promoting organic farming as also by adopting best practices for reduced fertilizer use. For example, in Gujarat we have substantially reduced the use of nitrogenous fertilizers. Wherever possible, supplying domestic gas through pipelines may be more efficient than through cylinders. States should be given credit for promoting efficient consumption, and incentive grants should be given to them based on such credits.

Western economies are notorious for their conspicuous consumption. We need not imitate their "throw away" culture. Rather, planning in India should promote recycling and reuse through appropriate incentives.

Governance and social audit


Good Governance includes all innovative initiatives which have a positive impact on the delivery of services by government organizations covering all aspects of interface between citizens and government. No planning can be effective if plan monitoring and evaluation is not carried out for determining the qualitative levels of performance by the implementing organization. While there is every argument to make evaluation more professional, there is a strong need for Planning Commission to carry out a social audit of every such planned scheme which has beneficiary orientation, possibly through third party social organizations working in the respective fields.

The British ruled India with a mindset to control the population as a colonial power. Their objective was to retain control without having the interests of the people in mind. This regulatory mindset has still not gone from the ruling elite. We need to reorient our approach and make it people oriented.

There is need to reinvent governance by identifying ways to amend internal procedures that facilitate harmonization. Dissemination of good practices both horizontally and vertically is required. It is important to align incentives that foster recognition of employees. Relevant information on development activities needs to be shared. Wherever appropriate, rationalization of activities is required to be implemented. Delegation at appropriate levels is important. Use of peer review and equivalent mechanisms are necessary for monitoring and evaluation.

We must promote the use of technology at the grass root levels to facilitate governance. The benefits of technology must bring about a change in the quality of life of all sections of society, particularly the disadvantaged people.

Finally, as rightly stated in the Plan document, the strategy of monitoring "outcomes" rather than "outlays" is crucial, since ensuring desired outcomes, results in far greater returns on public spending.



Effect of Elections on Governance

Frequent elections take their toll on Governance. Every time an election is declared the administration becomes paralysed due to the imposition of the Model of Code of Conduct. Since elections are not synchronized, the slowdown in administration could be over extended periods, causing serious setbacks to the development of the State. Further disruption is caused due to appointment of observers at senior levels who have to spend long periods of time in other States as a part of election duty. This hampers Governance. I suggest that a separate cadre for conducting elections is created so that the regular administration can focus on development. Further, I would recommend that we conduct elections to States and central levels, simultaneously, once in five years to mitigate the impact of frequent elections.

Projects of global excellence

There have been times in the history of our nation when the then Governments have demonstrated futuristic visions and have created landmarks which are still looked upon with awe hundreds years of later. These continue to be benchmarks of excellence even today. The revenue settlement carried out by Todarmal continues to be an exercise which has not been surpassed. The creation of pink city of Jaipur or for that matter Taj Mahal speaks volumes of the capacity of their times. Today we have global landmarks like Petronas Towers at Kula Lumpur, or the Akshar Dham Temple at Delhi as modern examples of such landmark creations. Government of India should consider setting up some such projects across the country.

These world-class assets would then become the nucleus for spurring fresh investments and search for excellence in multifarious ways. As projects of excellence they would have their own positive spillovers and externalities which create a momentum for economic development.



Prime Minister's New 15 Point Programme

In the draft of the Eleventh Five Year Plan it has been suggested to include the Prime Minister's New 15 Point Programme for the welfare of minorities stipulating that, wherever possible, 15% of targets and outlays under various Schemes will be earmarked for the minorities.

Let me at the outset reiterate that we are firmly committed to the socio-economic development of all the 5.5 crore people of Gujarat, as provided in the Constitution of India. However, the New 15 Point Programme focuses on earmarking making certain outlays of various developmental schemes and programmes of Government of India amongst the eligible beneficiaries, based on their minority status, which should be reviewed in the interest of maintaining the social fabric of the nation. Such discrimination, amongst the eligible beneficiaries, for flow of funds, based on minority status, will not help the cause of taking the people of India together on the path of development. The correct criteria for flow of funds for various schemes and programmes should be based on principle of equity by taking only socio-economic criteria alone, and leaving the implementation of such schemes to the States.

Terrorism

Like illiteracy, poor health status or poor infrastructures are all obstacles to development; terrorism, naxalism or insurgency are equally detrimental to the nation's development. Such negative forces of destabilization and disorder must be put down with an iron hand. Relatively developed States like Maharashtra, Andhra Pradesh, and Karnataka are also facing the scourge in some of their districts. Under these circumstances Centre and the States must address the issue collectively and comprehensively. This is not an issue for scoring political points. What is required is a common political will to tackle the problem head on, or else the nation would have to pay a very heavy price.

Agriculture

The focus on agriculture—by doubling the rate of growth to 4%— in the Plan is a welcome step. However, far more needs to be done to ensure growth with equity in the agricultural sector. Improving productivity in agriculture is the key to attainment of the ambitious target set for the sector. The growth target set for Gujarat is even more challenging at 5.5%. Gujarat has successfully utilized the medium of **Krushhi Mahotsav** every year to communicate with farmers regarding the strategies to increase agriculture productivity and this has yielded good results—our average growth in the last three years has been at 11.63%. Agricultural production in Gujarat, which was Rs. 13407 cr in 2002-03, has shown a quantum jump and is estimated at Rs. 33955 cr in 2006-07. One of the reasons has been the increase in cropped area under rabi and summer crops from 18.88 lakh hectare in 2001-02 to about 39 lakh hectare in 2007-08, which in turn has been the outcome of peoples' movement in the form of Krushi Mahotsav conducted every year.

A significant stride has been taken in the area of soil health by the State. Data shows that there has been a radical improvement in the NPK ratio in Gujarat. The ratio which was skewed, has since remarkably corrected, with the Nitrogen component on an average having reduced from 14.48 in 1996-97 to 7.72 in 2006-07. Incidentally, Gujarat has been a pioneer in **soil health cards** and soil testing laboratories. Such cards have sought to empower the farmer with information regarding the presence of nutrients and micronutrients in the soil—making it easy for agricultural decision-making.

To modernize Agriculture we have to bring together following 5 essential elements—the ***panch tatvas***:

1. ***Progressive farmer***
2. ***Agro Scientist***
3. ***Agricultural Extension Worker***
4. ***Agro Technologist***
5. ***Agro Economist***

Micro level coordination of these panch tatvas alone can help us narrow the productivity gap—between yields that are actually being achieved on ground and what can potentially be achieved.

New agriculture technologies and innovations in farm practices are preconditions for sustained improvements in output levels and productivity. Cost effective technologies, integrated with local needs, and with easy adaptability, such technologies should extend from farm level up to marketing stage. Improved seeds, advanced techniques of irrigation and crop rotation; the scientific use of fertilizers, pesticides, and herbicides; and new developments in veterinary medicine and animal nutrition are major advances in modern agriculture. Such measures are technologically scale neutral—they can be applied equally effectively on large and small farms. Labour augmenting technology could improve output without displacing labor and with marginal capital input. We need to align incentives and disincentives in a manner that optimizes the use of agricultural resources, especially water, with a view to improve the total factor productivity.

Women make an important contribution to the agricultural economy through the labour they supply in the cultivation of crops. Gender specific capacity building in agriculture is essential for our purported objective of inclusive growth. Gujarat has taken the lead by developing women empowerment in horticulture. Similarly, training women in agriculture has been given due weightage.

Organic farming

With the global demand for organic food is expanding rapidly, India should be poised to exploit its traditionally strong organic farming base that it is rooted in the nation's traditional rural economic culture. What is required is to structure this practice on scientific and professional lines and establish global linkages. We need to adopt a special strategy to raise India's capacity in this sector to meet a significant portion of the global market. This would, however, require certification by an agency of repute having capacity in testing and research on organic product. Further, standardization by an ISO level standardization institution would be required to be set up to make the products acceptable in global market. Finally, the organic production in the country would have to be marketed as the unique traditional product of India. It may be a good strategy to pose it as a holistic preventive health care product—an essential component for a total health care philosophy of yoga.

Animal husbandry

Animal husbandry constitutes the backbone of the rural economy. Dairy cooperatives are a source of significant incomes in the rural areas. Since land as an asset is limited in supply, the only other asset which plays a major role in generating income for the rural households is livestock. Productivity increases in livestock is thus very important.

To promote the dairy sector large investments are required to ensure availability of services for the farmers. Veterinary services at the farmers' doorsteps would require public investments that the Government of India must commit to a much greater extent. While conservation of indigenous livestock should be a priority, breeding policy should factor in local requirements to enhance production as well as productivity

Grassland development

Our country is prone to recurrent droughts that visit different parts almost on a cyclical basis. The nation's cattle wealth is the worst victim of such calamities. And yet, we have no planning for it. I would suggest that we divide the country in 7-8 regions and create grass (fodder) development zones. It is in these zones we should follow systematic production of fodder grass on a permanent basis to mitigate the damage to cattle population on account of adverse conditions. With the help of biotechnology, our research should focus on increasing the productivity of fodder grass. Regional dispersal of fodder banks would help in reducing transportation costs.

Fisheries

With a long coastline, India has a significant population dependent on fisheries for a livelihood. In search of a catch, the fishermen often stray deep into international waters. In Gujarat, for example 339 boats and 361 fishermen are in Pakistani custody for entering their territorial waters. Modern GPS based technology should be used for vessel tracking and guiding fishermen towards fish catches and at the same time warning them if they stray towards foreign waters. Biometric identity cards for the fishermen would be of immense help. Since national security issues are involved, Government of India should help the States in this regard.

Irrigation

There is a need to increase public investment for developing irrigation and improving the efficiency of existing schemes. It is essential to give priority to complete on-going projects to ensure creation of irrigation potential within the scheduled time frame. Projects like the Sardar Sarovar must be given priority as they are ultimately national assets. Greater emphasis needs to be given to Extension Rehabilitation and Modernisation (ERM) of Irrigation Projects. Augmenting ground water availability particularly in arid and semi-arid areas through conservation of rainwater, through participatory construction of check-dams and filling up village tanks must

be an identified thrust area. The coverage of the **Accelerated Irrigation Benefit Programme** (AIBP) should be extended to include minor irrigation projects as well. Much greater provisioning is required under AIBP and Central Assistance to non special category States should be enhanced from 30% to 50%.

Inclusion of irrigation assets under C.R.F.

Recurrence of heavy floods, damages irrigation assets created by huge investments—major, medium and minor irrigation projects—and thus reduces their full utilization and productivity. Central Assistance must be extended for rehabilitation and reconstruction of these assets.

Participatory Irrigation Management

Another thrust area for the Eleventh Plan for major, medium irrigation projects would be a systematic introduction of **Participatory Irrigation Management** (PIM). Gujarat State has been a pioneer in PIM. The Gujarat Water Users' Participatory Irrigation Management Act 2007 has been enacted recently. To achieve the goals in this regard, the assistance of Government of India needs to be substantially increased for the projects to be covered under PIM.

Sprinkler and Drip Irrigation

Thrust for implementation of Micro Irrigation Schemes (MIS) like Drip and Sprinkler Irrigation Schemes is necessary. To ensure optimum utilization of our precious water resources, extensive promotion of drip and sprinkler irrigation is essential. The **"More Crop Per Drop"** maxim is the need of the hour and it would be appropriate for public policy to be aligned to facilitate such an outcome. Institutions / implementing agencies promoting MIS need to be promoted across the country. The present ceiling for the unit cost of a drip irrigation scheme under the Government of India is fixed at Rs. 45,000 whereas the realistic cost of a good drip irrigation set is of the order of Rs. 1 lakh. Hence, I suggest that Government of India should revise the present ceiling upward.



Government of India needs to encourage schemes for water conservation and the minor irrigation schemes. Degradation of water resources should be disincentivized. Incentives for resource saving should be properly aligned. This should include incentives for water/waste recycling.

Funding from Government of India, for Watershed Development Programmes needs to be more regular and adequate. The procedure of project sanction and release of further instalments of grant under various schemes of watershed development needs to be streamlined. Gujarat has a multidisciplinary autonomous body in form of Gujarat State Watershed Management Agency to implement watershed development programmes. Government of India should now delegate its functions of project sanction, monitoring, evaluation and release of further instalments to this multidisciplinary body to speed up implementation.

National River Grid

The interlinking of the rivers at the national level has been talked about for a long time. However, no concrete action has been forthcoming from Government of India. The social benefits from such interlinking could be substantial. Gujarat has addressed the issue with its own initiative by beginning with a modest scale. 21 rivers in the state are already in an intra-state river grid, and this has its spillovers in terms increased economic activities in the related villages, in addition to the enhanced availability of drinking water and water for irrigation. Government of India may deliberate on the issue of interlinking of rivers at the national level for forming a National River Grid.

Infrastructure

Numerous studies point to weak infrastructure as the prime cause for slow inflow of investments in the country. The increase in investment in infrastructure in the Plan is welcome. However, care should be taken to ensure that it is not too little too late. The key point is that lack of infrastructure should not be allowed to constrain growth. Further, investment in infrastructure should be in a manner to ensure that such growth is inclusive and the benefits percolate to rural areas as well.

Industry

To improve the investment climate, a well thought out policy must facilitate firms to exit freely after provision of a social safety net for workers. Competition should be promoted with a better framework that limits regulatory intervention. Given the relatively lower labour costs in the manufacturing sector, India must use this comparative advantage to enhance the contribution of this sector to the nation's growth. This would, in turn, spur employment thus enabling better utilization of the human resource potential of the country. However, new investments in manufacturing sector should lead to net additionalities rather than mere transfers, as transfers do not contribute to GDP growth. Hence, incentive schemes of Government of India should not result into investments simply shifting from existing location in one state to another.

The Plan stresses the important role of the manufacturing sector. However, I feel that internal contradictions may hinder their speedy growth. One of the major stumbling blocks for industrial and manufacturing sector growth of India lies in inflexibility of its labor laws. This is also one of the areas which Government of India has not been able to resolve with any clarity. If India has to move fast in this era of fierce competition, the Government has to arrive at this clarity quickly. Procrastination on the issue would be at our peril. The best course would be to remove labor as a subject from the concurrent list of the Constitution and put under the State list. I strongly feel that the State should be given complete freedom to carry out labor reforms.

Industrial incentives in Kachchh after the devastating earthquake of 2001 resulted in a favourable investment climate with a number of industries coming up. However, Government of India has not extended the incentives beyond December 2005. Since a significant number of investments in the pipeline are dependent on such incentives for their viability, Government of India is requested to extend the incentive benefits to December 2007. This would help such borderline cases to survive thus increasing the scope for employment in the area.

The development of the Delhi Mumbai Industrial Corridor (DMIC) must be expedited so that substantial progress could be made in the Eleventh Plan period. Six development nodes have been identified for Gujarat in the influence area of DMIC, which include two investment regions and four industrial areas. This ambitious project will further boost the industrial development in the country.

Special incentive for Desert regions

Himalayan and hilly regions of the country have been identified for a unique package of incentives for industrialization. While we appreciate the difficulty of the hilly terrain and its lack of viability for industrial activity, desert regions of Western India also face no less threats of viability on account of harshness of the terrain and lack of natural resources. However, States having large tracts of desert are faced with the challenge of developing the same. There is an acute need for the Government of India to appreciate the issues of the desert region and announce special incentive packages for carrying out various economic activities in this region which could include tourism, cottage industries, handicrafts, agriculture, water management, in addition to industrial and manufacturing activities. This would be useful from the strategic point of view since most of the desert region in the country has international borders.

Port Development

India's large coastline needs to be fully exploited for developing ports of international standards. The efficiency of our ports needs to be scaled up both in the public sector and by using private sector participation. The infrastructure development in the coastal area would entail port as the key driver. The component of this infrastructure chain would have the (i) port (ii) port based SEZ (iii) SEZ based warehouses (iv) warehouses backed by cold storages which would in turn be connected with the farming. Similar chains would obtain with every segment of value addition

activity. The port location should be linked with the hinterland with world-class road and rail linkages to make our goods globally competitive. With the Delhi Mumbai Industrial Corridor coming up, the full potential of economic activity can only be realized if the port connectivity is in place well in time.

Port led development is further integrated with ship breaking, ship repairing, and ship building. The industry related to ship breaking is relevant to India as it is a labor-intensive industry. We need to study the economics of ship breaking and provide for hazard free activity to expand with a view to give employment to the large number of workers. Gujarat's repeated request, for exemption from customs duty to make the ship breaking industry competitive, needs to be addressed seriously.

The ship repairing industry on the other hand requires development of human resources and has a potential of becoming a major source of employment. We need to set up maritime institutions along the country's coastline to develop an industry which has still to realize its potential.

India is accounting for less than 1% ship building activities of the world. In order to catch up, it requires special incentive and support. Viability gap funding mechanism should be made more broad-based to encompass port, shipping and ship building projects, since such projects are highly capital intensive, having long gestation periods and involve higher risk.

Energy

Investments in the energy sector in India have been less than optimal. Significant addition by the way of private sector capacity generation is required in the Eleventh Plan. Matching investments in transmission and distribution are equally important.

Energy consumption has always been considered as a yardstick for the progress of a nation. Growing demand of electrical energy in all the spheres of the nation's economy and its domestic use needs a steady rise of power generation.

To meet the demand for power generation we shall have to address its concerns regarding the coal sector that needs to gear up itself to meet the challenges as it provides inputs to key industries in power, steel, and cement, which in turn, provide consumables.

The strategy for coal needs to be clear. While on the one hand, coal is made available coal for pithead power stations for central sector projects, state utilities have to bear the very heavy costs due to the haulage to its power plants. This has maximized profits of central sector undertakings, in this case, NTPC and Railways. Further, States which are already bearing the brunt of high freight costs are being forced to import coal on the grounds that they have coastlines. Therefore, an additional burden of importing high cost coal has also been placed on them. This overloads the generation cost by additional freight and ultimately it costs to the Nation.

To regulate the distribution channel and its tariff, Government of India has already constituted a Regulating Authority for various fields, namely Gas, Oil and Power. Since we are targeting the electrification of the rural areas particularly to provide power to BPL families, we shall have to control the cost of generation. To ensure a level playing field there is a need to have a coal regulator since major power plants in the country are dependent on coal as fuel. The regulator would facilitate the transition to a greater competition in the coal industry for providing competitive prices ensuring qualitative supply of coal to power sector and to provide much needed energy security.

There is a need to develop a National Energy Policy (NEP) based on all sources of energy. Electricity production is mainly coal based. Gujarat has to bear heavy transportation due to long distance from the pithead. The States which are closer have substantial saving on that account. Therefore Gujarat should be allotted coal from the nearby western fields. The situation obtained in respect of gas is however, different. Gas is supplied to the states by GAIL through the HBJ pipeline. No price discounts are built in the pricing for the states where gas production takes place. Government of India should consider building the cost of transportation component in the prices of gas.

Gujarat's present installed capacity of about 9,000 MW is likely to double by the end of the Eleventh Plan to about 20,000 MW. The goal for 'Power for All' by 2012 will also require huge investments in transmission and distribution. Making targets is not sufficient. The states as well as the power utilities are starved of financial resources to contribute equity required for such investments. While a substantial part of such equity contribution should come from the private sector, the public sector will also have to contribute a major part.

We have large resources in petroleum sector. We need to build a comprehensive database of oil and gas reserves everywhere within the country. This database should be in public domain. States should be encouraged to develop this database. Under the NELP, presently the exploration blocks are opened up selectively and auctioned in smaller lots of 50 to 60 blocks for offers of exploration at a given time. The logic behind such a policy is difficult to understand. I would suggest that with the present level of technology we must map our entire national underground hydrocarbon resources to the best advantage of the nation. Rather than in bits and pieces, we could then offer all blocks for exploration.

Aerial survey of hydrocarbon resources is restricted from security point of view in border areas today. Our neighbour in Pakistan is, however, already active across the border to exploit the underground oil and gas resources. With access to the latest technology, information about border mapping is anyway available on websites such as Google. Therefore, quoting security reasons to prevent survey of resources in the border areas does not seem justified.

Pipavav Power Project

The then Prime Minister, Late Shri Rajiv Gandhi, had announced in 1989 the utilization of Mid Tapti/South Tapti gas for setting up of a Power Station at Pipavav. Subsequently, Prime Minister Shri Atal Bihari Vajpayee reconfirmed the commitment of Government of India to allocate 2.25 mmscmd of gas to the Pipavav Power Project.

In June 2000, an 'in-principle' allocation of natural gas to the extent of 2.25 mmscmd was made by the Ministry of Petroleum for 650 MW gas based Pipavav Power Project. When the production of gas from PMT fields increased from 6 to 10.8 mmscmd, Government of Gujarat requested for allocation of gas at APM price. The Ministry of Petroleum informed us in July

2005 that the gas requirement be tied up with PMT JV directly, at market-determined price. Subsequently, in June 2006, when PMT JV invited bids for sale of gas and although GSPCL emerged as the highest bidder, the Ministry of Petroleum directed the PMT JV to give all gas to GAIL. In 2007, when PMT JV further expanded production from 10.8 to 17 mmscmd, Ministry of Petroleum again directed PMT JV to give all gas to GAIL. *Thus, the Pipavav Power Project has not been able to take off due to non-availability of gas despite the commitment given way back in 1989.* I have apprised the Hon'ble Prime Minister on this issue separately. I strongly urge that the present marketing arrangements for PMT gas should be allowed to be continued. It is essential that the Pipavav Power Project is allotted the required quantity of PMT gas from Phase II development of PMT fields very quickly.

Promotion of Solar Energy Systems—Sun-son concept

Energy is a vital resource for development of any economy and it is well established that the energy reserves of the world are depleting rapidly. Haphazard use of the fossil fuels for meeting the ever-growing energy demand has endangered the Earth's environment and has led to global threats such as air, water and land pollution, increase in the average temperature, etc. A country like India, having world's second largest population and just 1% of world's energy resources largely depends on imported oil for meeting 75% of its energy demand spending huge amount of foreign exchange. Use of eco-friendly natural energy resources like solar, wind and bio-energy can to a great extent give relief to rapidly increasing energy demand.

Solar Energy is seen a potential energy source for supplementing some of our energy needs. At present the capital cost for setting up of electricity generation through solar photovoltaic is too prohibitive compared to conventional generation. Such prohibitive cost of the solar energy technologies does not permit widespread use and hence needs to be supported with government financial assistance in the interim period. Considering the technical capabilities of the country, there is a great potentiality to encourage indigenous R&D activities in this sector so as to reduce the cost of solar energy. It is therefore suggested that Government of India should evolve a special scheme for R&D activities.

I suggest that Government of India may come forward with a new scheme to harness and encourage environment friendly and renewable natural resources.

Criterion for Poverty

For the purpose of identification of poor households in rural areas, a 'score based ranking' method has been used covering 13 socio-economic indicators. The decision about cut-off score was entrusted to the States, subject to a ceiling in the number of households prescribed by Government of India. The State Government is of the view that the prescribed ceiling of a score of 16 for the number of the BPL households is artificially low. Gujarat therefore has decided to extend the benefits of the State Government schemes to households having scores up to 20. Thus, the households having score 0-16 are considered as 'very poor' and continue to get benefits under CSS schemes starting from the lowest score, whereas, households having score 17-20 are considered under the 'poor' category and they are given the benefits of the state sponsored schemes for BPL families.

Determining the criteria for defining the poverty is complex, as the cost of living varies spatially from state to state and also temporally no uniform criteria can be prescribed across the nation. Moreover, poverty is also a relative phenomenon and a state's effort for improving the living standards of the poor should be recognized and progressive states should not be penalized if the incidence of abject poverty is relatively low. Government of India should not prescribe a number or percentage of the 'poor' in Gujarat and artificially impose it on the State. States should be allocated funds and given sufficient flexibility for poverty elimination and for raising the living standards of the rural poor on the basis of some objective criteria and the definition of the poverty line.

As the running theme of the Plan is "inclusive" growth, the slow but upward rise in the Gini Coefficient as measure of disparity in per capita GSDP, is a disturbing trend because for a given level of per capita income, the more unequal the distribution, the greater the incidence of poverty. While reviewing the criteria for defining poverty, the adverse Gini Coefficient should be kept in view so as to help in the objective of reducing such disparity.



Water Supply

Sustainability of drinking water supply is a serious concern for the nation. To address the drinking water security and sustainability, there is a need to create a nation-wide Water Grid with the active participation of village communities. A decentralized, community led effort for sustaining the local drinking water sources is required. Empowerment of panchayati raj institutions in a mission mode approach with Government as a facilitator is required to be achieved. Gujarat, for example, is implementing a capital-intensive State Drinking Water Grid project with a view to achieve drought proofing in drinking water sector. This network already covers more than 50% of population. As in case of PIM, distribution and management of drinking water at village level should be encouraged through Pani Samitis, as successfully implemented in Gujarat, which manage water supply projects after implementation.

Coastal villages that face salinity problems require a technology mix in the form of rooftop rainwater harvesting, dilution by recharge, bulk-water transmission as well as desalination by reverse osmosis which could promote sustainability of drinking water supply for such habitations.

Urban Development

Although there is a consistent rise of the percentage of urban population, commensurate attention has not been paid in improving urban infrastructure thus reducing the quality of life. The JnNURM partly addresses such infrastructural needs of bigger cities. The need is to address medium and small towns which constitute a major part of the urban population. These schemes should be linked to reforms in urban sector like outsourcing of services like solid waste management, drinking water, energy saving in utilities, resource saving etc.



Most urban settlements worldwide are located next to large water bodies such as rivers and lakes. Lack of management of solid waste and sewerage coupled with large scale industrial activities have adversely impacted the water quality thereby leading degradation of health and also loss to agriculture in the down stream villages. A small provision currently made under National River Conservation Programme is inadequate to address this vital need.

Empirical data proves the basic health indicators such as IMR, MMR, and TFR are more adverse in the urban poor as compared to the rural poor. Essentially, for the past six decades, there has been very little support from Government of India for the coverage of health needs for the urban poor. Gujarat has started a small experiment to bridge this gap during 'Urban 2005' with great deal of success. To put this experiment on a sustainable basis, Government of India is requested to incorporate the requirements of Urban Health in NRHM (National Rural Health Mission).

Education

The increased outlay in the Plan for education is welcome. The key lies in improving the delivery of services related to education. In a globalized environment, the advantage of language skills cannot be denied. Proficiency in English opens up new opportunities for our youth. Gujarat, for example, has set up a "Society for Creation of Opportunity through Proficiency in English (SCOPE)." This needs to be extended upto primary levels.

The importance of science and mathematics for future comparative advantage in human resource is accepted by all. Even the United States has recognized the need to encourage the development of this skill set. Percolation to the grass roots is necessary and, therefore, opening of at least one Science medium Higher Secondary School in every block in the country is essential to create the requisite human resource for future challenges and adequate funding be made available by Government of India by way of a Centrally Sponsored Scheme.

The Plan proposes 30 new Central Universities to be set up in country. One Central University in the Eleventh Plan should be located in Gujarat. In addition, given Gujarat's well-known strength in the financial sector, one of the 14 proposed world-class universities could be in the Gujarat International Finance-Tech City (GIFT), which is coming up in Gandhinagar. The



University could specialize in the financial sector thus providing the required synergy with the institutions likely to come up in GIFT.

Out of 370 new Degree Colleges proposed to be established under Centre-State funding pattern of 1:2 in the Eleventh Plan, 10 may be established in backward and coastal talukas of Gujarat where we do not have any institution of higher education.

Since last five years, technical courses have increased from 13,000 to 51,000 — including diploma, under-graduate and post-graduate courses. Considering the increasing number of enrolment in science stream, and also the market demand for technical professionals, there is a great need to increase the technical courses to at least 2 lakh by the end of Eleventh Plan.

There has been a long-standing demand of Government of Gujarat for the creation of a full-fledged IIT in Gandhinagar. Planning Commission invited a selected few States to consider their willingness to start IIT and IIITA in their State. Gujarat has proposed that one IIT in Gandhinagar and one IIITA in Baroda be set up. State Government is ready to provide 100 acres land to each institute and would also extend part of infrastructure for IIITA.

Government of India recently started one IISE (Indian Institute of Science Education) in Pune and one in Bhubaneshwar. Ahmedabad because of its strategic location, fast industrial growth and having institutes like ISRO and Space Application Centre etc., is an appropriate location for starting an IISE in the Eleventh Plan,

The world is moving towards a knowledge driven economy. India has tremendous potential in this regard in view of a section of the population that possesses high skills. While retaining our current market share in the IT sector, we also need to move up the technology value chain from simple processing activities to research and development, in order to maximize our returns.

Health

In keeping with the focus on the Millennium Development Goals, Gujarat has achieved remarkable success in reduction of MMR through an innovative public private participation under the **Chiranjeevi Scheme**, which has drastically reduced the maternal and child deaths.

Similarly, the missing girl child has been a focus of our attention. A massive **Beti Bachao Abhiyan** has been launched in the State in the last 2 years. Under this programme intensive campaigns were taken in 43 worst affected talukas. This was supplemented by similar action under PC and PNDDT act. As a result of these efforts the sex ratio of the State has gone up from 824 in 2004 to 870 in 2006.

While we have initiated a number of steps from the State funds for up gradation of health care in the State, we need major support for strengthening of our medical colleges. The State has initiated Emergency Medical Response Service for providing trauma care to the people in the State. The project will be fully operational in the next two years with a fleet of 400 ambulances fully manned by trained emergency medical technicians. This should ideally be fully funded by the Government of India. The strengthening of the medical colleges will also help provide trauma care services to the people traveling on National Highways and other highways

Gujarat has initiated an innovative **School Health Programme** under which 88,32,343 children were covered in the year 2006-07. Out of these 962 children were diagnosed and treated for heart diseases by super specialists; 209 children treated for kidney and cancer problems; 94 children with complicated heart problems were treated outside Gujarat. Such a scheme needs to be supported by the Centre for a healthy India of tomorrow.

The rapid economic progress has adversely impacted the life style of the people resulting in unfortunate increase in life style diseases such as diabetes, hypertension, heart diseases, kidney diseases, and cancer. The Eleventh Plan should come out with a policy adequately addressing these aspects.

Nutrition

Anganwadi centres are the fulcrum for many health and nutrition related activities. This justifies the need for each centre to have its own building. Many anganwadi centres have yet to be provided their own pucca buildings. Greater provision from the Government of India is thus required for this purpose.

Employment

With a large informal sector, rigid labour laws in India, (enacted principally for the organized and formal sector), can cause to decrease the overall employment. Reforms in the labour sector are needed to boost employment. Promotion of efficiencies in small and medium industries is important as they provide greater employment opportunities. Another source of employment would be the services sector where a different set of skills are required. Identification of the potential demand for certain skills and correspondingly matching the supply would help in this regard.

Social Justice

The Eleventh Plan should strive to eliminate gaps in the social and economic parameters between SCs and the general population. This is essential to ensure a faster and more inclusive growth for the nation as a whole. There is a case for extending financial assistance to SC students to enable them to access good quality educational institutions. The issue of committed liability to be borne by States in this regard is required to be sorted out.

Financing of the Plan

We are well aware of the existing financial asymmetry between the Centre and the States. The division of expenditure responsibilities between the Centre and the States is to a large extent skewed. The mismatch arises between the mandatory expenditure needs of the States on the one hand and assignment of financial powers to the States on the other. While most of the local and developmental schemes have to be financed by the States, the Centre retains the more lucrative and buoyant revenue sources.

As observed in the Eleventh Plan document, for GDP to grow at an average rate of 9%, annually over the five year plan period, there would be a substantial requirement of investment both for the public and the private sector. To bridge the savings-investment gap for states, the



centre would have to adopt a positive approach towards greater devolution of resources to the States from the central pool.

The resources for the Plan could be mobilized by a combination of any of the three sources:

- i. Increase in states' own tax revenues***
- ii. Reduction in states' non—plan expenditure***
- iii. Increase in fiscal deficit.***

Increase in States' own tax revenues alone cannot meet the extra resources needed for financing the Plan. In fact, the phasing out of the Central Sales Tax, as a part of the road-map for introduction of the Goods and Services Tax, has particularly affected states like Gujarat that have a high manufacturing base. Such states need to be fully and fairly compensated for this loss quickly by devising a transfer mechanism of sources like Service Tax etc. Greater share of Central Taxes must flow into the shareable pool.

Looking at the major components of the non-plan expenditure most states have a large debt stock, high pay and allowances as well as pension liabilities. The Sixth Pay Commission appointed by Government of India would further fuel an increase in non-plan expenditure. There would thus be serious limitations to amount of reduction in non-plan expenditure.

In the circumstances, increase in fiscal deficit for financing the Plan could become a determining factor. Fiscal Responsibility and Budget Management (FRBM) Act, however, limits the quantum of fiscal deficit. The Act requires the Government to reduce fiscal deficit to 3% of GDP by 2008-2009. It is also required to bring down the revenue deficit to 0% by 2007-08

and cap its debt to GSDP at 30% by 2007-08. Given the constraints of the FRBM Act, a very ambitious target of a high GDP growth supported by a reasonably high level of public spending may require a review of the FRBM targets.

Financing of higher GDP through PPP needs to be looked with reference to state guarantees and off budget borrowing. PPP model of financing would bring contingent liabilities on the states. Such borrowing cannot be kept outside the overall fiscal deficit and debt /GSDP limit of the state.

If the Plan is to be substantially financed by borrowing then the debt/GSDP would increase by the end of the Eleventh Plan. This would in turn increase the interest payment liabilities. It is therefore important that the borrowing for Plan be done only after swapping old high cost borrowings of the State. Non-plan expenditure reduction by swapping high cost loans would, on the other hand, result in diversion of resources for plan expenditure. Therefore, the size of the divisible pool of Central taxes which, as per the Twelfth Finance Commission is 30.5 per cent, needs to be increased substantially.

The document confirms the fact that in relative terms, the quantum of Central Assistance is dwindling. The Central Assistance as per cent of GDP is projected to go down from 1.43 per cent in the Tenth Plan to 1.20 per cent in Eleventh Plan. On the other hand, States' own resources are projected to go up from 2.65 per cent to 4.65 per cent. This assumption in the Plan document will call for more devolution of resources to the States.

The proposed change in the criteria and weights assigned to arrive on devolving formulae for Normal Central Assistance to States is not acceptable. Any change in the existing Gadgil-Mukherjee formulae for apportionment of Normal Central Assistance should be arrived at only after due deliberations with states and in a mutually acceptable manner.

Finally, on the issue of plan resources, Government of India should consider as to how to evolve policies that can plough back money from the “parallel economy” to fund various infrastructure projects, including social infrastructure. Of course, care has to be taken to protect the interests of the honest taxpayer.

JAI JAI GARVI GUJARAT

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