

# Planning Commission

## **Approach to the Mid-term Appraisal of the Tenth Plan (2002-07)**

The Mid-Term Appraisal (MTA) of the Tenth Plan (2002-03 to 2006-07) is due in the current year and work on preparing it has commenced. The MTA provides an opportunity to take stock of the economy and to introduce policy correctives and new initiatives in critical areas in the context of the new priorities outlined in the National Common Minimum Program. This note presents some of the issues which the Mid-Term Appraisal needs to address.

### Growth Performance

2. The Tenth Plan had targeted an average annual growth rate of GDP of 8.1% for the Tenth Plan period to be achieved by a steady acceleration in the course of the Plan period from around 6.7% targeted in 2002-03 to 9.3% in the terminal year 2006-07. This was expected to lay the basis for a growth rate of above 9% during the Eleventh Plan period.
3. The MTA will consider whether the original 10<sup>th</sup> Plan growth target is still feasible. The growth target of the first two years was about 7% on average and the actual performance has been 4.6% in 2002-03 and 8.3% in 2003-04, averaging 6.4% for the two years. The shortfall in the first two years appears modest but the disturbing fact is that the momentum for acceleration, which was essential to achieve the 8.1%, target, has not been achieved. The current year's GDP growth is likely to range between 6 and 6.5 per cent of GDP so that achievement of the Plan target is only possible if GDP growth in the last two years averages 11% per year, which is clearly infeasible. The MTA should explore the scope for accelerating growth in the remaining years of the Tenth Plan to achieve the target of 7-8% growth set in the NCMP.
4. Sectorally, the Tenth Plan had targeted growth of agricultural GDP of 4% per year, aiming to reverse the deceleration in the second half of the 1990s – from 3.2% in the period 1980-1996 to 2.6% in the period 1996-2002. This is nowhere near being achieved. The average agricultural GDP growth in the first two years of the Plan was 1.8% and it is unlikely to exceed 1.5% in the current year. The failure in this area is a major factor underlying rural distress which has been visible in recent years. The MTA will focus on corrective policies needed in this area.
5. Industrial growth in the first two years was 6.7% which was also short of expectations. Although industrial growth has picked up in the current year, we are still far from the rates of above 10% needed to achieve Plan targets. Failure to achieve

high rates of industrial growth will limit the ability of the economy to generate high quality jobs, particularly for the educated youth.

6. One of the brightest spots in India's economic performance in recent years has been the emergence of knowledge-based industries as front-runners in the global marketplace. The early successes of the software sector are being replicated in a number of other activities such as business process outsourcing (BPO), biotechnology, pharmaceuticals, industrial design, tertiary health-care, etc. There is vast potential in these activities but it is clear that a number of other developing countries have also identified them as areas of focus for the future. In order to prevent an erosion of India's present pre-eminence from these emerging threats, the MTA will identify the factors behind our success and to ensure that we strengthen and creatively build upon them. The entrepreneurial dynamism and competitiveness of these sectors indicate that there are lessons to be learnt about the policy and operating environment that can be fruitfully applied to the less dynamic segments of Indian industry. Equally importantly, IT should be harnessed to improve connectivity and governance in rural areas.

## Investment Strategy

7. The Tenth Plan was built around a specific set of assumptions which affected the investment strategy of the Plan. In the base year of the Tenth Plan (2001-02), the economy was in the middle of a cyclical slow-down, with the investment rate at 23.2% of GDP as against the peak of 26.2% achieved in 1995-96. Capacity utilisation was low in a number of sectors, especially in manufacturing. Agricultural output, and thereby rural incomes, had shown relatively low growth and high volatility through the Ninth Plan period (1997-98 – 2001-02). International markets had gone into a recessionary phase.

8. It was felt that private investment demand was unlikely to revive until the capacity utilisation in industry increased to significantly higher levels. Revival of rural consumption demand was expected to contribute to investment expansion, but this would only happen over time if agricultural growth targets were met. Exports were unlikely to provide adequate demand support due to depressed international market conditions. Moving into a high growth trajectory from this base level situation therefore required a sustained demand impetus from public expenditures, especially public investment, even if it required some relaxation of fiscal discipline. There was little danger of "crowding out", since private investment demand was well short of the resources available, especially if one included the potential availability of external resources which went into a build up of reserves.

9. The strategy adopted, therefore, was to accelerate the recovery process through an early stimulus to public investment which in turn would lead to a revival of private investment to take the momentum forward in the later years. Since private investment would really start to pick up only some time during 2003-04, the level of investible resources available to the private sector would not be a major concern until then, but it would become so in the last two years of the Plan. It was, therefore envisaged that the

process of fiscal correction should focus on the revenue deficit and not the fiscal deficit, which could remain as high as 4.3% of GDP for the Centre and 2.2% for the States even in the terminal year of the Plan. The consolidated revenue deficits, however, would have to go down to around 2.4% of GDP by the terminal year 2006-07 in order to provide the requisite amount of public savings.

10. A key assumption in the Tenth Plan was that the high growth rate of 8% could be achieved with only a relatively modest investment rate of around 28%, instead of 32% or so suggested by traditional ICOR relationships. This was felt to be justified because of the existence of two types of unutilised capacities:

- Those which have arisen out of the demand constraint; and
- Those which are more structural in nature and arise out of policy rigidities in transfer and utilisation of capital assets.

It was visualized that much of the growth during the first two years of the Plan would come from the former. In later years, policy reforms (including legal changes) were expected to facilitate more effective use of structurally hampered capacities.

11. Infrastructure was recognized to be a critical constraint needing large investments and it was expected that policies would be evolved which would allow a large contribution of private investment to support expanded public investment in their area. Investment in irrigation and watershed management was recognized to be critical for agriculture.

12. The MTA will take stock of the progress made in utilizing productive capacities and the success achieved on the investment front. The following points are worth noting.

- Investment data are available only for the first year of the Plan 2002-03 and the investment rate for that year according to the national accounts is only 23%. It is unlikely that the investment rate in 2003-04 was much higher.
- Although growth has been slow, the low rate of investment has meant that capacity utilisation in industry has increased across the board. While some excess capacity remains for tapping in the immediate future, growth will now depend on a major renewal of private investment and also public investment in critical infrastructure.
- Inadequate progress has been made in releasing capacities which are locked up due to structural factors. The Securitisation Act for the banking sector has been a step forward so far. Other Tenth Plan proposals were (a) Repeal of SICA & winding up BIFR, (b) Bankruptcy & foreclosure laws, (c) Reform of Industrial Disputes Act, (d) Release of excess lands held by PSUs and (e) Privatisation of sick PSUs. The MTA will consider how we should proceed in these areas.
- Data on private corporate investment are not available beyond 2002-03 but there is some evidence that the economy is in the recovery phase of the

business cycle and private investment may have picked up. However, this still appears tentative. Improvement in infrastructure is necessary to ensure that the private investment expands robustly.

- There is an unfinished agenda as far as creating an investor-friendly climate is concerned. The Mid-Term Appraisal should attempt to identify critical policy constraints that may be holding back private investment including Foreign Direct Investment. The Plan had indicated that FDI is an important instrument for expanding private investment in the economy. FDI flows have continued, but the perception remains that there are bottlenecks holding up FDI which could be much larger if these are addressed. The MTA will need to make an assessment of problems in this area.
- The SME sector has been a dynamic segment of Indian industry and has proved its competitive ability in recent years. There is reason to believe that the growth of this sector is hampered by the lack of a sufficiently dynamic financial sector. More generally, the functioning of the financial system as a whole is critical for investments to be realized. The mid-Term Appraisal should seek to identify the reforms in the financial sector which are needed to achieve investment targets, including tapping project appraisal capabilities of the Industrial Development Banks.
- Since the growth performance has been the worst in agriculture, the Tenth Plan proposals in this area and in rural development need to be carefully reviewed for their effectiveness. In particular, the MTA will give special emphasis to promoting public investment in rural areas based on the possibility for absorbing unemployed labour for asset creation.

## Resources for the Plan

13. The MTA will present a candid assessment of the resources position facing both the Centre and the States and the implications for the last two years of the Tenth Plan. It is clear that Plan allocations have been below expectations. With the allocations made for 2004-05, the Central Sector Plan (including PSU plan) for the first three year will be about 44.2% of the total Plan against expectations of 54%.

14. The position in the States is likely to be even more difficult. States have not received as much resources as were envisaged through devolution because (a) the economy has grown more slowly than projected (b) the Centre's ratio of tax revenue to GDP has not increased as was projected in the Plan –the States' performance has also been below targets but it has been better than the Centre's (c) the losses of the SEBs continue to impose a very heavy burden and (d) the Pay Commission effect on the States, though it is beginning to wear off, had left most of the States with a very heavy debt overhang. The MTA will examine trends in States' resources and identify priority corrective steps.

15. The **Fiscal Responsibility and Budget Management (FRBM) Act** introduces targets for the fiscal deficit which have implications for the size of Gross Budgetary

Support in the years ahead. Preliminary analysis in the Planning Commission suggests that on optimistic assumptions, which include early implementation of major tax reforms, the FRBM targets indicated to Parliament will limit the Gross Budgetary Support to the Plan as a ratio of GDP to increase by about half of one percentage point over the next two years. More realistic projections about the likely impact of tax reforms suggest that if the fiscal deficit targets are insisted upon then the GBS as a ratio of GDP may actually decline. The trade off between having a larger plan size and risking a higher fiscal deficit will have to be explored in depth with the Finance Ministry so that we have a realistic assessment of what can be expected by way of Gross Budgetary Support in the next two years. The assessment in the MTA must be coordinated with the view of the Finance Ministry which would be reflected in the Medium Term Macro economic projection to be presented at the time of the next budget.

16. It is clear that the resources position in the remainder of the Tenth Plan period will be much more difficult than was envisaged at the time the Plan was formulated. The resources constraint will be especially difficult because the NCMP has established new priorities which require a substantial increase in allocation in critical areas such as health, education, irrigation, watershed management, railway modernisation and employment programmes. The Mid Term Appraisal will examine the resource position critically and its implication for plan programmes, keeping in mind the new priorities identified in the NCMP.

## Poverty and Employment

17. There are no NSS based data on poverty for the Tenth Plan period so all judgments have to be based on past trends. The Tenth Plan had set a target for poverty reduction of 5 percentage points by the end of the Plan period. Econometric exercises indicate that this is likely to be attained even if the over-all growth rate averages around 6.5% for the Plan. However, there are three issues which need to be kept in mind:

- The regional spread of growth has to approximate that given in the Plan.
- Average agricultural growth should not be below 3% for the period.
- Employment growth should exceed growth of the labour force to reduce the backlog of unemployment.

18. In addition to the inadequacy of the growth in agriculture, the position regarding employment is clearly disturbing. The economy is not generating sufficient productive jobs to absorb the addition to the labour force especially when the rising aspirations of the new and more educated entrants are taken into account. In the 1990s, the role of agriculture in providing additional employment opportunities was virtually zero. The main solutions proposed by the Plan were bringing waste and degraded lands into production and encouraging diversification to more labour intensive crops. Neither has progressed very much and a review needs to be made of the approach. The other sector which holds promise for large-scale employment creation, especially for the

unskilled or semi-skilled, is construction. At present, the potential of this sector is restricted by all manner of land-use restrictions and procedural hurdles and by lack of resources to expand public investment in infrastructure. This is an area which needs reform, especially in urban areas.

19. The proposed Employment Guarantee Scheme mentioned in the NCMP is of obvious relevance in the context of persistent unemployment in rural areas. However, implementation of the scheme depends critically upon whether the necessary resources can be provided. Preliminary estimates made in the Planning Commission place the likely cost of introducing an employment guarantee for rural areas only at between Rs.21,000 – Rs.40,000 crores which could be shared between the Centre and the States. The feasibility of embarking on such a commitment will have to be examined on the basis of (i) the overall resources picture and demands of other sectors and (ii) the feasibility of increasing the employment content of investment expenditure especially in rural areas.

20. The most striking characteristic of the recent employment experience is the large scale withdrawal of women from the labour force that has been reported. This gender-specific employment behaviour needs to be carefully analysed and factored into the employment strategy of the MTA. The Tenth Plan does little to address it.

## Labour Laws

21. The Tenth Plan has identified the reform of labour laws as one of the crucial factors both for sustained industrial growth and for creating high quality employment opportunities in the economy. The Plan document, however, does not present any concrete proposals in this regard. The recommendations of the Second National Labour Commission are now available, and the MTA will consider these recommendations in the context of the current needs of the economy.

## Agriculture and Rural Incomes

22. The Plan had projected a gradual acceleration of the growth rate of agriculture from about 3% in the initial year to around 5% in the terminal year. After the first two years of the Plan, it is evident that there is no discernible acceleration in agricultural growth. The MTA should examine the critical policy issues in this area.

23. Irrigation and more effective water resources management are crucial for agricultural development. The following issues need consideration:

- The Accelerated Irrigation Benefit Programme (AIBP), which was designed to bring on-going irrigation projects to quick completion, does not appear to have had any tangible benefit. The area under irrigation is still expanding very slowly. The CAG has criticized the functioning of the scheme on a number of grounds.
- Existing irrigated areas are displaying serious water-stress, as both reservoirs and ground water sources seem to be depleting. Consequently, the agricultural

output from irrigated areas also seems to be more vulnerable to weather shocks than earlier. The problem is made worse by the fact that cheap power encourages farmers to use excessive water. While this problem is widely acknowledged we do not have a wholesale policy framework to address the problem effectively.

- The origin of rivers and their catchment areas continue to be neglected. More generally, there is no effort at either restoring the natural recharge systems of primary water sources or creating artificial recharge mechanisms.
- Watershed development has been given high priority in name for several years, but it does not appear to be making much headway except in isolated cases. A possible reason could be that there is insufficient technical expertise available for this purpose. In addition, there are too many agencies of the Centre and State governments implementing watershed schemes. This opens the possibility of large-scale misuse. A more structured and monitorable system, with much greater community participation, needs to be put in place. Lack of community participation is now regarded as the principal reason why earlier efforts failed. However, the ability to achieve effective community participation varies enormously across states.
- Traditional water harvesting structures have become virtually defunct. Their restoration involves not only the physical aspects of the task, but a clear demarcation of water rights. Indeed, assignment of water rights may lie at the heart of successfully implementing decentralized irrigation systems.
- The existing institutional structures and manpower deployment in State Irrigation Departments were designed essentially for major and medium irrigation projects. There is further potential for these, but much more attention must now be paid to watershed development and micro-irrigation. The departments may need to be completely reconstituted to provide necessary technical expertise for such purposes.

24. Bringing wastelands and degraded lands into productive use was an important component of the agricultural strategy. To this end, two major initiatives were proposed – the bamboo mission and the bio-diesel programme. Although there has been some progress in this direction, it appears that the issue of land rights is yet to be resolved for the most part, and this is proving to be the major constraint. For both forest and government lands, it is difficult to involve local communities unless land ownership is given to them.

25. Revival of agricultural dynamism will also call for corrective steps to deal with the near collapse of the extension systems in most states and the decline in agricultural research universities. The other major problem is the lack of credit availability and inability of the farmers to repay debt. This is due, in part, to the pervasive sickness of the co-operative credit system and also the unwillingness or inability of the banks to extend direct credit.

26. Agricultural diversification has to be a major element in the strategy for accelerating agricultural growth and this calls for action on several fronts. Ideally, there should be a shift of land from cereals to non-cereals (increasing both farm incomes and employment) combined with an increase in productivity in cereals to ensure that per capita availability of cereals does not decline. Diversification is unlikely to be a feasible strategy all over the country but it could hold great promise in some areas. The shift from cereals to horticultural crops requires a supportive policy framework in other respects, notably a much greater focus on (a) marketing arrangements, including encouragement of private sector involvement in marketing, (b) encouragement of downstream food processing and (c) research linked to market requirements for diversifying into horticulture.

27. The Tenth Plan had identified the Essential Commodities Act (ECA) as a major impediment to the development of modern markets and suggested that it should be replaced by a suitable provision which could deal with emergency situations without hampering normal market activity. It had also recommended that the Agricultural Produce Marketing Acts in the states restrict the growth of agricultural marketing and are not conducive to development of horticulture, and should be replaced by a new model legislation which would allow co-operatives and private parties to set up modern markets. A number of items have been taken off the ECA, but the relatively rigid rules framed under the Act by various States continue for the most part. The NCMP states that the Essential Commodities Act will not be diluted, but it is necessary to examine this issue in depth so that changes which are necessary in the interest of accelerating growth of farm incomes can be made. A model Agricultural Produce Marketing Act has been drafted and circulated to the States, but there is little movement towards its adoption. There has also been no progress in rationalizing the multiple food safety laws, which hamper the development of a modern food processing industry. The Mid-Term Appraisal should address these issues to evolve a workable set of policy initiatives in this area.

28. Non-farming rural activities have seen a secular decline in recent years. To some extent this may be related to the slow down in agriculture, but there does not appear to be any strategic approach to this issue in terms of policies and programmes. The Plan itself has little to say about this, other than the initiatives taken on Self-Help Groups (SHGs). Much greater focus is clearly necessary on agro-processing and rural services.

29. It is evident that the agriculture sector thus far has not demonstrated the resurgence of growth that was expected in the 10<sup>th</sup> Plan. The MTA will focus on corrective steps that can be taken in order to improve delivery and achieve the best possible growth performance in the second half of the Plan period.

## Food Security and Nutrition

30. Over the years, a number of programmes have come into existence for providing food and nutritional support, especially for the poor. At present, from the Centre, the schemes which provide food support are: (a) Targeted Public Distribution System

(TPDS); (b) Antyodaya Anna Yojana; (c) Mid-day Meal Scheme; (d) Integrated Child Development Scheme (ICDS); and (e) Food for Work Scheme. In addition, some States have their own schemes for similar purposes. These schemes have increased in recent years as a result of a perceived worsening of the nutritional problem. However, there has been no stock-taking of the over-lap between these various schemes in terms of the target groups. The MTA needs to reflect on this and to rationalize the over-all food and nutritional interventions being made by government. The issue of adequacy of nutrition needs to incorporate the fact that certain vulnerable groups require interventions that go beyond the calorie-protein norms currently sought to be met through food grains alone.

31. The price support and procurement systems, combined with input subsidies on fertilizer, electric power and canal water have been the main pillars of domestic support for agriculture. However, they have led to a sharp increase in subsidy based support while public investment in agriculture has suffered. The outcome is distributionally inequitable since the subsidies typically go to the richer farmers in areas of assured irrigation, while the lack of public investment hurts poorer farmers and those in arid regions. The MTA will consider how the systems can be changed gradually in a manner which does not affect food security.

## Social Development

32. A basic shift in priorities signalled by the NCMP was the need to give greater importance to social sector expenditures as part of the effort to promote development with social justice, in particular for the Scheduled Castes and Scheduled Tribes. The Tenth Plan specifies monitorable targets for certain indicators of social development in health, education and gender equality. These targets are not identical to the Millennium Development Goals (MDGs) but it is believed that if these targets are met, then the other MDGs are also likely to be achieved. It is a matter of deep concern that at the current pace of progress, it appears unlikely that many of these targets will be met. The MTA will focus on how this failing can be corrected.

33. The targets regarding education required that 100% enrolment in primary schools be achieved by 2003 and 100% retention be achieved immediately thereafter. The slow pace of roll-out of *Sarva Shiksha Abhiyan* (SSA) has led to a situation that the 100% enrolment target is unlikely to be achieved even by 2005. There are a number of issues that need to be addressed in this context:

- The fiscal implications of SSA, especially for State finances, does not seem to have been factored in adequately. Unless this is done, and either the Twelfth Finance Commission or the Planning Commission provides adequate support, the programme is likely to run into financial constraints rapidly.
- Since elementary education has been declared a Fundamental Right, there is always the possibility of the Courts intervening, which could prove disruptive. In order to forestall such a possibility, it is necessary to clearly lay down the

roll-out plan and to adhere to it strictly. This will require close coordination between the Centre and the States.

- An important instrument for improving retention in schools is the Mid-day Meal scheme. This scheme has worked well in some states but its operation has not been satisfactory in a number of States. At the moment, however, the MMS is operating under Supreme Court direction as a component of the right to food, and the Centre has been charged with providing adequate financial support.
- The Tenth Plan had pointed out that if the SSA succeeded, it would place heavy demands on the secondary school system, which may become difficult to meet unless steps are initiated right away. This concern remains valid even though the progress of SSA has been slower than planned.

34. Inadequate progress on the health and family welfare front is a matter of grave concern. Unless prompt and decisive steps are taken, the Plan targets on IMR and MMR will not be met and the MDG targets too will almost certainly be missed. Unlike the case of primary education, where a well-designed intervention in the form of SSA exists, there is no real blue-print for the development of the primary health sector. There is need to initiate a fresh approach in this area that can be initiated within the Tenth Plan period even if it can be fully operationalized only in the Eleventh Plan period. In addition, it may be necessary to identify more limited interventions within the existing health framework e.g. focusing on the EAG states identified for family welfare purposes.

35. Concerns about gender equity are reflected in the monitorable targets of the Plan, but little appears to have been done about empowering women so that these intentions are backed up by gender-sensitive institutional structures. More generally, inadequate attention has been paid to finding ways of mainstreaming gender concerns in our policies and programmes. This is an issue which needs careful consideration while designing intervention strategies.

36. Social justice and empowerment of backward classes by and large continues to be followed as a set of special programmes rather than as an integrated strategy. The Plan needs to be re-examined from this perspective.

## Infrastructure

37. Infrastructure was identified as a critical area for the Tenth Plan in recognition of the fact that the quality of infrastructure in India is far below the level required to achieve 8% GDP growth. The Government has also underscored the importance of these sectors and this is reflected in the establishment of a Committee on Infrastructure headed by the Prime Minister. The MTA will make an assessment of the position in each major infrastructure sector, including in particular the scope for increasing capacities through a combination of enhanced public investment and also attracting private investment where feasible. The Planning Commission will undertake a review of the regulatory structure in these sectors to identify critical initiatives

needed to bring the existing structure in line with international best practice. This is essential if public-private partnership is to become a reality.

38. The National Highway Development Programme (NHDP) appears to have gained considerable momentum and the Mid-Term Appraisal will seek to document progress in this area and also identify bottlenecks if any. Fortunately, the projects in pipe-line in NHDP are sufficient for the next few years and the funding is more or less tied-up.

39. The rural roads programme does not appear to have developed the momentum needed although the potential backward and forward linkages of this are at least as great as for the NHDP. One of the reasons for this is that the rural roads programme is entirely dependent upon the flow of budgetary support without any effort at leveraging the cess funds through borrowing as has been done for the NHDP. The position with regard to State highways and district roads is even worse, and there is no programme to ensure that these too come up to the standards necessary for a high quality road network in the country. The MTA needs to examine this issue.

40. As far as the Railways are concerned, there has been practically no movement in terms of implementing many of the key recommendations of the Plan. Since the efficiency of the Railways is a key element in improving the efficiency of the Indian economy the MTA should focus on what is needed to achieve the objective of modernising the Railway system.

41. The development of port infrastructure appears broadly satisfactory, but the collateral measures needed to increase water-borne transport, whether coastal or riverine, do not appear to have progressed.

42. As far as airports are concerned, the Plan did not address the issue substantively, but the Naresh Chandra Committee Report did so subsequently. Efforts are underway to modernise Mumbai and Delhi Airport through private public partnership. The MTA will assess the status of these initiatives.

43. The telecommunication sector is a major success story with an impressive increase in both capacity and service levels. However there are some issues which deserve focused attention. One of these is broad-band connectivity which is critical for development of Internet and also for spreading the benefits of e-Governance in rural areas. The MTA will present an assessment of priority action needed in this area.

44. Electric Power is clearly the area which remains perhaps the single largest cause of concern to the economy. Progress in this area has clearly been disappointing. This sector suffered from serious under-investment in the Ninth Plan period 1997-98 to 2001-02 and this was to be corrected in the Tenth Plan through much larger investment in both the public and private sectors. The MTA will review progress in these areas but it is evident that there are large gaps. Although there have been a number of experiments in SEB reform, none of them has yet established a viable model. Populism by state governments continues to be an impediment to following a rational electrification strategy. The enactment of the Electricity Act 2003 does have the potential to bring about dramatic changes, but this can only happen if the States

take collateral steps. The operation of the SERCs in the various states also needs to be greatly improved. All these issues would have to be a major focus of the MTA.

45. Another area of concern is urban infrastructure. The demographics of urban India are changing and needs of towns and cities of different sizes are very different. There is at present no programme which addresses these issues in a long-term sense and in a case-sensitive manner. Urban renewal in its widest form must become an important component of the Plan. This would include mass rapid transport systems, drinking water and sewage systems, solid waste management, urban roads and lighting, etc. Much of this, however, may not be possible without a thorough overhaul of municipal functioning. Not enough thought has been given to this issue, and it may be desirable for the MTA to conceptualise a workable municipal model.

## Environment

46. The Tenth Plan target on forest and tree cover is critically dependent upon the greening of waste and degraded lands, which is also an important component of the employment and livelihood strategy. As has already been mentioned, there is inadequate progress on this, mainly because of jurisdictional and procedural complications. Another issue which needs to be considered is that a number of States have been representing that an unfair burden is being borne by them in preserving their forest areas, and that compensatory mechanisms need to be developed.

47. The revival of water bodies has been mentioned earlier, but the cleaning of rivers is an imperative of its own. This would have to be integrated with both agricultural practices and waste water management in urban and industrial areas.

48. At a more general level, global climate change is an issue that has not been taken into account in the planning framework. The Tenth Plan does have a chapter on Disaster Management, but it may be necessary to go beyond the issues raised there.

## Regional Balance

49. The Tenth Plan clearly recognizes that growing regional disparities across an array of indicators has led to a situation where national targets need to be broken down to regional targets for any meaningful intervention. The issue of regional balance has also been highlighted in the NCMP which mentions a Backward Areas Grant Fund.

50. The MTA will examine recent experience in this area including the effectiveness of specific initiatives deployed to counter regional disparity and regional backwardness.

## International Developments

51. The Indian economy today is much more sensitive to international developments than before, and this needs to be reflected in the MTA. The need for external markets for agricultural goods, the international energy scenario, availability and volatility of

external capital, etc are clearly issues that affect the pace of development. The MTA will consider whether developments in these areas call for specific responses to better manage the process of globalisation. The MTA will also consider the implications of recent developments in the WTO and the role of Free Trade Arrangements.

## Governance

52. Governance forms the key element of the Tenth Plan, but there has been practically no movement on this front. The NDC had set up three empowered sub-committees on (a) Governance, including e-Governance; (b) Creating an investor-friendly environment; and (c) Empowerment of PRIs, which were expected to draw up blue-prints for governance reforms. There is nothing available from these sub-committees at present, except for a national plan for e-Governance, which has the in-principle approval of the previous Prime Minister. The MTA needs to reiterate this issue forcefully, and perhaps even provide some operational guidelines for carrying out administrative and judicial reforms.

## Panchayati Raj Institutions (PRIs)

53. The Tenth Plan has laid great stress on the role of Panchayati Raj Institutions (PRIs), not only as the cutting edge of democratic decentralization but also for improving the efficiency and accountability of the delivery systems for a number of publicly provided services. In view of the importance of this approach, the NDC had constituted an Empowered Sub-committee of the NDC for the Empowerment of PRIs. Although the report of this Empowered Sub-committee is not available as yet, the MTA may have to outline some steps which can be taken early, subject of course to the views of the NDC. In particular, the initiatives that are being proposed in the areas of primary education, nutrition and food security, watershed development and employment guarantee cannot be successful without the active participation of PRIs at the appropriate levels. Conversely, well financed and well directed thrusts putting these areas firmly within PRI jurisdiction may accelerate PRI empowerment.

54. The Planning Commission will consider these and other issues in preparing a Mid-Term Appraisal which will be completed by the end of the year and submitted to the NDC sometime early next year. In preparing the Mid-Term Appraisal the Commission will consult Central Ministries and State Governments and also consult extensively with experts and representatives of the non-government sector. To facilitate such consultations, 19 Consultative Groups have been constituted in different areas. These will be chaired by the Members concerned and Minister of State for Planning and will serve to provide inputs into the process of preparing the MTA.

\* \* \*