

INDIA
ECONOMIC ROAD MAP:
THE NEXT FIVE YEARS
2002-2007

THE ESSENCE



सत्यमेव जयते

PLANNING COMMISSION
GOVERNMENT OF INDIA
NEW DELHI

Foreword

I have a vision of an India free of poverty, illiteracy and homelessness – free of regional, social and gender disparities – with modern physical and social infrastructure – and a healthy and sustainable environment. Above all, an India which stands tall and proud in the comity of nations, confident in her capability to face all possible challenges. In short, I dream of an India which is counted among the ranks of developed nations before the end of the second decade of this new century.

The most pressing challenge facing us in the coming years will be to provide every Indian with the opportunity to realize his or her full creative potential. Demographic trends indicate that the rate of growth of our working age population during the next ten years will be the highest we have ever experienced, and unless we achieve a significant improvement in the pace of creation of work opportunities, there will be an increase in the level of unemployment. Such a situation cannot be allowed to materialize.

Unemployment not only entails high human costs, it can also lead to serious social disruption, and put enormous strain on the fabric of our society. More importantly, the youth of our country is our most valuable resource and there can be no greater shame than to let it go waste for the lack of will and determination. Future generations will not forgive us for opportunities lost. We have, therefore, made a commitment to the young people of this country that our economy will generate one crore work opportunities each year for the next ten years so that their talents and potentials are utilized for the benefit of the Nation.

These dreams cannot be realized without rapid growth and development. We must, therefore, explore every conceivable way to accelerate the rate of growth of the economy. We must collectively show the firm resolve to actualize the latent potentialities of our great country, putting behind all doubts and differences.

Planning has been one of the pillars of our approach to economic development since independence, and has stood us in good stead. Planning is not a static concept, and each of our Plans has reflected the changing imperatives of the times. The Tenth Plan carries forward this tradition.

While working out the road-map we need to follow to realize my vision of doubling the per capita income of our country and providing one crore work opportunities in the next ten years, the Planning Commission has firmly kept in view the ongoing process of transition to a market economy. The changing role of the Government and its relationship with the private sector, forms the cornerstone of the Plan.

There are four dimensions of this transformation that I consider to be of critical importance, which need to be guided at the highest political level.

First and foremost is the centrality of good governance to the development process. The best policies and programmes can flounder on the rock of poor governance and shortcomings in

implementation. The Tenth Plan document has highlighted this issue by focusing on governance and implementation in a significant manner. We need to bring about dramatic improvements in the functioning of our administrative, judicial and internal security systems in order to foster a dynamic and vibrant market economy.

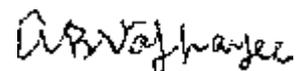
Second, over the years, we have created numerous barriers to inter-state, and even intra-state, trade and commerce. Creation of a common economic space is one of the basic advantages of nationhood. All over the world, countries are coming together for this purpose, but we have continued to maintain and erect barriers. We must reverse this process decisively.

Third, we have inherited from the past a wide range of controls and restrictions on entrepreneurial initiatives, which have retarded the emergence of an investor-friendly climate in the country. We must shed the mind-set of shortages that had given birth to this regime of pervasive controls, and create an environment which welcomes entrepreneurship with open arms.

Finally, effective delivery of basic social services to our people cannot be ensured unless the institutions that are charged with these functions are made accountable to the people themselves. For this it is necessary to empower the Panchayati Raj Institutions by transferring to them both functions and resources. The PRIs must become the cutting edge of our three-tier political structure and the focal point of democratic decentralization.

The unanimous adoption of the Tenth Five Year Plan by the National Development Council is an affirmation of our collective belief in the potential of our country and the extent to which we share a common vision of our future. I congratulate the Deputy Chairman, Members and officials of the Planning Commission for having done a commendable job in shaping and giving substance to this shared vision. I would like to express my appreciation for the contribution made by a wide cross-section of our political leadership, representatives of civil society, academics, industrialists, and individuals from various walks of life, in this truly National effort. The process of Plan formulation encapsulates our deep commitment to democracy and the consultative process that form the core of our National ethos.

It is, however, important that we effectively communicate the goals, strategies and tasks of the Tenth Plan to the various constituencies of our diverse society, without whose support we cannot hope to move ahead rapidly. We need to generate enthusiasm about the Plan and its targets among our people, especially our youth. We can achieve these ambitious targets only when we are able to make development a people's movement, and the Tenth Plan a people's Plan. I seek the cooperation of all political parties, social organizations, voluntary agencies and the media in this important endeavour.



(Atal Bihari Vajpayee)
Prime Minister of India, and
Chairman, Planning Commission

New Delhi
December 21, 2002

Preface

The Tenth Five Year Plan marks the return of visionary planning to India after a long interregnum of cautious optimism. During the past two decades, India has no doubt been one of the ten fastest growing economies in the world, but we cannot be content with that. The Tenth Plan aims to take the country even further ahead, potentially to become the fastest growing country by the end of the Plan period. It calls for us to stretch beyond our immediate capabilities and set targets which are in consonance with our needs and the evident aspirations of our people.

The tone was set by the Prime Minister two years ago when he asked the Planning Commission to examine the feasibility of doubling the per capita income of the country in ten years and of providing 100 million work opportunities over the same period. The timing was significant. The country was already in the middle of what has proved to be an extended period of industrial stagnation, and weather-related agricultural failure had reemerged after nine years of normal monsoons. The international economy too was not performing well. The euphoria generated by the 7 per cent plus growth rates of the mid-1990s had, therefore, all but evaporated, and there was a perceptible lack of national self-confidence. In such a context, it would have been prudent to set one's sight relatively low and seek refuge in "ground realities" – an oft-repeated euphemism for caution bordering on pessimism.

The very fact that the Prime Minister chose to go against the tide of popular sentiment and assert confidence in the growth potential of our economy was sufficient to reinvigorate the planning system in its widest sense. The process of introspection and search for the hidden sources of growth began with a series of consultation meetings with a wide range of experts and stake-holders. It was most heartening to find that almost everyone we interacted with firmly believed that the Prime Minister's vision was attainable, but that it would necessitate fundamental changes in the way we did things. This broad-based intellectual endorsement led to a more detailed search for the possible sources of growth in the Indian economy.

The process culminated in the Approach Paper to the Tenth Plan, which was presented to the National Development Council (NDC) for approval in September 2001. It was suggested that although the objective of doubling the per capita income was feasible in the ten year time frame, it may be preferable to settle for an intermediate target of 8 per cent per annum average growth rate for the Tenth Plan period, with a further acceleration during the Eleventh Plan. The Approach Paper made it clear that the task would not be an easy one, and that full political commitment at all levels would be necessary for its fulfillment. It did not in any way gloss over the wide range of reforms covering policies, procedures and institutions which would have to be implemented and the difficult decisions that would have to be taken.

In approving the Approach Paper to the Tenth Plan, the NDC also adopted a set of quantifiable and monitorable targets which would enable us to focus on accelerating growth, not only as an end in itself but also as the means to achieve success in other dimensions such as poverty reduction, employment creation and improvement in certain critical indicators of the quality of life. These include health, environment and education indicators. This was a path-breaking decision. Although such objectives have been mentioned in earlier Plans, in no case were specific targets set. As a result, these were viewed as being desirable, but not essential; which diluted the importance accorded to them.

Armed with the NDC mandate, the Planning Commission embarked upon the herculean task of preparing the Tenth Plan document. Most people do not appreciate the magnitude of the effort that goes into the preparation of an Indian Five Year Plan. The process of Plan preparation reflects our democratic tradition. The degree of involvement of and range of consultations with various constituents of our society that have gone into the making of the Plan is probably unparalleled in the world. We have involved Central Ministries and State Governments fully in this process. Academics, subject experts, civil society organisations, trade unions and industrialists have been involved at various stages of preparing the Plan in order to take full advantage of their expertise and ideas.

The Tenth Plan document contains a number of unique features which have been dictated by the targets set and the strategy that has been evolved to attain them. Much that could be left unsaid when considering only incremental progress needs to be explicitly brought out when dramatic improvements are envisaged. The essential message of the Plan is that a business-as-usual approach will not deliver the goods – urgent action has to be taken on a wide range of issues across a large number of sectors if the Tenth Plan targets are to be achieved.

The first unique feature of the Plan is its explicit recognition that the Indian economy is in a phase where the growth process alone will not be able to provide adequate work opportunities for the emerging work-force, let alone reduce the back-log of unemployment. Even at an average annual growth rate of 8 per cent, the economy is likely to generate 30 million work opportunities during the Tenth Plan period as compared to the estimated 35 million people who will be added to the work force. It, therefore, becomes necessary to devise suitable strategies which can accelerate the pace of work creation by modulating the growth process itself.

Considerable work has gone into this issue in the Planning Commission, and it is felt that there are a number of sectors and economic activities which have the potential to increase labour absorption significantly with the right kind of policy and programme interventions. By and large, the strategy relies on encouraging individual entrepreneurship and self-employment. It is recognised, however, that the skills required for these activities are not adequately provided by

our existing education and training system. Special focus must, therefore, be laid on vocational education in order to ensure that there is consistency between the demand for and supply of skills.

Second, although the issue of regional balance has been an integral component of almost every five-year plan, there has been perceptible increase in regional imbalances over the years. We have also been conscious of the fact that national targets do not necessarily translate into balanced regional development. The potentials and constraints that exist at the state-level vary significantly. Therefore, for the first time, we have broken down the national targets to the state-level in consultation with State governments. The Tenth Plan contains a separate volume on States as a reflection of the importance we place on the role of the States in our development process.

We hope that this will enable the States to better focus their own development plans by more careful consideration of the sectoral pattern of growth and its regional dispersion within the State. In order to facilitate this process, the Planning Commission is preparing a series of State Development Reports, which will take stock of the capabilities of each State and develop appropriate strategies. We have also proposed a number of initiatives for reducing both inter-state and intra-state imbalances. In particular, we believe that the States need to be incentivised in order to carry out the requisite reform agenda, and several steps have been proposed in this direction.

Third, we believe that improvement in the quality of governance forms the essential ingredient for success. Administrative and judicial efficiency is central to the functioning of a vibrant market economy, and people's welfare is largely determined by the efficiency of public delivery mechanisms. The best plan cannot compensate for poor implementation. Bringing about transparency, accountability and efficiency in all our public institutions is the key to unlocking the potential of our country and to sustained social development.

Fortunately, all over the country, people have begun to demonstrate that by working collectively they can make a tremendous difference not only to their own lives, but also in the manner that public institutions function. There are any number of examples that can be held up from different fields, such as self-help groups (SHGs), pani panchayats, village education committees, local health committees, joint forest management committees, etc. Such civil society impulses need to be encouraged and nurtured by the government so that development eventually becomes a people's movement and not merely an exercise in State paternalism.

We have, therefore, prepared a separate chapter on the issues of governance and implementation. We believe that this must be brought into the centre-stage of public discourse on development. We have also recently brought out a compendium on State government initiatives and civil society responses which have resulted in significant improvements in governance, entitled

– “Successful Governance Initiatives and Best Practices – Experiences from Indian States”. We hope that this will be a trend-setter in encouraging experience-sharing between our States.

Fourth, although our country has been subjected to natural disasters from time to time, these have never been adequately factored into our planning process. By and large, we have taken the approach that these events are transient in nature and, therefore, can be addressed as and when they arise. The experience of recent years, however, suggests that even episodic shocks can disrupt the development process quite substantially unless contingency plans are already in place and fiscal and monetary policies can be adjusted with sufficient flexibility. Therefore, disaster management must be integrated into our planning framework so that growth and development can progress without major disruption even in the face of adverse events. As a start, the Tenth Plan includes a chapter on disaster management, although its full integration with planning may yet take some time.

Fifth, a persistent complaint voiced by State governments, civil society organisations and numerous other entities has been about the lack of complete information on the wide range of programmes and schemes undertaken by Central Ministries and Departments. It has been said that many useful development interventions have not had the desired impact simply on account of lack of information. In order to address this grievance, the Tenth Plan document contains a detailed listing of all on-going and proposed Plan programmes and schemes of every Central Ministry and Department, along with the indicative resources. It is hoped that this information will enable our various partners in development to identify the Central government initiative that best suits their needs.

Finally, in addition to the focus on sectoral investments and on schemes and programmes, which has been integral to every Plan, the Tenth Plan lays out the policy and institutional reforms that are required for each sector, both at the Centre and in the States. In other words, the full reform agenda that is considered to be essential for attaining the targets set in the Plan is encapsulated in one comprehensive chapter. Although the rationale and logic of each of these measures are detailed in various parts of the Plan, it has been felt that the magnitude of the efforts required is such that there should be no ambiguity about the actions that are expected from the various arms of the government.

Given the ambitious targets that have been set for the Tenth Plan, a few words on the strategic approach that has been adopted may be in order. Achieving the 8 per cent annual growth target will no doubt require a significant increase in our savings and investment rates, but perhaps by not as much as may be commonly believed. Detailed analysis has revealed that there is substantial excess capacity in some of the sectors of the economy, and, therefore, it should be possible to increase output without a commensurate increase in investible resources. This, along with

improvements in efficiency and better sectoral focus, should lead to a drop in the incremental capital-output ratio (ICOR) for the Tenth Plan period. It should be mentioned, however, that we have been fairly conservative in this regard, and the ICOR was even lower during the Eighth Plan period than what has been assumed for the Tenth.

Bringing unutilised capacities into production requires action along two broad fronts. The first is to revive aggregate demand in the economy, especially through stimulating investment activity. We believe that at the present time, public investment in infrastructure will “crowd in” private investments. Therefore, during the first two years of the Plan, the burden of industrial revival will have to be carried by public investment, with private investment taking the lead role in the latter years. This will require strengthening of the institutional capacity to undertake public investment, which has eroded to some extent in recent years. Furthermore, we need to simplify the rules, regulations and procedures which unnecessarily hamper private investment activity in the country, so that private initiative can play its required role in due course. Every Ministry and State government needs to focus on these issues so that early action can be taken to bring about policy and procedural reforms.

The second source of productive potential is the huge stock of capital assets that are locked up either in the form of incomplete projects or due to legal and procedural restrictions on the transfer of assets. Bringing these into productive use will require, on the one hand, emphasis on completion of on-going projects, especially in the public sector, and creating the legal framework for quick transfer of assets, on the other.

Even with the projected decline in the ICOR, it will be necessary to raise the savings rate of the economy quite substantially. In the recent past, private savings have grown more or less steadily since the early 1990s. However, public savings turned sharply negative from 1998-99 onwards. This must be corrected; and from 2004-05 onwards, we must aim at achieving positive and growing public savings. Unless this can be brought about, the growth process will be hampered by inadequacy of resources.

It will be noticed that the fiscal stance of government, both at the Centre and in the States, is central to the strategy proposed for attainment of the growth target. However, it is equally important to recognise that the nature of the fiscal stance has to exhibit a significant shift within the Plan period itself. During the initial years, it has to focus primarily on the task of industrial revival through increased public investment in infrastructure, even if it is at the cost of some delay in fiscal correction. In the latter years, however, it has to steadily augment its role in providing investible resources for the economy by a sustained reduction in the revenue deficit. This transition requires a carefully crafted, and yet flexible, medium-term fiscal plan for the Centre and every State, which will be one of the major challenges facing policy makers in the coming years.

The other major challenge lies in creating the conditions for vibrant and dynamic private activity in practically every sector of the economy. There are numerous barriers to the free expression of entrepreneurial energies in the country; some of which are in the Centre and some in the States. In particular, our agricultural sector is hamstrung by a plethora of controls which prevent our farmers from realising the full value of their efforts. We have brought about considerable reforms in the industrial arena over the past decade, but the agricultural sector continues to be governed by regulations which were framed during an era of shortages. This must change.

In our opinion, the rural sector holds the key to our future growth efforts. It is home to 70% of our people and nearly 80% of our poor. Thus it offers the greatest potential for widespread development. Apart from the removal of needless controls, the two main areas of focus should be connectivity and water management in all parts of the country. In particular, we need to pay attention to the regeneration and revival of old irrigation systems and projects. In the dry land areas of the country, appropriate watershed development is critical. We need to bring wastelands and degraded lands into productive use, either under crops or agro-forestry, and to improve credit flows to our farmers through innovative methods. There is also need to change our strategic and policy approach to agricultural development, away from subsidies towards creating rural infrastructure. Technological interventions are essential to improve agricultural productivity and to widen the range of products. Institutional structures governing rural activities also need to be reformed and strengthened.

Even for the non-agricultural sectors, there are a number of critical reforms which are still pending, and which need to be implemented as soon as possible. For instance, construction is one of the most labour-intensive sectors and needs to be vigorously promoted, but it too has been hamstrung by excessive controls on land use and poor urban management practices. In order for urban development and the construction activity to gain momentum synergistically, significant changes in land use policies and municipal functioning will have to take place.

The power sector can potentially be a serious constraint on our growth process. During the Eighth and Ninth Plans we were able to achieve less than half the targeted capacity addition mainly due to the infirmities of the State Electricity Boards. We need to make vigorous efforts to complete the restructuring of our power sector so that the ambitious targets that we have set for the Tenth Plan are realised. The pace of investment in the power sector cannot be accelerated unless there is significant improvement in profitability and internal resource generation. The financial condition of the State Electricity Boards not only limits their own ability to invest, but also discourages private investments.

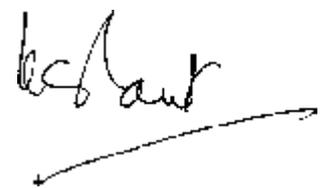
In so far as the social sectors are concerned, one of the most important decisions that has been taken in recent years is to provide universal elementary education, and indeed to make it a right.

We must, however, bear in mind that the turn-out from elementary education would be looking for further training in order to access the job market. We must, therefore, begin the process of strengthening the secondary stream, including vocational education and training, and also our institutions of higher learning.

One of the most disturbing facts about the current situation is the prevalence of under-nutrition among a large segment of our people despite sufficient availability of food in the country. The vulnerable groups, particularly women and children and people living in remote areas, need special attention to meet their dietary requirements. In addition, the primary health system needs to become more sensitive to the specific requirements of different parts of our country both in terms of differences in disease incidence and in the nature of medical care.

Some of the measures that we feel are necessary for meeting the Plan objectives no doubt involve taking hard decisions, but I am certain that with appropriate coordination between the Centre and the States, and with cooperation of all political parties, we can achieve the targets that we have set for ourselves and thereby meet the aspirations of our people. We need to constantly keep before our eyes the vision of India that we hope to create by the end of the Plan. An India where every child has had 5 years of education. Where every village is electrified and has access to drinking water. Where every family can dream of having a roof over its head. Where the country is crisscrossed by high quality road and rail networks. Where every Indian knows that he is in control over his own destiny.

India is in the midst of transforming an agrarian economy into a modern multi-dimensional economic power-house and a traditional stratified society into an egalitarian society through consultative politics. It is inevitable that such rapid social, economic, technological and political development of one billion people would generate turbulence. Yet it is essential that this turbulence be managed and confined within limits that preserve the social fabric and permit the nation's transformation to continue apace. Our Five Year Plans are a central component of this process in that they lay out a vision which we can all share and work towards in a spirit of cooperation and resolve. It is my earnest hope that the Tenth Five Year Plan will fulfill this purpose.



(K. C. Pant)

Deputy Chairman
Planning Commission

New Delhi
December 21, 2002

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1. Introduction

(a) The Purpose of this Plan

India is a vibrant, pluralistic and federal democratic set-up. The decision making process necessitates consensus building with extensive consultations between the Central Government, State Governments, numerous governmental and non-governmental organizations. Within this complex framework, Five Year Plans over the last fifty years have served three primary objectives;

1. To provide a common, agreed, framework of objectives, and a strategy within which compatible decisions can be evolved;
2. To analyse the rationale of these decisions;
3. To delineate the strategy for accelerated growth of the economy and enhance the welfare of all citizens.

The strive towards the achievement of these objectives has sustained national unity within the complexity of daunting problems. The content and the strategy of the Five Year Plans have necessarily varied in response to the development issues being addressed and the evolution of policies represent the contemporary needs of the time. It is in this evolving context that the President of India in his address to the Joint Session of the Parliament has described that the “Tenth Five Year Plan convincingly explains why these ambitious goals are achievable. It has distinguished itself from previous Plans by underscoring that it is not merely a Resources Plan but a Reforms Plan.”

(b) How the Plan was Prepared

The Tenth Plan was prepared over a two year period following the mid-term review of Ninth Plan. Specialist Committees and expert groups on macro and sector related issues undertook considerable analytical work. The ninety seven Working Groups comprising of specialists deliberated over the complex set of problems and these were thereafter considered by twenty three Steering Committees spanning different aspects of the economy to arrive to reach mutually acceptable approaches. The Approach Paper to the Tenth Plan based on the report of these expert groups was approved by the National Development Council (NDC), which is the highest policy making organ and whose membership includes all Chief Ministers of States in October, 2001. Based on the mandate of the NDC, further consultations continued leading to the finalisation of the Tenth Plan. The Union Cabinet approved the Plan and thereafter the National Development Council adopted the Plan in December, 2002. The Plan was also placed in both Houses of Parliament and extensively discussed. The document therefore contains the broad national consensus to which the country as a whole is committed and represents India’s medium-term economic strategy for the next five years.

The Plan sets out its diagnoses and recommended implementation actions at considerable length and in detail, representing the consensus' that have been reached in each field. In so doing, it:

- makes it emphatically clear that the Tenth Plan is a reform plan and not merely a resources plan, and
- provides convincing reasons to move ahead with implementation of the reforms in each of the many fields in which a consensus has been reached.

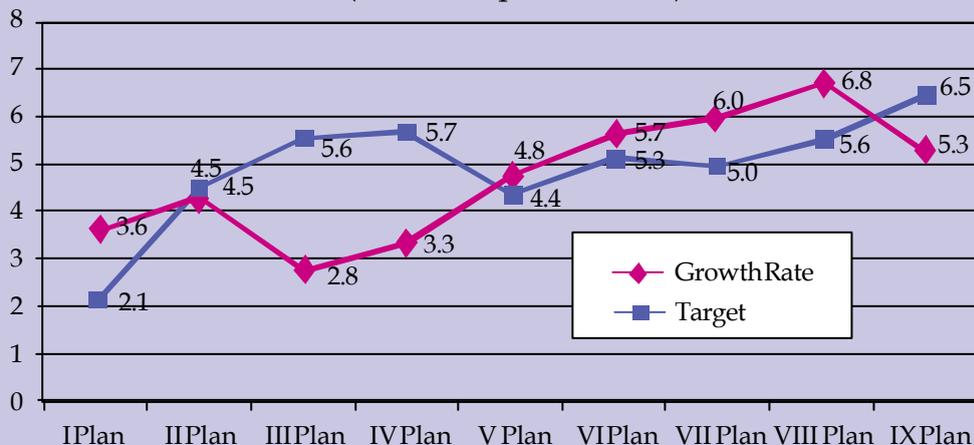
2. Issues Arising from the Ninth Plan

(a) Achievements

The 1990's, comprising the Eighth and Ninth Plan periods, was a period of substantial achievement:

- GDP annual growth rose from 5.7% in the 1980's to 6.1% in the 1990's making India one of the ten fastest growing countries in the world;
- Poverty, which still afflicted 55% of the population in 1973-4, fell to 39% in 1987-8 and 26% in 1999-2000. Rural poverty fell faster than urban;
- Population growth fell to below 2% a year for the first time during the 1990's;
- The literacy rate rose from 52% to 65% of the population during the decade, and there were important steps forward in education especially at the elementary level;
- Real investment continued to rise modestly, but the rise in savings rates and external inflows was sufficient to enable reserves to rise to comfortable levels;
- Substantial liberalisation of central industrial licensing and controls, and simplification and reduction in tax rates, the far-reaching liberalization in the trade sector, and a significant reduction in tariff rates qualitatively changed the business environment and scope for private investment;
- The economy grew more open, with both exports and especially imports growing faster than GDP, as average weighted tariffs fell from 90% early in the decade to 34% at the end. Quantitative restrictions were removed at the end of the Ninth Plan period.

Chart 1
Growth Rate of Indian Economy during Five Year Plans
(GDP, % per annum)



Source: National Accounts Statistics, 2000, CSO

Notwithstanding the significant achievements of the past decade, daunting problems still remain unresolved.

(b) Issues

Our main concerns are the following:

- The economy has shown signs of slowing down, and for the first time in two decades the outcome during the Ninth Plan has been below the targetted growth rate;
- The reduction in the incidence of poverty, while significant, has been also below the target, and poverty remains at an unacceptably high level;
- Literacy remains, likewise, at an unacceptably low level. Although elementary education has been established as a right, enrollment of 6-15 year olds is only 60% and a third of these do not attend school;
- Inter-state discrepancies, in economic performance and in the incidence of poverty, have grown markedly;
- Liberalisation from controls and regulations has been mainly by the Central Government but most States have yet to undertake serious reforms;
- there is serious environmental degradation in rural and urban areas; drinking water, in particular, is a serious problem;
- serious regional disparities with pockets of high poverty and underdevelopment;
- the provision of infrastructure particularly power, road and rail transport, telecommunications and irrigation water supply remains a serious development constraint in most areas;
- subsidies, and what is worse cross-subsidies, in power, water, fertilisers, railways, interest rates and other areas are not achieving their original objectives, and are seriously restricting investment, and
- the growth of employment opportunities, at 1.1% a year, has slowed from 2% in the 1980's and is below that of the labour force, posing the risk of growing unemployment.

The Tenth Five Year Plan deals with these concerns extensively. However, the essence of the strategy is outlined below.

3. The Essence of the Tenth Plan (2002-2007)

(a) Demanding Objectives

The National Development Council endorsed the Prime Minister's view that a Tenth Plan aiming at economic growth similar to that in the past decade would be inadequate. The best that could be achieved on the basis of past trends – perhaps a GDP growth of 6 to 6.5% a year - would not reduce poverty or create employment fast enough. It was thus agreed that the overarching objective should be a doubling in per capita incomes over the next decade, with a more equitable regional spread. Such a growth could also result in the creation of perhaps 100 million new jobs over a decade to meet the needs of a growing labour force. Given that such an acceleration will require a medium-term strategy and a calibrated change in policies, the corresponding GDP growth targets that have been adopted are:

- 8% a year during the Tenth Plan, and
- 9.3% a year during the Eleventh Plan.

The ultimate objective of the Tenth Plan is substantial improvement in the well-being of the entire population. GDP growth of 8% is thus both a target and an instrument for improved welfare. Likewise, achievement of some of the social goals is necessary for sustained economic growth performance in the future. To emphasise the primacy of the social development goals, the Tenth Plan has set out eleven monitorable indicators, which are listed next.

Box 1

Monitorable Social Development Targets for the Tenth Plan and Beyond

1. Reduction of the poverty ratio by 5 percentage points to 21% by 2007, and by 10 further points to 11% by 2012.
2. Providing gainful and high-quality employment to at least the addition to the labour force over the Tenth Plan period.
3. All children to be in school by 2003; all children to complete 5 years of schooling by 2007.
4. Increase in literacy rates from 65% to 75% within the Plan period.
5. Reduction in gender gaps in literacy and wages by at least 50% by 2007.
6. Reduction in the decadal rate of population growth from 21.3% between 1991 and 2001, to 16.2% between 2001 and 2011.
7. Reduction in the infant mortality rate from 70 to 45 per 1000 live births by 2007 and to 28 by 2012.

8. Reduction in the maternal mortality ratio to 2 per 1000 live births in 2007 and 1 by 2012.
9. Increase in forest and tree cover to 25% by 2007 and 33% by 2012.
10. All villages to have sustained access to potable drinking water within the Plan period.
11. Cleaning of all major polluted rivers by 2007 and other notified stretches by 2012.

We believe that the first two of these demanding targets, for poverty reduction and employment growth, can be exceeded if suitable policies are adopted.

(b) The Core Strategy

The core strategy is driven by a recognition that growth to a new plateau of performance cannot be achieved by continuing existing practices. It will require radical departures from prevailing policies. The process of preparing the Tenth Plan has required a search for, and resulted in agreement on, sets of changes that if implemented together should deliver the improvements required.

The key elements of the Tenth Plan's strategy are as follows. They are described in more detail in the sections which follow.

i) Governance will be improved

- The role of Government will need to be refashioned. The state will progressively yield to the market forces with emphasis on civil society in many areas of production, promotion and implementation. Greater reliance will be placed on the private sector; the aim of administration at all levels will be to support rather than constrain initiative; State Governments encouraged to abolish urban land ceilings, and the negative effect of rent controls on urban investment minimized. Swift changes in asset ownership, say in a bankrupt company, should become possible.
- Public service reforms will be introduced to deliver accountability, reduce opportunities for corruption, and improve the speed and effectiveness of government at all levels. The cost of governments will be reduced.
- The legal system will be strengthened so as to promise the swift and effective resolution of contract disputes, and the exercise of administrative discretion made more transparent.
- The relaxation of controls achieved by the Centre during the 1990's will be extended to subjects handled by State governments. Further delegation of powers and accountability to local levels, as required by the 73rd and 74th amendments to the Constitution is expected to be implemented. Because poverty is concentrated in States whose ability to deliver project results, and achieve adequate private investment flows, is also limited, actions to improve their governance and performance will receive priority.

(ii) Poverty Reduction will be Targetted

- Top priority will continue to be given to ensuring access to elementary education, especially for girls, and to primary health care, especially for women.
- Special area programmes in the poorest districts or for the most disadvantaged groups will be strengthened. Additional Central resources will be available for well-designed schemes in the poorer States.
- Employment generation will be promoted by emphasising support for products and services which have a comparative advantage without subsidy or protection and yet are more labour-intensive. There are significant opportunities in agriculture and allied areas, including forestry, and in small and medium industries, including food processing, leather, textiles and garments, where constraints such as those on storage, movement, credit and marketing will be eliminated; and housing and construction sector will be encouraged.
- Employment will be further enhanced by flexibility and consolidation in labour laws and phasing out small-scale reservations which militate against output and employment growth.

(iii) The Economy will be Managed for Growth

- Exports are programmed to grow more than twice as fast as GDP, aided by the early removal of any anti-export bias resulting from the remaining high import tariffs. Import duties will be steadily reduced to East Asian levels, with a flexible exchange rate policy. Tariff exemptions, concessions and other distortions will be minimised. States would be encouraged to remove restrictions on internal trade which act as a detriment to the development process.
- Achieving 8% GDP growth per annum will require not only an increase in the investment rate, but improved returns on and better utilisation of capital employed.
- Growth in investment up to a rate of 32% of GDP will be sought, with two thirds of the growth coming from the private sector. The public sector will however still play a critical role and public expenditure particularly in infrastructure has been enhanced. The required additional savings will come primarily from reduced public sector dis-saving, as well as from Foreign Direct and Portfolio Investment.
- Improved public sector finances will come from tax reforms particularly simplified tax administration and improved compliance, and from the achievement of positive returns from investments in power, irrigation, railways, road transport, water supply, fertiliser, credit and the like.
- The relentless growth of subsidies for such products, and the corresponding underpricing of scarce resources, has led to distortions and fiscal pressures.
- The disinvestment of all but strategic public enterprises, both central and State-owned, is expected to improve governance, contribute to better utilisation of capital and to have a helpful public finance impact.

(iv) The Productive Base will be Strengthened

- Deficiencies in infrastructure remain one of the main constraints on economic growth. In power, particularly, the worsening financial performance of State Electricity Boards has caused both public and private investment to diminish, and makes radical reforms of structure and divestiture of ownership, as are already being introduced in certain States, necessary. Prices, which need to be determined by independent regulators should be adjusted to meet economic costs.
- Similarly Indian Railways, which for decades have been required to give preference to low-priced passenger traffic, have reached a position in which losses have caused serious underinvestment, and freight is being diverted to roads. Remedial actions require phasing out of the distortionary tariff arrangements. Corporatisation of certain activities also need consideration. The same applies to Posts. The benefits from improved policies in telecoms and airlines are already clear, but major public and private investment is required in roads and expressways, ports and airports, and irrigation and water supply.
- Agriculture and rural development will be invigorated by the completion, revival or maintenance of old irrigation schemes; removal of restrictions on agri-trading, agri-industry, marketing, futures contracts and exports; improved credit; diversification of crops; easing the leasing of land and contract farming, utilising waste and degraded land, and supporting village, small and food processing industries.
- Industry and Services already benefit from removal of most Central controls, and in the Tenth Plan the controls at the State-level will be eased. Sound firms will benefit from the export opportunities and import competition mentioned earlier. Product reservation for the small-scale sector, which contravenes WTO rules, will be phased out: growing firms can then benefit from externalities of scale. Technical and marketing support for small village, food processing and other firms will nevertheless continue, and a major push will be given to tourism. The inhibitions on property development will be eased by reducing stamp duty and facilitating rapid ownership transfer.

In sum, the Tenth Plan aims to create systems of governance which support those who take initiatives in improving the climate for investment and growth. It aims to ensure that governments at all levels provide the best possible services to their clients, our citizens. At the same time it will progressively remove the practices of insulating businesses from competition, and of insulating consumers from the real costs of consuming power, water, irrigation, rail services, fertilisers, pensions, housing and the like. Resources will instead be devoted to helping those groups and regions which have lagged behind, and to raising the rate of investment to sustain more rapid growth. Policies and programmes to do this are summarised in greater detail outlined below along with cross-cutting programmes in disaster management, science and technology, the environment, and art and culture, which benefit the entire country.

4. Strengthening Governance

Governance comprises the provision and management of institutions and processes within which citizens and their organisations operate. Good governance enables citizens to exercise choices, reconcile differences fairly, and achieve their full potential, whether in the political, economic or civic spheres. Disparities in performance between different parts of the Nation are often the result of poor governance.

Good governance is perhaps the single most important factor in ensuring that the objectives of the Tenth Plan are achieved. It is instrumental in helping improve the results obtained from both public and private investments, and other Plan initiatives. It is particularly important in a nation whose constituent parts are run by governments of various political affiliations. Their terms of office are neither concurrent nor do they necessarily coincide with the work cycle of institutions like the periodic Finance Commissions or, for that matter, the Planning Commission.

The programme to strengthen Governance can be summarised in three categories:

- Changing the role of Governments
- Improving Governments' Performance at all levels, and
- Improving corporate performance

(a) Changing the role of Governments

The strategy makes it clear that the changes required in the role of Governments are more profound than have been attempted for many years. The rationale for, and direction of, change that is recommended is as follows:

- Liberalisation of the entry and exit of companies, of external and internal trade, and of pricing and production decisions, means that the State should relinquish progressively many decisions to the market and to civil society. The role and size of Governments can diminish accordingly, although regulation of competition and of the behavior of monopolies in the interests of all stakeholders becomes more important. Independent regulatory bodies have already been created in certain areas eg for telecoms, electric power in some States, and more will need to emerge in, for example, railways and road transport;
- Privatisation of public sector undertakings, which will continue save for those few categorised as strategic, will have the same effect, and will provide the opportunity to cut down on the size of Governments, both at the Centre and in the States;

- Liberalisation has proceeded much further in Central functions, than in those administered by many States. Businesses and individuals, requiring clearances, licenses or approvals from State bodies, often face serious handicaps. The average State in India, excluding small areas like the Union Territories, is larger in population terms than an average country in other parts of the world and its impact on business decisions is correspondingly important;
- There is a strong case for further simplification of tax administration, and of removing the need for judgements about eligibility for concessions wherever possible by adopting general schemes;
- While Governments have a clear responsibility to help the poor and vulnerable to meet the costs of the basic necessities of life, the use of subsidies by Governments to insulate large elements of the population from the real costs of production or delivery has become remorseless. Such insulation, which usually does not benefit the poorest but often the well-off, applies to subsidies for power, irrigation water, drinking water, passenger rail travel, petroleum, state pensions, interest on loans for agriculture, housing and small businesses, and even higher education. Such subsidies not only replace more productive uses of resources, they also place a major administrative burden on Governments, especially at the State level.
- The strength of civil organisations in contributing to national development will be fully recognised in the new strategy. Government cannot do everything. Non-governmental bodies, voluntary organisations, trusts, non-profit companies, cooperatives are recognised as active partners in development. Their growth will be encouraged and supported, and where possible the implementation of government functions devolved to them. The monitoring and evaluation of progress towards the social development goals of the Plan is one such area.
- The implementation of measures such as the above will enable Governments to contract in size. Periodic zero-based reviews of the need for various functions need to be carried out, and new recruitment constrained unless a need can be shown. A review by the Planning Commission of Centrally Supported Schemes in the States, and of Central Sector Schemes, has shown for example that the 360 CSS' could be reduced to 188, and 2247 CS' reduced to 922. With such "rightsizing" under the Tenth Plan, a 2% per annum reduction in Government staff is targetted.

(b) Improving Governments' Performance at all levels

Reports from many sources, such as the Comptroller and Auditor General, show a weak track record in delivering intended benefits. Shortages of funds is usually not the key constraint. Rather, weaknesses in formulating schemes and then implementing them is the more significant problem. An assessment of rural development programmes, for example, showed that between 20 and 70% of the funds did not reach the intended beneficiaries.

The Tenth Plan proposes to implement a range of reforms designed to improve governments' performance. The key theme running through them is openness and accountability in administration. The main elements are as follows:

- Decentralisation has been shown to improve the participation of beneficiaries and civil society in decision-making, and improve accountability. With the 73rd and 74th Constitutional Amendments, panchayat raj institutions and local urban bodies have begun to play a wider role, but effective decentralisation has yet to occur in many States, and will be accelerated;
- The Right to Information needs to be embodied in State legislation along the lines of the statutory scheme of the Government of India. Such a right is intended to lead to the incorporation of transparency into official procedures;
- Such information is particularly important where officials have monopoly discretionary powers, little accountability, and where information on the basis for choices is not made available. Corruption can flourish in such circumstances. It can and will be tackled, in part by reducing the role of government as mentioned above, but mainly by procedural reforms including the publication of decision criteria, standard timetables for decisions, and independent appeals procedures including legal recourse. Penalties for misconduct will be increased.
- The policy and procedural frameworks in the country are still not perceived to be investor-unfriendly – whether for large or small firms. This is a threat to the success of this Plan. There are too many hurdles to clear before commencing any productive activity, and even if cleared, the entrepreneur is still not immune to further harassment by public functionaries. The aim will be to significantly rationalise rules and procedures which have to be complied with prior to starting up, in favour of ensuring compliance once operations have begun.
- Reform of Civil Services will be undertaken so as to strengthen accountability and sensitivity and to enhance performance and honesty. The incentive structure which rewards performance and promotes on merit will be strengthened; the induction of professionals/specialists on contract will be encouraged. Stability of tenure for middle and senior-level officers, providing for at least two years in senior positions, will be ensured.
- The delivery of support, especially in schemes designed to help the poor, is less effective in the poorer States, whose administrative capabilities are weaker. This poses a dilemma because such States have the largest populations requiring support. The strategy, however, is emphatic in stressing that Central support should be reform-linked, based on conditionalities set out in a Memorandum of Agreement agreed by the States concerned;
- To this end, project-linked support will be emphasised, as in power and irrigation. The Planning Commission will help with project preparation, hold annual sector-wise Working

Group discussions with each State, and closely monitor Plan targets and programmes quarterly. The special area programmes for States under the Rashtriya Sam Vikas Yojana scheme will also be reform-based.

- Given the dire financial situation in most States, which are unable to make any contribution to Plan expenditures, there is a case for introducing a Fiscal Responsibility Bill in State legislatures, similar to that now being considered by the Lok Sabha. It will provide a further governance tool to strengthen fiscal discipline.

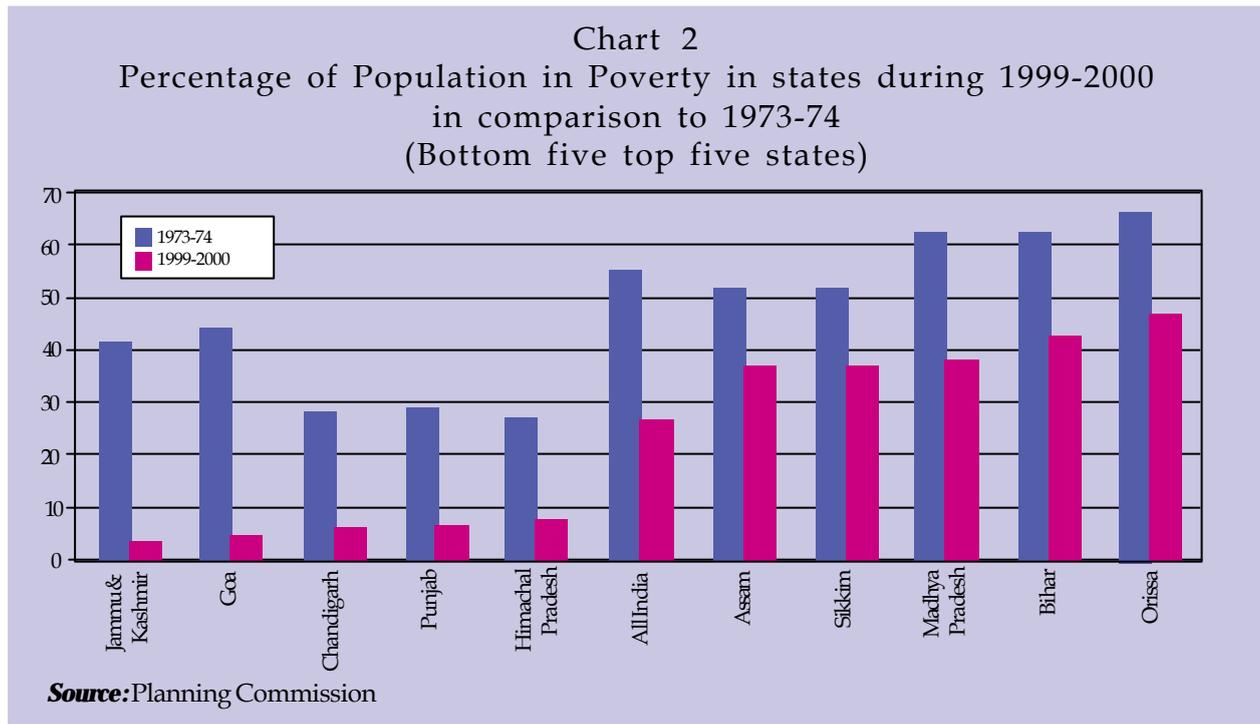
(c) Improving Corporate Performance

Given that more reliance, than at any time since the First Plan, is now being placed on the performance of the private sector, it is important to ensure that it is in a position to deliver. Good governance has a role to play. The main actions to be taken during the Tenth Plan period are the following:

- Judicial reform to ensure that contracts can be honoured and disputes resolved fairly and swiftly is at the heart of the necessary reforms. If the parties to a contract know that disputes can be effectively resolved through a legal process, and that the authorities will enforce the court's decision, then they are more likely to make efforts to honour the contract. One of the reasons why companies in India hold stocks of inputs four times the international norms is because of the difficulties of relying on suppliers;
- Barriers to competition have for the most part been lifted at the Centre, although product reservation for small-scale industry remains a constraint on the growth of companies beyond the small-scale limits, or on the entrance of new companies. Competition from imports will be higher as tariffs fall;
- Limitations on inter-State trade will be lifted during the Plan period;
- Urban sector reforms, that aim to remove longstanding constraints on property purchase or development, will include repeals of the Urban Land Ceiling and Regulation Act, reform of rent control laws and property tax, and a reduction of Stamp Duty to moderate levels of 3-5%. The option of combining all legislation on property transactions into one law will be reviewed.
- Firms that are underperforming and need to lay off employees, or face bankruptcy, can at present be sold only after delays that can extend for several years. Legislation is being introduced to enable swift transfers of assets to new users to take place.

5. Reducing Poverty

All Plans in India have had the reduction of poverty as one of their prime objectives, and there have been substantial achievements. But as is noted above, despite foodgrains surpluses, a major effort in primary education and basic health programmes, and an enormous multitude of special targeted interventions, the incidence of poverty remains unacceptably high.



Poverty is highest in the poorest States, as would be expected, although there are exceptions such as Kerala which has a per capita income below the national average but has high literacy and good access to infrastructure. The Tenth Plan faces a double challenge, in that the States with relatively low incomes today are also those which are likely to grow at a below-average rate for the next few years. Prominent amongst these are Bihar, Orissa, Assam, Madhya Pradesh and, to a lesser extent, Uttar Pradesh. This is because they have yet to develop the manufacturing and services industries which can give the growth spurt being observed in other States, and also because levels of governance are such as to provide relatively little encouragement to the private sector.

The causes of poverty differ from area to area, and in some respects are the result of deeply engrained social or tribal characteristics that are not amenable to swift change. The attack on poverty thus has to be tuned to needs, which is the main reason why past Plans have used such a

Table 1: Key Trends in Growth and Poverty by State

State	Per capita Net State Domestic Product 2001	Growth rate of GDP 1991-2001	Projected SDP growth rate in Tenth Plan	% poor in 1973/4	% poor in 1999-2000	Projected % poor in 2006-7 at end X Plan
Andhra Pradesh	9982	5.4	6.8	48.86	15.77	8.49
Arunachal Pradesh	9013	5.3	8.0	51.93	33.47	29.33
Assam	5867	2.5	6.2	51.21	36.09	33.33
Bihar	3345	2.0#	6.2	61.91	42.60	43.18
Goa	26106	7.2	9.2	44.26	4.40	2.00
Gujarat	12975	6.3	10.2	48.15	14.07	2.00
Haryana	14331	4.8	7.9	35.36	8.74	2.00
Himachal Pradesh	10942	6.1	8.9	26.39	7.63	2.00
Jammu & Kashmir	7383	4.5	6.3	40.83	3.48	NA
Karnataka	11910	7.7	10.1	54.47	20.04	7.85
Kerala	10627	5.7	6.5	59.79	12.72	3.61
Madhya Pradesh	7003	4.4\$	7.0	61.78	37.43	29.52
Maharashtra	15172	6.5	7.4	53.24	25.02	16.18
Manipur	7955	6.2	6.5	49.96	28.54	30.52
Meghalaya	8460	5.3	6.3	50.20	33.87	31.14
Mizoram	NA	NA	5.3	50.32	19.47	20.76
Nagaland	NA	NA	5.6	50.81	32.67	31.86
Orissa	5187	3.9	6.2	66.18	47.15	41.04
Punjab	15390	4.9	6.4	28.15	6.16	2.00
Rajasthan	7937	4.4	8.3	46.14	15.28	12.11
Sikkim	10250*	NA	7.9	50.86	36.55	33.78
Tamil Nadu	12779	6.2	8.0	54.94	21.12	6.61
Tripura	8372	6.8	7.3	51.00	34.44	31.88
Uttar Pradesh	5770	2.8	7.6	57.07	31.15	24.67
West Bengal	9778	6.7	8.8	63.43	27.02	18.30
A & N Island	NA	NA	6.6	55.56	20.99	5.82
Chandigarh	29208	NA	10.6	27.96	5.75	2.00
Dadra & Nagar Haveli	NA	NA	NA	46.55	17.14	2.00
Daman & Diu	NA	NA	NA	NA	4.44	2.00
Delhi	24450	6.8	10.6	49.61	8.23	2.00
Lakshadweep	NA	NA	NA	59.68	15.16	4.59
Pondicherry	18500	7.3	10.7	53.82	21.67	7.72
All India	10306**	5.6	8.0	54.88	26.10	19.34

* : For the Year 2000.
 \$: For the period 1991 to 2000 and includes Chattisgarh.
 NA : Not Available

: For the period 1991 to 2000 and includes Jharkhand.
 **: Per Capita NNP

wide variety of instruments. This Plan has learnt from the experience of the past, and will implement a comprehensive pro-poor strategy with the following elements:

(a) The Overall Poverty Reduction Strategy

1. Seek to attain the most rapid growth possible and sustain it over a decade so as to increase incomes and the demand for labour. The Tenth Plan target GDP growth rate is 8%;
2. Ensure that the pattern of output is as labour-intensive and capital-saving as possible, without distorting the normal comparative advantage of products. This will maximise the demand for labour and avoid rising unemployment;
3. Ensure that the best attainable growth rates are achieved by the States and areas with the largest concentrations of the poor. This will be helped by implementation of the good Governance actions, summarised above;
4. Provide additional Central resources for States which undertake effective reform programmes;
5. Continue to give top priority to primary education enrollment and attendance, especially of girls;
6. Similarly, emphasise primary health care and adequate nutrition, especially of children and women;
7. Implement area-based programmes where the problems of poverty are greatest or most intractable, and
8. Target vulnerable minorities which might not be able to benefit from other programmes.

The main elements of these pro-poor policies and programmes are described next.

(b) The Speed and Pattern of Economic Growth

The conviction behind the adoption of an 8% per annum growth target rests on the assessment that more rapid growth is a necessary, but not sufficient, condition for reducing unemployment and poverty. On the employment front, given the expected growth in the size of the labour force, the Planning Commission's analyses show the following:

GDP Growth Rates	Unemployment in 2001-2	Unemployment in 2006-7
6.5% without changes in policies and programmes	9.2	11.0
6.5% with changes	9.2	9.3
8% without changes	9.2	9.8
8% with changes	9.2	5.3

The changes in policies and programmes that are required cover a very broad area, and must fulfil the condition that the competitive advantage possessed by particular sectors or products must be developed, rather than merely protecting today's employment. There is also substantial complementarity between various Tenth Plan actions that will help reduce poverty, and those with other goals such as improved governance, as described above. An illustrative list of the actions required on employment is presented next.

Table 3: Illustrative list of Actions to Enhance Employment Growth	
Strategy and Policies	Programmes
Diversify agricultural production.	Increase public investment in agriculture: minor and major irrigation including rehabilitation. Rural roads, non-farm businesses.
Remove controls and taxes on storage, movement and marketing.	Forest regeneration; wasteland development; energy, bamboo plantations.
Expand agricultural exports, ensuring WTO rules are respected by destination countries.	Emphasise support for oilseeds, horticulture, dairying, poultry, pulses, post-harvest support.
Harmonise programmes of the several Ministries supporting rural development.	Facilitate all this by making sale and leasing of land easier; reduce stamp duties to 3-5%, in urban areas repeal Land Ceiling Act, remove rent controls progressively, computerise land records.
Develop and encourage technologies which are more labour and knowledge intensive and less capital intensive.	Fund new programmes by reducing then eliminating subsidies for water, power etc.
Stimulate tourism, housing and construction, real estate development, distribution and retailing, road transport etc.	Confine subsidies to only targeted units, mainly in the tiny and small sectors.
Review labour laws that restrict formal sector employment growth, and small scale industry policies that discourage growth above ceilings.	Strengthen education and health services.

(c) Reducing Regional Disparities

Poverty exists in all States, but is concentrated in the poorest. In the richest, such as Punjab, Gujarat, Haryana, Himachal Pradesh, Andhra Pradesh, Karnataka, Tamil Nadu as well as Kerala, the incidence of poverty is projected to be well below 10% by the end of the Tenth Plan compared with the All-India average of 19.3%. The special area programmes will thus be concentrated in the poorest States and Districts, and a new *Rashtriya Sam Vikas Yojana (RSVY)* scheme for reducing regional disparities will be launched.

Under the RSVY, there will be four components:

- A Special Plan for Bihar
- A Special Plan for 8 Districts (the KBK Districts) in Orissa
- Backwards Districts initiative for 100 Districts, and
- Additional funding for States which adopt agreed Reforms.

The Bihar special plan will concentrate mainly on provision of additional resources for infrastructure sectors to help overcome the prevailing bottlenecks. In the KBK Districts, which are uniquely disadvantaged, the aim is to provide better health facilities, livelihood support and drought proofing in a projectised way so that results can be monitored. The Backwards Districts initiative is for 100 districts identified by the Planning Commission as warranting special attention, using plans to be prepared by the State Governments.

All States would be eligible for the Reforms component, but it will be targeted towards poorer States and less developed regions. The reforms agreed would be embodied in Memoranda of Agreement with the Centre. While each State will differ, it is likely that common features of reforms will include:

- Fiscal reforms to mobilise resources by widening and enlarging the tax base, and reducing or eliminating subsidies for power, irrigation, bus fares, and adopting a time-bound programme for reform or divestiture of state enterprises.
- Power sector reforms will help eliminate the largest drain on State resources, and can be undertaken within the ambit of the Accelerated Power Development Programme. The same applies to the irrigation sector, through the Accelerated Irrigation Benefit Programme.
- Administrative reforms, across a wide canvas, that will improve business and employment prospects. In urban areas reforms of rent control, reductions in stamp duty, reform of property tax and user charges will help. In rural areas the repeal or amendment of laws which unnecessarily inhibit the sale, marketing, processing and transport of agricultural products will be important, as will the effective decentralisation of responsibilities to Panchayat Raj or local cooperatives.

(d) Reducing Population

India is the second most populous country in the world sustaining 16.7% of world population on a 2.4% of the world's surface area. Demographic management is an important priority of the Tenth Plan and the NDC Sub-Committee on Population recommended that there should be paradigm shift in the Family Welfare Programme to focus on decentralized area specific planning based on need assessment, improve access and quality of service to women and children and creation of district level data base on quality, coverage and impact indicators for the programme. Population growth continues to be high due to large size of the population in the reproductive age and higher fertility due to unmet need for contraception contributing to around 20% of population growth. The Tenth Plan will fully meet the unmet needs of contraception, achieve reduction in high desired level of fertility for reduction in infant Mortality Rate (IMR) and Maternal Mortality Rate (MMR). It has set a monitorable target of

- Reduction in IMR to 45 per 1000 live births by 2007 per 28 per live births by 2012.
- Reduction in maternal mortality ratio to 2 per 1000 live births by 2007 and 1 per 1000 live births by 2012;
- Reduction in decadal growth rate of the population between 2001-2011 to 16.2.

While the projections have varied, it is estimated that the probable year by which the replacement level of total fertility rate of 2.1 will be achieved by different States if the recent phase of decline in total fertility rate observed during 1981-93 continues.

The Group estimated that the country would achieve the replacement fertility by 2026.

(e) Improving Basic Education

Primary education received highest priority in the Ninth Plan, and although the targets set were not met, the 1990's saw the fastest jump in literacy of any period. In 2000 the Government launched the Sarva Shiksha Abhiyan (SSA), a comprehensive programme to achieve universal elementary education. The objectives of SSA have become the primary education objectives of the Tenth Plan, and are summarised in Box 2.

Box 2 Objectives of Sarva Shiksha Abhiyan	
<ul style="list-style-type: none"> • All children to be in schools, Education Guarantee Scheme centres, alternate schools, back-to-school camps by 2003; • all children to complete five years of primary schooling by 2007; • all children to complete eight years of schooling by 2010; • focus on elementary education of satisfactory quality with emphasis on education for life; • bridge all gender and social disparities at the primary stage by 2007 and at the upper primary level by 2010; and • universal retention by 2010. 	

The SSA has a special focus on the educational needs of girls, members of Scheduled Castes and Tribes, and other children in difficult circumstances. It is expected to absorb most of the existing programmes for primary education, except for the Mid-day Meals scheme, and to make the District the unit of programme implementation. Further efforts will be made to dovetail implementation with related programmes eg for child development under the Department of Women and Child Development, and three gender-specific schemes. If the SSA succeeds, enrollment at

primary level will rise by 1% annually for boys and 4% for girls; at the upper primary level the respective growth rates will be 5% and 8%. A significant increase in the demand for secondary and vocational education is likely to emerge as a result.

(f) Improving Health and Nutrition

One child in three is born underweight, and half of pre-school children suffer from under-nutrition. Such deprivation is at the root of poor health and excessive infant and maternal mortality. The Integrated Child Development Programme is at the heart of the Tenth Plan’s programmes to improve children’s and mothers’ welfare, and targets have been set, by State, to bring down the average prevalence of underweight children under three years from 47% to 40 %, and to reduce severe under-nutrition in children in the 0-6 year group by half. Child development priorities are first for the urban and semi-urban slums, secondly for tribal children and thirdly for rural children, and throughout to eliminate discrimination against girls.

The National Health Plan (NHP) 2002 has laid down targets for improved health up to 2015, and is the basis for the Tenth Plan’s targets. The NHP’s targets are set out in Box 3.

Box-3 NHP2002- Goals to be achieved	
Eradicate polio and yaws	2005
Eliminate leprosy	2005
Eliminate kala azar	2010
Eliminate lymphatic filariasis	2015
Achieve zero level growth of HIV/ AIDS	2007
Reduce mortality on account of TB, malaria and other vector and water- borne diseases by 50 per cent	2010
Reduce prevalence of blindness to 0.5 per cent	2010
Reduce IMR to 30/1000 and MMR to 100/100,000 live births	2010
Increase utilisation of public health facilities from the current level of <20 per cent to >75 per cent	2010
Establish an integrated system of surveillance, national health accounts and health statistics.	2005

Source : NHP 2002

There is a continuing commitment to provide:

- Essential primary health care, emergency services, disease control and the National Family Welfare Programme free to all individuals, and
- Essential health care services to people below the poverty line based on need rather than ability to pay.

The stress in the Tenth plan will be on:

- more equitable access,
- expanding and improving primary health care facilities,
- area-specific programmes for women, children, the elderly, tribals and under-served groups,
- the control of TB, blindness, malaria and HIV/ AIDS, and
- disaster management.

(g) Helping the Vulnerable

While improving employment opportunities is seen as the primary exit route from poverty, nevertheless some employed remain poor, and there are many socially and economically disadvantaged groups who are not in a position to benefit from jobs. The Social Net has to encompass all such groups. There are numerous local and specialised welfare programmes, but nationwide three predominate:

- The Swarnajyanati Gram Swarozagar Yojana (SGSY) includes the former Integrated Rural Development Programme. In the Tenth Plan the SGSY will be an holistic self-employment programme. It will emphasise self-help, and through groups will encourage thrift, entrepreneurship and effective use of micro-credit. 50% of the groups must be formed exclusively by women and 50% of the benefits should flow to Scheduled Castes and Tribes. 75% of the costs are met by the Centre, but the subsidy element is to be limited to 30%. It mobilises a range of State and local government organisations and NGO's to support implementation.
- A single wage-employment programme, the Sampoorna Gramin Rozgar Yojana (SGRY). The SGRY will offer employment in the creation of rural infrastructure, with pay in the form of food and cash. In selected backward Districts, 100 days of employment per person will be offered.
- The Targeted Public Distribution System (TPDS) which will be restricted only to the distribution of rice and wheat at subsidised prices to families below the poverty line.

Other programmes are targeted at Scheduled Tribes and Scheduled Castes and Other Backward Classes – who comprise about 42% of India’s population, depending on the precise definition used. They receive preferential access to many nation-wide or State-wide programmes, and also access to targeted schemes for social, economic and political empowerment. Numerous further programmes benefit other disadvantaged groups such as the aged, disabled, street children and social deviants. There are Hill Area Development Programmes covering Border Areas on the one hand, and the Western Ghats area on the other. In some respects the development programmes run by specialised Departments such as the new Department for Development of the North East Region can be regarded as largely targeted at the poor.

But if there is one primary theme which runs through most anti-poverty programmes, it is priority for girls, to counter the discrimination they face from before birth onwards. Investment in their nutrition and education, as future mothers, will bring proven widespread benefits in reducing poverty.

6. Managing the Economy for Growth

(a) The challenge

We have already made it clear that the GDP growth target of 8% per annum is both a target and an instrument for achieving the social welfare goals of the Plan. To achieve it will mean radical changes from past practices, including a massive increase in investment – an increase of around 62% in real terms compared with the Ninth Plan – as well as increases in the returns on capital employed. Two thirds of the increase in investment is expected to come from the private sector. But the problem is that not only has public investment slowed down, but private investment demand in the last year of the Ninth Plan has also been sluggish. Even though total investment rose during the Ninth Plan from 22.4% of GDP to 24.7%, growth slowed down too. This was not altogether surprising, given the adverse trends in the world economy, and the infrastructure and governance constraints at home. India has however weathered the East Asian crisis since 1998, and the slowdown in the US and other economies in 2001 and 2002, well, but the country starts the Tenth Plan with a degree of unutilised capacity.

This unutilised capacity gives the country the opportunity to adopt an aggressive fiscal stance for the first two years of this Plan period. The steady increase in external reserves in recent years also indicates that this would be a prudent course of action. Public investment is thus programmed to rise in the first two years of the Plan, and this will in turn create the need for and the opportunity for increased private investment.

(b) Recent Public Finance Trends are Unsustainable

The Tenth Plan's vision of an initial surge in public investment, followed by an acceleration in growth and in private investment, will however come about only if major changes are implemented in the management of public finances. The problem today is that not only is all public investment financed by borrowings, but so too is part of public consumption. In other words, revenues make no contribution to investment. The key indicator, the Net Fiscal Deficit, has been growing throughout the past five years. The volume of borrowings continues to rise and, using standard indices of debt sustainability, the rate of increase must abate and, for the Centre and most States, reverse. The situation has been sustainable to date mainly because of the consistently strong savings performance by private individuals and companies.

Table -4: Measures of Deficit of the Government

		(as percent of GDP)					
		1996-97	1997-98	1998-99	1999-2000	2000-01*	2001-02**
1	Combined Centre and States:						
	(a) Gross Fiscal Deficit	6.8	7.7	9.3	10.1	10.2	10.0
	(b) Net Fiscal Deficit	5.8	6.7	8.4	9.0	9.1	9.1
	(b) Revenue Deficit	3.6	4.1	6.4	6.3	6.4	6.3
2	Centre:						
	(a) Gross Fiscal Deficit	4.1	4.8	5.1	5.4	5.7	5.9
	(b) Revenue Deficit	2.4	3.1	3.8	3.5	3.9	4.2
3	States:						
	(a) Gross Fiscal Deficit	2.7	2.8	4.2	4.7	4.5	4.1
	(b) Revenue Deficit	1.2	1.1	2.5	2.8	2.5	2.1

Note: Net Fiscal Deficit is calculated by adding gross fiscal deficit of both Centre and States and subtracting there from the gross loans from centre to States and UTs

* RE for States, provisional Accounts for Centre

** BE for States and provisional Accounts for Centre

The main reasons for this growth in the deficit have been:

- Governments' revenues have been growing more slowly than GDP;
- Recurrent expenditure rose sharply in the wake of implementation of the recommendations of the Fifth Central Pay Commission;
- The growth of subsidies has been relentless – for fertiliser, petroleum, railways etc at the Centre, and irrigation, power, road transport, water, interest rates etc in most States, and returns from state-owned assets have been low;
- The interest cost of financing the deficit has risen, especially for the States which are now paying an interest differential of 3.8 percentage points over interest paid by the Centre because of the perceived risk. This is up from 1.2 percentage points at the start of the Eighth Plan.

This situation calls for firm action:

1. to bring the fiscal trends back into a sustainable position, thus also preserving rates of inflation at or below the assumed level of 5% per annum, and
2. to change the composition of public expenditures so as to enable the investment component of expenditures to rise, and subsidies to fall. Investment, in addition to its primary role of increasing the rate of growth of output and employment, also has a higher multiplier effect on underutilised capacities.

Table -5 : Tenth Plan Deficits and Savings of States and Centre			
(as a % of GDP)			
	Base Year 2001-02	Terminal Year 2006-07	Tenth Plan Average
States			
Gross Fiscal Deficit	4.5	2.2	3.2
Revenue Deficit	2.5	0.2	1.3
Centre			
Gross Fiscal Deficit	5.9	4.3	4.7
Revenue Deficit	4.2	2.2	2.9
Combined Centre and States			
Gross Fiscal Deficit	10.4	6.5	7.9
Net Fiscal Deficit	9.3	5.4	6.8
Revenue Deficit	6.7	2.4	4.2
Government Savings	-4.7	-0.5	-2.4
IR (CPSUs & SLPEs)	3.0	2.6	2.8
Pub. Savings	-1.7	2.1	0.4

Note: Net Fiscal Deficit is calculated by adding gross fiscal deficit of both Centre and States and subtracting there from the gross loan from Centre to states.

The measures of deficit for the year 2001-02 for Centre is provisional and for states, estimated by the Planning Commission.

The magnitude of the changes required is formidable, as Table 5 indicates. The net fiscal deficit of Centre and States combined is to fall from 4.7% of GDP at the start of the Tenth Plan, to 0.5% at the end, with most of the adjustment coming in the later years. The main strategy that will be adjusted have been outlined in Box 4.

(c) The Financial System needs Reform

The main function of the financial system is to intermediate effectively between those institutions or individuals who generate financial resources in excess of current needs, and wish to invest them, and those who need additional resources - and to do so at reasonable cost. At present the markets for funds - which may be categorised as long-term loans, short- to medium-term loans, and equity funds - are handled by institutions which tend to specialise in one category or another, and there is little opportunity for flows of funds to match sources with needs.

The first problem for resolution during the Tenth Plan period, is that at present Government monopolises the main sources of long-term funds - the insurance companies, pension funds and provident funds. There is virtually no long-term debt market. In the past this has not been a

Box-4 Actions to Strengthen Public Finances

- Improving tax/GDP ratio of the Centre and States/UTs through inclusion of services in the tax base, removal of tax exemptions and concessions, harmonisation of tax rates, tightening of tax administration, and adopting an integrated VAT regime.
- Reduction of budget-based subsidies by raising user charges of departmental services, reducing expenditure by cutting administrative and establishment cost and privatization and through Centre's initiative switching over to ad valorem rates of royalty on minerals.
- Reducing staff strength through adoption of a policy of net attrition and constituting a pension and amortisation fund to make committed payments like terminal benefits and debt servicing, self-financing.
- Enacting a 'Fiscal Responsibility and Budget Management' bill under which borrowings shall be restricted to attain a non-rising debt to GDP ratio from current levels in order to reduce the burden of interest payments.
- Improving internal resources of States PSUs by implementing power sector reforms and reducing the burden of contingent liabilities on State budgets through a legislative or administrative ceiling on the issue of State guarantees.

binding development constraint, but as more and more firms are privatised, more reliance will need to be placed on infrastructure investment and other long-term, long payoff financing by the private sector. There is thus a corresponding need for further liberalisation of the investment guidelines for institutions supplying such funds – the need for which has already been identified by the Narasimhan Committees' reports. This will also strengthen equity markets, from which it is at present difficult to raise substantial volumes of new money, causing private firms to rely unduly on internally-generated funds or funds from abroad.

Such a liberalisation – of the ways in which funds may prudently be invested as well as the applicable interest rates - will also help the growth of a secondary market for long-term debt instruments.

The second main problem to be addressed is that of the cost of intermediation, which is high by international standards and is a constraint on the competitiveness of borrowers. The reasons for this are, first, a high level of Non-Performing Assets (NPA's). To some extent this reflects past directed lending to sectors with high levels of default such as small-scale industry, as well as difficulties in using the legal system which is lender-unfriendly. The recent Ordinance on the Securitisation and Reconstruction of financial assets will help banks take control of defaulters' assets without going through time-consuming litigation. Measures to improve the free flow of information on the creditworthiness of borrowers such as the Credit Information Bureau will also help reduce the incidence of and cost of defaults.

Intermediation costs per rupee lent can also be brought down by further decreases in the Credit Reserve Ratio and the Statutory Liquidity Ratio. This would, though, adversely affect the volume of Treasury paper that has to be purchased by the banks, and would reduce the effectiveness of the CRR as a tool of monetary policy. It will remain a useful tool until there is enough of a market in Treasury Bills to enable the rate to be used as a reference rate.

The third area needing review is the extent of directed lending for priority sectors, in many of which the cost of acquiring the specialised or local knowledge necessary to judge and manage risk exceeds the available returns. New commercial banks especially may not have the necessary branch networks or supervisory capacity. There is a risk, too, that the number of sectors classified as “priority” may be such as to diffuse focus. The appropriate response, to be explored during the Tenth Plan, is to ensure that specialised institutions and intermediaries develop. These can include ground-level informal finance agencies and self-help groups, as well as local area or rural banks. For many priority borrowers, reliability in accessing credit is more important than very low interest rates.

At the other end of the scale, the systems, industry knowledge and appraisal skills of the Development Finance Institutions will be of value in channeling funds to private infrastructure and large industrial projects.

Finally, the liberalisation of the economy and of international flows of funds has exposed the financial system to new risks arising from slow operational and reaction speeds. The introduction of modern banking and money management systems is urgently needed before further liberalisation can be contemplated.

(d) Helping Trade Grow Faster

The diagnosis of what is required in external trade is straightforward, and has not changed significantly since the start of the Ninth Plan, or even earlier:

- India’s share of most markets abroad is still relatively small (under 1% of global trade), so further market penetration during the Tenth Plan is feasible even if globally there is a slowdown;
- Export performance during the Ninth Plan at 5.6% per annum in \$ terms was only half that envisaged, but invisibles rose by twice that;
- The real effective exchange rate appreciated slightly. Both Foreign Direct Investment and institutional investment flows grew markedly over the 1990’s; reserves rose, and debt declined. However,

- If the economy is to grow by 8% a year in the Tenth Plan, exports must grow by over half as much again ie 12.4% per annum. Imports would grow even faster. Exports would grow from \$45 billion in the Ninth Plan to \$80 billion in the Tenth.
- To achieve this, the anti-export bias resulting from relatively high import tariffs must be eliminated.

The actions on trade needed during the Tenth Plan period are in large part those set out in the Government's Medium Term Export Strategy 2002-7, announced in January 2002, and the EXIM Policy, 2002. The main features are:

- Further steady reductions in import tariffs to approach East Asian levels within the Tenth Plan ie a reduction from an average of 37% in 2001-2 to 18% by the end of the Plan;
- Removal of most import tariff exemptions, and export restrictions, to simplify administration;
- Allowing the exchange rate to depreciate gradually so as to help maintain a manageable current account deficit;
- A rich variety of WTO-compatible measures to facilitate new and improved export products and performance, including those in the services sectors;
- The aggressive pursuit of commercial interests through attempt to remove bias and barriers, including those inherent in past WTO agreements, against exports in which India has a comparative advantage such as agricultural products.

Finally, as an integral part of a Plan in which investment is expected to rise to unprecedented levels, supportive policies towards Foreign Direct Investment will be maintained and enhanced. Such investment not only will continue to help provide the capital flows that the balance of payments requires, but will also contribute managerial, marketing and technical skills that will help improve the country's competitive edge. Foreign Portfolio Investment, likewise, will tend to reflect the confidence of the domestic investor. The risk of pro-cyclical movements in FPI add a further reason for managing the economy in predictable ways and thus sustaining investors' confidence.

7. Improving Infrastructure and the Productive Base

(a) Infrastructure

The achievement of an 8% growth rate will require industry sector growth of over 10%, with at least a corresponding growth in demand for infrastructure. Serious problems have been building up in the infrastructure sector for many years: in transport rail efficiency is low, there has been underinvestment, and freight rates are high in order to subsidise passengers. The Ninth Plan in particular saw an alarming decline in the financial position of the railways. The road network is improving but likewise, is not yet up to the requirements of rapid growth. In the power sector, no State Electricity Board (SEB) is recovering the full cost of power supplied and there has also been serious underinvestment which has been recognised for a decade. Improvements in infrastructure are necessarily at the heart of the Tenth Plan.

(i) Railways, Roads and Ports

Indian Railways (IR) has long been run as a departmental enterprise under its own Ministry, and has been subject to policy distortions with excessive emphasis on new lines and operational practices that benefit passenger traffic at the expense of investment for commercial traffic. Freight rates, similarly, have had to bear the cost of a cross-subsidy to passenger traffic. The overall finances of the railways have deteriorated seriously during the Ninth Plan, and an increasing reliance on budgetary support has emerged. Although there have been improvements in asset utilisation and productivity, overall performance is far below both what is needed, and what is feasible.

Expert analysis has suggested a need for radical changes in the way the railway system is presently planned and operated. It will take some years for changes of the kinds recommended to be implemented and made effective, and in the meantime the projections for growth during the Tenth Plan period are modest – 4.5% p.a. for freight tonne-kms., and 5.7% p.a. for passenger-kms. The main changes that are being contemplated relate to the governance of the railways and transformation into a fully commercial organisation. The Tenth Plan expects the path ahead for IR to be as follows:

- Constitute a Railway Regulatory Authority to de-politicise tariffs and to regulate other railway activities;
- Rebalance tariffs to help provide IR with the tools to be commercially successful and sensitive to its markets;

- Restructure the core business activities of IR on commercial lines. This may include corporatisation, use of generally accepted accounting principles, and provision of leadership in restructuring from the IR Board;
- Spin off non-core activities such as manufacturing facilities, as independent companies;
- Determination of the Public Service Obligations of the railways, and funding of costs over and above those which are commercially justified;
- Re-orient investment strategy to augment capacity through technological upgradation and modernisation, focussing on projects that aim at improving capacity in high-density corridors, and
- Identify ways in which public-private partnerships, further leasing, and other forms of finance can enable IR to reduce its requirements for public sector capital.

A programme such as the above will require change management skills of the highest order, but the potential for and need for a correspondingly high payoff for both passengers and freight exists.

Roads and road transport carried about 60% more freight-km and 470% more passenger-km at the end of the 1990's, than the railways, and the growth has been more rapid for a long period. This is a normal evolution, although assisted by the non-commercial policies of the railways on freight, and justifies the investment of substantial resources so as to sustain the expected further growth and reduce costs including the costs of accidents. Road transport productivity is still low – a loaded truck has difficulty in averaging more than 200km/day, for example. Almost all freight transport is by private vehicles owned by small firms with three vehicles or less, and about 90 % of passenger traffic is likewise by the private sector. Almost all the State Road Transport Undertakings (SRTU's), which account for most of the remainder, are loss-making.

National Highways, comprising only 1.7% of the highway network, carry 40% of the traffic, and another 40% is carried on State Highways and major district roads comprising 12% of the system. But it is connectivity at local levels which has the greatest impact on rural development and poverty alleviation. 40% of the villages in the country are not connected by all-weather roads.

It is thus appropriate that the Tenth Plan road programme balances the need for improvements to the major networks, with local construction. Programmes are already under way in both areas. The National Highway Development Project, comprising the 5,850km Golden Quadrilateral, and 7,300km of N-S and E-W highways, is already under way and funding is largely complete. The aim is to bring in private capital through market borrowings

with collateralisation of future toll receipts, or use of Build-Operate-Transfer or BOT annuity schemes – which may initially involve sharing of downside risks. Private sector participation in road maintenance is also envisaged. Generation of resources through user levies, and through private finance, is an integral part of the roads strategy.

A central rural roads programme, the Pradhan Mantri Gram Sadak Yojana, is already underway with the objective of connecting all villages of 500 persons or above with all-weather roads by 2007 (250 persons in desert or certain hill areas). The operation of SRTU's would be concentrated on non-commercial routes requiring incentives, and eventually the pre-eminent role of the private sector, firmly regulated, in passenger transport would be established.

Port capacity is, by and large, no longer a constraint, but port efficiency is. The core of the new approach for ports is to continue the trend towards making fuller use of the private sector, and adoption of wholly commercial practices, in ports and their facilities. 17 private sector projects have been approved and 9 more are in the pipeline. The ports sector is becoming a successful example of the use that can be made of private sector initiative and management in infrastructure.

One of the main aims is to so improve operations that more container transshipment, both inbound and outbound, takes place in Indian ports rather than in, say, Singapore or Colombo. In order to operate with more commercial flexibility, more ports will move from being Trusts to being companies. The functions of the Regulatory Authority, (Tariff Authority for Major Ports) will need to be reviewed, and its scope extended to minor ports.

(ii) Power

As has already been indicated, power sector performance needs to show a major improvement in short order. During the Ninth Plan, less than half the planned increase in generating capacity was achieved, and only 29% of the expected private investment was forthcoming; none of the State Electricity Boards (SEB's) managed to cover its full costs; debts of the SEB's to central undertakings and suppliers have become difficult to manage. The causes and consequences can be illustrated thus:

The government, and many States, recognise that this situation is untenable. Power reforms are being introduced under the Accelerated Power Development Programme (APDP) under which additional central funding is forthcoming if agreed reforms are implemented, including:

Box 5
The Downward Slide of SEB's

1. Under political pressure, customers, especially rural, are given low rates for power;
2. Some customers, both rural and the high-rate industrial users, receive power through theft, often by connivance;
3. Relatively well off users are the main beneficiaries;
4. Result: excess demand for power, and waste;
5. Thus, although reasonable technical losses might be 15-18% they appear to be 40-50%, so only 50-60% of the power bought or generated is billed;
6. And of the reduced sum billed, only 80% is collected;
7. So essential maintenance is postponed; interest and penalties rise; losses are aggravated by overstaffing;
8. Intended investment in transmission and distribution has to be forgotten; private including foreign investors in generation are unpaid and lose confidence in the government, and
9. Central generating companies go unpaid.

- Establishment of a State Electricity Regulatory Commission, to which the SEB should have filed its first tariff petition;
- Achievement of a prescribed reduction in losses;
- Creation of separate profit centres to make the system accountable, including comprehensive metering at all levels.

Thirteen States have begun such a reform process. The Accelerated Generation and Supply Programme has also provided support. During the five year period it is intended to continue efforts to achieve viability on the part of the SEB's. Given this background, the goals can be summarised as:

1. Rationalising power tariffs so as to reflect costs, and transferring any subsidies to the State budgets;
2. Encouraging private sector participation in generation, transmission and distribution, which has been held back by the bankruptcy of SEB's and by difficulties in managing the high incidence of risks;
3. Encouraging competition and accountability by separating generation, transmission and distribution into separate cost centres or companies, or other such reform measures;

4. Encouraging the National Thermal Power Corporation also to take up projects through joint ventures with private parties and State governments. But an expansion of public funding for the sector will in any case be needed;
5. Separating carriage from content, to enable customers to choose their source of power;
6. Enlarging the reform component and strengthening the conditionality of APDP (to become APRDP);
7. Electrification of the remaining 62,000 villages without power that can be reached from the grid. Identify renewable energy sources for the balance of 18,000 villages.
8. Passage of the Electricity Bill, which will provide for a National policy and liberalise entry into and operations in the sector.

(iii) Irrigation

The financial problems of the irrigation sector have become similar in many respects to those of the power sector. There was massive investment until the 1990's, resulting in many incomplete projects. Even today, of the 159 major projects spilling into the Tenth Plan, almost two-thirds were started in or before the Sixth Plan. There is still a significant need for expanding the net irrigated area over the coming two decades, but with a track record of initial successes, later decline, and sometimes revival, it is difficult either to warrant major public investment, or attract private investment save at a local level.

The financial and operational problems that have emerged usually have resulted from a combination of the following issues:

- Water has been distributed with charges set well below operational and maintenance (O&M) costs, let alone full cost. In many States, charges have not been revised for decades;
- Systematic interventions by beneficiaries commonly lead to upstream users getting more than their design share of water flows, at the expense of (poorer) downstream users;
- These practices have led to waste and, sometimes, waterlogging and salinity;
- Maintenance costs, especially the establishment cost of O&M, have become excessive, and as a result there is dilapidation and siltation;
- Inappropriate cropping and agricultural practices.

Remedies require much greater participatory irrigation management, allied with improved Command Area Development, along with implementation of the Accelerated

Irrigation Benefit Programme which aims to help complete unfinished but viable projects. Most key steps have been identified in the National Water Policy statement, 2002. But all this will be of modest long-term value unless water rates are raised. The Tenth Plan intends that water rates be gradually increased so as to meet all O&M costs, at least, within five years.

(iv) Telecommunications

It took some time for telecommunications policy issues to be resolved. The 1990's saw an evolution of policies, which have now settled on the basis of the New Telecom Policy (NTP), 1999. A new telecoms regulatory authority was set up in 1997, with revised regulatory rules in 2000. Some public sector organisations have been disinvested (VSNL, HTL) and others corporatised. Cellular services were opened to the private sector in 1991 and from 2000 a variety of long distance and fixed line services have been opened to competition.

The results have been dramatic. After decades of constraints, tele-density rose from 1.57 per 100 persons in 1991-2 to 4.4 in 2002 (including mobiles). The target for direct exchange lines in the Ninth Plan was achieved. Capacity grew by 22% p.a. – sufficient to sustain new telecoms-based industries such as call centres – and costs fell. Contractual and regulatory constraints on the private sector were eased in the light of experience. There is still a marked difference between rural and urban areas, with tele-density being 1.14 in rural areas against 10.16 in urban. One third of villages have no phone lines.

Against this background, the aims of the Tenth Plan, in line with the aims of the NTP, include:

- Achievement of a tele-density of 9.9 by 2007 ie more than doubling the 2002 density. About two-thirds of the additional capacity is expected to be built by public sector firms, and most of this will be in mobile services;
- Making telephones available on demand, and achieving coverage of all villages, from 2003;
- Increasing competition by providing equal access and a level playing field for all players, with improved regulatory procedures, interconnection and support for convergence.

Achievement of these goals will enable India to make substantial progress towards the overall objective of providing reliable world level services at affordable prices, and thus support the growth goals of the Tenth Plan.

(b) The Productive Sectors

There are many productive sectors, comprising large and small companies, unincorporated businesses and individuals. They produce services and goods within the framework of policies and support services determined by central and local government, and using the infrastructure described above. Two are described here – agriculture and manufacturing industry – which illustrate the basic thrust of the Tenth Plan’s strategies. This thrust builds on and advances the liberalisation policies adopted since the early 1990’s. While providing the fullest and most constructive government support, the Plan’s aim is for all key initiatives to be taken, and judgements made, by the risk-takers themselves.

(i) Agriculture

Agricultural growth slowed down markedly during the 1990’s compared with the 1980’s; In foodgrains, in which the nation has a modest surplus, annual production growth went down to 1.3% from 3.3%, and non-foodgrains to 2.8% from 4.0%. The most significant gains were in oilseeds, cotton, sugar, vegetables, dairy products and livestock. It is clear that the pattern of consumption is moving up-market, and there is greater demand for higher-value and processed products.

The reasons for this slowdown are complex and differ from region to region. It is clear, though, that public investment in agriculture fell, as subsidies absorbed resources, but private investment rose. Credit extension was inhibited by the volume of overdues; the extension system had declined in effectiveness, and both the design and quality of agricultural machinery (which had long been reserved for the small-scale sector) was inadequate. More land was becoming degraded, and response to fertilisers was sometimes limited.

The aim of the National Agricultural Policy, and this is to restore growth to its best past levels of about 4% p.a. Within this total, particular hope is attached to maize, amongst the foodgrains. Horticulture, fisheries, livestock including feed and fodder, dairy products, fruit, oilseeds, agro-forestry, bio fuels, medicinal and aromatic plants, and pulses are also areas offering growth potential.

Given this diversity, and the further diversity of regions, types of terrain, climates and soils, it is hardly surprising that the Tenth Plan is similarly diverse in its thrust in agriculture. There are over 130 intended areas for action, based on a number of Expert Committees’ Reports. But certain themes predominate:

- The removal of restrictions on marketing and trading in agricultural products, including futures trading. Revocation of the Essential Commodities Act so as to leave the Centre only with powers in specified emergencies, and similar ordinances used in a restrictive way. Further dereservation of agricultural machinery manufacture;
- Freedom of entry into the processing and marketing of milk and other products, to international standards, and further lifting of restrictions on exports; use of private sector and modern media in agricultural extension; facilitation of leasing of land (including full computerisation of land records) and contract farming; reduce role of Minimum Support Price by eg dropping sugar from the scheme;
- Recognition that the lives of many poor people, especially the landless, depend heavily on the derivation of biomass and products from wastelands or degraded land. This has led to the design of various programmes to support and develop rather than restrict such activities. Watershed development programmes, which aim to remove conflicts between conservation and production goals, and to work in a highly participatory way, predominate;
- An increase in cropping intensity, which has stagnated, will require implementation of the irrigation reforms described earlier as well as extending the Kisan Credit Card scheme and improving research.

(ii) Manufacturing

The manufacturing sector moved, in the 1990's, from being the most highly controlled sector, to being one of the least regulated. It is benefitting enormously. But it still suffers from its inheritance of plants of sub-optimal size and technology, and public sector undertakings with little history of commercial viability. This, plus a slowdown in the world economy, led to the relatively slow growth of 4.5% in the Ninth Plan period, well below the 10% the sector is expected to achieve in the Tenth. The restructuring process is still continuing.

The Tenth Plan for manufacturing can be characterised simply: promote, support, assist, encourage, facilitate, simplify, decontrol and dereserve, and get on with it. The Government of India already has a rich panopoly of support programmes, replicated to a degree in some States, and the main theme of the Tenth Plan is to continue and enlarge them. The Department of Industrial Policy and Promotion is the main agent of change, but many others are involved too. The main initiatives being carried into, or started in, the Tenth Plan, are:

- Infrastructure support: Apparel Parks for Exports; Textile Growth Centres; Assistance to States for Export Infrastructure and Allied Activities; Industrial Cluster

Development Scheme; Agri export Zones; Critical Infrastructure Balance Scheme; Export Promotion Industrial Park, and regional schemes for backward areas especially in the North East.

- Technology and Market support: Technology Upgradation Fund Scheme, for textile sector; Technology Mission on Cotton; Pharmaceutical Research and Development Support Fund; Leather Industry Development Programme; Market Access Initiative; Research and Development in the Automotive Industry;
- Decontrol: phased dereservation for the small-scale sector over a period to allow adjustment and preserve employment. Replacement with enhanced credit, infrastructure, technological and management support, with emphasis on a level playing field. Strong push for village, khadi and cottage industries, and coir and wool. Repeal of Sick Industrial Companies Act and replacement by legislation that speeds up liquidations or restructuring. New Competition Bill to replace the MRTP Act of 1969. Review of labour laws to encourage employment growth deserves close attention. Further liberalisation of FDI initiatives.
- Disinvestment of Public Sector Undertakings will continue, and thus enable assets to be redeployed or restructured for stronger performance.

In addition, the manufacturing sector will be one of the main beneficiaries from the Governance improvements mentioned above, including liberalisation of approval procedures at the State level. The programme of tariff reductions and abandonment of QR's will rebalance incentives in favour of exports and thus provide a further stimulus to the sector.

8. Cross-cutting Issues

(a) Disaster Management

Although Disaster Management is not conventionally a subject for Five-Year Plans, disasters do in fact occur regularly – earthquakes, cyclones, floods, droughts - and can significantly set back the development of a region or State. It is therefore important to do what can be done in the way of advance prevention and mitigation of disasters, and prepare for post-disaster management as well.

Disaster mitigation components need to be built into all Plan projects, such as earthquake-resistant structures, so as to minimise both the likelihood of damage and the cost of post-disaster restoration and rehabilitation. This will mean some additional outlay for projects coming up in disaster-prone areas, first for building a comprehensive data-base on risks and actions already taken, and secondly for undertaking a vulnerability analysis and risk assessment for the project in question. In addition, the construction of specific disaster-prevention projects (flood defences, cyclone shelters) needs to be considered in the context of the growing incidence of disasters worldwide.

The funding of relief is already institutionalised through the Calamity Relief Fund and the National Calamity Contingency Fund. However, while it is clearly the responsibility of the State Government concerned to manage relief, there are major gaps in the institutional arrangements and systems that should be used within a State, and by Central institutions in support of a State. There is a case for unified legislation to define responsibilities, and this will be examined during the Tenth Plan.

Community awareness and preparedness is also a major mitigation tool, and this was recognised during the Eighth Plan by the establishment of the National Centre for Disaster Management at the IIPA, creation of disaster management faculties in 23 States, as well as research, documentation and information exchange, and training. This will be extended in all 28 States during the Tenth Plan. This will help each State build the necessary teams of skilled personnel, communications equipment and control rooms as required.

(b) Science and Technology

India has made much progress in various spheres of science and technology over the years, and can take pride in having a strong network of S&T institutions, trained manpower, and an innovative knowledge base. Indeed India is an exporter of trained manpower in scientific fields, rather than, for the time being, having a high technology component in exports.

In the strategic areas, India has demonstrated its capacity to build and operate nuclear reactors, build and launch satellites, and apply space technology for resource management, weather forecasting etc. India has also emerged as a major basic research power, with world-class scientists in almost all areas. However India's research strength has not been well translated into commensurate benefits for society, and few scientists are working in areas of technological innovation and commercialisation. Links with industry are correspondingly weak, and Government is the major source of research funding.

Recognising this, the aim during the Tenth Plan, while continuing work on important areas of basic research, will be on the development of application and dissemination, so as to develop skilled manpower and technology, and thus provide societal benefits. The main areas of work will be:

- space science, where the aim is to develop a self-sustaining satellite-based communications network for governments, and sustain the INSAT programme.
- Nuclear science will concentrate on building self-reliance in all aspects of the nuclear fuel cycle, in order to insulate the country from technology denial regimes and help provide long-term energy security. Research applications will be made in the fields of water desalination, nuclear medicine and irradiation technology for farm products.
- Ocean Science programmes will, inter alia, aim to develop technologies to help assess sustainable harnessing of ocean resources (living and non-living) and renewable sources of ocean energy.
- Defence science applications for civilian and development purposes will be vigorously pursued through collaborative arrangements.
- Biotechnology research has the potential to contribute in a major way to food, nutrition, health, environment and livelihood security. Conversion of indigenous research into biotech products will be a major endeavour. This will be facilitated by new industry-academia and public-private partnerships.
- Scientific and industrial research is sponsored through the DSIR and CSIR. Both seek to support research in industry through a vast range of training, research sponsorship, and joint research schemes.

(c) Implementing the Tenth Plan

Implementation of the Plan is the responsibility of each Central Department or Ministry, and each State Government and local body. State Plans are expected to take this Plan into account when they are being prepared. Private firms and business organisations are also expected to play an active role in implementation, as are aid donors and non-governmental organisations. The Plan's major contribution has, in a sense, already been made in that each concerned institution has had

the opportunity to contribute to the work of various Committees, and to review the drafts, and thus learn from the diagnoses presented and the criticisms made. The diagnoses in the main Plan documents are presented in considerable depth and breadth, and will remain valuable as a starting point for analysis for some years to come.

Large number of specific actions have been agreed in the course of preparing this Plan. Now that the NDC has endorsed it, these actions will be reclassified under the institutions responsible for implementation. These reclassifications will be a useful aide-memoire for them, and for the Planning Commission in reviewing progress particularly the Quarterly Performance Review of the economic Ministries. At various points in the annual cycle of State Planning and Budgeting, the Planning Commission has a role to play in advising on or reviewing proposals. It has also accepted an enhanced role as adviser on several Plan schemes.

Since the Tenth Plan is, as agreed, a Reform Plan, as well as being a Resources Plan, implementation means designing new legislation, drafting policies and regulations, engaging in change management (as in Indian Railways) and adopting new ways of tackling old problems and doing business. Such changes can be painful, but the goal of widespread improvements in well-being makes them worthwhile.

9. Policy Imperatives

The targets that have been set for the Tenth Plan, both as far as economic growth and social development are concerned, are no doubt ambitious. Achievement of these targets will require significant departures from our present ways for doing things. The necessary measures have been discussed in detail in the appropriate sections of the Plan Document. It is, nevertheless, felt necessary to bring together the wide range of initiatives and policy reforms that have been judged essential for attaining the desired results. This compilation should prove useful if for no other reason than that it would convey the magnitude of the tasks ahead of us. Every arm of the Government, whether at the Centre or in the States, has to take the measures that fall within its jurisdiction if the overall synergies of these various policy changes are to be fully realized.

The compilation is structured on the basis of the coverage that these policies have. Some of them affect the way the entire economic system functions, while others are more limited in scope, and impinge either upon the budgetary process of Government or on specific sectors. It should not, however, be thought that the order in which these policy changes have been put indicate any kind of prioritisation. They are all equally important since in any integrated economic system the cross-linkages can be substantial, and quite often not easily measurable. It is re-emphasised that the success or failure of the Tenth Plan hinge critically upon the adoption of the policies outlined in the following sections.

A. ECONOMY-WIDE POLICY MEASURES

- Simplifying laws and procedures for investment.
- Eliminating inter-state barriers to trade and commerce.
- Reforming development financial institutions for long-term financing of small and medium enterprises.
- Phasing out Government and Reserve Bank of India restrictions on financing of stocking and trading.
- Repeal of Sick Industrial Companies Act, introduction and strengthening of bankruptcy and foreclosure laws to facilitate transfer of assets.
- Calibration of the cost of borrowed funds, for enhancing competitiveness.
- Reform of labour laws.
- The policy of disinvestment of public sector undertakings, should be pursued so as to enable the realisation of Rs.16,000 crore per annum, to finance the plan.
- The Essential Commodities Act is an anachronism in a modern competitive economy. It should be repealed and replaced by an emergency act that can be applied by notification for a limited period of time to specified commodity in a specified region. There should be no delegation of authority, to issue notifications from the Centre to States.

- Integration of various laws applicable to food, such as the Prevention of Food Adulteration Act (PFA) 1955, and the Weights and Measures Act 1976 into a unified and modern Food Act. This Act should provide for a single food regulatory authority for the entire food sector, including food processing.
- Encouraging Foreign Direct Investment so as to achieve the annual target to US\$ 7.5 billion.

B. PUBLIC FINANCES

Policy Imperatives regarding public finances have to be taken up at three levels, the Central level, the State level and some policies have to be addressed at both the Central and State levels.

- Comprehensive computerisation of the income tax system and universal usage of tax identification numbers in monetary transactions must be made mandatory for facilitating improved enforcement of the income tax administration.
- Exemptions under corporate tax should be progressively phased out.
- The current policy of moving progressively to a truly single excise rate should continue to be pursued while tightening up much more on existing exemptions, particularly those for small enterprises, for improving tax compliance.
- The coverage of the service tax must be expanded continuously under the union excise system so that much greater tax buoyancy can be achieved through increased coverage of the economy as a whole.
- Alignment should be made of customs tariff rates with average Asian rates.
- Exemptions and concessions that distort the tariff structure should be eliminated.
- Implementation should be ensured of the recommendations of the Expenditure Reforms Commission, for example, regarding progressive reduction in fertilizer subsidy as well as elimination of petroleum subsidy.
- Food subsidy should be better targeted through the targeted public distribution system and specific programmes for the poor like Food for Work Programme, Mid-day Meals, Nutritional Support to Pre-School Children and Women etc.
- Curtailment of pay and allowances bill of the government must be pursued on a continuous basis, as, in the wake of the implementation of Fifth Pay Commission's recommendations, downsizing has become most crucial to reducing non-plan revenue expenditure.
- Improvement of the operational efficiency of railways and power sector units and other public sector units should be targeted with a view to eventually eliminating all budgetary support and generating adequate internal resources.
- Reduction in staff strength must be pursued through adoption of a policy of net attrition and constitution of a pension and amortisation fund to make committed payments like terminal benefits and debt servicing self-financing.

- Reduction in expenditure on administrative and establishment cost should be followed up seriously.
- Privatisation of State public sector units especially those which are making losses and do not serve any social or economic objectives must be carried out.
- Switching over to ad valorem rates of royalty on minerals through the Centre's initiative should be pursued.
- Enactment of a Fiscal Responsibility and Budget Management Bill under which borrowings shall be restricted to contain the rising debt to GDP ratio from current levels in order to reduce the burden of interest payments.
- Restricting borrowings to the level of current outstanding debt to GDP ratio or lower.
- Improvement in the internal resources of State's PSUs must be aimed at, by implementing power sector reforms and reducing the burden of contingent liabilities on State budgets, through a legislative or administrative ceiling on the issue of State guarantees.
- The extension of Value Added Tax (VAT) to the State level must be taken up at the earliest for facilitating its integration with the Central VAT and bringing about harmonisation of tax rates levied by different tax jurisdictions.
- User charges must be raised to cost-recovery levels and made acceptable by a communication campaign to convince the general public that such a system would be in their own overall interest.
- An improvement in the Tax/GDP ratio of Centre and States through inclusion of services in the tax base, removal of tax exemptions and concessions, harmonisation of tax rates, tightening of tax administration, and adopting an integrated VAT regime is urgently called for.

C. IMPROVING GOVERNANCE

- In order to have a realistic plan outlay, the concept of core plans which take into consideration (a) the trend of aggregate actual resource mobilisation for the State Plan in the last three years, and (b) a realistic and conservative estimate of resources available for financing the Plan, will be followed through the Plan.
- To a large extent, the task of the development administration would become easier if steps are taken to make available information, as a matter of right, to the citizens. The right to information has to be the starting point for much of the reforms proposed.
- As a result of maladministration and corruption in the revenue system, not only is there a loss of revenue but it also encourages the people to participate in the black/ parallel economy. It is therefore necessary to undertake reforms in the revenue system, not only to have reasonable tax rates, and equally importantly, to reform the tax administration in order to make it more transparent, equitable, and user-friendly.

- Civil Service Reforms must be aimed at improving transparency, accountability, honesty, efficiency and sensitivity in public administration at all levels. Box 8.1 gives some of the important components of Civil Service Reforms.
- Procedural reforms to cover all aspects of government's interface with the public are essential. Often private initiatives, entrepreneurial energies and innovations are snuffed out by the maze of red-tapism and procedural and legal hurdles that come in the way of development.
- One of the most common reasons for the failure of programmes and schemes is the faulty and incomplete design of the programme/ project/ scheme. Care and attention must be taken to formulate programmes, projects and schemes in a more systematic and professional manner.

Box : Important Components of Civil Services Reforms

- The processes and the outcomes of policies, entitlements and procedures must be made *transparent*, widely shared and well displayed.
 - It is believed and as such should be followed, that less *discretion* would lead to a more equitable and less corrupt system.
 - Prevalent institutional arrangements will have to be reviewed and changes made so that those vested with *authority* are also made *accountable*.
 - The present system of *rewards and punishments* in public life, which makes corruption a high-return-low-risk activity, needs to be changed.
 - It is necessary to review the situation, and identify departments and functions within departments that were once essential, but are now *redundant* and would need to be done away with.
 - The induction of *professionals/specialists* into the administrative system, on *contractual appointments* should be examined and suitable policy changes made in the entry policy.
 - Pre-service and demand driven in-service *capacity building* for all cadres and ranks should be made a regular feature.
 - *Contributory Pension System* for the new employees must be seriously considered.
 - *Alternative ways of carrying out a job/activity* must be examined and assigned to Government only if considered essential.
 - *Stability of tenure* is essential and should be ensured for any constructive and sustainable work
- Project based assistance will need to be encouraged, as this will also help in improving the delivery system.
 - It is essential to strengthen the existing mechanisms for monitoring and evaluation, in order to make sure that plans are being implemented as envisaged and the impact is also as planned.

- Rationalisation of Centrally Sponsored Schemes (CSSs) and Central Sector Schemes (CSs) using Zero Based Budgeting has to be a regular exercise. (i) A new CSS will be permitted only in exceptional circumstances, only when an existing one can not be modified. (ii) Monitoring and tracking State-wise flow of funds and assessing physical and financial targets under different CSSs and CSs will be essential. (iii) As far as possible CSSs should be conditional on reforms in that sector. (iv) There should be flexibility between components of a scheme.
- It is necessary to create a proper climate for development by ensuring law and order, a sense of security and speedy justice.
- Some major initiatives envisaged in the IT sector are to take up an ambitious programme of E-Governance and take IT to the masses. Creation of software for establishing an interface with the diverse Indian languages used in India poses a real challenge. In the Plan the endeavour will be to develop suitable software and technologies to enable people to interact and use computers in local languages. Internet accessibility and content creation in local languages will also be promoted.

D. ENHANCING THE PRODUCTIVE BASE

- Currently, Power, Coal, Petroleum & Natural Gas, Atomic Energy and Renewable energy are under different ministries. Hence, presently, the energy policy is typically an aggregation of policies of these different sub-sectors rather than an integrated perspective with a set of priorities for each sub-sector as is the international practice. During the Tenth Plan it is proposed to develop an integrated energy policy framework. An Apex Committee on Energy with a secretariat, consisting of experts in energy, economics, finance, management, environment, legal disciplines will be set up, to approve policy guidelines and oversee implementation on a regular basis, considering the capital intensive nature of investments in this sector. A key role of this committee would be to manage the trade-offs in the inter-play of divergent forces among the different sub-sectors, consistent with the overall policy goals of economic efficiency, energy security, increasing access and protecting the environment.
- In view of the paramount importance of power sector reforms, the earlier Accelerated Power Development Programme has been modified to include a strong reform component. Under the new Accelerated Power Development and Reform Programme, it is proposed to include a 50 per cent investment component while the balance will constitute a reform-driven incentive stream. The incentive stream is proposed to be distributed to the reforming States as a matching contribution equal to the reduction in cash losses achieved by SEBs/Utilities. It is proposed to cover all urban and industrial areas in the country under this programme.
- An early enactment of the Electricity Bill is imperative. The Electricity Bill which has been introduced in Parliament, will replace the existing three laws relating to electricity.

The new bill will open up the power sector to allow greater competition in each segment of the electricity value chain under independent regulation. This is crucial for the power sector.

- The Coal Mines (Nationalisation) Amendment Bill 2000 proposes to permit private sector participation in non-captive coal mining by making suitable amendments to the Coal Mines (Nationalisation) Act, 1973. An early enactment of this legislation is essential.
- An independent regulatory authority will be set up to ensure fair competition and a level playing field in each segment of the coal production and supply chain, resolution of disputes and allocation of coal blocks for exploration and mining.
- Similarly, with the dismantling of Administered Price Mechanism (APM), an independent regulatory mechanism will be established for the downstream oil and natural gas sector to ensure competition and a level playing field in the petroleum and gas sectors.
- It is proposed to dismantle the holding company structure of Coal India Limited to provide autonomy to individual coal producing companies for promoting competitiveness and revival/ disinvestment/ closure of selected coal producing PSUs. Further, to encourage competition and promote private sector participation it is proposed to: (i) de-block coal blocks held by the Coal India Limited; (ii) permit trading of coal by removing it from the List of Essential Commodities; and (iii) amend the Coal Bearing Areas (Acquisition & Development) Act, 1957. Such steps would essentially de-regulate the sector and permit free interplay of market forces.
- Dismantling and Deregulation of APM in the Oil & Natural Gas Sector is crucial. The price of all petroleum products have become market determined w.e.f. 1.4.2002, with subsidy on kerosene under public distribution and LPG for domestic cooking to be met from the budget. These subsidies will be phased out over three to five years during this Plan.
- Ethanol blended petrol (5 per cent gasohol) will be introduced by the end of 2002 in 8 sugar-producing States and, thereafter, in the rest of the country, in a phased manner. Efforts will be made to raise the percentage of blending of ethanol with petrol. Development of bio-diesel will also be encouraged.
- The structure of the Indian Railways needs restructuring. It diverts attention from their main activity. It is therefore proposed that the railways will concentrate on provision of rail services only and other non-core peripheral activities will be spun-off.
- Simultaneously, a Railway Tariff Regulatory Authority is required to oversee the pricing of passenger and freight traffic services in order to make the pricing rational and transparent as also competitive.
- Presently, there is weak accountability and poor monitoring of maintenance of roads. It is proposed to explore ways to contract out maintenance activities to the private sector and include operation and maintenance in construction contracts as well.

- Removal of legal hurdles for entry and growth of private operators in the road transport sector is also desirable.
- In order to have a level playing field among all ports and to infuse competitive pricing, tariffs could be internally determined, independently by the major ports as well as by the minor ones. The present Regulatory Authority (i.e. Tariff Authority for Major Ports) could be restructured as an appellate body to take care of various stakeholders' interests.
- Early enactment of the legislation enabling the conversion of port trusts into corporate entities is another proposal in the Tenth Plan.
- In order to exploit the full potential of the civil aviation sector, especially in view of the increasingly important role of the private sector in providing airport infrastructure and air transport services, there is need for a regulatory framework for the civil aviation sector as a whole. The regulatory body would monitor the airport charges, quality of services and the performance of airport infrastructure.
- Opening up of the Civil Aviation Sector is necessary to overcome capacity constraints. International routes could be auctioned to private Indian operators and foreign airlines could be allowed to participate for providing domestic air services. Foreign equity share for the domestic sector could also be increased for improving competitive efficiency.
- Leasing of four metro airports to private sector participants must be expedited.
- Reorganisation of the Indian Postal system is also in the priority list of the Tenth Plan. It will be undertaken through:
 - Replacement of the Indian Postal Act, 1898 by a forward looking legislation to facilitate the envisaged reforms, ensure convergence and adopt new technology.
 - Making the Department of Post self-financing, by reviewing the policy of blanket subsidy. Universal Postal Service Obligation (UPSO) would be clearly defined and adopted, ensuring that items under UPSO, used by the common people are affordable and costs of other services are determined on commercial lines.
 - An independent regulatory authority is envisaged to be set up which, besides other regulatory functions, would also look after tariff fixation.
 - The policy of opening of post offices is envisaged to be reviewed and, where essential, new post offices would be opened only through re-deployment of staff.
 - Extra departmental employees, which constitute about half of the work force, would be encouraged to become franchisees of the Department for running outlets as privately owned multi-product/multi-service centres. A contributory pension scheme needs to be a major element of the strategy in this regard.
 - In keeping with the times, it is proposed to give post offices/outlets a new look and run these as multi-product / multi-services centers, for which a comprehensive programme of networking and computerisation is envisaged.
 - It is proposed to develop a credible road map for corporatization of the Department of Posts as 'India Post' within the Tenth Plan.

- To achieve the targets of teledensity in line with the objectives laid out in the New Telecom Policy, 1999, the Telecom sector must be treated as an infrastructure sector for the next decade or so.
- With a view to ensuring optimum growth in the coming years, Government's broad policy of taxes and regulation for the telecom sector has to be promotional in nature. Revenue generation should not be a major determinant of macro policy governing the sector. The licence fees need to be aligned to the cost of regulation and administration of Universal Service Obligation (USO).
- The policy governing spectrum allocation and licencing has to be so designed that this scarce resource is used optimally. Spectrum pricing needs to be based on relative demand and supply over space and time in a dynamic manner so as to promote spectrum efficient technology.
- The USO levy needs to be determined and collected as a separate levy to maintain complete transparency and accountability. Its rate may be increased to meet increased demands. Internet Service Providers who have been permitted to provide internet telephony also need to contribute, since they are an integral part of the communications network.
- A comprehensive national hardware development policy will be formulated by December, 2002, in line with our goal of making India an IT super power.
- In spite of opening of FM radio to the private sector, the benefits of this new and high quality broadcast service have failed to reach many rural areas. The Tenth Plan proposes that local communities and non-profit organizations such as universities, NGOs etc., be allowed to set up low power FM community radio stations, for educational, cultural and economic development of local communities.
- Though the film sector has been given the status of an industry, financing basically continues to be through illegal and underworld sources. The Plan would aim at putting in place a plan of action to ensure easy availability of funds through institutional means.

E. SOCIAL JUSTICE

- A National Charter for Social Justice will be instituted, based on the principles of social harmony, to ensure social justice to disadvantaged groups like scheduled castes, scheduled tribes, other backward classes and minorities with a view to protecting their rights and interests.
- A National Policy for Empowering the Tribals of India will be formulated along-with a National Plan of Action to operationalise the same. The main objective will be to solve the unresolved issues and persisting problems of tribals and bring them on par with the rest of society.
- Effective implementation of the People With Disabilities Act and Rehabilitation of Disabled during the Plan period.

- Measures will be taken for rehabilitation of shifting cultivators with appropriate settlement rights.
- Early finalisation and adoption of National Policy on Rehabilitation and Resettlement.
- Public Distribution System should be restricted to distribution of rice and wheat. Kerosene and sugar should be removed from the system. State level schemes could be evolved for distribution of coarse cereals under PDS.
- Minimum Support Prices should encourage diversification of agricultural production, keeping in mind the interest of consumers.
- Food Corporation of India should intervene in the market by timely sales and purchases to maintain stability in food prices. The buffer stocking agency could also take resort to exports and imports of food grains, as required.
- Decentralised procurement and distribution by States should be encouraged. States could take their own decisions regarding issue prices, and the quantum of food grains could be supplied through PDS etc. The national food subsidy could be distributed among the States according to a prescribed formula.

F. INVIGORATING RURAL INDIA

- Regulating ground water use on a sustainable basis in order to avoid indiscriminate drawal of ground water will be a priority in the Tenth Plan, as over-exploitation of ground water is causing various complications like sharp fall in the water table.
- The Agriculture Produce Marketing Act is to be amended for reduction of mandi taxes and ending Government's monopoly.
- Integrated agriculture markets are in private and cooperative sectors for providing better amenities to producers.
- Kisan Credit Cards are to cover all farmers for easy and quick flow of credit, within the Tenth Plan.
- Central assistance for the co-operative sector will be made, conditional on the States adopting Multi-State Cooperative Act, 1984 for functional and financial autonomy.
- All restrictions on agri-trading, agri-industry and exports will need to be removed.
- The ban on futures contracts in all agricultural products should be lifted. The existing policy of pan-seasonal pricing of wheat and rice under the Public Distribution System provides a disincentive for future trading. This needs to be modified to encourage private storage.
- Reforms for Agro-forestry are essential if diversification of agriculture through agro-forestry is to be encouraged. There will have to be a policy environment in which the farmers are assured of a remunerative price; restrictions on felling, transport and marketing of agro-forest produces from private holdings are removed; and ban on export of primary and unprocessed wood products is lifted.

- Optimal utilisation of the countings forest lands will be made through effective implementation of Joint Forest Management Schemes.
- In view of the tremendous potential of the khadi and village industries to generate employment in rural areas, it would be essential to make them sustainable and economically viable. A shift from the rebate policy to Market Development Assistance is recommended for bringing in incentives for production of high quality marketable goods along with the process of branding products.

G. IMPROVING THE QUALITY OF LIFE

- Financing essential health care will have to be reviewed. Initially health care services were provided free of cost to all in government institutions. However, in view of the demographic transition, dual disease burden and escalating costs, this policy will have to be modified. In the Tenth Plan, there will be continued commitment to provide certain services, free of cost, to all viz. essential primary health care; emergency life saving services; services under national disease control programmes; and the national family welfare programme. Efforts will be made to provide other health care services at a subsidised cost to people below poverty line. People above poverty line would have to pay user charges for diagnostic and therapeutic services. Health finance options for different income groups will be explored. In order to encourage healthy lifestyles, a no claim bonus/adjustment of the premium could be incorporated, based on the previous year's claims.
- In view of the marked differences in the health indices, health care infrastructure and its utilisation, not only between States but also between districts, it is imperative to assess district-specific health, nutrition and family planning needs and plan accordingly. This is a shift from the earlier centralised planning approach.
- Indian Systems of Medicine and Homeopathy will be mainstreamed to provide a wider range of health-care options to people.
- Service providers in the health, family welfare and nutrition sectors will be given appropriate training and reoriented, so that they are able to screen individuals in order to determine their specific needs, provide for those, and carefully monitor the impact.
- A National Policy and Charter for Children will be formulated to ensure protection of their rights as enshrined in the Constitution and to seek partnership with all the concerned.

H. IMPARTING DYNAMISM TO INDUSTRY AND SERVICES

- Policy reforms for village and small scale industries will have to be given priority.
- Phased dereservation of small scale industries, in view of the implications of the WTO regime, will have to be carried out.

- The approach to tourism in the Tenth Plan has shifted from a sector seen only as a foreign exchange earner to a sector having a dynamic role in alleviating poverty and generating employment. An integrated inter-sectoral investment Plan for tourism to enhance the efficiency of public investment in tourism will be drawn up. It will be necessary to remove barriers to the growth of tourism and leverage private investment by expediting and integrating critical policies. A regulatory framework for the protection of the tourism industry, the consumer and the environment is suggested. The Tenth Plan also proposes to develop a unique brand image for India.
- A review of various legislations governing property transactions and consolidating them into one comprehensive law will be required.
- The Urban Land (Ceiling & Regulation) Act, 1976, though repealed by the Centre, replicated in the various States are yet to repeal the Act. This needs to be done urgently.
- Amendments to the Rent Control Act will be needed to remove the rent controller's draconian powers over the disposition of the rented property. The statutes giving the rent controller power to virtually divest the owners of their natural right to their properties should be deleted. The Rent Control Act must focus on ensuring a level playing field in terms of rent (adjustment) negotiations and reasonable period for vacation of property.
- Out-dated State legislation, allowing states to arbitrarily requisition property 'in the public interest', for questionable use, should be repealed.
- The Indian Stamp Act, 1899 and the Indian Registration Act, 1908 would need to be amended for delinking the process of registration from payment of stamp duty, and to liberate the registration process from the requirement of various 'no objection' certificates.
- Rationalise tax rates pertaining to the real estate sector will need to be carried out. States should reduce stamp duties from the present range of 13-26 per cent to a level of 3-5 per cent and also make them uniform across States.
- The principles of law applicable to statements made in a prospectus, should also apply to sale of property. This will facilitate institutionalisation of conveyances (and authorised persons) that can investigate title cross-linkages between municipal authorities, electricity boards, and taxation departments, land registries and collectorates might facilitate these through hyperlinks.
- Private participation in the provision of municipal services must be encouraged as this would provide benefits of access to skills required for improving urban services. Pricing municipal services would ensure sufficient funds for maintenance and expansion of municipal services.
- Simplification and modernization of the current registration system for land/ property titles is important. The Registration and Other Related Laws (Amendment) Act 2001 should be notified for this at the earliest.
- A time-bound programme for auctioning of all vacant government land might be drawn up and implemented.

- The Haryana model should be drawn upon to promote public as well as private development in housing.
- The market conversion of rural land into urban usage within the parameters of defined municipal development plan should be allowed.
- A Regulatory Commission is to be set up for reviewing zoning regulations on a continuous basis.
- A system for deemed approval of plans for development/re-development of real estate by the registered/authorised architects operating on a self-regulatory basis for speeding up the process of securing approvals should be put in place.
- The Land Acquisition Act, 1894 should be amended for speeding up the process of acquisition, and to delink the process of taking over possession of land from that of determining compensation. The Act might be modified to focus solely on acquisition of land for public goods (e.g. roads, defense) and public utilities (power lines, irrigation dams/canals), and exclude commercial purposes such as housing.
- Encouragement should be given to the pension, provident fund and insurance sectors to invest in real estate.
- Encouragement should also be provided for creation of Real Estate Mutual Funds/Real Estate Investment Trusts.
- Trade in mortgage-backed securities should be promoted.
- The present stipulation of 100 acres for FDI in integrated townships might be relaxed to 50 acres or less, as such vast expanse of land may not be available in urban areas. FDI in the real estate sector may be permitted with a lock in period of three years and there should be no repatriation of dividend during the construction period in any case. There might not be any restriction on repatriation thereafter.
- A grading system should be developed among real estate developers for preventing fly-by-night operators.

10. Conclusion

The medium-term strategy for 2002-2007 has a daunting challenge of achieving a 8% rate of growth for enabling per capita income to double within a decade. While this is necessary to make a deep dent on poverty, guarantee an improvement in the quality of life consistent with human dignity and provide gainful employment to growing number of young people joining the labour force. The strategy is based on continuation and strengthening of the macro-fundamentals of the economy while undertaking deep structural reforms to achieve sustainable development. It recognizes that business as usual will not achieve the desired objectives nor is it adequate to rely on budgetary allocations to meet the growing challenges. We have to plan for an environment that provides ample opportunities to all to realize the latent potential individually as also collectively for the nation as a whole. To this end, the policy imperatives and changes which have been laid out in great detail would require collective action of the Central and State Governments acting in tandem to forge an integrated plan of action to achieve the objectives. The resolve of the National Development Council and the unanimous commitment to undertake these measures and accept the challenges that lie ahead, inspire confidence that the five years will make a qualitative difference to the life of the average Indian and reposition India as a significant global economic power.