

Deputy Chairman's Remarks at NDC  
22<sup>nd</sup> October, 2011

Respected Prime Minister,  
Cabinet Ministers,  
Chief Ministers and other representatives of State Governments,  
Lieutenant Governors,  
Ladies and Gentlemen,

Allow me to begin by offering you all a warm welcome, on behalf of myself and my colleagues, in the Planning Commission

The Approach Paper that is before you has been prepared after extensive regional consultations with State Governments, and also with other stake holders. Many of you have participated in these consultations.

The Prime Minister has requested me to focus on issues that are of particular relevance for the states. I would like to draw your attention to six major issues.

The first issue relates to determining the state level five year plans for the Twelfth Plan period. This is an important part of the planning process and I would urge Chief Ministers to complete the process as early as possible, and give us their targets for growth and other social indicators, so that we can build these into consistent national targets for the Twelfth Plan.

The setting of state level targets by State Governments leads naturally to defining what the State Government needs to do to achieve these targets, in each of the five critical areas mentioned by the Prime Minister as defining the role of government.

I would urge Chief Ministers to keep in mind the first of the points mentioned by the Prime Minister i.e. the need to create an economic environment that would support the efforts of farmers and entrepreneurs. How attractive the business and investment

environment is in a state will determine much of the outcome in terms of the flow of investment to the State and the growth of both output and employment.

The second issue relates to resources for the Plan. The Prime Minister has emphasized the importance of development of rural and urban infrastructure, provision of health services and extension of education and skill development for inclusive growth. I would urge Chief Ministers to ensure that they make adequate provision for these sectors when formulating the Twelfth Plan for the States. This must be accompanied by measures to mobilize own resources of the States.

The resources challenge facing the Central Government in this regard is spelt out in the Approach Paper. We have to raise the Centre's Gross Budgetary Support for the Plan as a ratio of GDP if we are to accommodate the needs for additional support in critical sectors such as health and education. However, this has to be done while simultaneously also reducing the fiscal deficit. The Approach Paper states that this is possible only if the Centre can raise the ratio of tax revenues to GDP, and cut untargeted subsidies.

The States are in a similar position. They too have to achieve an increase in Plan expenditure as a share of GDP to fulfil the essential task of government in achieving inclusive growth. They too must reduce the fiscal deficit since the debt position has become very difficult in many states. The centre's ability to provide resources is limited for the reasons I have mentioned. Therefore, to solve this problem, the states have to aim at much better revenue performance and also exercise progressive control over subsidies.

As far as revenue is concerned, the performance varies greatly across States. This suggests that many states can improve their revenue mobilization. The Planning Commission has offered to work with states to improve revenue performance and some states have responded. On a broader issue, I would like to point out that early implementation of the GST would make a major contribution. It would not only raise more revenue for both the Centre and the States, it would also create a single market in the country and remove many of the distortions in the indirect tax system. I will not elaborate on this

issue, as I am sure the Finance Minister will deal with it in detail in his remarks.

The Prime Minister has pointed out that because public resources are scarce, both the Centre and the States must explore the scope for public private partnership, wherever possible to leverage limited public resources. Since private investment is unlikely to go into some difficult areas, it is important to direct scarce public resources to those areas on a priority basis. PPP can be used in other areas. We would welcome the views of State Governments on the strategy.

The third issue I wish to mention is agriculture. The Approach Paper outlines the challenges in this area in great detail, and the Minister of Agriculture will give us his perspective in the course of the day. I would only like to emphasise that agriculture is crucial for inclusive growth and for food security. It lies entirely in the domain of state Governments. Although performance has improved in the eleventh Plan, we feel that this sector needs more attention and priority at State Government levels. Some of the actions we have recommended are very simple. For example, it should not be difficult to exempt horticultural products entirely from the application of the APMC Act. However, this is yet to be done.

The fourth issue I wish to touch on relates to the management of energy resources. The Approach paper points out that this will be a major challenge because rapid growth will require a significant expansion in domestic energy supplies and also a much greater focus on energy efficiency. Much of what needs to be done in the area of energy lies in the realm of the Central Government, and we hope we can take the difficult steps involved. However, some critical areas lie entirely in the domain of the State Governments.

One such area, where corrective action is urgently needed, is electricity distribution. The viability of the power sector as a whole depends critically upon the financial viability of the distribution system since that is where the revenues are collected to pay for generation and transmission. Unfortunately, the situation is deeply distressing.

