

**GOVERNMENT OF PUNJAB**

**DEPARTMENT OF PLANNING**

**SPEECH OF THE CHIEF MINISTER, PUNJAB**

**DELIVERED AT**

**THE REGIONAL CONSULTATION ON THE DRAFT  
APPROACH PAPER FOR THE 11<sup>TH</sup> FIVE YEAR PLAN**

**ON 3<sup>RD</sup> JULY, 2006**

**AT VIGYAN BHAWAN NEW DELHI**

**SPEECH OF THE CHIEF MINISTER, PUNJAB, DELIVERED AT THE REGIONAL CONSULTATION ON THE DRAFT APPROACH PAPER FOR THE 11<sup>TH</sup> FIVE YEAR PLAN ON 3<sup>RD</sup> JULY, 2006 IN VIGYAN BHAWAN, NEW DELHI.**

Hon'ble Deputy Chairman and Members of the Commission, Hon'ble Chief Ministers and Ministers from the States, ladies and gentlemen,

**INTRODUCTORY**

2. At the very outset, I would like to congratulate Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission of India and Members of the Commission for preparing an exhaustive and thought provoking Approach Paper for the 11<sup>th</sup> Five Year Plan. The Paper has been aptly titled "Towards Faster and More Inclusive Growth". No doubt, the country witnessed the highest rate of growth, at an average of 7% per annum, during the 10<sup>th</sup> Five Year Plan. However, decline in the poverty ratio has been rather slow and a large section of our people still subsist in abject poverty and lack access to quality education, health care, drinking water and sanitation. Aiming at a higher rate of growth during the 11<sup>th</sup> Five Year Plan, for alleviating poverty and for improving the quality of life of people is, therefore, understandable. However, the goal of inclusive development would remain elusive unless the needs of disadvantaged groups are addressed through specially designed projects and programmes.

3. It is noted that, the Approach Paper envisages an annual rate of growth of 8.5% during the 11<sup>th</sup> Five Year Plan. This is ambitious, but not unachievable. However, it is not inevitable. To achieve the projected rate of growth would call for a massive effort at improving infrastructure, stepping up rate of savings, and investment and vast improvement in human capital and its productivity. Besides, finding financial resources, both in the public and private sector, to fund the Plan, would pose a formidable challenge, in the face of restrictions imposed by the Fiscal Responsibility and Budget Management Act at the Federal and State level. There is, thus, a need for working out a trade off between fiscal rectitude and stepping up of the growth rate of the economy. In this scenario, role of the private sector in filling up the investment gaps and in efficient delivery of various Socio-Economic Services needs to be underscored.

## **STATE'S ECONOMY AND FINANCES**

4. Prolonged period of militancy and a continuous mismatch between revenue and expenditure played havoc with the State's economy. The rate of economic growth ebbed to an abysmal 2% in 2001-02. Agriculture and allied Sectors, which are the mainstay of the State's economy, clocked in a negative rate of growth during 2001-02. Therefore, the first priority for the State Government was to arrest the decline in growth and to restore the financial health of the State. A clutch of measures were undertaken in this direction by the State Government, even at the cost of being termed unpopular. As a result, the State has witnessed economic revival and a fiscal turn around. From 2003-04 to 2005-06, State's economy has been growing at an average of about 6% per annum. However, due to a poor rate of growth in the first year of the 10<sup>th</sup> Five-Year Plan, the rate of growth, during the 10<sup>th</sup> Five Year Plan, is likely to be 5% per annum, as against a target of 6.4%.

5. On the fiscal front, on the base of 2001-02, revenue deficit has reduced from 5.30% of the GDP to 1.25%, fiscal deficit from 7.99% of GDP to 2.70% and debt stock as percentage of revenue receipts from 460% to 333.60% at the end of 2005-06. Mr. Chairman, Sir, I am happy to share with the Commission that, after a long interval of over 10 years, the State Government, during 2005-06, was in a position to achieve a Plan performance of 107%. However, due to the poor Plan performance during the first three years of the 10<sup>th</sup> Five Year Plan, actual expenditure is likely to be about Rs. 13,400 crore, against the approved size of Rs. 18,657 crore.

## **MAJOR CHALLENGES**

6. Mr. Chairman, Sir, major challenges, such as providing essential public services for the poor, regaining agricultural dynamism, increasing competitiveness, developing human resource, protecting the environment and improving governance are well known and have been rightly captured in the Approach Paper. However, the real difficulty is how to address, rather redress them. While appreciating the limitations of an Approach Paper, I can very well understand that, a detailed plan of action for meeting these challenges could not be drawn up at this stage. I am, however, sure, that the Commission, in consultation with the States, would draw up a comprehensive blueprint in this behalf before seeking the approval of the National Development Council to the 11<sup>th</sup> Five Year Plan.

7. Mr. Chairman, Sir, I will now like to briefly dwell upon the problems and prospects across various sectors of the State's economy.

## **AGRICULTURE AND ALLIED SECTORS**

8. Notwithstanding the great achievements of the 1960s and 70s, it is undeniable that, the agriculture economy of the State has been slowing down since the 80s and agricultural growth declined from a high growth rate of 5% in the 80s to less than 2% at the end of the millennium. Galloping costs of inputs, stagnation in productivity and unrealistic MSP, which is totally unrelated to increase in cost of cultivation, are the principal causes of decline in agriculture. In addition, the natural resource base i.e. soil and water, has been degraded and eroded due to overexploitation. The consequences have been increasing indebtedness among farmers, loss of morale and tragic narratives of farmers' suicides.

9. The State Government will be adopting a regionally differentiated approach, keeping in view the strengths of different regions, during the 11<sup>th</sup> Five Year Plan. Cereal production, will, of necessity, remain in the vanguard. A special programme for increasing cereal productivity needs to be initiated and the pricing policies for agricultural produce need to be reviewed and made more responsive to market signals by fixing a realistic MSP. To tackle the problem of soil degradation and water depletion, a dedicated programme for promoting resource conservation technologies, such as zero tillage, deep ploughing, raised bed planting, laser land leveling etc. need to be popularized. The Approach Paper has rightly highlighted the existing knowledge deficit in agriculture. The State Government is grateful to the Union Government for a grant of Rs. 100 crore for reinvigorating research and development in the PAU.

10. The Approach Paper has also rightly emphasized the need for modern marketing for agriculture produce, which is possible only with the involvement of mega corporate entities. The State Government has been able to attract corporates like Reliance, Field Fresh Limited and Pepsico, which will not only provide inputs and extension services to the farmers, but will also lift their produce for processing and for marketing across the country and overseas. The State Government has already created the required legal framework through suitably amending the Agriculture Produce Markets Act to promote agri-processing and marketing.

11. For agricultural diversification, the new strategy lays emphasis on production of fruits and vegetables under controlled conditions, using modern practices like net houses, plastic tunnels and green houses. For achieving the same objective, half a million acres of land has been brought under crops, other than wheat and paddy, through contract farming. Yet another step towards diversification of agriculture, taken by the State Government, is the establishment of a

new University of Animal Sciences. This is likely to impart desired impetus to dairy and livestock development. Besides, an Agriculture Diversification, Research and Development Fund, with an initial corpus of Rs. 20 crore has also been created. However, there is a need for creating a Venture Capital Fund at the National level for promoting agri-businesses.

12. Provision of Rs. 500 crore earmarked for the National Horticulture Mission during 2005-06 is very meager, which needs to be enhanced to fully accommodate the requirement of funds for shifting from the traditional to horticulture crops.

### **RURAL INDEBTEDNESS**

13. Low farm prices, rising input costs and inadequate increase in productivity are responsible for the problem of acute agrarian stress. This is depicted by the mounting rural debt which stands at Rs. 26,000 crore – Rs. 7800 crore of Commercial Banks, Rs. 6200 crore of Cooperative Banks and Rs. 12,000 crore of money lenders. The immediate problem is not that of access to credit, but the unbearable burden of payment of interest and repayment of loans. The Government of Punjab has reduced interest on co-operative loans from 14.5% to 9% and has also offered OTS for settling sticky loans. We also propose to enact a law for providing relief from rural indebtedness. No debt relief on the basis of Vaidyanathan Committee Report or Vidharaba like Package has been given to farmers of Punjab. We have, therefore, proposed a special package for debt relief to Punjabi Farmers. I would request the Commission to use its good offices to have it approved by the Government of India.

### **HUMAN RESOURCE DEVELOPMENT**

14. Quality education and quality healthcare play a vital role in creating a healthy Knowledge Pool. No doubt, most of the social indicators in Punjab are above the national average. However, quality education and quality healthcare continues to be out of reach, not only of the poor, but also of relatively well off sections of the population. Low investment and lack of innovative delivery systems are mainly responsible for poor quality of education and health care. Health and Education being public goods, will have to be publicly funded. However, private sector, citizen sector and the community at large should be involved, both for meeting the investment gap, and more importantly, for improving delivery and quality of these services. A beginning has been made by the State Government by transferring 4500 Primary Schools, 1300 Primary Healthcare Units and 450 veterinary dispensaries to the Zila Parishads. Delivery of primary healthcare and veterinary care has been entrusted to service providers, who would enter into a service contract

with the Zila Parishads. The concerned line Departments will act as an oversight body and monitor the performance of the service providers. Insofar as primary education is concerned, 4500 schools have been transferred to be managed and run by the Zila Parishads and the teachers will be appointed under the new service rules, which ensure quality, non-transferability and accountability to the community rooted institutions. Such experiments need to be replicated and incentivised. I would strongly urge upon the Commission to incorporate in the 11<sup>th</sup> Five Year Plan a comprehensive policy in this behalf.

15. In the context of the globalize economy and flexible labour markets, it is important to build world class educational institutions from bottom to top, not only to provide skilled and productive human resource to the domestic economy, but also to realize full benefits from the international labour markets. I would, therefore, strongly recommend that the States should be enabled to set up educational institutions of world standards through public sector – private sector partnerships. Our vision is to set up 300 world class schools, 100 ITIs, 10 Polytechnics, 10 Colleges and 10 Centres of Excellence in the State during the 11<sup>th</sup> Five Year Plan. We are also planning to set up a Knowledge City at Mohali on an area of 400 acre, where Indian Institute of Science Education and Research, National Institute of Nano-technology, National Institute of Biotechnology and a Biotechnology Park would be set up.

## **IRRIGATION AND POWER**

16. Water and Electricity are the most acute constraints on the socio-economic development of the State. While the State is hugely deficit in power, its surface and ground water resources have been considerably eroded by overuse, resulting from paddy-wheat monoculture.

17. Against a demand of 8100 MWs, electricity production in the State is only 2792 MWs. If this huge deficit of 5308 MWs is not made up, State's economy is bound to be adversely affected. We, on our part, are doing our best to augment the power generating capacity within the State, which may not suffice and meet the demand, which is growing at a rate of 10% per annum. I would, therefore, strongly urge upon the Commission to liberally allocate to the State Government Central Power Projects being set up by the National Power Thermal Corporation and the National Hydro Power Corporation. I would also like to request my colleagues from Uttaranchal and Himachal Pradesh to join hands and collaborate with the Government of Punjab in tapping their huge hydro power potential to our mutual benefit.

18. We are aware of the problems in the transmission and distribution segments of the Electricity sector and would be taking effective measures to address the same for improving quality of power supply.

19. Insofar as water is concerned, in addition to generating new resources and augmenting the existing resources, water conservation, underground water recharge, macro irrigation and less water intensive agri-practices need to be emphasized, while formulating the 11<sup>th</sup> Five Year Plan. There is also a need to involve beneficiaries in this task through participatory management of irrigation systems.

## **INFRASTRUCTURE**

20. To fill the infrastructure gaps in roads, airports, drinking water, sewerage and solid waste management, is a gigantic task, involving huge investments. It is not possible to fully provide for infrastructure development out of meager resources of the State. State's efforts need to be supplemented, at a larger scale, by the Central Government. Besides, it is important to attract private investment into infrastructure development. The Government of Punjab have already created necessary legal framework in this behalf by enacting an over-arching law, namely the Punjab Infrastructure (Development and Regulation) Act. Infrastructure development in the segments of roads and bridges, industrial training institutes and bus stations in the PPP mode has already been successfully implemented. We propose to deepen this partnership by involving the private sector in setting up of Integrated Townships, Industrial Parks, Special Economic Zones and Urban Economic Corridors.

21. There is a programme of viability gap funding at the national level. However, it is sub-optimally provided for and is subject to tardy procedures, resulting in poor fund flow to the States. Not only procedures need to be simplified, funding for this programme also needs to be significantly up-scaled.

22. To tackle the problem of drinking water, sewerage, solid waste management and sanitation in the cities, towns and villages of the States, the State Government has mounted two initiatives, namely, the Municipal Development Fund and the Village Development Fund. These Funds have been provided with an independent Corpus, outside the State Budget, and if need be, can also access capital market. The objective of these Funds is to fund total management of water cycle projects in the cities, towns and villages of the State. In the current year, drinking water supply projects in 124 cities, sewerage projects in 46 cities and sanitation projects in 1700

villages of the State are proposed to be undertaken. In the 11<sup>th</sup> Five Year Plan, larger outlays for these programmes are proposed. A unique feature of the projects being implemented out of these Funds is a small capital contribution by the Municipalities and the Village Panchayats, apart from earmarking dedicated revenue streams to meet operation and maintenance costs. Operation and maintenance for the first 3 years after commissioning the project, is built up in the contract itself. I would strongly urge upon the Commission to adequately fund and incentives such initiatives on the part of the States. Jawahar Lal Nehru National Urban Renewal Mission, which was set up during the last year, is very limited in coverage and funding and is not likely to make a significant dent on the problem of urban renewal.

23. While on infrastructure, I would like to request the Government of India to extend the access-controlled express way from Ambala to Wagha, extend gas grid to Punjab and to extend the dedicated freight corridor, if not to Amritsar, at least to Jalandhar.

24. Punjab State could derive only a marginal benefit from the newly launched Bharat Nirman Programme, as it is only an aggregation of various existing programmes under one head. Besides, the norms for availing assistance under this programme are so fixed that, relatively developed States like Punjab, are completely excluded. We have, therefore, launched a new Programme, called the Punjab Nirman Programme to meet the felt developmental needs of the urban and rural areas and Rs. 660 crore have already been released to the District Planning Boards for funding the same. I would strongly urge upon the Commission to support such initiatives.

## **INDUSTRIAL DEVELOPMENT**

25. Mr. Chairman, Sir, in the Approach Paper, increasing manufacturing competitiveness has been rightly emphasized as a challenge. If the manufacturing sector is to grow at 12%, as envisaged, infrastructure, consisting of roads, railways, airports, communication and electric power will need to be improved at least to the level of the countries India is competing with for the world market. In the open trade environment, producers need to compete not only to capture international markets, but also to retain domestic market share. This calls for a level-playing-field in terms of additional costs which poor infrastructure entails for the producers. While it may not be possible to provide world class infrastructure all over the country, compact Investment and Manufacturing Regions over an area of 250-400 square kms, are eminently sensible for this purpose. We propose to create four such Regions, namely, Mohali, Ludhiana, Amritsar and



Bathinda. Our endeavor would be to provide world class infrastructure for manufacturing units in these Regions. At least one such Region in Punjab may be taken up for funding by the Central Government in the 11<sup>th</sup> Five Year Plan.

26. Manufacturing sector in the State has been rendered totally uncompetitive due to tax sops offered by the Government of India to the neighbouring States of Uttaranchal, Himachal and J&K. In the compact manufacturing zones in the proposed Investment Regions, manufacturing units may be provided similar tax concessions. The Government of India should also facilitate a couple of big ticket investments in the State in agri-processing, auto and auto components and textiles to revitalize the manufacturing sector.

## **EMPLOYMENT**

27. Growth in employment, especially in the organized sector, has not been commensurate with the growth in the Economy during the 10<sup>th</sup> Five Year Plan. Jobless growth is clearly unsustainable. Construction, retail and reality and services sectors are the biggest generators of employment. A special package of incentives needs to be worked out to promote a model of development in the states on the pattern of Dubai, Singapore and Kuala Lumpur.

## **DISADVANTAGED GROUPS**

28. Plight of disadvantaged groups like scheduled castes and backward classes, children and women in Punjab is not much different from their brethren in other States of the country. The State Government has played a pro-active role in ameliorating their lot. Apart from providing free education facilities and scholarships, a dedicated Social Security Fund, with an annual corpus of about Rs. 500 crore, has been launched. The Fund is being used for various welfare measures for the weaker sections. The percentage of scheduled castes population in the State, at 30%, is the highest in the country. No weightage is being given by the Planning Commission in the allocation of funds through various windows to this factor. I would, therefore, suggest that percentage of scheduled caste population may be included as one of the factors in the criteria governing transfer of funds from the Centre to the States.

We are conscious of the adverse sex ratio in the State and several measures to reverse the same have been taken, as a result of which there has been some improvement in the sex ratio, which has in the age group of 0 - 6, gone up from 798 in 2001 to 817 in 2005.

29. Mr. Chairman, Sir, towards the concluding part of my address, I would like to turn to some specific issues that have been raised in the Approach Paper. Firstly, the Government of Punjab is of the firm view that all Centrally Sponsored Schemes, relating to subjects allocated to the States under the Constitution, must be done away with and funds thus released may be unconditionally allocated to the States under the revised Gadgil Formula. Secondly, the State Government firmly believes in the decentralization of Planning process and have taken certain concrete measures in this direction. The Punjab District Planning Committees Act, 2005, has been enacted and the District Planning Committees will be constituted shortly. Significantly higher outlays have been allocated to the district level schemes. 29 activities, which are currently administered at the provincial level, are proposed to be effectively decentralized to Municipalities and Panchayati Raj Institutions. Primary healthcare, primary education, rural water supply, social security and elementary nutrition programme have already been transferred to these institutions.

30. Last, but not the least, Mr. Chairman, Sir, I would like to draw your attention to the fact that relatively developed States like Punjab are virtually excluded from accessing most of the national programmes because of the procedural rigidities and the availment norms which are fixed solely with an eye on the least developed States. Without intending to harm the sister States, which are relatively less developed, I would like to suggest that, if any State has already achieved more than minimum national norms, they may be suitably assisted to improve their performance further and benchmark themselves to the best in the world, rather than being deprived of assistance under the National Programmes.

31. While concluding, Mr. Chairman, Sir, I would like to thank you for affording me this opportunity to meet you all and share my thoughts on the Approach to the 11<sup>th</sup> Five Year Plan.

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