

Full Planning Commission Meeting

Issues for Approach to the 12th Five Year Plan



Presentation by
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<http://planningcommission.gov.in>



Process of Formulating the 12th Plan

- We have commenced a very wide consultative process on the challenges for the 12th Plan
- Over 900 CSOs across the country have participated, as well as many industry associations and ‘think tanks’
- Internet being used for first time to reach out to broader community including several hundred sectoral experts
- Planning Commission has launched a dedicated website <http://12thplan.gov.in> This site is also linked to Facebook. 32,000 netizens have visited these two sites and have left many insightful comments
- A series of regional consultations with States are planned in May
- Dialogue with other stakeholders continues

Eleventh Plan Experience

- GDP growth likely to average 8.2% over 11th Plan: short of the 9% target, but remarkable given the global crisis and drought
- In the 10th Plan GDP growth averaged 7.7 %
- We have also seen progress on inclusiveness: Agricultural growth, Poverty Reduction, Education, Health, Upliftment of SCs/STs, Minorities etc.
- However progress on inclusiveness less than expected. We are likely to miss Millennium Development Goals (MDG), except perhaps on poverty
- Inflation has accelerated in the last two years
- Current international environment is very uncertain
 - Global pressure on food, oil and other commodity prices
 - Financial conditions & exchange rates are likely to be volatile due to sovereign debt related problems in Europe/US, and readjustment of extra-ordinary monetary/fiscal easing

Key Messages from Consultations

- Strong demand from all sectors of society to improve Implementation, Accountability and Service Delivery
- Citizens Groups broadly support the stated objectives of existing government programmes. However, the design and institutional arrangements are weak. Greater devolution and empowerment needed
- Government programmes need a new architecture: greater localisation, break-down of silos, feedback from citizens, and mechanisms for learning and sharing of best practices
- A major contribution to economic growth now comes from the private sector. A policy environment that supports this dynamism is therefore important
- Create environment for nurturing enterprise, improving markets, supporting innovation, providing access to finance and inculcating respect for common pool resources

Twelfth Plan Objectives

- **Basic objective** : Faster, More Inclusive, and Sustainable Growth
- **Is 10% growth feasible?** Realistically, even 9% will need strong policy action. **Could aim at 9.0 to 9.5 percent**
- Energy, Water and Environment present major sectoral challenges. Can we address them without sacrificing growth?
- Can we find resources to create a world class infrastructure?
- For growth to be more inclusive we need:
 - Better performance in agriculture
 - Faster creation of jobs, especially in manufacturing
 - Stronger efforts at health, education and skill development
 - Improve effectiveness of programmes directly aimed at the poor
 - Special programmes for socially vulnerable groups
 - Special plans for disadvantaged/backward regions

Agriculture and Rural Development

- Target at least 4% growth for agriculture. Cereals are on target for 1.5 to 2% growth. We should concentrate more on other foods, and on animal husbandry and fisheries where feasible
- Land and water are the critical constraints. Technology must focus on land productivity and water use efficiency.
- Farmers need better functioning markets for both outputs and inputs. Also, better rural infrastructure, including storage and food processing
- States must act to modify APMC Act/Rules (exclude horticulture), modernize land records and enable properly recorded land lease markets.
- RKVY has helped convergence and innovation and gives State governments flexibility. Must be expanded in Twelfth Plan
- MGNREGS should be redesigned to increase contribution to land productivity and rain-fed agriculture. Similarly, FRA has potential to improve forest economies and tribal societies. But convergence with NRLM required for enduring rural livelihoods

Water

- Revisit India's water balance estimates basin-wise. Must map all aquifers over next five years to facilitate aquifer management plans
 - AIBP is not achieving its objectives. It must be restructured to incentivise irrigation reform and efficiency of resource use. Setting of Water Regulatory Authority must be a precondition
 - Strong case for higher priority to watershed management
 - Separation of electricity feeders for agriculture can improve quality of power availability
 - Proportion of water recycled by urban India and industry to be raised to protect water levels, and improve surface and groundwater quality
 - Rational water use may need :
 - New Groundwater Law reflecting Public Trust Doctrine
 - New Water Framework Law (as in the EU)
- Need to evolve political consensus. **Perhaps discuss in a special NDC**
- Need National Water Commission to monitor compliance with conditionalities imposed in the investment clearance of important projects

Industry (1)

- Manufacturing performance is weak. Need to grow at 11-12% per year to create 2 million additional jobs per year. Growth in 11th Plan is in 8% ballpark
- Indian industry must develop greater domestic value addition and more technological depth to cater to growing domestic demands and improve trade balance
- Tune-up FDI and trade policies to attract quality investment in critical areas
- Improve business regulatory framework: ‘cost of doing business’, transparency, incentives for R&D, innovation etc.
- Land and infrastructure constraints are a major problem. States should develop ‘special industrial zones’ with good connectivity and infrastructure
- ‘Clusters’ need to be supported to enhance productivity of MSMEs
- Better consultation and co-ordination in industrial policy making

Industry (2)

- Some sectors should be given special attention because they contribute most to our objectives eg:
 - *Create large employment*: textiles and garments, leather and footwear; gems and jewelry; food processing industries
 - *Deepen technological capabilities*: Machine tools; IT hardware and electronics
 - *Provide strategic security*: telecom equipment; aerospace; shipping; defence equipment
 - *Capital equipment for infrastructure growth*: Heavy electrical equipment; Heavy transport and earth-moving equipment
 - *Sectors with global competitive advantage*: automotive; pharmaceuticals and medical equipment
 - *MSMEs*: innovation, employment and enterprise generation
- Sectoral plans are being prepared for each of the above with involvement of industry associations and the concerned Ministries

Education and Skill Development

- Must aim at universalisation of secondary education by 2017
- Must aim at raising the Gross Enrolment Ratio (GER) in Higher Education to 20 percent by 2017 and 25 percent by 2022
- Must focus on quality of education (11th Plan emphasis was on quantity). Must invest in faculty development and teachers' training
- Must aim at significant reduction in social, gender and regional gaps in education. Targets to be set for this purpose
- Major curriculum reforms in vocational/skill development to ensure employability in response to changing market needs
- Development and operationalisation of PPP models in School and Higher Education in accordance with the needs of a fast growing economy
- Research and innovation in higher education must be encouraged with cross-linkages between institutions and industry

Health

- Better health is not only about curative care, but about better prevention
 - Clean drinking water, sanitation and better nutrition, childcare, etc. Convergence of schemes across Ministries is needed
- Expenditure on health by Centre and States to increase from 1.3% of GDP to at least 2.0%, and perhaps 2.5% of GDP by end of 12th Plan
- Desperate shortage of medical personnel. Need targeted approach to increase seats in medical colleges, nursing colleges and other licensed health professionals
- Improve quality of NRHM services vs. quantity of NRHM infrastructure. Structured involvement of PRIs/CSOs can help
- Role of PPP in secondary and tertiary healthcare must be expanded
- Health insurance cover should be expanded to all disadvantaged groups
- Focus on women and children; ICDS needs to be revamped

Energy (1)

- Commercial energy demand will increase at 7% p.a. if GDP grows at 9%. This will require a major supply side response and also demand management
- Energy pricing is a major issue. Petroleum and Coal prices are significantly below world prices and world prices are unlikely to soften.

1. Power Sector Issues

- We must set a target of 100,000 MW capacity in 12th Plan (against likely achievement of 50,000 MW in Eleventh Plan)
- Coal availability will be a major constraint
- Long term health of power sector seriously undermined (losses ₹70,000 crore per year). AT&C losses are coming down, but too slowly. State governments must push distribution reform
- Hydro-power development seriously hindered by forest and environment clearance procedures. Himalayan States complain strongly
- Electricity tariffs not being revised to reflect rising costs. Regulators are being held back from allowing justified tariff increases
- Open access is not being operationalised

Energy (2)

2. Coal Production

- On optimistic assumption about Coal India production, we will need to import 250 million tonnes in 2017-18
- Must plan for corresponding expansion of rail and port capacity
- Coal India must become a coal supplier and not just a mining company. Should plan to import coal to meet coal demands. This requires blending of imported and domestic coal as supplied by Coal India
- Environment and forest clearances of coal mining projects, including few private sector captive projects, will be critical. GoM is examining this

3. Petroleum and Natural Gas

- Need further expansion of new NELP blocks. Stable and clearer production sharing contracts will incentivise exploration and encourage investment
- Pipeline network for transportation of natural gas and LNG is limited. Need quick expansion

Energy (3)

4. Other Energy Sources

- Nuclear power programme must continue with necessary safety review
- Solar Mission is seriously underfunded. Is bidding sufficiently competitive?
- Need longer term energy solution for cooking in rural areas. Expand LPG network (with cash subsidy for the deserving, not subsidised prices). Also use off grid solar and bio-mass energy
- Wind power development, including off shore wind power, needs to be encouraged

5. Demand Side Management

- Expansion in supply will need to be supported by demand side management
 - Rational energy pricing will help
 - Energy standards for high energy consuming industry, electrical appliances, energy efficient buildings or enhanced use of electric/hybrid vehicles

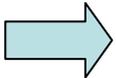
Transport Infrastructure

- Railways' Western and Eastern Dedicated Freight Corridors (DFC) must be completed by the end of the Twelfth Plan
- High Speed Rail link between Delhi-Mumbai and Delhi-Kolkata in the Twelfth Five Year Plan
- Use more PPP in railways and state highways to complement government investment. Capital intensive transport projects should rely on private investment to release resources for other priorities
- Complete the linkages between the ports and the existing road and rail network. Need to deepen existing ports. Increase bulk/container capacity
- Ensure sufficient provision for maintenance of the already-built roads
- Invest in unified tolling and better safety on highways
- Improve bus services/public transport in smaller cities, towns and districts.
- Metros in urban areas through PPPs wherever feasible

Managing Urbanisation

- India's urban population is expected to increase from 400 million in 2011 to about 600 million or more by 2030
- Critical challenges are basic urban services especially for the poor: water, sewerage, sanitation, solid waste management, affordable housing, public transport
- Investment required in urban infrastructure is estimated at ₹60 lakh crore over the next 20 years
- We need to develop and propagate innovative ways of municipal financing, through Public-Private Partnerships (PPPs)
- Land management strategies key for good urban development as well as financing urban infrastructure development
- Need training and capacity building for urban planning and urban services management; for corporators and municipal officials
- Reform of JNNRUM for the next phase, and convergence with RAY for an integrated approach

12th Plan Resources for the Centre (as percent of GDP)

- Resources for the Plan are being worked out in collaboration with the Ministry of Finance
- A preliminary picture (as % of GDP) is : 

	<u>11th Plan Realization</u>	<u>12th Plan Projections</u>	<u>2011-12 BE</u>	<u>2016-17</u>
1 Tax Revenue (Net)	7.7	8.0	7.2	8.8
2 Non-Tax Revenue incl. Disinvestment	2.4	1.9	2.2	1.6
3 Fiscal Deficit	4.9	3.3	4.6	3.0
4 Total Resources (1+2+3)	15.0	13.3	14.0	13.4
5 Non-Plan Expenditure	10.3	8.0	9.1	7.2
6 Centre's GBS (4-5)	4.7	5.4	4.9	6.2
(a) Assistance to States	1.2	1.3	1.2	1.4
(b) GBS for Centre	3.5	4.1	3.7	4.8
7 IEBR of PSUs	2.9	3.3	2.9	3.6
8 Central Plan {6(b)+7}	6.4	7.4	6.6	8.4

Resource Allocation Priorities in 12th Plan

- Health and Education received less than projected in Eleventh Plan. Allocations for these sectors will have to be increased in 12th Plan →
- Health, Education and Skill Development together in the Centre's Plan will have to be increased by at least 1.2 percent point of GDP
- Infrastructure, including irrigation and watershed management and urban infrastructure, will need additional 0.7 percentage point of GDP over the next 5 years
- Since Centre's GBS will rise by only 1.3 percentage points over 5 years, all other sectors will have a slower growth in allocations
- Must reduce the number of Centrally Sponsored Schemes (CSS) to a few major schemes. For the rest, create new flexi-fund which allow Ministries to experiment in other CSS areas
- Use of PPP must be encouraged, including in the social sector, i.e. health and education. Efforts on this front need to be intensified
- Distinction between plan and non-plan being reviewed by Rangarajan Committee

Issues for Special Category States

- Large number of Government employees means very limited scope for States' own resources for the Plan
- Private Sector investment relatively subdued – implies greater role for public investment
- Infrastructure gaps lead to higher cost of goods and services: Accelerated efforts are required to develop infrastructure
- High proportion of forest cover and mountain eco-systems become constraints on rapid development. Forest clearances are difficult to get and States have to pay NAV. They demand monetary compensation for providing “eco services” to the nation
- States' share for Centrally Sponsored Schemes is not uniform
 - North Eastern States contribute only 10% share for most CSS
 - States such as J&K, HP and Uttarakhand have to contribute normal state share under many CSS

Governance and Empowerment

- Citizen feedback reveals general dissatisfaction with state of public service delivery. Total Quality Management needs to be introduced at all levels. Delivery and policy functions need to be separated in Government Ministries
- Social Mobilisation: People should be active agents of change. Flagship programmes need to provide human and financial resources for social mobilisation, capacity building and information sharing
- Professionally managed delivery organisations are needed with clear mandates and accountability. We need much better mechanisms for convergence of government departments on systemic issues
- Devolution can be effective only if the autonomy of PRIs/ULBs is increased and their human resource capabilities improved. How can the Centre help?
- Mechanisms need to be created at all levels to understand the needs of vulnerable sections of the society and inform policy-makers
- Diagnostics of Failure and Mainstreaming of Success: horizontal linkages need to be created for exchange of information and best practices
- Institutional mechanisms for conflict resolution, particularly for land and water

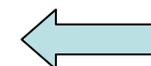
THANK YOU



Resource Allocation among Major Sectors in the Central Plan during Eleventh Plan

(₹ Crore in 2006-07 Prices)

<u>No.</u>	<u>Sectors/ Ministries</u>	<u>Projection</u>	<u>Realisation</u>	<u>% Realisation</u>
1.	Health	123,901	75,533	61
2.	Education	238,608	142,659	60
3.	Women & Child Development	48,420	34,981	72
4.	Agriculture	54,801	43,583	80
5.	Roads Transport & Highways	73,530	63,332	86
6.	Power	26,924	28,164	105
7.	Urban Development	14,261	23,312	163
8.	Rural Development	231,380	281,199	122
9.	Railways	40,513	58,042	143
10.	Others	244,522	205,635	84
11.	<u>Grand Total</u>	<u>1,096,860</u>	<u>956,440</u>	<u>87</u>



Assumptions behind Non-Plan Expenditure

- **Pay and Allowances:** 8 percent annual growth
- **Pension:** 12 percent annual growth
- **Defence:** 10 percent annual growth
- **Non-plan grants:** 14 percent
- **Subsidies:** 5 percent annual growth
- **Others:** 8 percent annual growth

