

PM's Inaugural Address at the 56th Meeting of the National Development Council (NDC) at Vigyan Bhavan, New Delhi on 22nd October, 2011

"I have great pleasure in welcoming you to this 56th meeting of the National Development Council to consider the Approach to the Twelfth Plan.

The Approach Paper outlines the challenges we face in achieving our goal of rapid, inclusive and sustainable growth over the next five years. I look forward to hearing your views on these challenges. To initiate the discussion I would like to share with you, my perspectives on some broader issues.

As we chart our course for the 12th Plan, we must take note of what is happening in the world economy, and in our neighbourhood and shape our policies accordingly. The world is going through a major realignment of economic power. Industrialised countries are slowing down, emerging market economies are gaining weight and regionally, Asia is gaining weight. As an emerging market economy in Asia, we stand to gain on both counts. Our policies in the 12th five year Plan must therefore be shaped to take full advantage of these emerging possibilities.

As planners, we need to ask what government should do to achieve our social and economic objectives? Much of the growth process is now driven by actors outside the direct control of government. This includes small and big farmers, small and medium entrepreneurs and of course the private corporate sector, all of whom respond to market forces. This, however, does not mean that government has no role to play in the development process. It has a very large role and I would distinguish four areas in this context.

First, government must provide a policy environment in which the creative spirit of our farmers and entrepreneurs is given full support and encouragement. This includes an environment of macro-economic stability, efficient functioning markets which ensure competitive discipline on private sector producers, a sound financial system for allocating financial resources, good governance with transparency and effective enforcement of the rule of law.

Second, the government has a very big role to play in developing the infrastructure needed in both rural and urban areas to support broad and inclusive growth.

Third, the government must have special programmes for livelihood support for the poor and vulnerable, aimed at directly increasing their income earning capabilities and at mainstreaming them in the overall growth process.

Fourth, government must ensure that every citizen must have access to essential public services of acceptable quality in health, education, skill development, provision of safe drinking water and sanitation. Without such services, effective inclusion is simply not possible.

As we enter the Twelfth Five Year Plan, both the Central and State Governments should review what they are doing in each of these areas, and strengthen policies wherever necessary.

The Approach paper proposes a growth target of 9 percent per year. It is relevant to ask whether this is feasible since the economy is currently slowing down. The current slowdown

is a matter of concern, but it should be seen as a short term phenomenon, reflecting highly unsettled conditions in the global economy. Growth rates are being revised downwards in all countries for the current year.

We must guard against the mood of negativism that seems to have gripped the country. Recently a distinguished business leader said that in India “the business is better than the mood”. Investment is, after all, a reflection of the ‘animal spirits’ of enterprise. As we in government seek to create the foundations for higher investment, higher employment and growth, we must be particularly mindful of the impact of our policies and politics on public and private investor sentiment.

In setting targets for the Twelfth Plan we must look at longer term potential, assuming that the immediate short term problems will be overcome. I have absolutely no doubt that our country’s longer term prospects are very good. Twenty years ago, in my first Budget speech as Finance Minister, borrowing a phrase from Victor Hugo, I had said, “No power on earth can stop an idea whose time has come”. I went on to say that “the emergence of India as a major economic power in the world happens to be one such idea”.

I am happy to say that in the past two decades, different political parties, ruling in different times in different States, and also in the Centre, have pushed in the same general direction to ensure that my prediction is now a widely accepted reality. In the seven years since the UPA government first came to power in 2004, the economy has grown at an average rate of 8.5%. India is now regarded one of the fastest growing emerging markets. What is particularly encouraging is that many states, including some that grew relatively slowly in earlier years, have shown an acceleration in growth performance. I congratulate the Chief Ministers of all these States. If each of our States adopts the ‘national best practice’, if not ‘global best practice’, our nation as a whole will benefit enormously.

Of course, growth has never been our sole objective. Our aim has always been inclusive growth, by which we mean growth which ensures a broad spread of benefits to all sections of our population, particularly the Scheduled Castes, the Scheduled Tribes, the Other Backward Castes and other marginalised groups and also protects the environment. A criticism often advanced is that while we have delivered high growth, we have not done nearly as well on inclusiveness. I believe there is some truth in this criticism, in the sense that we should have done better. However, it is not true to say that progress on this front has not been significant.

An important aspect of our performance which is relevant for inclusiveness is that agricultural growth, which had decelerated to an average 2.2 percent per year in the Tenth Plan, is likely to clock an average 3.5 percent in the Eleventh Five Year Plan. This distinct improvement testifies to the success of many efforts made by the Central and State Governments in this area. Faster agricultural growth, combined with the implementation of MGNREGA, has produced an impressive increase in rural wages in real terms.

Education and health have been critical focus areas in our inclusiveness strategy and there is encouraging news in these areas. The Right to Education Act is now on the statute books. Enrollment of children in primary schools is near universal. Dropout rates are high, but they are falling. There remains a gap between Scheduled Castes, Scheduled Tribes and the rest of the population, which must be eliminated, but this gap is progressively becoming narrower. The gap between girls and boys is also falling. As we strive to reduce these gaps further, we must now address the next big challenge which is to improve the quality of education, and the employability of the educated.

The National Rural Health Mission, which took off only in 2007, has begun to address the large gaps in health infrastructure. Much remains to be done but there is evidence of progress. Institutional deliveries have increased from 54% in 2006 to 73% in 2009. The infant mortality rate has fallen from 57 to 50, over the same period. A major initiative in health for the poor has been the Rashtriya Swasthya Bima Yojana, which now provides an insurance cover for in-patient treatment to well over 100 million people. We must build on this experiment to move towards a system of universal health coverage in the Twelfth Five Year Plan.

Improving infrastructure in both rural and urban areas is critical for inclusive growth. The Bharat Nirman programme, which focussed on rural infrastructure development, has channelled substantial volumes of resources into rural roads, rural electrification, irrigation, rural drinking water and rural housing. This effort will have to continue. Special efforts will be necessary to control degradation of our land and water resources which adversely affects the livelihood of millions of small and marginal farmers who live on the edge of subsistence.

General infrastructure development of the economy is also critical. Both the public sector and the private sector can play a major role, with public investment concentrating on areas where the private sector is unlikely to go. I am happy to say that both the Central Government and State Governments have successfully implemented many Public Private Partnership projects in infrastructure in the Eleventh Five Year Plan. A recent international report has ranked India second in the number of PPP projects taken up.

The Eleventh Plan, for the first time, presented an infrastructure plan for the North East. It has made a good start and we must continue this thrust in the Twelfth Five Year Plan. The special requirements of Jammu & Kashmir have also to be factored in our plan calculus. The tribal dominated districts in the heartland of the country, which are the focus of left wing extremism, also need a better infrastructure, particularly roads. This is essential for their development and we must give special emphasis to this task.

In many of these areas it is the State Governments that have the major implementing role. The Central Government can only provide support through Centrally Sponsored Schemes. I am aware that there are complaints about the proliferation of these schemes and the lack of flexibility in their guidelines. The Twelfth Plan provides an opportunity to streamline and restructure Centrally Sponsored Schemes to overcome these gaps. The Planning Commission had appointed the B.K. Chaturvedi Committee to look into these issues and the Report of the Committee has been circulated to all Chief Ministers. I look forward to hearing your views on the recommendations of the Committee.

Let me also touch on the complex issue of the interaction between politics and development policies. Managing this interaction effectively is crucial if India is to achieve her full development potential.

Our democracy, our civil society and our free Press, all face a revolution of rising expectations. This is to some extent caused by the visible success achieved in some areas, which has made people realise what is possible and therefore, they demand a fair share of benefits in terms of the new opportunities created. The fact that we are a functioning democracy, in which vast numbers of our people participate and have a voice, magnifies the phenomenon.

I believe we should be proud of the way our democracy forces the government to address these problems. But it is also true that this tidal wave of rising expectations puts tremendous

pressure on our institutions. Since democracy is a politically competitive process, political parties naturally give voice to the demands of the people. But development also requires time and patience for policies to have an impact. It also requires co-operation.

Elected governments can deliver only if, once elections are over and a government is formed, the political process works to allow governments to function in a manner where the needs of long term development do not become hostage to short term concerns. What this means is that Parliamentary Parties have to strike a difficult balance between maintaining adversarial political positions on many issues, while also co-operating to advance a shared longer term national agenda. This balance is not easy to strike.

At times like these, it is of vital importance that each of our democratic institutions – the Executive, the Judiciary, the Parliament and State Legislatures, the various constitutional and regulatory authorities, understand what their due role is, and play that due role in a constructive manner.

It is our collective responsibility to reverse the mood of negativism today. The future is what we make of it. Nothing is ordained or pre-determined. India can rise, but India can also falter. We live in a world of rising and faltering economies. We can either become victims of negativism, criticising ourselves all the way, or work together to put ourselves firmly in the group of rising economies. Both optimism and pessimism have an infectious quality.

I am confident that we can overcome the challenges we confront. But, I also realise that to do so we must first understand the enormity of the change underway globally and the challenge this poses for us. I urge you, Honourable Chief Ministers, to work together with the Central government to help accelerate the pace of growth and improve the quality of development of our people. Let us dedicate ourselves to implementing the 12th Plan in this spirit of nation building.

The world is watching India with great interest. I also believe it is watching us with great good will. The world has a stake in India's success because a peaceful prosperous democratic India is a stabilising force in the world. Let us therefore embark on the Twelfth Five Year Plan journey with ambition tempered with humility and confidence, combined with determination. Let us show the world that democratic India is capable of building a prosperous, inclusive, secular and plural nation on the path of sustainable growth. The world has a great stake in the success of this Indian model of development.

I will now request the Deputy Chairman to highlight some of the specific challenges we face, particularly those which most concern the States.”
