

SPEECH OF SHRI MAN IK SARKAR, CHIEF MINISTER OF TRIPURA, TO THE NATIONAL DEVELOPMENT COUNCIL ON THE TWELFTH FIVE-YEAR PLAN

Hon'ble Prime Minister,

Distinguished Members of the National Development Council, Ladies and Gentlemen,

I am glad to have been given this opportunity to present my views before this august body, which is meeting today to discuss the Draft of the Twelfth Five Year Plan 2012-17 prepared by the Planning Commission.

2. Planning in India, of late, has been afflicted by a serious misconception, namely, that the magnitude of poverty in the country has been coming down as a result of the plans and the economic growth they have engendered. From this, the conclusion drawn is that the basic strategy of our planning is correct, and all that is required is to carry it forward, with some adjustments at best, to make it even more "inclusive" than it has been. This is the underlying presumption of the Draft Twelfth Plan document as well. Indeed the Draft Twelfth Plan document lists what it claims are the achievements of the eleventh plan on "inclusive growth", one of which is that the population below poverty line has come down each year
3. This presumption, however, is completely wrong, and any meaningful planning can begin only when we reckon with this basic fact. From 1973-74 when poverty estimates began, poverty in India has always been defined with respect to a calorie norm, i.e., 2100 calories per person per day in urban India and 2400 (later changed to 2200) calories per person per day in rural India. Persons unable to access these norms are defined as "poor". By this criterion, the proportion of the "poor" in the country has been rising steadily: the proportion of population below 2100 calories per person per day in urban India was 57 percent, 64.5 percent and 74 percent respectively in 1993-94, 2004-05 and 2009-10, showing a steady increase even during the eleventh plan. And the proportion of population below 2400 calories per person per day in rural India was 73 percent, 87 percent and 90 percent respectively in 1993-04, 2004-05 and 2009-10, showing again a steady increase. In fact, the *average* calorie intake in these three years was 2153, 2047 and 2020 respectively in rural India, and 2071, 2020 and 1946 respectively in urban India, showing an unmistakable decline. Against this clear-cut finding from official data sources, the Planning Commission has been claiming a decline in poverty over time by defining for each of these years a specific "poverty line" in an arbitrary manner. The increase in poverty based on the calorie norm is absolutely indubitable.
4. This is also borne out by data on per capita foodgrain absorption in the country, which is the principal determinant of calorie intake. Taking *per capita daily net availability* of foodgrains, we find that the average figures for the periods 1998-2000 and 2008-10 were 455.7 and 439.5 grams respectively, showing an unmistakable decline during the high growth years.
5. Faced with this fact, the Planning Commission has argued that the decline in foodgrain intake, and the associated decline in calorie intake, is because of a change in taste among the people, i.e. they no longer wish to consume as much foodgrains as they used to, but wish instead to diversify their consumption

towards other goods, which is a symptom of their becoming better off, and hence, more sophisticated, in their consumption pattern. But all over the world, a rise in per capita real incomes is *invariably* associated with an increase in per capita foodgrain intake, taking both direct and indirect intake into account, the latter through processed foods and animal products into whose output foodgrains enter as feedgrains. There is no reason to believe that the Indian people are any different from the rest of humanity in this respect. Hence, if we find per capita foodgrain intake declining in India, then the obvious explanation for it is an increase in deprivation. In denying this, and asserting the contrary, the Twelfth Plan document starts from a wrong premise.

6. The question to ask therefore is: why has there been an increase in hunger and deprivation among the people of this country precisely during a period when the GDP growth rate appears to have been so impressive. To say that there has been an increase in income inequality during this period is to state the obvious. The real question is: why has there been such a striking increase in income inequality? One obvious reason has been the *pattern of growth*, the fact that the acceleration in growth has been largely confined to the service sector, while agriculture, where more than half the work-force of the country is still employed, has witnessed virtual secular stagnation. For instance, if we take the annual average figures for the periods 1998-2000 and 2008-10, then we find that per capita foodgrain production in the country has declined from 189 kilograms per annum to 185 kilograms.
7. The problem, however, is not just a *sectoral* one, of one particular *sector* lagging behind the others. The problem is *social*: of a growth strategy favouring the big corporates, both domestic and foreign, and the large financial interests, [^]*the expense of the small producers and the peasantry*. The stagnation of agriculture as a *sector* is a reflection of the squeeze on the peasantry as a *social class*, which is why it would be wrong to say that the country is facing an *agricultural crisis*; it is facing an *agrarian crisis*. Its essence lies in the fact that the period of "liberalization" has witnessed a withdrawal of support by the State to the peasants, through reductions in input subsidies, a rolling back of public extension services, a winding up of the system of subsidized institutional credit, a curtailment of rural development expenditure, and a general miserliness in offering remunerative procurement prices. The latest example of this orientation of State policy, in favour of large corporates and financiers and against the petty owners, is the opening up of multi-brand retail to Foreign Direct Investment, i.e. to companies like Wal-Mart, which threatens the livelihood of millions of petty traders. The claim that it would benefit the peasantry is belied by the experience of countries like Thailand which have taken this path earlier; besides, since Wal-Mart will have the freedom to import its wares from other countries, the peasantry would be driven to the wall through more severe international competition.
8. While the per capita foodgrain production in the Country has been stagnant, the manner of management of the food economy has resulted in further decline in per capita foodgrain absorption in the country. The government has held massive and growing foodgrain stocks even in the face of increasing hunger among the people; and these stocks have been exported abroad from time to time. The obvious question that arises is: why does the government not distribute these stocks through the *public distribution system*? The PDS has

been severely curtailed through the introduction of "targeting"; and enlarging distribution through the PDS by removing such "targeting" would reduce both the magnitude of government stocks and also the intensity of hunger. The reason why the government does not do so is that this would raise the fiscal deficit by increasing the amount of food subsidy, which would supposedly aggravate inflation. In fact, if the fiscal deficit is to be curtailed then the way to do so should be through taxing the rich who have been the beneficiaries of substantial tax concessions in recent budgets and not by reducing food subsidies for the poor..

9. Since the strategy of growth, including what is envisaged for the Twelfth Plan, consists in boosting the "confidence" of the financial interests in the economy, or giving a fillip to "market sentiments" in the economy, all of which are a euphemism for appeasing big corporate and financial interests, such growth will never alleviate poverty. On the contrary, it would aggravate poverty by transferring control over assets, including land and common property resources, from peasants, petty producers, marginal producers and the people at large, to the big corporates and financiers. As the dispossessed peasants and petty producers flock to the cities to join the ranks of the unemployed, the underemployed and those unemployed in disguise, usually under the guise of "informal sector workers", not only do their own incomes, the incomes of labourers dependent on agriculture for their employment and livelihood, and the incomes of the "informal sector workers" themselves, come down; but so do the incomes of the organized sector workers whose bargaining strength is undermined by this growing army of unemployed, underemployed and disguised-unemployed. The entire class of labouring population, therefore, gets squeezed by this strategy which seeks to usher in growth by appeasing the big corporate and financial interests. The Twelfth Plan seeks to carry forward this strategy that has already brought distress to the country's labouring population.

The basic feature of this growth process is not only that it is squeezing peasants, petty producers, and marginal producers, but also that it is generating hardly any jobs at all. The latest National Sample Survey data in this regard are revealing. Compared to an annual rate of growth of "usual status" total employment (in the 15+ age group) of 2.66 percent between 1999-2000 and 2004-05, the rate of growth between 2004-05 and 2009-10 was a mere 0.83 percent, notwithstanding the very high rates of GDP growth in this latter period. The Twelfth Plan document talks of a decline in the unemployment rate during the eleventh plan period; the reason for this decline, despite such paltry increases in employment, lies in a sharp decline in the work participation rates. More persons in the 15+ age-group, it is claimed, are now engaged in pursuing education than ever before, which is why, despite a lack of increase in employment, the unemployment rate has come down. Even if this is true, it only underscores the fact that a serious crisis is in the offing: when those being currently educated come on to the work-force, and that too with higher job expectations, such paltry rates of growth in employment would mean an absence of sufficient jobs for them, which would have seriously adverse social consequences. This virtual stagnation in employment growth, it should be noted, happened before the slowdown in GDP growth rate. The blame for it, therefore, cannot be laid at the door of output stagnation; *it is an essential characteristic of the growth process itself*. The inequalities associated with this growth process increasingly concentrate purchasing power in the hands of the rich, and hence give rise to a growing demand for a whole range of such goods, as are typically

demanded in the advanced capitalist countries; the employment intensity of such goods is extremely small. In short, the growth strategy currently being pursued in the country entails not only accentuated poverty but also stagnant employment opportunities.

11. Another measure that the government is currently in the process introducing, namely, Direct Cash Transfer (DCT) in lieu of subsidies, which conforms to World Bank prescription, is only going to add to the miseries of the poor people. There are two obvious problems with it. First, even though the government has on occasions assured that cash payments would be indexed to prices, there will necessarily be lags in revising the magnitude of payments. Because of this, even under the best of circumstances, i.e. even assuming that such indexation occurs scrupulously, the beneficiaries will necessarily obtain *on average* reduced real subsidies because of the lags; and the longer the lags the greater will be the reduction. This will be particularly detrimental to the people in the case of food subsidies; and even though food has been kept out of the purview of the scheme at present, the government has made no secret of its intention to substitute cash payments for food subsidies eventually.

Second, since the cash will be made payable to the head of the household, usually a patriarch, there will be little control over its actual mode of use; in particular women and children will suffer because of it. In short, cash payments will not only curtail effective subsidies, to the detriment of the poor, but will strengthen patriarchy with obvious all-round adverse consequences.

The Plan strategy which is dominated by the desire to appease big corporate and financial interests, should change focus towards ameliorating immediately the conditions of the mass of the people (instead of waiting for GDP growth to impact favourably on their lives, which is likely to be a wait *ad infinitum*). The economic regime too must change within which the Plan is implemented. This latter change must take the form of controlling the current deficit, and in general managing the balance of payments, through appropriate controls on cross-border capital flows and, hence also on the burgeoning imports. It obviously stands to reason that planning can be meaningful only if there is a "control area" over which the writ of the State can run without being overruled by the caprices of globally mobile finance capital; unless such a "control area" is created through appropriate restrictions on trade and capital flows, meaningful planning remains an illusion. Now that even the IMF, has conceded the need for controls on cross border capital flows, the Indian government's adherence to liberal capital flows in the midst of a crisis would be not only misplaced but also ironical.

13. When the State acquires such a "control area", the specific strategy of development that should be put in place must aim to provide a range of universal rights to the people: to food, to employment, to health care, to old age pension; and also to institutionalize free and compulsory primary education. These are all inter-related: for instance, assured access to employment (which provides purchasing power) and to food (which makes supplies accessible at low prices) constitutes a condition for parents from labouring families to send their children to school, rather than prematurely pushing them into the work-force out of sheer necessity. Not only does the Twelfth Plan not take such a holistic view, but even its efforts in each of these directions are woefully inadequate.

14. Despite the Right to Education (RTE) Act, for instance, we are still far from achieving free and compulsory education. While enrolment at the elementary level might have increased, extremely high dropout rates persist. The eleventh plan's target of reducing the dropout rate at the elementary level from 50 percent to 20 percent remains unfulfilled. In fact, the dropout rate, as the Twelfth Plan document itself admits, remains as high as 42.39 percent today. And there is hardly any new strategy in the Twelfth Plan to reduce it. The Twelfth Plan's provision of gross budgetary support of Rs.1 .92 lakh crores over 2012-17 for SSA appears grossly inadequate. Further, taking the education sector as a whole, even if the Twelfth Plan expenditure targets are all met, we would still be far from the Kothari Commission's recommendation of 6 percent of GDP being allocated for it.
15. Likewise, in health the public expenditure target set by the High-Level Expert Group on Universal Health Coverage for the Twelfth Plan is not being met by the Plan Draft. Moreover, the Draft still talks of a universal tax-financed healthcare plan of the sort that exists in countries like the U.K., which have a National Health Service, as only one of the possible options.
16. When it comes to the issue of right to food, a universal PDS that provides 35 kilograms of foodgrains per month to every household at a fixed price, of Rs.2 per kilogramme, is not even visualized in the Draft Food Security legislation that still talks of targeting, let alone in the Draft Plan document. In a situation where 90 percent of the rural population is at less than 2400 calories per person per day and 74 percent of the urban population is at less than 2100 calories per person per day, targeting makes little sense anyway. But in view of the Twelfth

Plan's general emphasis on the targeting of subsidies, it is clear that we are still far from the institutionalization of a universal right to food.

The initial expansion of the domestic market that is made possible through the institutionalization of such rights must be followed up by an increase in agricultural output brought about through a combination of changes in agrarian relations, in particular radical land reforms, and the provision of incentives to peasant agriculture. This would further expand the domestic market and set up a dynamic virtuous circle of genuinely inclusive growth with substantial employment expansion. The Twelfth Plan document, however, shows no awareness of this possible trajectory. It mentions land reforms in passing; but the only institutional change it advocates is the legalization of tenancy. States which have carried out radical land reforms have often banned tenancy because of the fear that permitting tenancy would be a way of recreating landlordism through reverse tenancy. While this is an issue that falls within the jurisdiction of State governments, if an overall suggestion is to be made in the Plan at all, then it is better if that suggestion is confined for the present to allowing tenancy for purposes of "group farming", which is also an institution emphasized by the Plan.

While the technical issues relating to agriculture emphasized by the Plan document are important and must be addressed for achieving higher agricultural growth, the role of remunerative prices is often understated. The recent increase in foodgrain production, after a period of absolute decline in per capita output, owes much to the provision of remunerative prices to the peasants. The provision of remunerative prices becomes particularly important in the context of a possible tightening of the rural labour market because of MGNREGA, and the increases in input costs that have occurred and are likely to occur because of the curtailment of subsidies. The

government may be tempted to keep the food subsidy as well as the food price down, by letting the peasants bear the brunt of the cost increase. But that would be wrong. The burden of curtailing the fiscal deficit must not be allowed to fall either on the poor consumers (through reduced food subsidy) or on the peasant producers (through procurement prices that are not remunerative in the context of rising costs). The entire Twelfth Plan emphasis on raising the agricultural growth rate to 4 percent will be undermined if the government, in its bid to appease financial and corporate interests, tries to reduce the fiscal deficit without taxing the rich, by making the peasants and urban workers pay for it.

The Plan has provided larger funds for capacity building at the level of the Local Self-Government Institutions (LSGIs). This is welcome, but it must not become a means for the central government establishing direct relations with the LSGIs by sidelining the State governments. While the 73rd and 74th Amendments clearly stipulate that the powers of the LSGIs with regard to planning derive through devolution from the State government, with the Union government having no say in the matter, there has been a tendency, of late, for the Centre to by-pass the State Governments altogether, to intervene directly in LSGI plans. This tendency must be resisted. Likewise, the Plan document's suggestion that LSGIs should induct external experts and experts from the private sector for formulating better projects, must not create a situation where persons linked to the big corporate and financial interests begin to intervene directly at the LSGI level.

Such apprehensions get strengthened by the Draft Plan's suggestion that LSGIs should go in for market borrowings to supplement their financial resources for undertaking projects. This is a potentially dangerous suggestion. Since the more "marketable" projects are likely to be the ones relating to real estate business and other such ventures, allowing LSGIs to go in for market borrowings will distort their priorities, away from social sector projects towards such commercial enterprises, defeating in the process the original objective of decentralization. And even when market borrowings are used for social sector projects, they would necessitate the levying of user charges to make them profitable, which again would make the LSGIs not an instrument of people's power, but a mere lower-level profit-making entity.

The draft 12th Five Year Plan fails to adequately address the issue of uneven development in the Country. In fact, balanced regional development should be one of the basic underlying principles for the Plan. In the past, some parts of the Country have progressed at a very high pace while other parts of the Country are extremely under-developed. For instance, the North Eastern Region is admittedly among the most under-developed Regions of the Country. The Region has suffered from geographical isolation and poor infrastructure for very long, resulting in slower economic growth and higher incidence of poverty and unemployment, which has been one of the major contributory factors for insurgency in the Region, which, in turn, acted as a major constraint in the development process. The Government investment in the Region has been less than that in other parts of the Country and the private investment has been negligible. The Plan should, therefore, lay special emphasis on development of North Eastern Region and other less-developed parts of the Country.

Development of infrastructure in the North Eastern Region needs to be accorded the highest priority, in order to improve connectivity within the North Eastern Region, with the rest of the Country as also with the neighbouring Countries. In this context, I would like to mention that the process of development of infrastructure in Tripura has been

painfully slow and needs very urgent attention. NH-44, which links Tripura to other parts of the Country and is the lifeline of the State, still continues to remain a single-lane Highway despite the specific commitment from the Hon'ble Prime Minister himself in the year 2005 that the Highway will be converted into a 4-Lane Highway. The Ministry of Road Transport and Highways later decided that the NH-44 will initially be converted into a 2-Lane Highway, but even that work has not been taken up with proper momentum. There is also an urgent need for expeditious completion of the work of broad-gauging of the Railway Line connecting Agartala (Tripura) and further extension of Railway Line upto Sabroom (Tripura). The air connectivity also needs to be improved by upgrading Agartala Airport as an international airport and by setting up one more green-field airport in the State. The telecom connectivity of Tripura with the rest of the Country also needs to be improved, possibly by establishing an alternative link through Bangladesh.

India can significantly accelerate the development process, by further improving relations with neighbouring Countries, esp. Bangladesh. The Look-East Policy of the Government of India focusing on the South East Asian Countries and the agreements signed between India and Bangladesh for improving connectivity and trade, if properly implemented, have the potential to transform the North Eastern Region from a geographically-isolated remote corner to a strategic Region of the Country. In my view, the 12th Five Year Plan should place very high emphasis on implementation of projects that will facilitate the connectivity of the North Eastern Region with Bangladesh and with the South East Asian nations. This will create the enabling environment for faster socioeconomic development of the Region. India, being the largest country in the Region, needs to adopt more magnanimous approach while responding to the genuine demands and requests from our neighbouring Countries. For instance, with the setting up of 736 MW gas-based power project in Tripura, the State has become power-surplus and is not in a position to fully utilise its allotted share of 200 MW now and in near future. The State shall have to necessarily sell a part of this allocation. In such a situation, if Bangladesh, who facilitated setting up of the Project, by allowing movement of heavy equipment through their soil, makes a request to purchase a part of this power, we should have no difficulty in accepting such a request, which may obviously help to improve the trans-border insurgency situation.

When the Approach Paper to the Twelfth Plan was being discussed by the National Development Council, I had made a number of suggestions regarding the North Eastern States in general, and Tripura in particular, which have a number of special problems. I had drawn attention to the unfairness of the Thirteenth Finance Commission in penalizing the small States in the North East for implementing Pay Commission recommendations; to the fact that the PPP route suggested by the Union government for starting projects was not workable in the North East; to the need for starting educational institutions under the aegis of the Union government; and to the need for sharing the recurring expenditure incurred on security, in a situation where insurgency, though immediately subdued, continued to wait in the wings, between the Centre and the States in the ratio of 90:10. Though the Plan document is cognizant of some of these problems, it has not dealt with these issues specifically.

In the case of Tripura, I had asked for legal rights to be given to the non-tribal population that had occupied forest

lands for long; for a central scheme to provide financial assistance to the tribal population that had acquired rights over land; for a scheme for the provision of subsidized and decent housing for SC/ST, OBC, Minorities and marginal households; and for making RKVY funds available without any "strings". The Plan has not responded to these issues specifically. It has of course expressed general satisfaction at the faster rate of growth of the Special Category States than of the country as a whole during the eleventh plan; but as I have tried to suggest in this speech, a higher growth rate in itself is no panacea for the people's problems, they have to be specifically taken care of.

Thank you for your attention.