

**Welcome Address of Deputy Chairman, Planning  
Commission at the National Development Council  
Meeting**

*Vigyan Bhavan,  
27<sup>th</sup> December 2012*

Respected Prime Minister, Dr Manmohan Singhji  
Hon'ble Minister for Defence, Shri A.K. Antonyji,  
Hon'ble Minister for Agriculture Shri Sharad Pawarji,  
Hon'ble Finance Minister Shri P Chidambaramji,  
Hon'ble Home Minister Shri Sushil Kumar Shinde,  
Hon'ble Minister of State for Planning Shri Rajeev Shuklaji  
Union Cabinet Ministers,  
Chief Ministers and Finance Ministers of the States,  
Other Distinguished Invitees,  
Ladies and Gentlemen,

I would like to begin by thanking the Prime Minister, on behalf of all Members of the Planning Commission, for calling this meeting of the N.D.C. to discuss the draft Twelfth Plan. I also thank the Chief Ministers for their presence here.

Since we are all keenly awaiting the Prime Minister's address, I will be very brief.

In preparing the document that is before you, we were guided by the directions given by the N.D.C when it considered the Approach Paper over a year ago. We have

also engaged in wide ranging consultations with the State Governments, both individually through the process of annual plan discussions, and also in groups through regional meetings. I thank all Chief Ministers and State delegations for the time they spent in these consultations and input they gave us.

We have also consulted with many other stakeholders, including a very large number of civil society organizations.

Plan discussions often tend to focus on Plan programmes, their funding arrangements and their performance in terms of expenditure. These are indeed important issues, but the end result we want must be seen in terms of the impact of these programmes on the ground. Both the Centre and the States must therefore subject programmes to a vigorous performance audit.

More broadly, the outcome we want in terms of improving the living standards of the *aam aadmi* depends not on plan programmes alone, but on the performance of the economy as a whole, in terms of the pace of economic growth, its sectoral composition, the pace of employment

generation, and the spread of income earning opportunities across different categories of the population and regions.

These outcomes depend on what happens to investment and also the productivity of investment. Public sector investment is about 25 percent of total investment in the economy. The other 75 percent consists of private investment which covers the household sector, including small firms and farms, and also investment by the private corporate sector. It follows that both the Centre and the States need to focus on policies that will promote these different components of investment, and also increase their efficiency.

In analysing policy options we have distinguished areas of policy intervention that are largely in the hands of the Centre and those that are largely in the hands of the States. We find that much of what needs to be done has to be done at the State level. We also find that many States are taking innovative steps in several areas, which is why growth over the past ten years has been high and also regionally well dispersed. We need to spread knowledge of best practice wherever we find it.

The Twelfth Plan does not present a single growth projection. Instead, it recognises that growth outcomes will depend upon the extent to which we are able to take the difficult decisions needed to generate inclusive growth. In this context, the Plan identifies an aspirational Scenario 1 of “strong inclusive growth”, in which the economy is projected to grow at about 8.2 percent per year based on successful policy interventions at multiple leverage points which will generate virtuous circles.

Scenario 2 is one where policies move in the right direction, but are not fully implemented: in this case, growth will be limited to between 6 and 6.5 percent with correspondingly lower progress on inclusiveness. The Plan also refers to a third Scenario which is described as “Policy Logjam”. This is the Scenario where there is very little progress on the different decisions identified. In this case, growth will be stuck between 5 and 5.5 percent. The Plan document emphasises that Scenario 1 is the only scenario that will meet the aspirations of the people.

There is need to modify Scenario 1 in the light of two recent developments. First, the estimates of growth in 2012-13 presented by the Finance Ministry to Parliament a few days ago have been revised downwards to between

5.7 and 5.9 percent. Second, the latest assessment about global economic prospects released by the UN a few days ago suggests that the global economy will be significantly weaker in 2012 and also in 2013 than was projected earlier. In view of these developments, the growth rate associated with Scenario 1 could be scaled down to 8 percent.

I would like to emphasise that achieving an average of 8 percent over five years, following a first year growth of say 5.8 percent in the first year and say something over 7 percent in the second year, will involve a very sharp acceleration in the last three years of the Plan. The scenario remains an ambitious one and the modification proposed is only a recognition of reality. We will incorporate suitable modifications in the text to suitably reflect this adjustment.

Finally, let me refer to an issue frequently raised by Chief Ministers relating to the need to restructure Centrally Sponsored Schemes. The B.K. Chaturvedi Committee has looked into this issue and has held extensive discussions with State Governments. The Committee has made a number of recommendations. Based on these recommendations, it is proposed to consolidate Centrally

Sponsored Schemes into a smaller number and also to increase the degree of flexibility in the guidelines under which these schemes operate. It is also proposed to introduce a special flexi-fund window within each flagship scheme which will give States freedom to experiment and innovate even beyond the flexible guidelines. We expect to implement the new system with effect from April 1, 2013. I believe these changes will go a long way to meeting the demands of Chief Ministers.

I now request the Prime Minister to address this gathering.

Thank you.