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SPEECH OF **SELVI J JAYALALITHAA**, HON'BLE CHIEF MINISTER OF TAMIL NADU CIRCULATED IN THE 56TH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON 22.10.2011 AT NEW DELHI

Hon'ble Prime Minister,

Hon'ble Deputy Chairman of the Union Planning Commission,

Hon'ble Union Ministers,

Hon'ble Chief Ministers,

Hon'ble Lieutenant Governors,

Senior Officers of the Union and the States,

I understand that the 56th National Development Council Meeting has been convened to discuss and approve the approach to the 12th Five Year Plan.

2. At the outset, I would like to place on record my strong feeling that the National Development Council Meeting is being convened more as a ritualistic exercise rather than to achieve any tangible outcome. The Central Government seems to be hell-bent on penalizing Non-Congress Governments. This Government at the Centre does not seem to understand that the people living in the States under Non-Congress Governments are as much citizens of India as those in the States where the Congress Party is in power. Even the genuine needs and requests of the people are not met by the Central Government. Despite repeated requests for special assistance, funds are not provided to Tamil Nadu while a special package has been given to West Bengal for the only reason that the present ruling party in West Bengal is an ally of the ruling party at the Centre. This only indicates that step motherly treatment is given to Non-Congress Governments.

3. Several measures proposed by the Central Government in recent months are all fascist and anti-democratic in nature. In the garb of preventing communal violence, the Central Government has planned to introduce the Prevention of Communal and Targeted Violence (Access to Justice and Reparations) Bill, 2011, which is only a blatant attempt to totally by-pass the State Governments and concentrate all powers in the Central Government, thereby rendering the State Governments absolutely powerless and totally at the mercy of the Centre. It is also an attempt, rather, a subterfuge, by the Centre to keep the State Governments under the constant threat of dismissal perhaps because of the Central

Government's limited capability to use Article 356 of the Constitution in view of the "Bommai Judgement" of the Supreme Court of India.

By trying to bring a GST Bill without allaying the apprehensions of the States, the Central Government is trying to usurp the power to levy VAT which is now with the State Governments. VAT, which is a critical source of revenue for the States, is now under threat. We anticipate huge revenue losses in the implementation of GST and our experiences with the compensation mechanisms for VAT implementation and CST abolition leave us seriously handicapped. In its present form, the proposed GST is an assault on the fiscal autonomy of the States which is difficult to accept.

In the matter of a Common Entrance Test for Professional Courses also, the Centre seems to be obstinate without caring for local conditions and the views of the State Governments. There is constant interference in the Education Sector by the Central Government.

Even attacks on fishermen belonging to Tamil Nadu in the Palk Bay by Sri Lanka are not looked upon as acts of aggression against India. This issue is merely looked upon as a minor problem concerning Tamil Nadu alone. The Centre seems to think that the lives of fishermen belonging to Tamil Nadu are worthless and do not call for any potent action.

4. Against this background, I am afraid that no useful purpose is going to be served by convening this National Development Council Meeting.

5. The Planning Commission's Approach Paper "**Faster, Sustainable and More Inclusive Growth**" highlights many of the challenges facing India in sustaining strong economic growth. But, it lacks clear direction and strategies. While we embark on the 12th Plan, we need to introspect on our failures in implementing the 11th Plan and design appropriate strategies to overcome such problems so that the aspirations of our people are realized and the expectations of many around the world, that India will emerge as a major global economy, are not belied.

6. We are meeting at a juncture in global economic history that is fraught with uncertainties, but at the same time pregnant with possibilities. The balance of global economic power is decisively shifting eastwards and as a part of this process, India can and should emerge as a leading economic power. Firm and deft macro economic management has to be combined with adroit and innovative strategies to ensure that the trend reaches its logical conclusion and India takes its rightful place at the high table.

7. The Approach Paper notes that while the overall growth in the Eleventh Plan period has been fairly satisfactory, it has slowed down in

some States, including Tamil Nadu. Against the growth target of 9% in the Eleventh Plan period, the State is likely to achieve an average growth of 8% in the first four years, and that too largely on a growth rebound in 2010-11. The performance in the Agriculture and Manufacturing Sectors has been particularly disappointing in the first four years of the Plan. Therefore, my Government, which assumed office only recently, in May 2011, has accorded the highest priority to accelerating growth and making up for lost time. As the growing expectations and aspirations of the public have to be met, we need to work with greater focus and determination. Hence, I would strongly advocate a more ambitious growth target for the 12th Plan, and 10% growth in the 12th Plan should be the minimum target to aim for. However, certain instances that have occurred in the recent past do suggest that this goal is not going to be easy to attain.

8. Price rise is an area where the policies and actions of the Central Government have miserably failed and are even counter-productive. Price levels, particularly those of food and fuel, have been rising continuously heaping untold misery on the people. Not only has the Government of India failed to arrest this trend, it has actually contributed to the burden of the people through repeated increases in the prices of petroleum products including petrol, diesel, kerosene and LPG. For instance, in the period from 2004 to 2011, the price of diesel was increased 13 times raising the price from Rs.29.30 per litre to Rs.43.80 per litre. Similarly, the price of petrol was increased 19 times raising it from Rs.41.25 per litre to Rs.67.22 per litre. The LPG Cylinder price was increased from Rs.249.02 to Rs.404.40 in the same period. If fuel prices are increased so many times, how do you expect inflation to come down? Yet, the Government of India never fails to advise the States to forego their Sales Tax in order to control prices.

9. Growth that creates some winners and many losers exacerbates socio-economic tensions, and strains the social fabric of the Nation. Inclusive growth should ensure balance across States, regions within States, rural and urban areas and across classes and communities. A continual focus on such balance in Tamil Nadu has ensured equity in outcomes and kept the State relatively free of conflict and tension. In this context I find the lack of emphasis in the Approach Paper on a direct attack on poverty, particularly in urban areas, reflective of the apathy of the Government of India towards issues that really concern the common people. Here, I would suggest family based interventions to squarely and comprehensively address poverty.

10. The bulk of the outlay on the thirteen so-called flagship programmes was earlier provided to the States as untied 'Normal Central Assistance' to finance State determined priorities. With the big brotherly attitude that has come to characterize the Central Government, untied funds have been replaced by the so-called "flagship programmes",

consequentially treating elected State Governments as mere local supplicants. In my view, such a design is completely flawed and violative of the spirit of the Constitution wherein States, being closer to the people, have been accorded a key role in development related activities. It is not out of place to mention here that the Government of India is completely out of touch with ground realities and such schemes formulated with rigidity are not at all effective in fulfilling the aspirations of the people.

11. Such schemes provide little support to those States which have already invested their own resources to provide basic infrastructure. Tamil Nadu has already electrified its villages and connected habitations up to the norms of the **Rajiv Gandhi Grameen Vidyutikaran Yojana** and the **Pradhan Mantri Gram Sadak Yojana** and hence is deprived of financing under these schemes. Similarly, present guidelines exclude a water starved State like Tamil Nadu which has little scope to further tap its surface water potential from accessing any financing under the **Accelerated Irrigation Benefit Programme**. In the Twelfth Plan, ideally, the practice of providing untied funds must be restored. If not, at the very least, the guidelines of the programmes must be modified to make a broad sectoral allocation allowing greater flexibility to the States to implement schemes based on local needs and capacity differentials.

12. The second issue relates to the rigidity of operational guidelines in Social Sector Programmes which create a number of operational difficulties for States that offer more expanded coverage and higher levels of benefits. Schemes like the **Rashtriya Swasthya Bima Yojana** and **Indira Gandhi Maternity Benefit Programme** have been taken up by the Government of India covering a smaller area and lower levels of benefit than corresponding State Government schemes. In such cases, the Government of India, instead of allowing the States to dovetail the Central Scheme funds with State funds and confer more benefits than the Central schemes, insists that even progressive States with proven track records in scheme implementation should follow "one size fits all" guidelines. If the Central Government wants to help rather than hinder, then the level of assistance under the National Programmes should be enhanced. For instance, my Government in Tamil Nadu has recently increased the monthly Social Security Pension from Rs.500 to Rs.1000. The Government of India must enhance the pension under the National Social Assistance Programme (NSAP) which still provides for a pension of only Rs.200 per month, fixed many years ago.

13. In most of the flagship programmes, Central funds are released directly to a large number of implementation agencies at the State and District level to their bank accounts, outside the Government system. This is a deliberate attempt to by-pass the State Governments and this violates the spirit of democratic decentralization being preached often by the Centre. The direct release of Central funds to such Special Purpose Vehicles outside the budgetary system dilutes financial control,

accountability and weakens monitoring, while increasing the administrative burden of the State Governments. The right approach would be to release Central funds to the State Governments and allow for expenditure from State budgets.

14. There are some concerns with the **Mahatma Gandhi National Rural Employment Guarantee Act** scheme (MGNREGA). In some parts of the country the need for the creation of rural infrastructure is greater while the MGNREGA scheme tends to emphasize wage payments without a corresponding focus on asset creation. Innovative mechanisms to establish rural industries and create durable on-farm assets and declaring the peak agricultural season as a scheme holiday period under the MGNREGA can be permitted to enhance the quality of fund utilization.

15. The **Indira Awas Yojana** needs to keep pace with growing aspirations. The house plinth area of 207 sq. ft. is clearly inadequate, as is the funding. In Tamil Nadu, we have launched a scheme for construction of green houses with a plinth area of 350 sq. ft. at a cost of Rs.1.80 lakh per house to create environmentally sustainable housing with solar power. We are currently constructing IAY houses in Tamil Nadu at a cost of Rs.1 lakh per house supplementing the GOI financing of Rs.33,750 with a State Government share of Rs.66,250 per house. The Government of India should step up the central share and revisit the space norms immediately.

16. Poor agricultural growth has several implications including depressing rural incomes, widening rural-urban disparity, causing persistent food inflation and rendering food security fragile. I have a serious doubt as to whether the Government of India really intends to accord due priority to the Primary Sector, which continues to employ the largest segment of our population. Due to the messy policy of the Government of India, the prices of agricultural inputs, particularly fertilizers like DAP, potash and urea are sky rocketing. Our repeated requests to the Government of India for maintaining adequate supply of inputs like DAP and Potash have gone unheeded. This has serious implications for enhancing crop productivity. I wonder whether the goals of the 12th Plan will ever be realized if this attitude, reflecting the callous insensitivity of the Government of India, towards promoting the Agricultural Sector continues.

17. The Approach paper notes that a technology intensive approach is the prime mover of productivity enhancement in agriculture where natural resources are fixed. In Tamil Nadu, we intend to leverage front-end advanced technology to more than double the farmers' per capita income in the next five years. Tamil Nadu will intensify the implementation of technology oriented schemes like **System of Rice Intensification (SRI), Sustainable Sugarcane Initiative (SSI); protected cultivation and precision farming for vegetables and**

high density planting for horticultural crops. Tamil Nadu has launched mixed farming initiatives including the distribution of 60,000 milch animals to rural families and four goats or sheep each to seven lakh rural landless agricultural labourers' families over the next five years. The State Government's efforts to strengthen economic infrastructure in rural areas like modernising and integrating agricultural markets, intensive farm mechanisation, promoting food processing and other agro based industries to sustain growth in agriculture and allied sectors should be liberally supported by the Centre, if the Government of India really intends to sustain agricultural growth at a higher level.

18. The funding pattern of the **National Agricultural Development Programme (NADP)** which provides funds based on incremental plan allocation seriously affects the interests of the States with low potential for major irrigation projects since they would receive limited additional Central financing. We would prefer the more conventional financing pattern with sharing of expenditure, or the National Rural Health Mission (NRHM) model of sectoral allocation with flexibility to the States, so that the key priorities at the State level in the Agriculture Sector can be financed. May I remind you that Agriculture continues to be a State subject under the Constitution?

19. Investment in water management is a critical element in achieving improved outcomes in agriculture, particularly in a water starved State like Tamil Nadu where irrigation is entirely dependent on the monsoon. After several unsuccessful appeals to the Government of India to implement the Peninsular River Water Grid connecting the Mahanadhi, the Cauvery and the Gundar, the State Government has decided to take up the works from its own budgetary resources for linking the rivers within the State at a cost of Rs.4000 crores. It is ironical that such an initiative of national importance, fully deserving Central support, has not found mention in the Approach Paper.

20. Fisheries is another key sector and has received inadequate attention in the Approach Paper. For coastal States, marine fisheries are very important and in Tamil Nadu, this occupation has become a life and death struggle for our fishermen. To our dismay, repeated attacks on Tamil Nadu fishermen by the Sri Lankan Navy are continuing, despite many representations made by me to the Centre. We are deeply disappointed with and distressed by the Centre's indifferent attitude and the failure to take effective steps to prevent such attacks. As a matter of fact, such attacks are acts of aggression against the Indian Nation. Inaction on the part of the Union Government constitutes abdication of its responsibility. I had specifically sought Central support for a package of measures to address the issues of the fishermen and to develop deep sea fishing which is underexploited due to infrastructure constraints. This includes the construction of new fishing harbours and rehabilitating existing harbours, promoting deep sea fishing through mechanised boats

and deep sea tuna long liners, establishing mid-sea fish processing parks, etc. We are very disturbed by the lack of any response. At least in the near future we should see a favourable response to these situations.

21. Poor quality of infrastructure slows down economic activity and output, and is the biggest impediment to realizing a more ambitious growth target. Provision of infrastructure is primarily the responsibility of the Government. With private enterprise bringing in resources and technical expertise in many areas, Public Private Partnerships (PPPs) will also be an important mechanism to address financing and implementation issues. The Government of India has circulated a new draft PPP policy framework, which unfortunately reads more like an extract from a college textbook and less like an operational policy document. My Government's approach is to map out the infrastructural needs of the State, sector wise, through a **Tamil Nadu 2025 Vision Document** and thereafter select projects for the Public Sector or PPP based implementation, depending on their appropriateness for either mode. A clear policy framework for PPPs will also be spelt out by my State shortly. We also look forward to the early activation of the much awaited Infrastructure Debt Fund.

22. Ensuring adequate supply of quality energy is a key challenge. The Approach Paper emphasizes greater energy efficiency as a mechanism to moderate the energy demand without jeopardizing growth. But, the push towards energy efficiency should not focus only on rational energy pricing while ignoring measures to reduce the inefficiency in energy utility companies. There are limits to raising energy prices in an inflationary context. Investment in generation capacity has to continue and projects already announced, including the Ultra Mega Power Plants, need to be completed expeditiously. The Approach Paper discusses the issues relating to coal linkages, both of domestic and imported coal. However, no clear and viable solutions have been identified. Many major projects already announced are still languishing for want of coal linkage. The Government of India must satisfactorily resolve this issue on a high priority basis. States like Tamil Nadu face a severe power shortage, which inhibits industrial growth. Many of the Central Generating Stations are also not achieving their targeted generation. The Centre has not come out with any worthwhile, super critical power plant project in recent times. Even the plants announced earlier are either non-starters or delayed badly. All these problems only create a greater crisis in the State power supply position. In our experience, the Government of India often pays only lip service. My request to provide a special allocation from the Central unallocated power pool, to compensate the shortage from Central Generating Stations (CGS) or loss due to delayed commission of CGS has not evoked any response from the Government of India. If this is the state of affairs, how can we dream of achieving higher growth in industry? The Government of India should respond to such emergencies positively, at least in future.

23. The Government of Tamil Nadu is planning major investments in Solar Energy. But, we find that the scope of the National Solar Mission is too restrictive and limited to incentivizing private investment for bundling with unallocated power from the National Thermal Power Corporation (NTPC). Greater incentives for grid connected renewable energy and direct capital subsidy and soft loans to utilities to augment renewable energy must be provided. To that extent, the 12th Plan should flexibly approach the issue of promoting Solar Energy.

24. Transport infrastructure requires considerable upgradation. The efforts in this direction have been plagued with implementation issues in the recent past. Road transport network needs renewed focus and superior implementation. Expanding the coverage of high capacity freight corridors to Peninsular India is urgently required. Unfortunately, the Central Government is not being fair and non-Congress ruled States, in particular, are getting only step-motherly treatment in matters of allocation of such major projects.

25. The poor state of Port Infrastructure is an area of serious concern. The congestion in Chennai Port is seriously hurting exporters and other industrial units that rely on the Port. The Government of India must take urgent measures to resolve these issues. Central support should be provided to further develop Ennore and Tuticorin ports and other minor ports including Colachel, Cuddalore and Nagapattinam.

26. As the country becomes more and more urbanized, the challenges of providing quality urban infrastructure are becoming more acute. Project formulation, conceptualization, financing and implementation are all challenges. Tamil Nadu has met these challenges through innovative means including the Tamil Nadu Urban Development Fund which was a model for the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The JNNURM-II must provide, in addition to enhanced funding, greater technical support and upgradation of implementation capacity, particularly for waste water and solid waste management.

27. Tamil Nadu has traditionally been a strong Manufacturing Centre with many internationally competitive industries in the Automotive and Engineering Sectors, Information Technology and Information Technology Enabled Services located in the State. However, Manufacturing saw a poor growth of 4.4 per cent against the target of 9.2 per cent in the first four years of the Eleventh Plan. I am determined to take all possible measures to restore Tamil Nadu's pre-eminent position in Manufacturing, as this would offer quality jobs to the aspiring youth of the State. Our approach would include the development of Industrial Growth Corridors in hitherto non-traditional areas in the Southern part of the State, upgrading infrastructure through the Tamil Nadu Infrastructure Development Board and enhancing the supply of skilled labour. The 12th Plan should solidly support such initiatives.

28. Environmental concerns have affected industrial growth in the State. Tiruppur, which is one of the largest textile export hubs in the country, has virtually been brought to a standstill due to concerns about effluent discharge from dyeing units. Technological upgradation of the Common Effluent Treatment Plants in the area is needed to ensure zero liquid discharge. I have taken an unprecedented initiative to resolve the issue and assured Rs.200 crores as an interest free loan to the Common Effluent Treatment Plants for their upgradation. Further assistance may also be needed to enable the dyeing industry to be relocated on a more decentralized basis to reduce their environmental foot print.

29. The Approach Paper mentions India's "demographic dividend" which can sustain growth over the next 20 to 30 years. I would caution that a more nuanced view is required. In some parts of the country, including Tamil Nadu, where the small family norm found more ready acceptance earlier, the demographic dividend is limited. Hence, it is very crucial that precious human resources are not wasted but are developed and deployed to realize their full potential. The demographic momentum should inspire urgency and not complacency. In this regard, we should remember that our failure to upgrade our manpower skills which hampered the growth of the Manufacturing Sector in the earlier Plan Period should be taken as a lesson for the future.

30. It is in this context that some of the recent initiatives of my Government have to be viewed. The scheme for distribution of free lap top computers to all students in Classes XI, XII and in undergraduate classes is a massive effort to bridge the digital divide and ensure that students, regardless of their economic background, are computer literate and capable of creating a Knowledge Society. This would become the world's largest government effort to provide laptop computers to students. I have already requested the Government of India to be a partner with the State Government in this bold initiative and share a portion of the cost. However, the Central Government that talks of supporting innovation has not responded so far, which is not surprising, since "no response" is the customary response of the Centre to all requests made by Tamil Nadu.

31. Skill development is an important focus area of the Government. The limitations of the National Skill Development Programme have led to under-utilisation of existing infrastructure in ITIs in the States, and more focus on financing Private Sector initiatives, some of them of doubtful efficacy. This has impelled Tamil Nadu to launch its own Skill Development Mission with strong industry linkages for training and skill development. Our emphasis will be on flexibility to ensure that students going to vocational streams can eventually link up with the academic stream and realize their aspiration to obtain technical degrees through "learn while you work" programmes. The Centre should refocus

the National Skill Development Programme to make it more practical by incorporating such initiatives to produce the desired outcome.

32. In the Health Sector, Tamil Nadu has exceeded the 11th Plan target in the total fertility rate – which has been brought down to 1.7 against the targeted 1.8. But, in other indicators including Infant Mortality Rate, Maternal Mortality Rate, malnutrition in children and anemia amongst women, we are yet to reach the targeted levels. This calls for redoubled efforts in the 12th Plan. I would like to raise some serious concerns regarding the neglect of some critical areas in the Health Sector strategy of the Government of India. Tertiary health care hospitals, District / sub-district Headquarters Hospitals and Urban Primary Health Centres lack funding under Government of India initiatives. The Twelfth Plan should remedy this aspect.

33. The Approach Paper draws attention to publicly financed health care. However, the approach of the Government of India has been rigid with the Rashtriya Swasthya Bima Yojana (RSBY) being the only template available for Central support. Many States have designed schemes with better coverage and benefits, but receive no Central assistance. This unnecessary rigidity needs to be removed and States with schemes having better coverage than RSBY should be made eligible for Central assistance towards the cost of premium.

34. I now turn to the issue of resources for the Twelfth Plan. A very large proportion of the Plan is to be actually financed and implemented by the State Governments themselves. The Approach paper appears to gloss over this aspect. Some of the policy suggestions in the paper leave us concerned about the ability of the States to generate resources. A key issue is the proposed hurried implementation of the Goods and Services Tax. Tax on the sale of goods is the only buoyant source of revenue that the States still have and their control over the levy and collection of the tax has been a significant factor enabling some States, including Tamil Nadu, to raise adequate resources to finance their budgets and plans. This critical source of revenue is now under threat by the proposed implementation of GST.

35. The resource projections in the Approach Paper indicate that what is left over as Central support to the States for their plan expenditure is a relatively small 18% of the aggregate. This is completely out of sync with the level of direct responsibilities for governance that the States have to bear, being closer to the people. In the Eleventh Plan period, some of this support was pre-empted for Central flagship programmes. This approach is unfair. The support to State Plans must be stepped up substantially and should be untied. Further, the grant element of the Normal Central Assistance has stayed static at 30 per cent for many years. This was fixed at a time when the capital-revenue composition of the Plan Outlay was 70:30. With increasing Social

Sector expenditure which is revenue in nature, the composition of plan expenditure has changed. Hence, the grant element in Normal Central Assistance for non-Special Category States must be increased to at least 50 per cent.

36. There have been indications that there would be constraints on the availability of financing from other official external sources. While the proportion of external aid to plan outlays has been declining, such assistance continues to play a catalytic role and is important to support new initiatives in key sectors. Hence, the Government of India must ensure that such concessional aid continues to flow to the States.

37. This is an occasion for candour. The National Development Council is a forum to consult with State Chief Ministers, as equal partners in the process of development, on issues of concern to the Nation. I am not sure that the Government of India recognizes the States as partners, leave alone equal partners, and respects their viewpoints. These meetings at best are ritualistic and are exercises in futility. When the Centre turns a deaf ear even to reasonable requests of the States, like restoration of the kerosene quota to mitigate the sufferings of the poor, or additional power to tide over a crisis situation, such meetings only cause frustration to the States and their people. Simultaneously, there are attempts by the Centre to weaken the States with too much interference thereby reducing them to the status of glorified Municipal Corporations. The Union Government is continuously proving that it is completely out of sync with ground realities and is far removed from the man on the street. In the final arithmetic, the Government of India seems to have lost direction and it is left to the State Governments to face the public ire. I sincerely hope that this hopeless situation will change for the better in times to come and we should be able to discharge our duties and responsibilities towards the poor and the people at large.

VANAKKAM !

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