



Speech of Shri Narendra Modi  
Chief Minister of Gujarat  
at the 52nd meeting of

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Hon'ble Prime Minister, Hon'ble Deputy Chairman Planning Commission, Hon'ble Members of the Union Cabinet and Planning Commission, Hon'ble Chief Ministers, Distinguished participants of this Conference, Ladies and Gentlemen

At the outset I am happy in reporting to this august forum that despite severe earthquake, recurrent floods, and a near collapse of urban cooperative banking system, Gujarat has been able to keep its promise to the nation. The 10.2% target pertaining to the GSDP growth as well as the 10<sup>th</sup> Plan outlay of Rs.47,000 crore will be met at the end of the 10<sup>th</sup> Plan period. Against the back drop of facing severe calamities, this is a major achievement for Gujarat.

It is for a historic purpose that we are meeting today. Fifty years back, India had envisioned the direction for the young nation with a view to fulfilling the rising aspirations of the people of a newly independent India. Planning was seen as the key instrument for equitable distribution of the scarce resources available to policy-makers. The public sector was assigned to retain "the commanding heights of economy " in the process of economic development of the country.

Ten Plans later, we need to pause and reflect on both the successes and failures of the planning process that was once seen as the panacea for all the ills afflicting our society in terms of economic backwardness. Have we achieved what we had set out to achieve through the Five Year Plans?

### **Plans cannot be an end in themselves**

The experience of 10 Five Year Plans is an important base for drawing on the strengths of these Plans. The experience distilled from the last 10 Five Year Plans should help us to plan for the next five years which will become the base for the next 50 years of planning in the 21<sup>st</sup> century. What is required is a clear vision of the future State, careful planning, proper execution ultimately ensuring that the outcomes sought to be achieved are met. The proposed approach must address this issue at a very basic level. Building on the positives of the previous Plans, taking the wisdom of experts and optimally blending available resources are needed to be carefully integrated in the planning process.

### **Development as People's Movement - Creating A National Will**

While planning has its own importance and numbers are equally relevant, unless a spirit of development is created at all levels in the nation, the outcome of planning process would be ineffective in addressing the core issue of economic development. For example, the national independence movement had several streams with different strategies, aiming for the same outcome, independence for the country. Mahatma Gandhi succeeded in creating the environment that allowed each citizen to be a part of the process which ultimately created a National Will. In my view a similar National Will is to be created for the 11<sup>th</sup> Plan, to be pragmatic and to achieve the desired results. It is the joint responsibility of each of us present in this

forum, individually and together, to create this Will, involving each and every citizen in this process of development.

Gujarat has experimented this in areas like girl child education and water harvesting measures. We have achieved spectacular results by involving every person, high, as well as low to hand hold this programme as a movement. The Draft Approach Paper and the measures proposed therein call for more broad based discussions and creation of national consensus and ownership. This could also ensure that the proposals are more realistic, closer to the ground and thereby fulfill the aspirations and ambitions of people at large. This would also ensure better and higher levels of outcome for filling up the missing gaps of the plan schemes in respect of grass root level realities.

### **Stronger States Stronger Nation**

The structure of the polity in India gives the Centre an overwhelming advantage in terms of resource availability. The decentralization of powers including financial powers needs much greater attention. The Centre rightly insists on the States to decentralize financial power to the local bodies, but not recognizing that they have a similar responsibility towards the States. The States need to be treated as equal partners in the development process in terms of policymaking and deployment of financial resources. Nation can become strong if and only if the States become strong. The Centre should leave implementation of development process to the States. There are several examples in the area of petroleum, gas, railways, airports, national highways, power where even a small permission has to be obtained from some Central authority.

### **Encourage Efficiency**

Eleventh Five Year Plan needs to review the paradigm of Central support to the States. The efficient States should be encouraged by way of incentives for their performance. The basis for Central devolutions hitherto has been largely based on incidence of poverty, backwardness, and population. As a result the Central support keeps on reducing to the States which have lesser poverty and population. In a way this encourages inefficiency. Further, the States which proactively put innovative schemes from the State resources and achieve certain parameters of development, remain deprived of similar schemes announced by Centre later. For example, Gujarat has attained almost full rural roads connectivity. As a result the benefits of PMGSY are not available to Gujarat in the same measure as compared to some of the still developing States. We have requested for these funds to be made available for up gradation and extended linkages to be provided to the already connected villages. Such flexibility ought to be provided in the Central Schemes so as to benefit all the States equitably. Similarly Gujarat does not get any significant amount under RGVY for the reason that electricity connections to the villages have been already completed under the Jyoti Gram Scheme of the State for which an amount, more than Rs 1000 crores, was spent from the State Resources during last two years.

## **Selective support to each State for their unique problem areas**

No State in this country, howsoever progressive, is without its own sectors of weaknesses. Plan Schemes based on macro analysis of aggregate deficiencies in the country's development can not lead to optimum utilization of Central Funds in every part of the country. It is time that Central Schemes should address issues unique to different States. One way of doing such decentralized planning at Central level could be to allow each State to identify at least three areas of acute weakness, and seek proposals from States for Central support for such schemes. This could be in the form of additional central assistance but much larger than what it is at present. The grants for such schemes could be made outcome oriented.

## **States to be given incentive for lowering subsidy burden on the national economy**

There are items on which GOI gives large-scale subsidy in order to reduce burden on consumer like LPG, fertilizer etc. The consumption of these items should be substituted by a better product which does not require subsidy and is available more abundantly. Thus for example LPG can be substituted with CNG and PNG thereby reducing the subsidy burden to the extent of substitution. Natural gas supply for cooking gas purposes can reduce the consumption of LPG substantially. Similarly naphtha can be substituted by natural gas as feedstock for fertilizer industry thereby reducing GOI's subsidy to fertilizer companies. Even the consumption of fertilizer can be reduced by way of promoting organic farming in a big way. Indiscriminate use of ground water, which consumes free power, and canal water which is also highly subsidized could be included in this calculation. All these substitutions, involving reduction in subsidies for GOI, can be converted into "points of credit" (on the lines of "carbon credits") and States should be encouraged to carry out such substitution and incentive grant could be given to the States based on the credit points obtained by each State for subsidy substitution.

## **Human Resources**

We have a low dependency ratio in our population, which is an opportunity waiting to be seized for global competitiveness. The stress on human resource in the Approach Paper must adequately address this issue. There is a need to create Human Resource Data Bank by the use of technology to facilitate this process. Modern technology enables us to create comprehensive database for each individual, household, and family on demographic aspects. It is natural that India will trade in such resources and hence our planning in this sector must address the global requirement of human resource in minute details to ensure that the country does not lose this opportunity. A substantial population of India of adolescent is going to constitute the Yuvashakti. This is the time that the country could make a quick and accurate assessment of the National and global manpower requirements in various skills. There should be a sense of urgency about training these youths in those skills. The Approach Paper admits that we have barely 40 to 50 trades in our ITIs as compared to 4000 in China. There is no mechanism by which the

Central or State Governments can go about setting up training courses for linking such global requirements with our Yuvashakti. If we have to prepare this section of population for meeting with the global requirements of skilled manpower, we need to incentivize private investment in these areas in a big way. If we are not able to do this in a time bound manner, we would have again rendered a huge section of India's youth groping for employment.

In my opinion, the 11<sup>th</sup> plan should seriously address the issues of creation of human resource data, manpower planning, and its management.

### **Labour Laws Should be Decentralized**

On the issue of planning it has been stated that the current GDP growth is not leading to significant job creation. One of the major factors coming in the way is absence of flexibility in labour laws. States, if they have to grow at the desired pace, would have to be freed from this shortcoming. Labour as a subject should be totally transferred to the State Governments to allow them to frame their strategy of providing employment. The archaic labour laws only address the interests of the organized sector. There is larger proportion of unorganized labour which would get employment, once labour market becomes flexible.

### **Education**

Education takes a centrality in my vision for Gujarat and India. Innovative Schemes like mass Enrolment drive viz. 'Kanya Kelvani Rath Yatra' focused on the girl child has already achieved near 100% Net Enrolment Ratio in Gujarat. We will also participate in raising the literacy level to 90%+ by the end of 5 year Plan. We agree with the concepts of 'Universalization of Secondary Education' and 'Quality & Infrastructure in line with Kendriya Vidyalayas' as mentioned in the paper.

The Central Government will have to find resources to the extent of 6% of GDP if the targets for the outcomes are to be fulfilled. Experience has shown that whenever schemes have been designed locally, the success rates have been higher. Design of Schemes and projects along with implementation should be left to the States and GOI should focus on raising the immense resources required, if we have to reach the projected targets.

### **Central Financial Support to be related to the growth of Urbanisation**

As per the latest analysis of employment situation by the Planning Commission, Gujarat will have more jobs than the available human resources. This points towards potentially huge inter state migration, calling for a much larger yearly allocation under JnNURM programme. This investment would be directly related to the new jobs in urban areas of Gujarat.

Further, the guidelines laid down for the selection of the mission cities under JnNURM have not been adopted for Gujarat. While the capital cities of all the States have been included, **Gandhinagar, the capital city of Gujarat has not been included.** Our nation has achieved its independence due to sacrifices made by great national leaders, Mahatma Gandhi and Sardar Vallabhbhai Patel. It is ironic that

the places of their birth Porbandar and Anand-Karamsad respectively have not been included under this programme.

The Planning Commission should consider more schemes to address medium and small towns which constitute a major part of the urban population. While the rural areas have a well structured health care network, there is lack of such institutional arrangements in urban areas especially in urban poor settlements. Empirical data proves the basic health indicators such as IMR, MMR, and TFR are more adverse in the urban poor as compared to the rural poor. During the past six decades, there has been very little support from Government of India for the coverage of health needs for the urban poor.

To address the problems of large cities it is necessary to encourage creation of satellite towns in the peripheral areas. To start with we would suggest that the Planning Commission should identify 40 to 50 cities for assistance during the 11th Plan period.

Most urban settlements worldwide are located next to large water bodies such as rivers and lakes. Lack of management of solid waste and sewerage coupled with large scale industrial activities have adversely impacted the water quality thereby leading degradation of health and also loss to agriculture in the down stream villages. A small provision currently made under National River Conservation Programme is inadequate to address this vital need.

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## **Agriculture**

The spate of suicides committed by thousands of farmers across the country should shake the conscience of this forum. Equally disturbing is the fact that after several decades of self-sufficiency in food grains, India has had to resort to importing food grains in substantial quantities. Food security itself is threatened. These should be major concerns to be addressed through the 11<sup>th</sup> Plan exercise. Agriculture is a catalyst for spinning off the growth in other small as well as agro based industries; the agriculture output needs to be raised through yield enhancement for every crop. The Approach Paper does not bring out critically the need to boost agriculture production. The need for enhancement is evident from the fact that India's yield for rice at 2915 Kg per hectare is lower than that of Bangladesh at 3448 Kg. per hectare, in Japan 6582 Kg per hectare, USA 7372 Kg per hectare and Egypt 9135 Kg per hectare. It is also lower than the world average 3916 Kg. per hectare. In wheat, India's yield is 277 Kg per hectare while that of China is 3885 Kg. per hectare. In groundnut, the yield in India is 794 Kg. per hectare while the same in China is 3986 Kg. per hectare.

## **Agro-Forestry**

Tree cultivation constitutes the intrinsic strength of the rural economy. Trees planted in farm areas on perpetual basis provide a permanent cycle of income to the farmer. The emphasis on this aspect of farm has got diluted. The trees in the farming areas provide economic sustenance in multifarious ways which requires to be studied as additional source of sustenance of farming community.

## **Panch Tatvas of Agriculture**

For the development of agriculture sector we need to have well developed agricultural infrastructure. It is important that we focus in developing agriculture infrastructure through out the country. We should begin by creating infrastructure for scarce water resource by starting with a river grid and ultimately ending at the farmer's doorstep through sprinkler and drip irrigation. Similarly, we must have an end-to-end solution for the farmer, starting with cropping pattern upto the marketing of the farmers' produce.

The farmer is exposed to risks by the very nature of his activity making his produce costly. Agriculture infrastructure must address the issue of removing uncertainties which the farmer faces. There are several

such components which could form the base for this agriculture infrastructure. The key lies in modernizing agriculture and using scientific technology to maximize returns for the farmers. Local solutions always have the edge, and I have tried this experiment in Gujarat by using Panch-Tatvas which are as under:

- (i) Progressive farmer
- (ii) Agro Scientist
- (iii) Agriculture Extension/Govt
- (iv) Agro Technologist
- (v) Agro Economist

### **Interlinking of Rivers**

It is our experience that while many parts of the country face deluge due to heavy floods, some other region of the country suffer acute scarcity of water. Government of India had earlier mooted the project for inter linking of major rivers. Unfortunately, the Approach Paper does not mention anything about its planning and implementation.

In Gujarat, 71 % of the Geographical area comprising North Gujarat, Saurashtra and Kachchh regions of the State are water deficit, while the South and Central Gujarat regions of the State, comprising 29 % area have surplus water resources. Large quantities of monsoon flow of South Gujarat region is flowing in to the sea without any utilization. Govt, of Gujarat has decided to implement inter basin transfer of water from South Gujarat to the needy North Gujarat, Saurashtra and Kachchha regions. Various rivers are linked with Narmada Main Canal. The work of more than 10 link canals / spreading channel within the State are taken up and some of these are already functioning. In my opinion such inter-State river grid linkages schemes should be given priority in the 11<sup>th</sup> plan for optimizing water resource management.

### **Gobar Bank**

A small pilot project of Gobar Bank Scheme at village level in Surendranagar District in Gujarat has a potential to be scaled up to the national level. Women's Self Help Groups collect Gobar from all village, produce and distribute gas through a Community Gobar Gas plant and sell enriched manure produced by the plants to its members. Gobar Bank Schemes at village level would address issues of rural employment, rural energy and organic farming. Formation of agricultural/animal husbandry cooperatives to create such Banks would be useful.

### **Drip Irrigation**

In the Approach Paper, there is emphasis on stoppage of wasteful or over use of water for irrigation. In this context, there is a need to give greater incentives for adoption of Drip Irrigation Schemes.

### **Organic Farming**

The global demand for organic food is expanding at a fast pace. India is traditionally very strong base for organic farming because it is rooted in our traditional rural economic culture. Men and women in farming communities have traditional division of duties to carry out organic farming effectively. What is required now is to structure this practice on scientific and professional lines and establish global linkages. We need to adopt a special strategy for the coming five years to raise India's capacity in this field to fulfill large portion of global requirement and acquire a significant share in the global market. This would however require the following:

**(a) Certification**

The organic product needs to be certified by an agency of repute having capacity in testing and research on organic product.

**(b) Standardization**

An ISO level standardization institution would be required to be set up to make the products acceptable in global market.

**(c) Marketing**

The organic production of the country as a whole would have to be marketed as the unique traditional product of India. It could be a good marketing strategy to pose it as a holistic preventive health care product and as an essential pre-requisite for the practice of Yoga which is a total health care philosophy.

## **Grassland Development**

Droughts occur frequently in many parts of the country. There is maximum damage to the cattle population as a result of droughts. And yet, we treat it as a natural calamity and disaster rather than plan for it. It is required to divide the country in 7-8 regions and create grass (fodder) development zones in degraded land areas wherever possible. It is in these zones we should follow systematic production of fodder grass on a permanent basis to mitigate the damage to cattle wealth on account of drought conditions. We need to utilize biotechnology and carry out a research with a view to increase the productivity of fodder grass. It is necessary to have 7-8 regions because the fodder transportation would make it unduly expensive due to long distance transportation.

## **Industry**

A significant increase in the average annual rate of growth in manufacturing is envisaged in the Approach Paper, from about 8 per cent during the period of the Five Year Plan, 2002-2007, to 12 per cent during the period of the Plan. For Gujarat it has been pegged at 14%.Gujarat provides a fertile ground for such growth but the same cannot be achieved without greater flexibility and delegation afforded to the State in the structure of the Central schemes. There are number of obstacles which arise in the absence of such delegation which poses a serious threat to the achievement of such a high target. Some such problems, for example are:-

- Industrial Park Act containing provisions pertaining to flexible labour policy is pending with the GOI. The GOG has not received the approval.
- Extension of time limit for setting up units in Kutch with excise exemption at least for the pipeline cases could have resulted into huge investments leading to capital formation in the country. The Import Duty on Ships, which are coming here for ship-breaking, is levied @ 5%, which has affected the ship-breaking industry negatively.
- As per September 2006 guidelines of the Ministry of Environment, Government of India, instead of State Governments' clearance, prior permission from GOI is introduced for aerial Ropeway, Ship breaking, Sugar Industry, Pesticides, Drugs & Dye Intermediates, Soda Ash and Mineral Beneficiation. This is retrograde step for the process of industrialization.

### **Special Incentives for Desert Regions**

Government has chosen some hilly regions of the Himalayan range for unique package of incentives for industrialization. We understand the harshness and sheer lack of viability of industrial activity in the hilly terrains. The Approach paper, however, notes the distortion such a policy creates in market based choices regarding industrial locations. The paper goes on to suggest the alternate course of providing extra financial support to such regions for creating rail and road network to mitigate the harshness of such terrain and level up the viability of industrial production in such areas.

Desert regions of India also face no less threats of viability due to lack of natural resources and harshness of the terrain. States having large tracts of desert are faced with the challenge of developing the same. There is an urgent need for Central Government to understand the problems of desert regions. Central Government could either extend the alternate package suggested in Approach Paper for Himalayan Hilly regions to also the desert regions of the country. Alternatively, GOI announce special incentive packages for carrying out economic activities in this region which could include tourism, cottage industries, handicrafts, agriculture, water management, in addition to industrial and manufacturing activities.

### **Terrorism/ Naxalism Affecting Growth**

Just as lack of education, health or physical infrastructure is hurdle in the path to progress, similarly, there are other equally debilitating factors like terrorism, naxalism, insurgency and illegal migration from Bangladesh, which are causing serious threat to the process of development. Even the Draft Approach Paper has noted the growth of naxalism in some of the developed States of India, as a severe internal threat. These are issues which need to be addressed above political considerations as the threats to development.

### **Service Sector**

Service Sector is going to constitute the largest part, to the extent of 54% of the GDP, during the 11<sup>th</sup> Five

Year Plan. It is therefore imperative that we identify unique skills which constitute the strengths of our country and structure them on internationally acceptable parameters with a view to export those to all other parts of the world. We need to place emphasis on areas of our traditional strength like Yoga, Ayurveda, Herbal And Natural Systems of preventive medicines. We must capitalize on our strengths in the entertainment industry and design, etc. for tapping the global markets. We need to standardize and structure these services on a scientific basis and evolve a system of accreditation so as to develop international confidence in India's capacity to provide these services.

## **Level Playing Field to be ensured by the Centre for PPP in Infrastructure Development**

Central Government has the onerous task to ensure a level playing field for States inter-se, as also between Centre and States, if healthy PPP route of development of infrastructure is intended. Following examples indicate ad-hoc basis for decision-making which could be injurious for development of infrastructure on the PPP basis.

- Levy of Cess by the GOI on Cargo Handled by State Minor & Intermediate Ports. The recent announcement made by the Govt of India to levy a fees of Rs 50 per Tonne to support Major Ports will discourage private participation in ports through State initiatives. Looking to the statistics, Rs. 500 crore is likely to be collected from minor ports of Gujarat
- Cost of Gas to be linked to the distance for delivery. Gujarat's electricity production is mainly coal based which comes from long distances. Gujarat has to pay heavy transportation costs for the same. States which are closer to pitheads stand to gain substantially on that account. When the Gas is supplied to the states by GAIL, no such price discounts are built in the pricing for the states where gas production takes place. This puts States near the Gas fields to undue and unfair disadvantage. GOI should consider building the cost of transportation component in the pricing of the Gas.
- In June 2000 Government of India agreed for 'in principle' allocation of natural gas to the extent of 2.25 MMSCMD for 650 MW gas based power project at Pipavav. Subsequently, Panna Mukta Tapti joint venture partners were allowed to market gas at market related price in terms of the Production Sharing Contract (PSC), and Gujarat Govt was asked to submit tenders for its purchase for market price rather than the APM prices. Later GOI again changed its stand on the matter and refused to allocate the said gas to Gujarat through these tenders inspite of the same being the highest.
- The imperative need for a National level Railway Transport plan as a part of a Multi Modal National Transport Plan. The decisions regarding new trains or Railway lines are taken on political considerations from year to year. Subjectivity in decisions of such crucial importance to the national economy can hit the overall growth very hard. There is

a need for a multi-modal National transport plan linking ports in the coastal States.

### **Port led Development**

The Approach paper is silent on the significance of the vast Indian coast in realizing the potential of its capacity in globalizing the economy. Ports have a unique role in driving the economy of the country.

The infrastructure development in the coastal area would have 4 components of the (i) port (ii) port based SEZ - (iii) SEZ based warehouses (iv) Warehouses backed up by farm based infrastructure to connect it with the farming. Similar chains would obtain with every segment of value addition activity. Port location should be linked with the hinterland with world-class road and rail linkages to make our goods globally competitive.

Port led development is also integrated with:

- 1) Ship breaking
- 2) Ship repairing and
- 3) Ship building

It would be a major area of trade during the 11th Plan which however, has not been mentioned in the Approach Paper. Specific incentive by Govt, of India should be given for Coastal Shipping and development of minor ports.

### **Development of Solar Energy - Sun-Son Concept**

The approach paper should have recognized potential of development of solar energy. There is need for collaboration by all sunlight abundant countries to create a R&D fund to exploit solar energy. Most States in the country have large potential for generation of solar energy. To encourage its exploitation, capital subsidy scheme should be provided for generation of solar energy. Similarly, a national programme for generation of power using bio-waste needs to be taken up and for this necessary incentives/subsidies should be provided.

### **Desalination as a solution for drinking water problems in coastal areas**

Ground water sources in most of the coastal areas have high salinity. Most of these areas suffer acute water shortage. It is expensive to transport surface water to such areas. Desalination by reverse osmosis and other techniques is now becoming quite affordable and sustainable due to advances in technology. Gujarat has 2575 habitations affected by salinity and most of these are either adjoining the coastline or Runn area. To provide sustainable and for assured safe drinking water, desalination at village level or for group of villages needs to be taken up. Community can be involved for operation and maintenance (O & M) of such systems through tariff mechanism.

### **Financial Resources**

In the process of revising the Draft Approach Paper, a difficult balancing act has been done by the Planning Commission. While growth rate targets have been raised to 9%, the demands of resources and the policy have become diverse. Further, it is stated that an ambitious 6% of the GDP needs to be invested in education sector to make the plan more inclusive.

Doubling the agriculture growth at 4% per year would also call for huge resource base to support it. The revised Draft Approach Paper indicates a maximum of 10.2% (of GDP) to be available for public investments. Such claims on the public exchequer from two of the sectors as mentioned above are likely to leave very little to be invested for the remaining sectors.

The claim that the resources would get generated from a high level of public savings, expanded tax base and reduction of the non-plan expenditure is not easy to achieve. A holistic view of present state of economy would expose sufficient inner contradictions which pose a threat to this argument. In this context, the Planning Commission and GOI should device appropriate schemes to bring black money of parallel economy into our mainstream regular economy, for creation of the physical and social infrastructure for the country.

The need for sustaining employment and protecting incomes for labour on the farms, villages, and cottage industries, as also in the micro small and medium enterprises is yet another challenge. These are the factors which call for an alert, professional, apolitical and efficient management of the country's economy and the 11<sup>th</sup> Plan implementation. This is indeed a formidable challenge.

## **Conclusion**

Save for what is stated above, we sincerely appreciate the efforts that have gone into preparing the Draft Approach Paper, and endorse it. I am certain that the spirit of the paper would be sustained in future decisions made by the Government of India in formulating the 11th Five Year Plan. We also accept with due humility, the role assigned to my State in leading the Nation towards this momentous growth.

Gujarat shall continue to strive towards excellence and welfare for each of its five crore people. The country has noted the participatory process of Gujarat for growth and development. We have evolved development as a process of people's movement. While on way to its growth, Gujarat will make its humble contribution to the growth of nation which remains always supreme.

**Vande Matram**