

56th meeting of National Development Council held on 22nd October, 2011

Hon'ble Prime Minister and the distinguished members of the National Development Council,

2. I am glad to be here in this august gathering of the 56th National Development Council Meeting to discuss the Approach to the Twelfth Five Year Plan.

3. As we discuss the Approach Paper to the Twelfth Five Year Plan, we should be aware of a major milestone that we have just crossed, namely the completion of sixty years of planning in our country. Sixty years is a long time in the life of a nation, long enough to warrant our taking stock of the achievements of planning over this entire period. While there has undoubtedly been much increase in the size of our per capita gross domestic product over this period, which is in sharp contrast to the last half-century of colonial rule, on the basic task of building a nation where each citizen is assured a minimum standard of life, where the gap between the rich and the poor does not widen over time, and where everybody feels a sense of belonging, our plans have been a conspicuous failure.

4. This failure had already become apparent by the end of the nineteen fifties, which is why a committee was set up by Prime Minister Jawaharlal Nehru in 1960 under the Chairmanship of Professor P.C. Mahalanobis to go into the issue of "distribution of income and levels of living" and examine who had been the beneficiaries of the first two plans. The Committee submitted its report in 1964 and observed that "planned economy encouraged the process of concentration by facilitating and aiding the growth of Big Business". For the planners of that time, "aiding the growth of Big Business" was a matter of concern; but, for contemporary planning, it has become not only desirable policy, but one deserving the highest national priority. This shift, which is the essence of our turn to neo-liberal policy, is justified in the name of increasing the growth rate of GDP. And it undoubtedly has ushered in an increase in the growth rate of the GDP compared to the pre-liberalization period; but the gap between the rich and the poor has widened even more sharply under neo-liberalism, to a point where India is now the home both to the most malnourished people in the world, even more so than Sub-Saharan Africa, and to some of the world's richest billionaires. In fact it is no longer a matter of just widening gaps. *There is a process of absolute economic impoverishment going on which is as striking as it is dangerous for the future of our society and polity.*

5. The Planning Commission's "poverty Line", which has been much in the news lately, obscures this process of absolute economic impoverishment. But if we take the proportion of population accessing less than 2200 calories per person per day in rural areas and 2100 calories per person per day in urban areas, which still constitute the official benchmarks for poverty, accepted even by the Planning Commission, we find that in 2004-05 the figures were 69 percent and 64.5 percent respectively. In 2009-10, the latest year of large sample NSS, the figures have increased to 76 percent and 68 percent respectively. *Thus on the most elemental criterion and on the basis of the most authoritative official data, we find incontrovertible evidence of an increase in the*

incidence of poverty in the most recent period. It is exceedingly difficult for any nation to hold together in the face of such a sharply accentuating internal dichotomy. This constitutes our most urgent problem today and one would have expected the Approach Paper to the Twelfth Five Year Plan to do some introspection in this regard, to discuss how this accentuating dichotomy could be rectified. Instead we find the Approach Paper's strategy being a mere continuation of what has gone on before. Like the Eleventh Plan, it also talks of 'inclusive growth', but since the above-mentioned increase in poverty occurred precisely during the period of the Eleventh Plan when growth was supposed to have been "inclusive", the continuation of the earlier strategy clearly be said to compound the problem instead providing a solution. The Approach Paper's basic strategy in short continues to be a flawed one.

6. There is an additional problem. The Twelfth Five Year Plan is being launched at a time when the world capitalist economy is caught in an acute crisis, of which no end is in sight. Meaningful planning requires what Professor Amartya Sen has called a "control area", over which the planners have some control and hence a reasonable chance of ensuring that the objectives and achievements of the plan can converge. The insulation of the national economy over which planning is being done, from unplanned shocks emanating from the world economy, is a condition for such a "control area" to materialize. Even when there is no actual insulation, if no major unplanned shocks are likely to emanate, then too there may be scope of meaningful planning. But given the acute capitalist crisis, actual unplanned shocks from the world economy are bound to come our way, which makes this planning exercise tenuous. In this backdrop, under the neo-liberal regime, India is closely integrated with the capitalist world, which places the entire Twelfth Plan exercise on an extremely shaky foundation.

7. For instance, the rupee has been sliding down against the US dollar for some time now, because of the predilections of globalized finance capital. This, by raising the rupee costs of imported goods, has contributed to the inflationary pressures in our economy, given in particular the Central Government's totally erroneous policy of 'passing on' costs of imported oil to the domestic users of petro-products. Now, with the Eurozone crisis getting intensified, and the Euro getting increasingly weakened, there is likely to be a 'flight to the dollar' which will further strengthen the dollar against the rupee and aggravate our domestic inflationary pressures, undermining whatever prospects of "inclusiveness" that the Approach Paper holds out before the people.

8. The current inflation is a worldwide phenomenon, especially in the Capitalist economy. To say this is not to suggest that nothing can be done about inflation. On the contrary, *it can be effectively countered within the country, but through an altogether different set of measures.* What it requires is a degree of insulation from the world economy on the one hand, and supply management, including the provision of essential commodities at fixed and affordable prices through the public distribution system to everybody, without distinction between APL and BPL, on the other.

9. The Planning Commission has now announced that benefits will no longer be linked in future to the poverty line estimated by it, and that the “priority group” of beneficiaries will be selected on the basis of the socio-economic caste census that is currently underway. The census itself of course cannot determine who is poor; so the criterion for selecting the “priority group” will simply be so fixed that this group comes to a pre-determined percentage of the population. This is the logic of the draft food security legislation: it fixes before hand what percentage of the population should constitute the “priority group”. This so-called “priority group” however is nothing else but a revival of the BPL-APL distinction in a new form. True, the percentage of population constituting “priority group” will be larger than what has hitherto been counted as BPL, but if the so-called “poverty line” of the Planning Commission makes little sense, then an arbitrarily pre-determined ratio of the poor (even if re-christened as “priority group”) makes even less sense. *The only way that every Indian can be assured of a minimum living standard is to have universal public distribution of essential commodities at fixed affordable prices, universal healthcare, universal education at least up to a certain level, and universal employment guarantee.* The de-linking of benefits from the Planning Commission’s “poverty line” must entail, to start with, a universal provision to the entire population of all those benefits which are currently available to the BPL population. And together with this there must be an Urban Employment Guarantee Scheme run by the Centre on lines similar to the MGNREGS, as a right-based programme. The basket of commodities covered under the universal PDS and also the scope of the Employment Guarantee Schemes will have to be enlarged.

10. To sustain and further strengthen and widen the scope of a universal PDS, the requisite supply management will have to encompass a stepping up of agricultural growth, including especially the growth rate of food grains. This requires a whole set of measures whose essence is a re-engagement of the State in a supporting and protecting role vis-à-vis the peasantry, and hence a reversal of what has occurred under the neo-liberal dispensation when the State abandoned such a role. This no doubt will yield results in the medium term, but, given the fact that there are sixty million tonnes of food grain stocks with the government right now, well in excess of the “normal” level, and that the 2010-11 food grain harvest has been a bumper one according to the Approach Paper, increased public provisioning of essential items at fixed prices through the PDS can start right now. The fiscal burden arising on account of it is perfectly manageable, especially if the government resists its temptation to provide favours to the big corporate and financial interests, and gets them to contribute more towards tax revenue.

11. The commodity price increase that has occurred has hardly brought much prosperity to the petty commodity producers, but those of them who have to buy their food requirements from the market have been squeezed by the inflation in food prices. Other labouring classes and middle class employees whose money incomes are not indexed to prices have of course been its special victims. Even apart from the rise in the price index, there has been a process of dismantling of public services, forcing people to

turn to private service providers and pay much higher prices. The net result of all these, as we saw above, has been a remarkable increase in poverty precisely during the eleventh plan period when “inclusive growth” was the plan objective!

12. The increase in poverty, defined in elemental nutritional terms, must not just be attributed to the crises of the capitalist world. It had been occurring long before that crisis hit. Per capita food availability for the country as a whole which had risen until the end of the eighties to roughly 180 kilogrammes per year, first stagnated and then came down precipitously during the period of neo-liberal reforms, reaching around 165 tonnes by 2008, even before the capitalist crisis. This decline is on account of the flawed trajectory of development that the country has been following under the neo-liberal dispensation, where the emphasis on GDP growth has been accompanied, as already mentioned, by a withdrawal of State support and protection from petty production, including peasant agriculture. This has meant not only a *sectoral* imbalance, between agriculture and other sectors, but a *social* imbalance, between the bulk of the working population on the one hand and the corporate and financial interests, together with their satellite groups, on the other. It is this which explains aggravated poverty under the neo-liberal dispensation.

13. This imbalance, producing aggravated poverty, was sought to be justified in the beginning by invoking a “trickle down” effect. But the emptiness of that argument was recognized in the Eleventh Plan document which still made GDP growth the main objective of planning, but no longer on the earlier argument that its effects would automatically “trickle down” to the poor; instead it advanced a new argument to the effect that with a high GDP growth it becomes possible, *through State intervention*, to lift the condition of the poor. Its slogan of “inclusive growth” aimed as before at a high GDP growth rate, but postulated in addition that the State should take away a part of this growing GDP to provide for the poor. To focus on this particular role, of taking resources away to cater to the needs of the poor, the Eleventh Plan suggested that the State should off-load some of its responsibilities *in other sectors like infrastructure* to the private sector, through Public-Private-Partnerships (PPP). But if “trickle down” had not worked earlier, “inclusive growth” too has been a failure.

14. This is to be expected: if the growth process itself is poverty-engendering, because of the squeeze it puts on petty producers and the entire work-force dependent upon them, then State intervention can negate its effects only partially but not completely. The very factor that makes the growth process poverty-engendering, namely the influence on the State apparatus of the corporate and financial interests who use it under neo-liberalism to enrich themselves at the expense of the vast mass of the working people, also negates the State’s ability and willingness to reverse this very process through fiscal intervention. The manifestations of this inability and unwillingness can be seen from the fact that the instrument chosen for affecting “inclusiveness” was a blunt one.

15. According to the understanding of the planners, the chief means through which “inclusiveness” was to be affected consisted of a set of centrally-sponsored schemes. These were of the “one-size-fits-all” variety, with no variations permitted for taking into account the specificities of the problems of different States. And each scheme demanded a contribution from the State Governments, whose share was arbitrarily fixed by the Centre and altered at its whim. The States from the very beginning had been opposed to centrally-sponsored schemes, wanting instead a transfer of the amounts to themselves to launch schemes in accordance to their specific needs and priorities. The Centre not only systematically resisted this, but consistently undermined even such schemes as it introduced unilaterally, by making impossible and arbitrarily increasing demands for concurrent contributions from States. Thus the Centre decreed an increase in the States’ contribution towards the Sarva Shiksha Abhiyan, despite a unanimous request from Chief Ministers at a meeting of the National Development Council not to do so. The Right to Education programme has been effectively dented by the Centre’s refusal to transfer adequate resources to the States for implementing it. This arbitrary approach of the Centre needs be changed to give flexibility to the States.

16. This poverty-engendering growth strategy itself must be abandoned in favour of an alternative strategy, which places the growth of agriculture, especially food grains, through State support to the peasantry, at its centre. The neo-liberal strategy talks of the importance of export markets. But a revival of peasant agriculture expands the domestic market; and the effect of this increase in the domestic market that includes millions of people is far greater than anything the country can hope to achieve in the international arena. The perspective of export-led growth through an open economy that underlies neo-liberalism, has to be replaced by an alternative perspective of growth sustained by an increase in the domestic market through a State-supported expansion of peasant agricultural output. In the latter scenario, not only can the economy be insulated against external shocks emanating from a crisis-ridden world capitalism, and planning acquires meaningfulness through the cordoning off of an appropriate “control area”, but the incomes of vast masses of working people, both peasants and agricultural labourers, can increase, and workers and employees in the non-agricultural sector can be protected against the ravages of inflation in food prices. The provision of cheap credit, of subsidized material inputs, of extension services, of State-initiated R & D support, and of assured remunerative prices, together with the introduction of land reforms, to break land concentration and distribute land among the landless, will have to be the central elements of this alternative growth strategy. It will run counter to the current trend of distressed peasants flocking to urban centres in search of non-existent work, and being forced to become part of the reserve army of labour; it will also entail a reversal of the current trend of dispossession of land from the peasantry in the name of “development” which leaves the dispossessed without adequate livelihood options.

17. A re-emphasis on the growth of peasant agriculture, as distinct from corporate agriculture, will also enlarge employment opportunities for the vast number of working people, unlike the current growth strategy. Of course, the unemployed and the

underemployed cannot be made to wait for an increase in employment opportunities. They have to be provided work immediately, for which, as I have already mentioned, an Urban Employment Guarantee Scheme, to complement the MGNREGS, must be put in place immediately, and the scope of both Schemes expanded to make the right to employment a universal reality.

18. Together with emphasis on agriculture and the realization of universal right to employment, there has to be a universal right to healthcare and education, at least upto a certain level. The neo-liberal strategy of development which permeates the Approach Paper to the Twelfth Plan aims at a commoditization of education and healthcare, with the State coming in at best to support a target group, defined on certain criteria, with *cash assistance*. This is a completely misconceived strategy for a number of reasons. First, *any targeting*, given the extraordinary levels of deprivation in India, necessarily leaves out significant sections of the poor from its ambit. The only practical way of covering the deprived is a universal system from which the non-deserving rich will automatically opt out in any case. Second, any scheme of cash assistance provides an incentive to the private service providers to put up the prices of the services they provide. No attempt by the State to control these prices can possibly succeed, unless the State is itself in a position to provide these services through State-run institutions. And for an adequate numbers of State-run institutions to be there, the State has to play the primary role as service provider in these crucial areas of human resource development. Third, when it comes to education, we cannot overlook the important bearing it has on the whole project of nation-building, in creating a society that is free of patriarchy, caste and gender oppression and extreme inequalities. Commoditization of education militates against these objectives, whose abandonment is tantamount to a flouting of the Constitutional mandate of the government. Hence there has to be a massive effort on the part of the State, primarily through its own institutions, to provide universal healthcare and education upto a certain level.

19. Likewise, there has to be universal provision by the State of potable drinking water. Privatization of drinking water will price out the poor from this elemental necessity of life. Hence this must be a part of the services made available by the State free of charge, but through a system of rationing if need be. (Where a price is already being charged it must be kept low with an adequate subsidy). The Central Government must have a scheme for immediate universal provision of drinking water.

20. The other area crying out for attention is housing. The current housing scheme “Indira Awas Yojana” is woefully inadequate both in its coverage and in the amount of money it makes available to the beneficiary households. State Governments lack resources to implement housing programmes of adequate coverage, which provide adequate funds to the beneficiaries for decent housing; and the Planning Commission has been opposed to the idea of States making advance claims on the IAY funds due to them. Under these circumstances a scheme for universal and decent housing for deprived households must be formulated by the centre to eradicate homelessness completely within the Twelfth Plan period.

21. In addition to the above proposals, a special package has to be worked out for the SC/ST, OBC and minorities households not just religious minorities but other minorities as well. At present the only special benefit they get is through reservations and that too in the public sector. With the weight of the public sector declining in the economy, the benefit of reservation too is declining; and minorities, including even religious minorities, are deprived of these benefits in most states. *Reservations must be extended to the private sector, including private educational establishments, and must be made available to minorities that suffer from socio-economic deprivation.* But over and above reservations, there has to be a special package of assistance, so that these beneficiary groups can, among other things, benefit from the reservation policy itself.

22. The development strategy being pursued in the country at present also has the effect of widening regional inequalities. This is especially apparent with respect to the north-eastern region of the country, which continues to remain in a state of abject poverty and deprivation. The region suffers from an absence of infrastructure, meagerness of employment opportunities, underdevelopment of educational institutions, and a lack of diversification of economic activities. Not surprisingly, it has become an easy prey for secessionist and terrorist groups. The PPP route favoured by the Planning Commission for initiating investment projects is almost entirely irrelevant in this region, since very few investors are willing to come forward to invest, except with subsidies that are so large that the very rationale of PPP, namely, the need to supplement inadequate State resources by private funds, gets defeated. Even when the State Governments take the initiative to develop some institutions with their own resources, there is usually a shortage of personnel for running them, since very few persons are willing to remain in the North-East, sacrificing careers in the metropolises or in the non-metropolitan heartland of the country. A number of steps need to be taken to overcome the problems of the North-Eastern Region, without which our very integrity as a nation will get threatened. I shall briefly mention some of them.

23. There is one problem which is common to all small States, including those in the North East, of which Tripura has been a special victim. Any State, no matter how small, must have a minimum administrative structure which constitutes a fixed cost from its point of view. Smaller States therefore have a higher fixed cost per capita. When there are revisions of salary structure in tandem with Central Pay Commission recommendations, which the State Governments are more or less obliged to follow if they are to avoid the invidiousness of unequal pay for *de facto* equal work, the fiscal burden for a small State increases to a far greater extent than for a larger State, even if the two have the same per capita income. Unless some allowance is made for this fact in determining the magnitude of resource devolution to States, which unfortunately the Thirteenth Finance Commission, using its so-called “normative approach”, has not made, States like Tripura suffer. For such small States, where Pay Commission-related expenditures impose a heavy fiscal burden and eat into plan funds, enhanced Special Plan Assistance must be provided, for which a request has already been made by me to the Hon’ble Prime Minister. I would request that follow-up action on the request made

by me may be taken by the Central Government at the earliest. In our federal polity while a State faces problem whatsoever whom it should approach and ask for help other than the Central Government?

24. Almost all the North Eastern States suffer from the problem of insurgency and have to undertake substantial expenditure out of their own resources for countering insurgency. This leaves less resources for expenditure on people's welfare, which in turn contributes further to nourishing insurgency. Leaving insurgency-affected States to fend for themselves, which has been the practice till now, especially when the insurgency is latent as in Tripura, is totally counter-productive. Particularly and specially, the recurring expenditure undertaken for countering insurgency, therefore, must be shared between the Centre and the concerned State in the ratio of 90:10, even when this insurgency itself may have become latent.

25. Starting institutions for higher education requires heavy construction costs. Such costs are beyond the capacity of the State Governments of the north east in view of their resource constraints, and PPP, as already mentioned, is entirely inadequate for the purpose. But starting such institutions is absolutely necessary. In Tripura, for instance, our very success in spreading school education now makes the starting of institutions of higher education a matter of urgent priority. The Centre must therefore take the responsibility of starting such institutions, particularly the technical institutions, in the north eastern States.

26. Central Government agencies like the Airport Authority of India, and even the Railways, which make handsome profits and which should be using these profits to cross- subsidize investment for meeting the infrastructure needs of backward States, tend instead to make States compete against one another in giving concessions to them, and invest where they get maximum concessions. This crude "capitalist" behavior is against the logic of the public sector itself, and negates "inclusiveness". This must stop, and government agencies must be enjoined to pay heed to the needs of backward States, especially those of the north east, whose connectivity with the rest of the country is as important for them as it is for the country as a whole.

27. Connectivity must include above all an adequate communication network in north eastern States, which is currently very poor. Even the internet connectivity that exists at present is woefully inadequate. The Centre must develop a communication package for the north eastern States, without which there will be little possibility even of attracting investment to the region.

28. Connectivity also requires adequate road links to the scattered hamlets in the region. The Prime Minister's Grameen Sadak Yojana as it stands now provides for connectivity to villages with a minimum population of five hundred. This minimum must be brought down to one hundred, so that tribal hamlets, which dot the entire north-east and which typically have less than five hundred inhabitants, get road connectivity.

29. The North East being properly connected with the rest of the country is only a necessary condition for its development, but by no means a sufficient condition. A development package covering industry, tourism and other promising sectors and outlining concrete steps that must be taken to give a boost to these sectors must be prepared by the Centre in consultation with the north eastern States. The economies of most of these States are already linked to those of the neighbouring countries, and the region will stand to gain greatly if these links are further strengthened. Tourism in the region for instance will get a big boost if tourist packages could be devised covering both, the States in the region and some neighbouring countries. For all this however, close and friendly relations with the neighbouring countries are essential. The need for such relations for the purpose of security is often readily appreciated; the need is equally great for the purpose of development too.

30. Notwithstanding severe constraints Tripura has taken significant steps to ameliorate distress in its largely poverty-ridden population. It has been providing a minimum amount of homestead land to every landless household in the State in a systematic manner. It has given rights over forest land to the tribal population. It has introduced an Urban Employment Guarantee Scheme, and it has vigorously implemented MGNREGS as well as Sarva Shiksha Abhiyan. It is because of these measures that the problem of insurgency that was so acute at one time has abated somewhat in recent years. But to sustain these initiatives, the Central Government has to come forward with a number of steps. Some of these, in addition to those listed above, are the following.

(i) In Tripura a significant non-tribal population has also occupied forest land for long, though under the existing legislation it is denied rights over this land. It must be given legal rights. The Central Government must take immediate steps in this regard. (ii) The tribal population which has obtained rights over land needs financial assistance for undertaking proper economic activities, obviously, of course, including cultivation. This assistance cannot be provided through MGNREGS; and the State Government's capacity in this regard is limited. The Central Government must therefore formulate a scheme for providing such assistance. (iii) I have mentioned above the need for a scheme that ensures universal and decent housing. As a first step towards this end, the Indira Awas Yojana must be made applicable to all SC/ST, OBC, Minorities and marginal households. They must be provided with subsidized and decent housing. (iv) The Rashtriya Krishi Vikas Yojana currently imposes "conditionalities" for eligibility for assistance, by way of minimum ratios for agriculture in state plan outlays. These, no matter how reasonable they may appear at first sight, are fraught, as experience has shown, with major problems of definition and classification. RKVY funds must therefore be made available without any "strings."

31. Planning in India has come to be identify exclusively with the promotion of GDP growth rate, and, towards this end, the handing out of concessions to the private corporate sector and the financial interests, which are supposed to be the main agencies

for effecting higher growth. This growth, by its very nature, is not only poverty-engendering, but also restricts the “inclusiveness” which the Eleventh Plan believed that fiscal intervention would achieve in the wake of higher growth. The Approach Paper to the Twelfth Plan has gone a step further and now wants to induct the private corporate sector even into the task of achieving “inclusiveness”, which only underscores the hollowness of its conception. *It is time that the planners began “at the other end”, making the provision of a minimum standard of living to every Indian the direct and proximate objective of the plan rather than the growth rate, and worked out and arranged for the resources required for it.*

32. The logic of such an alternative approach, as I have argued, will necessarily lead to a development strategy different from what the country has been pursuing under neo-liberalism. A minimum standard of life for everyone is incompatible with the poverty-engendering growth process that neo-liberalism unleashes. To ensure a minimum for everyone, we shall have to develop agriculture, introduce proper land distribution, revamp the public sector, and abjure the huge fiscal concessions that have been given out to the rich in recent years. But even if the Union Government does not immediately accept my argument for an alternative development strategy, let us at least agree to provide a minimum standard of life to every Indian, and let the Twelfth Plan take concrete steps towards this. If planning aims at ensuring such a minimum living standard for every Indian we would have made a genuinely new beginning and fulfilled the promise of our independence.

Thank you all.