12th Five Year Plan (2012-2017) Faster, More Inclusive And Sustainable Growths

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Abstract

The global crises of 2008-09, and its aftershocks, have created conditions whereby the Twelfth Plan will be launched in a less benign and a more uncertain macroeconomic environment than the Eleventh Plan. There is no doubt that India has weathered the global crisis much better than most other countries in the world, but it certainly has not been immune. More importantly, the policy measures taken to meet the crisis have left in their wake issues which will need to be addressed, if we are to achieve our objective of faster, sustainable and more inclusive growth. In compared we examine, the feasibility of accelerating growth beyond the levels achieved in the Eleventh Plan. Subsequent compare explore some of the key sectoral constraints that have to be overcome to achieve faster growth, and also the steps needed to ensure that growth is both inclusive and sustainable.

KEYWORDS: Faster, More Inclusive, and Sustainable Growths

1.0 Introduction:

1.1 The Indian economy on the eve of the Twelfth Plan is characterized by strong macro fundamentals and good performance over the Eleventh Plan period, though clouded by some slowdown in growth in the current year with continuing concern about inflation and a sudden increase in uncertainty about the global economy. The objective of the Eleventh Plan was faster and inclusive growth and the initiatives taken in the Eleventh Plan period have resulted in substantial progress towards both objectives. Inevitably, there are some weaknesses that need to be addressed and new challenges that need to be faced. Some of the challenges themselves emanate from the economy's transition to a higher and more inclusive growth path, the structural changes that come with it and the expectations it generates. There are external challenges also arising from the fact that the global economic environment is much less favourable than it was at the start of the Eleventh Plan. These challenges call for renewed efforts on multiple fronts, learning from the experience gained, and keeping in mind global developments.

1.2 In preparing the Approach Paper, the Planning Commission consulted much more widely than ever before recognizing the fact that citizens are now better informed and also keen to engage. Over 950 civil society organizations across the country have provided inputs; business associations, including those representing small enterprises have been consulted; modern electronic and social media are being used to enable citizens to give suggestions. All State Governments, as well as local representative institutions and unions, have been consulted through five regional consultations.

1.3 Eleventh Plan Performance

GDP growth for the 11th Plan is likely to be 8.2%, which is less than the target of 9%, but is a remarkable achievement given the worst drought in 30 years and the global recession. Commissions have also seen progress on various aspects of inclusiveness, though the progress has been less than what was targeted. Agricultural growth has improved from 2% in the Tenth Plan to 3%, but this is below the 4% target. There has also been progress in poverty reduction and in the areas of health, education and in upliftment of SC/STs. However, trends reveal that we are likely to miss the Millennium Development Goals (MDGs) in several of the targets, especially those relating to health.

Inflation has accelerated in the past two years and is now an area of concern. The global environment is also highly uncertain, both in terms of the strength of recovery in the developed countries and also the volatility in commodity prices, especially oil. International financial markets are yet to stabilize, and the extraordinary easing of global money supply has yet to play itself out.

Planning Commission has undertaken extensive consultations with a wide range of organizations and individuals, which reveals that citizen groups support the broad objectives of existing government programmes, but they have little faith in the design of these programmes and the manner of execution. There is a perception that government programmes, especially Centrally Sponsored Schemes, are not sensitive enough to local needs. Also, Government works in silos with little effort to achieve convergence and co-ordination across Ministries and between Centre and States, even though most problems require inter-Governmental and inter-Ministerial co-ordination.

1.4 Objectives of the Study:

Objectives of the study are determined as follows:-

1. To study the performance of 11th five year plan.
2. To study features of 12th five year plan.
3. To analyze performance of 11th five year plan.
4. To study allocations priorities for in the 12th plan.

1.5 Methodology

This study intended to show the future of 12th five year plan. The data has been collected and furnished from the official website of the Planning Commission of India., Economic survey of India 2010-11 and other related research papers, books and published work.

2.0 Twelfth Plan Objectives

The basic objective for the Twelfth Plan must be **faster, more inclusive and sustainable growth.**

A key issue is what the Growth target should be. The target of 10% is being mentioned, but our internal assessment is that even 9% will be difficult given the constraints we face. In the short to medium run, the main constraints relate to insufficient agricultural growth leading to inflation, growing skill shortages, and the unsettled global economy. In the longer run, the environment and natural resources, particularly energy and water, pose serious challenges. Planning commission is therefore proposing a target range of GDP growth of **9 to 9.5%**.

It is our conviction that an inclusive growth strategy is essential to address some of the main growth constraints outlined above, and to make the target growth rate feasible. The following are the key instruments for making growth more inclusive:

(i) Better performance in agriculture (at least 4% growth).

(ii) Faster creation of jobs in manufacturing. Commissions should specify a target for extra jobs to be created in this sector in next 5 years. This will be worked out in greater detail, but at its heart lies our ability to spread industrial growth more widely.

(iii) Both agricultural and manufacturing growth will depend upon the creation of appropriate infrastructural facilities in a widely dispersed manner. Rural connectivity is particularly important in this regard, especially in the backward areas and the north-east.

(iv) There must be a much stronger effort at health, education and skill development

(v) Reforming the implementation of flagship programmes to increase their effectiveness in achieving the objective of greater inclusion.

(vi) Special challenges focused by vulnerable groups and backward regions. The need for a special focus on backward regions has particularly become urgent.

2.1Agriculture

2.1.1 A weakness in the economic performance thus far is that growth in the farm sector (agriculture and allied activities), though better than in the Tenth Plan, remains short of the 4.0 per cent Plan target. The farm sector has grown at an average rate of around 3.2 per cent during the first four years the Eleventh Plan and assuming conditions remain favourable in 2011, the average farm sector growth in the Eleventh Plan period may be a little over 3.0 per cent. This is a marked improvement from the average growth of about 2.0 per cent during the Tenth Plan period. Still, with half of our population dependent on agriculture and allied activities, we need faster farm sector growth to benefit poor farmers, many of whom are women. The below target growth in this sector is one of the reasons for increase in food prices over the last two years. Global development experience, especially from the BRIC countries, reveals that one per centage point growth in agriculture is at least two to three times more effective in reducing poverty than the same magnitude of growth emanating from non-agriculture sector.

Commission must aim for a target of 4% agricultural growth. Cereals will grow only at 1.5 to 2.0% and they need not set higher targets for this. However, other food (horticulture, dairying, fisheries etc.) need to grow at more than 5%. This calls for a change in agricultural strategy as these are all perishable products, and therefore subject to much higher degree of market risk than food-grains, oil seeds or natural fibres. In the

case of these products, which are all relatively high value, investments and institutional development are more important than subsidies or price support systems.

Nevertheless, planning commission must focus on raising land productivity and water use efficiency. State specific strategies are needed. Dry areas need to focus on livestock. Most importantly, markets must be reformed. An important beginning has been made by granting statutory status to warehouse receipts. However, the real benefits from this measure can accrue only when the appropriate warehouse infrastructure and supporting backward linkages have been created and a nationwide trading platform has been put in place. Consideration should be given to extending infrastructure status to a wider range of agricultural market facilities in the same manner as for warehouses. States must modify the Essential Commodities Act (ECA) and the APMC Act (perhaps exclude horticulture and perishables entirely from the ambit of APMC), rebuild the extension system, increase the involvement of private sector in marketing, and also facilitate leasing in/out of land by farmers. State agricultural universities and extension networks are in a bad shape and need strengthening.

MGNREGS has helped generate employment and income in rural areas but it can do much more to increase land productivity, particularly in rainfed areas. This calls for redesign of the programme in the Twelfth Plan. In addition, MGNREGA has transformed rural labour relations, which is bound to affect the production decisions of farmers, both in terms of crops as well as technologies. The Agricultural support systems must facilitate this transition, which requires greater flexibility and responsiveness.

Forest economies and tribal societies need greater protection and promotion. Steps need to be taken to make PESA and FRA more effective. This can be in conjunction with schemes for increasing resources directed to the backward regions.

2.1.2 Since agriculture is a State subject, the Centre will have to work hand in hand with the States to bring coherence in policies and strategies. Overall investment in agriculture, which had dipped to less than 10.0 per cent of agri-GDP in 2002-03 has been substantially raised and today stands at more than 21.0 per cent of agri-GDP. Higher levels of investments in agriculture, both by the public and private sector can yield much better results if the reforms are undertaken to streamline not only the incentive structures for the farmers, but also the institutional framework in which agriculture and related activities take place. Seeds and irrigation are priority areas, which can be catalysts for raising productivity on the supply side. On the demand side, there is urgent need to remove most of the controls that have denied a unified and seamless all India market for most agri-products. Finding the most effective ways of ushering in these changes must be a key priority area in the Twelfth Plan.

2.2 Water

Water is emerging as a major problem, both for drinking as well as for irrigation. Urban and industrial demand for water is going up rapidly, without commensurate augmentation of supply. To address this critical problem, commissions need to put an integrated strategy in place immediately. The elements of this strategy could be:

(i) Re-estimate India's water balance basin-wise. All aquifers must be mapped over the next five years and aquifer management plans put in place.

(ii) AIBP must be restructured to incentivize irrigation reform and efficiency of water use. Setting up Water Regulatory Authority should be made a precondition for AIBP approvals. Some States are already doing this.
(iii) Watershed management must be given higher priority, with convergence of programmes and better technical support.
(iv) Separation of electrical feeders for agriculture with high-quality assured, even if rationed, power supply can potentially reduce ground water use.
(v) Water recycling in urban areas and by industries should be enforced to protect water levels and water quality in both surface and ground water sources.
(vi) The legal and policy framework needs to be improved. Commissions may consider promulgating a new Groundwater Law reflecting the principles of Public Trust Doctrine, and a new Water Framework Law along the lines of the one that exists in the European Union.
(vii) A National Water Commission may be put in place to monitor compliance with conditionalities imposed in clearance of important projects.

Since water is primarily a State subject, they will need to evolve a political consensus along the lines of what was done in the case of power. Perhaps a special National Development Council meeting could be convened for this purpose.

2.3 Industry

Manufacturing performance is weak. Growth of manufacturing in the 11th Plan is likely to be only 8%. Planning commission need to raise this to 11-12% per year in the 12th Plan to create the jobs for our growing labour force. This has become a particularly urgent need since it is now clear that agriculture will no longer absorb more workers, and may indeed release some of the existing work-force. In this plan estimation, the manufacturing sector will have to create around 3 to 4 million jobs over and above the pace of job creation in the recent past.

Commissions are fortunate to have an abundance of entrepreneurial talent in the country, which needs to be harnessed effectively if Commissions are to achieve the desired growth in manufacturing. The corporate sector has largely been unfettered, and has demonstrated its dynamism. There are, however, limits to which it can grow. A large part of the additional growth will have to come from the MSME sector, which continues to face a plethora of hurdles in realizing its true potential. The Twelfth Plan will need to focus on this. For accelerating manufacturing growth, therefore, they need a strategy to:
(i) Achieve greater domestic value addition and technological depth in Indian industry to cater to growing domestic demand and to improve our trade position.
(ii) Attract investment, including FDI, in critical areas where manufacturing capacity should modernized and developed.
(iii) Improve the business environment and reduce the cost of doing business. This is largely an agenda item for state governments. (Procedural wrangles and corruption affect small business the most.)
(iv) Land and infrastructure constraints must be addressed effectively. Again, this is largely in the domain of the State, but the Centre can incentivize.
(v) Promoting “clusters” is a very effective way of helping manufacturing and promoting MSMEs. State Governments should be incentivized to support clusters.

2.4 Education

2.4.1 The Eleventh Plan had articulated the need for expanding educational facilities and improving quality of education, as key instruments for achieving faster and inclusive growth. There has been notable success in expanding capacity, but the challenge of improved quality still persists.

2.4.2 There has been improvement in the extension of primary education, both in regard to enrolment and in reduction of dropout rates. The Right to Education (RTE) Act, which became operational in 2009, has laid a solid foundation on which we need to build. A major achievement is that most children are now in school. The ASER 2010 report shows that for the age group 6–14 years in all of rural India, the per centage of children who are not enrolled in school has dropped from 6.6 per cent in 2005 to 3.5 per cent in 2010. The proportion of girls in the age group 11–14 years who were out of school has also declined from 11.2 per cent in 2005 to 5.9 per cent in 2010. However, the absolute numbers of children who are out of school remains large. While this needs to be reduced, it is not unreasonable to state that access is now more or less universalized. Commissions now confront the greater challenge of improving the quality of school education. This means extensive and improved teacher training, upgrading curriculum and enforcing of accountability in teachers' attendance. As increasing number of children finish elementary school, there will be need to expand capacity in secondary and higher secondary schools. Envisaging universalisation of secondary education by 2017 should be a priority in the Twelfth Plan.

2.4.3 The Eleventh Plan had outlined a threefold strategy of expansion, equity and excellence for higher education. The Central Government introduced a programme of creating new Central Universities and other institutions of higher learning in the Eleventh Plan. This effort has begun, but it will have to be continued into the Twelfth Plan period to reach its full potential. Revitalization of the State Universities and Colleges is also critical. These universities suffer from under funding by State Governments with as many as 50.0 per cent of faculty positions unfilled, forcing frequent resort to contract teachers and an adverse impact on the quality of teaching.

2.4.4 The task of achieving excellence in higher education demands academic reforms to provide greater flexibility and choice for the students, and strengthening of research activity in Universities by establishing mutually-reinforcing linkages between teaching and research. Faculty shortages need to be tackled through innovative ways such as technology-enabled learning, and collaborative information and communication technologies (ICT). As an experiment in achieving higher quality, the Government is proposing Innovation Universities which will have greater autonomy and freedom. This effort needs to be supplemented by funding Centers of Excellence in existing universities, which may yield better results in a shorter time.

2.4.5 Resource constraints will make it difficult to meet the need of expanding higher education entirely through the public sector. Not all private educational institutions are of good quality and some are quite inferior. Minimum standards will have to be ensured.

But free entry will, in the end, automatically weed out the poor quality institutions. Private initiatives in higher education, including viable and innovative PPP an Overview 9 models, will therefore, be actively promoted. The current "not-for-profit" prescription in the education sector should be re-examined in a pragmatic manner so as to ensure quality, but without losing focus on equity.

Education has received less funds in the Eleventh Plan than was envisaged. This is partly because the sector made a slow start, but also because of resource constraints. The Twelfth Plan has to correct this.

Eleventh Plan focused on quantity in school expansion. Commissions have recorded significant success in this regard, with enrolment rates going up rapidly, especially in primary education. However, scholastic achievement tests show that learning achievements of the students are well below desired levels. Twelfth Plan must focus on quality. This includes teacher training and evaluation, and also measures to enforce accountability.

Commissions now need to rapidly build capacity in secondary schools to absorb the graduates from expanded primary enrolments. States must facilitate PPP in secondary education. States are keen to do this, and we are collaborating with them on this. The drop-out rates between primary and secondary education continue to be extremely high, which raises questions regarding the perceptions of the utility of secondary education among the people. This will need to be changed through introducing higher skill content at the secondary schools level. Vocational education will need to be given greater emphasis and made more attractive.

The gross enrolment ratio (GER) in higher education must be targeted to increase from nearly 18% today to say 25% by 2016-17 and perhaps 30% by 2020. Private universities and colleges have played a major role in increasing enrolment in higher education in recent years, but there are concerns regarding both equity and quality. Measures will need to be taken to further promote private initiatives in higher education while addressing the concerns that have arisen.

Skill Development needs a major focus at all levels. Commissions must involve PPP to ensure that the skills developed also lead to employability.

2.5 Health

2.5.1 The Eleventh Plan had drawn attention to the fact that India's health outcome indicators continue to be weaker than they should be, at our level of development. The Plan had therefore expressed the necessity of allocating additional resources to health and laid down monitor- able targets for parameters relating to Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR), institutionalized delivery, extent of full immunization, etc. Data on these parameters, available for the first three years of the Eleventh Plan, show some improvement. The Infant Mortality Rate (IMR) fell from 57.0 per cent in 2006 to 50.0 per cent in 2009. The per centage of deliveries in institutions increased from 54.0 per cent in 2006 to 73 per cent in 2009, while the Maternal Mortality Rate (MMR) came down by 32 points to 212 (2007-09). These are marked improvements but their rate of decline is lower than what is needed for achieving the desired targets. Commissions must accelerate the pace of progress in this area in the Twelfth Plan.

2.5.2 In the Eleventh Plan, the total public expenditure on health in India by Centre and the States was less than 1.0 per cent of GDP and it needed to be increased to 2.0 or 3.0 per cent. The process has begun and the percentage is estimated to have increased to around 1.4 per cent in 2011-12 (BE). If expenditure on drinking water and sanitation in rural areas, which are critical for better health outcomes, is included, the percentage would be higher at 1.8 per cent. Regardless, a larger allocation of resources will definitely be needed in the Twelfth Plan to achieve the objective. Commissions should aim to increase total health expenditure as per centage of GDP to 2.5 per cent by the end of Twelfth Plan.

2.5.3 It must be emphasized that financial resources are not the only constraint. Shortage of health professionals at all levels has become a serious impediment to achieving an expansion in the public provision of health services. There has been inadequate attention to improving our education and training capacities in this area. There are also problems of accountability of personnel even when these are recruited. These lacunae will take time to rectify, but the Twelfth Plan must give a special emphasis to solve this problem.
The quality of health services needs to be improved through NRHM. Commissions must also focus on preventive aspects of health care, particularly drinking water, sanitation, nutrition, better maternal and child services and immunization. Shortage of qualified medical personnel at all levels is a major hurdle in improving the outreach of the healthcare system, especially the public health facilities. This needs to be corrected expeditiously. Efforts are already underway to increase the out-turn of doctors. This will have to be accelerated, and similar efforts have to be put in place for nurses and medical technicians. However, such efforts will take time to have sufficient impact. In the meanwhile, systems will need to be put in place for more effective PPP models in primary health care.
Role of PPP in secondary and tertiary health care must be explored with greater vigour. Planning Commission needs to evolve appropriate concession models to facilitate this. Commissions are in touch with states to study their experiments, and best practices will need to be propagated in the country. Expenditure on health by the Centre and States needs to be increased from 1.3 percent of GDP at present to 2.0 percent (and perhaps even 2.5 percent) by the end of 12th Plan.

2.6 Energy

2.6.1 The energy needs of rapid growth will pose a major challenge since these requirements have to be met in an environment where domestic energy prices are constrained and world energy prices are high and likely to rise further. For the GDP to grow at 9.0 per cent, commercial energy supplies will have to grow at a rate between 6.5 and 7.0 per cent per year. Since India's domestic energy supplies are limited, dependence upon imports will increase. Import dependence in the case of petroleum has always been high and is projected to be 80 per cent in the Twelfth Plan. Even in the case of coal, import dependence is projected to increase as the growth of thermal generation will require coal supplies which cannot be fully met from domestic mines.

2.6.2 Rational energy pricing is critical for both effective demand management and a healthy supply response. It is relevant for demand management, because energy users have no incentive to economize if energy is under-priced. It is also relevant for expansion

of domestic supply, because under-pricing of energy imposes a large burden on the energy producers reducing the resources that should accrue to them for financing new investments in these areas. In the longer term, Commissions must move beyond fossil fuels to non-conventional energy. However, these new energy sources are significantly more expensive at present than fossil fuels and increased dependence on these fuels will mean higher per unit energy costs.

2.6.3 The Integrated Energy Policy, which was approved in 2009, had enunciated principles of energy pricing that equalize domestic energy prices with the prices of imported energy, while allowing for targeted subsidy to the needy and poor. While commissions have taken some steps in this direction, our energy prices still remain significantly below the world prices. This is true for both petroleum prices (other than petrol) and coal. It is also true of electricity, since regulators, often under political pressure, are not setting tariffs to reflect normative costs. The Twelfth Plan must address the challenge of aligning domestic energy prices with the global price trends. This is not easy to do in a short time span, but it can be done gradually over a period of time. It must be emphasized that our ability to sustain high growth in the Twelfth Plan will depend critically upon our ability to make this adjustment. The poor will need subsidy, which should be appropriately targeted, but energy prices in general cannot be de-linked from global price levels, particularly in a situation where import dependence is increasing.

GDP growth of 9% requires commercial energy growth of 7%. The likely achievement in 11th Plan is 5.5%. Unless commissions can ensure adequate growth in commercial energy availability, the GDP growth target cannot be achieved.

The following policy issues have to be addressed.

(i) Commissions need to create 100,000 MW of new power capacity in the Twelfth Plan. The ability to do so is seriously undermined by persisting large losses in the discoms, estimated at Rs.70, 000 crore per year. These losses are being sustained only because banks continue to lend to what are effectively bankrupt discoms. State Governments have to be incentivized to implement distribution reforms which reduce ATC losses. Some states are succeeding but in general the progress is too slow. Better performing states should be rewarded.

(ii) Forest and environment clearance procedures are hindering both coal availability and hydro-power development. State governments with coal and hydro resources have been complaining strongly about the costs being borne by them.

(iii) The implementation of past policy initiatives is incomplete. Prices of electricity are not sufficiently flexible and regulators are being restrained from allowing periodic price increases. Open access is still not a reality, and needs to be incentivized.

(iv) At present, **petroleum, gas and coal prices** all three are out of line with world prices and world energy prices are unlikely to soften. Domestic prices need to be better aligned to give the right signals to both consumers and investors. Commissions need to adopt a time-bound programme to achieve this alignment over three years.

(v) **Coal production** will be a major constraint partly due to weak performance of Coal India and partly environmental constraints. Because coal production cannot be increased sufficiently, commissions must plan now for coal imports to rise from 80 million tonnes to 250 million tonnes by the end of the 12th Plan. This will require corresponding expansion of rail and port capacity.

(vi) Coal India must become a coal supplier and not just a mining company. It should plan to import coal and carry out price pooling and blending to meet the needs of the users.

(vii) In the **petroleum and natural gas sector**, commissions need further expansion of new NELP blocks and a clear policy for exploration of shale gas, integrated development of oil and gas blocks. Bidding in various oil exploration rounds in the past has not attracted oil majors. Term of PSCs should perhaps be clear to attract investment. This is an area where foreign participation in exploration also brings in up-to-date technology.

(viii) **Nuclear power** programme must continue, with necessary safety review. Active efforts need to be made to allay the apprehensions of people regarding the safety of nuclear power plants.

(ix) **Solar** mission is seriously underfunded and requires more support. It is also not clear whether the current bidding process is sufficiently competitive and provides appropriate incentives for improving efficiency. **Wind** power too requires greater support, especially for off-shore locations which have not been sufficiently explored.

(x) **Demand** side management of energy is as important as action on the supply side. Realistic pricing will help. However, commissions also need more pro-active standard setting for appliances, vehicles and buildings.

2.7 Infrastructure Development

2.7.1 Inadequate infrastructure was recognized in the Eleventh Plan as a major constraint on rapid growth. The Plan had, therefore, emphasized the need for massive expansion in investment in infrastructure based on a combination of public and private investment, the latter through various forms of public-private partnerships. Substantial progress has been made in this respect. The total investment in infrastructure which includes roads, railways, ports, airports, electricity, telecommunications, oil gas pipelines and irrigation is estimated to have increased from 5.7 per cent of GDP in the base year of the Eleventh Plan to around 8.0 per cent in the last year of the Plan. The pace of investment has been particularly buoyant in some sectors, notably telecommunications, oil and gas pipelines, while falling short of targets in electricity, railways, roads and ports. Efforts to attract private investment into infrastructure through the PPP route have met with considerable success, not only at the level of the Central Government, but also at the level of the individual States. A large number of PPP projects have taken off, and many of them are currently operational in both the Centre and the States.

2.7.2 Compared to other developing countries, India has been slow to urbanize, but the pace of urbanization is expected to accelerate over the next two decades. The 2011 Census also shows an increase in the urban population from 27.8 per cent in 2001 to 31.2 per cent in 2011, and it is likely to exceed 40.0 per cent by 2030. This would generate a heavy demand for better quality infrastructure in urban areas, especially water, sewerage, public transport and low cost housing. Since it takes time to create urban infrastructure, it is necessary to have a sufficiently long term focus on urban planning in the Twelfth Plan.

2.7.3 The Twelfth Plan must continue the thrust on accelerating the pace of investment in infrastructure, as this is critical for sustaining and accelerating growth. Public investment in infrastructure will have to bear a large part of the infrastructure needs in backward and remote areas to improve connectivity and expand the much needed public services. Since resource constraints will continue to limit public investment in infrastructure in other

areas, PPP-based development needs to be encouraged wherever feasible. It is necessary to review the factors which may be constraining private investment, and take steps to rectify them. PPP, with appropriate regulation and concern for equity, should also be encouraged in the social sectors, such as health and education. Several State Governments are already taking steps in this direction.

GDP growth at 9% or more will need to be supported by much faster expansion in transport infrastructure than commissions have seen in the past. The requirements of energy efficiency also require a shift from road to rail in freight.

The following are some of the important issues that arise:

(i) The Dedicated Freight Corridor project is a major capacity enhancing investment for the Railways. It must be put on a monitoring system such that both corridors are completed before the end of the Twelfth Plan. For this purpose, milestone must be clearly fixed, and responsibility assigned.

(ii) The Railways have to undertake an ambitious programme of modernization and technical up gradation which increases their freight carrying capacity. Unless this is done they will not be capable of facilitating the shift from road to rail transport which is crucial for energy efficiency. This can only be achieved if (a) the Railways desist from diverting resources to gauge conversion and uneconomic passenger lines and (b) Railways financing is improved to be able to support medium term expansion.

(iii) Improved Railway financing requires rationalization of freight: passenger fares in the Railways. If this is not done, the Railways will simply not achieve financial viability.

(iv) The Railways must move speedily to implement the PPP projects that are pending in diesel and electric locomotives.

(v) Rail and road linkages to ports must have top priority.

(vi) The NHAI programme needs to be put on a track where monitor able milestones targets are set for the 12th Plan with maximum emphasis on viable BOT projects to reduce the demand for Government resources.

(vii) The port expansion programme has been seriously delayed. PPP in ports should be exploited. Much more needs to be done to deepen ports.

3.0 Allocation Priorities in the 12th Plan

The increase in the GBS as a percentage of GDP between 2011-12 and 2017-18 is therefore only 1.3 percentage point. However, commissions have to provide a significant increase for health, education, and infrastructure as a percentage of GDP.

Health and Education received only about 60% of the planned allocation in the 11th Plan as against an over-all realization of 87%. This was partly on account of major new schemes being launched during the Plan and partly due to limitations in the absorptive capacity in these sectors. The preparatory work done during the 11th Plan has led to significant improvement in absorptive capacities and these sectors both require and are ready for significant increases in allocations. It is estimated that the GBS allocated to these two sectors, including skill development initiatives, will need to be increased by at least 1.2 percentage point of GDP.

Infrastructure investments have seen significant improvement during the 11th Plan, but the pace of infrastructure development needs further acceleration if the glaring infrastructure gaps are to be bridged within a reasonable time-frame. Although PPPs have been successful in a number of infrastructure sectors, and efforts will need to be continued in further encouraging private sector involvement, it is felt that public

investment in infrastructure, particularly irrigation, watershed development and urban infrastructure, will need an additional 0.7 percentage points of GDP increase over the next five years.

These sectors will therefore need an increase of 1.9 percentage points of GDP as GBS during the 12th Plan. The GBS for the other sectors as a percentage of GDP must therefore go down. The allocation of these sectors will increase in absolute terms, but more slowly than real GDP. This reprioritization must be accepted.

The above situation emphasizes the importance of resorting to PPP as much as possible. This is particularly important in the social sectors, where only tentative beginnings have been made. Several states have initiated interesting models of PPP in social service delivery. These experiments need to be evaluated and best practices up-scaled to the national level.

The innovations made at the state level in a range of sectors make a compelling reason for reconsideration of the Centrally Sponsored Schemes (CSS). The States have consistently argued that the CSS are structured too rigidly to permit innovations and to meet local specificities. There is merit in this argument. It is, therefore, proposed to reduce the number of CSS to only a few major schemes which are of a national character and dictated by the rights and entitlements of citizens. For all the rest, it is proposed to create flexi-funds in the concerned Ministries which can be used to support state-level innovations and/or up-scaling of successful experiments. The success of the Rashtriya Krishi Vikas Yojana (RKVY), which is in effect a flexi-fund scheme, as compared to the other CSS lends further credibility to this approach.

A compelling argument has also been made regarding the lack of ownership of the CSS by the States, and its consequent effect in terms of poor implementation. It has been proposed therefore that the model used in the new APDRP should be extended to all other CSS as well. In this model, central funds are initially provided as loans to the state governments, which are subsequently converted to grants on achievement of pre-specified outcome or output targets.

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