



**55<sup>TH</sup> MEETING OF THE  
NATIONAL DEVELOPMENT COUNCIL**

**SPEECH OF  
PREM KUMAR DHUMAL  
CHIEF MINISTER  
HIMACHAL PRADESH**

**Saturday, 24<sup>th</sup> July, 2010**

**NEW DELHI**

**SPEECH OF PREM KUMAR DHUMAL, CHIEF MINISTER, HIMACHAL PRADESH, AT THE 55<sup>TH</sup> MEETING OF NATIONAL DEVELOPMENT COUNCIL ON 24<sup>TH</sup> JULY, 2010.**

1. Hon'ble Prime Minister, Deputy Chairman, Planning Commission and Friends.
2. It is my proud privilege to participate in this meeting of the National Development Council convened to consider and approve the Mid Term Appraisal of the Eleventh Plan and to deliberate on some other issues.
3. We are well past the half way of the 11<sup>th</sup> five year plan. With just over one and a half year left of the 11th plan, necessary corrective actions need to be taken at the earliest in the 11<sup>th</sup> plan on the basis of the Mid Term Appraisal.
4. The Full Planning Commission in its meeting held on 23.3.2010 under the Chairmanship of Hon'ble Prime Minister has already held discussions on the draft Mid Term Appraisal document. It is really commendable that despite the global economic slowdown, India's economy has shown an average annum growth rate of about 7% during the last two years and is poised to return to 9% growth by 2011-12. This clearly demonstrates the resilience of our economy. The Mid term Appraisal document rightly lays emphasis on the need for - fiscal consolidation; higher investment in infrastructure; faster growth in agriculture; strengthening the Panchayati Raj and Urban Local bodies ; improving the implementation of social sector programmes especially those aimed at furthering inclusive growth

and specifically focused for the betterment of weaker sections; and improving the governance. The document contains detailed sector-wise analysis. The document also analyses the issue of financing the 11<sup>th</sup> plan. I will touch upon this issue later in my address.

5. National Development Council is the highest policy making body in the country on developmental issues. With a view to make the Mid Term Appraisal meaningful and effective, and to ensure equitable economic growth throughout the country, it is imperative that this meeting discusses and addresses issues faced by the States, which are impeding the economic growth. I would now briefly state some of the important issues relating to our State.

**Pay  
Commission  
and 13<sup>th</sup>  
Finance  
Commission  
Recommendations'  
impact on  
Eleventh  
Plan.**

6. There have been two important developments since the National Development Council, in its 54<sup>th</sup> meeting held on 19<sup>th</sup> December 2007, had approved the 11<sup>th</sup> plan document. The first is the Sixth Pay Commission recommendations and the second is the Thirteenth Finance Commission award. The implications of the pay revision were not considered while working out the financial resources for the 11<sup>th</sup> plan. The implementation of pay revisions has wrecked the finances of most of the States, especially fiscally weak Special Category States like Himachal Pradesh. I distinctly remember that a similar position had emerged when the Fifth Pay Commission recommendations were implemented. While the Government of India has always held the view that the recommendations of its pay commission are for its own employees, the reality is that the States have little option but to follow suit and adopt pay revisions largely in

line with Central Government pay commission recommendations. The Government of India needs to either take the States into confidence while taking a view on such pay revisions or provide the required resources to the States to meet the pay revision burden. This matter has been repeatedly taken up by the States with the Government of India at various forums in the past but no relief has been provided to the States so far. I would request the National Development Council to deliberate and give appropriate recommendations on this subject and the Government of India to take necessary corrective action.

7. Now, coming to the Thirteenth Finance Commission recommendations, the normative approach followed by the Commission has totally overlooked the ground realities in our State. While the Commission has recommended an overall increase of 126% to all the States compared to the transfers recommended by the Twelfth Finance Commission, unfortunately, for Himachal Pradesh the increase is only 50%, which is the lowest as compared to any other State in the country. The Commission has grossly under estimated the State's committed liabilities on account of salary, interest and pension payments. Not only this, the Commission has assumed an average annual rate of growth in salary expenditure of only about 2% over the period 2010-15, whereas the actual expenditure is likely to be over 10% per annum. Even if one were to make a sincere attempt to control the revenue expenditure, it would be impossible to come anywhere near the Thirteenth Finance Commission prescriptions. Thirteenth Finance Commission award

has put the State's finances in really precarious position and we are at loss as to how to meet our committed liabilities.

8. Another Finance Commission recommendation is to cap the State Government's fiscal deficit at 3.5% of GSDP in 2010-11, and at 3% for the subsequent period up to 2014-15. While I appreciate the Finance Commission's concern to cap the fiscal deficit at a sustainable level, the fiscal deficit ceiling prescribed by it fails to take into account the requirements of the States like Himachal Pradesh, which have a very narrow resource base and are dependent on Central transfers and borrowings. Given the fact that the State Government is yet to release the pay commission arrears to its employees, meeting these fiscal deficit targets is unrealistic. Strict adherence to the prescribed cap for the State's borrowings for the period from 2010-11 to 2014-15 will also severely affect the State's ability to finance the coming years' Annual Plans. Yet another recommendation of the Finance Commission is the linkage of release of State Specific Grants to the States to their adhering to fiscal deficit targets. These State Specific Grants should not have any nexus with fiscal deficit targets as has been the case with the previous Finance Commissions' recommendations.

In view of the position explained, I would earnestly request the Government of India to kindly consider the following :

- a) In view of the unrealistic and gross under estimation of the State's salary, interest and pension expenditure on the Non-Plan Account by the Thirteenth Finance Commission,

special financial assistance may be given by the Government of India to Himachal Pradesh.

- b) The fiscal deficit ceiling of 3.5% for 2010-11 and at 3% for four year period of 2011-15 may not be insisted upon for us.
- c) The State Specific Grants recommended by the Thirteenth Finance Commission may be released without linking them to the meeting of fiscal deficit targets.

I have already separately, taken up this matter with the Hon'ble Prime Minister and Union Finance Minister.

**Financing  
the 11<sup>th</sup> Plan**

9. The Planning Commission had approved the 11<sup>th</sup> Five Year Plan of Himachal Pradesh for an amount of Rs. 13778 crore. The actual plan expenditure by the State during 2007-08 and 2008-09 was Rs. 2036 crore and Rs. 2310 crore respectively. The provisional figures for plan expenditure for 2009-10 are Rs. 2759 crore and the approved plan size for 2010-11 is Rs. 3000 crore. This implies that the plan size for 2011-12 should be for Rs. 3578 crore if one were to achieve the plan size of Rs. 13778 crore for the 11<sup>th</sup> Plan. In fact if one takes in to account the inflationary impact, the plan size for 2011-12 should be even higher. As per Mid term Appraisal document, the realized financing pattern of plan outlay of the Centre for 2007-2011 period and the projections for full 11<sup>th</sup> plan period are 69.4% and 95.8% respectively at 2006-07 prices. Unfortunately, for our State plan, the corresponding figure for 2007-2011 period works out to only 61% at 2006-07 prices. Thus, we would be no way near spending the plan expenditure for the total 11<sup>th</sup> Five Year Plan as

approved by the Planning Commission unless the Planning Commission substantially increases our Special Plan Assistance for 2011-12. Further, in view of the resource crunch in the State on account of pay revision and adverse Finance Commission award, the Planning Commission would need to be realistic and liberal in giving Special Plan Assistance to the State even beyond the 11<sup>th</sup> plan to fund the Annual Plans.

Even for the current year's State Plan, while the Planning Commission has agreed for a borrowing limit of Rs 1731.41 crore , the Ministry of Finance, Government of India has conveyed a reduced borrowing limit of Rs 1566 crore to the State Government. The Ministry of Finance needs to allow the borrowings as agreed by the Planning Commission.

**Discrimination amongst Special Category States- Industrial Package/ Centrally Sponsored Schemes/ Food grains allocation**

10. The Government of India needs to have a serious relook at its various policies which discriminate some of the States, within the Special Category States. We in Himachal Pradesh are increasingly getting the feeling that we are being discriminated against and are paying the price for remaining a peaceful State which has gainfully utilized its limited resources for development. A glaring example of such discrimination is the issue of excise duty exemption for setting up industrial units in Special Category States, under the industrial package of Government of India. The excise duty exemption, which was earlier due up to 31<sup>st</sup> March 2013 for Himachal Pradesh and Uttarakhand has been curtailed by the Government of India up to 31<sup>st</sup> March 2010. Such an exemption continues for the other Special

Category States. As per the figures of the Ministry of Finance, Government of India, the Credit-Deposit ratio in Himachal Pradesh was merely 40.7% as compared to the all India figure of 71.1% in December 2009. This reflects a significant flight of capital from Himachal Pradesh to other States in the country. The curtailment of excise duty exemption incentive will further adversely impact the Credit-Deposit ratio in the State, accentuate the regional imbalances and affect the State's growth in the coming years. I would once again urge upon the Government of India to redress this legitimate grievance of the State on priority, in the interest of growth and much needed industrial development in Himachal Pradesh.

11. Yet another instance of such discrimination is the issue of having a uniform funding pattern for all Special Category States in respect of Centrally Sponsored Schemes, i.e., a funding pattern of 90:10 between the Government of India and State Government. There is no logic of differentiating amongst the Special Category States in funding of Centrally Sponsored Schemes. As per the figures for 2009-10, if Government of India were to shift to 90% funding in all Centrally Sponsored Schemes for Himachal Pradesh, the additional impact for the year would have been only Rs. 159.85 crore, i.e., less than 14% of the total provisioning by Government of India for these schemes during 2009-10.
12. We have been taking up with the Government of India the issue of less allocation of wheat and rice to Himachal Pradesh as compared to the other Special Category States. The Union Food Ministry is

allocating only 21 kg. food grains per month per APL family in our State as against the allocation of 35 kg. food grains per month to each of such families in other Special Category States. Even though the State has 10.88 lakh APL ration card holders, the Government of India has been releasing food grains quota to the State on the basis of only 7.43 lakh cards. I would reiterate the request for having a uniform norm in this regard so as to ensure an equitable distribution of food grains amongst the Special Category States.

**Rail/Air  
Connectivity**

**13.** Himachal Pradesh suffers from poor air and rail connectivity. Hardly 35 Kms. of railway line has been added in Himachal Pradesh since independence. Nangal-Talwara rail line project is progressing at snail's pace. A final view is yet to be taken by the Government of India on the funding pattern for Bhanupalli-Bilaspur-Beri rail line. The other proposed projects, viz., Baddi-Kalka and Bilaspur-Leh via Manali railway line projects are also languishing on account of indifferent attitude of Railways. I would request for the kind intervention of the Hon'ble Prime Minister to develop the much needed railway infrastructure in the State.

**14.** Himachal Pradesh is still not on the regular air map of the country and even the State capital does not have a round the year regular and reliable air connectivity. The State Government has been pursuing the matter for the past many years with the Planning Commission and Ministry of Civil Aviation, Government of India. During the ongoing 11th plan, the Government of India has approved the funding of three airports in the North East Region, one each in

the three States which did not have any airport. The funding approved for these airports is 90% grant by Government of India and 10% contribution from Airport Authority of India. I would request the Government of India to approve such a funding pattern for establishing an airport in Himachal Pradesh at the earliest. The Government of India also subsidizes the operation of helicopter services in North East Region. A similar scheme needs to be approved for Himachal Pradesh.

**Environment  
Conservation – Green  
Bonus**

15. By not felling its forests, Himachal Pradesh is helping all down stream States with direct and indirect benefits of drinking and irrigation water, watershed functions of the forests, carbon sink and oxygen production, control of flow of silt, etc. As per an estimate, the forest wealth of the State is valued at over Rs. 1.50 lakh crore. Scientific forest logging could yield revenues to the tune of over Rs. 1000 crore per annum to the State. A substantial portion of the installed hydel capacity in the State is owned by the Central Government, and the benefit of these projects is shared by all States of the northern region. By retaining forest cover in the catchments of these projects, Himachal Pradesh is bearing the cost of ensuring their longevity.

Though the Thirteenth Finance Commission has given a small grant for forest conservation activities in the State, this devolution is grossly inadequate. Special additional grants through Plan assistance/Central Schemes in the form of Green Bonus need to be given to Himalayan States which are playing an important role in protection of forests and the fragile Himalayan ecology.

16. Apart from approving the Mid Term Appraisal of the Eleventh Plan, this meeting of National Development Council would also be deliberating on certain other issues mentioned in the agenda. I would now like to briefly dwell upon some of these issues.

**Power  
Generation/  
Water  
Resources**

17. The water flowing through various rivers and rivulets in the State is our major resource. We believe that the financial problems of the State can be effectively addressed on a long-term sustainable basis if it gets its rightful share in the BBMB projects in terms of the Punjab Reorganization Act, 1966. I take this opportunity to once again impress upon the Union Government to redress the State's genuine request for its 7.19% share of BBMB power in terms of the Punjab Reorganization Act. Similarly, acceptance of 12% free power claim of the State in Bhakra Nangal and Beas Projects is essential to compensate the people of this mountainous State, who even after more than four decades continue to face rehabilitation/resettlement problems.

18. In order to generate additional revenue resources, the State Government has requested several times the Union Power Ministry to allow levy of a nominal generation tax on all electricity produced in the State. This proposal was also recommended in 1992 by an Expert Committee of the Planning Commission headed by Dr. C. Rangarajan. A small 10 paise tax per unit on power generated will help us mobilize additional revenue of about Rs. 250 crore per annum. This proposal may be approved without any further delay.

19. Renuka Dam, Gyspa hydro project and Kishau Dam have been declared as projects of National importance. Early completion of these projects will provide additional drinking water supply in the northern region. While the State will get some benefit from additional power generation, considering the dislocation of local people and environmental issues, it is imperative that the entire project costs including those associated with power generation are borne by the Government of India and beneficiary States. There should also be a cess on the water drawn from these projects. The concerned Central Ministries and the Planning Commission are requested to expedite the required clearances and earmark the necessary funds and so that these projects are completed on priority.

**Coal Blocks/  
Allocation.**

20. Himachal Pradesh suffers from severe electricity shortage to the tune of about 1,000 MW in the winter months. In order to address this issue, the State Government requests the Government of India to allocate additional coal block for generating adequate thermal power through a 660MW power plant to be based on super critical boiler technology, since the existing allotted coal block is inadequate to cater to the requirements of the State.

**Agriculture/  
Rashtriya  
Krishi Vikas  
Yojana**

21. "Pandit Deen Dayal Kisan Bagwan Samridhi Yojna" is our flagship programme for achieving faster and more inclusive growth in agriculture sector and for bringing prosperity in the rural areas. Through this scheme, with projected expenditure of Rs. 353 crore, 15 lakh square meter area shall be covered under protected cultivation by constructing 16,500 poly houses with micro-irrigation

systems. Besides, 20,000 hectare area shall also be brought under micro-irrigation system. This scheme will create an on-farm and off-farm employment for 20,000 persons and 50,000 persons respectively. We would also be soon implementing a Japan International Cooperation Agency (JICA) funded scheme to promote diversification of crops, with special focus on organic farming and water harvesting so as to increase farm incomes.

- 22.** We have been taking up with the Government of India the matter of change in the condition of eligibility and the criteria for allocation of funds to the States under Rashtriya Krishi Vikas Yojna (RKVY). Our argument has been that we are already spending more than 11% of our plan outlay on Agriculture and Allied Sector against the national average of 5 to 6%, and it is not possible for us to go on increasing the outlay for this sector year after year. I have been given to understand that Planning Commission is considering our request for making the States with an allocation higher than certain prescribed percentage of plan outlay automatically eligible for RKVY. As regards the criteria of allocation under the scheme, we have suggested that a fixed percentage of the outlay for Agriculture and Allied Sector may be given under RKVY for the States that are earmarking higher percentage of outlay for Agriculture and Allied Sectors. I hope that this suggestion will be favourably considered by the Planning Commission and Ministry of Agriculture.

**Urbanisation** 23. The challenge for Urban Development in Himachal requires comprehensive intervention in view of the high cost of service delivery associated with difficult hill terrain and fragile eco-system. Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) covers only Shimla, the capital town of Himachal Pradesh, as Mission City, while the other important towns in the State have not been covered under the prevailing norms for Mission City. It is requested that the criteria for hill states like Himachal Pradesh should be relaxed and more towns included as Mission Cities under the scheme so that funding for development projects and infrastructure investment becomes possible under JNNURM in such towns also. The State Government has submitted a sewerage project of Rs. 180.92 crore for Shimla town to the Government of India for funding under JNNURM. So far only Rs. 54.74 lakh have been sanctioned. I would request the Government of India to consider the complete project financing of Rs. 180.92 crore under JNNURM. Also, under Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT), seven proposals amounting to Rs. 49.82 crore are pending for approval of Government of India. The same may kindly be sanctioned at the earliest.

**Tribal Development** 24. Himachal Pradesh has its tribal population living in Scheduled Areas as well as in the other areas. The Districts of Lahaul-Spiti and Kinnaur and the two sub-divisions of Chamba District, viz., Pangti and Bharmour have been declared as Scheduled Areas. The tribal areas of the State, having tough, mountainous terrain and inhospitable

climatic conditions are very remote and inaccessible. The cost of infrastructure development and maintenance is very high in these areas. Himachal Pradesh is committed to sustainable development of these tribal areas taking into account the local sensibilities. While the percentage of tribal population in the State is about 5.85%, 9% of the State Budget is earmarked for the development of tribal areas.

**Left Wing  
Extremism  
/Himalayan  
Regiments**

25. One of the agenda items for today's meeting is Left Wing extremism. Himachal Pradesh is not facing any such law and order problem. However, this situation cannot be taken for granted . It is imperative for the Government of India to also redress the genuine problems of the State for ensuring that the peaceful atmosphere is not disturbed. The Central and State intelligence agencies and law enforcement agencies need to develop a coordination mechanism to facilitate information sharing and ensuring the tracking of persons involved in criminal and extremist activities.

All present and future threats to the security of the country arise from China, Pakistan or the Maoist forces and the Himalayan regions will be particularly affected . Himachal Pradesh has been pressing for the creation of a Himachal Regiment in the army, a demand which unfortunately has not been agreed to by the Government of India. Till the creation of a Himachal Regiment, it is proposed that Himalayan Regiments may be created in the respective hill states which should comprise of the youth from the hill States like Himachal Pradesh, Uttarakhand, J&K and all other hill states who are well versed with the topography of these regions and are well acclimatized to meet

with any such eventualities . Favorable consideration of this demand will help in furthering the strategic interests of the country.

**26.** With these words, I thank the Hon'ble Prime Minister and the gathering for giving me a patient hearing.

**Jai Hind.**

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