



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

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

***Saturday, 22<sup>nd</sup> October, 2011***

***NEW DELHI***

**SPEECH OF SH. PREM KUMAR DHUMAL, HON'BLE CHIEF MINISTER, HIMACHAL PRADESH AT THE 56<sup>TH</sup> MEETING OF NATIONAL DEVELOPMENT COUNCIL ON 22<sup>ND</sup> OCTOBER, 2011.**

	1.	Hon'ble Prime Minister, Hon'ble Union Ministers, Deputy Chairman, Planning Commission and esteemed members of the National Development Council.
	2.	It is my privilege to participate in this meeting of the 56 <sup>th</sup> National Development Council convened for discussing the Approach Paper to the 12 <sup>th</sup> Five Year Plan.
<i>Indian Economy</i>	3.	<p>I must at the outset place on record my appreciation of the Government of India and the Planning Commission for having adopted "Faster, Sustainable and More Inclusive Growth" as the theme for the 12<sup>th</sup> Five year Plan. The Approach Paper proposes a growth of 9 to 9.5% in the 12<sup>th</sup> Plan period and this could be achieved if we all work together with synergy. The Indian economy despite the global economic slow-down has shown a fair amount of resilience and we need to consolidate on our advantages. The Approach Paper has created a lot of expectations from the 12<sup>th</sup> Five Year Plan and I am sure it shall fulfill them. However, I may remind that achieving a higher rate of growth during the 12<sup>th</sup> Five Year Plan would need addressing of many challenges.</p> <p>Achieving this projected rate of growth would call for a massive effort at improving infrastructure and investment and vast improvement in human capital and its productivity. We have to create</p>

a climate congenial to investment and also need to re-look at our policies which are posing road blocks to investment. To ensure that growth is sustainable and inclusive it would be of utmost importance that an effective partnership is developed between the Centre and the States. We have to keep in mind that it is the cumulative growth of the States which is reflected as the growth of the nation.

Hon'ble Prime Minister Sir, there is an urgent need for strengthening the federal nature of our fiscal structure by giving more fiscal autonomy to the States and by providing them with the space to pursue their need based visions of growth. The concept of planning has historically focused on the centralized allocation of financial resources to steer the economy in the directions as outlined by the Centre through the mechanism of Centrally Sponsored Schemes, Flagship Programmes and other ACA related programmes. While the control over resources is with the Centre, the major service delivery responsibilities remain with the States. This mismatch needs to be addressed by more financial devolutions to the States.

In this regard I would like to suggest that total number of Centrally Sponsored Schemes should be reduced. I must also point out that the Centrally Sponsored Schemes have been adding to the financial liabilities of the State Governments. These schemes are often designed to have a small State contribution initially, but subsequently this contribution increases over the plan periods

		<p>leading to a huge recurring burden of salaries and maintenance of the assets on the States. The 'Sarv Shiksha Abhiyan' and the 'National Rural Health Mission' are examples of such schemes which exhibit this feature. The dichotomy of the situation is that on one hand the Finance Commission demands capping of expenditure on salaries while on the other hand the Centrally Sponsored Schemes are increasing the burden of salaries on the States.</p> <p>I may further add that the Centrally Sponsored Schemes should not be 'process' based but should instead only be looking at the outcomes and providing investment support to the States for the same. Such schemes should reward rather than reduce the investment support to the better performing States .</p> <p>I also take this opportunity to raise the issue of divergent pattern of funding under the Centrally Sponsored Schemes (CSS) among the Special Category States. The funding pattern under CSS for the Special Category States of North – Eastern regions is 90:10 between the Govt. of India and the State Governments. I urge that all the special category States should be provided uniform funding pattern of 90:10. We are eagerly waiting for the Chaturvedi Committee report to see how all these issues are proposed to be resolved.</p>
	4.	<p>Hon'ble Prime Minister Sir, I would like to point out that in the Approach Paper of the 12<sup>th</sup> Five Year Plan, unfortunately there is no mention of issues faced by the Special Category States. As you are</p>

<p><i>Special Category States</i></p>	<p>aware, the problems of the hill States are different from that of the other States. They require a special approach by the Central Government along with special dispensation of financial resources to ensure their development. As you are aware, the Western Himalayan States prepared a Common Base Paper which has been sent to the Planning Commission in 2009. I would like the Planning Commission to translate the recommendations made in the Common Base Paper by the North–Western Himalayan States into financial allocations during the 12<sup>th</sup> Five Year Plan. I take this opportunity to reiterate as well as to inform this august gathering the core issues raised in the Common Base Paper. They are:-</p> <ul style="list-style-type: none"> <li>• Compensation to hill States, based on opportunity costs, on account of the eco-services being provided by them.</li> <li>• Liberal GOI funding for creating and upgrading strategic infrastructure in border areas on strategic considerations.</li> <li>• Extension of period of central industrial package in all Western Himalayan States.</li> <li>• Approval of proposal for imposing generation tax on hydro-power and enhancing free power royalty.</li> <li>• Enhancement of norms for cost of infrastructure development and social sector projects/schemes in hill States on account of topographical considerations.</li> <li>• 20% enhancement in the present income criteria for BPL families for hill States due to relatively higher cost of living.</li> <li>• Special package for tourism development in hill States.</li> <li>• Enhanced allocation for calamity relief to hill States as they are relatively more vulnerable to natural calamities.</li> </ul>
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	5.	<p>With regard to the compensation being claimed by the hill States on account of the eco-services being provided by them to the rest of the nation. The Approach Paper (Para 5.42) also enunciates that the Himalayan states have limited fiscal resources to conserve the forests. The benefit of this conservation effort accrues to the entire nation and there is the need of a special scheme to assist such States.</p> <p>As per an estimate, the forest wealth of Himachal Pradesh is valued at over Rs. 1.50 lakh crore. Scientific logging could yield revenues to the tune of Rs. 1000 crore per annum to the State. By not felling its forests, Himachal is helping all down stream States with benefit of drinking and irrigation water, control of flow of silt and providing a carbon sink etc. I would request for devolution of funds in the form of 'Green Bonus' to Himachal Pradesh for its role in environmental conservation.</p>
	6.	<p>Special Category States, as we are all aware, have been so categorized because of their hilly terrain, high costs of delivery of public services and their low tax base. Unfortunately the devolution of funds by the successive Finance Commissions and through the Planning Commission has never sufficed to meet the revenue deficit gaps and the development needs of these States. The earmarking of 30% of NCA funds for Special Category States was determined way back in 1969 when there were only 3 such States. Now the number has increased to 11, but the earmarking of funds remains the same.</p>

		The Gadgil-Mukherjee Formula needs revision and the earmarking needs to be increased to at least 40% during the 12 <sup>th</sup> Five Year Plan for special Category States.
<i>Financial Resources</i>	7.	<p>I would now like to highlight some of the issues which are specific to Himachal Pradesh and require special attention of the Planning Commission while financing the 12<sup>th</sup> Five Year Plan.</p> <p>The unfavourable award of the 13<sup>th</sup> Finance Commission for the State has derailed the entire planning process in Himachal Pradesh and has posed a threat to the impressive gains made by us over the years. The 13<sup>th</sup> Finance Commission has recommended an overall increase of only 50% of the total devolution over the 12<sup>th</sup> Finance Commission Award for Himachal Pradesh while giving an average increase of 126% to the other States. The Commission has grossly under estimated our committed liabilities on account of salary, interest and pension payment. The Commission has assumed an average annual growth of 2% over the period 2010-2015 in salaries whereas the D.A. increase alone is 18% in 2010 and 13% in 2011. Had the 13<sup>th</sup> Finance Commission recommended a grant at par with other States, we would have been entitled to receive an additional share of Rs.10725 Crore over the period from 2010 to 2015. I have already requested the Hon'ble Prime Minister to provide a special financial package to tide over our imminent financial problems.</p>
	8.	Further, the 3% cap on State's borrowings by the 13 <sup>th</sup> Finance Commission will also affect the State's ability to finance the 12 <sup>th</sup> Five

		<p>Year Plan. I must take this opportunity to point out that while in our case the borrowing ceiling has been fixed by taking normative GSDP figures, based on formula proposed by the Finance Commission, the Centre has allowed itself a fiscal deficit based on GDP at market prices. It would be only fair that the same norm be applied for the States too. I wonder, how we shall fulfil our developmental needs if we are neither allocated adequate resources nor allowed to raise loans?</p>
	9.	<p>In addition to the unfavourable award of the 13<sup>th</sup> Finance Commission, the implementation of the 6<sup>th</sup> Pay Commission recommendations has further wrecked our financial position. While it is true that these recommendations are for the Central Government employees, no one can deny the fact that they have a cascading effect on the States too. The ongoing inflationary pressures and subsequent DA liabilities have only added to the difficulties of the State.</p>
<i>Group on Finances for Special Category States</i>	10.	<p>The Planning Commission, recognizing the Plan financing problems of the Special Category States had constituted a 'Group on Finances of Special Category States' to explore a reasonable solution to compensate such States during the post 13<sup>th</sup> Finance Commission Award. The report of this group has not yet been submitted. I would request that the Planning Commission should devolve a suitable interim package, till the report is finalised and accepted by GOI.</p>

	11.	<p>I would also take this opportunity to highlight the issue of withdrawal of the Industrial Package given to Himachal Pradesh. The excise duty exemption for setting up industrial units was earlier upto 31<sup>st</sup> March, 2013 for Himachal, which was curtailed by the Government of India to 31<sup>st</sup> March, 2010. This has adversely impacted the investment climate in the State, accentuating the regional imbalances.</p>
<p><i>Agriculture and Allied Sector</i></p>	12.	<p>The Planning Commission proposes to target a growth of 4% for the Farm Sector during the 12<sup>th</sup> Five Year Plan. I am glad that this sector has been prioritized since it holds promise for tackling several issues such as unemployment and poverty eradication as also food security. In the 12<sup>th</sup> Plan Period we would need to concentrate our efforts on reaching the benefits of technology and a seamless market to the small and marginal farmers. The approach paper mentions a need for synergizing activities of MGNREGS with agricultural operation. This would be a welcome move. In Himachal Pradesh majority of agriculturists are small and marginal farmers. The loss of crops due to destruction by wild animals can be prevented by including crop protection as one of the admissible activities under MGNREGS. Infact we have already taken up this matter with the Ministry of Rural Development and are awaiting a response. The 12<sup>th</sup> plan should also look for funding the States for creating basic infrastructure for storage and marketing of agricultural produce. Crop insurance would need to be not only diversified but also simplified.</p>

		<p>The 12<sup>th</sup> Plan must look at possibilities of introducing subsidized innovative insurance schemes for agriculture and allied activities.</p> <p>I would also like to take this opportunity to make few more suggestions for improving the impact of MGNREGS. The cost of the material and transportation in the hills is very high. In the present scheme, the wage – material ratio is uniformly 60:40. It is, therefore, proposed that the ratio be made 40:60 for the hilly States. This will help in not only creating durable community assets at the grass root level but will also prevent possibility of misutilization of funds. I would also suggest that the number of days granted as wage employment under this scheme should be increased beyond 100 days. All will agree, that a family which has exhausted the 100 days is a family that is actually in need of such wage employment sustenance. I, therefore, in the first phase suggest that atleast all the BPL families may be given the entitlement of working beyond 100 days. Presently the MGNREGS guidelines do not allow for the construction of village paths. In a State like Himachal Pradesh, the construction of roads to every habitation is not possible. I would, therefore, request that the construction of village paths may be allowed in order to facilitate movement in the hilly areas. While these are felt needs of Himachal Pradesh.</p>
	13.	<p>We have taken up the issue of change of criteria for the allocation of funds under Rashtriya Krishi Vikas Yojna for Himachal Pradesh. Our plan allocation for Agriculture and Allied Sectors in the State ranges from 11-12 percent which is very high compared to other States. I</p>

		suggest that such States giving high allocations be incentivised while deciding RKVY allocations. I would request that for those States allocating more than 10% of the Plan outlay for agriculture and allied activities, should be provided atleast 50 percent of that outlay under RKVY during the 12 <sup>th</sup> Five Year Plan.
<i>Irrigation</i>	14.	Agriculture in Himachal Pradesh is mostly rain fed. We are unable to optimize the benefit of the Flagship Programme like AIBP as the cost norms fixed under this programme are not commensurate with costs in the hills. The per hectare cost norm is Rs. 1.5 lakh whereas, actual costs work out to approximately Rs. 3.00 to 4.00 lakh. Similarly, the completion period of the minor irrigation projects under this programme is two years which is impractical in view of the tough topography and limited working season in Himachal Pradesh. It is requested that the cost norms for hill States in the 12 <sup>th</sup> Plan be increased and completion period enhanced to three years.
<i>Tourism</i>	15.	<p>I am glad that the Approach Paper has recognised the need for establishment of an agenda for development of sustainable and inclusive tourism as an integral part of the poverty reduction strategy of the 12<sup>th</sup> Plan. The Plan would need to concentrate on development of infrastructure such as roads, water supply, sewerage and solid waste management in order to meet the needs of the tourists.</p> <p>While specifically pointing out capacity constraints, the Approach Paper has identified the need of adequate transportation</p>

		<p>infrastructure for promoting tourism. The State of Himachal Pradesh has been languishing for the lack of due attention in this regard. There is no airport in the State which can provide all-weather, regular and reliable access to aircraft round the year. I would request that keeping in context with the identified issues of Tourism, the 12<sup>th</sup> Plan should make provision for creating an all weather International airport in Himachal Pradesh. I would also like to request that subsidized Heli-Taxi services on the pattern of the North - Eastern States should be started in Himachal Pradesh for tribal areas during winter season for the local population and also to enable tourists to conveniently visit the different parts of the State.</p>
	16.	<p>The railway network in the State continues to be abysmal. Only 44 Kms of rail line has been constructed in the State since independence. The Nangal Talwara rail line project is progressing at a 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 two projects viz. Baddi – Kalka and Bilaspur – Leh via Manali are also languishing for want of attention of the Ministry of Railways. I would request that all these projects should be adequately funded during the 12<sup>th</sup> plan not only for the development of tourism and overall growth of the State but also keeping in view their strategic importance for the security of the nation.</p>
	17.	<p>The Approach Paper has recognized the need to develop National Highway network, State Highways and District roads to ensure full connectivity. Roads are the only mode of transportation in Himachal</p>

<i>Transport</i>		Pradesh and Government-run road transport facility is the only option in the hills since the private bus operators are reluctant to operate due to the high operational cost and low returns. Average life of a bus in the hills is also very less. There is therefore, a need for a special scheme for the replacement of buses in not only Himachal Pradesh but also all the other Special Category states during the 12 <sup>th</sup> Five Year Plan.
<i>Roads</i>	18.	The cost of construction of roads in the hill areas is 3 to 4 times higher than the other States. Due to the limited resources of the State Government, the addition to the road network is very slow. Roads being the life-line of hill states, the Government of India should enhance allocation for the construction and maintenance of National Highways in the State. Similarly, the allocations under the Central Road Fund (CRF) should also be increased under the 12 <sup>th</sup> Five year Plan.
	19.	The Central Sector Flagship Programme like Pradhan Mantri Gram Sadak Yojna (PMGSY) has not benefited the hill States to the extent as was envisaged. This is so because, a major portion of such States are under forest cover and the State Governments have to bear the burden of the cost of Net Present Value of the trees cleared for the construction of the roads from their own resources. In Himachal Pradesh more than 60% of the total area is under forests and the cost of NPV is a big financial burden on the State. We have urged the Ministry to consider NPV as part of the project cost under

		<p>PMGSY for the hill States. I take this opportunity to request you to consider this genuine demand of Himachal Pradesh so that the objectives outlined in the Approach Paper of the 12<sup>th</sup> Five Year Plan are achieved.</p>
<p><i>Energy Sector</i></p>	<p>20.</p>	<p>The Approach Paper clearly states that a GDP growth rate of 9% per year will require energy supply to grow at 6.5% per year. There is no doubt that hydro-power is one of the cleanest and renewable forms of energy. Himachal Pradesh has a hydro power potential of 23000 MW out of which the State has already harnessed 6728 MW potential and have set a target of over 2000 MW in the current year alone. All the new hydro-power projects in Himachal are run of the river schemes having minimum environmental issues and human displacement. We intend to harness another 9155 MW of 'clean and green' energy from hydro-power projects in the 12<sup>th</sup> plan period to meet the energy needs of the country. This will be possible only if, the Government of India ensures early and time-bound environmental and forest clearances for these projects, thereby avoiding time and cost overruns. Some of the ad hoc and arbitrary conditions pertaining to riparian distance, increase in minimum flows and comprehensive basin studies, etc. imposed recently by GOI on allotted projects have become a cause of great apprehension amongst project developers. In the absence of any established existing policies on such issues, the environment and forest clearance for the hydro electric projects in the State should not be put on hold. I would like the Centre to intervene in the matter.</p>

		<p>The centre also needs to be proactive and allow central PSUs to participate in bidding for project allotment or at least offer equally competitive returns to States. It needs to adopt a basin wise approach to transmission of power and consider financing of PGCIL for this purpose.</p> <p>Being a hill State, the resource base of Himachal Pradesh is very narrow. Hence, in an effort to mobilize all possible revenues for the development of the State the Himachal Pradesh Vidhan Sabha has passed the “The Himachal Pradesh Electricity (Taxation on Generation) Bill, 2011 ( No. 13 of 2011) to levy a nominal tax. The Bill has been sent to President of India for his assent on 31-5-2011 which is awaited. I urge for its early approval.</p>
<p><i>Education &amp; Skill Dev.</i></p>	<p>21.</p>	<p>The Approach paper have struck a right balance with regard to public and private participation in the Education sector. The proposal to re-examine the ‘not-for-profit’ prescription in the education sector is a pragmatic approach advocated by the Planning Commission. The need for quality in Higher education merits such considerations. The emphasis on quality while enhancing capacity is very important.</p> <p>Himachal Pradesh has already achieved 100 % enrolment at Elementary school level. It is common knowledge that Himachal Pradesh has done exceedingly well with regard to access to education. Under Sarva Shiksha Abhiyan, the Centre should allow</p>

	<p>filling up of posts of teachers in existing schools, to incentivise the States who have done well in the past. In the 12<sup>th</sup> Plan Rashtriya Madhyamik Shiksha Abhiyan (RMSA) should be extended to +2 school level. Curriculum of school education needs revision in order to make them job oriented. The State Universities and Colleges need special attention, to increase the Gross Enrolment at the higher education level. I suggest that a comprehensive scheme should be prepared which provide support to the existing State Universities and Colleges for filling the vacant posts, provide the requisite infrastructure and facilitate use of ICT in conduct of examinations etc. The proposed scheme should be funded by the 12<sup>th</sup> Five Year Plan, to revitalize these institutions. I also request for opening of an Indian Institute of Management, in Himachal in the 12<sup>th</sup> Plan.</p> <p>We have taken the initiative to promote public-private partnership in Higher education . We have established the "H.P. Private Educational Institutions Regulatory Commission" to ensure that these institutions impart quality education. A Technical University has been set up in the State, to promote professional institutions in the State. The State has taken initiatives to undertake a study for the identification of skill gap in the State. The work plan for the skill up-gradation have been prepared which require a very huge investment. I would suggest that the Planning Commission should come out with a comprehensive central sector funding scheme for the skill up-gradation in the States during the 12<sup>th</sup> Five Year Plan.</p>
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<p><i>Governance &amp; Innovation</i></p>	<p>22.</p>	<p>In order to improve on governance we have taken initiatives to prepare the Results Framework Document, as a basic tool for performance evaluation of all State Govt departments. The Himachal Pradesh legislative assembly has recently enacted 'The Himachal Pradesh Public Services Guarantee Act, 2011' to ensure time bound delivery of services to the citizens. Service delivery has to reach the last citizen at the grass roots level. It is therefore proposed that the Gram Panchayats be brought in the State Wide Area Networks, in the 12<sup>th</sup> plan period.</p>
	<p>23.</p>	<p>I hope that the issues raised by me will be adequately addressed and suggestions given will be incorporated in the 12<sup>th</sup> Five Year Plan. With these words, I thank the Hon'ble Prime Minister and esteemed members of the NDC for giving me this opportunity to share my views, on the Approach Paper to the 12<sup>th</sup> Plan.</p> <p>Jai Hind.</p>

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