

Hon'ble Deputy Chairman of the Union Planning Commission, Dr. Montek Singh Ahluwalia;  
Hon'ble Finance Minister of the Govt. of Tamil Nadu;  
Hon'ble Members of the Union Planning Commission;  
and Senior Officers,

1. I am happy to be here today to discuss and to finalise Tamil Nadu's Annual Plan for the year 2011-12, the final year for the State's Eleventh Five Year Plan. My discussions here today have an element of déjà vu. Ten years ago, I had the opportunity of meeting the esteemed Members of the Union Planning Commission when I headed the State, which was in a fiscally weakened condition as it is today. The outstanding debt of the State today has climbed to ₹1,01,541 crores in addition to the outstanding debt of the Tamil Nadu Generation and Distribution Company (TANGEDCO) of over ₹40,000 crores. The State will not, therefore, be in a position to achieve the

stipulations of zero revenue deficit and fiscal deficit below 3 per cent.

**2.** My new Government has been elected on the basis of its commitment to enhancing the standard of living of the people by considerable investment in agriculture, industry, and basic infrastructure. I am sure that these steps will enhance the State's comparative investment attractiveness to the position it enjoyed during my earlier tenure as Chief Minister. These investments, efforts to achieve revitalization in critical sectors, and the reintroduction of good governance will become fundamental to leading the State successfully through an ambitious Twelfth Five Year Plan from 2012-2017.

**3.** Dr. Ahluwalia, you will, no doubt appreciate the efforts taken by my Government during

my previous tenure in office and the successes achieved in bringing about fiscal order. We now look forward to proactive and substantive support from the Union Planning Commission and the Government of India to ensure the State's prosperity in the future.

4. The last four years of the Eleventh Plan have shown fluctuating growth in Agriculture and slackness in Manufacturing. Only a rapidly growing Services Sector yielded the overall growth in GSDP of 11.30% in 2010-11. During the first two years of the Plan, Agriculture showed negative growth and even recoveries in later years will not enable achievement of the modest target of 4 per cent. Moreover, poor performance in Agriculture and Industry implies low employment opportunities.

5. In the Agricultural Sector, the high production of 2006-07 was not sustained and production fell during 2007-08 and 2008-09, partly due to aberrant weather events despite the relatively normal overall rainfall. Added to low growth in the Industrial Sector, this led to poor overall growth performance of the State's economy. During 2008-09, the rapidly developing global slowdown which peaked in this period led to negative growth in the Industrial Sector. Industrial revival in the next year resulted in a high growth in GSDP of 8.96 per cent. Last year, 2010-11, showed dropping growth in the Industrial Sector, but a high growth in the Services Sector, enabling an overall growth of 11.3 per cent in the State's economy. A variety of subsidies and a substantial increase in social welfare benefits mark this period during which inflationary impacts on food prices

seriously affected the people's welfare. This occurred despite a 20.3 per cent estimated expansion in gross cropped area in 2010-11 and 13.6 per cent higher foodgrains production. Consumers paid high prices for food while also facing poor employment opportunities because of the slow growth in Manufacturing.

6. These outcomes during the Eleventh Plan may well be attributed to the sharply reduced shares in outlay for the Agriculture, Energy, and Transport sectors. My Government has, therefore, strategised in the short-term to invest substantially in these sectors in order to revitalize Agriculture, to provide the basic infrastructure assurances that can restore Tamil Nadu's attractiveness to investors, and also improve the amenities that are basic to livelihood and dignity of the rural and urban poor. I have also commissioned the

preparation of '**Vision 2025 Document for Tamil Nadu**' to identify and remove bottlenecks in development, to prioritize critical infrastructure projects, and to intensify efforts towards the unalloyed objective of positioning Tamil Nadu as the country's leading State.

7. In accordance with this assessment, the State has prioritized the Primary Sector which absorbs most of the rural workers who constitute 63 per cent of all workers in the State. We have planned a crop-specific strategy in Agriculture for paddy, pulses, sugarcane and cotton and to incentivise changes in cropping toward high-value crops. For this purpose, the State will invest heavily in micro-irrigation to conserve scarce water, precision farming, and farm mechanisation to support technologies such as the

System of Rice Intensification (SRI). We will create and promote effective backward and forward linkages of quality inputs, godowns, cold storage facilities, market facilities and agro processing industries.

**8.** The State has been recently advised of the Meteorological Department's projection of below normal monsoon rains in the country. Our efforts are to put in place systems that can alleviate the vagaries of the monsoon. My Government intends to promote local production to offset demand-supply mismatches. In addition, I have constituted a 'Price Stabilisation Fund' to finance co-operatives for direct procurement of select commodities from the market and sell them to consumers whenever prices rise abnormally.

**9.** The criticality in agriculture production arises from Tamil Nadu's acute levels of water scarcity.

I had, even a decade ago, identified the need for a Peninsular River Water Grid. To begin with, however, it is necessary to inter-link the Cauvery River with the Agniar, South Vellar, Pambar, Manimuthar, Vaigai, and Gundar river basins lying within the State. I had, during the course of my discussions with the Hon'ble Prime Minister on 14<sup>th</sup> June, requested Central Government support for this project's estimated cost of ₹4000 crores.

**10.** The State intends to make a determined push for growth in the Manufacturing Sector and for sustaining growth of the Services Sector. Shortages of power badly affected industrial growth and turned away investors during the past 5 years. I have initiated immediate action to quickly revamp the Government-owned power generating stations and to maximize

wind power evacuation. I am also putting in place a strategy for expediting projects in the pipeline, introducing efficiency and strict monitoring in distribution so as to anticipate growth in demand, ensure uninterrupted supply to industry, and improve supply quality to all user sectors. Tamil Nadu has always been a leader in renewable energy and we intend to develop a policy for promoting renewable energy. One component of this policy is for establishing ten Solar Energy Parks generating 3000 MW at a cost of ₹45,000 crores for which also I had requested support under the National Clean Energy Fund during my meeting with the Hon'ble Prime Minister.

**11.** We have recognized that the key to economic development is effective planning and execution of infrastructure projects for power, roads,

urban facilities and housing coupled with supportive policy. It is also necessary to reduce industrial density around cities and disperse industry for which rural infrastructure must not prove inadequate. My Government has established an Urban Development Mission for all Corporations, Municipalities and Town Panchayats and will aim to improve rural amenities to match urban standards. We plan to make Chennai a world-class city. Fundamental to this objective and to raise livability in the city, given the rapidly rising traffic intensity, my Government has proposed to introduce, at an estimated cost of ₹16,650 crores, a Monorail System integrated with MRTS and Metro Rail for a virtual Door-to-Door transport facility for Chennai. This will also raise the modal share of public transport from 27 per cent to around 46 per cent eventually. All these massive investments are expected to attract private

partnerships with the Public Sector. We hope that the Central Government will extend financial support to these initiatives.

**12.** We consider capacity building of our students and workers as basic to these efforts. For this purpose, I have set the objective of transforming our universities into world class institutions. Our network of institutions will focus on skill development and for improving the employability of the educated unemployed to meet the demand created by industry and services. We consider that promoting computer use by distributing laptop computers to 68 lakh students will set the pace to achieve these policy objectives although the cost is estimated at ₹10,200 crores over five years. I, therefore, request the Union Planning Commission to recommend its inclusion as an

important scheme for support under the National Mission on Education.

**13.** Within the Social Sector, the State Government has raised the pension amount for the aged and other categories from ₹500 to ₹1000 per month, of which only ₹200 is currently funded by the Centre. Most importantly, only three categories are Centrally supported while five other categories of differently abled, destitute widows, destitute agricultural labourers, deserted wives and poor, aged spinsters, continue to be denied support. We request the Planning Commission to consider Tamil Nadu's experience in this area and to recommend the increase of pension and its extension to these other categories.

**14.** The Hon'ble Members are aware of the rapid gains in health indicators for the State. The

ongoing National Rural Health Mission and the State's own World Bank funded Health Systems Project have provided preventive and curative health services in various parts of the State. When the National Urban Health Mission is introduced, a significant gap will be filled. However, patients needing critical treatment and who are referred to tertiary institutions, suffer due to inadequate facilities. Further, the district hospitals which play an important role in providing treatment are handicapped by the lack of high-quality diagnostic equipment. We estimate that ₹2300 crores will be required over the next two years to fulfil these needs.

**15.** As an effort to green Tamil Nadu, the State has expanded the Indira Awas Yojana. Our feedback suggests that the house plinth area of 210 sq.ft. under IAY is cramped and inadequate.

Therefore, the State proposes to launch a 'Solar Powered Green House Scheme' for a 300 sq. ft. house with stand-alone solar energy power supply at a cost of ₹1.80 lakh per house. The additional annual Central share that will be needed over IAY funds is estimated at ₹1,125 crores besides about ₹300 crores for solarising one lakh of such houses every year. I request the Union Planning Commission to consider the merits of this programme and the message that it conveys of India's seriousness in pursuit of green objectives.

**16.** The State has accessed External funding for as many as sixteen projects and this year, we have proposed an outlay of ₹1933.39 crores. The projects taken up are largely for infrastructure by way of roads, urban development, health, afforestation, irrigation,

water supply and for empowerment & poverty alleviation. The State's own internal resources have been stretched to the utmost and we have been hard pressed to identify resources of ₹23,000 crores for this Annual Plan. Trend estimates based on growth achieved over the last four years suggest that the State would achieve an overall GSDP growth of 8 to 8.5 per cent over the Eleventh Plan period as against the target of 9 per cent.

17. An important segment of the resources for the plan is the Normal Central Assistance to be finalized today and of which 30 per cent is grant component. This grant portion was tentatively set at last year's level of ₹547.52 crores pending these discussions. The share of NCA is, therefore, sharply down to 9.1 per cent of last year's outlay and appears

set to slide further. NCA has remained a stationary and lately, declining resource in its long history. However, now, nearly all major sources of revenue including most service taxes are held by the Central Government. Therefore, to meet the pressures of local governance at the State level, borrowings become necessary and the fiscal strain compromises the ability of the State Government to invest in developmental needs. We request the Planning Commission to recommend the increase of the NCA levels to at least 20 per cent of the Annual Plan Outlay, with a grant component of 50 per cent by revision from the present level of 30 per cent. On this basis, the Planning Commission could urge the Central Government to alter the NCA and accordingly boost the State's resource position and capability to take up programmes that can yield dynamic growth. As the

present Annual Plan Outlay is ₹23,000 crores, we request that the NCA may be raised accordingly to ₹4,600 crores.

**18.** I have tried to give an overview of the State's perspective and plans for growth and development over the Annual Plan period and its important stage for taking off energetically into the Twelfth Five Year Plan. The projects proposed by my Government will require substantial resource assistance from the Central Government. This is in addition to our need of ₹1,00,000 crores as Special Assistance for debt relief. I further request the Planning Commission to recommend our requests for Special Project Assistance and Debt Alleviation.

**19.** I would like to thank the Deputy Chairman of the Planning Commission Dr. Montek Singh Ahluwalia, for his consideration in previous years by way of grant of Additional Central Assistance. I express the hope that a substantial increase will be granted to us, given the circumstances in which the State is now placed.

**20.** I am happy to have been given this opportunity to share my perspectives on the road map for Tamil Nadu with Dr. Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, and his team and request your co-operation.

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