

2.1 PLAN OBJECTIVES AND TARGETS

The Approach Paper to the National Tenth Plan, as approved by the National Development Council on 1st September 2001, proposed that the Tenth Plan should aim at 8% GDP growth per annum for the period 2002-07, as a first step to doubling the per capita income over a period of 10 years. The Draft Tenth Five Year Plan of the Govt. of India has been approved by the Union Planning Commission on 5th October 2002.

Traditionally, the level of per capita income has been regarded as a summary indicator of the economic well being of the country and growth targets have therefore focused on growth in per capita income or per capita GDP. In the past, the growth rates of GDP have been such as to double our per capita income over a period of nearly 20 years. Recognising the importance of making a quantum jump compared with past performance, the Union Planning Commission examined the feasibility of doubling per capita income in the next ten years. With population expected to grow at about 1.6% per annum, this target requires the rate of growth of GDP to be around 8.7% over the Tenth and Eleventh Plan periods.

The Union Planning Commission's approach paper proposed that the Tenth Plan should aim at an indicative target of 8.0% GDP growth for the period 2002-07. This is lower than the growth rate of 8.7% needed to double per capita income over the next ten years, but it can be viewed as an intermediate target for the first half of the period. It is certainly a very ambitious target, especially in view of the fact that GDP growth has decelerated to around 6% at present.

Economic growth cannot be the only objective for national planning and indeed over the years, development objectives are being defined not just in terms of increase in GDP or per capita income but more broader in terms of enhancement of human well being. This includes not only an adequate level of consumption of food and other types of consumer goods but also access to basic social services especially education, health, availability of drinking water and basic sanitation. It also includes the expansion of economic and social opportunities for all individuals and groups, reduction in disparities and greater participation in decision making.

To reflect the importance of these dimension in development planning, the Tenth Plan, besides envisaging a 8% growth rate, set monitorable targets for a few key indicators of human development. The Plan also includes a six point agenda, including disinvestment, tax and labour reforms and fiscal prudence during the Tenth Plan.

MONITORABLE TARGETS FOR THE TENTH PLAN AND BEYOND

- Reduction of poverty ratio by 5 percentage points by 2007 and by 15 percentage points by 2012;
- Providing gainful high-quality employment to the addition to the labour force over the Tenth Plan period;
- All children in school by 2003; all children to complete 5 years of schooling by 2007;
- Reduction of gender gaps in literacy and wage rates by at least 50% by 2007.
- Reduction in the decadal rate of population growth between 2001 and 2011 to 16.2%;
- Increase in Literacy rate to 75% within the Plan period;
- Reduction of Infant mortality rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012;
- Reduction of Maternal mortality ratio (MMR) to 2 per 1000 live births by 2007 and to 1 by 2012.
- Increase in forest and tree cover to 25% by 2007 and 33% by 2012.
- All villages to have sustained access to potable drinking water within the Plan period;
- Cleaning of major polluted rivers by 2007 and other notified stretches by 2012.

In concord with the National Plan, the Tamil Nadu's Tenth Plan has been drawn envisaging the same growth rate as for national economy. The goal is to make Tamil Nadu the best State in the country during the Tenth Five Year Plan. The aim is to provide opportunities for a healthy and productive life for all. The Chief Minister's 15 Point Programme is the road map for development during the Tenth Plan. The salient features of the Tenth Plan are spelt out clearly in the 15 Points Programme, as set out below:

1. Evergreen Revolution - In order to rejuvenate the agricultural economy, the focus for the Tenth Plan will be on production and productivity by adopting appropriate crop patterns, scientific nutrient and water management techniques, modernization and expansion of irrigation facilities and effective marketing of farm products.

Given the fact that agricultural sector provides employment to a large proportion of the population of the State, the aim is to achieve a growth rate of 4 percent in the agricultural and allied sectors during the Tenth Plan Period (2002 - 2007). A broad-based agricultural policy involving small and medium farmers, which is driven by technological change and appropriate marketing facilities is a necessary precondition for an evergreen revolution.

Government have already begun the task of reclaiming vast tracts of wasteland for agricultural use. The Watershed Development Agency will implement this massive programme by sourcing external funds. Development of 54,000 hectares in 10 districts has already been taken up, which includes identification of wastelands, preparation of plans for each watershed and raising of nurseries. The thrust will be on increasing the ground water recharge to enable better irrigation and cultivation of tree crops, which can find profitable markets. Cultivation and marketing of medicinal plants and herbs, and organic farming will be encouraged in a big way.

A Wasteland Development Authority with the Chief Minister as the Chairperson has been constituted in order to decide on policy and co-ordination aspects of different wasteland development programmes under implementation. The first Agri-export Processing Zone in Tamil Nadu for cut flowers will soon be established at Hosur. Studies are also under way for setting up similar Agri-export Processing Zones and Agri-Business Centres in various districts of the State.

Horticulture is slowly emerging as the growth engine of the agricultural sector. The Government proposes to set up a Mission for Horticulture development in Tamil Nadu to give an impetus to cultivation, processing for value addition, and marketing of vegetables, fruits and flowers in the State. The mission mode would involve integration of various aspects of horticulture development from plantation to marketing with special emphasis on dry land horticulture, conservation of water through drip irrigation and establishment of Agro-economic and Export Processing Zones for post harvest storage and marketing of horticultural produce.

2. Food Security - In order to achieve 100% food security in Tamil Nadu by 2007, the following operational strategies are proposed during the Tenth Five Year Plan:

- Poverty, low crop and animal productivity and environmental degradation are barriers to attainment of full food security . In order to ensure lifting of these barriers, sustainable intensification of agricultural production systems will be implemented.
- Inadequate policies and institutions lead to agricultural markets that do not function efficiently. Consequently, the poor pay more for their food and receive less for their produce. Hence the efficiency of the existing food production and marketing programmes will be reviewed and revised suitably.
- The quality and quantity of food supplied under the nutrition intervention programmes will be studied carefully and the required modifications will be introduced so that the availability of food and nutrients are optimised and also made cost effective. Proper monitoring of feeding programmes will maximise the benefits of these programmes.

3. Livestock Security - Livestock development will receive special attention as this can play an important role in increasing the supplementary income of rural households. The new Centrally Sponsored Scheme for cattle and

buffalo breeding will be implemented during the Tenth Plan period which will be supplemented with State funded programmes. In order to enhance the coverage of veterinary care and breeding facilities of livestock and poultry, it is proposed to source the services of unemployed veterinary graduates, by evolving suitable self-employment schemes. The dairy sector will also be strengthened through the cooperative network.

Tamil Nadu has a long coastline with a large potential for employment generation in the fisheries sector. It is proposed to set up a Fisheries Development Mission with the aim of giving a fillip to the production and export of fish, by increasing the area coverage (marine and inland) in an environmentally sustainable manner. Special attention will be given to increasing offshore fish density in order to enhance the income of small marine fishermen. The Mission will explore the possibilities of increasing inland fish production by evolving innovative measures such as fisheries development in abandoned mines and quarries, paddy-cum-fish farms, development of model fishing villages etc.

4. Water Security - Tamil Nadu has almost exhausted surface water and ground water potentials. In several Blocks of the State, groundwater has been over exploited. Increasing the irrigation extents and irrigation intensity and maximising the productivity per unit of water has to be done for higher production of food in the State. The minor irrigation tanks, which have been our asset in providing irrigation for crops widely spread out mainly in the coastal districts of the State, have to be rejuvenated so that they may serve for several decades. This will be attempted through State funds to be supplemented by funding from NABARD and external agencies. A new project, Water Resources Consolidation Project –II aimed at modernising and upgrading irrigation systems is being posed to World Bank. In respect of ground water utilisation, action is proposed to be taken to regulate extraction to make it sustainable. The following are the tasks proposed:

- Ensuring adequate water for agriculture, industry and eco-system maintenance besides providing safe drinking water.
- Enhancing water sources through percolation ponds and other water recharge structures in Tamil Nadu.
- Rainwater harvesting for all households, development and popularisation of appropriate rainwater harvesting technologies in line with the topography of the specific region concerned.

A major project aimed at establishing ground water recharge structures in over 13,000 locations identified through remote sensing technology is being undertaken.

The Central Government will be urged to take up the implementation of the 'Peninsular River Water Grid Scheme', and in the first phase to connect the rivers Mahanadhi, Godavari, Krishna, Pennar, Gundar, Cauvery and Vaigai. In order to develop the irrigation systems in the Southern districts of Tamil Nadu, the Government of India will be requested to implement a project connecting Pamba, Achankoil and Vaippar link. In respect of Chennai city, the Chennai Water Supply Augmentation Project – I (New Veeranam Project) will be taken up by

Chennai Water Supply and Sewerage Board (Metrowater), to be funded by financial institutions and the State Government.

5. Health Security - Control of all preventable diseases including leprosy, tuberculosis, preventable blindness, and eradication of diseases for which effective vaccines are available, reduction in birth and death rates, increase in average life span, reduction of IMR, MMR and incidence of low birth weight children, and fight against HIV/AIDS are the major thrust areas to improve the health status of the people in the Tenth Plan period.

The strategies envisaged are as follows:

- ◆ Imparting Health Education (effective communication and transfer of relevant information) about the prevailing health and medical problems and methods of their identification, management, prevention and control.
- ◆ Providing adequate food supplies and proper nutrition.
- ◆ Providing safe and adequate water supply within one's reach and basic sanitation viz., the sanitary disposal of excreta and refuse, cleanliness of all public places and housing.
- ◆ Ensuring health care of mothers and children including family welfare.
- ◆ Immunization against major communicable diseases.
- ◆ Prevention and control of locally endemic diseases.
- ◆ Elementary care and appropriate treatment of common diseases and injuries.
- ◆ Provision of essential drugs.

Specific monitorable targets have been set for each of the major health goals. A comprehensive Health Policy to encourage private sector participation and ensure that quality and affordable health services are made available to all citizens is being formulated. Specific attention will be given to improving the infrastructure facilities in peripheral hospitals so as to prevent over-crowding in city hospitals. The gaps existing in primary health care in urban areas will receive special attention, as also the problems of the elderly.

Though Tamil Nadu has made significant strides in population control, there is an unmet need for contraception of around 13%, which will be taken up during the Tenth Plan period.

6. Livelihood Security - Livelihood security can be enhanced through value addition to agricultural produce in the rural areas. Considering the important role that agro-based industries play in the development of the rural economy, it has been decided to bestow special attention to such industries in order to ensure remunerative returns to the farmers and high wages to agricultural labourers. Assistance from National Bank for Agriculture Development (NABARD) will be sought for the implementation of Village Fair Development scheme.

Steps will be taken to provide opportunities for gainful employment in the manufacturing and service sectors and to strengthen employment opportunities in the non-farm sector especially in areas of handlooms, handicrafts, sericulture development and other rural industries and to improve value addition to their products. It is also proposed to set up Export Guidance Cells at the district level by restructuring the present District Industries Centres.

Special attention will be paid to develop skills among the workforce for meeting the needs of the fast growing sectors of the economy such as Construction, Trade, Hotels and Restaurants, Transport and Communications which have high potential for employment, with a view to ensuring absorption of the growing labour force.

At least one focal agro-industry based economic activity, which has the potential for sustainability and capacity for generating employment opportunities, will be nurtured in each of the 385 blocks of the State.

7. Shelter Security - The State housing policy aims at providing a dwelling for each family. The on-going rural and urban housing programmes by the Tamil Nadu Cooperative Housing Federation as well as schemes for SC/STs will be given a new thrust. The improvement of Slums will also receive attention. The Government will function as a facilitator for private housing activities by simplifying rules and procedures. The Government has also taken the lead in providing sanitation facilities in rural areas.

8. Ecological Security - Conservation and enhancement of life support systems like land, water, forests, biodiversity, ocean and the atmosphere constitute ecological security. Eco-stabilisation, eco-restoration and eco-protection will be given thrust to ensure increase in density of forest cover. Joint forest management will be given greater fillip to bring degraded areas under green cover.

9. Energy Security - Building sustainable energy systems with concurrent attention to thermal, hydro, nuclear and renewable forms of energy (wind, solar, bio gas and bio mass) is the keynote of energy security. It also involves energy self-sufficiency for the farm, industrial and domestic sectors. While the present power situation in Tamil Nadu is comfortable, investments are required to meet the increasing demands of the different user groups.

Tamil Nadu has achieved the optimum hydro-thermal power mix. As water resources in Tamil Nadu are poor, the State is unable to increase the hydro power further. The Tamil Nadu Electricity Board is contemplating up-rating the existing Thermal stations and going in for micro and multi purpose power stations to take advantage of the potential head available in many of the dams. The TNEB is also going in for power houses with low heads. Wind energy will also be further tapped in the southern districts where there is good potential. Several private sector gas based units are likely to be commissioned in the Tenth Plan period. Lignite based power plants are also likely to become operational.

10. Infrastructure for Development - Special emphasis will be given to infrastructure development in Tamil Nadu through public – private participation. Total road connectivity will be provided to all habitations with population above 500. Urban transport systems including MRTS in Chennai will be augmented. Development of Colachel Port as a Container Trans-shipment port is under consideration. Special attention will be focused on Tourism infra-structure to give a thrust to the sector.

The Government proposes to go in for a phased privatization of select routes, services and operations in the bus transport sector. The proposed comprehensive restructuring of the cash-strapped STUs coupled with private sector participation will encourage healthy competition and efficiency in the public transport system.

11. Literacy and Techniracy - Special attention will be accorded to reducing the rural-urban and female-male disparities in literacy. Quality improvement in education, ranging from pre-school to University and to technological and skill upgradation with a view to gainful employment will also receive special attention.

The State Government will implement the Centrally Sponsored Scheme of *Sarva Siksha Abhiyan* to achieve the objective of 'Elementary Education for all', and will augment this scheme with State funded schemes to ensure retention of all children in schools until the age of fourteen. Schemes to enable children in habitations without schools within a range of 1-km to have access to education will be implemented.

It is proposed to start Institutionalised Vocational Training Schools in every district to cater to the needs of youth from families below the poverty line who need to be taught skills for gainful employment. These schools will impart basic education and intensive vocational training in skills like gardening, masonry, carpentry, plumbing and electrical works .

12. Art and Culture - Government will endeavour to generate awareness and appreciation of the cultural heritage of Tamil Nadu and revitalization of cultural traditions, including dance, drama and street theatre. The State will promote village tourism, eco-tourism and pilgrim tourism among domestic and foreign tourists in order to popularise the rich cultural heritage of the State.

13. Gender Equity - Removal of gender bias in literacy, wage rates, health and education, elimination of adverse sex ratio, and support services to working women, taking into account the multiple burden in a woman's day to day life will be given due importance. Provision of opportunities for employment and training will receive the special attention of Government.

14. New Deal for the Oppressed Classes - Socio economic development of the Adi-Dravida and Tribal communities is one of the main priorities of the Government. Concerted action will be taken for the welfare of Scheduled Castes, Scheduled Tribes, Backward Classes, Most Backward Classes and Denotified Tribes in the fields of education, economic upliftment and provision of basic amenities. Preference will also be given to these

disadvantaged sections in the provision of opportunities for skill development for self-employment programmes.

A new University, which will focus on the economic and social upliftment of Scheduled Tribes, Backward Classes, Most Backward Classes and Denotified Tribes, is proposed to be set up at Vellore.

15. Technological Leapfrogging - A special thrust will be given to research in the frontier areas of science and technology like Bio-technology and Information Technology with the objective of increasing the employment and investment potential and improving the quality of life.

A Bio-tech Park is proposed to be set up by TIDCO, equipped with a Bio-resource Centre and customized laboratories, with a view to attracting private investment. A state-of-the-art Bio-informatics and Genomics Centre will also be established. The Information Technology highway at Chennai will be provided with world class infrastructure, and a Knowledge Industry Township with public-private partnerships will also be set up. A submarine optic fibre cable network connecting Singapore and Chennai has already been commissioned.

Tamil Nadu's Monitorable Targets

Keeping in view the national objectives and the monitorable targets set out in the Approach Paper, and the present level of achievement in the State, the Tenth Plan is structured with emphasis as a REFORM PLAN rather than the usual RESOURCE PLAN, and with a strong plea to concentrate on Outputs as measurable monitorable targets than on mere fiscal Inputs as is usual in a five year Plan. The key output figures are:

Monitorable Targets for Tamil Nadu's Tenth Plan**Economic Growth**

- To ensure economic growth of 8% per annum with an ICOR of 3.26 in the Tenth Plan and 4% in Agriculture and Allied Sectors.
- Investment requirement at Rs. 2,62,502 crores, of which Rs. 40,000 crores as State Sector outlay, Rs. 48,000 crores as Central Sector outlay and the remaining Rs. 1,74,502 crores from Private and Foreign Direct Investments.
- Doubling of per capita income of Tamil Nadu by 2010.
- Widening of tax-base and improving collections*.
- Reduction in subsidies and administrative overheads*.

Fiscal Growth

- To bring the fiscal deficit from the present level of 3.6 percent of GSDP to 1.5 percent of GSDP by end of the Tenth Plan
- To bring revenue deficit to revenue receipts from the present level of 19% to 0 by the end of the Tenth Plan.

Poverty reduction

- To reduce poverty ratio from 21.12% in 1999-2000 to 10% by 2007 and aiming at near - elimination by 2012.

Employment

- To bring down unemployment rate as measured by current daily status from 12.05% in 1999-2000 to 6% by 2007 and to near-zero by 2012.

Education

- By the year 2005, there would be universalisation of education until Class V, with special effort for girls and disadvantaged groups.
- 100% retention of all enrolled children till age 14 by 2007.
- 100% access to a school within a km. by 2007.
- Raising of literacy rate from 73.5% in 2001 to 80% in 2007.

Health

- To reduce IMR from 52 per 1000 live births in 1999 to 28 per 1000 live births by 2007.
- To reduce MMR from 150 per 100,000 births to 100 by 2007 and 50 by 2012.

Forests

- To increase and stabilize forest area cover from present 17.6% to 25% by 2012 and also to ensure density of tree cover by eco-stabilisation, eco-restoration and eco-protection.

Drinking water

- To provide drinking water to all habitations and making them as fully covered habitations.

Gender disparities

- Reduction by 2007 of all rural-urban and female-male disparities in wages, health, education by 50%.

Infrastructure

- To provide all weather roads to all habitations with population of 500 and above by 2007.
- By the year 2008, Tamil Nadu will be the top ranking manufactured goods exporter in India and will double its export earnings,
- By the year 2010, all villages in Tamil Nadu will possess electricity, a trunk road, telephone and Internet connectivity, a school, clean water and sanitation, a village health worker, and local self-government.
- By the year 2006, Tamil Nadu will not only be the leading player in the field of IT in India, but will also become a regional gateway to Asia, home to half the humanity.

Population growth

- To reduce decadal population growth from 11.2% now to 7% by 2011 and to establish population stabilization.

* These are not in quantifiable terms

In the National Development Council Meeting held on 1st September, 2001 the State Government endorsed Government of India's approach to the Tenth Five Year Plan and proposed aiming a growth of 8% in GSDP per annum in Tamil Nadu's Tenth Plan, though it is a stiff task and needs concerted effort in several areas.

The Union Planning Commission has used an Incremental Capital Output Ratio (ICOR) of 3.58 in estimating the investment requirements. A note on Tamil Nadu's ICOR prepared by the Department of Evaluation and Applied Research gives an ICOR of 3.26, based on the data relating to Gross Fixed Capital Formation (GFCF) and Gross State Domestic Product (GSDP) for the period 1993-94 – 1997-98. Adopting the Tenth Plan target growth rate with GSDP of 8% per annum and ICOR of 3.26, the aggregate gross investment for the Tenth

Plan period works out to Rs. 2,62,502 crores. The Tenth Five Year Plan for Tamil Nadu has been decided at Rs. 40,000 crores at 2001-02 prices.

The State Plan outlay normally constitutes 15% and Central Plan outlay constitutes 18% of the total investment during a Plan period, the remaining 67% coming from private investments. Thus in the Tenth Plan period, while Rs.40,000 crores will be the State Sector outlay and Rs. 48,000 crores the Central Sector Sector Outlay, i.e., the Public Sector Plan investment (i.e., by State and Centre) will be Rs. 88,000 crores and therefore as much as Rs. 1,74,502 crores will have to be private investment in Agriculture, Industry and Services Sector. This has to be viewed against the expected investment by private sector in IX Plan period which was projected at Rs. 78,600 crores and which perhaps fell short of it.

Growth Rate for doubling Per capita income

It is proposed to double the per capita income by 2010. The Tenth Five Year Plan envisages a 8 per cent growth rate in the GSDP per annum during 2002-03 to 2006-2007. In order to double the per capita income by 2010, the growth in per capita income needs to be about 9 per cent per annum. With the population growth at 1 per cent, the warranted growth in GSDP by 2010 should be at 10 percent. This can be achieved if the State accelerates its growth beyond 8 per cent during the Tenth Plan (2002-07) and about 13 per cent beyond Tenth Plan (2007-2010).

The Projected Sectoral Growth Rates for Tenth Plan (2002-07) and warranted growth rates for doubling the per capita beyond the Tenth Plan period are shown in Annexure I & II (Chapter 2.2).

Fiscal Reforms and Governance

Reforms are necessary (a) for improving the internal resources of the State and (b) to create a favourable and enabling environment to attract private capital on a much higher magnitude to achieve the growth rate necessary for reaching the objective of doubling the per capita income and (c) for also improving the ICOR of such investments by removing the barriers to the realization of their full efficiency. Reform measures are necessary as the Government have to incur upfront costs for initiating reform improvements in sectors dealing with service deliveries such as health, water supply etc.

Economic reforms could not yield optimal results without concomitant governance reforms. The government must play a catalytic role in facilitating private investment both domestic and foreign, in the provision of infrastructural services, technologically frontier areas and export oriented industries. The incentive to invest should be not via tax concessions or by diluting the conditions for siting requirements or attracting pollution – intensive industries. Investors must be attracted by adequacy and quality of infrastructural services at reasonable prices, availability of skilled labour, time-bound clearances of permits and licenses, removal of procedural obstacles, stable tax policy, disciplined labour force, law and order, speedy resolution of disputes and above all good governance. The ICOR can be lowered by reducing the time period for

completion of investment projects and by improving capacity utilization after the projects are commissioned.

The State Government placed a '[White Paper on Tamil Nadu Government's Finances](#)' on the table of the House in the Budget session held on March, 2002 on the serious financial crisis facing the State during the launching of the Tenth Five Year Plan. As a first step towards delineating the extent and causes of the problem, the State Government announced a series of reform measures aimed at restoring fiscal stability. The reform measures include continuance of Zero Base Budgeting exercise in full earnest, slowing down the pace of growth in revenue expenditure, enhancement of receipts to the Government by stepping up the collection of arrears of taxes and freeing resources locked up in unproductive programmes or schemes which have outlived their utility, reprioritization of resource allocation in the State Budget from non-productive areas to production oriented sectors like agriculture, industry, infrastructure development, health, education etc., so that the Government's investments translate themselves into real benefits to people. In order to bring the State finances back on the rails by enhancing revenues and reducing non-productive expenditure, the Government constituted [Staff and Expenditure Review Commission](#), and [Reforms and Revenue Augmentation Commission](#). It is proposed to introduce reforms in the Transport Sector. The State Government has decided to go in for a phased privatization of select routes, services and operations currently under the control of STUs. A High Level Committee was constituted to work out the modalities for phased privatization and restructuring of STUs.

Regarding the opening of bus transportation for the private sector, Government can either allocate profitable and unprofitable routes to each service provider or leave the choice to the firm and create a universal social obligation fund to subsidize the service providers in thin routes by the service providers in creamy routes.

Power Sector reform is crucial to the economy. Nearly 30% of the energy supplied is claimed to be for agriculture and is free and around 16% is lost in transmission. Thus 46% of power produced is unbilled. It is impossible for any organization to recover the cost of its total supplies by pricing only about half of such supplies. The problem of subsidy for agricultural power is that of designing a method under which the outgo is restricted to only to the genuine consumption of intended beneficiaries and to prevent the facility being exploited by unintended free riders. For instance it is quite revealing that more than 9000 Mus of energy consumption is attributed to agriculture. This gives a per pumpset consumption of nearly 6000 units based on the present estimate of pump sets (which itself seems on the high side). On the basis that the average consumption per pumpset was never higher than 3000 units in the years when such consumption was metered, the present estimate reveals either excessive misuse or wrong classification of billable uses. One measure is to delink the Electricity Board from the subsidy and allow them to charge normal rates and for the Government to reimburse cost to the extent considered necessary to those deemed deserving.

Government is committed to making the Tamil Nadu Electricity Board a self-supportive and commercially viable enterprise. The State Government has signed a Memorandum of Undertaking with the Government of India and

activated State Electricity Regulatory Commission. In turn, funds will be available under the Accelerated Power Development Programme to modernize, upgrade transmission and distribution networks and also the old thermal/ hydel power stations.

State Government introduced reforms in Public Distribution System. It introduced "Coupon System" for drawal of rice to prevent bogus billing and consequent large-scale diversion. Rationalisation of PDS prices, with subsidies targeted to the poor and gradual phasing out of subsidies for high income households should be attempted.

State Government has proposed to introduce a Public Sector Reform Programme which includes Voluntary Retirement Scheme for Government employees and those in the PSUs and co-operative institutions. This will be posed to external agencies for funding. It has decided to disinvest its stake in profit making State PSUs and also go in for an outright sale of loss making units.

State Government has also prepared a Medium Term Fiscal Reform Programme (MTFRP) aimed at bringing down the revenue deficit to zero and fiscal deficit to 1.5% of the Gross State Domestic Product over a period of five years. The MTFRP combines policies like Fiscal Consolidation, Public Sector Enterprise Reforms, Power Sector Reforms, and Fiscal Transparency with the objectives of bringing down (i) the consolidated fiscal deficit to sustainable levels by 2005; (ii) the consolidated revenue deficit, so that in the aggregate, the revenue deficit is eliminated altogether by 2005; and (iii) the Debt/GDP ratio including contingent liabilities to sustainable levels, both in terms of stability and solvency. A Memorandum of Understanding will be signed with the Government of India shortly to enable the State Government to access funds to the tune of Rs. 402 crores from the Fiscal Reforms facility.

State Government has taken initiatives to avail Resource Management loan from the World Bank or the ADB.

Fiscal reforms mechanism includes elimination of the current negative contribution status of State Public Sector units, higher shares of negotiated loans from LIC, NABARD and other financial institutions, a greater amount of Centrally Sponsored Schemes and new Externally Aided Programmes, and the request to the Central Government for a one time assistance to bridge the resource gap. Every department should prepare an integrated data base on all potential resources like State Own Fund, Govt. of India funds, funds from Govt. of India Institutions and other financial institutions, private sector, bilateral agencies, multilateral agencies like IBRD, ADB, UN agencies like UNICEF etc. The Government should monitor and attract funds from funding agencies.

Clear targeting of subsidies, freeing Government of any odium of price escalations, internal Government reforms to cut costs, easy dispute resolution mechanisms and labour reforms, etc. are some of the methods need to be instituted. Also, there is need for creating a transparent, independent and knowledge based regulatory framework for attracting private investment in public utilities and other infrastructural industries. Factors such as sunk investment and long gestation periods necessitate long term pricing policies based on known formula. Considerations such as equity and balanced regional development require departures from efficiency. The Government has the prerogative to

decide who deserves the subsidy and the extent of the subsidy, but it is better to leave the timing and revision of tariffs to independent regulatory authorities.

State Government will review the existing legislations and regulations and see whether they are relevant now. Linking penalties with the extent of and frequency of violations, and indexing of penalties to consumer price index or other formula needs to be considered. Regarding enforcement the Government must change its role from that of inspector to facilitator. Trust and verify system will reduce harassment and corruption and increase compliance, if the penalties are high for non-compliance. Market and community pressures and adverse publicity would increase compliance rate.

[HOME](#)