

## **Speech for Hon'ble Finance Minister, Punjab for the meeting of National Development Council in New Delhi on 22/10/2011.**

Hon'ble Prime Minister, Hon'ble Deputy Chairman Planning Commission, Hon'ble Members of the Union Cabinet and Planning Commission, Hon'ble Chief Ministers distinguished participants, Ladies and Gentlemen.

### **11<sup>TH</sup> PLAN PERFORMANCE**

2. Mr. Prime Minister, Sir, Let me begin by congratulating yourself as the Chairman, Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission of India and Members of the Planning Commission for preparing a draft approach paper for the 12<sup>th</sup> Five year plan with focus on Faster, Sustainable and More Inclusive Growth.

The country witnessed an average growth rate of 8.2% against the target of 9% during the 11<sup>th</sup> plan. The state's average growth on the other hand was 7.85% against the target of 5.9%.

The approach paper envisages 9% rate of growth during the 12<sup>th</sup> plan. This is not difficult to achieve. However, it would require a massive effort at improving infrastructure, stepping up rate of savings, investment and improvement in human capital and its productivity.

Now I would like to highlight a few important issues from the perspective of Punjab, which I believe are relevant to many other states also.

### **NEED FOR CHANGE IN GADGIL FORMULA**

3. The Gadgil/Mukerjee Formula of 1991 does not take into account SC population in the state and performance in terms of contribution of foodgrains to national pool. These two parameters are extremely important and I request that the weightage of 60% of population should be split up into two parts – weightage of 40% to total population and 20% to SC population. Similarly, the weightage for per capita income should be reduced from 25% to 15% and this 10% weightage be given to contribution of foodgrains to the national pool.

### **DEBT RESTRUCTURING OF PUNJAB**

4. Lack of resources and inadequate support from government of India have compelled the state government to resort to heavy borrowings which have accumulated to Rs. 69594 crore by the end of March, 2011. The share of Punjab from the central taxes has come down from 2.45% recommended by the 5<sup>th</sup> Finance Commission to 1.39% recommended by 13<sup>th</sup> Finance Commission.

Government of India has constituted a Committee, under the chairmanship of Secretary Expenditure, Ministry of Finance to explore the ways to assist the 3 debt stressed states of Kerala, Punjab and West Bengal in getting out of current fiscal stress. The recommendations of this committee should be

expedited. It is also requested that the entire loan of Rs. 23146 crore outstanding at the end of 2010-11 may be waived off.

### **CENTRALLY SPONSORED SCHEMES**

5. The criteria for allocation of funds under flagship schemes is not favourable for the states like Punjab which have developed the requisite infrastructure in relevant areas from their own resources. The state need to be compensated by making provision for maintenance and upgradation of infrastructure under the flagship schemes.

### **STATE DISASTER RELIEF FUND / CRF**

6. Earlier the balance in the calamity relief fund at the end of five year plan period was utilized as a resource by the states for funding the next plan. However, Gol has now decided that these funds shall be treated as opening balance for the next five year plan. Gol should reconsider this issue and balance amount at the end of five year plan period may be made available to the states as a resource for the next year plan.

### **BORROWING LIMIT**

7. The borrowing limit which is fixed by the Ministry of Finance, Gol should be worked out by taking into account full repayment of principal amount.

## **GOODS AND SERVICES TAX**

8. The state government agrees in principle with the introduction of Goods and Services Tax(GST) in the country. However, the purchase tax on foodgrains should not be subsumed in the proposed goods and services tax and it should be kept out of the purview of GST.

## **AGRICULTURE**

9. Punjab is a major contributor of foodgrains to the national pool. However, It has been at a huge cost in terms of depleted water table and degradation of soils in the state. Productivity has stagnated in the absence of scientific breakthroughs in new high yielding varieties. There is a need for research to evolve new varieties and technologies where crops needs less water have high yield and resistant to insects & diseases.

10. Punjab needs to break out from the rice wheat cropping cycle. Besides increase of growth in agriculture sector can only come through by diversifying into production of fruits, vegetables and cultivation of pulses, oilseeds, maize etc. Though Minimum Support Price is announced for as many as 25 agriculture commodities yet there is no effective procurement mechanism for the purchase of crops other than wheat and paddy. Gol should assist state in creation of the long term, modern and scientific storage capacity in order to mitigate the problem of food storage.

11. Minimum Support Price should be fixed realistically by providing a margin of 50% over the cost of production as suggested by the National Commission on Farmers. The decline in real farm incomes has led to rising rural debts which are estimated to 35000 crore in the state. The state did not benefit much from the debt waiver scheme announced by Gol two years back because there were few defaulters in the state. We urge Gol to waive all agricultural loans as a one time measure.

### **ANIMAL HUSBANDRY**

12. Animal husbandry is fast emerging as an independent economic activity . It has a lot of potential for boosting the income of farmers. Gol should treat Animal Husbandry at par with cropping sector for accessing credit at a lower rate of interest and exemption from income tax. The newly set up Veterinary University of Animal Sciences in the state should be provided a one time grant of Rs. 100 crore for boosting research and dissemination of technologies.

### **WATER SUPPLY & SANITATION**

13. I am proud to inform the house that the state would cover all its habitations with piped water supply by 2011-12. The state will be spending Rs. 498 crore for construction of toilet in rural areas @ Rs. 10,000 per toilet. However, still there would be a gap of 7 lac toilet for which Rs. 700 crore is

required. Gol is urged to give top priority to sanitation in the 12<sup>th</sup> Five Year Plan and assist the states in construction of toilet for all houses.

## **IRRIGATION**

14. The production of wheat and paddy for the national pool has resulted in depletion of ground water and as many as 115 out of 138 blocks have been categorized as over exploited. The canal network which irrigates only 27% of the area needs upgradation, it being more than century old. The state has submitted project proposals for modernization and extension of canal, lining of water courses to Gol. Under Accelerated Irrigation Benefit Programme, Punjab should be given 90% grant by Gol by treating the state as special category on account of it being a major contributor of foodgrains which has been at huge cost in terms of degradation of soils, depleting water table and environment.

## **POWER**

15. The state government would add 4000 MW power capacity by 2014 and it would be a power surplus state. However there are two power projects which have been held up for want of coal linkages. Coal supply to the existing power plants should be ensured and coal linkages for the proposed two power plants of 4800 MW capacity at Gidderbaha and Hazipur be provided.

16. The work on laying of gas pipe line from Dadri in U.P. to Nangal in Punjab should be started and gas should be supplied to the state at administered price for the proposed 1000 MW gas based thermal power plan.

17. Power utilities in Punjab are facing difficulties in raising loans from almost all the nationalized/commercial banks. Govt should intervene in the matter and issue necessary directions to Reserve Bank of India to allow banks to continue their financial support to the power utilities in the state.

## **INDUSTRY**

18. Abolition of freight equalisation policy for iron and coal, problem of militancy and tax concessions to neighbouring states have rendered the manufacturing sector in the state uncompetitive. I urge Govt to help state in reviving its industries by taking the following steps -

- The Delhi – Mumbai Industrial Corridor should be linked with Western Freight Corridor and extended upto Amritsar;
- Central Sector Investment in Punjab is limited and there has been no major investments in the state during the last many years except Refinery Project in Bathinda. Government of India should facilitate location of a major project and allocation of one of National Manufacturing Investment Zone in the state.

- Out of more than 1000 items which are traded with Pakistan, only a few of these items can move through the land route of Amritsar. More items should be allowed to be traded through the land route. Pakistan should be persuaded to grant Most Favoured Nation status to India. Pakistan should also be persuaded to improve trade via short list of negative goods that can not be traded rather than the positive list.

### **Central Road Fund Scheme**

19. Punjab contributes about Rs. 600 crore every year in terms of levy of cess of Rs. 1.5 per litre on diesel and petrol to Central Road Fund. Gol has altered the formula of allocation of funds under CRF to the disadvantage of the state. The earlier ratio of weightage to area of the state and fuel consumption has been changed from 40:60 to 70:30. It should be restored to 40:60.

### **EDUCATION**

20. The state government has made available 544 acre of land for Central University in Bathinda. However the construction work is yet to begin. Similarly for World Class University near Amritsar, the state government has offered 3 sites and Gol is requested to convey its approval from one of the site and start construction work.

## **HEALTH & MEDICAL EDUCATION**

21. The much awaited National Urban Health Mission should be launched for urban areas. Gol should assist the states in upgradation of district hospitals in a phased manner to Indian Public Health Standards. Similarly all the government medical colleges should be upgraded to address the problem of shortage of doctors and especially the medical specialists. The norm of 5000 population for a sub centre was fixed long back and due to increase in population there is need to set up 700 more sub centres in the state. We welcome the suggestion of Planning Commission to provide sub centre in every village panchayat in the 12<sup>th</sup> Five year Plan.

22. Punjab has recorded an impressive performance in improvement of child sex ratio from 798 in 2001 to 846 in 2011. It spends about Rs. 75 crore for girl child. The child sex ratio is declining in the majority of the states and Gol should assist them through various schemes for the girl child.

Most of the anganwadi centres in the state are running from rented buildings. Government of India is urged to provide financial assistance to the state for the construction of new buildings for the anganwadi centres.

## **BORDER AREA DEVELOPMENT**

23. Farmers in the 6 border districts were getting compensation @ 2000 per acre for 18500 cultivable land situated across the fence. Compensation was given on account of various restrictions on cultivation of land across the fence in terms of restricted movement, non-cropping of tall crops and restriction of night

irrigation etc. It was stopped in the year 2000 causing lot of resentment among the farmers. I request Gol to restore and enhance compensation to 10000 per acre to these farmers. The annual liability is only Rs. 20 crore.

## **CONCLUSION**

24. Sir, the changes faced by the state are well known to the policy planners. The state continues to endure the effects of the long period of militancy. Our land locked geographical location coupled with an active border are certain disincentives for which we deserve to be adequately compensated.

While concluding, Mr. Prime Minister, I would like to thank you for affording me this opportunity to meet you all and share my thoughts on the approach to 12<sup>th</sup> Five Year Plan.

**JAI HIND**