

## Annual Plan 2005-06 discussion with Dy. Chairmain Planning Commission

### Speech of the Deputy Chief Minister of Karnataka

I thank the Deputy Chairman and his distinguished colleagues for organising this meeting and giving us an opportunity to present our views.

### Plan Performance & Growth

Karnataka is one of the few major States, which has consistently realised more resources than what was projected in the Five Year Plans. We intend to continue this progress in the Tenth Plan too. The per capita plan outlay of Karnataka at Rs.1764 in 2003-04 has been the highest among major States. In the proposed Annual Plan for 2005-06, the State has accorded high priority to Irrigation and Energy by allocating 23.3% and 21.5% of the outlay, respectively.

The State reeled under the impact of severe drought for two consecutive years and the impact on agricultural production and productivity was immense so the average agricultural growth fell to -2.9 in 2002-03. Therefore Karnataka registered a growth rate of only 4.2% in the first year of the Tenth Plan but recovered in the second year with 6.2%. We now anticipate an average growth of 6.6% in the Tenth Plan.

### Resources for the Plan

The State has urged the Union Finance Minister Sri P. Chidambaram to convert high cost loans to lower interest rates as per

prevailing rates. The Planning Commission is also requested to support our case.

The State is concerned over the burden of high cost central loans to the States, Karnataka urges the Centre either to write off all outstanding block, non-plan and Central sector loans carrying interest up to 13% as an one time measure or reset the loans at the current market borrowing rate of 6%.

Despite efforts to reduce off budget burden and eliminate borrowings through special purpose vehicles, the burden on the budget is still onerous. Negotiated loans and outstandings from the National Cooperation Development Council (NCDC) & other central financial institutions like LIC, GIC and HUDCO are at rates as high as 16% and above without prepayment option. Planning Commission may kindly prevail upon the Ministry of Finance to ensure that the Central Financial Institutions accept unconditional prepayment of these loans and agree for inclusion of prepayment option for all future borrowings.

The State also wants the Planning Commission to ensure that funds for externally aided projects are passed on to the States through back-to-back arrangements.

### **Decentralisation**

Karnataka is a pioneer in decentralised governance, more specifically in nurturing Panchayat Raj Institutions. Karnataka is one

of only two States to have transferred all 29 subjects listed in the Constitution to PRIs.

Another significant step towards fiscal decentralisation is the transfer of 150 Plan programmes with a total outlay exceeding Rs. 1500 crores to the PRI sector. With the devolution of funds and functions, the restructuring of the administrative machinery is the logical next step.

### **Primary Education**

I welcome the NCMP's prioritisation of social sector expenditure because human capital is, after all, a nation's most critical resource. This year, Karnataka's plan budget accords high priority to social sector spending with about 28% of the plan earmarked for social services. With regard to Sarva Shikshana Abhiyan (SSA) the shifts in the pattern of Central: State assistance from 85:15 to 75:25 during the Tenth Plan to the proposed 50:50 in the Eleventh Plan will slow down the achievement cycle. Central assistance has also not been released as projected and the shortfall has inevitable repercussions on enrolment and retention. A return to the 85:15 pattern of assistance will encourage States to focus on this vital sector. On the other hand, Karnataka with innovative schemes such as Mid-day meals, free text book and uniforms has only 35000 out of school children and is set to achieve 100% enrolment by June 2005. We have developed a perspective plan of Rs.1550 crores.

## **Health and Family Welfare**

Health is a key human development indicator and assumes importance particularly with reference to the health of women and children. The strategy in family welfare is directed towards adoption of family planning methods supported by maternal and child health care. 10.50 lakh children have been immunised. Effective measures will be taken to increase the acceptors of family planning methods after analysing the nature and causes of decline in the acceptors of family planning methods. Efforts are being intensified to prevent and control AIDS.

A key initiative to improve and extend the primary healthcare system in Karnataka will be taken under the “Health and Nutrition Project” with the support of the World Bank. This project, estimated to cost Rs.765 crores would be implemented over the next five years. The focus of the programme will be to increase access to health care for the rural poor and the under-privileged, and to strengthen primary health care with community participation.

The efforts of the State must be adequately supplemented by the Government of India since current national expenditure on health is inadequate.

## **Women’s Empowerment**

Gender sensitive planning, to be successful, must indeed be mainstreamed but it is also important to put certain institutional mechanisms in place such as gender budgeting and gender audit to

ensure that development initiatives are engendered. Karnataka has been successfully implementing the Karnataka Mahila Abhivrudhi Yojana (KMAY) in which women constitute not less than a third of the beneficiaries in all programmes. Performance is rigorously monitored and it is observed that women PRI members take a special interest in this programme. The Government of Karnataka's "Stree Shakti," a savings and credit programme has been remarkably successful in mobilizing women's self help groups. Currently there are one lakh Self Help Groups with 14.87 lakh members with saving of Rs.205 crores. 35800 Self Help Groups have availed bank loans for income generating activities. The State Government has spent Rs.70 crores on training and subsidy.

It is recommended that the Planning Commission should develop and promote micro credit-cum-savings programmes that target women through self-help groups because they have a good track record. They reach out to and empower large numbers of very poor women borrowers. By enhancing women's ability to earn an income these programmes initiate a series of spirals of (a) economic development (b) increased well-being for women & their families (c) wider social and political empowerment. Bringing women together in groups is more empowering than individual lending.

### **Social Welfare**

The State Government have initiated various the socio-economic development of the SCs, STs and OBCs in society. Karnataka has about 120.28 lakhs SCs/STs constituting about

22.75% of the State population. The priority sectors for the development of the SCs and STs are education, housing, land and irrigation. The department provides free hostels for pre & post matric students, pre & post matric scholarships, prize money to meritorious SSLC and college students, fellowships to M.Phil & Ph.D students. Under Ganga Kalyan Scheme, for the year 2005-06, it is proposed to allocate Rs.3067.25 lakhs for SCs and Rs.742.25 lakhs for STs to cover 4165 SCs and 1135 STs beneficiaries.

The most backward communities covered under category I of backward classes receive certain special incentives in a focused manner, particularly under the schemes of educational advancement.