



**Government of Karnataka**

**Speech**

**of**

**H.E. Sri Rameshwar Thakur**  
**Governor of Karnataka**

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**National Development Council**  
**in New Delhi**

**on**

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## ***Hon'ble Prime Minister, Ladies and Gentlemen***

It is indeed a privilege to be amidst this august gathering to consider and approve the Draft Eleventh Five Year Plan. The draft plan document provides a framework for accelerated and inclusive growth of the economy over the next five years. Going through the document, one is impressed not only with the comprehensive scope of coverage and wealth of detail, but also the spirit of optimism and determination. This undoubtedly arises from a realization that the country is poised at a defining moment in its history. With the economy having stabilized at a heartening growth rate ranging between 8-9% per annum, what is now required are decisive steps to consolidate the gains of the past, and take on the challenges of the future. These include, among others, necessary corrective actions to strengthen areas that had become weak over the years, such as agriculture and infrastructure and allocation of significant resources to social sectors such as health and education, which are important for advancing human development indices, so critical for long term, sustainable growth. The plan document also recognizes the centrality of knowledge as a key driver of economic growth

and activity in an increasingly global environment and consequently, the need to direct significant efforts at skill building, higher education, research and development and innovation. Indeed the Eleventh Plan provides an opportunity to act boldly and quickly so as to put India firmly on the path of becoming a key player in the world economy.

The focus on growth with equity has always been central to our planning process. However, it is for the first time that inclusive growth has been made a critical issue across sector specific policies such as agriculture, infrastructural development, social sector development, etc. The experience of economic reforms in the last sixteen years, indicate that while there have been significant achievements in economic growth, foreign exchange earnings, service sector expansion, export growth etc. several sections of the population have not benefited from higher growth and prosperity. Such forms of exclusion, has manifested itself in low quality of employment growth, lack of opportunities for weaker sections, increase in the rural-urban divide and other regional disparities. The time has therefore come for a renewed commitment towards pro-poor and people centric policies.

## **1. Planning in Karnataka**

1.1 Karnataka has had a long and illustrious history of planned growth. As far back as 1934, Sir M. Visveswaraya in his book "Planned Economy for India" outlined a framework for planning in the country after reviewing the planning experiments of Europe and

the USSR. He also laid the foundations for the industrial development of the erstwhile state of Mysore.

1.2 From a modest outlay of Rs.139 crores in the Second Five Year Plan, following reorganization of the State in 1956, the State's Plan outlay has increased dramatically especially from the Eighth Plan onwards. The 11th Plan outlay has been fixed tentatively at Rs.101664 crores. The state has had a remarkable record of achievements in the implementation of its plans. While plan expenditure was 93% and 112% of the allocated amount in the 8th and the 9th Five Year Plans, 117% of targetted plan expenditure was incurred in the 10th Plan. Therefore, I am confident that the State will be able to comfortably achieve the targetted levels of expenditure and outcomes during the 11th Plan also.

1.3 The State is also a pioneer in decentralized planning, having been among the first States to have enacted laws to implement the 73rd Constitutional amendment on creation of Panchayat Raj Institutions. The State has also published two Human Development Reports and is in the process of preparing District Human Development Reports for four districts of the State.

1.4 Since the onset of planning, Karnataka has registered moderate growth along with modest advancement in human indicators. During the 10th plan (2002-07), Karnataka's GSDP growth rate estimated at 7.2% has finally caught up with the national growth rate of 7.4%

in the same period. The per capita income has grown by 5.1% per annum during this period to reach Rs.25821 from Rs.19576 at the commencement of the plan. The state aims to achieve still higher growth rate during the 11th plan period.

- 1.5 The sector wise composition of the GSDP continues its structural transformation away from agriculture. While the agricultural sector currently contributes 18.3% of GSDP, it employs over 60% of the workforce. The stagnation in the growth of this sector at an annual rate of 1% has been a major cause for concern. The secondary sector which currently contributes 26.9% to GSDP has grown at 7% during the tenth plan, while the tertiary sector contributing 54.8% to the GSDP has shown a consistent growth of 10% during the tenth plan.
- 1.6 During the eleventh plan, Karnataka intends to shift the focus of development on to making it more people centric. Such a human centered perspective of development, is aimed primarily at the enhancement of the capabilities and functioning of human beings to enable them to lead a healthy, educated and cultured life, in harmony with the community and the environment , with dignity and self respect. It implies that the benefits of growth and progress should ensure improvement in the quality of life of all, especially the poor and disadvantaged sections, including scheduled castes, scheduled tribes, backward classes, minorities

and women. Promoting human development calls for more investments in social sectors and public infrastructure, with the focus on increasing health, education, employment and social capabilities in the long run.

- 1.7 If the approach to the eleventh plan at the centre is towards a vision based on “faster, more broad based and inclusive growth”, Karnataka’s approach is complementary; our goal not only gives importance to economic and inclusive growth, but puts faith in the people as both contributors and beneficiaries of development. Our vision may therefore be summarized as “enhancing human potential at all levels, through realization of the outcomes of faster growth and inclusive development”
- 1.8 It is extremely heartening that the concerns and priorities at the national level as expressed in the plan document are more or less congruent with the current challenges and concerns at the state level. I refer here to concerns relating to rejuvenation of agriculture, water management, stimulation of industrial growth, development of infrastructure, the need to focus on social/human development, to address the rural-urban divide as also the need to redress regional disparities, and finally concerns about mobilizing adequate resources and providing good governance.

## **2. Poverty alleviation:**

- 2.1 We endorse the vision articulated in the plan document that envisages a broad based development process that generates opportunities and ushers a better quality of life for all, and more so for the weaker sections such as SCs/STs, OBCs, minorities, and women, for whom the fruits of development over the last sixty years have remained illusory or difficult to access due to various social, economic and environmental impediments.
- 2.2 As we are all aware, the concept of poverty is multi-dimensional. The Plan document rightly outlines the fact that poverty covers not just levels of income and consumption but also aspects such as health, education, vulnerability and risk, as also marginalization and exclusion of the poor from the mainstream of society. The paradox of rapid growth and persistent poverty coexisting can be illustrated by a glance at the hiatus between the growth rates and Human Development Index (HDI) of some of the states regarded as generally more progressive.
- 2.3 Karnataka has averaged a growth rate of 7.2% during the tenth plan; yet despite its healthy economic growth, Karnataka still ranks 7th among the 15 major states of India on the Human Development Index and there are vast regional disparities particularly between the northern districts and other parts of the state. Thus the relatively high economic growth of the state overall,

has not translated into reduction in poverty and higher standard of living for all its citizens. This anomaly will be addressed in all seriousness during the 11th plan.

2.4 It is heartening to note that the 11th plan has envisaged a structural shift in sectoral allocations both in absolute amounts and as percentage of gross budgetary support. In addition to the much needed increased sectoral allocations in education, health, rural development, social justice, agriculture and allied sectors including irrigation, the plan rightly looks at development of the rural non-farm sector, development of labor intensive manufacturing, planned urban growth, the need for wider and more effective safety nets, and finally, at meaningful decentralization and governance as quintessential approaches for reduction of poverty and improving opportunity sets for the disadvantaged. Never in the past has such a holistic and substantive approach been attempted and I daresay, the prospects of succeeding against a backdrop of sustained economic growth, appear promising.

### **3. Employment Challenge**

3.1 The pro-employment focus of the Plan as an integral component of inclusive growth strategy will go a long way in ensuring a strong positive correlation between employment and population growth in the coming decades. The failure of the economy to create sufficient volume of additional employment to absorb new



entrants to the work force while also facilitating the absorption of the surplus labor that currently exists in the agricultural sector into higher wage, non-agricultural employment, has been noted with concern. Indeed the stresses related to the challenge of farm to non-farm transition is clearly palpable across the length and breadth of the Indian landscape. Given the crisis ridden agriculture sector, the lure of growing job opportunities of a rapidly urbanizing India, the children of farming families are beginning to think of jobs in the towns and cities. This is a critical juncture in India's growth path and needs to be managed adroitly with the right policy prescriptions and action plans.

3.2 Over the years, Karnataka's attraction as an investment destination is increasing and not in the least because of its reservoir of highly skilled workers in several fields. Yet the fact remains that its talent pool is not as large as its potential – we need to increase opportunities for productive employment for unskilled labor at a much more rapid rate especially in the organized manufacturing sector. We are aware that climate for industrial investment has been improving steadily in the country given the enormous potential of demand for a variety of goods and services. In fact India is predicted to become the 5<sup>th</sup> largest consumer market by 2025. From an employment perspective, inclusive growth demands that the government facilitates the development of necessary skill sets among the work force entrants to improve their employment prospects.

#### **4. Regional Imbalances**

- 4.1 One of the significant dimensions of poverty and exclusion manifests itself in the phenomenon of regional disparities. Such disparities, which have been a characteristic feature of our landscape, have shown signs of increase in recent years. This is yet another pointer to the fact that the gains of rapid growth have not reached all parts of the country in an equitable manner. One of the adverse outcomes that can result if such a state of affairs persists, is the erosion of an environment of peace and stability that is essential to sustain and improve economic growth. The planning process should result in policies and action plans which enable backward regions to overcome the disadvantages they face and achieve a state of parity with the mainstream regions, in the shortest possible time. We feel reassured that the Plan document views the removal of regional imbalances as a vital objective of the planning process.
- 4.2 Karnataka as you are aware, was carved out of areas taken from different adjoining States which were at varying stages of development; in other words we did not inherit a balanced economy. The newly added areas for various historical reasons suffered from unbalanced socio economic development partly as a consequence of being peripheral regions of the pre-independence, Presidency States. Realizing the need for a

comprehensive approach to tackle the problem of regional imbalances, the State government had appointed a High Power Committee to look into the matter. The Committee identified 114 taluks as relatively backward, based on a comprehensive set of indicators. Pursuant to the recommendations of the Committee, Karnataka has embarked on the implementation of a Special Development Plan, spanning over eight years, from 2007-08. The focus of the Plan is to dedicate a significant quantum of resources, across all sectors, to the backward regions, in proportion to the level of backwardness. It is our belief that this accelerated approach will help to bring these regions on par with the more developed areas of the State.

4.3 The Centre's response to this problem in recent years, has been primarily through the initiative of the Backward Region Grant Fund (BRGF). The pronounced focus under this program to involve PRIs in the design and implementation of local schemes, as part of the comprehensive District Plan is appreciated. However, we would urge that the unit for determining the basis of backwardness should be the taluka and not the district, at least in respect of Karnataka, so that the financial assistance flowing through this scheme can augment the efforts of the State's initiative under the Special Development Plan.

## **5. Gender Equity**

5.1 We welcome the bold assertion in the plan document that women are to be recognized as agents of sustained socio-economic growth and change and that gender needs to be addressed as a cross cutting theme. The segmented approach that has characterized our efforts all these years toward women's development issues has had sub-optimal outcomes and an all embracing, integrated approach was long overdue. The structural transformation that we are witnessing in the Indian economy today has brought in its wake significant changes in the socio economic condition of women and has unfolded a new set of opportunities that must be seized. In Karnataka for example the migration by agricultural laborers and small farmers to urban areas has led to an increase in women led rural households. According to the 2001 census, women in Karnataka constituted 25% of the main agricultural cultivators in the state and 48% of the state's main agricultural laborers. This has important implications for the design and development of schemes for agricultural development.

5.2 The plan document also rightly recognizes that women are not a homogenous category and their situations and needs differ, based on their locations within various castes, communities and religions as also the geographic boundaries that they inhabit. This has important implications for our educational policies for

women. Despite significant improvement in access to schools and enrollment in elementary classes, the socio-cultural realities of girls' lives are different from the male child and these have impinged on the educational and employment opportunities for women. A sustained effort to understand and mitigate the adverse effects of the socio-cultural value system that have shackled India's girls is needed if India is to unlock the full productive potential of its women folk.

5.3 "Stree Shakti" is an initiative started in Karnataka, aimed at empowering rural women through formation of Self Help Groups to encourage savings and credit programmes. With its coverage extending to around two million women across the State, it has also emerged as a significant social and political force in mobilizing public opinion on women related issues. Such initiatives will be encouraged, in partnership with NGOs and civil society groups to bring about much needed changes in the socio-cultural milieu to foster empowerment of women.

## **6. Environment**

6.1 We fully endorse the view put forth in the plan document that unless environment protection is brought to the centre stage of policy formulation, what is perceived as development may actually lead to a deteriorating quality of life. Today we are increasingly confronted with the worsening quality of air and water in our towns and

cities. Added to this is the reduction in bio diversity and shrinking of wild life habitats which are threatened even more with the adverse effects of climate change.

6.2 The State Government intends to invite recommendations from experts on mitigating strategies across various sectors, to deal with the adverse effects of climate change.

## **7. Agriculture**

7.1 Deliberations in the 53rd meeting of the NDC highlighted the imperatives of rejuvenating Agriculture for achieving sustainable development and poverty reduction in rural India. The Plan document reaffirms the need to place agriculture at the centre of the development agenda and rightly takes note of the vastly different set of opportunities and challenges that have emerged with the march of globalization and technology development. The recent launch of the Rashtriya Krishi Vikas Yojana (RKVY) has shown that, with the right policies, supportive investments and right governance structures at the local, state and national levels, agriculture offers opportunities to millions of rural poor to move out of poverty. This can come about by (a) productivity breakthroughs in small holder farming, (b) moving to high value agriculture, propelled by changing consumption patterns and growth of newer forms of retailing, (c) augmenting incomes through animal husbandry, agro – forestry and aquaculture and finally

(d) opportunities for entrepreneurship and jobs in the emerging, rural, non farm economy. There is also an urgent need to make our agricultural systems less vulnerable to climate change and devise such incentives and deterrents to enable agriculture to emerge as a major provider of environmental services. We endorse the need to increase the public spending on agricultural research from 0.7 % of agricultural GDP to at least 1 % by the end of the eleventh plan.

7.2 Karnataka has brought out a new agricultural policy with focus on improvement of soil health, conservation of natural resources with special emphasis on water conservation and micro irrigation, timely availability of credit and other inputs to farmers, better post harvest processing facilities and reduction of distance between "Lab to Land" in the transfer of technology. Our agriculture policy is 'farmer centric' and has been evolved after extensive discussion with representatives of farmers organizations apart from experts in various fields related to agriculture. Our goal is to double agriculture production in the next ten years by introduction of sustainable farming systems that focus on improvement of yields, soil health, diversification strategies for augmentation of income and reduction of risk.

— 7.3 More recently a technical committee has suggested a package of measures which are predicated on the comparative advantage that the State has in allied

sectors such as dairy farming, poultry industry, livestock farming for meat production and sericulture. Karnataka proposes to take giant strides in developing its full potential for growth of horticultural crops. To this end we would urge that the National Horticultural Mission, which presently covers only 19 districts of the State should be extended to the remaining 10 districts as well.

7.4 We appreciate the commitment of the Central government to earmark Rs.25,000 crores assistance under RKVY in the next four years as its share of funding to all the States in addition to the present budgetary allocations in order to increase agricultural production and provide food security to the poor. In this connection, we will take all steps to ensure that the funds under National Rural Employment Guarantee Programme (NREGP) which is to be extended to all districts of the country from 1st April, 2008, shall be used in good part to assist small and marginal farmers to take up horticultural activities apart from soil conservation and other land development measures.

## **8. Water Management**

8.1 The Plan document rightly identifies that the priority in irrigation should be improving performance of projects and bridging the gap between the potential created and potential utilized. In Karnataka, we have observed that the performance of some completed



irrigation projects is sub-optimal. Repair and canal rehabilitation works could not be undertaken for want of adequate financial resources. The decision to extend assistance in the 11th Plan for extension, renovation and modernization of projects subject to achieving "Target Irrigation Efficiency" for water conservation will help in better utilization of available water resources and in achieving Bharat Nirman targets. The decision to make Command Area Development Programme a part of major and medium irrigation projects to accelerate utilization and focus upon responsibility is a progressive step.

8.2 Since the launch of Accelerated Irrigation Benefit Programme (AIBP) in 1996-97, several major projects have benefited in Karnataka. To date an irrigation potential of 5.38 lakh hectares has been created under the programme. Expanding the scope of AIBP to include more major and medium irrigation projects will further help in creation and utilization of potential. Further, utilization of budgetary provisions under this programme would be facilitated, if the procedures for giving clearances by the Central Water Commission (CWC) and the Ministries in the Government of India are simplified.

8.3 With around 36000 tanks, there is tremendous scope for rejuvenating and improving the spread and efficiency of tank irrigation in the State. Restoration of tanks will

continue to be a major activity during the 11th Plan. While there are a large number of irrigation wells in the State, continuous exploitation of ground water is a matter of concern. The need for a legislation to regulate the use of ground water in the State both in the urban and rural areas cannot be overemphasised, and we intend to take appropriate steps in this direction at the earliest.

- 8.4 The key issues on water management that the State proposes to address during the 11th Plan are water resource planning including source augmentation, optimum utilization of water/conservation measures, water pricing policy and evolving an appropriate institutional framework for efficient water management.

## **9. Social Sector Development**

- 9.1 With the broader conceptualization of the notion of individual and social well-being in recent decades, there has been a renewed emphasis and a clearer focus on the importance of social sector in policy planning. It has made human development and improvement in quality of life as the ultimate objective of development, in general, and planning, in particular. The 11th Plan reflects this priority with its pronounced focus on education, health and nutrition etc.
- 9.2 Although most of the functions in the category of social services belong to the States, the GOI has been

supplementing the efforts of the States in this direction. We are aware that inspite of fairly large sums spent on these services, they fall short of the requirements. Besides, most of the services are provided by in-house government staff and we have been feeling the limitations of this approach in recent years. Hence, there is a need for wide scale community participation and involvement of the private sector in providing social services. The National Policy on the Voluntary Sector, 2007 urges the creation of an effective voluntary sector with diversity in form and function so that it can contribute to the social, economic and cultural advancement of the people.

9.3 I am happy to state that Karnataka has been actively encouraging community participation, including local bodies, in delivery of social services. For instance, School Development Monitoring Committees (SDMCs) have been formed in every Panchayat which monitors the performance of the schools regularly which has resulted in reduction of teacher absenteeism. Likewise, the State has set up Arogya Raksha Samities in all district hospitals and public health institutions for effective supervision. We have entrusted the management of several PHCs to NGOs and private medical colleges. Such efforts to enthuse public private participation in social infrastructure will be strengthened during the 11th Plan, to foster inclusive growth.

## **10. Education and Skill Development**

- 10.1 The State fully supports the thrust given to education and skill development in the 11<sup>th</sup> Plan to meet the needs of growing economy and to promote social equality by empowering those currently excluded because of unequal access to education and skills, to participate fully in the growth process.
- 10.2 Karnataka welcomes the announcement regarding universalization of access to secondary education during the 11<sup>th</sup> plan. The targets set forth under SUCCESS are supported. The State would urge early formulation of guidelines for operationalization of the scheme.
- 10.3 Karnataka is successfully implementing Sarva Shiksha Abhiyan (SSA) programme in primary schools. The state has been prioritizing investment in education and its performance in three important parameters viz. enrolment rate, dropout rate and literacy, has improved over the years. The state has embarked on certain innovative measures to improve the education management and quality. To monitor performance in education at the state level, Karnataka, has implemented an Education Management Information System (EMIS) which is available to the administration at the state, district, taluk and village levels. Karnataka is the first state in the country to embark upon an initiative for assessing the quality of education being

imparted in government schools through the Karnataka State Quality Assessment Organization (KSQAO). Infrastructure development in terms of provision of toilets, water supply, compound walls etc., is being given priority by the State government.

10.4 The mid-day meal scheme has proved to be a critical factor in improving enrolment and under this programme over 58 lakh children have benefited in the State. We welcome the decision of Government of India to extend the scheme to cover all children upto Class 10 so that it can complement our efforts under SSA.

10.5 The right to elementary education has to be operationalized. A Model Bill has been mooted by the Central government for adoption by the States. But this may not be possible without adequate Central financial support. We would like to suggest that it would be more appropriate for the Centre to bring in a Central legislation, duly providing adequate flexibility for the States.

10.6 The National Skills Development Mission is a timely initiative. It recognises that with its favourable demographic profile and the emerging global skill shortage, India has a "window of opportunity" in meeting the burgeoning domestic and global demand for varied skills, provided government, with the cooperation of the private sector, takes substantive and decisive steps in overhauling the educational system to develop skills.

10.7 Karnataka has been a pioneer in various areas of skill development. Therefore, in tandem with the central mission, we propose to set up a State Skill Development Mission with the objective of making the State have the most skilled workforce in the country, qualitatively and quantitatively. A coordinated structured network will be put into place shortly that will integrate the requirements of different departments and oversee implementation. The State also proposes to lay down a PPP policy on tertiary education covering Industrial Training Institutes (ITIs), Vocational Education and Training Institutions (VET), polytechnics and others.

## **11. Health and Nutrition**

11.1 We are happy that the 11th Plan recognises that good health requires not only preventive, promotive, curative, palliative and rehabilitative health services but also attention to other determinants of health such as family welfare, provision of drinking water, nutrition, social security and welfare. Healthy living can be assured only if good health services are complemented by good services in the health related sectors. In terms of quality of services we are aware that public confidence in public sector health care is very low. However, since treatment in private hospitals is expensive, the poor and marginalised groups still depend largely on the government for health care services. To break the nexus between ill-health and poverty it is essential for the country to focus on provision of quality basic health

services where the public sector will have to continue to play a predominating role.

11.2 The State welcomes the introduction of a new scheme based on the recommendation of National Commission for Enterprises in the Unorganized Sector (NCEUS) in the 11<sup>th</sup> Plan with the objective of improving access of unorganized sector workers to healthcare and mitigating their risk of exorbitant out of pocket expenditure on healthcare. We also welcome the proposals in the 11th Plan document for a gender responsive health care system that accords priority to maternal health services, and improved emergency and compulsory obstetrics care. The restructuring of the ICDS scheme to have effective control on occurrence of anaemia and malnutrition among women and children is long overdue, given the findings of the NHFS-3.

11.3 There have been significant improvements in the major health indicators of Karnataka since the start of planning. Life expectancy at birth has increased from 42 in 1951 to 65.8 in 2001. The Infant Mortality Rate (IMR) per 1000 births has declined from 148 in 1951 to 43 in 2005-06. However, despite these advancements in health, Karnataka still fares poorly in health indicators when compared to some of our neighbouring states. There exist vast inadequacies in provision of health care especially in the backward regions and among vulnerable groups such as SC, ST, women, children, the old and disabled. The findings of the latest

National Health Family Survey (NFHS) with respect to Karnataka are certainly not very encouraging. Apart from a high incidence of non institutional deliveries, the percentage of anaemia among pregnant women as also underweight children is worryingly high.

11.4 Given the prevailing health scenario, the immediate challenge ahead for the state is the need to focus on effective delivery of basic health services. In terms of access, the National Rural Health Mission (NRHM) has prescribed the existence of 1 Sub-Centre per 5,000 people and Primary Health Centre (PHC) per 30,000 people. Karnataka fulfils both these requirements. However the state has insufficient medical staff with significant percentage of sanctioned posts lying vacant. Also, facilities, particularly in PHCs, have been a concern. During the 11<sup>th</sup> five year plan the state will take proactive steps to improve access and ensure better quality of basic health services in Karnataka.

11.5 We note with satisfaction that the public investment on healthcare will be scaled upto 2% of GDP in the 11th Plan period. It is clear however, that with competing demands for state resources, the government alone will not be able to meet the high investment requirements of the sector. The state will need to prioritise investment in primary services. This can be complemented by encouraging the private sector to invest in secondary and tertiary services. Even in primary services the government can explore various



arrangements for public-private partnerships to augment the public health system. Karnataka has been a pioneer in encouraging civil society and private participation in delivery of services and we will continue to foster this initiative in the 11th Plan. It is also our belief that greater responsibilities should be delegated to PRIs so that there is local accountability of the public health providers. We also support the need for innovative health financing mechanism including health insurance for the poor in which the premium for basic coverage will be borne by the Centre and the States.

## **12. Industry**

12.1 We appreciate the observation in the Plan document that sustained industrial growth is predicated upon the provision of high quality infrastructure and that unless there is substantial improvement in supply of electric power, port and road infrastructure and other logistical support, the growth of manufacturing cannot be sustained. Another major constraint to improving factor productivity is the skill deficit that is being experienced in virtually all areas of manufacturing and it is proposed to address this deficiency by launching the Skill Development Mission during the plan period. Labour intensive manufacturing growth is especially important in the context of the need to absorb both the backlog of the unemployed and the large additions expected in the coming years. Investments in the labour intensive sectors such as textiles, electronic hardware and toys

can cater to both global and domestic markets. The need for review of labour laws, based on an appreciation that both our manufacturers and workers have to survive and succeed in a competitive global environment is well founded.

12.2 Karnataka is one of the most industrialized states, with a significant share of the total private investment in the country. The state government has announced a New Industrial Policy in 2006 that will be operative until 2011. The policy aims at achieving a rate of growth of over 12% for the sector, strengthening of the manufacturing industry so as to increase its percentage share in GSDP from 17% at present to over 20% by 2012 and increase Karnataka's share in national exports from 15% to 20%. The policy proposes an attractive package of incentives and concessions for new industries and aims at better regional dispersal in location of new industries. It has targetted employment generation at ten lakh persons in the manufacturing and services sector. More importantly, the incentive structure is biased towards investments in backward regions which will help in promoting industrial units and creating concomitant employment opportunities in these areas.

12.3 Small-scale and micro-enterprises have a good potential for broad basing development across all regions of the State. Small scale industries (SSIs) can be a major driver for improving the lot of the people, especially in the

backward districts, by creating non farm and higher income earning, employment opportunities.

12.4 The state's industrial policy gives a thrust to the development of SSI clusters with common facilities that can be utilised by the local units. The state government would also promote/help facilitate establishment of specialized skill development institutions at key locations suitable for the manufacturing industries and emerging vocations in the service sector.

### **13. Infrastructure**

13.1 Infrastructure deficit across sectors have emerged as a major constraining factor to economic growth. We fully support the comprehensive program outlined in the Plan document for development of infrastructure, more-so in the rural areas, remote and backward parts of the country and that investment in this area is set to increase from an estimated 5% of GDP to almost 9% by the terminal year of the 11<sup>th</sup> Plan. The substantive role of the private sector in achieving the desired goal of improved infrastructure is welcome. The Government of India and the Planning Commission have been assiduously urging the States to envisage a more meaningful role for the private sector in the development of infrastructure across various sectors. Karnataka's new Infrastructure Policy released in 2007 aims to provide a fair and transparent framework to facilitate the growth process and encourage PPP in upgrading, expanding and developing infrastructure in the state.

## **13.2 Roads**

- 13.2.1. We are happy to note that the strong thrust on road development is to continue in the 11<sup>th</sup> plan. While the accent on PPP is relevant specially in National Highways and other important road networks connecting cities and towns (including places of tourist importance), in the State highway system that are having an assured potential for growing traffic, public investment is still the mainstay in respect of roads in remote and backward regions.
- 13.2.2. Having regard to the growing economic importance of the Bangalore Metropolitan Region, the State has undertaken the improvement of over 1000 kms at an estimated cost of nearly Rs. 997 crore. The Ministry of Road Transport & Highways has recommended to the Planning Commission to provide a one-time assistance of Rs. 516 crore to the State Government for this project, which may be made available to the State soon, to expedite work. We are happy that NHAI has evinced interest recently in taking up some of the major road projects in the Bangalore metropolitan area.
- 13.2.3. Bangalore as everybody knows too well is labouring under severe traffic congestion, especially in the city limits. This is attributable among others, to the upsurge in economic activities, steep increase in number of cars and two wheelers, and inadequacy of public transport. The Bangalore Metro Rail Project which is being

implemented in partnership with the Central Government is progressing well and will provide some relief, in due course. The Comprehensive Traffic and Transportation Plan for Bangalore has identified a host of other measures to ease the mobility within the city and several projects are being developed for implementation under JNNURM. The state government is also examining a series of interim measures to alleviate the problem. In this context the concentric set of ring roads planned in the metropolitan region of Bangalore when executed, will enable segregation of highway traffic from the local traffic and also provide for systematic transportation corridors which will regulate urban settlements in the region.

13.2.4. As all of you are aware, Bangalore and its environs have emerged as a global economic hub for a variety of activities. We have been consistently urging the Centre to consider additional financial assistance for Bangalore which, in our view, deserves this special dispensation. We would once again reiterate our request for special central assistance in the 11<sup>th</sup> Plan to augment Bangalore's infrastructural facilities.

13.2.5. The condition of the National Highways in the State, however, remains a matter of concern. Some of the NHAI Projects, such as those on the NH-4 (Tumkur-Haveri-Hubli section) and the Port Connectivity Project, are moving at snail's pace and need to be expedited. The

non-NHAI works also need to be executed speedily. These works are under a system of dual control of the Ministry of Road Transport and the State Government. The state government has suggested replacing the existing arrangement of dual control by a singular one, to improve the speed of implementation of the works.

13.2.6. The State welcomes the initiative in the 11<sup>th</sup> Plan of formulating a comprehensive Master Plan for construction of Access Controlled Expressways over a length of 15,600 km and setting of an Expressway Authority of India for implementation. We sincerely hope that Karnataka is given prominence in the Master Plan in view of the relatively low coverage of National Highways in the State.

13.2.7. The State has undertaken a series of vigorous initiatives to introduce the concept of PPP in development of infrastructure, particularly in road sector. These include, mainly, the following:

- a. An expressway connecting the City of Bangalore to the upcoming new International Airport at an estimated cost of Rs. 1000 crore.
- b. Development of Second Stage Karwar Port, at an estimated cost of Rs. 500 crore.
- c. Maintenance of about 2000 kms of State Roads in a 3 year package.

13.2.8. While the initial steps in respect of the above three projects have already been notified, the State is also exploring the possibility of involvement of private sector in many other road projects and the ports and inland water transport sector. Some of these projects have been posed for Central Assistance under the Scheme of Viability Gap Funding (VGF).

### **13.3 Railways**

13.3.1. We note with satisfaction that the Indian railways have embarked on a bold set of reforms that aim at improved efficiency in services. The decision to build dedicated freight corridors in the eastern and western high density routes will act as a spur to the industrialization efforts in the hinterland. Karnataka would like to reiterate its request for extending the Western freight corridor to Chennai via Hubli-Dharwad/Mysore. However, we are still of the view that the scope of public private partnership should be broadened and deepened by the Indian Railways with a greater role envisaged for partnership with States. Karnataka has shown the way with in a pioneering development in the country, by setting up the Hassan-Mangalore Rail Development Company Ltd (HMRDC), a joint venture between the state government and the GoI, which has become the first project company to execute and operate a railway line in the country. Such projects need to be replicated in other parts of the state/country also.

### **13.4 Airports**

13.4.1. Air traffic has been growing between 24-28% over the last two years for the country as a whole. Karnataka too has witnessed an impressive growth in both its passenger traffic as well as cargo handled. While passenger traffic grew at 44%, the total cargo handled increased by 19% in the 2006-07. This growth pattern is expected to continue for the state with the introduction of new flights as well as rapid growth of services sector. The new international airport for Bangalore which is likely to be inaugurated in March 2008, has set a new paradigm in public private partnership in infrastructure. Not only has the project been implemented in record time, it has also brought in the latest technologies in aviation industry and is poised to bring about a sea change in the socio-economic activities of the surrounding regions. The State Government is also leaving no stone unturned in hastening and improving the connectivity between the city and the airport. Besides Bangalore, the state has already set in motion the process of setting up of new Greenfield airports at Hassan, Shimoga, Bijapur and Gulbarga, under PPP mode, thereby providing air connectivity to all major cities in the state.

### **13.5 Power**

13.5.1. The draft 11th Plan document has rightly emphasized that GDP growth of 9% is not possible without a



commensurate increase in the supply of energy and that the availability of fuels such as coal and natural gas must be assured for new power plants. Shortage of power and lack of access continues to be a major constraint on economic growth. In Karnataka, it is proposed to add an additional 3480 MW to the installed capacity in the 11th Plan by commissioning the on-going thermal and hydro projects (1480 MW) and by taking up three new thermal projects (2000 MW) at various locations. Karnataka Power Corporation Ltd. (KPCL) has sought long-term coal linkage or allotment of coal blocks to the extent of 10 million tonnes per year for these three new projects. KPCL also proposes to take up four more thermal power projects with a total capacity of 5500 MW. These projects would be completed during the 12th Plan period. We would urge the Ministry of Coal to give priority to Public Sector Power Companies like KPCL in the allotment of coal blocks for developing captive mines. The State has also invited bids from developers to set up three thermal power plants in the State, each of 1000 MW capacity.

13.5.2. It is essential to establish an efficient inter-state transmission system of adequate capacity that is capable of transferring power from one region to another. Existing transmission links between the southern region and other regions, particularly the western region, are not adequate. Power Grid Corporation of India Limited should take up the

expansion and strengthening of the transmission network between Karnataka and other States on priority basis.

13.5.3. The State has made good progress under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), which is under implementation in 17 districts of the State. We are equally anxious to implement the scheme in the remaining districts and have noted the desirability to make use of the rural electrification structure so created to meet not just household energy needs but also agriculture and village based industries.

#### **14. Services sector**

14.1 The services sector has emerged as the largest contributor to the state's economy with a share of 54.8% of Karnataka's GSDP, as of 2006-07. The sector has registered an average growth rate of 10.2% p.a during the ninth plan period and, 10.5% p.a during the 10<sup>th</sup> Plan period. Tourism, IT and IT Enabled Services (ITeS) and Bio-technology have emerged as three sectors with the greatest potential for growth and development in the state. The main challenge for the state during the 11th plan will be to undertake policies and measures to maintain and further accelerate sustainable growth in these sectors. With concerted efforts of the state government and the private sector, it has been possible in recent months to spread the growth opportunities in these sectors to cities and towns other than Bangalore, which is an encouraging trend.

- 14.2 Tourism is a priority sector of the national economy and is the third largest foreign exchange earner for the country. It is also of great significance that the tourism sector has one of the highest employment investment ratios. Therefore, the tourism sector shows tremendous potential in terms of provision of employment opportunities for skilled, semi – skilled and unskilled workers, Karnataka's State Tourism Policy 2002-07 aims to promote tourism related activities to enhance employment and income generation among all sections of the society. The government aims to do this with the active involvement of the private sector.
- 14.3 Karnataka has been the forerunner in the field of information technology with about 2,000 companies in the IT and ITES sector in the state employing over 4 lakh persons. The state has emerged as a leading exporter of software products and services. Karnataka's software exports, contribute to almost 40% of the country's total software exports.
- 14.4 After its path breaking progress/achievements in the IT Software/Hardware, IT Enabled services, Contract research/Commercial R&D in the cutting edge areas, the State is now focusing on new and emerging areas of technology/science for the current and next decade. Bangalore is now fast emerging as India's nano-technology hub, spearheading the development of nano-science and nano-technology in the country. Nano technology has the potential to catalyse path breaking

new development/applications in diverse field of engineering and science including IT, Pharma, engineering, Chemistry, Bio-technology, Healthcare and other fields. Globally, US and Japan have made major inroads in nanotechnology with China fast catching up. Hence it is imperative that India, especially Karnataka/Bangalore need to focus and promote this sector aggressively in a time bound manner.

14.5 Realising the importance of quality manpower development in the hi-tech sectors Karnataka has set a new trend in establishing finishing schools with a view to provide sector-specific customized training. A unique feature is the inclusive approach adopted in that special training capsules are being offered for SC/ST graduates under a public private partnership umbrella between the Social Welfare Department of the State and the IT industry.

## **15. Rural livelihoods, Security and Infrastructure**

15.1 It is now accepted that while poverty has reduced in recent decades, vulnerability remains high and new sources of vulnerability have emerged specially in the context of increasing urbanization in the country. The diversity of needs among the poor in rural and urban areas has also arisen. While admittedly the country spends significant resources on its core safety net programs, the returns to spending in terms of poverty reduction have been lower than what is hoped for and

it is heartening to note that the eleventh plan will place emphasis on a whole host of initiatives that will increase the economic well being and security of the rural and urban poor. The National Rural Employment Guarantee Program (NREGP) has set a benchmark in providing income support for those in need of employment while also helping to create assets that will improve land productivity. We are happy that the central government intends to extend its coverage to all the districts of the country with effect from April 2008. Likewise the Bharat Nirman program will achieve the last mile coverage of electricity and drinking water to all habitations by the end of the plan period. The bold scope of the National Rural Health Mission aimed at health services for all is appreciated.

15.2 In this context I must place on record certain unique initiatives of the Karnataka government aimed at helping the vulnerable sections. The Bhagyalakshmi scheme is a novel initiative that addresses security and well being of the girl child, among poorer sections by assuring a decent sum of money on attaining maturity that can be put to education or other needed social expenditure. The state has a host of pension schemes for the old and disabled who are identified as being below the poverty line. The Yashasvini Co-operative Farmer's Healthcare scheme, is novel scheme pioneered by Karnataka involving civil society and private

partnership covering over nine million members. The eleventh plan will provide us further opportunity to evaluate and rejuvenate these initiatives to achieve more effective outcomes.

15.3 To achieve faster all round and coordinated development in the rural areas Karnataka has launched the Suvarna Gramodaya Programme which seeks to transform 1000 villages every year into model villages. The program looks at integration of all ongoing programs and schemes and filling the gaps wherever deficits are identified. The program will not only improve economic development but also provide amenities in rural areas that will help to stem the tide of migration.

15.4 The State Water and Sanitation Mission aims at accelerating sanitation coverage in rural areas and to generate demand for sanitation facilities by creating awareness and health education. The campaign is being undertaken on the lines of the literacy campaign with the help of Stree Shakti self help groups. During the 11th Plan there will be an increased focus on eliminating defecation in the open to minimize the risk of contamination of drinking water services. The state also has a programme "Swachha Grama" for sanitation of rural habitations by giving incentives to families living below poverty line to build and use toilets. It is being implemented on the panchasutra base and community participation.

## **16. Urban Infrastructure and poverty alleviation**

16.1 As the country embarks upon a new paradigm of development in the coming decades it is important to take stock of the pattern and process of urbanization and its implications for present and future economic growth in the country. India is urbanizing rapidly and the assessment of the impact of urban growth on employment, income poverty and urban environment will help to understand the complementarities of these factors and enable designing of suitable strategies and policies. Above all, a proper understanding of the scope, trend, socio-economic and spatial characteristics of urbanization are an essential pre-requisite for designing proper urban governance structures as well as programmes for development and management of urban areas.

16.2 The growth and spread of Bangalore in recent years has thrown up interesting perspectives on the model of governance structures that are amenable for effective management of large metropolitan areas. The 74th Constitutional amendment placed the onus of city management on urban local bodies. But it is being increasingly realized that urban management instead of being only city based has to be agglomeration based as well. As the metropolitan level is sandwiched between the state government on the one side and the third tier of government – comprising municipalities, urban and rural panchayats – this level of government needs to be

established with great care and attention. The state government has appointed an Expert Committee to review the administrative structure and legal framework currently operative within the Bangalore Metropolitan Region and suggest a re-orientation and re-organisation of the institutional framework for effective governance having regard to the tenets of the 74th Constitution Amendment Act.

16.3 The rapid pace of urbanization has left a huge 'infrastructural deficit' in all the cities / towns. In the 11th plan, the State Government will address these infrastructural gaps and focus upon all round-development of tier II and tier III cities in an attempt to make these towns and cities attractive for investment in various economic activities that will facilitate creation of jobs to absorb those entering the work force and thereby stem the tide of relentless migration to the metropolitan cities.

16.4 The requirements of the urban sector for investments are huge. Part of them may come from the Public Private Partnership model or even as private investment. Innovative ways of raising resources like Transfer of Development Rights (TDRs) have limitations in terms of the absolute resources that they can generate in the plan period. Even the Municipal bond market will have limitations, as the borrowing capacities of the local bodies will become a limiting factor. A bulk of the investments will still have to come as state led public



sector investment especially for the cities in backward regions of the State. We would therefore urge higher Central sector assistance under UIDSSMT.

16.5 In the area of urban infrastructure, special thrust will have to be given to traffic and transportation particularly in emerging metropolises. In this regard, Karnataka is the first state in the country to set up a nodal department for development of urban land transport, in pursuance of the National Urban Transport Policy.

16.6 A major area of reform in the urban sector, that has been initiated by Karnataka is in water supply distribution and sanitation, based on the state's Urban Water supply and Sanitation Policy. To this end, a path breaking pilot project has been taken up with World Bank assistance, in three towns of northern Karnataka. The project includes within its scope the modernization of the water distribution system, under a PPP mode to increase efficiency of operations, and improve the quantity of supply as also quality, in select demonstration zones, which include localities inhabited by economically weaker sections. The initial results of the project are quite encouraging and it is proposed to mainstream the lessons learned from this pilot initiative across other towns and cities during the eleventh plan.

16.7 With rapid urbanization dimensions of urban poverty have assumed significance. While it may be true that the poverty levels may not be as widespread in terms of

income based poverty as in the rural areas, in terms of non-income factors such as access to clean water and drainage facilities, availability of household latrines and overall quality of housing tenements, the urban areas present a grim picture. The assistance under the Basic Services for the Urban Poor (BSUP) under JNNURM and IHSDP needs to be further enhanced. In addition, to provide fillip to skill development among the urban poor to improve their employability, the scope and magnitude of central assistance under Swarna Jayanti Shahri Rojgar Yojana (SJSRY) needs to be enhanced.

## **17. Governance**

### **17.1 Decentralised Planning**

The 73rd and 74th amendments to the Constitution provide the framework for decentralization of powers to the third tier of government, viz., the Panchayati Raj Institutions (PRIs) and the Urban Local Bodies (ULBs). Karnataka has been a pioneer in democratic decentralization and was one of the first states to transfer all the 29 subjects to the PRIs in keeping with the constitutional mandate. Several rural development programmes including the employment guarantee programme are now implemented by the local bodies. Urban decentralization has, however, not made much headway. The state government continues to exercise considerable control over ULBs, most of which are administratively and financially weak. The institutions

for decentralized planning, have been formally set up but are hardly functional in the true sense of the term. It is therefore necessary to strengthen these institutions in the 11th Plan period through appropriate capacity building measures. A robust planning process at the local and district level can forge increased rural-urban linkages and contribute to “rurbanisation”.

### **17.2 Outcome oriented Planning and Budgeting**

As you are aware the first outcome budget for the country was presented to Parliament by the Union Finance Minister in August 2005. The Union Budget of 2006-07 was presented along with a set of outcome budgets for selected flagship programmes of GOI. However, nothing significant has percolated to the state level. What is lacking is an integrated approach to planning of public expenditure programmes and outcome oriented management of these programmes. Outcomes are the result of a wide range of activities performed by different departments of government and at different levels of government – Centre, State, local. It is therefore essential to build coordination between planning and implementation agencies and achieve convergence of programmes and activities. We also intend to take up social audit of schemes that will ensure more emphasis on key outcomes and improve efficiency of public expenditure.

### **17.3 Technology and the common man**

Bangalore's reputation as a hub of science and technology is based on its network of well established institutions engaged in high-end research across a wide spectrum of scientific discipline. What is also interesting is, the way path breaking technological innovations have impacted on the life of the common man. For instance the Indian Space Research Organisation's (ISRO's) satellite based interactive communication technology has been effectively used to link engineering colleges (ISRO-EDUSAT) and also conduct training programmes for panchayat raj representatives through the State's Institute of Rural Development and the network of District Training Institutes. Through the use of information technology, (telemedicine) improved diagnostic facilities are available at district and taluk level hospitals.

### **17.4 Capacity Building**

17.4.1. Ladies and Gentlemen I am sure you will agree that one of the biggest problems that we face today in our quest for good governance is quality of manpower available for implementation of programmes. Inadequate training and procedures that have been set over time has further compounded the problem. The mindset of the bureaucracy must be re-oriented towards transparent and accountable decisions and result oriented actions.

17.4.2. The State intends to invest more in administrative research and training institutes such as the Administrative Training Institute (ATI) and the District Training Institutes (DTI) to enable them to design training modules to improve capacity and facilitate change management. Likewise, capacity building among elected representatives and officials at village, block and district level will be strengthened. A recent initiative to sensitise elected representatives of PRIs on human development indices as part of a UNDP project using satellite communication was highly successful both in terms of reach and in terms of qualitative interactions. Such initiatives using e-governance will be strengthened further by improving computer penetration in rural areas and strengthening e-education in schools and colleges during the 11th Plan.

### **17.5 Transparency**

Karnataka has enacted the Karnataka Transparency in Public Procurement Act for ensuring transparency in public procurement of goods and services by streamlining the procedure in inviting, processing and acceptance of tenders. Added to this our new initiative under e-procurement designed to bring in even greater efficiencies and transparency.

17.6 The incidence of corruption is also a worrisome factor. Recognising this, Karnataka is committed to

strengthening institutions such as Lok Ayukta established under the Act in 1984.

## **18. Financing the Plan**

18.1 The public sector resources estimated for the 11<sup>th</sup> Plan at Rs.36,44,718 crore at 2006-07 prices for the Centre and the State taken together, represent an impressive increase over the 10th Plan realisation. Public sector resources for the Plan which is projected at 13.5% of GDP depends critically on achievement of buoyancy of tax revenue, effective control over consumption expenditure and subsidies and an improvement in resource mobilisation capacity of PSUs. In our view, the projection that Non Plan Revenue Expenditure (NPRE) will decline as a percentage of GDP from 9.01% in 2006-07 to 6.91% in 2011-12 may be somewhat optimistic if we compare these projections with the actual total NPRE for States as a percentage of GDP for the 8th, 9th and 10th Plans which were 12.4%, 13.3% and 14.5% respectively. In our view, the contraction in NPRE should be at a more conservative level given that Pay Commission Award is likely to raise pay and allowances occasioning payment of arrears also and the Twelfth Finance Commission's prescriptive maintenance expenditure on public assets. Also given that the Centre has not spelt out an agreed action plan to reduce subsidies, the projected improvement in BCR appears to be ambitious and may call for review. This

would automatically have implication on the aggregate plan resources of the Centre and States.

18.2 We appreciate the realisation in the Plan document that the Centrally Sponsored Schemes (CSS) require a critical review with respect to issues relating to horizontal convergence, vertical integration and more informed by an integrated vision or perspective of what is needed at the district level. The architecture of the continuing and new CSS do require transformation so as to factor in the necessary flexibility to adapt to local needs and also outcome based evaluation. While the State would continue to urge that there is a case for untied transfer to state Plan to permit the States to devise schemes based on priorities outlined in State policies, where the Central funds are transferred as a share of CSS and Central assistance in the form of schemes, sufficient space should be allowed within the scheme framework for States to facilitate customisation as per local resources and priorities.

18.3 Many of the major Centrally Sponsored Schemes are in areas where the State Government have traditionally borne the bulk of the expenditure. Even during the 11th Plan period, the non-plan expenditure on these sectors by the State Governments would be considerable. The strategy for ensuring the best use of the available resources, therefore, requires that the Central Government engage more intensively with the States not only with regard to plan expenditure but also in

respect of what have traditionally been non-plan expenditures. The State welcomes the setting up of a high level committee to suggest how this planning for resources could be best accomplished. As a start in this direction, the State welcomes the proposal to fund Rashtriya Krishi Vikas Yojana (RKVY) additionally for agriculture taking both plan as well as non plan expenditures into account.

18.4 In line with the paradigm shift in the allocation of resources by the Central Government in the 11th Plan with more pronounced focus on agriculture and social service sector, the State Government would review the inter-sectoral allocation of resources to achieve the desired objectives of inclusive growth and reduction of poverty.

## **19. Concluding Remarks**

In conclusion I would say that the 11<sup>th</sup> Plan provides a historic opportunity to unleash the productive forces in the economy with the right combination of policies and programmes to achieve sustainable outcomes for the benefit of all sections. We believe that there should be emphasis on evaluation and continuous monitoring of all programmes not only to ensure their effective implementation but also achievement of the outcomes for which they were launched. Since the thrust of the Plan is on sectors where the States have a major role to play, we would urge the Centre for greater flexibility in the operational guidelines for centrally sponsored



schemes. The state, in turn, will endeavour to take all necessary steps to improve the quality of delivery systems especially at the cutting edge so that well conceived programmes do not suffer on account of poor implementation.

Let me conclude by thanking the Prime Minister for giving me the opportunity to present Karnataka's views on the 11th Plan document. I look forward eagerly to the views of the other States and to a meaningful and substantive discussions thereafter on the issues raised. I do hope the Planning Commission will incorporate the suggestions that emerge from the discussion on the 11th Plan document.

**Jai Hind, Jai Karnataka**