

National Development Council

The 56th meeting of NDC

The 56th meeting of NDC was held on 22 October 2011 to consider the 12th Plan approach paper. The meeting was presided over by Dr Manmohan Singh Prime Minister of India. Dr Montek Singh Ahluwalia, the Dy Chairman of Planning Commission, raised six major issues for consideration at the NDC:

1. Determining the state level five year plans for the Twelfth Plan period early and set targets for growth and other social indicators. They need to be built into consistent national targets for the Twelfth Plan. Create an economic environment that would support the efforts of farmers and entrepreneurs. It will determine much of the outcome in terms of the flow of investment to the State, and the growth of both output and employment.

2. Mobilization and allocation of resources for the Plan. Since **inclusive growth** depends on the development of rural and urban infrastructure, provision of health services extension of education and skill development, adequate provisioning shall be done for these sectors. Centre's Gross Budgetary Support for the Plan as a ratio of GDP shall be increased while reducing the fiscal deficit. That requires raising of the ratio of tax revenues to GDP, and cut untargeted subsidies. States have to aim at much better

revenue performance and also exercise progressive control over subsidies. Early implementation of the GST would not only raise more revenue for both the Centre and the States, it would also create a single market in the country and remove many of the distortions in the indirect tax system. Both the Centre and the States must explore the scope for public private partnership, wherever possible to leverage limited public resources.

3. Agriculture needs more attention and priority at State Government levels (e.g. exempting horticultural products entirely from the application of the APMC Act.)

4. Management of energy resources will be a major challenge because rapid growth will require a significant expansion in domestic energy supplies and also a much greater focus on energy efficiency. The viability of the power sector as a whole depends critically upon the financial viability of the distribution system. The total losses of the distribution system, if properly accounted, are probably as high as Rs 70,000 crores. If the States could cover these losses by subsidies, the system would not be at risk. However, state budgets cannot provide subsidies on this scale and the losses are effectively being funded by the banking system. AT&C losses shall be reduced to 15% by the end of the Twelfth Plan. The electricity tariffs have to be adjusted in line with costs. There is an urgent need to implement a package of distribution reforms combined with tariff increases, which

will make the distribution companies viable for all additional sales. The Twelfth Plan version of the Accelerated Power Development Reform Programme should be tailored to provide resources to States taking credible steps along these lines. New energy efficient building standards should be made mandatory.