

CHAPTER - II

Key Issues

1. Financial Resources:

To catch up with rest of the country on development indices, the faster rate of growth of Madhya Pradesh is a pre-requisite. The faster rate of growth is also necessary to eliminate wide spread poverty. The lesser developed business and industrial activity limits the amount of locally generated resources. To achieve desired socio-economic development of the state, financial resources are a major constraint. Therefore, greater financial allocation is required from Government of India to enable state to intervene effectively in socio-economic sectors. The fiscal discipline of state Government has remained very robust in last few years, but increased expenditure on salaries, resulting from 6th Pay Commission is putting heavy pressure on non-plan revenue expenditure of the State. Thirteenth Finance Commission should be used for providing necessary relief to the State as there is no further scope for containing Non-Plan Revenue Expenditure.

2. Special Package to Vindhya and Mahakaushal Regions:

The un-certainty of monsoon for many years has jeopardized the livelihoods of farmers in different regions of Madhya Pradesh. Government of India has very kindly sanctioned a special package for drought mitigation in Bundelkhand region of the state. The other two regions of the state also face similar situation namely Vindhya and Mahakaushal regions.

Vindhya region comprises seven districts i.e. Rewa, Satna, Sidhi, Sinraulli, Shahdol, Umaria and Anuppur. In all the districts farming is mostly rain-fed. The development indices are poorer than that of the state. Therefore, a special package must be sanctioned for this region.

Mahakaushal region comprises eight districts namely Jabalpur, Mandla, Dindori, Katni, Narsinghpur, Chindwada, Seoni and Balaghat. The population of all these districts is predominantly tribal. The livelihoods are mostly dependent on subsistence farming and forest products. The incidence of poverty is highest in these districts. A special package is urgently needed for development of this tribal dominated area.

3. Poverty:

The incidence of rural poverty in Madhya Pradesh at 38.3 percent of the households is one of the highest in the country after Orissa and Bihar. The situation in tribal areas is worse as 47.3 percent households are living below poverty line. These percentages are much higher than the overall incidence of poverty in the country. What is more disturbing is the fact that there was only a marginal decline of 2.7 percent in the incidence of rural poverty among STs between 1993-94 to 2004-05 in comparison to the significant decline of 8.7 percent in overall poverty ratio in the country. The disturbing situation is because of the very low productivity in agriculture caused by lack of adequate irrigation facilities and land development. Development of any community dependent on subsistence agriculture and forest resources require better agriculture productivity which is possible only through creation of irrigation facilities followed by other related measures.

Most of the tribal population resides in the areas close to forest land. The constraint of diversion of forest land has effectively prevented the development of irrigation facilities in

tribal areas during the last three decades. In the absence of any improvement in agriculture productivity, the hunger for more land continues. The failure to raise agriculture productivity is continuously increasing pressure on forest resources. Development of even minor irrigation schemes in tribal areas generally involves diversion of small patches of forest land. The mechanism for permission for the diversion of forest land at least for minor irrigation needs to be streamlined to speed up the approval and implementation of such schemes under AIBP window.

The share of agricultural labour among the poor has gone up from 41 percent in 1993-94 to 47 percent in 1999-2000 despite an overall reduction of poverty from 38.2 percent to 27.5 percent. It means that benefits of the growth process are not reaching this occupational class. The problem of drop-out rate even at the elementary school level is partly because of the withdrawal of children from schools by agricultural labour for supporting the family.

4. Agriculture:

Agriculture as an occupation is continuously becoming non-profitable. It is because of four main reasons - fragmentation of holdings, increase in cost of production, loss of fertility of soil, and worsening of terms of trade. Madhya Pradesh has unique topography, soil and weather, which is one of the reasons that the impact of green revolution had been negligible on the agriculture sector of the state. A national project for organic farming through use of compost from rural and urban bio-waste is needed for sustaining agricultural productivity. The other critical requirement is a review of the formula which is used for determining the cost of cultivation. The system of calculating minimum support price should be based on objective study of the relative costs. Though, it has been often emphasized that farmer should get higher prices than the minimum support price, but appropriate policies and effective measures have not been provided for. The Centre should urgently formulate an effective policy in consultation with States on this issue. State government has been providing additional bonus on the procurement of wheat and it has been entirely borne by the state.

A major proportion of 38.3% families living below poverty are intimately dependent on subsistence farming. Thus, the goal of Eleventh plan related to reduction of poverty cannot be realized without making agriculture profitable. The futures markets created through commodity exchanges for agricultural produce must be continued, so as to provide strong guidance to farmers in choice of their crops. Madhya Pradesh is a major edible oil and pulse producer state, but frequently changing trade policies have put these farmers in jeopardy. Hence, stable and active markets must be ensured at the national level to benefit the farmers. State Government is also reforming the system of Mandis so that the farmers can sell his produce in any market where higher price is available.

The national agricultural research Institutes have not contributed any significant technological breakthrough in the major crops of rain-fed region like pulses, oilseeds and minor millets leading to stagnant productivity for over a decade. However, from the point of view of food security, these crops need strong support from agricultural research fraternity to come up with break-throughs needed for increase in productivity. Thus, national agricultural system needs greater strengthening and focused research.

The falling import tariffs on oilseeds and pulses have resulted in huge imports thus competition for local producers through huge imports. While developed nations continue to heavily subsidize their farmers, the central government has adopted an ambivalent attitude towards farm subsidies. There is a need to come out with an integrated agricultural policy to assure farmers a decent return on their labour and investment.

5. Irrigation:

For raising the productivity of agriculture and strengthening the economy, the development of water resources for irrigation is most crucial, particularly in rainfed regions. The average yield in rain-fed areas continues to be very low as the new technologies developed for raising yield are not feasible in absence of assured irrigation. The incidence of rural poverty in such areas continues to be relatively high even among land owning class. The rapid expansion of irrigation facilities will not only increase agriculture production to keep rising food grain prices under check, but also substantially reduce rural poverty and expand market for industrial goods. It will most effectively break the "vicious cycle" and generate a "virtuous cycle".

A comprehensive integrated irrigation development project should be prepared for each state to complete this programme in ten years with the Centre sharing at least half of the investment. This project should include water conservation works in addition to major, medium and minor schemes. Similarly, provisioning of modern irrigation systems like drip at low cost and energy for irrigation should be part of this project. All the irrigation schemes including conservation of rain water should be handled by a single administrative department at both Centre and States for easy implementation of the programme.

Eligibility criteria in guidelines states that the project in tribal and DPAP areas can be taken up under AIBP even before completion of ongoing projects. But AIBP ceiling fixed by the Planning commission does not allow states to derive benefit of this relaxation. Hence, enhancement of ceiling should also be considered while examining the case.

Accelerated Irrigation Benefit Programme is a flagship scheme for enhancing irrigation potential. According to the provisions of AIBP guidelines projects should be completed within four years along with 30% IP (Irrigation Potential) in second year, 60% IP in third year and 100% IP in fourth year. These provisions are not practical in case of major projects because first year is lapsed in formalities only and AIBP grant is released at the end of financial year. Therefore, it is proposed to bring changes in guidelines for major projects. The time period should be extended to six years and creation of IP should be seen only at the end of fourth, fifth and sixth year.

The funds under AIBP need to be released immediately after the approval of the project for timely utilization of funds. The time frame for completion of minor irrigation projects may be extended to three years in place of two years.

6. Scheduled Tribe and Schedule Caste Development Programmes

The poverty levels in ST and SC are very high yet centrally sponsored schemes related to scheduled tribe and scheduled caste development are facing major problem in timely utilization of funds, because the tentative allocation of funds are not communicated before passing of state budget. That is why it is not possible to start the utilization of funds in the month of April. Similarly, many allocations are released to the state at the far end of financial year, and it is not possible to include these allocations in supplementary budget.

The drop-out rate is still relatively high among the children of ST and SC community. These communities have lagged behind other social groups for historical reasons. Special institutions like hostels, ashrams and residential schools are very useful and effective in extending the reach of the educational infrastructure to these communities and giving them an appropriate environment for study. Central Government should at least share the cost of creation of such infrastructure. The central Government must share at least 50% of the cost of scholarships and stipends for all the students of these categories in secondary and higher

education. At present, support is being provided merely for incremental increases during the plan period.

The allocations under Article 275 are stagnant for last many years. These funds are major source for financing infrastructural development in tribal areas. In order to increase the pace of development in backward regions the allocation must be increased substantially.

7. Removal of Regional Imbalances:

In the last decade, the high rate of economic growth at national level attributable to liberalization and Globalization has significantly helped in reducing the poverty but has also drawn attention of policy makers and social activists to the plight of those who are left behind. The growth story has been restricted to some specific regions of the country mostly urban areas. There are many social groups in particularly SCs, STs, women, minorities and other marginalized groups who have not benefitted from this region centric growth as much as some others. This has resulted in widespread social unrest and dissatisfaction.

This institutional arrangement is needed to identify, plan and execute the required infrastructure according to the specific needs of the region. The development of infrastructure would require huge investments initially. In these areas it would be difficult to mobilize private investments hence additional support of public investment from central Government is necessary. This kind of intervention and planning on local strengths has the potential to give these areas a jump start to catch up with rest of the country. The state of MP has initiated policy actions and resource allocation to undo historical backwardness of these areas but the support of GOI is highly solicited.

One of the reasons of lower industrial activity in Madhya Pradesh is lack of Industrial Infrastructure required for rapid growth of industry. There is a need to provide support through GOI incentives to private Industrialists to establish Industries in under developed tribal areas to bring them at par with rest of the country. This would ensure inclusive development outcomes and help reduce poverty in the tribal areas.

The Backward Region Grant Fund (BRGF) provides good support to the backward districts of the state to catch up with better performing districts. But, the fund flow mechanism has remained a constraint in effective implementation. The mechanism of fund flow should be improved in order to enable the districts to start their works from the beginning of the financial year so that they are able to utilize the funds within the financial year and are able to get second installment within the financial year. The nature of work being implemented under BRGF sometimes necessitates the expenditure on projects in two financial years. Thus it would be better to incorporate such projects in the plan of the BRGF.

A programme similar to Bharat Nirman is needed to redress major infrastructure gaps in highways, rail network, airports etc. to break the vicious circle of under-development in states like Madhya Pradesh. Faster and inclusive growth would call for a state specific mega infrastructure initiative that prioritizes poor infrastructure states and regions to enable them to get integrated with markets. This would open up opportunities offered by globalization and would attract private investments into these regions.

8. Rural Housing:

Bharat Nirman is a welcome initiative, but limited to rural infrastructure. The State has benefited from PMGSY, Accelerated Water Supply Scheme etc. However, because of incorrect interpretation of 'houseless' which treats even the Kuchha mud and thatch dwelling

as a proper house, MP is supposed to have only 2.08 lakh houseless as against 2.61 lakh houseless in Kerala, which is a smaller and relatively prosperous state. This needs to be urgently thrashed out. In fact, as per the BPL Survey of 2002-03, there were 3.20 lakh houseless and another nearly 34 lakh families living in unsatisfactory Kuchha dwellings. All of them need to be provided assistance under the Indira Awas Scheme, if we want to genuinely implement the spirit of Bharat Nirman.

9. Power:

The target for capacity additions in power generation for the Eleventh Plan has been kept at 78,577 MW. A major reason for failure to achieve Tenth Plan target was the inability of suppliers to supply the equipment on schedule. This problem needs to be addressed by the centre. Both, T&D losses and tariffs in India continue to be among the highest in the world. The distribution system is getting overloaded with further extension under RGGVY but investment on system up gradation is inadequate. The systems of sanctioning of projects under RGGVY also need to be streamlined. Substantial investment in system upgradation is required to reduce losses and bring down tariff. The Central support under APDRP should be significantly stepped up for system upgradation.

10. Higher Education:

The proposal to establish 370 new colleges in districts with low Gross Enrollment Ratio and setting up of 6,000 high quality model schools is commendable. However, the Centre's proposal to provide only about 30% of the cost of infrastructure of Rs.10 crores excluding the cost of land makes a mockery of the proposed Centrally Sponsored Scheme. The states are expected to provide nearly 4.00 crores of recurring expenditure every year besides the cost of land and nearly 70% of the cost of initial infrastructure, meaning thereby, that the centre spends less than 10% of the total expenditure incurred even over a five year period to establish a college in districts with low GER. State have shown very little interest in the scheme because of pattern of financing. The center should bear 75% of the capital cost of infrastructure for proposed colleges and 50% of the recurring cost for the first five years to ensure that all the proposed colleges get effectively established during the Plan period to contribute to removing the educational backwardness of poor districts to some extent. Central Government proposes to establish 16 Central Universities on the basis of one university in each of the sixteen uncovered states in addition to 14 world class universities. It is hoped that a backward state like MP would get its rightful share of the proposed world class universities.

11. Transport:

The Railways' policy of taking up new projects on cost sharing basis with states needs reconsideration. Such an approach is not fair to the backward States. Most of these states have large tribal population and have poor rail connectivity. Mineral resource rich tribal pockets have got the rail connectivity for removal of mineral resources from there and have even cross subsidized other regions and sectors. But tribal areas lacking mineral resources have failed to attract investment in rail projects for the development of the local economies. Many of these districts are experiencing left wing extremist violence. Diversification of the local economy is a must for creating job opportunities for the youth and of this, rail network is a must. The railways should not ask for the State's share in new rail projects for at least backward districts included in BRGF.

12. Forest:

States like MP are maintaining large areas under forest cover much above the national average. The sacrifice of these states in terms of huge opportunity cost for conservation of environment and biodiversity for the benefit of the whole country has not been appropriately

recognized. The state is required not only to bear the cost of maintenance of this forest cover but also to pay the capitalised value (NPV) of even small patches of forest land needed for the development of the communities living in the forest areas as diversion cost of the land. When forest rich states are required to pay the cost of diversion of forest land for development works on the basis of its NPV, equity demands that the compensation for avoided deforestation should also be determined on the basis of a reasonable rate of return on its NPV.

Forest fringe people living in and around protected areas (National Parks and Sanctuaries) suffer huge costs due to wildlife in terms of crop loss, denial of access to the forest resources and injuries and loss of human life and livestock. To mitigate man-animal conflicts, there should be a national policy providing for adequate financial support to the State Governments for payment of compensation in such cases.

13. Public Private Partnership:

The state has been a pioneer in Public Private Partnership (PPP) so as to use private investments to create public infrastructure. The state has also been among the first ones to submit proposals of road construction using the VGF. However, private investment is flowing more easily into developed regions of the nation. VGF may not be enough to attract private enterprise to backward regions as it uniformly prescribes a twenty percent ceiling. This must be restructured thereby raising the ceiling for backward states/districts so as to attract private investment in the backward regions of the country.

There are large areas besides infrastructure, like technical training, health, education etc. where PPP possibilities exist. The Planning Commission and the Govt. of India could facilitate this process by identifying key areas for PPP apart from infrastructure and developing model arrangements for social sector projects as well.

14. Accelerated Rural Water Supply Programme (AWRSP)

The condition given in Para 2.3.1 of guidelines that the relaxation in the norms can be allowed only after completing the target of providing 40 liters per capita per day water in 100% habitations of the state should be modified to “90% habitation coverage of the district” so that it becomes possible to provide 55 liters per capita per day water to habitations because 100% coverage of habitations is very difficult in specific conditions of Madhya Pradesh.

The water supply schemes being implemented in quality affected habitations are discussed in SLSCC in presence of officers of Ministry of Rural Development, Govt. of India. After that schemes are sent to the Ministry of Rural Development GoI for sanction. As Officers of Govt. of India are present in SLSCC, there should be no need to send these schemes for approval of Govt. of India as this process takes long time.

The second installment of funds are released late in the financial year because of complicated procedure, which constraints the utilization of funds within the financial year. It is desirable to simplify this procedure for effective implementation.

15. Centrally Sponsored Schemes:

While, on the one hand, there has been growing emphasis on devolution of powers and functions to the PRIs on the subjects mentioned in the 11th Schedule of the Constitution, the Govt. of India continues to come out with centrally designed schemes on those very subjects without providing adequate flexibility to the states. On the other it does not fit all in view of

huge variety and complexity of Indian States. The Centrally Sponsored Schemes should provide as much flexibility as possible to the states. There is also a huge scope of convergence through merger, consolidation and putting activities of similar nature under the same Ministry / Department. Water for example is such a subject that is being handled by various ministries, departments and agencies in a fragmented manner.