

**Speech by Shri N. D. Tiwari, His Excellency the Governor of Andhra Pradesh's
Speech**

***For the Inaugural Session of
Conference on Growth and Development in the Lagging States/Regions of India***

ASCI, Bella Vista, 28 June 2008

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Shri Narasimham, Dr. Montek Singh Ahluwalia, Dr S. K. Rao, distinguished members of the ASCI Court of Governors ~~of ASCI~~, staff ~~members~~ of The World Bank and other international agencies, civil servants, academicians, faculty members of ASCI, ~~members of the media~~ persons, and other distinguished participants:

I congratulate the Administrative Staff College of India and ~~the~~ The World Bank for organizing ~~this the~~ Conference on Growth and Development in the Lagging States/Regions of India. As a national institution of importance, I am not surprised that ~~the~~ Administrative Staff College of India/ASCI, in keeping with its tradition, has taken ~~an~~ the initiative ~~in to~~ organize this conference. The World Bank, of which India was a founding member, has had a long-standing relationship with our country ~~—~~ working for the reduction of poverty and the up-liftment of ~~its-her~~ people. Mr. Narasimham, who was India's Executive Director at the Bank for some time, knows ~~this is~~ well aware of this. I have had the privilege of knowing him for many years. ~~—~~ and I am glad that under his guidance and leadership, the College continues to play a leading role in the nation.

Following economic reforms initiated by the government of Shri P.V. Narasimha Rao, and under the able stewardship of Dr. Manmohan Singh as the then Finance Minister of India in the early 1990s, ~~India the country~~ has entered into a new era of economic growth. The Indian economy is now marking a ~~clocking~~ growth of 7 to 9 %-per cent per year, with an investment rate of 36+ %per cent ~~plus~~, supported by a rising savings rate. India is now counted as one of the fastest growing economies in the

world, along with that of China. ~~It is~~ She has thus fully emerged ~~ing out of from~~ a long period of slumber under colonial rule, and is gaining the attention of the world.

But we know that this remarkable growth ~~—~~ and the prosperity associated with it ~~—~~ is bypassing large parts of ~~India~~ the country. The slower growing parts regions are mostly located in the hinterland of India ~~—~~ home to some two-fifths of ~~its~~ her population. The problems of slow growth are compounded by the high growth of population in these very parts, further ~~—~~ deflating ~~the~~ the growth in per capita incomes ~~further~~, compared to ~~the~~ parts faster growing regions of India.

This is both a source of concern ~~—~~ and an opportunity to do better.

It is a source of concern because we cannot have a nation geographically divided ~~geographically~~ into a rich part and a poor part. It is disturbing that poverty is getting becoming concentrated in a few states. The incidence of chronic rural ~~chronic~~ poverty is high in Orissa, Uttar Pradesh, Madhya Pradesh and Bihar. If such concentration of poverty persists, it will destroy the unity of our nation. We urgently need to address ~~urgently~~ how to prevent such an outcome.

But we can also look at the disparities in growth as an opportunity for better growth: ~~for, if~~ India is marking a high growth rate of 8 to 9 %per cent per year despite the slow growth in large parts of ~~India~~ the country. ~~I~~ imagine what our overall growth would be if the slow growing states were to be embraced by high levels of investment and growth as in other parts of India. It will help us to lift many more millions of people out of poverty than we are already doing ~~already~~, and bring good health, education and income security to a large number of families.

Spreading growth to the presently slow growing states is also of importance for another reason. Poverty is getting becoming concentrated in the populations of scheduled castes and tribes ~~—~~ the latter, more correctly referred to as the Adivasis. ~~And as many of us are aware~~ I, the slow growing states are ~~a~~ home to many of our people who are classified as Adivasis, ~~who, and,~~ historically, are have been forest dwellers. These areas regions are also rich in minerals. The remoteness of the Adivasis from the mainstream of progress ~~—~~ opportunities for good education,

employment and income earning ~~is~~ is a dangerous trend, nurturing a sense of alienation. The need to exploit the minerals ~~—~~ coal, iron ore and others ~~—~~ ~~lying concentrated~~ in the very areas where the Adivasis live ~~causes~~ ~~generates~~ ~~immense~~ ~~acute~~ socio-economic tensions when the very growth process that such exploitation sustains passes them by.

As a nation, therefore, we should consider ways by which we can bring the presently slow growing states ~~—~~ U-P., Bihar, Madhya Pradesh, Orissa, Rajasthan, among others ~~—~~ into the embrace of high growth.

But how do we go about this? We need some growth drivers backed by political commitment to change.

As we know, following the economic reforms of the 1990s, private investment has now assumed a much larger role in driving economic growth. So we need an entrepreneurial class, ~~which that~~ sees opportunity ~~ies~~ for investment in the slow growing states. Ideally, this entrepreneurial class should have both local and national roots.

But what is deterring private investment in the slow growing states?

I believe ~~—~~ and I agree with many others in this regard ~~—~~ that a prime ingredient ~~that which~~ is lacking is adequate infrastructure in these states. Good rail and road networks, access to good quality and inexpensive power, a well-~~ed~~ educated labour force ~~—~~ including engineers, accountants, people trained in management, scientists and laboratory technicians ~~—~~ are important in attracting private investment.

Some of this can be put in place only through public action. It calls for public investment in infrastructure. I believe that the Union ~~G~~ government should play ~~an~~ much more important role in extending national highways and a rail network through the slow growing states ~~in a much more vigorous ways~~. I am glad that under the leadership of Shri Manmohan Singh, our new five-year plan has made infrastructure a high priority. We have the architect of the 11th Plan, ~~—~~ Dr. Montek Singh Ahluwalia, ~~—~~ with us this morning. I wholly applaud his efforts in this regard, and for making

~~according to~~ ~~Private-Public~~ ~~Partnerships~~ ~~priority~~ as the means by which we overcome this vital gap in infrastructure. As Governor of Andhra Pradesh, I ~~have seen~~ ~~observed~~ how ~~the~~ PPPs are ~~succeeding well-meeting with success~~ in building vital infrastructure ~~herein our state~~.

But imaginative public policy and higher levels of investment are also required in other areas. One ~~of them~~ is power. This ~~is a~~ responsibility ~~that falls into the lap of~~ ~~lies~~ ~~with~~ state governments. ~~The~~ ~~So same is true for~~ ~~are~~ investments in roads connecting ~~the~~ small towns and rural areas, ~~and in~~ schools and health clinics. It is also evident that good urban infrastructure and reliable services play an important role in attracting investment. They call for significant state-level investments and initiatives.

Despite the recent improvement in state finances, many governments in the slow growing states are not in a position to undertake a significant step-up in public expenditures. I believe that one way ~~out of to reduce~~ this ~~problem~~ is to improve the quality of public expenditure; so that each rupee we spend ~~has~~ ~~leads to~~ better outcomes.

But that would not be enough. I believe that the governments in these states should pursue the ~~PPP~~ model ~~of Public Private Sector partnerships~~ much more vigorously. This will have the benefit of tapping private resources, while nurturing a local entrepreneurial class that is vital for progress.

The establishment of well spread banking networks and other credit institutions is vital for financing private and public initiatives, including investments in agriculture and small industry. We must remember that ~~that~~ many of the leading firms ~~that~~ we ~~see see today~~ in the private sector ~~today have~~ started off not more than two to three decades ago. ~~— and An encouraging~~ environment ~~conducive~~ for nurturing enterprise is critical for the growth of lagging states too.

I also suggest that the 13th Finance Commission should give serious consideration to ways of augmenting the resources of ~~the~~ slow growing states. It should consider channeling greater revenues ~~to them~~ through ~~the~~ revision of royalties on minerals, ~~payment of~~ compensation for the ~~preservation~~ ~~destruction~~ of forests, ~~that we do~~ as

part of our national policy to preserve the natural environment, and ~~in other ways such as the~~ transfers to meet the infrastructure deficit.

I believe that the decision to take the population figures of 1971, in all such cases where population is a factor ~~for in~~ determining ~~ation of the~~ devolution of taxes, ~~and~~ duties and grants-in-aid, works to the disadvantage of the slow growing states which, as I mentioned earlier, are experiencing higher population growth. While this was done originally with the intention of promoting family planning efforts, we know that the fertility rate is influenced by a complex of factors—economic growth, itself, being one. By reducing the transfers of resources to the slow growing states, one is thus compounding the problem. We must reconsider this approach in setting the terms of reference for the future ~~F~~finance ~~C~~commissions.

The Planning Commission ~~sits in~~ plays a pivotal place in channelling resources to the states. ~~And we~~ Fortunately, have a the ~~C~~commission is currently led by Dr. Ahluwalia ~~that is much who is~~ concerned with promoting investments in the slow - growing states. I look to ~~it~~ the commission for channelling the necessary resources to ~~the~~ se ~~slow growing~~ states in the division of plan outlays.

Before concluding, I must, however, refer to the law and order situation, —and good governance in general, —as a major issue in attracting investment and promoting growth. It is sad that ~~the~~ Naxalite violence— with much of it this taking ~~succor~~ concentrated in the slow growing states, ~~aided protected~~ by better forest cover and the more acute grievances of the Adivasis— continues to haunt the ~~land~~ our country. This calls for imaginative approaches, and an inclusive growth process that spreads makes available opportunities for the poor. Where there is violence and no security ~~to~~ to property, there will be no investment. ~~And~~ Investment and a robust entrepreneurial class is are the key to growth, as we see in many fast growing parts of India.

We must also find ways by which we can simplify governance and streamline administration. Simplification of legislation, transparency, quicker administration of justice, ~~and~~ decentralis ~~zation~~ of functions, finance and functionaries, as ordained by the 73rd and 74th Amendments to the Constitution of India, and clean public life—I

believe all these are vital ~~in-for~~ the ~~whole-of-entire India-country~~ if we have to escape from poverty, and stand tall in the world.

I wish the ~~c~~Conference all success.

~~N.D. Tiwari~~