

**Verbatim record of Twelfth Dr. Sarvapalli Radhakrishnan Memorial Lecture,
delivered by
Shri Montek Singh Ahluwalia, Deputy Chairman, Planning Commission,
Government of India, New Delhi
at the Indian Institute of Advance Study, Shimla on 5th September, 2007**

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PROF. B.L. MUNGEKAR, Member, Planning Commission: His Excellency, Shri Justice Kokje, Hon. Governor of Himachal Pradesh, Hon. Shri Montek Singh Ahluwalia ji, Deputy Chairman of Planning Commission, distinguished friends, it is with profound sense of pleasure and if I may say so, gratitude that I welcome you all for the 12th Dr. Sarvapalli Radhakrishnan Memorial Lecture. Besides being a profound philosopher, Dr. Radhakrishnan was outstanding teacher. Perhaps, Dr. Radhakrishnan may be the only person in the world, whose birthday is celebrated as a Teachers' Day. He had a synthetic view of Eastern and Western philosophy. Probably, in the latter half of 19th century and first half of the 20th century, he tried to secure synergy between East and West and that is why he was appropriately called as a bridge between the Eastern and Western culture as well as civilization.

He is Founder of this Institute and he was kind enough to donate this very prestigious Viceregal Lodge, subsequently converted into Rashtrapati Niwas after Independence and visualized the Institute on the lines of Princeton Institute, a Centre of Inter-Disciplinary Research not specifically directed towards narrow sectarian discipline, but from point of view of India's composite culture, its multi-dimensional personality and the living civilization, as we call it, he was absolutely right in visualizing the set up of this Institute.

This lecture is one of the mandatory functions for the Institute, which is mentioned in the MOU, which outlines the functions and the objectives of the Indian Institute of Advanced Study, Shimla. Today there are several problems that the country is facing and one is the decline of professional ethics. All public institutions in the country without exception with only difference of degrees, generally people claim, argue and complain that profession ethics is not adhered to. It is in this context this lecture has

been planned in the light of what the 11th Five Year Plan seeks to achieve towards faster and more inclusive growth.

Now India never suffered from the scarcity of ideas. Prof. Dantwala was my Professor. I was fortunate enough to be his student and while writing Preface to one book Heritage that India never suffered from the famine of ideas. It suffered largely from non-implementation of the good ideas. There is growing realization that during the last sixty years of Independence and nearly five and half decades of planned economic development, undoubtedly, we have achieved many things in diverse fields of national life including satisfactory rate of academic growth. But there is growing realization in all corners including the Planning Commission and notably in the whole value framework of Hon. Prime Minister, Dr. Manmohan Singh ji that sufficient needs to be done in order to make this growth inclusive. If we achieve 9% growth, which is the objective of the 11th Five Year plan, this year's first quarter growth is 9.3% and the 11th Five Year Plan we are hoping would be ending with 10% rate of growth, but that is one necessary condition for the broader objectives of removal of poverty, reduction in inequalities and reduction in poverty, creating more employment. The sufficient conditions is that we should be able to implement the innovative plans and programmes, the policies and the strategies so that growth becomes really relevant.

It is with this intention to have a broad discussion, I thought it was necessary to bring Deputy Chairman of Planning Commission, Shri Montek ji Ahluwalia for delivering this lecture. In the international and national policy making area, the celebrated name is Montek and which needs no introduction. Practically, all levels of policy making in Government of India, Commerce, Economics, Planning, including growth rate, income distribution, employment generation reduction in regional and sectional inequalities, his name is associated with.

He has been associated with high level policy making, academic policy making, with the international organization such as World Bank. It is privilege of the Institute and, if I may say so, kindly excuse me for the people those who will be attending this lecture with all hurdles and odds that you might have come across while attending this because of your busy schedule.

Since we are formulating the final document of 11th Five Year Plan, it was extremely difficult for him to come and in fact last two days flights are not on time and that is we were exploring the possibility whether it would be desirable to postpone the lecture, but then for this year this is the only 5th September and there would not be any other 5th September, at least in 2007 and I thank the Government of Himachal Pradesh and Chief Minister for making facility for travel special helicopter for his to be brought here.

I am sure that you will be having innovative understanding of India's policy making, not only innovator policy maker, but first rank implementer, in India generally we have business as usual approach. Most of the things in India, they get spoiled because adoption of business as usual approach. This country is too large to make meaningful dent on the issues of unemployment, poverty, regional inequalities with this non-celebrating business as usual approach. It is necessary to make frontal attack on the problems and then only whether 9% or 10% growth would be relevant from people's point of view.

On my personal behalf and on behalf of the Institute, as its Chairman, it is my privilege to appreciate Shri Ahluwalia ji's spending time for this lecture because his involvement and making message of 11th Five Year Plan broader and louder.

I am extremely privileged to have His Excellence amidst us this afternoon. I joined as a Chairman of this Institute somewhere in September, I think, 29th, in my absence, I was abroad and since then I am in close contact with H.E. Governor of Himachal Pradesh and one thing, I must share with you my personal acquaintance that I prefer to call him People's Governor, People's Man, People's person, If I want to avoid gender bias. Generally, people at the higher level find it very difficult to see even one degree left and right beyond the State jacket.

I am privileged to know his involvement in the people's problems, at present the problems of Himachal Pradesh State. It is one of the front runner States today in India, Himachal Praeesh. Let us not discuss in terms of its mountains and cloudy weather, in terms of rate of economic growth, in terms of social indicators, in terms of literacy, in terms of human empowerment, Himachal Pradesh will be definitely front leader State to be imitated by the rest of the States of the country.

I am very happy that H.E. Dr. Kokje, as Governor, he is deeply involved in the problems of the State including the problems of education. It will be brought out to by Deputy Chairman and I do not want to transgress his area, but let me tell you very frankly the novelty of the 11th Five Year Plan will be, it will be a social sector plan, more than one-third of the total allocations in the 11th Five Year Plan, approximately one-third we shall be making for social sector, health and education because that is the consequence of Prime Minister's commitment to make growth with human phase.

With these few words, I welcome His Excellency amidst us. I welcome Deputy Chairman, Planning Commission amidst us this afternoon and all of you because this is probably the first lecture in recent times to be organized on 5th September itself and precisely in the precincts of this Institute.

Thank you very much.

I now welcome Speaker of the day, Shri Montek Singh Ahluwalia, Deputy Chairman, Planning of India to deliver the 12th Dr. Sarvapalli Radhakrishnan Memorial Lecture.

SHRI MONTEK SINGH AHLUWALIA, Deputy Chairman, Planning Commission: Your Excellency, Governor, Himachal Pradesh, Dr. Kokje, my colleague and Chairman of the Institute Dr. B. L. Mungekar, ladies and gentlemen, it is a great privilege for me to be able to deliver this lecture in this very historical building. I was looking forward very much to have the opportunity to visit the building and had a very pleasant tour of it this morning and I think the Institute is really fortunate and owes a great debt of gratitude to Dr. Radhakrishnan for making this possible.

Now the subject that I want to address, as Dr. Mungekar has already pointed out is something we are currently struggling with, but I think we are well on the way to determining the outlines of what the 11th Plan will be like and I thought I would use this opportunity to share with you some of the broad messages which are guiding the formulation of the 11th Plan right now.

I would like to begin by making a brief statement on the position of the economy which is the position from which we started defining what the focus of the plan should be. If you go back into the history of planning, many people have said a little bit cynically that there is really nothing new in plans, every five years we have a one and my

good friend and teacher, the late Prof. Rajkrishna put it very well. He was a Member of the Planning Commission, I think, when the Seventh Plan was being formulated and Rajkrishna was asked what is the main messages of the approach to the Seventh Plan and Rajkrishna said this is not the approach to the Seventh Plan, this is the seventh approach to the same Plan. So, I think economists have always worried that are we just carrying on doing whatever we were doing before.

Well, I want to assure you that that is not what we are doing and it is not so much because of us I think the economy has changed, we entering the 11th Plan at a time when in certain dimensions, we can truly say that India has achieved or close to achieve the objectives that were set for it, I mean the Tenth Plan target growth rate was about 8% and we ended the Tenth Plan period with an average of about 7.6%. We have never had 7.6% or anything like it in any previous Plan. Earlier five year periods have seen growth rates of about 5.6, 5.7 for a Five Plan period. This is the first time that we have really got this high.

So, I think from that point of view, the plan is being formulated from some position of strength. At the same time, I would say that the Plan is being formulated at a time when cynicism about what we are achieving and also skepticism is at a peak. I think we have had several plans from 1960's and the 1970's, but the average growth rate was only 3 1/2%. But I do not think that those who were all periods, when people were skeptical and cynical. I think now it is a very different situation for two or three reasons. First of all, in the early days people were really looking at hopes that were being raised for the future and people are willing to postpone satisfaction for a plan or two in the belief that deliverance is going to come. It was obviously in the first and then decades after Independence, it is a different mood in the country and also I think we were among the first of the colonial countries to be a colonized countries to become independent. So there was no benchmark to go by.

Today we are not in that situation, our neighbour across the border China has been growing at 9% for the last thirty years. So, I think the people's expectation is that while 7.6% is a lot better, that has been achieved in the past, it is really not as good as what not all our neighbours, but our most important neighbour is doing and I think East Asia for a long time has been growing quite rapidly. Asia happens to be one continent

where some countries, Japan, Korea, and Taiwan, if you count Taiwan is a separate country, have transited from being poor developing countries to being advanced countries, There is also, of course, Singapore, but that is a city State. East Asia ran into some difficulties, but by and large they have really done quite well.

So, I think what we are now seeing on the growth front is the performance that is very good compared to our own past, but it just brings us into levels which we should think of or not and we should be really asking the question, can we do better than that and that is one question that we are asking in the 11th Plan.

The second issue really is why is there skepticism, why is there satisfaction why is there cynicism and I think you look at that, is probably true not probably it is almost certain true, that the distribution of the benefits of this growth have not been as favourable as we would have liked them to be.

Now I do not share the view of people who say this growth has done nothing for the mass of the population, it has only done something for the top 5 - 10 per cent. This, I think, is not true; it is making its way down significantly to a substantial portion of the population not only in urban areas, but I would say even in rural areas, but the problem really is that the sense of deprivation and denial and exclusion is actually very strong and expectations about how to overcome these have reached very high levels, as is only appropriate in a democratic society and polity. So, what are these signs of deprivations all about/

First of all, traditionally we have thought of the distributional issue as something related to what happens to the incomes of the poorest parts of the population. And traditionally, we have asked the question, is poverty going down, which is usually interpreted to mean, is the percentage of the population, below the poverty line declining. Now. If this was the only issue that you addressed, the answer early would be that the statistics show very clearly that the percentage of population below the poverty line is definitely going down, but it is not going down as fast as we would have hoped.

In fact, based on the evidence of the last ten years or so, what we are seeing is a decline in poverty in the percentage of the population in poverty, a little less than 1 percentage points per year. Now, that is not a very fast rate of decline and what is more, it is not very different from what it was ten years ago, which really means that although

the economy has accelerated somewhat, the perception is that the progress being made in reducing poverty, there is progress, but the progress at the base at which poverty is being reduced, is not accelerated, this is one big problem. I think the issue of exclusion is no longer just the issue of poverty. I mean there was a time when we first made the transition from focusing on the objectives of development in terms of growth rate to something broader in the 1970's, when the slogan 'Garibi Hatao' was introduced. But the whole focus was that our general approach to development is O.K., but really we need to focus on poverty. I think one of the things that has happened in the last several years and it is a reflection of rising expectations and rising empowerment is that people are not just interested in a narrow definition of social progress in terms of reducing poverty. There is a broader sense, is the system of creating greater inclusiveness and here the issues are independent of poverty; you can ask question, is the urban rural difference widening, is enough happening in rural areas in just for the poor, but even for the non-poor in rural areas. Are they being left behind, you ask the question about different communities? We are and have been a socially highly fragmented society. So the issue arises what about the scheduled castes, the scheduled tribes, the OBCs, the minorities, are they participating adequately in the growth process?

Now this does not just mean are they getting out of poverty, that of course is part of the whole poverty reduction. Participating in the growth process means are they having a fair and equal opportunity to access all the possible benefits that have been made available to the population at large. This is actually much broader than poverty. Economists always hijack the distributional agenda by focusing on poverty numbers. But it is perfectly possible to have a situation in a stratified society where growth takes place, poverty goes down, but the rural, urban difference widens, and also the social stratification difference also widens and that is not actually going to be acceptable in a democratic environment where at least once in five years, everybody is empowered. So, I think, there is a sense that our statistics do not show enough progress in these dimensions.

I also want to say that the notion of poverty in terms of income is one dimension of poverty, I think it is perfectly fair to say that wherever welfare depends on the consumption of goods and services, which are essentially meant to be bought in the

market, then if you have the income and your income is going up, you have access to all these goods and services. But the truth is that two or three very crucial services, health, education, access to clean drinking water and sanitation, these are not commodities that you buy simply because your income has gone up. They are services that are provided if the system of provision of public services expands, is accessible and in fact, come up to efficient levels that are required to make these services available and this is another dimension where I think we are failing. The best illustration of this is what happens to a family which moves let us say, from rural areas into urban areas, person gets job, his wife also gets job. Family income goes up, they have consumer goods, they have a refrigerator in the home, they live in a Chahal, but they do not have access to sanitation and they do not have access to clean drinking water, and the neighbourhood school that is provided is of very poor quality.

Now in such a situation there is a rise of income levels, their income has gone above the poverty line, but they are being denied some very essential services. I think these services become doubly important if you think of inclusion as requiring access to education. Education is widely regarded as the most important equaliser and I think if we run into a system where large segments of our population no longer have access to good quality education or rather if there are differences in the quality of education, then access to higher education institutions will get limited to those segments of the population, who do have access to good quality education, leaving out the children all those that do not. And this can some times really accentuate a sense of differentiation within society.

Now, these are some examples of deprivation, I would say, which indicate that we now have to address the problem of distributional equality in a far more complex manner and I think as we are formulating the 11th Plan, we are really addressing this question. The title of the approach document towards faster and more inclusive growth lays out the challenge very clearly. We definitely do need faster growth, 7.6% is not good enough. We have said 9% fortunately in the last two years, you are already growing at 9%. Some people say we are not being ambitious enough, I do not take that view. I think there is a cyclical upturn in the last two years. This year they say it is likely to slow down. Reserve Bank has projected 8.5% first quarter, of course, has been much better at 9.3%, but I think by and large we are starting the plan. This is the first year of the Plan with a

growth rate of somewhere around 8.5%. We hope to end the Plan with a growth rate above 9%. Dr. Munghekar mentioned 10%, which I think is a nice target. So, we should be able with a lot of effort to get to 9%. It is absolutely vital to emphasis that this acceleration in growth in my view will have a very substantial spreading of benefits. It is not simply something that it is being targeted in order to cater to the requirements of the top 5% or the top 10% of the population. So, that is very crucial. It is also the growth rate, the rapid growth rate which is going to generate the resources both for the Centre and for the State Governments in the form of rising tax revenues to actually pay for a lot of the social programmes that we want to introduce and I think this point is very often missed, but one of the real successes I would say of the last four or five years is that the ratio of taxes to GDP, you take both the Centre and the states together, ratio of taxes.....

(Tape 1, Side A ends)

Tape 1, Side B

SHRI MONTEK SINGH AHLUWALIA (Contd.)..... declining a little in the 1990's, when tax reforms were being introduced and high tax rates were being reduced. It was our expectation that as we transit to a regime with moderate tax rates, which will encourage people to comply, this would lead to an increased compliance with the tax system and therefore, ultimately an increase in revenue.

In the last three or four years we definitely see that there has been an extremely good response to tax reforms, both in the Central Government levels, in the state Government levels. We think that this puts the 11th Plan on to a good starting position. Now what do we do about the inclusiveness issue. I think on the growth side, we know pretty much what we want to do; the policies that have been put in place, the liberalization of the economy has unleashed a great deal of private initiative, which is reflected in a booming investment level and a very confident private sector, which you see all over the country. I think continuation of these policies combined with efforts to make general policy investor friendly and this is something that each State has to do for itself, this is likely to lead to a continuation of private sector growth provided two things

can be taken care of. One of those, of course, is infrastructure and I will talk about that and the second currently is agriculture and I will talk about that too.

So on the growth side, agriculture infrastructure on the inclusion side, I think the two major things and there are many things we have to think about to identify time to discuss everything in the lecture. The two major needs are education and health. So for the rest of this lecture, I simply want to say a few words on each of these and I understand that question is something that you do allow. So, if questions are possible, I can respond to things in detail. Let me begin with agriculture.

I think one of the major reasons why there has been a feeling that our growth process has not been sufficiently inclusive and in particular it has left the rural areas behind is that agricultural growth in India decelerated from about the middle of the 1990's and the target of about 4% we actually achieved less than 2. We pointed this out in the mid-term Appraisal of the Tenth Plan when we said that essentially it shows that there is something systematically wrong and we need to take a re-look at our agricultural sector policies to see what is it that is necessary to achieve 4% growth.

We have gone into this matter in great detail and I think we have come to the conclusion that a 4% growth in agriculture is certainly feasible. India's land productivity levels are much below those of other countries and by looking at the yields that are obtained on farmers' fields with the yields that are also obtained on the ground using these practices, I am not talking about laboratory yields, but the yields obtained by farmers who follow best practices, the difference in these two yields is anything from 50 to 150%. So depending on the area, it is possible to increase farm level productivity. We know that from the comparison between agricultural productivity in India and agricultural productivity in other countries, but I think we need to look at this state by state and region by region. There may not be much scope for raising rice and wheat productivity in Punjab, but there is huge scope for raising rice and wheat productivity in the central parts of the country. We need to focus in each State where is it that we have the greatest possibility to bring about productivity increases.

So, the strategy that we are following now is to encourage States to make State specific agro-climatic zone specific agricultural plans and for the Centre to be able to assist in these plans. One of the queer things is that agriculture will not be driven by

foodgrains. Foodgrains is extremely important. Food security is extremely important. We have had shortages last year and we are currently importing food but over a medium term, I do not anticipate that this will be a problem. As a matter of fact, if we have our foodgrains output grows at a trend rate of around 2% or so, it will be sufficient to meet the foodgrains requirements of the country. The 4% growth in agriculture is really going to come from a much faster growth in non-foodgrain agriculture. That includes horticulture, that includes dairying, livestock, fisheries, etc. And all the evidence we have suggests that these sectors are in fact, growing faster. We need to provide the kind of support needed that will enable this to continue. I think agriculture faces new problems also as it moves away from foodgrains because the issue of marketing once agriculture becomes diversified and goes into perishable crops, rather than non-perishable like cereals, how to market those crops is very critical. The linkage between the farmer and the market through modern systems of marketing, with full information on prices, reduced margins on the part of the trade, reduction in spoilage, these are the kind of things that we have to concentrate on, as much as the agronomic task of increasing yields. So, it is very different; the challenge is very different from the first years of the Green Revolution, where one technology spread across large parts of the country, not all over the country, but a large part of the country made all the difference. I think here you need to get into failing systems approaches, problems of multiple crops, problems of different areas, problems of marketing and put together an entire package that will make the agricultural sector move forward.

A few words on infrastructure. You know everybody who looks on our industrial system, says that we have very good labour, a very good human skills, excellent management skills and now also dynamic private entrepreneurs. What we do not have is good infrastructure and I think in Himachal you are aware of the importance of the infrastructure because road connectivity and ease of getting from one place to another, makes a big difference in economic progress. I think we need to have a major thrust in infrastructure and that means power, that means roads, that means ports, that means Railways, that means airports, that means city infrastructure. We have reviewed the requirements in each of these sectors and actually, the resource requirements for doing this are huge. We estimate in the 11th Plan that starting from a base level in the year

2006-07, where investment in infrastructure sectors was just below 5% of GDP, we need to take it to about 9% of GDP by the end of the Plan was really, you are talking about 4 plus percentage point increase in GDP in infrastructure. This is not something that can be done by the public sector alone. If we decide to do it by the public sector, you can take it that it cannot be done because the resources are not available. But the good news is that it is possible to build infrastructure through attracting private investment. This has happened in Tele-communications; it is happening in some States in some areas in power not as widely as it should. It is happening in roads, it is happening in ports, it is happening in airports. But this is only a beginning. The strategy that we are outlining in the 11th Plan is that we will have to rely on public sector investment in those areas where the private sector will not go, but there are many areas where the private sector is willing to go, provided it is properly incentivised and the purpose and the objective of the strategy is to lay out a policy framework, which would be attractive for the private sector to invest in.

I think this story of tele-communication is, perhaps, the most important because when tele-communications were opened up in the early 1990's, mid 1990's, there was lot of skepticism about whether you can expect a big expansion in telecom infrastructure relying on the public sector. Until then it was a complete State monopoly. But the story of tele-communication is a remarkable vindication of the fact that once you get your policies right, much more money flows into the system than you think is possible and this is one area where I am quite sure that if you take a poll or survey and you ask ordinary people, is it your impression that in the area of tele-communication, you had an improvement in access and improvement in the quality of service and a decline in costs, the answer would be yes, to all three of those questions. I wish I could that of power, that is not true of power yet, but I think we need to learn a lesson why was it possible here, why we are not doing it elsewhere. I won't go into this in a great detail. I have already said that a process has started; there is private investment; it is not as big as it should be and in some cases efficiency gains are not yet evident, but this is a major area which we need to concentrate on.

Now let me spend a little bit of time on the other two areas which I thought were critical for inclusiveness. I should mention by the way that both agriculture and

infrastructure also relevant for inclusiveness, agriculture obviously because it determines what happens in the rural areas; it determines rural employment and more than that a dynamic agriculture will generate demand for non-agricultural activity in rural Areas. So it is not just agriculture, if you can stimulate agriculture, you actually stimulate in rural economy very substantially. In the case of infrastructure, it is also directly connected with inclusiveness. One of the big problems that we have is that we do not have an environment where small companies get adequate support from infrastructure in order to be competitive. Big companies do not need infrastructure, they create their own infrastructure; they have captive power plants of 50 MW, 100 MW, 200 MW. Small companies should not be expected to put in generator stations or generator sets in order to run their companies because the power is not reliable. And I think that the cost of the inefficiencies in the power system are directly borne by the small and medium enterprises which are paying a much higher rate than their competitors are in Asia and they are paying it for power, that is less reliable. Therefore, they have to invest in back up power in the form of generators, making the total cost of production really very high. It is a major issue which I think, we need to address. It is largely in the State Government's hands and therefore other than telling State governments that they should address this issue, there is not very much that the Central Government can do, but we are hoping that in the 11th Plan, we will focus attention on how to make the distribution system in the power area efficient and competitive.

Now two other things we need in order to generate really inclusive growth is really a much better education system and a much better health systems. I think these points, I am sure you have all heard many times. We are taking a comprehensive look at the entire educational pyramid beginning with elementary education, higher up on the pyramid is secondary education, still higher up is higher and technical education, Universities, the IITs, the IIMs. Now it is important to realize that the objective of expanding access to higher education and also improving quality of higher education is in a way twice blessed. We need it to get the 9% growth. It is already evident in the country that skills, good quality skills are running out. People who are hiring engineers, etc. will tell you that they are now paying much higher wages against, I am not just talking of people in Mumbai, I have talked to people who are near Chandigarh, near

Delhi, some in Baddi, the new entrepreneurs that you located in Baddi; they find it extremely difficult to get an engineer to run the units that they are setting up and that is because we have enough engineers when we were growing at 6%; we do not have enough engineers when we are growing at 9%. And it is not easy to train engineers, so we need to look at the whole pyramid basically because the quality of input at the higher education stage is going to be determined by the quality of the output at the secondary education stage and similarly the quality of the input at the secondary education stage is going to be determined by the quality of the output at the primary education or elementary education stage.

Now here quite frankly, we have seen some successes, certainly, in primary education, there has been a major expansion in enrollment. So the school system has been rolled out, teachers are there somehow recruited, percentage of children that are enrolled is close to 97% or something like that, but the drop-out rate is still very high and more importantly even those that do not drop out, the quality of the output that we are producing is simply not up to the scratch. Therefore, in the primary stage we have created the system, we have to have a huge amount of energy now in making sure that the schools produce good quality graduates at the elementary level. In the secondary system, we have not yet rolled it out because when drop out rates from the primary stage are as high as 70% or something like that, not too many children were going into secondary, if the primary strategy works and the number of children go into the secondary stage doubles, we will in need twice as many schools and it is going to be much more difficult to recruit teachers for secondary schools than to recruit teachers for primary schools. In the case of primary schools a very minimal amount of education and a little bit of training people who think produces a teacher who can more or less teach children in the primary school level. If you are setting up secondary schools, then you really need trained teachers. You have issues of how much you can afford to pay them. Even more important you have issues of how you been pursuing them to go the schools. This has been one of our major problems. International studies show that absenteeism in government run schools is the highest in India, compared to all other countries. I think we have absentee rates at any given time 27% of the teachers who should be teaching are not there. Now in an environment like this and these are by the way not the teachers

necessarily who are of the right quality, so the quality issue is separate. It is simply not there. So, I think that in the primary school and in the secondary school system, something will have to change which brings about better accountability. It is not easy to know what needs to be done. I think the first and most important thing any manager will tell you is that the government which in this case means the State Government must recognize that as a challenge. If that is not recognized as a challenge, nothing whatever will happen. If it is recognized as a challenge, then the system will somehow try to do something about it.

It will work differently in different States, but hopefully we will see some improvement. Now with all this process, the Central Government has a limited role, it is the role of providing resources and that role, the Planning Commission has taken on board, as I think Dr. Mungekar mentioned, you will see in the 11th Plan that the share of education sector, as far as the Central Government is concerned, sees an explosive increase. So really this strategy of not putting up public sector investment units and letting the private sector do all those things and shifting the government's resources to the social sectors, this strategy will be borne out as far as the sectoral allocations in the 11th Plan are concerned and we will put a lot of money into education, but skeptics will raise the question, are we simply throwing money at the problem and not actually taking enough serious action to make sure that the money is well spent, that the teachers who are recruited are of good quality, that they actually teaching, I think, this is really a challenge which State Governments have to take on. One of the things that we think is a possible way of improving the situation is to increase the accountability of teachers to the local elected bodies. So whether it is the district Panchayat, or the local Gram Sabha Panchayat or whatever, there is some way in which teachers view themselves as being supervised by the local bodies rather than being part of a bureaucratic pyramid essentially unconcerned with the local bodies and controlled out of the state capital, I think unless we can make that change, it is really going to be difficult to achieve this. But as far as resources are concerned, I think we will be able to provide and we are trying to bring in ideas which relate to quality, the Prime Minister in his Independence Day Address mentioned that we want to set up 6,000 quality schools, one in every block and about 3,500 of these will be basically in public sector with the Centre contributing something

and the State contributing something, but we think that around 2500 at least could be done through public-private partnership. It is possible if State Governments are willing to lay down a framework in which they can invite private participants, individuals, industries, whatever, to come forward and participate in the running and may be in financing of a school in their own local area. So, if we can get some private participation in 2500 of these schools, we may in fact, be able to show that with the right motivation and with good governance, the money that is being made available, is capable of providing good education.

As far as higher education is concerned, we are very aware that this is where we are entering the knowledge economy and we need not just take degree giving bodies which just dish out a degree that does not mean anything we need to find out how to replicate good quality institutions. Now the good news is that we do not have some good quality institutions, we have the IITs, we have the IIMs, we have Jawaharlal Nehru University, we have The Indian Institute of Science, these are the only institutions that figure in the Times education supplement in the list of 200 or 500, I forget which world-class University.

Now for a country of our size given the kind of growth we are projecting, given the position that we want to have in the world, this is too small and over a ten year period, these things take time, or we ought to be projecting over 10-15 year period that there should be at least thirty Universities from India which figure in that list of the top 200 and this is another major challenge before us. Once again, it is an area where it is not just the money, we have to create an environment in which university governance is improved, an environment is created in which really talented people come back to teach. One of the consequences of the success in economic liberalization is that the opportunity cost for these kind of grades has increased enormously. It is not realized generally that in each of our IITS, 30% of the faculty positions are vacant because they cannot get students of the quality they want. Students graduating from the IITs can work into a private sector job, which pays 5-10 times what they would earn, if they were to go into academic life. I think the kind of students who are interested in academic life are not interested in getting the highest possible salary, but when the differential becomes 5:10:1, it is virtually certain that except for those one or two utterly dedicated souls, people will not be

tempted to go back to teach. And I think, this is something we really have to address. We have a system of salaries which is linked to government salaries, bureaucratic salaries, to salaries in the university, as well, if one university is world-class and another is not, there is no reason that the professor in one should be paid exactly the same as the professor in the other. Even within a university, if you have a profession where the market wage is five times that in another, there is really no logical reason why professor in that discipline is not being paid the same as a professor in the other discipline. You just good quality candidates. Frankly we do not have systems that can respond to this. At the moment there is no weighingness to face up to this fact and it is not even easy and when you pose it to people, there is no, they say no, no, should we have different shows, no, no, that is not us. Why I am saying as an economist, if we follow that route we will simply not have good quality teachers in the professions that pay a very high salary outside. That means engineers, computer engineers, lawyers, economists, business management, etc. – I happened to be in China two months ago. I have had a detailed discussion with the Vice-Chancellor of Renmin (?) University, the Peoples' University in Beijing and they told me that they had introduced differential Reward Systems where professors of higher qualifications in disciplines that commanded higher salaries outside were actually being paid more than others. So, I asked this gentleman, does not that create a problem within the University, to which this person who was a Member of the Chinese Communist Party said, well, Mr. Ahluwalia, you have to distinguish between a Dragon and a fish.

Now I think we are going to have a meeting of the Planning Commission a few days from now. I do not think we are actually asking the Planning Commission to distinguish between a Dragon and a fish, but we are raising the issue to be honest, solutions can be found, but they can only be found if one starts off by saying that it is not going to be possible to achieve that unless you find some way of differential reward in this kind of environment. But you know salaries are not the only thing.

I think if you really need world-class universities, you need governance system which give lot of academic freedom to people who are brought back to teach. In fact, very often you can save on salaries precisely if there is much greater academic flexibility and freedom given. So actually, we have to pretty much re-invent that template that we

have for setting up universities which at present is hopelessly bureaucratized. So, I think this is another area in education and finally, of course, education also covers skill development. I should mention by the way that in university education our estimate is that if you want the expansion that we are talking about 50% of the increase will have to come from private universities. So State Governments have a lot of freedom to encourage private universities to come in, be under no mis-apprehension that we are providing the resources for all the higher university capacity that is needed. We think half the increase will have to come from private sector and I think those State Governments that take a proactive approach to this will, in fact, find that they are able to establish good quality higher education.

In fact, the history of the last ten years is that most of the expansion in technical education has been in the private sector and almost that has happened in the Southern States, in the Northern States, I think for some reason, they have not responded to this challenge and not done a good enough job. Well, I think if we are able to do what I am talking about in agriculture, in infrastructure, in education and in health, then I think we will have a growth process which will support 9% growth. It will be better balanced between urban and rural areas and therefore, distributionally better. If we have a major thrust on education and skill development, it will create an environment where labour intensive, labour using jobs can be generated. I think we have the human skills for that and told, this could be a situation in which we have big increases in a better distributed growth process.

The last point that I mentioned right at the beginning was health and you are quite frankly, it is very earlier to education. Well, I think if you ask me, the biggest disappointment and the poorest performance in our development story is the story on health. India has infant mortality rates and maternal mortality rates that are worse than Bangala Desh and there is no justification why this should be so. This can only be the consequence of simply neglecting public health and neglecting public health related education and also neglecting things like clean drinking water and sanitation. This is the other major area, where the 11th Plan wants to make a difference. The Government had indicated that we want to raise the expenditure on health taking the Centre and the States

together from about 1% of GDP at present to between 2 and 3 per cent. Similarly, in education, it was said.....

(Tape 1, Side B Ends)

Tape 2, Side A

SH. MONTEK SINGH AHLUWALIA (contd.).....per cent of GDP and within two years after that it can become 6%. As far as health is concerned, we can certainly take it up to 2% by the end of the 11th Plan and then try to go beyond that in the 12th Plan period. But as with education, money is one part of the story, the issue really is we can build the clinics and we can provide the money and we can even hire the doctors, but will we be able to get the health personnel to go into rural areas? This can there often present major problems. I do not have solutions to these, but again these will be issues that State Governments will have to hand. In fact the role of the Central Government is essentially providing financial support. Laying out and expanding the health system is probably along with primary education and elementary education, a major task that lies ahead of us in the 11th Plan, but if we can do that then I have no doubt that by the end of the 11th Plan period, we will have made very significant progress towards achieving our goals. The 11th Plan has monitorable goals, rather like the millennium development goals; about 27 variables where we are actually quantifying what is going to be the improvement. Infant mortality, maternal mortality, other indicators of health, etc. So when the plan is ready, it should be towards the end of this year, we will essentially lay out a game plane to doctors all of these things. A lot of which as I have often been repeatedly emphasizing rests on the effectiveness of implementation at the State Government and I think I want to close this lecture on one note and that is that we feel very strongly that in asking States to do things, there is huge merit in giving States flexibility. The notion that we lay out guidelines that are rigidly determined at the centre, in my view, has not been helpful in the past from the traveling around in the country that I do and talking to people in State Governments every time you talk to State Governments, you find the different States are experimenting in different ways. And I

think we should allow that we should allow that experimentation to take place with the maximum amount of flexibility. I mean the objective is are you achieving monitorable quantifiable goals on the if State 'A' is doing it in one way and State 'B' is doing in another way, as long as we are monitoring the goals and they are being achieved, we need not be bothered with laying down uniform guidelines at the Centre.

I realize this is easier said than done and Ministries love laying down guidelines, but I can assure you that in the Planning Commission we keep telling Ministries to build in as much flexibility as they can and I think that that message is actually getting through.

So, with those words let me thank you for inviting me and I hope that if you have another lecture by some other Deputy Chairman five years later, at least he will be able to say that the 11th Plan really did deliver on these very ambitious guidelines. Thank you.

If somebody wants to ask questions, fine.

Q. Sir, while you talked about the higher education, one part which we would like to understand of the entire piece is, what is the policy now....(disturbance)... also partners of the State Government to bring in the required sources through the private sector.

A. The Central Government has been considering a Bill, which would govern the role of foreign educational service providers. That has not yet been looked at in Parliament. So it is something in progress. I do not think there is any difficulty in foreign universities collaborating with Indian universities. The issue is only if a foreign university wants to set up a university in India and give a Degree of that university.

So if it is a private person from abroad, who wants to help fund the university, that is not a problem. If it is a university in India that wants to collaborate with the university abroad like bringing their teachers here, sending your teachers there, students, exchange all of that as far as I know is possible. The real problem is always how to fund this. There are many universities who would be very happy to send a certain number of their students to an Indian university that they think well off in exchange for bringing for one term, bringing the Indian university students to them, but of course they would pay for the cost of their fellows and we would have to pay for the cost of our fellows. So actually, I think, there are two things that they have done, one is that universities have not realized that this is possible and I think we should give them a totally clear signal that it is possible and it has happened. Many universities, IITs are doing it. The only thing is it

cannot be done by every university....(disturbance in recording)....it can only happen for universities, they have reached a certain standing. If somebody outside wants to fund the university, I suppose a foreign university setting up a university that is a different issue. You can always fund a university because it is not meant to be a profit making business.

So, it would amount to making a contribution to the corpus fund of university. You have to get permission, but I do not think you will be a problem. I think the real issue is State Governments should be quite clear that they want private universities and many State Governments have followed very supportive role and others have taken a very negative approach.

I have talked to many university establishments in the South, some of whom have tried to open up universities in other States and they say that the policies are more unhelpful than if they opened up universities in other countries. I mean the Manipal group, for example, I won't mention which State they were having difficulties with, but they said we are thinking of now going to Singapore or thinking of going to Africa to set up universities. It is too difficult to set up universities in other States of India and I think we need to address that question . To my mind that alone could produce a very significant increase in university capacity in addition to private-public partnership. I see no reason why existing universities cannot get new courses and new centres established which are funded by the private sector. I mean that is done by the IITs, etc. they get major investors to set up a new centre a fund etc. and so on. See there is scope in that area.

Q. आपने हायर एजुकेशन में इम्प्रूवमेंट की बात कही और दूसरी तरफ आपने यह भी कहा कि हिंदुस्तान में स्कूल छोड़ने वाले बच्चों की संख्या सब से ज्यादा है । इस विरोधाभास में यह जितना प्लानिंग हो रहा है, मुझे लगता है कि देश का पैसा कहीं गलत जगह लग रहा है, प्लानिंग ठीक से नहीं हो रहा है । आप क्या कहेंगे ?

उ०— आप बिलकुल ठीक कह रहे हैं कि हमें एजुकेशन में ज्यादा पैसा डालना चाहिए और मैंने कहा था कि ग्यारहवें प्लान में यह हमारी बड़ी फर्म इन्टेंशन है कि जो सेंट्रल गवर्नमेंट की एलोकेशन हम कर रहे हैं उसमें जब आंकड़े पब्लिश होंगे, आपको दिखेगा कि जो एजुकेशन का शेयर है, वह सब से ज्यादा बढ़ रहा है, कोई भी आज दूसरे क्षेत्र को देख लीजिए । मुझे लगता है कि आप ठीक कह रहे हैं कि हमें एजुकेशन में ज्यादा जोर देना चाहिए ।

लेकिन मैंने यह भी कहा था कि यह पैसे की बात नहीं है खाली, आप पैसा स्पेंड कर सकते हैं, लेकिन अगर आपने एजुकेशन क्वालिटी एश्योर नहीं कि और जो कहते हैं एकाउंटेबिलिटी एश्योर नहीं की, तो उसका कुछ फायदा नहीं होगा ।

Q. I am very happy with some of the ideas that you have tried to give us regarding the 11th Plan, etc. inclusive,. Now we are going to open up new universities and cover the length and breadth of India with lot of schools and colleges. Now my question is some person, I do not remember his name, in early 20th century said, put a moratorium on the colleges for two years and send the college students to the villages for them to teach the villages. The basic.....(disturbance) and also learn from the villages the basic....(disturbance) culture, and how the rural people actually live.

Now how are going to....(disturbance) and rural and I do not think merely sending money is going to do it, as per my perception. We shall have to have integral programmes to bridge the schisms.

A. I do not disagree with what you said. I think what we need is major improvement in the growth performance of agriculture. If the agricultural growth goes from 2 to 4 per cent at the end of five years, there is going to be a very big difference to the incomes generated in the rural areas.

Second, the infrastructure strategy, I think I mentioned that where the private sector will not go, the public sector will have to do it. Now one of the programmes that the Government has introduced the 'Pradhan Mantri Gram, Sadak Yojana' is designed to bring in rural connectivity across the country and is doing, from what I hear, a very good job in the sense that it is producing quality roads which do not get washed out at the end of the monsoon.

Similarly, on rural electrification, the Rajiv Gandhi Grameen Vidhutikaran Yojana is trying to bring electricity into a lot of our rural areas, but quite frankly the differences across the country are truly enormous, in the sense that whereas 90% of households in Punjab may be electrified only 10% of households in Bihar are electrified. It is all very well to describe this as one country, but the extent to which basic infrastructure is available in rural areas is very different indifferent parts of the country and there is no substitute for putting that infrastructure in place. I think some states have done a very good job of that, other states have not done a very good job of that. That is

very basic; that has to be done, but if that is done, then with the change in policies that is taking place and rapid agricultural growth that will generate quite a lot of the restoration of rural urban parity or rather balance, there will be parity that you are really taking about. I think the other important thing is that education bright rural children should have access to good education. I share with you, it came to me as a huge surprise. I visited the Punjab Agricultural University in Ludhiana sometime ago. It is one of our premier institutions and it came to me as an utter surprise that the authorities, the administration of the university told me that at that point none of the students in the Punjab Agricultural university came from rural areas. I mean the value of education, the job opportunities available to agricultural Graduates in all giant Reliance Fresh and all kinds of other things, urban kids quite interested in getting those degrees and when it comes to competition in rural area schools, they do not teach maths and science. So that is straightaway a large mass of the population is simply not going to be able to compete into an Agricultural University.

So, I think this is the whole issue of inclusion. That is why said right at the beginning more than poverty alleviation and we need to look at a much broader sense of whether everybody in every part of the country has a reasonable prospect of latching on to whatever he is working. I think one of the very positive things about the IT revolution in this country is that although it has produced a large number of very rich people, all of them have come from middle class backgrounds and this has created the perception and in people that give the right opportunity, there is no limit but what you can do. Whereas earlier if you looked at our traditional industries, everybody running a traditional industry had a father who is running the same industry. So it was all inherited here. I think social mobility is really what you need, the same degree of inequality generated by a system that has twice as much mobility would be much more acceptable. I do not share the view that you have to keep going for ex-post equality, but you need ex-ante equality. Everybody feels they have a fair chance, they do not mind an unequal outcome at the end. Of course, basic minimum requirements have to be met, but beyond that there is a lot of scope for variation.

Q. Thank you Dr. Ahluwalia for an exhilarating lecture and for raising our expectations of inclusive growth from the 11th Plan and possibly making things difficult

for the man who comes here to deliver the Lecture on the 12th Plan. We hope it is you only. I need to ask you one thing, you have mentioned flexibility according to the State and your strong refusal to lay hard and fast guidelines for the States, but we would like to hear your view on the fiscal discipline record all the States and the strategy of becoming popular through populist measures.

A. Let me say, as a general rule in any democracy, this is a cyclical phenomenon. I mean the closer you get to an election, the more attractive populist measures look but I think everybody realizes that you cannot achieve economic success on the back of populism. So every State at some times does something which is populist, but underneath it all there has to be a solid economic achievement. Now the good news is that actually in the last three or four years, the degree of fiscal responsibility shown by the States has been higher than in the past. So all these fiscal responsibility Acts, etc. have enabled States to improve their fiscal position. I mean I realize that if you ask any individual State in an actual discussion in the Planning Commission, they always say they are in a desperate position and they want more money, etc., but actually if you O.K. it, there is no doubt that in the last three or four years that the States have seen buoyant revenues just like the Centre, the States have done just as well as the centre and secondly, that they have all been able to contain their revenue deficits which have gone down over time. Of course, they are always worried as to what is going to happen with Pay Commission, this, that and the others. So you have to be watchful all the time, but I think the State story is not a bad one overall.

Q. Thank you, Sir. may I now request H.E. Shri Vishnu Sadhashiv Kokje, the Governor of Himachal Pradesh to give his Presidential address.

H.E. SHRI V. S. KOKJE, Governor Himachal: Shri Montek Singh Ahluwalia, Prof. B.L. Mngekar, Fellows of the Institute, ladies and gentlemen. it is my proud privilege to have been invited to preside over the 12th Dr. Sarvapalli Radhakrishna Memorial lecture, the premier event of the Indian Institute of Advance Study.

This prestigious lecture was instituted by the Institute in 1993 in the memory of the scholar President of India, Dr. Sarvapalli Radhakrishnan who not only gifted this magnificent building for the Institute, but also was the person who envisioned the need for such an institution in our young nation at that time.

When Dr. Radhakrishnan handed over the Rashtrapati Niwas for the establishment of the Indian Institute of Advance Study, he wanted this Institute to merge as a multi-disciplinary Centre in Humanities and Social Science, which would encourage divergent viewpoints. He had said and I quote:

"We are all trying to think that what we stand for is the right and what we oppose is the wrong. We are all doing that sort of thing. It is time, therefore, to call ourselves back to recollect our past, to reflect on the purpose of our existence. What is right and what is wrong is not so easy for the people to find and understand. And I do hope that this increasing maturity will manifest in the attempts which this Institute is likely to make"

I have no doubts that Indian Institute of Advance Study has emerged as the most important multi-disciplinary institution of the country and is moving in the direction for which it was founded. We have been fortunate to have heard Shri Montek Singh Ahluwalia, Deputy Chairman, Planning Commission and a renowned economist and intellectual as the Speaker of the 12th Dr. Sarvapalli Radhakrishnan Lecture.

India is now the second fastest growing economy of the world although rapid growth over the last decade and a half has had many beneficial effects on the populace, the wide gap between the rich and poor remains a cause for concern. There are so many problems that appear paradoxical in the current economic scenario of higher rates of growth achieved in the recent past. We have still not been able to effectively address the issue of malnutrition and starvation. It is now an established fact that economic growth is not an aim in itself, but a means to achieve certain aims, that is to improve the quality of life of the masses.

I am happy that the Institute has invited the most relevant person in this regard to express his views on the subject of "Inclusive Growth". I am happy to note that our planners are trying to take corrective measures which are reflected from the title of the Approach Paper of the 11th Plan towards faster and more inclusive growth. This is precisely to ensure that the marginalized sections of the society, who have been bypassed by higher rates of economic growth get their due share through increase in employment opportunity as well as better delivery system.

Shri Ahluwalia and his team in the Planning Commission should be congratulated for their efforts in this direction. It is in national endeavours like this that institution like the Indian Institute of Advance Study can play a vital role without belittling the importance of the traditional research. The Indian Institute of Advance Study has been able to strike a balance in this respect. I am told that during the last financial year, the Indian Institute of Advance Study organized five national level Seminars on Inclusive Growth in different parts of the country, which would soon be brought out in the form of a Book.

Prof. Mungekar, the Chairman of the Indian Institute of Advance Study needs to be congratulated for this achievement. It is heartening to note that our planners are giving education due importance and are providing huge amounts for propagation and sustaining education in India. I would like to take this opportunity to mention a problem faced by the Universities in India seriously affecting their autonomy. Universities are perceived to be autonomous bodies, but are they really autonomous? I am afraid, they are not. They are financially dependent on the State for meeting not only the general infrastructural needs, but almost up to 90% of their expenditure on salaries, pensions, etc. of teaching as well as non-teaching staff. Because of the big financial involvement of the State, the key university bodies are dominated by Government nominees. Thus the control of the Universities does not vest in academicians but is effectively with the bureaucracy. Vice-Chancellors have to spend their time and energy in getting finance released from the Government every month instead of concentrating on academic matters. This affects the quality of education. This problem can be solved to a great extent by providing a Finance Commission for Universities at the Centre as well as in every State, which would decide the amount of assistance to be given to each one of them after hearing the case of Universities and the State Governments. This would ensure that the universities get a fixed amount every year and will not have to run after the State Government for their needs. Such a Commission already exists for Local Self Governments.

Finally, I congratulate Shri Ahluwalia for this brilliant lecture. I am sure the Indian Institute of Advance Study would publish this lecture for wide dissemination. Thank you.

MR.....: May I request our Chairman, Dr. B.L.Munghekar to honour our distinguished guest Dr. Ishar Ahluwalia, Chairperson, Indian Council for Research on International Economic Relations with a shawl.

Thank you.

It is my honour to propose a vote of thanks on behalf of this House. First of all, we extend our thanks to H.E., the Governor of Himachal Pradesh, Shri Kokje who very kindly agreed to preside over this Session and with his presence has greatly augmented the stature of this event and honoured the Institute in the process.

Our deep gratitude to Shri M.S. Ahluwalia for having accepted our invitation to deliver this lecture, which is the premier event of the Institute in the memory of our philosopher President, Late Dr. Sarvapalli Radhakrishnan.

The new ethos evolving in the planning exercise has brought out in relief in your lecture is something that would not lose its meaning in many years to come including the Twelfth Five Year plan.

We also thank you, Sir, for having brought sunny weather to Shimla this morning after the damp and foggy days that we faced recently.

I would also like to thank Dr. Ishar Ahluwalia, who has made it convenient to attend this even though it required her to drive for long hours this morning from Chandigarh after very important meeting with Punjab Government and for having taken pains to travel the long and winding roads to Shimla to attend this lecture.

I would like to thank our Chairman, Prof. B.L. Munghekar for having laid emphasis on holding the lecture on September 5 at the Institute in Shimla and not at any place outside and also for impressing upon our distinguished speaker to make time for it in his busy schedule for this lecture.

Our thanks go to the officials of the State Government, the District Administration and the District Police for having assisted us in the smooth conduct of this event .

I would also like to thank my team at the Institute who have worked very hard to create the right ambience for this event.

The Institute would also like to specially thank our knowledgeable audience, who have come from Shimla and nearby regions to attend this lecture. I am certain that they

would take away a better understanding of the thoughts that have gone into developing the 11th Five Year Plan framework.

Ladies & Gentlemen, may I request you to stand for the National Anthem.

(At this stage the meeting adjourned.)