

18.32 hrs.

DISCUSSION ON MOTION RE : 'SIXTH  
FIVE YEAR PLAN, 1980-85—MID-  
TERM APPRAISAL'

THE MINISTER OF PLANNING (SHRI  
S.B. CHAVAN) : I have the privilege of  
moving the following Motion for the consi-  
deration of the House.

I beg to move :

"That this House takes note of the  
'Sixth Five Year Plan 1980-85—Mid-  
term Appraisal', laid on the Table of  
the House on 19 August, 1983."

As the House is aware, soon after the new  
Government came into office, the Planning  
Commission was reconstituted with the  
Prime Minister, Shrimati Indira Gandhi, as  
the Chairman of the Planning Commission.  
At its first meeting in April, 1980, the re-  
constituted Planning Commission under the  
Prime Minister's Chairmanship decided that  
there should be no Plan holiday and that the  
Sixth Five Year Plan should cover the period  
1980-85. The concept of the rolling Plan,  
mooted by the previous Government, was  
not found to be a workable concept and it  
was decided consciously to revert to the well-  
established practice of having a Five Year  
Plan for guiding and directing our develop-  
mental process, as has been the practice from  
the very first Plan onwards.

Detailed guidelines were issued to the  
State Governments, and a draft Plan frame  
was formulated and sent to the Central and  
State Governments in August, 1980 which  
formed the basis for taking up detailed sec-  
toral planning both by the Central and the  
State Governments. In the event, as the  
House is already aware, the Sixth Five Year  
Plan 1980-85 was completed within a remark-  
ably short span of time and considered by  
the National Development Council in  
February 1981 and thereafter presented to  
Parliament and the Nation.

It is against this background that the Mid-  
term Appraisal of the Sixth Five Year Plan  
has to be seen. No hiatus in planning was  
allowed to occur and even while the Five  
Year Plan was under preparation, the Plan

for 1980-81 was concurrently formulated and  
put under implementation. As has been  
pointed out in the Mid-term Appraisal docu-  
ment, the Sixth Five Year Plan started in  
extremely difficult circumstances and had to  
contend with a number of unfavourable  
factors. The fall-out effects of the drought  
of 1979-80 had to be contended with. With  
agriculture forming by far the most im-  
portant component of the economy it is  
understandable that the extremely severe  
drought of 1979-80 affected income in the  
agricultural sector, as well as savings, re-  
source mobilisation and investment in 1980-  
81, together with lower demand for both  
consumer and industrial goods generally in  
the economy. The first year of the Plan was,  
therefore, concerned mainly with containing  
the fall-out effects of the bad drought to-  
gether with a poorly performing infrastructure.  
There was also the contemporary international  
situation which was extremely unfavourable  
—the world economy in general was going  
through a heavy recession especially in the  
developed countries (which is lifting only just  
now), together with the second oil shock of  
late 1979 and early 1980 which in its extent  
and its effects was far more severe than that  
of 1973-74. All in all, it was a very difficult  
starting year for the Plan. It is all the more  
to the credit of the inherent strength of  
the economy that with careful management,  
1980-81 saw it making an almost complete re-  
covery. GDP grew up nearly 8 per cent. This  
was against the low dip of 1979-80. Recovery  
was followed up in the second year of the  
Plan when we stepped up the public sector  
investment to over Rs. 18,000 crores against  
the 1980-81 level of Rs. 14,832 crores, or a  
step up of 22 per cent in nominal terms.

The high levels of investment made in the  
first two years of the Plan paid up hand-  
somely. For the first two years of the Plan  
the economy grew at the rate of 6.5 per cent  
in real terms exceeding the targeted Sixth  
Plan annual growth rate of 5.2 per cent per  
annum. This in itself was a remarkable  
achievement and we were confident that  
the base had been laid for a significant  
advance in all sectors of the economy. The  
third year of the Plan (1982-83) however,  
once again proved to be a very bad year for  
agriculture. Severe drought, floods and  
cyclones ravaged our agricultural economy

with, once again, the fall out effects having to be contended with. However, damage to the economy was significantly minimised, principally as a result of the public sector programmes, and by a careful programme of retrieving the kharif damage in the rabi crop season, as well as maintaining the public sector investment programme in good measure. Members will be happy to know that as against the 22 million tonne drop in foodgrain production that occurred between 1978-79 and 1979-80, this time it is estimated that the drop is only 6-7 million tonnes. Overall, even with a growth rate of 2 per cent in 1982-83, the average GDP growth of the economy over the three years comes to around 5 per cent. Industry also has been affected by lagging demand and other factors in 1982-83, but 1983-84 should see a turn around both in agriculture and industry.

In agriculture, particularly, while our performance in wheat last year is a record breaking 41 million tonnes of production or thereabout, in rice, the other major cereal crop, we have not been able to match the 6 per cent rate of growth achieved in wheat, as brought out in the mid-term appraisal. The annual rate of growth of rice production, measured on triennial averages between 1949-50 to 1980-81 is just about 3 per cent or half the growth rate achieved for wheat. This needs attention, as also our millet crops, where, too, performance has been lagging. This is of course bound up with the question of rainfed or dry land agriculture, which, as Members will be aware, accounts for 73 per cent of the cultivated area of 143 million hectares in the country, that is, rain-fed and dry land agriculture extends over nearly 105 million hectares out of the net cultivated area of 143 million hectares. Though the land area is of this vast magnitude, only 42 per cent of the foodgrains produced in the country come from rain-fed areas, and these are mainly producing millets, coarse grains, and more importantly the bulk of our pulses, oil seeds, ground-nut and cotton. We have undertaken both the intensive and the extensive approaches. Under the intensive approach, sites of over 3800 micro water-sheds, each of about 1000 hectares coverage, or a total of 3.8 million hectares have been identified for dry land farming development, and the States for the first time are going ahead in a planned manner for

the identification of micro water-sheds and introduction of suitable dry farming techniques, both in and outside the sheds. Under the extensive approach, all the on-going programmes and resources will be utilised optimally, and the available technologies disseminated for increasing production of dry land agriculture, e.g. by extension, introduction of new cropping patterns, use of fertilisers, new agricultural implements, etc. Usually the development of micro water-sheds has to be viewed in a three year time-frame; in the first year, the water shed is identified and surveys are conducted, in the second year various land and water development measures are planned and executed, and in the third year the dry land production technology package is superimposed on the re-inforced land and water resources. Distribution of mini-kits, stepping up use of chemical fertilisers, together with high yielding varieties seeds distribution, etc. will also be given importance.

In the infrastructure areas, the shortfall in power generating capacity and in the generation of electricity as against the plan targets appears to be large. As Members may be aware, against the target of generating capacity in the Sixth Plan of 19,666 MW, our present estimate is that about 14,000 to 14,500 MW will be added, while electricity generation will be about 170 billion KWH against the target of 191 billion KWH. But, in this context, I would invite the specific attention of hon. Members to the fact that, as compared to the power generating capacity and electricity generation at the beginning of the Sixth Five Year Plan, the additional capacities that are expected to be added and the electricity that is expected to be generated are, respectively, 46 per cent and 15 per cent. In coal production also, the expected production of 154 million tonnes against the target of 165 million tonnes would represent a 50 per cent step up over the 1979-80 production level. The performance, therefore, of these two crucial areas of the energy sector has to be viewed in the correct perspective, rather than merely concentrating on the shortfalls. The achievement has been of no mean order, by any standards.

The growing strength and increasing resilience, which our economy has developed over these last decades, is surely the best

indicator of the success of our efforts. Had it not been for some of the extraneous factors, like the second oil shock, and the steep increase in the prices of capital goods (in the energy sector, as hon. Members are aware, considerable part of the equipment has to be imported) our achievements would have been nearer the targets.

While the increasing resilience and self-reliance of the economy is a matter in which we can all take pride, nevertheless, we have to continue our efforts, not only in both these respects for further strengthening the economy, but to undertake the necessary effort in three other areas, which will be of increasing importance over the medium term, i.e. next 5 to 7 years. These are, respectively, the making of necessary structural adjustments, the raising of resources and the management of our balance of payments. The initial effort in the area of structural adjustment has, understandably, been concentrated on curbing our imports, and in this our increased indigenous crude oil production has helped greatly. But, structural adjustment has now to diversify into other areas also, so that we acquire flexibility in the ability to reduce our imports, bulk and otherwise, in areas other than crude oil, since that will strengthen our drive for self-reliance.

The second aspect of structural adjustment would be restructuring our foreign trade policy framework, so that well-equipped manufacturing and merchant houses can plan for a sustained and rapid increase of exports as well. Recourse to extensive commercial borrowings after the IMF loans cease, carries the danger of mortgaging our export earnings to unsustainably high levels of debt servicing. By intensifying the drive for import substitution, wherever possible, and diversifying and strengthening our export performance, we shall be increasing our level of self-reliance and the resilience of the economy so as to minimise external shocks quite considerably. If, combined with this, measures are taken in hand to make our public sector enterprises work more efficiently both in the Centre and in the States, there can be generated not only a higher degree of efficiency in production, but also a higher availability of resources, which will sustain the investment flow into

the public sector. As hon. Members are aware, the public sector has to give a lead in investments, not only for the goods and services which it alone can produce, but also because it generates a significant amount of demand in the private sector segment of our mixed economy, and thus sustain the production of many articles of mass consumption, as well as many intermediate goods, which are inputs to other sectors.

To put it quite simply, additional resources generated through more efficient use of the capital invested reduces our dependence on foreign aid, since domestic savings take the place of foreign savings. I hope the House will go along with me in accepting this as one of our prime national goals, which ought to have over-riding priority over the next 5 to 7 years, whether at the Centre or in the States.

To the extent we are not efficient in using the investments, which have been created out of the sacrifices of the nation at large, we become vulnerable to the risks associated with increasing reliance on foreign capital, whether as aid or as commercial borrowings. This is a national goal and I would plead for the agreement of the entire House in putting this as such before the nation with all the emphasis that it deserves.

The third and last aspect of our medium term national priorities that I would like to stress is the need very carefully to manage our balance of payments problems.

For the next 5-7 years, the nation will have to consider a degree of austerity in order that we do not default on our international debt service obligations, without sacrificing our growth or our pursuit of social justice and equity in our polity. We shall have to carefully evaluate every aspect of the demands made on our foreign exchange balances, in order that over the medium term we do not multiply our problems to intractable levels. As I have already said before, over-recourse to commercial borrowings will not be even palliative—in fact recourse to such commercial borrowings abroad could only make our problems of managing the balance of payments yet more difficult. Here too, indigenous efforts can

make a sizeable contribution to the management of our balance of payments problems. For example, in agriculture, increased production of oilseeds would immediately reduce our import bill for edible oils, while an import substitution drive in industry both in capital goods and in intermediates could bring, within a very short time, substantial savings in imports. Innovativeness and efficiency in the use of investments already made will, again, be crucial in this area.

Over and above what I have said regarding the efforts required in these three areas, Government recognise that the overall growth of the economy is powerfully affected by public sector investment, particularly those outlays directed towards development of the infrastructure, in communications, and in important industries with extensive linkages. In order to sustain levels of public sector investment, Government decided, almost simultaneously with the Appraisal exercise to increase Central Plan outlays in 1983-84 itself for those important areas and I am glad to inform the House that the Central Plan outlay has been stepped up by an additional Rs. 1555 crores this year over the budgeted Plan outlay. The beneficial effects of this will, I hope, be felt both in the early completion of projects in the Sixth Plan itself wherever this is possible, but even more important will be that it will help to some extent to lay a strong foundation for the Seventh Plan.

I would also like to inform the Hon. Members that work on the preparation of the Seventh Plan has started. The Approach Paper is under preparation. There have been discussions on the Seventh Plan with

the hon. Members who are on the Consultative Committee attached to the Ministry of Planning as also with the Members of the Panel of Economists to advise the Planning Commission. In preparing the Seventh Plan, the priorities and concerns I have given expression to will have to be kept in mind.

These, then, are our tasks both for the immediate future, as well as over the medium term to the end of the decade of the 1980s. I hope the House will share with me the opinion and confidence that the strength of our economy should generate, after having weathered the bad year 1982-83. With this, I commend the Appraisal of the Sixth Plan to the House for it to take note of.

MR. DEPUTY-SPEAKER : Motion moved :

"That this House takes note of the 'Sixth Five Year Plan 1980-85—Mid-term Appraisal' laid on the Table of the House on 19 August, 1983."

Hon. Members, the time allotted to this discussion on the motion moved by Shri S.B. Chavan is 5 hours. Some Members have given notice of amendments and they will be asked to move them tomorrow. We now adjourn.

18.49 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, December 13, 1983/Agrahayana 22, 1905 (Saka).*