

17 hrs.

**CENTRAL TAKE-OVER OF STATE PROJECTS\***

**Shri M. S. Murti (Anakapalle):** On the 19th of this month, the Finance Minister, while replying to a question tabled by my hon. friend Shri Hem Barua and others, namely whether any guidelines had been proposed for taking over certain huge projects in the Central Sector outside the State Plan, stated that the answer was 'No'. But I hear that it has been proposed by the Central Government to take over the Rajasthan Canal Project under the Central sector outside the State Plan of Rajasthan. So, this raises another question, and I want to bring it to the notice of the Finance Minister.

The Andhra Pradesh Government have been requesting for the last four years that the Nagarjunasagar project should be taken over by the Centre outside the State Plan and financed by the Central Government. I would like to point out that the Nagarjunasagar project was taken up in 1955-56, and the original estimate was Rs. 90 crores and it was intended to irrigate three million acres of land. But due to the rise in prices and due to the rise in the cost of building materials, such as cement, steel etc., and also the increase in wages, and due to the limitations imposed by the Centre in the State Plans from year to year, the revised estimate has gone up to about Rs. 140 crores. It has become very difficult for the State Government to continue this project under the pressure of these things. The allotment to this project in the Second Five Year Plan was Rs. 40 crores, and in the Third Plan it was nearly Rs. 60 crores. But I would like to submit that this project is not going to be completed even during the Third Plan. And it is likely to spill over to the Fourth Plan, and it is likely to be finished, if the present state of affairs continues, by the end of the Fourth Plan only, and no returns from this project are going to accrue till then.

If the State Government are to allot all those resources to this project only, then the other sectors of the economy such as education, health, medical services and other social welfare activities etc. would get only a negligible amount. Besides, transport and communication and power schemes will also have a setback on this account. It was in this context that the National Development Council which met in December, 1963, urged the Central Government to take over all those projects that are in the State sector, so that the States may be able to finance the other sectors equally well and there may be an equal development as against the lopsided development that is now taking place in the States.

They have given also certain reason for these things. Taking into account the long duration of these projects, the allocation of large amounts to such projects within the State sector has necessarily resulted in inadequate outlays for other sectors of economy such as education, medical, public health and other social welfare activities. These projects are normally not completed even within two Plans, and their effects on the development of the State economy are not felt for at least ten or fifteen years. Despite the long period taken for the Plan, the interest on the loans given by the Central Government for financing such projects has to be paid during the construction stage also.

Therefore, the States have to provide not only for the yearly expenditure on the project but also for the payment of interest on the loans previously taken. The projects and public utility services such as the railways, posts and telegraphs etc. with the Centre yield adequate returns in a comparatively short period, and therefore, the Centre is in a much better position to take over these major projects which do not yield considerable returns for many years. It is only in this context, on the basis

\*Half-an-Hour Discussion.

of the decisions and the agreement reached by the Chief Ministers at the National Development Council meeting in December, 1963 that the State Government of Andhra Pradesh have requested the Centre to take over the Nagarjunasagar project out of the State Plan and finance it from the Central finances.

Till 1962, the Central Government have been giving loans for the construction of the Nagarjunasagar project, and also for the repayment of interest. But after 1962, the Central Government have begun to charge interest also. It is rather peculiar that the Central Government are charging interest on loans even when the construction period is not yet complete and no returns have accrued from out of the project. Nowhere in the world such a kind of procedure being followed. Prior to 1962, it had been decided by the Centre that they would give loans also for the redemption of the interest charges on the loans given for the execution of the project. But after 1962, they have started doing another peculiar thing, and they are deducting the interest charges from out of the funds that are going to be given to the State from the Centre. They have been deducting a sum of Rs. 6 crores a year nearly from the resources given by the Centre to the State. In this way, the Andhra Pradesh Government is put to a heavy burden. By having to execute the Nagarjunasagar project themselves, other projects like power projects and others are at a standstill. If you compare the power consumption of Andhra Pradesh *vis-a-vis* other states, it is the lowest in India. In other sectors also, the progress is very negligible in the State. The percentage that is spent on the Nagarjunasagar project in the Second and Third Plan periods is 17.9 and 18.3, with the result that they are not able to meet the demands under other sectors. The economy of the other sectors is at a standstill consequent on this.

The State Government is now put in a very difficult position to finance the project during the Fourth Plan. Till now the total amount invested in the project is about Rs. 100 crores, that is, by the end of the Third Plan. The State authorities have requested for accelerated allotment of finance by way of loan to the State so that the results may fructify by June 1966. When the Finance Minister was in Hyderabad during August 1964, the Andhra Pradesh Government convinced him of the need for advancing additional loans to execute the project. Though he was convinced by the arguments adduced, he allotted only Rs. 4 crores during 1964-65 and promised another Rs. 9 crores after a study has been made of the project by a team of experts. I do not know whether the experts have gone there to make this study. After their study and report, another Rs. 9 crores will be given. This is how the Andhra Pradesh Government is being treated by the Centre.

As regards the rate of interest also, during 1955-56 it was 3 per cent. After that it has gone up to 4½ per cent. Now in 1964-65 it is 5½ per cent whereas the return expected from the project after completion will come to 2 per cent of the total outlay. Andhra Pradesh will take another 40 years, that is upto the 11th Five Year Plan, to pay back the loan. They will have to pay to the Centre by way of principal Rs. 150 crores and by way of interest Rs. 170 crores. This makes one say that the Central Government has become almost a money-lender in this respect. I am sorry to say it is neither a matter of practical finance nor one of moral correctness on the part of the Central Government to fleece the State Government in this manner.

After all, this is a national project and not an Andhra Pradesh project as such. The Andhra State is not a deficit state but a surplus one. Even today they are giving the Centre 8 lakh tonnes of rice for feeding the

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deficit states. With the completion of this project, they will be able to give another 50 lakh tonnes to meet the needs of the whole country. We are now spending Rs. 470 crores worth foreign exchange on importing food-grains, in addition to the PL 480 imports we are getting from America. When this project is completed, most of this foreign exchange could be saved. So it is imperative that the Central Government should take over this project in their sector and finance it outside the State plan.

There is one more aspect to it. During the Fourth Plan, another Rs. 50 crores are to be spent on this project. The State Government are faced with this situation immediately that they are not able to provide this out of their resources. They have to pay the interest charges for the loans previously taken which comes to an equal amount during the course of the Fourth Plan. So, it is very difficult for the State Government to find the resources on these two accounts now.

This project is beneficial to the nation as a whole, and it affects the whole of the national economy. The Central Government should deem it a national project, and it should be in the Central sector. Not only this project, but similar projects in other States also might be taken, for instance the Rajasthan Canal.

The Central Government has financed Bhakra-Nangal, DVC, Hirakud etc. Only during the Third Plan the Bhakra Dam has been given to the State sector, till then the Centre was financing it. Even today DVC is financed by the Centre. Hirakud was previously financed by the Centre, and was given over to the State sector later on.

The Andhra Government requested the Central Government to give loans to repay the interest on their previous loans, but the Central Government refuses to do so. The second request

they have put forth is to capitalise the interest as they have done in the case of Bhakra-Nangal, but this also the Centre has refused. So, the immediate problem that is facing the Andhra Government is this: either they should continue this project, or leave it in the middle and carry on their developmental activities in other sectors, so that they may not lag behind, so that there may not be regional imbalances within the State itself.

It is up to the Centre to view this grave situation in a proper manner and see that this project is taken into the Central sector and financed outside the State plans.

**Mr. Deputy-Speaker:** Two Members have given notice. Shri Venkatasubbaiah, Shri Satyanarayana. They are not here. Shri Bhagat.

**Shri M. R. Krishna (Peddapalli):** There is still time. It is a half-hour discussion.

**Mr. Deputy-Speaker:** He should give notice before. He cannot speak now.

**Shri Thirumala Rao (Kakinada):** May I request you to waive this particular rule? It is in your discretion. The hon. Minister may not take more than 10 or 15 minutes.

**Mr. Deputy-Speaker:** That may be, but I have to go by the rules.

**Shri Thirumala Rao:** Is there no elasticity? Are the rules so rigid?

**Mr. Deputy-Speaker:** Yes.

**Shri M. R. Krishna:** At least you should allow us to put some questions.

**Mr. Deputy-Speaker:** He should give notice before the discussion begins.

**Shri E. G. Dubey (Bijapur North):** The other day Shri Menon said some-

where that rules are made for men, and not men for rules.

**The Minister of Planning (Shri B. R. Bhagat):** The hon. Member has raised a number of important points arising out of the reply given by the Finance Minister. The question was about taking over of huge projects which are at present under the management of the State Governments. It is true that no such project is being taken over or contemplated to be taken over for Central financing or the Central sector of the Plan.

**Shri Ranga (Chittoor):** He says you have already taken over.

**Shri B. R. Bhagat:** I am making a full statement. You should not cut me short at the end of a sentence.

This question has arisen in several forms on several forums, and several Chief Ministers expressed this desire because during the Third Plan or even during the second certain big projects were undertaken, and they were finding it difficult to implement them expeditiously for want of funds. If they try to divert funds for a particular project in the various States, they find the other sectors suffering. Nagarjunasagar is one such project which is a very important project and it is in the national interest that it should be implemented forthwith; there are no two opinions about it. There are other projects of this nature in other States from where there is a demand that they should be taken over. So, it raises a number of issues. The only point that has been mentioned here is that why has Rajasthan Canal Project been taken over under the Central plan? Why has this exception been made? The character, special features, in what manner it will be executed—they are all under detailed discussions and the State legislature is to pass an Act on that. But the Rajasthan Canal Project is very much different from any other project in this country; actually there is no such project in the country. It

is a project involving about Rs. 400 crores in its two phases; in the first phase it will cost about Rs. 250—300 crores and with its second phase, Rs. 400 crores. Apart from various other facts which are not only economical or financial, it lies on the border and it will cover a desert area; there is not much of a population. It is uninhabited and new area where this water will create all the prospects of development but the fact is that development has to be undertaken by the State right from the beginning unlike in other areas where irrigation goes already and agriculture is taking place and the role of the State Government is different. What is being proposed is not that this will be taken over by the Centre; the proposal is to create an autonomous authority which may be set up by an Act of the Rajasthan Legislature and this authority may be charged with the duty of construction of the project as well as an integrated development of the canal area; there will be the Central Ministries concerned; the Ministries will also be represented on this authority. The arrangements for financing and the nature and scope of the authority constituted will depend upon the final agreement reached between the State and the Centre. The latest estimate, upto date estimate of the Nagarjunasagar project is Rs. 139.53 crores and this has been financed with 100 per cent loan assistance from Centre.

**Shri Ranga:** Why 5 per cent and 6 per cent interest?

**Shri B. R. Bhagat:** So, the point is that there are two or three things. It has been said that the Nagarjunasagar project should be taken up with a view to help or relieve the financial strain on the State Government as had been done in the case of the Rajasthan Canal; as the Rajasthan canal project has been taken up to relieve financial strain. The major premise under this is not true, because, as I said, the considerations for making new arrangements for

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the construction and development of the desert area are entirely different.

**Shri Ranga:** We are all in favour of it.

**Shri B. R. Bhagat:** The point is, the whole character of the Central assistance has not been very well appreciated by the hon. Member. Firstly, all these irrigation projects, and particularly the Nagarjunasagar project, is met by 100 per cent loan from the Centre. Secondly, it may be generally assumed that if the Nagarjunasagar project is taken up, or for that matter, any other project is taken up, and if it is financed by Central assistance, then the amount and the quantum of Central assistance going to that particular State will not remain the same, because, it will have to come out of that fixed cake, so to say. If a project is taken for Central assistance, the Central assistance to that State will be reduced. So, there is no financial benefit; the only consideration is, what should be the administrative arrangements, technical and other arrangements and financial arrangements, so that a project could be implemented in the shortest possible time. So far as the Nagarjunasagar project is concerned, it was done. In all other projects also, for example, in regard to the Gandak and some other projects, the Finance Minister himself went into the question and looking to the urgent needs of Nagarjunasagar he has given special assistance of Rs. 4 crores during the past year. There is a proposal, as was mentioned by the hon. Member, to give Rs. 9 crores more. That is a matter which is under examination by the Finance Minister.

**Shri Ranga:** What is meant by special assistance? It is only a loan.

**Shri B. R. Bhagat:** It is additional loan, if you object to the word "special." It is an additional loan this year. The idea is that the

project should be completed as quickly as possible.

**Shri Ranga:** That is the most important thing.

**Shri B. R. Bhagat:** Already, an assurance has been given by the Finance Minister that whatever fund is required for speedy implementation should be provided.

Then there was the question about the rates. It is a very complicated question. The second Finance Commission consolidated all the loans at a particular rate. The present rates are higher, because, we do not give loans from somewhere else. We also go to the market and when we pay a higher rate, we have also to charge a higher rate. It is all interrelated. Therefore, the rate of the loan which we give this year or in the subsequent years has to be revised upwards. The fact is that the interest rates in the country have gone up and the Government is paying the higher rate, and since we are paying a higher rate, we also are charging a higher rate. I am sorry to say that it was said that this is like moneylending. But I say it is not correct. It is not with the idea that we wish to make a profit. There is no profit.

**Shri Narendra Singh Mahida (Anand):** In between, is it on a profit and loss basis?

**Shri B. R. Bhagat:** As I said, all these matters are looked into every five years by the Finance Commission. Earlier, the Finance Commission did make a recommendation about the consolidation of the rates. But the point is that even the recent loans that have been floated by the State Governments bear a higher rate of interest. Otherwise, they would not be subscribed. To say that the rates have been increased by one to one and a half per cent in the subsequent years and the Centre is making a profit, that it is a money-lend-

ing business, is not correct; it is not true. (*Interruption*). The rate reflects the rates in the markets in the country. You can take any Central loan and compare it with the others. You see the State loans that are floated. Only last week, a State loan was floated, and you see the rate and compare it with the previous year's rate or the rate of the year before last. Then you will see why it has happened. There is no profit in this. It is not true to say that we float loans at three per cent and charge at five and a half per cent from the States. In all these matters, the profitability of a project depends upon how quickly the project is completed, and how quickly the benefits accrue. To that extent, as I said, an additional loan was made available, so that it should be speeded up. The Finance Minister is considering how further money can be made available so that this project is completed. This matter came up in the National Developmental Council. Several State Chief Ministers raised it. The quantum of central assistance would depend upon the residue that is left. If a larger devolution takes place as a result of the Finance Commission's recommendations, the size of the cake left with the Centre is reduced and so the quantum of central assistance for the plan projects or deve-

lopmental projects will be reduced. Then, if a State has large projects like Nagarjunasagar, Gandak or Srisaillam or some big project involving hundreds of crores, in determining the central assistance for the plan period we have to take into account the liabilities or responsibilities of the States in that. If these big projects are taken out and they no longer remain the responsibility of the States, but come to the centre, if we assume that, then the central assistance for the plan of that State will be reduced, because unless the total size of the financial resources of the State and the Centre go up, there is no way of manipulating it. You cannot increase the one without decreasing the other. So, this matter has to be looked at in that larger context. I think the State Governments appreciate this.

So far as Rajasthan Canal is concerned, because of its special features we are trying to evolve a special authority, so that the development of this vast desert area on our sensitive borders may take place speedily.

17:27 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, August 31, 1965|Bhadra 9, 1887 (Saka).