CHAPTER - III

12TH PLAN FOR MEGHALAYA:STRATEGY, PRIORITIES AND FINANCING[1]

I. Introduction:

3.1 Meghalaya, a small state carved out of the composite State of Assam in 1972, has a geographical area of 22,429 sq. km and is inhabited by 2.96 million people according to the 2011 census. The state, like the rest of the Northeastern region has a predominantly tribal population which constitutes about 86 per cent of the total population. Rich in mineral deposits such as coal, limestone and uranium and with large potential for generating hydro power, the prospects of the state becoming an industrial engine for growth in the region are well within the realm of possibility. The state has a predominantly hilly terrain, and its area includes the three main hill regions of Garo Hills, Jaintia Hills and Khasi Hills. With a forest cover of over 70 per cent of its land area and endowed with bountiful rainfall, the state has an abundance of flora and fauna.

3.2 Like other states in the Northeastern region, the State faces severe constraints in accelerating growth and improving living conditions for the people at a rapid rate for a variety of reasons. Like other states in the region, its landlocked nature and remoteness from the rest of the country have limited the mobility of people, constrained the development of markets for goods produced in the State, increased transportation costs to render economic activities non-competitive and restricted trade with the outside world. Poor connectivity and transport infrastructure have resulted in low levels of private investment in economic activities, which in turn has led to an overwhelming dependence of the people on the state government for employment and income-earning opportunities. Lack of access to the markets with the mainland and with the neighbouring countries has been a major constraint on development. Lack of processing, storage and marketing infrastructure for agricultural produce in the state has constrained it to largely subsistence agriculture. Of course, recent initiatives have enabled the state to make significant progress in floriculture and horticultural produce and exports. Nevertheless, there is considerable underutilized potential in agriculture. Above all, the low level of institutional capacity and lack of focus on building technical capacity needed for exploiting the developmental potential of the state have posed

[1] The National Institute of Public Finance and Policy (NIPFP) was commissioned by the Government of Meghalaya to assist it in formulating the State's 12th Five Year Plan. The team led by Prof. Govind Rao visited the State, consulted stakeholders and built upon the earlier Vision 2030 report for the State. This chapter on the State's strategy and priorities is an outcome of that exercise.

additional constraints in ensuring the productive employability of the vast pool of human resources in the state.

3.3 Not surprisingly, the standard of living in Meghalaya is lower than that of average Indian. In 2009-10, Meghalaya's per capita income was about 90 per cent of the national average. The average annual growth of GSDP in the State during the period from 2001-02 to 2009-10 at 6.9 per cent too was substantially lower than the average growth rate of GDP of the country at 7.5 per cent which implies that the differences in the standards of living between Meghalaya and the country has been increasing. With the Planning Commission at the centre setting the target of 9 per cent for the country, Meghalaya will have considerable catching up to do. The state will have to substantially enhance the investments and improve the productivity. In addition to augmenting investments, the state government will have to undertake policy and institutional reforms to create an enabling environment for private investments and build capacity in the people and institutions.

3.4 The problem with the state's developmental profile is not the slower growth rate of incomes alone. Even more important is the high concentration of poverty. The estimate of poverty made by the State on the basis of the BPL Census in 2002 shows that almost 48.9 per cent of the population in the State is below the poverty line. Eradication of poverty of such a large scale shows that firstly, growth of the economy has been too slow to reduce poverty in any significant manner and the quality of growth is such that by itself, it has not reduced poverty appreciably and this calls for a re-look at the development strategy followed thus far. Therefore, even as the growth rate of the economy is accelerated, it is important to make it inclusive which requires participatory governance and planning.

3.5 The low development of the State is seen also in terms of poor human development indicators. The literacy rate in the State according to the 2011 Census at 75.48 per cent is marginally higher than the country average at 74.04 per cent. What is of concern is that the literacy rate in Meghalaya is lower than every state in the region except Assam and Arunachal Pradesh. The infant mortality rate in the State, is at 55 per 1000 births in 2010 continues to be well above the national average. Despite having matrilineal society, health indicators, particularly those relating to women continue to lag.

3.6 There is also the challenge of ensuring a balanced regional development of Meghalaya. There was significant inter-district difference in per capita district development product (DDP) in 2007-08, varying from Rs. 12592 or 56.3 per cent of the State average in

West Khasi Hills to Rs. 31202 or 139 per cent of the State average in East Khasi Hills. In other words, per capita income level in the poorest district in the State, West Khasi Hills was only 40 per cent of that of the richest, East Khasi Hills. The lack of inclusiveness in the developmental process in the state is also seen when we analyse the poverty ratio in different districts in the state. The analysis based on the BPL Census conducted in different districts shows that the poverty ratio in 2002 varied from 39.5 per cent Jaintia Hills district to 55.9 per cent in East Garo Hills. This underlines the need to rework the strategy not only to accelerate growth but also to make it participatory and inclusive.

II. Vision 2030:

3.7 In the Vision 2020 document for the North eastern Region, it was shown that if GDP at factor cost in constant (2006-07) prices in Indian economy grows at an average rate of 9 per cent per year, (and per capita GDP at 7.6 per cent), Meghalaya will have to grow at an annual rate of 11 per cent (9.72 per cent per capita) to catch up with the country's average per capita income in 2030. To accelerate average growth to double digits for the plan period will, by no means, be an easy task. Even when Meghalaya grows at 11 per cent, when the average growth rate of Indian economy is 9 per cent, the per capita income in Meghalaya will be lower than that of the country by about 5 per cent in 2030.

3.8 Acceleration in the growth of the economy to catch up with the standard of living in the country cannot be achieved overnight. The Vision document envisages that in order to achieve the convergence of per capita incomes of Meghalaya and India, the GSDP of the State should accelerate from 7.85 per cent during the 11th Plan to 10.25 per cent during the 15th Plan and during the 12th Plan period, the envisaged average growth rate is 9.5 per cent. The growth performance of the state during the first four years of the 11th Plan according to the estimate prepared by the Bureau of Economics and Statistics for the first four years of the 11th Plan is quite impressive at 10.4 per cent (Table 2). However, the CSO's estimate for the four years is substantially lower at 7.7 per cent (Table 1), though the growth rate for the three years excluding the first year of the Plan is much higher at 8.7 per cent. Considering this excellent performance and the fact that the State has moved into a higher growth trajectory, the government intends to set the growth target at 11 per cent during the 12th Plan. Indeed it is important to plan for higher growth rate and strive to achieve the same.

III. Strategy and Priorities

IIIa. Strategy

3.9 The strategy for the state's Twelfth Plan is derived from the Meghalaya Vision 2030 document, which had laid out an overall framework to tackle the constraints impeding development in the state. The strategy is based on an integrated approach to development, end-to-end solutions for service delivery within and across sector, and knowledge management for effective and efficient utilization of public resources. If the state is to catch up with the pace of development in the rest of the country it is important that elements of the vision strategy form a basis for the next five years of planning.

IIIb. Priorities

3.10 Based on this strategy, the Twelfth Pan priorities will focus on three broad areas: harnessing the state's natural resources for sustainable livelihoods, expanding and strengthening the infrastructural base and building capacity among the people.

i) Harnessing Natural Resources for Development and Livelihoods

Promoting the Primary Sector:

3.11 In order to spread out economic development and address rural unemployment, it has become important to develop sustainable livelihood opportunities in the rural-based primary sector. Development will be based on the state's existing resource base, and in the primary sector, the priorities will be to lay the foundations for improved agricultural and horticultural productivity, setting up strong linkages with the markets, and providing multiple non-farm rural livelihoods. The state has set up missions on aquaculture, apiculture, livestock, tourism (focus on eco-tourism), horticulture and forestry to promote these areas, and a central university for agricultural research will be established in Meghalaya during the Twelfth Plan.

3.12 Improving agricultural productivity is at the heart of enhancing income-earning opportunities for the large proportion of population that relies on farming for its livelihood. Agricultural extension services would play an important role to promote scientific methods of cultivation, promoting the cultivation of commercial crops in which the state has gained considerable experience – but it is important to expand the scale. This will need to be supplemented by providing easy access to facilities to test soil composition and quality to ensure balanced use of fertilizers, and availability of hybrid seeds and fertilizers. The state government is already focusing on the promotion of livelihoods in the primary sector through a well articulated programme that would seek to rationally combine actions of several government departments to converge towards a common goal of efficiently utilising the water resources of the state and address several concerns, mainly in the primary sector, in a holistic manner (see box).

The Integrated Basin Development

and Livelihood Promotion (IBDLP) ***Programme***

The state has recently set up the Meghalaya Basin Development Council under the Chief Minister and the Meghalaya Basin Development Authority, which are spearheading the State's flagship Integrated Basin Development and Livelihood Promotion Programme launched in April 2012. It aims to provide livelihood security for the people based on the basin resources of the state, through a holistic approach based on the convergence of key implementing departments. Its focus is market-oriented production and development of entrepreneurship in a sustainable manner.

At the centre of this programme is water, which is increasingly becoming a scarce commodity. The state's bountiful water resources have not been efficiently harnessed, and those that have are under stress and have resulted in the drying of springs and water sources and reduced depth of stream flows, etc. The objective of the IBDLP would be to improve the capture of surface water, formulate a water policy and improve river governance. The creation of small multipurpose reservoirs which can be used for fisheries, irrigation, mini-hydel, aqua-tourism and drinking water supply, will help generate livelihoods for the people.

The programme will also address problems arising from *jhum* and *bun* cultivation and strengthen the traditional governance framework. Notably, local people's participation in the development process will increase as the programme will improve their capacity to understand the developmental challenges and identify the strategies most appropriate for them. This will have a positive impact on the quality of public services to the poor and the marginalised. Convergence across sectors and a focus on developmental activities that have a significant impact on large populations and areas will avoid the thin spread of resources and wasteful expenditure.

3.13 The strategy for increasing primary sector output and productivity infrastructure would prioritize horticulture and floriculture which will emerge as the core of Meghalaya's thrust in primary production during the 12th Plan. This will be complemented by a shift towards settled agriculture in the narrow plain areas of the state and consequently reduction in shifting cultivation; encouragement of organic farming and plantation crops including cashew, rubber, areca nut, ginger and turmeric.

3.14 To implement this strategy, one key area of focus would have to be management of water resources. Reduction in rainfed agriculture which is prone to the adverse impact of weather especially in the context of global warming necessitates efficient management of groundwater and encouraging water harvesting. Meghalaya has already invested in small and multipurpose reservoirs (SMRs) which act as common property resource, ensuring both availability and conservation of water resources. The state will invest more intensively in expanding the scope of the SMRs to cover more areas, and leverage additional resources from the central government through the Accelerated Irrigation Benefit Program (AIBP). It is expected that a harmonized strategy taking into account the geographical and geological challenges faced by the state would encourage farmers to invest in new technologies and modes of production.

Agricultural Infrastructure Development*:*

3.15 Agricultural and rural development requires, in addition to rural roads and improved connectivity, the creation of a range of other related infrastructure. Opening up the rural areas to the market through a network of rural roads, setting up a chain of warehouses and cold storage facilities to minimise wastage of perishable farm products and promoting marketing facilities to ensure that the farmers get remunerative prices are critical to agricultural transformation.

3.16 The development of markets for non-farm goods produced by rural people will help supplement their incomes and enhance the popularity of local products in the outside world. The state will develop 108 traditional agricultural product markets, providing end-to-end infrastructure such as easy access, market facilities with high hygiene standards, financial inclusion through microfinance schemes for the sellers, especially women. The setting up of agro-processing facilities will also bring about rural transformation, especially with the development of regional markets along value chains.

3.17 There has been a major push towards increasing the area under irrigation. The state’s flagship programme, Integrated Basin Development and Livelihood Promotion (IBDLP), represents a major investment in this sector; state funds are being supplemented by central funds from the Accelerated Irrigation Benefit Programme (AIBP), schemes for RRR of water bodies of the Ministry of Water Resources, and schemes of NABARD.

ii) Infrastructure for Connectivity and Progress

3.18 Infrastructure development to promote markets and attract investment is a critical component of the development strategy. Given the poor state of infrastructure in the state, it is important that both centre and state governments significantly augment investment in this area. However, given the volume of investment required, it would be unrealistic to expect the central and state government to shoulder the entire burden, and the way forward is to have public-private partnerships. That would require developing the framework and a system of regulations. Given the unique features and inherent disadvantages of Meghalaya, the PPP framework will have to be modified to ensure that investments in infrastructure with private participation do, in fact, take place to the required level.

Transportation and Physical Connectivity

3.19 Improving the state's connectivity both within the region and with the rest of the country is a key to its prosperity and growth. Development in the state has been hampered by the lack of physical connectivity. In the absence of rail services and with limited air services on offer, there is a high dependency on roads for linkages both within the state and with the neighbouring markets and towns. In the past, these roads have been in dire need of maintenance and repair, strengthening, widening, and in general bringing them up to the mark to meet the demands of the modern economy and society is absolutely vital.

3.20 Large-scale upgradation is necessary in improving connectivity within the state, between the state and the region, between the state and the rest of the country, and between the state and the neighbouring countries and beyond. Thus, significant increases in public investment are necessary in roads, rails, inland waterways as well as airways.

3.21 The creation of a good road network within the state, including rural roads, opens up the markets for both labour and the products, in addition to enabling people to access services such as education and healthcare. Several plans are afoot to improve the condition of the national highways and bridges including NH 40, NH 44, NH 40E, NH 62 and so on. By March 2014 construction of the Shillong bypass will be completed, which will significantly decongest the city streets. Other projects have been sanctioned with funds from the SARDP-NE, Ministry of Tribal Affairs, Northeast Council, ADB-NESRIP and other schemes of the Ministry of Road Transport and Highways. The proposed bridge over the Brahmaputra river would significantly improve the connectivity to north Bengal and Assam. The state will also be making significant investment through SPA, the Non-Lapsable Pool of Central Resources, the state plan, and so on.

3.22 The airport at Shillong is currently being revamped and expanded to allow Airbus planes to land, an event that will provide significant impetus to the transport of people and goods, tourism, horticulture and several other key sectors in the economy.

3.23 As regards the railways, the Tetlia-Byrnihat link is expected to be operational by 2014-15; two other rail lines are scheduled to come up during the Twelfth Plan, the Dudhnoi-Mendipathar rail link which will be operational by March 2013 and the Sutnga-Lanka link by 2014-15. In addition, opening of the land and inland waterways routes to West Bengal through Bangladesh would substantially reduce transportation costs and expand trade with rest of India as well.

Telecommunications

3.24 In today's interconnected world, good telecommunication networks have become an infrastructural necessity for strengthening connectivity, especially in a hill state where physical connectivity is often limited. It is also a necessity for the promotion of almost any kind of activity - business, tourism, agriculture, forestry, IT, schooling or health. The state has been lagging in its telecom infrastructure, as a result of which mobile and landline connectivity continue to be poor. Meghalaya suffers from lack of access of telecommunications infrastructure, especially mobile telephony, in nearly half of the length of the national highways and over seventy per cent of state highways. Significant investment is required in this area if the state is to catch up with the rest of the country within the next plan period. However, the role of the state has been rather limited in this area and it has to depend on the investments by the central PSUs for this.

Power

3.25 Another major resource that will be harnessed in the state for development is its power potential. The state has significant hydroelectricity generation potential, as well as supplies of coal and harnessing this potential could ensure adequate supply of power, both hydel and thermal. The proper harnessing of its potential would result in generating surplus power which could be sold to neighbouring regions, which are power deficit. This would form an important revenue source for the state also, which is characterised by a very narrow revenue base. Apart from being a pre-requisite for attracting investment to the state, increased availability of power has externalities across sectors, especially agriculture. It will help the state develop modern storage and warehousing facilities especially in the light of the state's strategy to focus on horticulture, floriculture and organic farming during the 12^{th} Plan. An efficient cold storage and supply chain infrastructure would also minimize the fluctuation in the prices of perishable commodities, reduce wastage and therefore provide farmers with a conducive economic environment to invest in agriculture.

3.26 At present the state itself is seriously deficient in power, as its generation capacity is only 185 MW against a peak demand of almost 800 MW. The Twelfth Plan will see a significant thrust to power generation in the state. Power availability is set to increase with the commissioning of the Myntdu-Leshka (126 MW), Kynshi and Umngot hydroelectric project. Additional capacity will become available from Palatana (the Tripura gas project), the Bongaigaon thermal power project, the Garo Hills thermal power project, other central generation projects in the North East, and the state's micro and mini hydropower projects being commissioned in PPP mode. In addition, the Rural Energy Mission will be delivering decentralised energy solutions. These developments are likely to make Meghalaya a power surplus state by 2014. Transmission systems in the state will also be strengthened through investments from the World Bank Project for the northeast.

Urban infrastructure

3.27 Sustainable urban development requires the provision of amenities such as water supply, sanitation and waste disposal. The development of civic amenities and urban facilities has been given priority in the next Five-year Plan. In addition to improving and expanding the services in Shillong, it will focus on other emerging urban centres such as Tura in an effort to strategically plan sustainable development of urban areas. Shillong is the only city in Meghalays which qualifies for JNNURM and therefore the State has limited resources to invest in other urban centres which remain neglected. The norms for this scheme need to be modified so that other small and medium towns in the hilly areas, especially the emerging urban centres, can leverage central funds as well.

3.28 These services include the entire gamut of urban infrastructure from shopping areas, housing for urban dwellers, slum development, parking facilities, public transport, bus terminus, city roads and pavements; it will also include improvements and expansion in water supply, garbage disposal sites, landfill sites, and so on.

Border Infrastructure

3.29 Facilitating international trade would require opening up the trade routes with neighbouring countries and facilitating access to the ports in Bangladesh. Opening up for trade with Bangladesh should be a priority and will be beneficial to both the countries. The latter can open up opportunities to the Southeast Asian countries if the Asian Highway is constructed and made operational.

3.30 Opening up for inland trade with Bangladesh requires strengthening the border trade infrastructure. At present, most of the border check-posts allow trading in only a few commodities. It is important to enable these check-posts to trade in a wide range of commodities. In any case, given that the border between the two countries is porous, the commodities not allowed to be traded go through informal channels and therefore, facilitating the trade will reduce the transaction cost. The two Border Haats with Bangladesh made operational recently represent a positive beginning. Conducting inland trade with Bangladesh also requires substantial improvement in border infrastructure which involves, upgrading the roads, weigh bridges, loading and unloading facilities, parking and resting places, restaurants and refuelling stations.

3.31 The central government has already approved considerable investment in land customs stations in Meghalaya, such as at Dalu and Gasuapara in the Garo Hills, for trade involving Bhutan and Bangladesh. Borsora, Dawki and Gasuapara are the three important border check-posts between Meghalaya and Bangladesh which need to be upgraded to enable the movement of wide range of goods across the two countries. The land customs station at Dawki is proposed to be up-graded to an integrated check-post.

iii) Human Development for Building Capacity

3.32 Developing the capacity of people is important both for accelerating growth and ensuring employment security to the people. Gainful employment opportunities are created only when the people have access to quality education and healthcare.

Education and Skill Development

3.33 Education and skill development will be a cornerstone of development in the Twelfth Plan, as these enhance people's productivity and employability. Endowing the poor and vulnerable sections which do not own land or do not have access to capital with human capital will empower them to gainfully participate in market activity. Improved skilling in line with the needs of today's economy is important for various other reasons too, especially in Meghalaya which has limited avenues for employment, and the excessive dependence on the government for employment has helped neither the people at large nor the government. Further, a more rapid pace of industrialisation will call for a large skilled manpower base; providing the youth access to education and skill development will equip them to acquire productive employment in the new economy. Focus must be given to providing them strong training in information technology (IT) and IT enabled services, various aspects of hotel management and other skills that can provide them employment within the region or the country.

3.34 To this end, during the Twelfth Plan, the state has established the Meghalaya State Employment Promotion Council (MSEPC) for comprehensive skill development and has also proposed setting up a state technical university through PPP to meet the professional, technical and vocational needs of the people. Additionally, two new polytechnics will be set up in districts which do not have them, and an autonomous Indian Institute of Information Technology – all in PPP mode. A degree Regional Engineering College to promote the study of engineering within the state has been approved. Several other innovative initiatives are envisaged for the 12th Plan. These include: Enterprise Incubation Centres which will be linked to credit facilities for entrepreneurs strengthening financial inclusion; State Skills Mission which will provide training in retail, hospitality and other service sectors; and overall management of knowledge resources, especially trained manpower, for the integrated development strategy that the state proposes to follow during the 12th Plan.

Health

3.35 Good health is central to development and investment in health brings major gains in terms of well-being, development and economic productivity. The health policy initiatives of the government have aimed to provide equity in health care throughout the state and considerable progress has been made during the past Plan. However, several challenges remain, such as the prevalence of endemic diseases like malaria, cholera and dysentery, in addition to common diseases such as tuberculosis, leprosy, etc. Other challenges include the lack of medical specialists, reaching people in the remote areas and staffing the health facilities there with trained medical personnel, and providing health services and medicines to the large BPL population in the state.

3.36 District-level proposals during the Twelfth Plan include the setting up of a 100-bed facility at Mawkyrwat, upgrading the CHC at Ampati to a 100-bed hospital, setting up several new community health centres, primary health centres, and sub-centres, a district eye operation theatre with 10-bed ward at Nongpoh, and others. At the same time, the Ganesh Das hospital and Shillong Civil hospital are being strengthened to properly cater to the health needs of the people. The Medical College cum Hospital is being developed in Shillong through a PPP which is the first of its kind in India.

IV. Financing the 12th Plan

3.37 The volume of investment required for Meghalaya to catch up with the rest of the country cannot come from the central and state governments alone, and will need to be augmented by the private sector. However, for the private sector to make large investments in the State, it is necessary to create an enabling environment. Among other factors, the quality of infrastructure in the State is an important determinant of investment by the private sector.

3.38 The state plans to leverage various sources of funding available over the next five years.

- Central funding for telecoms, aviation, land customs stations and for other centrally sponsored schemes in irrigation, urban development, education, health, etc.

- Plan financing from NEC and NLPCR
- Northeast-focused Externally Aided Projects, especially ADB and the World Bank
- Large scale private investment in infrastructure, energy, tourism, agriculture as well as health and education

3.39 The Planning Commission, in its initial estimate of a state-wise, sector-wise growth target, has set an average annual growth target of 8.76 per cent for Meghalaya as against the target of 9.1 per cent for the country. Given that the per capita income in Meghalaya is lower than the all-state average by about 10 per cent and the necessity of providing economic opportunities for the growing youth population, it is important to target the growth rate at a rate higher than the country's growth target during the 12th Plan. Therefore, from the viewpoint of Meghalaya, the growth target will have to be higher than 8.76 per cent suggested by the Planning Commission. Planning for a growth rate lower than the actual rate would not satisfy the aspirations of the people, nor would it enable the state to catch up with the standard of living in the rest of the country. The growth experience of the 11th Plan actually shows that the state should be in the forefront and, therefore, it is proposed to set the growth target at 11 per cent during the 12th Plan which is also higher than the 9.5 per cent growth rate indicated in the Vision 2030 document. That is the only way to hasten the process of enhancing the standard of living of the people of the state.

Table 1 : Growth Performance in Meghalaya (2005-06 to 2010-11) (% growth rate)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2007-11
Agriculture and Allied	4.9	1.3	-0.9	4.1	4.4	4.4	3.0
Mining	0.7	5.5	13.2	-14.0	6.6	6.7	3.1
Manufacturing	74.9	56.9	11.7	-4.7	11.9	11.9	7.7
Services	7.2	6.9	4.8	14.5	10.0	10.1	9.8
Total	7.9	7.7	4.7	8.4	8.8	8.9	7.7

Source: C. S. O. ; Ministry of Statistics and Programme Implementation, GOI

TABLE 2: Performance of the Different Sectors of the Economy during the 11th Plan (Meghalaya) (% growth rates)								
Period	**No. of Years**	Agriculture & Allied Activities				**Industry**	**Services**	**State Domestic Product**
		Agriculture (including Livestock, Sericulture and Honey	Forestry & logging	Fishing	**Total**			
2006-07		1.83	0.97	-12.12	1.33	12.90	7.91	7.74
2007-08		-0.64	-0.13	-22.68	**-0.92**	9.26	4.21	4.52
2008-09 (P)		5.58	-0.19	5.09	**4.15**	17.69	13.72	12.94
2009-10 (Q)		5.60	0.70	5.09	**4.43**	11.25	9.40	9.03
2010-11(Adv)		5.69	0.59	5.08	**4.51**	11.90	9.58	9.39
2006-07 to 2010-11	**5**	**4.02**	**0.24**	**-0.26**	**3.02**	**12.48**	**9.17**	**8.93**
2007-08 to 2010-11	**4**	**5.62**	**0.36**	**5.09**	**4.36**	**13.58**	**10.88**	**10.44**

Source: Bureau of Economics and Statistics, Government of Meghalaya.

3.40 The next stage in the preparation of the plan is to work out sector-wise growth targets consistent with an overall growth of 11 per cent during the 12th Plan period. This should be in tune with past experience and prospects in the medium term. According to the Planning Commission's indicative target, the targets for the primary, secondary and tertiary sectors consistent with 8.76 per cent growth, respectively, are 3.12 per cent, 10.22 per cent and 10.0 per cent as against the actual growth during the 11th Plan period estimated by the Bureau of Economics and Statistics of 4.45 per cent, 13.6 per cent and 10.9 per cent (Table 2). To be consistent with an 11 per cent growth rate and taking into account the actual growth rates in different sectors of the economy, we have tentatively worked out the targets for primary, secondary and tertiary sectors at 5.5 per cent, 12.4 per cent and 12.5 per cent, respectively.

Table 3: Growth Target and Estimated Investment Requirements (at 2011-12 prices in Rs. crore)				
	Growth rate (%)	GSDP	Per capita	Investment
2011-12		16,265	61,610	
2012-13	9.5	17,810	66,705	6,181
2013-14	10	19,591	72,533	7,124
1014-15	10.8	21,707	79,455	8,463
1015-16	11.5	24,203	87,598	9,985
2016-17	11.5	26,987	96,588	11,134
2012-17	10.99			42,887

3.41 The investment requirements for achieving an average growth rate of 11 per cent during the 12th Plan period are large. Assuming an incremental capital-output ratio (ICOR) of 4 per cent at 2011-12 prices, the volume of investment required for achieving 11 per cent growth during the 12th Plan period works out to Rs. 42,887 crore. This has been estimated by extrapolating the GSDP of the state for 2011-12 from the 2010-11 estimate (based on the actual growth rate from 2004-05 to 2009-10), to firm up the base year GSDP in 2011-12 prices. On this, the annual growth target was applied for each of the years in the 12th Plan as indicated in Table 3. These targets are based on a gradually accelerating pattern, with growth rates during successive years increasing on the strength of investments made in the previous year. Applying the incremental capital-output ratio of 4, the investment requirements for the 12th Plan period were estimated. Thus, the total investment requirement for achieving an 11 per cent growth rate during the 12th Plan period works out to Rs. 42,887 crore. The annual pattern again follows an increasing trend over the five years of the Plan.

3.42 The analysis of the public investment pattern during the 11th Plan provides useful lessons for formulating the investment plan for the 12th Plan. The total approved outlay for the 11th plan period of 5 years was Rs. 9,185 crore at 2007-08 prices. This underwent significant upward revision in current prices during the determination of the approved annual outlays, possibly to compensate for inflation, at least in part.

Table 4: Annual Plan Outlay and Expenditure

Annual Plan	Approved Outlay	Revised Outlay	Expenditure	Exp as % of Revised Outlay
2007-08	1120.00	1016.82	990.83	97.4
2008-09	1500.00	1425.00	1386.95	97.3
2009-10	2100.00	1655.26	1417.86	85.7
2010-11	2230.00	2230.00	2127.70	95.4
2011-12	2727.00	2727.00	2570.00	94.2
Total	**9677.00**	**9054.08**	**8493.34**	**93.8**

3.43 But revised outlays were significantly lower than the approved outlays, so that the total of revised outlays for the entire plan period in current prices worked out to be lower than the original estimate for the entire plan period (Table 4). As a result, although the actual plan expenditure during the five years in nominal terms is almost 94 per cent of the revised outlay, actual expenditures at the base year (2007-08) prices were in the aggregate only a little more than 50 percent after four years of the five-year period (implying significant shortfall against the originally estimated outlay in real terms). This only goes to say that the shortfall was limited more by the allocations (revised) rather than the capacity of the State to implement a larger Plan, and thus argues for a significant increase in the Plan size for the State as also required by the developmental requirements outlined above.

3.44 The sectoral pattern of actual Plan expenditures for the first four years of the Eleventh Plan against originally approved amounts are provided in Table 5. The data show that the largest shortfalls were in the sectors with the largest shares in Plan outlay, and to a large extent in sectors where the State actually needs to invest resources urgently. These shortfalls need to be made up as quickly as possible, which provides additional justifications for a substantially increased Plan size for the 12th Plan.

Table 5: Expenditure under Annual Plan for 2007-08 to 2010-2011 in Constant 2007-08 Prices (Rs. Crore)

Particulars	Projected Plan Outlay 2007-2012	2007-08 (Actuals)	2008-09 (Actuals)	2009-10 (Actuals)	2010-11 (Actuals)	Total 2007-08 to 2010-11	Share (%) in Projected 11th Plan Outlay	% Exp out of Projected Plan Outlay
1. Agriculture and Allied Services	735.22	98.24	130.99	179.31	297.98	706.51	8.00	96.09
2. Rural Development	802.30	117.44	170.87	107.11	187.09	582.51	8.73	72.61
3. Special Areas Programme (Border Areas Development)	189.09	0.00	0.00	0.00	0.00	0.00	2.06	0.00
4. Water Resources, Irrigation and Flood Control	219.72	15.69	43.67	41.60	85.46	186.43	2.39	84.85
5. Energy	1084.88	58.21	213.95	94.24	86.28	452.69	11.81	41.73
6. Industries and Minerals	290.50	23.64	39.49	39.91	57.96	161.00	3.16	55.42
7. Transport	1623.62	137.83	155.82	178.14	205.76	677.55	17.68	41.73
8. Science Technology and Environment	245.07	0.00	0.00	0.00	0.00	0.00	2.67	0.00
9. Social and Community Services	3481.74	301.57	374.28	403.85	444.97	1524.68	37.91	43.79
10. General Economic and General Services	512.86	82.09	103.36	115.22	172.03	472.70	5.58	92.17
Total	**9185.00**	**834.71**	**1232.44**	**1159.37**	**1537.54**	**4764.07**	100.00	51.87

3.45 The total plan expenditure for Meghalaya consists of State Plan, Central Plan, Centrally Sponsored Plan Schemes and the NEC Plan. Table 6 indicates that just under 80 per cent of revenue expenditure and around 86 per cent of capital expenditure in the 11th Plan period came from the State Plan, with the overall share being 81.67 per cent. The second biggest share in plan finance came from the various CSSs being implemented in Meghalaya, with a share of 14 per cent. The Central and NEC plans were relatively minor.

Table 6: Financing the 11th Plan - Constant 2007-08 Prices (Rs. crore)

	2007-08	2008-09	2009-10	2010-11	2011-12 (RE)	Total 11th Plan	% Share
Revenue Exp							
State Plan	550.04	787.04	697.12	936.37	1,165.9	4,136.4	79.67
CSS	138.03	86.97	132.98	149.28	401.20	908.46	17.50
Central Plan	10.91	2.85	12.54	4.57	17.38	48.24	0.93
NEC Plan	22.26	22.33	19.06	11.13	24.10	98.87	1.90
Total	721.23	899.19	861.70	1,101.34	1,608.57	5,192.03	100.00
Capital Expenditure							
State Plan	303.61	417.98	363.11	415.68	637.39	2137.78	85.89
CSS	51.27	62.42	17.06	5.85	27.52	164.13	6.59
Central Plan	1.07	0.50	1.78	0.00	2.76	6.12	0.25
NEC Regional Plan	50.97	33.21	21.55	29.80	45.35	180.88	7.27
Total	406.93	514.10	403.51	451.32	713.03	2,488.90	100.00
Revenue+Capital							
State Plan	853.65	1,205.02	1,060.23	1,352.05	1,803.29	6,274.24	81.69
CSS	189.30	149.39	150.05	155.13	428.72	1072.58	13.96
Central Plan	11.98	3.35	14.32	4.57	20.14	54.36	0.71
NEC Regional Plan	73.23	55.54	40.61	40.92	69.45	279.75	3.64
Grand Total	1,128.17	1,413.29	1,265.20	1,552.67	2,321.60	7,680.93	100.00

3.46 The Working Group on States' resources for the 12th Plan has estimated that the state plan size would be Rs. 20,800 at current 2011-12 prices. However, this assumes the growth rate for Meghalaya to be 8.76 per cent; to achieve the 11 per cent growth needed to catch up with the rest of the country the plan size is estimated to be around Rs. 27,000 crore. The higher growth, if realised, would also enlarge the resources envelope. Assuming that the relative size of the Central Plan, CSS and NEC Plans remain the same as reflected in Table 6, another Rs. 6,051 crore can be mobilised from these sources during the 12th Plan, taking the total share of plan expenditure in the estimated investment requirements to 77 per cent. The remaining 23 per cent will have to come from the private sector, which translates to a target of roughly Rs. 2,000 crore per year during the 12th Plan period.

3.47 The composition of the past plan spending shows that around 12 per cent of plan expenditure was on energy (Table 5). That will continue to be a priority area and a substantial increase in its share will have to be made. Road transport is another sector which had a share of 17.6 per cent, but its allocation to improve road connectivity may have to be increased to 20 per cent. Social services accounted for nearly 38 per cent of the total allocation in the 11th Plan, and will continue to claim about 30 per cent of the allocation mainly because human development is critical to improving productivity and partly because a significant portion of the funds comes by way of specific purpose transfers from the centre. While agriculture and allied areas could continue to claim about 10 per cent of total plan spending, water resources and irrigation and irrigation will have to receive a substantial increase from the prevailing abysmal share of just 2.7 per cent to at least 5 per cent. In fact, there is very little scope for reducing the allocation in many of the areas and the plan objectives will have to be realized by increasing the allocation in absolute terms rather than through a reallocation among different sectors.

3.48 A significant proportion of the required investment, therefore, will have to come from the private sector. However, private sector investment can be attracted only when the state creates a favourable climate for investment. This requires, besides good governance, efficient infrastructure and trained and educated human resources. As the majority of the people live in the villages, significant investments will have to be made in improving agricultural productivity, storage and marketing as well. An improvement in connectivity is critical to transporting both goods and people, so substantial efforts will be needed to ensure economical and smooth connectivity; in addition, availability of energy is a key pre-requisite for attracting manufacturing and other industries. Finally, opening up trade and investment relations with neighbouring countries, too, will play an important role in galvanizing developmental efforts and the Border Area Program will have to become a priority if its full potential is to be realized.

V. Summary and Conclusion

3.49 Formulating the 12th Plan in the state will be a herculean task in the prevailing environment of constrained resources. Substantial effort will have to be made in mobilizing own resources, ensuring full utilization of central sector and centrally sponsored schemes, securing resources from the non-lapsable pool for important projects and persuading the centre to spend on activities in which the central government has a primary role, such as telecoms, national highways, airports and railways. Mobilising own resources also implies identifying unproductive expenditures and phasing them out. It is important to start the 12th plan in right earnest in order to ensure sustained and harmonious development and improvement in the standards of living of the people of the state.