Tenth Five Year Plan

2.44 The Tenth Five Year Plan (2002-07) as approved by the National Development Council (NDC), envisages an average annual growth rate of 8 percent. Recognising that economic growth cannot be the only objective of the national plan, the Tenth Plan has set monitorable targets for a few key indicators of human development in addition to the 8 percent growth target. These, inter alia, include reduction of poverty ratio by 5 percentage points by 2007, providing gainful employment to at least the addition to labour force over the plan period, all children in school by 2003 and increase in the literacy rate to 75 percent within the plan period.

2.45 The development strategy adopted for the Tenth Plan envisages redefining the role of Government in the context of the emergence of a strong and vibrant private sector, need for provision of infrastructure and the need for imparting greater flexibility in fiscal and monetary policies. With a view to emphasising the importance of balanced development of all States, the Tenth plan includes a State-wise break-up of broad developmental targets including targets for growth rates and social development consistent with national targets. The Tenth Plan has emphasised the need to ensure equity and social justice taking into account the fact that rigidities in the economy can make poverty reducing effects of growth less effective. The strategy for equity and social justice consists of making agricultural development a core element of the Plan, ensuring rapid growth of those sectors which are most likely to create gainful employment opportunities and supplementing the impact of growth with special programmes aimed at target groups.

2.46 The target of 8 percent average annual growth for the period 2002-07 is considered feasible as the scope for realising improvements in efficiency is very large both in the public and private sectors. For utilising the idle capital stock in the economy, the Tenth Plan lays emphasis on completion of on-going projects, privatisation of public enterprises, particularly those which are working below capacity and legal and procedural changes for facilitating quick transfer of assets, etc. The achievement of the Tenth Plan target depends crucially on the expected reduction in the incremental capital output ratio (ICOR) from 4.53 during the Ninth Plan to 3.58 in the Tenth Plan. The investment required to achieve the target is 28.4 percent of GDP involving a sharp acceleration in the investment rate from 24.4 percent in the base year to 32.3 percent in the terminal year. Of the 7.9 percentage point increase in the investment rate envisaged for the Tenth Plan, 5.3 percentage point increase would be in the private sector. In order to finance an increase in the investment rate of this magnitude, domestic savings would have to rise by about 6 percentage points and the current account deficit by nearly 2 percentage points of GDP. Macro parameters for the Tenth Plan are presented in Table 2.12.

2.47 The total outlay envisaged for the Tenth Plan is Rs.19,68,815 crore at 2001-02 prices comprising of an outlay of Rs.7,06,000 crore for the Central Plan, Rs.5,88,325 crore for the States' plans and Rs.6,74,490 crore for the public sector enterprises. The budgetary support for this outlay is envisaged at Rs.9,94,060 crore.

Table 2.12 : Macro parameters for the Tenth Plan

	Ninth plan	Tenth plan
Domestic saving rate (Percent of GDP mp)	23.31	26.84
Current account deficit (Percent of GDP mp)	0.91	1.57
Investment rate (Percent of GDP mp)	24.23	28.41
ICOR	4.53	3.58
GDP growth (percent per annum)	5.35	7.93

GDP mp : Gross Domestic Product at market prices
ICOR : Incremental Capital Output Ratio

Source : Tenth Five Year Plan Document.

2.48 The average total expenditure of the Central Government envisaged in the Tenth Plan is 15.6 percent of GDP comprising of 10.7 percent of non-plan expenditure and 4.9 percent of budgetary support to the plan. Gross tax revenue envisaged is 9.4 percent of GDP. Fiscal and revenue deficits are projected at 4.7 percent and 2.9 percent of GDP respectively. The Tenth Plan has suggested that policy initiatives regarding public finances should be taken up at all the three levels, the Central level, the State level and some policies at both the Central and State level. The policy measures suggested at Central level are improved enforcement of income tax administration, elimination of exemptions under corporation tax, expansion in the coverage of service tax, continuation of the current policy of moving to a single excise rate, implementation of recommendations of the Expenditure Reforms Commission, better targeting of food subsidy, curtailment of pay bill of the Central Government, reduction in the staff strength, restricting borrowings, etc. At the State level, introduction of value added tax, raising of user charges and improvement in the tax- GDP ratio have been suggested.