CHAPTER

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PLANNING IN INDIA

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*For the first eight Plans the emphasis was on a growing public sector with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector has become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an indicative nature.**

** Montek S. Ahluwalia addressing the inaugurating of the Seminar on 'India's Economic Reforms' at Merton College, Oxford University, London, June 1993.*

INTRODUCTION

It was the Soviet Union which explored and adopted *national planning* for the first time in the world. After a prolonged period of debate and discussion, the First Soviet Plan commenced in 1928 for a period of five years. But the world outside was not fully known to the modus operandi of development planning till the 1930s. It was the exodus[1] of the east European economists to Britain and the United States in the 1920s and 1930s that made the world aware as to what economic/ national planning was all about. The whole lot of colonial world and the democracies of the time were fascinated by the idea of planning as an instrument of economic progress. The nationalist leaders with socialistic inclination of the erstwhile British colonies were more influenced by the idea of economic planning. The whole decade of the 1930s is the period in the Indian history when we see nationalists, capitalists, socialists, democrats and academicians advocating for the need of economic planning in India at one point or another.[2]

Independent India was thus destined to be a planned economy. The economic history of India is nothing but the history of planning.[3] Even if the so-called economic reforms started in 1991–92, all the humble suggestions regarding the contours of reforms were very much outlined by the Planning Commission by then.[4] Once the reforms commenced, the think tank started outlining the major future direction for further plans.[5] Going through the history of planning in India is a highly educational trip in itself—for though the Planning Commission has been a political body, it never hesitated in pointing out good economics time and again. Let us therefore look into the unfolding of the planning process in India.

BACKGROUND

By the decade of the 1930s, the idea of planning had already entered the domain of intellectual and political discussion in India. Many fresh proposals suggesting immediacy of planning in India were put forward, though the erstwhile British government remained almost immune to them. But these humble proposals of planning served their purpose once independent India decided to adopt a planned economic pattern for India of which a list is given below:

THE VISVESVARAYA PLAN

The credit of proposing the first blueprint of Indian planning is given to the popular civil engineer and the ex-Dewan of Mysore state M. Visvesvaraya—in his book *The Planned Economy of India,* published in 1934.[6] His ideas of state planning were an exercise in democratic capitalism (similar to the USA) with emphasis on industrialisation—a shift of labour from the agrarian set up to the industries targeting to double national income in one decade. Though there was no follow up by the British government on this plan, it aroused an urge for national planning among the educated citizens of the country.

1. J.K. Galbraith, ***A History of Economics,*** Penguin Books, London, 1991, p. 187.
2. Bipan Chandra, ***'The Colonial Legacy'*** in Bimal Jalan ds, ***The Indian Economy: Problems and Prospects,*** p. 30.
3. Arjun Sengupta, ***'The Planning Regime since 1951'*** in N.N. Vohra and Sabyasachi Bhattacharya edited ***Looking Back: India in the Twentieth Century,*** NBT, N. Delhi, 2001, p. 121.
4. Planning Commission, ***Seventh Five Year Plan (1985–90),*** GoI, 1985.
5. Planning Commission, ***The 8th, 9th, 10th and 11th Plans,*** GoI, N. Delhi.
6. Sumit Sarkar, ***Modern India: 1855–1947,*** Macmillan, N. Delhi, 1983, pp. 360–361.

THE FICCI PROPOSAL

In 1934, a serious need of national planning was recommended by the Federation of Indian Chambers of Commerce and Industry (FICCI), the leading organisation of Indian capitalists. Its President N.R. Sarkar proclaimed that the days of undiluted laissez-faire were gone forever and for a backward country like India, a comprehensive plan for economic development covering the whole gamut of economic activities was a necessity. Voicing the views of the capitalist class he further called for a high powered 'National Planning Commission' to coordinate the whole process of planning so that the country could make a structural break with the past and achieve its full growth potential.[7]

By the late nineteenth century, the economic thinking of the nationalists (such as M.G. Ranade and Dadabhai Naroji) was in favour of a dominant role of state in the economy and doubted the prudence of the 'market mechanism'. This thinking was further reinforced by the Keynesian ideas in the wake of the Great Depression, the *New Deal* in the USA and the Soviet experiment in national planning. Thus, the Indian capitalist class were also influenced by these events which were voiced in the FICCI articulation for planning.

THE CONGRESS PLAN

Though the Gandhians and some of the business and propertied representatives were opposed to commit the party to centralised state planning (including Mahatma Gandhi),[8] it was on the initiative[9] of the INC president Subhash C. Bose that the National Planning Committee (NPC) was set up in October 1938 under the chairmanship of J.L. Nehru to work out concrete programmes for development encompassing all major areas of the economy. Basically, the NPC was set up in a conference of the Ministers of Industries of the Congress-ruled States (though other states were also invited to participate) where M. Visvesvaraya, J.R.D. Tata, G.D. Birla and Lala Sri Ram and many others including academicians, technocrats, provincial civil servants, trade unionists, socialists and communists, etc., were also invited. The 15-member NPC with 29 sub-committees and a total of 350 members produced 29 volumes of recommendations.[10] The work of the committee was interrupted when the Second World War broke out and in the wake of the Quit India Movement many of its members including the chairman were arrested, and between 1940 and 1945 the Committee had only a nominal existence. Though the final report of the NPC could only be published in 1949, many developments related to planning took place during the Interim Government upto 1946.

"A series of valuable reports were published which brought together the constructive thinking done by the committee and the sub-committees and the material collected in the course of their work. The importance of the NPC lies not so much in these reports as in the wide interest it created throughout the country for co-ordinated planning as the only means of bringing about a rapid increase in the standards of living and its emphasis on the need for bringing fundamental changes in the social and economic structure."[11]

Some of the important developments after the NPC was set up which prepared a foundation for coordinated planning in independent India are given below:

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7. Bipan Chandra et.al, ***India After Independence, 1947–2000,*** Penguin Books, N. Delhi, 2000, p. 341.
8. A. Vaidyanathan. *'The Indian Economy Since Independence (1947–70)'* in Dharma Kumar Ed. ***The Cambridge Economic History of India, Vol.II***, Cambridge University Press, England, 1983, p. 949.
9. Sumit Sarkar, ***Modern India***, p. 360.
10. Publications Division, ***The Gazetteer of India, Vol.3,*** GoI, N. Delhi, 1975, p. 2.
11. ***Ibid.***, p. 2–3.

(i) ***Post War Reconstruction Committee:*** Early in June 1941, the Government of India formed (on popular demand) a Post-War Reconstruction Committee which was to consider various plans for the reconstruction of the economy.[12]

(ii) ***Consultative Committee of Economists:*** A consultative committee of economists under the chairmanship of Ramaswamy Mudaliar was set up in 1941 as a 'think tank' to advise the four Post-War Reconstruction Committees for executing national plan for the country.

Though the committee suggested many plans for different areas of the economy, but they had negligible practical significance as these suggestions were imbued with academic biases.

(iii) ***Planning and Development Department:*** After all possible delays, it was in 1944 that the government created a Planning and Development Department under a separate member of the Viceroy's Executive Council for organising planning work in the country and co-ordinating it. Ardeshir Dalal (the controller of the Bombay Plan) was appointed as one of its acting members. More than 20 panels of experts were set up. The central departments and the governments of Provinces and Indian states were invited to prepare detailed plans for industrialisation.[12] This Department was abolished in 1946.

(iv) ***Advisory Planning Board:*** In October 1946, the Government of India appointed a committee called the 'Advisory Planning Board'[13] to review the planning that had already been done by the British government, the work of the National Planning Committee, and other plans and proposals for planning and to make recommendations regarding the future machinery of planning and also in regard to objectives and priorities. The Board strongly recommended the creation of "a single, compact authoritative organisation ... responsible directly to the Cabinet ... which should devote its attention continuously to the whole field of development."[14] This was an emphatic advice for the creation of a National Planning Commission, similar to FICCI's view of 1934, which will have autonomy and authoritative say on the process of development planning, working in tandem with the Union cabinet and also influencing the developmental decisions of the states. This happened in 1950 with the setting up of the Planning Commission.

The Board, in its Report of January 1947, emphatically expressed the opinion that the "proper development of large-scale industries can only take place if political units, whether in the provinces or states, agree to work in accordance with a common plan."[15] This suggestion worked as a great influence on the planning process of independent India as it always tried to give unifying nature to development planning. But, this process also induced a serious tendency of centralisation in the Indian planning to which a number of states were to pose objections and straining the centre-state relations, time and again.[16] However,

12. There was a popular view in favour of rapid industrialisation among the important nationalists, economists and the business class of that time.
13. The Board was set up by the Interim Government formed in 1946 itself.
14. Dharma Kumar (Ed.), ***The Cambridge Economic History of India, Vol.II*** p. 950.
15. Kalikinkar Datta, ***An Advanced History of India,*** 4th Edition, Macmillan, N. Delhi, 2006, pp. 955–56.
16. S.N. Jha and P.C. Mathur (Eds), ***Decentralisation and Local Politics,*** Sage Publications, N. Delhi, 2002, pp. 28–33.

the political leadership right since 1920s was very conscious of the need for decentralised planning in the country.[17]

The Bombay Plan

Bombay Plan was the popular title of 'A Plan of Economic Development for India', which was prepared by a cross-section of India's leading capitalists. The eight capitalists involved in this plan were Purshotamdas Thakurdas, J.R.D. Tata, G.D. Birla, Lala Sri Ram, Kasturbhai Lalbhai, A.D. Shroff, Avdeshir Dalal and John Mathai.[18] The Plan was published in 1944–45. Out of these eight industrialists, Purshotamdas Thakurdas was one among the 15 members of the National Planning Committee (1938)[19] Rest three J.R.D. Tata, G.D. Birla and Lala Sri Ram, were the members of the sub-committees (29 in total) of the National Planning Committee.[20]

The popular sentiments regarding the need of planning and criss-cross of memberships between the NPC and the Bombay Plan club made possible some clear-cut agreements between these two major plans, which ultimately went to mould the very shape of the Indian economy after Independence. We may have a look at some of the very important agreements:[21]

(i) A basic agreement on the issue of the ***agrarian restructuring***—abolition of all intermediaries (i.e., zamindari abolition), minimum wages, guarantee of minimum or fair prices to agricultural producers, cooperatives, credit and marketing supports.

(ii) Agreement on ***rapid industrialisation*** for which both the plans agreed upon an emphasis on heavy capital goods and basic industries (the Bombay Plan had allocated 35 per cent of its total plan outlay on basic industries).

(iii) Taking clues from the Soviet Planning, the NPC and the Bombay Plan both were in favour of a simultaneous ***development of the essential consumer goods*** industries but as a low-key affair.

(iv) Both the plans agreed upon the importance of promoting the ***medium-scale, small-scale*** and ***cottage industries*** as they could provide greater employment and require lesser capital and lower order of plants and machineries.

(v) Both the plans wanted the ***state to play an active role*** in the economy through planning, controlling and overseeing the different areas of the economy, i.e., trade, industry, banking through state ownership (public sector) or through direct and extensive control over them.

(vi) Large-scale measures for ***social welfare*** were favoured by both the plans which suggested to be based on issues like, right to work and full employment, the guarantee of a minimum wage, greater state expenditure on housing, water and sanitation, free education, social insurance to cover unemployment and sickness and provision of utility services such as electricity and transportation at a low cost through state subsidies.

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17. A. H. Hanson, ***The Process of Planning: A Study of India's Five-Year Plans, 1950–1964,*** Oxford University Press, London, 1966, pp. 152–55.
18. Bipan Chandra, ***'The Colonial Legacy'***, in Bimal Jalan edited, ***Indian Economy Problems and Prospects,*** p. 23.
19. Partha Chatterjee, ***Development Planning and the Indian Planning,*** in Partha Chatterjee edited ***State and Politics in India,*** Oxford University Press, N. Delhi, 1997, p. 273.
20. Rakesh Mohan, ***'Industrial Policy and Controls'*** in Bimal Jalan (Ed.) ***Indian Economy: Problems and Prospects,*** 1992, p. 100.
21. Bipan Chandra **'The Colonial Legacy'** pp. 23–31.

(vii) Both the Plans agreed upon a planning which could do away with the gross ***inequalities.*** Through measures like progressive taxation and prevention of concentration of wealth. Inequality was considered undesirable as it tended to restrict the domestic market.

THE GANDHIAN PLAN

Espousing the spirit of the Gandhian economic thinking, Sriman Narayan Agarwal formulated this plan in 1944. This plan laid more emphasis on agriculture. Even if he referred to industrialisation, it was to the level of promoting cottage and village-level industries, unlike the NPC and the Bombay Plan which supported a leading role for the heavy and large industries. The plan articulated a 'decentralised economic structure' for India with 'self-contained villages'.

It needs to be noted here that the Gandhians did not agree with the views of the NPC or the Bombay Plan, particularly on issues like centralised planning, dominant role of the state in the economy and the emphasis on industrialisation being the major ones.[22] For Gandhi, the machinery, commercialisation and centralised state power were the curses of modern civilisation, thrust upon the Indian people by European colonialism. It was industrialism itself, Gandhi argued, rather than the inability to industrialise, which was the root cause of Indian poverty. This was until the 1940s that the Congress supported the above-given view of Gandhi to mobilise a mass movement against the colonial rule. But it was in the NPC that the Congress tried to articulate a different view on these issues, almost taking a break from Gandhi's ideas. The very first session of the NPC was brought to an impasse by J.C. Kumarappa (the lone Gandhian on the 15-member NPC) by questioning the authority of the NPC to discuss plans for industrialisation. He said on the occassion that the national priority as adopted by the Congress was to restrict and eliminate modern industrialism. The impasse was normalised after Nehru intervened and declared that most members of the NPC felt that large-scale industry ought to be promoted as long as it did not 'come into conflict with the cottage industries'.[23] This was a long-drawn ideological impasse which made it necessary to articulate the Gandhian view of planning via this plan.

THE PEOPLE'S PLAN

In 1945, yet another plan was formulated by the radical humanist leader M.N. Roy, chairman of the Post-War Reconstruction Committee of Indian Trade Union. The plan was based on Marxist socialism and advocated the need of providing the people with the 'basic necessities of life'.[24] Agricultural and industrial sectors, both were equally highlighted by the plan. Many economists have attributed the socialist leanings in Indian planning to this plan. The common minimum programmes of the United Front Government of the mid-nineties (20th century) and that of the United Progressive Alliance of 2004 may also be thought to have been inspired from the same plan. 'Economic reforms with the human face', the slogan with which the economic reforms started in early 1990s also has the resonance of the People's Plan.

THE SARVODAYA PLAN

After the reports of the NPC were published and the government was set to go for the five-year plans, a lone blueprint for the planned development of India was formulated by the famous socialist leader Jaiprakash Narayan—the Sarvodaya Plan published in January 1950. The plan drew its major inspirations from the

22. Dharma Kumar, 1983, op.cit, p. 949.
23. Partha Chatterjee, op.cit, p. 275.
24. S. K. Ray, ***Indian Economy,*** Prentice-Hall, N. Delhi, 1987, p. 369.

Gandhian techniques of constructive works by the community and trusteeship as well as the Sarvodaya concept of Acharya Vinoba Bave, the eminent Gandhian constructive worker. Major ideas of the plan were highly similar to the Gandhian Plan like emphasis on agriculture, agri-based small and cottage industries, self-reliance and almost no dependence on foreign capital and technology, land reforms, self-dependent villages and decentralised participatory form of planning and economic progress, to name the major ones.[25] Some of the acceptable ideas of the plan got their due importance when the Government of India promoted five year plans.

By the early 1960s, Jayprakash Narayan had become highly critical of the Indian planning process especially of its increasing centralising nature and dilution of people's participation in it. Basically, the very idea of democratic decentralisation was disliked by the established power structure, namely, the MLAs/MPs, the bureaucracy and the state-level politicians.[26] This led the Jayprakash Narayan Committee (1961) to observe against the centralising nature of Indian planning. The committee pointed out that after having accepted Panchayati Raj as the agency responsible for planning and execution of plans, there is "no longer any valid reason for continuing the individual allocations subjectwise even to serve as a guide."[27]

Disregarding the humble advice of the committee, central schemes like small farmers development agency (SFDA), drought-prone area programme (DPAP), intensive tribal development programme (ITDP), intensive agricultural district programme (IADP), etc., were introduced by the governments and were put totally outside the purview of Panchayats.

It was only after the 73rd and 74th Amendments effected to the Constitution (1992) that the role of local bodies and their importance in the process of planned development was accepted and the views of Jayprakash got vindicated.

Some Area-wise Reports

The idea for the need of a planned development of India became more and more popular by the decade of the 1940s. It was under this popular pressure that the Government of India started taking some planned actions in this direction. In the 1940s, we see several area-specific reports being published:[28]

(i) Gadgil Report on Rural Credit
(ii) Kheragat Report on Agricultural Development
(iii) Krishnamachari Report on Agricultural Prices
(iv) Saraiya Report on Cooperatives
(v) A series of reports on Irrigation (ground water, canal, etc.)

All these reports, though prepared with great care and due scholarship, the government had hardly any zeal to implement plans on their findings. But independent India was greatly benefited when the planning started covering all these areas of concerns.

There is no doubt in drawing the conclusion that prior to Independence, there was thus a significant measure of agreement in India between the Government of India under the Secretary of State, the Indian National Congress, prominent

25. A.H. Hanson, 1966, op.cit, p. 175.
26. George Mathew, ***Power to the People*** in M.K. Santhanam edited, ***50 Years of Indian Republic,*** Publications Division, GoI, N. Delhi, 2000, p. 32.
27. L.C. Jain, et al., ***Grass Without Roots,*** Sage Publications, N. Delhi, 1985.
28. A. H. Hanson, 1966, op. cit, p. 180.

industrialists and the others on the following principles:[29]

(i) There should be central planning, in which the state should play an active part, for social and economic development to bring about a rapid rise in the standards of living;

(ii) There should be controls and licencing in order, among other things, to direct investments into the desired channels and ensure equitable distribution;

(iii) While there should be balanced development in all sectors of the economy, the establishment of basic industries was specially important. In this, state-owned and state-managed enterprises have an important role. There were, however, differences of approach with regard to the specific fields to be allocated to the public and private sectors.

It is highly interesting and important to note that all the above agreements and opinions were reached through an evolutionary manner in the last two-decades before Independence in the deliberations and excercises regarding the need for economic planning in the country.

"The plans prepared by the Governmnt of India, the Bombay Plan and other above-discussed plans (except the NPC and the Sarvodaya Plan) suffered from serious limitations. When they were prepared, it was known that transfer of power was to take place quite soon; but the exact form of the future government was not known, the plans consisted largely of proposals of experts which were not effectively co-ordinated. They had no social philosophy behind them. With the advent of Independence, they became inadequate, though the thinking that had taken place on planning generally and its techniques proved useful for the future."[30]

MAJOR OBJECTIVES OF PLANNING

Planning for India was an instrument to realise the aspirations and dreams of the future. We know that the foundations of future India were not laid in one day. The cherished dream about future India had evolved through a long-drawn process of the entire period of the freedom struggle. These aspirations and goals got their proper places and due importance in the reports of the National Planning Committee (NPC), in the deliberations of the Constituent Assembly and finally in the Constitution of India. From the margins of the ripening nationalist movement as well as taking clues from the Soviet and the French styles of planning, the NPC articulated the objectives of planning in India. The process of planning in India tried to include all the aspirations of the nationalist movement as well as of the future generations. But this will be a highly general comment upon the objectives of planning in India. We need to delve into the specific and objective goals of planning in India to further our discussions. Some of the historic deliberations regarding planning will serve our purpose:

(i) Reviewing the entire situation, in the light of the social philosophy evolved over decades, the Constituent Assembly came to the conclusion that to guide this 'revolution of rising expectations' into constructive channels, India should make determined efforts through carefully planned large-scale social and economic development and the application of modern scientific and technological improvements, to bring about a rapid and appreciable rise in the standard of living of the people, with the maximum measure

29. ***Gazetteer of India, Vol.3,*** op.cit, p. 5.

30. ***Gazetteer of India, Vol.3,*** op.cit, p. 5.

of social justice attainable. On the whole it was a call for India becoming a welfare state.[31] This important deliberation does not only call for the necessity of planning for the country but it also outlines the broader objectives of planning, too.

(ii) There are three important features included in the constitutional provisions, which pertain to the objectives of planning in the country:[32]

(a) 'Economic and social planning' is a concurrent subject. Also, while framing the 'Union', 'State' and 'Concurrent' lists, allocating subjects and other provisions, the Constitution vests power in the Union to ensure co-ordinated development in essential fields of activity while preserving the initiative and authority of the states in the spheres allotted to them.

(b) The Constitution includes provisions for promoting cooperation on a voluntary basis between the Union and the states and among states and groups of states in investigation of matters of common interest, in legislative procedures and in administration, thus avoiding the rigidities inherent in federal constitutions (Articles 249, 252, 257, 258, 258-A, and 312). In other words, the objective is cooperative federalism.

(c) The Constitution also sets out in broad outline the pattern of the welfare state envisaged and the fundamental principles on which it should rest.

These are the major cornerstones of planning and its objectives enshrined in the Constitution that will breed enough Union–State tussle in coming decades and make it compulsive for the government to resort to 'reforms with a human face' rhetoric. We can see the methodology of planning taking a U-turn in the era of the economic reforms since the early 1990s.

(iii) The government, resolution announcing the setting up of the Planning Commission (March 1950) started with a reference to the constitutional provisions bearing on the socio-economic objectives of the Constitution. The Fundamental Rights and the Directive Principles of the Constitution assure every citizen, among other things, adequate means of livelihood, opportunities for employment and a socio-economic order based on justice and equality. Thus, the basic objectives[33] of planning were already given in the provisions of the Constitution of India. These were emphatically stated in the First Five Year Plan (1951–56) itself, in the following words:

"The urge to economic and social change under present conditions comes from the facts of poverty and of inequalities in income, wealth and opportunity. The elimination of poverty cannot obviously, be achieved merely by redistributing existing wealth. Nor can a programme aiming only at raising production remove existing inequalities. These two have to be considered together...."

(iv) The above objectives of planning were emphasised in one form or the other in the coming times also. As the Second Five Year Plan (1956–61) said:

"The Plan has to carry forward the process initiated in the First Plan period. It must

31. ***Gazetter of India, Vol.3,*** op.cit, p. 5.
32. ***Gazetter of India, Vol.3,*** op.cit, pp. 7–10
33. ***Gazetteer of India, Vol.3,*** op.cit, pp. 7–10.

provide for a larger increase in production, in investment and in employment. Simultaneously, it must accelerate the institutional changes needed to make the economy more dynamic and more progressive in terms no less of social than of economic ends."

(v) The same objectives were repeated by the Sixth Five Year Plan (1980–85) in the following words:

"The basic task of economic planning in India is to bring about a structural transformation of the economy so as to achieve a high and sustained rate of growth, a progressive improvement in the standard of living of the masses leading to eradication of poverty and unemployment and providing a material base for a self-reliant economy."

(vi) It will be highly needful to enquire about the objectives of planning in the era of the economic reforms initiated in the fiscal 1991–92 as this new economic policy (NEP) made the experts and economists to conclude many questionable things about the objectives of planning in the country:

(a) The need to shift dependence from wage to self-employment.

(b) The state is rolling back and the economy is becoming pro-private and sector-wise the social purpose of the planning will be lacking.

(c) The objectives of planning nearly outlined hitherto have been blurred.

(d) The promotion of foreign investment will induce the economy into the perils of neo-imperialism, etc.

But all the above-given doubts were cleared by the forthcoming plans in straightforward words. We may quote from the following Plans:

- "For the future economic development, the economy will be more dependent upon private participation and the nature of planning will become more indicative with the major objectives of planning remaining the same". This was announced by the government while launching the economic reforms (July 23, 1991) and commencing the Eighth Five Year Plan (1992–97). "There was no change in the basic objectives of planning even though there was change in instruments of policy"—this was announced by the government while announcing the new economic policy (1991).
- While the Ninth Plan (1997–2002) was being launched it was announced: "The goals of planning in India, which were set by Panditji have not changed. The Ninth Plan does not attempt to reinvent the wheel. At the same time, the goals and targets this Plan attempts to achieve are based on the lessons of experience including the Eighth Plan. They address today's problems and challenges and try to prepare the nation for tomorrow as well."[34]

Finally, a broad consensus looks evolving through the process of planning and crystallising on the six major objectives of planning[35] in India which are as follows:

34. Deputy Chairman, Planning Commission, May 1999. It is interesting to note here that the composition of the polity in Centre was dominated by the BJP while the Deputy Chairman, Planning Commission was K.C. Pant (an old congress man) – continuity in the basic ideas and objectives of planning being maintained.

35. ***India,*** various years taken together, Publications Division, GoI, N. Delhi.

(i) **Economic Growth:** Sustained increase in the levels of production in the economy is among the foremost objectives of planning in India, which continues till date and will be so in future, without any iota of doubt in it.

(ii) **Poverty Alleviation:** Poverty alleviation was the most important issue which polarised the members of the NPC as well as the Constituent Assembly that a highly emphatic decision in favour of a planned economy evolved even before Independence. Several programmes have been launched in India directing the cause of poverty alleviation by all the governments till date and the process continues even today with more seriousness (we see the National Rural Employment Guarantee Programme—NREGP—being launched by the UPA Government in 2006 by passing an Act in the Parliament—the matter has started attracting such high political concern).

(iii) **Employment Generation:** Providing employment to the poor has been the best tool of economics to alleviate poverty. Thus, this objective of planning in India comes naturally once it commits itself to alleviate poverty. Employment generation in India has been, therefore, part and parcel of the objective of poverty alleviation in India. General programmes and schemes have been launched by the governments from time to time in this direction, some based on the wage employments still, others based on self-employment.

(iv) **Controlling Economic Inequality:** There were visible economic inequalities in India at the inter-personal as well as at the intra-personal levels. Economic planning as a tool of checking all kinds of economic disparities and inequalities was an accepted idea by the time India started planning.[36] To fulfil this objective of planning the governments have enacted highly innovative economic policies at times even inviting a tussle with regard to the Fundamental Rights enshinned in the Constitution.

Though Indian Planning has socio-economic objectives to fulfil, only economic planning was made a part of the planning process (technically speaking) and social planning (better called social engineering) was left to the political process. That is why reservation in government jobs and admissions in premier academic institutions, land reforms, promoting inter-caste marriages, etc., do not fall under the purview of the Planning Commission.

(v) **Self-reliance:** During the 1930s and 1940s, there was an ardent desire among the nationalists, capitalists and the NPC for making the economy self-reliant in all economic sphere. Self-reliance was defined not as autarchy but as an effort to strike against a subordinate position in the world economy. As Jawaharlal Nehru asserted: self-reliance, "does not exclude international trade, which should be encouraged but with a view to avoid economic imperialism."[37] India still

36. Duely discussed by the NPC as well as the Constituent Assembly.
37. ***National Planning Committee Report;*** Also Nehru in ***The Discovery of India.***

strives for self-reliance in every field of the economy as well as serving the realities of higher interdependence in the globalising world post-World Trade Organisation (WTO).

(vi) **Modernisation:** Modernising the traditional economy was set as a foremost objective of planning. Specially, the agriculture sector of the economy needed an immediate inclusion of modern methods and techniques of farming dairying, etc. Similarly, in education too, India needs to go for inclusion of modern education system.

India did not miss the chance of accepting the importance of modern science and technology. As the economy had selected industry as its prime moving force (PMF), it was essential to adopt the changing dimensions of science and technology.

The major objectives of planning in India are not only broad but open-ended. That is why it hardly needs any change and modification in them with the changing times. It means, after the completion of one plan the objectives for the new plan are automatically set. Coming to the composition of the objectives, we may confidently conclude that all the aspirations of the Preamble,[38] the Directive Principles of the State Policy,[39] the Fundamental Duties and the Fundamental Rights have got their due place and weightage. All the aspirations of the nationalists and the freedom fighters look resonating in the very soul of the Indian planning system.

The objective of planning in India was so broad a term that gradually it encompassed the entire sphere of administration excluding only defence and foreign affairs. The objectives of planning tremendously evolved and got cemented together once the functions of the Planning Commission were announced by the government in 1950 itself and further expanded in 2002 (*which we will see in the next sub-title*).

PLANNING COMMISSION

Once the National Planning Committee published its Report (1949) and there was a firm inclusion of the need for 'Economic and Social Planning'[40] in the Constitution, the stage was set for the formal launching of planning in the country. Though the economy was run on the principles of planning very much after the Independence itself[41] it was in a piecemeal manner only. For formal planning to begin, for the whole economy at the national level, there was a need for a permanent expert body which could take over the responsibility of the whole gamut of planning, i.e., plan formation, resource aspects, implementation and review—as planning is a technical[42] matter. Thus, in March

38. The Preamble was declared by the Supreme Court as an ***integral part of the Constitution*** and any amendments amounting to a change in its meaning and spirit amounted to the violation of the 'basic feature' of the Constitution (Keshvanand Barti, 1973 and S.R. Bommai, 1994 cases). This further magnified the objectives and role of Planning in India.
39. As the different Articles of the Directive Principles got interpreted being complementary parts of the Fundamental Rights, their enforcement became obligatory for the Governments in coming times-still broadening the objectives of planning in the country.
40. Distribution of Legislative Power, List-III, Entry 20.
41. Though formal planning commenced in the fiscal 1951–52, the planning has already commenced with the Industrial Policy Resolution, 1948. More so, the Prime Minister of India who headed the NPC had already taken firm decision that India would be a planned economy by August 1937 (Congress Working Committee, Wardha) itself. Thus, the economy takes its first wink in the planned era!
42. Alan W. Evans, ***Economics and Planning,*** in Jean Forbes (ed.) ***Studies in Social Science and Planning,*** Scottish Academy Press, Edinburgh, 1972, p. 121.

1950[43] the Planning Commission (PC) was set up by the government by Cabinet Resolution (without resorting to legislation). Important details regarding the composition, legal status, etc., of the PC are as under:

(i) An ***extra-constitutional*** (i.e., non-constitutional) and ***non-statutory*** body (though planning originates from the Constitution there is no reference to the PC in it).

(ii) An ***advisory body*** to the Government of India on an array of issues of economic development.

(iii) A 'think tank' on economic development with the Prime Minister as its ex-officio Chairman and with the provision or a Deputy Chairman.[44] The main function of the Deputy Chairman is to ***co-ordinate*** the work of the Commission.[45]

(iv) Has an open provision for the number of its membership (as many area experts are required by the particular proposed period of planning) other than six Union Cabinet Ministers as its ***ex-officio members***[46] and a Member Secretary. The Minister of Planning is already an ex-officio member of the PC.[47]

(v) An ***autonomous body*** entitled to form its own views on important issues and place them before the governments. It works closely with the Union and State cabinets and has full knowledge of their policies.

(vi) Is invariably ***consulted*** on changes proposed in social and economic policies. To ensure free and full exchange of ideas, the PC has established a ***convention*** that it will not give publicity to differences of views between the Commission and the Union and State governments.

(vii) ***Linked*** with the Union Cabinet at the secretariat level. The PC is part of the Cabinet organisation and the 'demand for grants' for it is included in the budget demand for the Cabinet Secretariat.

(viii) Seated at the 'Yojana Bhavan', the Commission has a staff of secretaries and advisers and also a research organisation.[48]

(ix) The PC is a ***technical body*** with experts and professionals coming from an array of specific areas as per the need of planning of the concerned period (see footmote 42).

(x) The Commission has ***executive powers.***[49]

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43. ***Gazetteer of India, Vol.3,*** p.10, op. cit. The confusion regarding the time of setting up the PC needs to be settled. According to Bipon Chandra et al. (***India After Independence, p. 343, op. cit.***) the PC was set up in January 1950. Kalikinkar Datta (***An Advanced History of India, p. 956, op. cit.***) and S.R. Maheshwari (***Indian Administration, Orient Longman, N. Delhi, 2002, p.121***) support the ***Gazetteer of India*** view. While A. Vaidya nathan (Dharma Kumar edited, ***The Cambridge Economic History of India, p. 949, op. cit.***) considers the PC to be set up in January 1950.
44. He was later given a Cabinet rank in the Union Council of Minister.
45. ***Gazetteer of India, Vol.3,*** p.11, op. cit.
46. ***India 2008,*** Publications Division, Ministry of Information and Broadcasting, GoI, N. Delhi, p. 676.
47. There was a provision of only *three* Cabinet Ministers as its ***ex-officio*** members namely the Finance, Human Resource Development and Defence upto July 2004 when the United Progressive Alliance Government increased it to include the other *three* Cabinet Ministers-the Railways, Agriculture and Information Technology. It has been only once in the history of the PC that it had *six* Cabinet Ministers as its ex-officio members i.e. in the final years of the Rajiv Gandhi regime (***The Economic Times, 16 July 2004, N. Delhi Edition***).
48. ***Gazetteer of India, Vol.3,*** p.11, op.cit.
49. Prima facie a body should be either constitutional or statutory to wield the executive powers but as a number of Cabinet Ministers as well as the PM himself are directly involved with the PC it wields execudive powers for all practical purposes.

FUNCTIONS OF THE PC

Though the PC was set up with a definite purpose of planning, nobody knew that it would extend its functions over the entire spectrum of administration in the country. It was described as the 'economic Cabinet of the country as a whole' even encroaching upon the constitutional body like the finance commission[50] and not being accountable to the Parliament.[51] Through time it built up a heavy bureaucratic organisation[52] which led even Nehru himself to observe—"The Commission which was a small body of serious thinkers has turned into a government department complete with a crowd of secretaries, directors and of course a big building."[53]

Though the functions of the PC were extended to include timely changes in the planning needs (in the reforms era), its functions were announced by the same government order which did set up the Planning Commission, itself. The order[54] says:

"The Planning Commission will—

(i) Make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of those resources as are found to be deficient in relation to the nation's requirements;

(ii) Formulate a plan for the most effective and balanced utilisation of the country's resources;

(iii) On a determination of priorities, define the stages in which the plan should be carried out and propose the allocation of resources for the due completion of each stage;

(iv) Indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the plan;

(v) Determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the plan in all its aspects;

(vi) Appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and

(vii) Make such interim or ancillary recommendations as appear to be appropriate either for facilitating the discharge of the duties assigned to it; or on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or on an examination of such specific problems as may be referred to it for advice by Central or State governments."

50. ***Report of the Fourth Finance Commission*** (with P.J. Rajamannar as its Chairman), GoI, N. Delhi, 1965, pp. 88–90.
51. By 1950s it was a general criticism of the PC which looked highly logical. But through the entire period of planning the Governments never did think to convert the PC into a constitutional body. Practically enough, the Union cabinet and the whole Government is accountable to the Parliament for the functions of the PC as it has complete mandate and support of the Governments of the time.
52. Appleby, ***Public Administration in India: Report of A Survey,*** Ford Foundation, 1953, p. 22.
53. As quoted in D.D. Basu, ***An Introduction to the Constitution of India,*** Wadhwa & Company, N. Delhi, 1999, p. 330.
54. ***Gazetteer of India, Vol.3,*** pp. 10–11, op.cit.

With the commencement of the Tenth Plan (2002–07), the government handed over ***two new functions*** to the Planning Commission in 2002, namely:

(i) To monitor the plan implementation with special reference to the process of 'economic reforms' with the help of the steering committees.

It should be noted here that once the process of economic reforms was initiated in the country (early 1990s) there was a diminishing role proposed for the state in the economy in some areas and increased role for the state in some other areas. The re-definition of the state's role in the economy (though it was the contemporary thinking world wide) made most of the experts and the business community to conclude as if there will be no role for planning in the economy. The New Economic Policy (NEP) of 1991–92 was a prima-facie proposal for the expansion of the market economy in the country. But it was not the case altogether. Planning has not become irrelevant though it needed to search for a new orientation. And it was highly essential that the process of planning keeps its relevance to the bigger and the broader process of economic reforms. This particular new function of the PC must be seen in this light.

(ii) To monitor the progress of various Central Ministries. It should be noted here that for the first time, the PC went to set the 'monitorable targets' for 10 areas indicating development. The Central Ministries have been linked to these monitorable targets. The timely performances of the Ministries are now monitored by the PC as per its new fuction.

With the inclusion of the above-mentioned two functions in the existing functions (which were already very broad), the PC has emerged as a real 'supercabinet'. Since it is basically the Deputy-Chairman who officiates the general meetings of the Commission, he has a high-level say[55] in articulating the direction and the nature of the economic policies. Through the first new function it articulates, the future dimensions of the economic reforms and through the second new function, it influences the works of the various ministries—ultimately it seems as if the PC has been able to emerge as the real think-tank of development in the country.[56]

The PC has also been able to influence the states economic policies since 2002 in a great way. Though the PC today does not make the state plans[57] it is able to influence the overall economic policies of the states. It has been possible due to the setting of 'monitorable targets' for states for the same development indicators/areas as has been set for the Centre.[58] The

55. It is not uselessly that the Government decides to call in Montek Singh Ahluwalia, an economist of international repute to officiate as the Deputy chairman of the PC. Every idea and opinion of Mr. Ahluwalia is today understood by the coalition partners of the Central Government as a thing the Government is necessarily going to implement in future. One can imagine the increased role of the office and the PC, both, by this. There is always a hue and cry every time the Deputy Chairman articulates an idea or opinion. Though the PC is chaired by the PM, it seems that the Deputy Chairman has started availing enough autonomy to speak his mind.

56. Ibid.

57. As per the original mandate the PC was supposed to formulate the state plans also. By 1960s, with the decision to follow the multi-level planning (MLP) in the country the states started having their own state planning boards (SPBs).

58. In setting these targets the concerned states were consulted approach of planning was followed.

states are liable for being monitored by the PC concerning their performances regarding these monitorable targets. This way the Central Government has started having its say over the state governments via the new functions of the PC.

We may conclude that the PC has been able to unify not only the various economic policies of the Centre, but also those of the states with the help of these two new functions given to it. Earlier, there had always been a lack of congruence among the policies of the various central ministries and the ideas articulated by the PC.

An Epitaph to the PC

On January 1, 2015, the government formally abolished the PC by replacing it with the newly created body—the NITI Aayog. With this there ended an era in the economic history of independent India. Whether it was better to revive the PC or abolish it has been a matter of much debate among the discipline experts, politicians and the media. The debate, at times, had emotional tones, too. But the government has its own wisdom behind the action (a detailed discussion on it has been included as the last ***sub-topic*** of this *Chapter* titled **'NITI Aayog'**).

As an 'epitaph' to the PC (may be an 'ode'), it will be quite relevant to have an eye on the report of the Independent Evaluation Office (IEO) on the former which was submitted to the Prime Minister Office by late June 2014. As per it, the PC was created in response to the unique challenges faced by a nascent democracy and a fledgling economy—it conceived a 'top-down approach' to planning that envisaged a dynamic Central government building up the economic and social order of weak states. The report called the **PC** in its current form and function a hindrance and not a help to India's development. It further added that it is not easy to reform such a large *ossified body* and it would be better to replace it with a new body that is needed to assist states in ideas, to provide long-term thinking and to help cross-cutting reforms. Some of the **major** advices of IEO on the PC are as follows:

(i) The PC be scrapped and replaced with the *Reform and Solutions Commission (RSC)*, which should be staffed with experts with domain knowledge and kept free from a ministerial administrative structure. The new body should have full-time representation of major trade and industry organisations, civil society representatives, academics, etc., so as to capture their concerns and benefit from their expertise in formulating long—term strategy.

(ii) The RSC will perform ***three*** main functions:

  (a) Serve as a solutions exchange and repository for ideas that have been successful in different aspects of development in various states and districts and in other parts of the world;

  (b) Provide ideas for integrated systems reform; and

  (c) Identify new and emerging challenges and provide solutions to preempt them.

(iii) The current functions of the PC be taken over by other bodies 'which are better designed to perform those functions'.

(iv) Since the state governments have better information about local requirements and resources than the central government and central institutions, they should be allowed to identify priorities and implement reforms at the state level, independent of mandatory diktats from central institutions.

(v) The task of long-term economic thinking and coordination can be performed by a new body established to act solely as a 'think tank' within the government.

(vi) The Finance Commission be made a *permanent body* responsible for the allocation of centrally collected revenue to the states and the finance ministry be tasked with the division of funds among the various central ministries.

The advices of the IEO (a brainchild of the PC itself) on the PC were quite surprising, even shocking to few. Whether the new body replacing the PC will be a betterment over the latter and will be able to carve out its desired aims is a matter to be evaluated and analysed in future. Meanwhile, we can visibly find some of the advices of the IEO resonating in the newly created body, the NITI Aayog, the replacement for the PC.

[**Note:** While a detailed literature has been included on the 'NITI Aayog' in this edition (as the last *sub-topic*), the literature on the PC has been left unchanged for the ease of understanding and comparative purpose.]

NATIONAL DEVELOPMENT COUNCIL

The National Development Council (NDC) was set up on August 6, 1952 by a Resolution[59] issued from the cabinet secretariat. The first Plan recommended its formation with a very concise and suitable observation:[60]

"In a country of the size of India where the states have under the constitution full autonomy within their own sphere of duties, it is necessary to have a forum such as a National Development Council at which, from time to time, the Prime Minister of India and the Chief Ministers of the states can review the working of the plan and of its various aspects."

There were some strong reasons why the NDC was set up which may be seen as follows:

(i) The Central Plans were to be launched in the states and the UTs with the participation of the state–level personnel. The Planning Commission was not provided with its own implementation staff (though the PC was given the responsibility of plan implementation) for this purpose. Therefore, the consent and co-operation of these federal units was a must.

(ii) Economic planning as a concept had its origin in the centralised system (i.e., Soviet Union). For India, to democratise/ decentralise the very process of planning was not a lesser task/challenge than promoting development itself. Indian planning is rightly said to be a process of trial and error in striking a balance between liberty and progress, central control and private initiative and national planning with local authority.[61]

The setting up of the NDC can be considered as the step in India towards decentralised planning.

(iii) In the constitutional design of the federal rigidities it was necessary to provide the whole planning process a unified outlook. The NDC serves the purpose of diluting the autonomous and rigid federal units of the Union of India.[62]

59. ***Resolution No. 62/CF/50*** (06.08.1952), Cabinet Secretariat, GoI, N. Delhi.
60. ***First Five Year Plan: A Draft Outline,*** PC, GoI, N. Delhi, July 1951, p. 253.
61. ***Gazetteer of India, Vol.3,*** p. 10 op.cit.
62. The Advisory Planning Board (1946) set up by the Interim Government had suggested for such a consultative body with the representatives from the provinces, the princely states and some other interests to advise the Planning Commission for the success of planning in India.

The NDC initially comprised the Prime Minister of India (de facto Chairman), the Chief Ministers of all States and the Members of the Planning Commission. In the first meeting of the NDC held on 8–9 November 1952, J.L. Nehru stated that NDC is "essentially a forum for intimate cooperation between the State Governments and the Central Government for all the tasks of national development". In the *words* of J.L. Nehru, setting up of the NDC may be regarded as one of the most significant steps taken for promoting understanding and consultation between the Union and the State Governments on planning and common economic policies.

Considering the recommendations of the 'Administrative Reforms Commission', the NDC was reconstituted and its functions redefined by a Cabinet Resolution on October 7, 1967. The reconstituted NDC comprises the Prime Minister, all Union Cabinet Ministers, Chief Ministers of all States and Union Territories and the Members of the Planning Commission. Delhi Administration is represented in the Council by the Lt. Governor and the Chief Executive Councillor, and the remaining Union Territories by their respective Administrators. Other Union Ministers and State Ministers may also be invited to participate in the deliberations of the council. In the reconstituted Council, the Secretary of the Planning Commission acts as Secretary to the NDC and the Planning Commission is expected to furnish such administrative or other assistance for the work of the Council as may be needed. The baisc nature, origin and legal status of the Council are similar to the Planning Commission. The **revised functions**[63] of the NDC are:

(i) to consider the proposals formulated for Plans at all important stages and accept them;

(ii) to review the working of the Plans from time to time;

(iii) to consider the important questions of social and economic policy affecting national development; and

(iv) to recommend measures for the achievement of the aims and targets set out in the national plan, including measures to secure the ***active participation*** and co-operation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and backward sections of the community and through sacrifices borne equally by all citizens, build up resources for national development.[64]

Though the first Plan of India was launched before the arrival of the NDC, the body had many meetings before the terminal year of the plan and useful deliberations (almost all) after due consideration were included by the government into the planning process. But after the death of J.L. Nehru—the greatest champion of democratic decentralisation in the country[65] the NDC had become a small gathering of only those who had the same vested interests with only the Congress CMs participating in its meetings. The CMs belonging to other political parties usually did not come to its meetings; the government hardly gave any importance to their advice. A phase of tussle between the Centre and the states started worsening from here onward with a degradation

63. Other than the ***Cabinet Resolution,*** it is also quoted is the ***Gazetteer of India, Vol. 3,*** p. 15, op.cit.

64. The ***italicised*** words are here highlighting the level of the Government's consciousness about the concerned issues of decentralised planning, regional and individual inequalities to which the planning was to be specially attentive.

65. George Mathew, undoubtedly among the legendary commentator on the Panchayat Raj/democratic decentralisation calls J.L. Nehru as "its most eminent champion at the national level" (***Power to the People*** in M.K. Santhanam edited ***50 Years of Indian Republic,*** Pub. Div., GoI, 2000, p. 31). Similarly, the reputed historians Bipan Chandra et al. call Nehru as "the greatest champion of planned economic development"– for Nehru the process of planning is the country was to be democratic about which seems very clear, as his writings support (***India After Independence,*** Bipan Chandra et.al., p. 341, op.cit.).

in principles of the ***co*-operative federalism,** with every five-year plans which followed. It was only by the mid-1990s that we see the revival of the lost glory of NDC as well as that of the spirit of decentralised planning. This has been possible due to three major reasons:

(i) In the era of economic reforms, with greater dependence on the private capital made it necessary to allow states greater autonomy in economic matters. Once the WTO regime started it became an economic compulsion.

(ii) The enactment of the Constitutional Amendments 73rd and the 74th had made local level planning a constitutional compulsion.

(iii) And lastly it was the compulsion of coalition politics in the formation of the Union Government which made the Centre to favour the states.

As per the major experts on the issue of decentralised planning, the last of the above given three reasons has played the most important role. After a long-long time, two plans (*the Tenth and the Eleventh*) were passed by the NDC with complete support coming from the CMs.

It is believed that as the local-level planning (i.e., the gram panchayat and the urban municipalities and corporations) allows more and more scope of planning by the states, the NDC will be able to function on its more original principles. The contemporary concerns of the governments give enough hope to think like this, at least it seems so.

CENTRAL PLANNING

The Plans which are formulated by the Central Government and financed by it for the implementation at the national level are known as Central Plans. Over the years, the Centre has launched three such plans and the governments have maintained continuity in their implementation. The three central plans are:

A. Five-Year Plans,

B. Twenty-Point Programme, and

C. Member of Parliament Local Area Development Scheme.

An introductory description of these plans is given as follows:

A. THE FIVE-YEAR PLANS

This is the most important among the central plans and is being continuously implemented one after the other since planning commenced in India. As planning has been a purely political excercise in India, the five-year plans of the country have seen many unstable and critical moments till date. Several new developments related to planning also took place during the years. Given below is a concise summary of the plans as we see their different periods of implementation:

FIRST PLAN

The period for this plan was 1951–56. As the economy was facing the problem of large-scale foodgrains import (1951) and the pressure of price rise, the plan accorded the highest priority to agriculture including irrigation and power projects. About 44.6 per cent of the plan outlay went in favour of the public sector undertakings (PSUs).

The Plan was launched with all the lofty ideas of socio-economic development, which had frustrating outcomes in the following years.

SECOND PLAN

The plan period was 1956–61. The strategy of growth laid emphasis on rapid industrialisation with a focus on heavy industries and capital goods.[66] The plan was developed by Professor

66. Sukhomoy Chakravarti, ***Development Planning: The Indian Experience,*** Oxford University Press, New York, 1989, pp. 9–11.

Mahalanobis. Due to the assumption of a closed economy, shortages of food and capital were felt during this Plan.

Third Plan

The Plan period was 1961–65. The Plan specifically incorporated the development of agriculture[67] as one of the objectives of planning in India besides, for the first times, considering the aim of balanced, regional development.

Enough misfortunes awaited this plan—two wars, one with China in 1961–62 and the other with Pakistan in 1965–66 along the Gujarat border and a severe drought-led famine in 1965–66 had to be faced. Due to heavy drain and diversion of funds, this plan utterly failed to meet its targets.

Three Annual Plans

The period of the three consecutive Annual Plans was 1966–69. Though the Fourth Plan was ready for its implementation in 1966, the weak financial situation as well as the low morale after the defeat by China, the government decided to go for an Anuual Plan for 1966–67. Due to the same reasons the government went for another two such plans in the forthcoming years. The broader objectives of these Annual Plans were inside the design of the Fourth Plan which would have been implemented for the period 1966–71 had the financial conditions not worsened by then.

Some economists as well as the opposition in the Parliament called this period as a discontinuity in the planning process, as the Plans were supposed to be for a period of five years. They named it a period of "Plan Holiday", i.e., the planning was on a holiday.[68]

Fourth Plan

The Plan period was 1969–74. The Plan was based on the Gadgil strategy with special focus to the ideas of growth with stability and progress towards self-reliance. Droughts and the Indo-Pak War of 1971–72 led the economy to capital diversions creating financial crunch for the Plan.

The politicisation of planning started from this plan which took serious 'populist' design in the coming plans. Frequent double-digit inflations, unreigned increase in the fiscal deficits, subsidy-induced higher non-plan expenditures and the first move in the direction of 'nationalisation' and greater control and regulation of the economy were some of the salient features of this plan, which continued unchanged till the early 1990s. The search for political stability at the Centre converted planning into a tool of real politics with greater and greater 'centralisation' ensuing plan after plan.

Fifth Plan

The Plan (1974–79) has its focus on poverty alleviation and self-reliance.[69] The popular rhetoric of poverty alleviation was sensationalised by the government to the extent of launching a fresh plan, i.e., the Twenty-point Programme (1975) with a marginal importance being given to the objective of 'growth with stability' (one of the major objectives of the Fourth Plan).

The planning process got more politicised. The havocs of hyper-inflation led the government to hand over a new function to the Reserve Bank of India to stabilise the inflation (the function which the RBI carries forward even today). A judicious price wage policy was started to check the menace

67. C. Rangarajan, ***Indian Economy: Essays on Money and Finance, UBSPD,*** N. Delhi, 1998, p. 272.
68. It should be noted here that as per the official version of the Government of India, the planning has been a *continuous process* in the country and there is no term like the 'Plan Holiday' in Its official documents. The term was given by the critics and popularised by the contemporary media.
69. Experts believe this Plan to be somewhat based on the ideas of D.P. Dhar, the Minister for Planning at that time.

of inflation on the wage-earners. This Plan saw an increase in the socio-economic and regional disparities despite the many institutional, financial and other measures which were initiated by the government to attend them. The nationalisation policy continued. There was an overall decay in the quality of 'governance'. A nexus of the 'criminal-politician-bureaucrat' seems to emerge for the first time to hijack the political system.[70]

The plan period was badly disturbed by the draconian emergency and a change of the government at the Centre. The Janata Party came to power with a thumping victory in 1977. As the government of the time had then complete say in the central planning in India how could the new government continue with the Fifth Plan of the last government which had still more than one year to reach its completion. The dramatic events related to Indian planning may be seen objectively as given below:

(i) The Janata Government did cut-short the Fifth Plan one year ahead of its terminal year, i.e., by the fiscal 1977–78, in place of the decided 1978–79.

(ii) A fresh Plan, the Sixth Plan for the period 1978–83 was launched by the new government which called it the **'Rolling Plan'.**[71]

(iii) In 1980, there was again a change of government at the Centre with the return of the Congress which abandoned the Sixth Plan of the Janata Government in the year 1980 itself.

(iv) The new government launched a fresh new **Sixth Plan** for the period 1980–85. But by that time, two financial years of the Janata Government's Sixth Plan had already been completed. These two years of the Plan were adjusted by the Congress Government in a highly interesting way:

   (a) The first year, i.e., 1978–79 was added to the fifth plan which was cut-short by the Janata Government to four years. And thus the Fifth Plan officially became of 5 years again (1974–79).

   (b) Now what to do with the second year, i.e., 1979–80. The Congress Government announced this year to be a year of one Annual Plan. This Annual Plan (1979–80) may be considered the lone independent remnant of the 'Rolling Plan' of the Janata Government.

The Sixth Plan (1978–83) which could not become an official plan of India had emphasis on some of the highly new economic ideas and ideals with almost a complete no to foreign investment; new thrust on price control; rejuvenation of the Public Distribution System (PDS); emphasis on small-scale and cottage industries; new lease of life to the Panchayati Raj Institutions (i.e., the 2nd Phase of the revival of the PRIs); agriculture and the subject of rural development getting the due; etc., being the major ones.

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70. As N.N. Vohra remarks.

71. It should be noted here that there is nothing like the 'Rolling Plan' in the official documents of planning in India. Basically, the origin of the concept of the 'Rolling Plan' goes back to the period when India went for the Annual Plans (1966–69) for the first time and the critics noted it as a ***discontinuity*** in the planning process calling it a period of the 'plan holiday'. The basic trait of the 'Rolling Plan' was its ***continuity*** while the congress commenced its Sixth Plan (1980–85) the idea of the 'Rolling Plan' was cancelled as for the new Government the element of 'rolling' (continuity) was already in the Indian Planning – India was following the approach of the 'perspective planning'. A separate Division of Perspective Planning was already functioning in the Yojana Bhavan since the mid-1970s. The two elements which make a plan a 'perspective plan' are – firstly, the 'continuity' and secondly, 'evaluation - based' planning. For the Congress Government, logically, the planning in India was not only 'rolling' but more than that – evaluation-based, too.

SIXTH PLAN

This Plan (1980–85) was launched with the slogan of '*Garibi Hatao*' (alleviate poverty).[72] Already, a programme (the TPP) was tested and tried by the same government in the Fifth Plan which tried to improve the standard of living of the poor masses with the 'direct approach' (the idea of poverty alleviation, but such a slogan of '*Garibi Hatao*' was not given to the programme).

Some of the major issues addressed by the Plan were—emphasis on socio-economic infrastructure in rural areas; eliminating rural poverty and reducing regional disparities through the IRDP (1979); 'target group'[73] approach initiated; a number of national level programmes and schemes were launched during the plan, which tried to attend to the specific areas and the specific concerns of socio-economic development (this is 'target group' approach):[74]

(i) National Rural Employment Programme (NREP)—1980
(ii) Restructured Twenty-Point Programme–1982
(iii) Biogas Programme—1982
(iv) Development of Women and Children in Rural Areas (DWERA)—1983
(v) Rural Landless Employment Guarantee Programme (RLEGP)—1983
(vi) Self-Employment to Educated Unemployed Youth Programme (SEEUP)—1983
(vii) Dairy Development Programme (DDP)—1983
(viii) Village and Small Industries Development Programme (VSIDP)—1983
(ix) Tribal Development Agency (TDA)—1983
(x) Village and Small Industries Development Programme (VSIDP)—1983.
(xi) National Seeds Programme (NSP)—1983.
(xii) Intensive Pulses Development Programme (IPDP)—1983.
(xiii) Intensive Cotton Development Programme (ICDP)—1983.
(xiv) Khadi and Village Industries Programme (KVIP)—1983
(xv) Programme for Depressed Areas (PDA)—1983.
(xvi) Special Programme for Women and Children (SPWC)—1983

SEVENTH PLAN

The Plan (1985–90) emphasised on rapid foodgrain production, increased employment creation and productivity in general. The basic tenets of planning, i.e., ***growth, modernisation, self-reliance*** and ***social justice*** remained as the guiding principles.[75] The *Jawahar Rojgar Yojana* (JRY) was launched in 1989 with the motive to create wage-employment for the rural poors. Some of the already existing programmes such as the IRDP, CADP, DPAP and the DDP were re-oriented.

Till date, the government has been evaluating the achievements of all the developmental

72. Some experts see this Plan as a symbol of the planning being converted to a complete politics – with utter populism entering into the planning process of India. The circle of the politicisation of planning gets completed with this Plan
73. 'Target group' approach of planning is selecting the group of people where a particular problem is and attacking the problem directly – the TPP was the first such programme in India.
74. ***India 1980–1983,*** Pub. Div., GoI, N. Delhi.
75. ***Seventh Five Year Plan*** (1980-85), PC, GoI, N. Delhi, 1980.

programmes, courtesy the youngest PM of India. Somehow, democracy and development got connected with a major change in the thinking of the political elite which decided to go in for democratic decentralisation to promote development. It laid strong foundations for itself as the constitutional amendments—the 73rd and 74th were possible by the early 1990s.

Though the economy had better growth rates throughout the 1980s, specially in the latter half, yet it was at the cost of bitter fiscal imbalances. By the end of the Plan, India had a highly unfavourable balance of payments situation. Heavy foreign loans on which the governmental expenditures depended heavily during the period, the economy failed to service.[76] The Plan was not laid with a strong financial strategy which put the economy into a crisis of unsustainable balance of payments and fiscal deficits.[77] India basically tried to attend its growth prospects by commercial and other external borrowings on hard terms which the economy failed to sustain. In the process of liberalisation, an expansion of internal demand for the home market was permitted without generating equitable levels of exports and ultimately Indian imports were financed by the costly external borrowings. Such an 'inward looking' fiscal policy proved to be a mistake when the external aid environment for the economy was deteriorating.[78]

Two Annual Plans

The Eighth Plan (whose term would have been 1990–95) could not take off due to the 'fast-changing political situation at the Centre'.[79] The pathbreaking and restructuring-oriented suggestions of the Eighth Plan, the sweeping economic reforms ensuing around the world as well as the fiscal imbalances of the late 1980s were the other important reasons for the delay in the launch of the Eighth Plan. The new government, which assumed power at the centre in June 1991, decided to commence the Eighth Plan for the period 1992–97 and that the fiscals 1990–91 and 1991–92 should be treated as two separate Annual Plans. The two consecutive Annual Plans (1990–92) were formulated within the framework of the approach to the Eighth Plan (1990–95) with the basic thrust on maximisation of employment and social transformation.

Eighth Plan

The Eighth Plan (1992–97) was launched in a typically new economic environment. The economic reforms were already started (in July 1991) with the initiation of the structural adjustment and macro-stabilisation policies necessitated by the worsening balance of payments, higher fiscal deficit and unsustainable rate of inflation.

This was the first plan which went on for an introspection of the macro-economic policies which the country had been pursuing for many decades. The major concerns and pathbreaking suggestions[80] which this Plan articulated may be summarised as follows:

76. Similar financial strategy to promote growth and development had led the Soviet Union to economic collapse via the balance of payment crisis during Gorbachev's regime by 1991, as is pointed out by Jeffrey Sachs in ***The End of Poverty*** (Penguin Books, London, 2005, pp. 131–134).
77. C. Rangarajan, 1998, p. 274, op.cit.
78. ***Bimal Jalan*** in Bimal Jalan (ed.), 1992, pp. 190–191, op.cit.
79. This is official version for the delay (***India 2007,*** Pub. Div., GoI, 2007, p. 680).
80. It should be noted here that the kind of economic reforms India started in 1991–92 were ***almost ditto suggested*** by the Eighth Plan. The suggestions were based on India's own experience and the experiences of the world economies after the Second World War. The Sixth and the Seventh Plans had suggested almost on the similar lines which made the Governments of the time go for the so-called 'liberalisation' moves in the mid-1980s.

(i) an immediate re-definition of the state's role in the economy was suggested;

(ii) 'market-based' development advised in the areas which could afford it, i.e., a greater role for the private sector in the economy;[81]

(iii) more investment in the infrastructure sector, especially in the laggard states as the ongoing emphasis on greater private sector investment could not be attracted towards these states;

(iv) rising non-plan expenditure and fiscal deficits need to be checked;

(v) subsidies need restructuring and refocussing;

(vi) planning immediately needs to be 'decentralised';

(vii) special emphasis on 'co-operative federalism' suggested;

(viii) greater focus on 'agriculture' and other 'rural activities' was suggested for which the Plan cited empirical evidences as they encourage the economy to achieve enhanced standard of living for its people and to promote the cause of balanced growth, a shift in the mindset of planning.

As the economy moved towards liberalisation, criticism came from every quarter against the move. The process of planning was also criticised on the following counts:

(i) As economy moves towards the market economy, the planning becomes 'irrelevant';

(ii) When the state is 'rolling back', planning makes no sense;

(iii) The planning process should be 're-structured' in the era of liberalisation; and

(iv) There should be increased thrust on the 'social sector' (i.e., education, healthcare, etc.)

NINTH PLAN

The Ninth Plan (1997–2002) was launched when there was an all round 'slowdown' in the economy led by the South East Asian Financial Crisis (1996–97). Though the liberalisation process was still criticised, the economy was very much out of the fiscal imbroglio of the early 1990s. With a general nature of 'indicative planning' the Plan not only did target an ambitious high growth rate (7 per cent) but also tried to direct itself towards time-bound 'social' objectives. There was an emphasis on the seven identified Basic Minimum Services (BMS) with additional Central Assistance for these services with a view to obtaining complete coverage of the population in a time-bound manner. The BMS[82] included:

(i) Safe drinking water;

(ii) Primary health service;

(iii) Universalisation of primary education;

(iv) Public housing assistance to the shelter-less poor families;

(v) Nutritional support to children;

(vi) Connectivity of all villages and habitations; and

(vii) Streamlining of the public distribution system.

The issue of fiscal consolidation became a top priority for the governments starting from this Plan, for the first time which had its focus on the following[83] related issues:

81. C. Rangarajan, 1998, pp. 275–276, op.cit.

82. ***India 2007,*** Pub. Div., pp. 682–83, op.cit.

83. ***Economic Surveys*** (1998–2002), Ministry of Finance, GoI, N. Delhi & ***India 2007,*** p. 683, op.cit.

(i) Sharp reduction in the revenue deficit of the government, including centre, states and the PSUs through a combination of improved revenue collections and control of inessential expenditures;

(ii) Cutting down subsidies, collection of user charges on economic services (i.e., electricity, transportation, etc.), cutting down interest, wages, pension, PF, etc;

(iii) Decentralisation of planning and implementation through greater reliance on states and the Panchayat Raj Institutions (PRIs).

TENTH PLAN

The Plan (2002–07) commenced with the objectives of greater participation of the NDC in their formulation. Some highly important steps were taken during the plan, which undoubtedly points out a change in the planning policy mindset of the government, major ones being:[84]

(i) Doubling per capita income in 10 years;

(ii) Accepting that the higher growth rates are not the only objective—it should be translated into improving the quality of life of the people;

(iii) For the first time the Plan went to set the 'monitorable tragets' for eleven select indicators of development for the centre as well as for the states;

(iv) 'Governance' was considered a factor of development;

(v) States' role in planning to be increased with the greater involvement of the PRIs;

(vi) Policy and institutional reforms in each sector, i.e., reforms in the PSUs, legal reforms, administrative reforms, labour reforms, etc;

(vii) Agriculture sector declared as the prime moving force (PMF) of the economy;

(viii) Increased emphasis on the social sector (i.e., education, health, etc.);

(ix) Relevance between the processes of economic reforms and planning emphasised; etc.

The Mid-term Appraisal of the Plan was approved by the NDC in June 2005. The assessment gives a mixed picture regarding its performance. As per the appraisal, the country performed well in many areas and these gains needed to be consolidated, but there were some important weaknesses also, which, if not corrected can undermine even the current performance level.[85]

ELEVENTH PLAN

The Plan targets a growth rate of 10 per cent and emphasises the idea of 'inclusive growth'. In the approach paper, the Planning Commission shows its concerns regarding realising the growth targets on account of the compulsions towards the Fiscal Responsibility and Budget Management Act. In recent times some aberrations in the economy have started to increase the government's concerns in meeting the Plan target of 10 per cent growth. The major concerns are:

(i) A higher inflation (above 6 per cent) led to the tightening of the credit policy forcing lower investment in the economy (which will lower the production);

(ii) A stronger rupee is making export earnings shrink fast;

(iii) Costlier foodgrains and other primary articles playing havoc for the poor masses;

84. ***Tenth Five Year Plan (2002–07),*** P.C, GoI, N. Delhi.

85. ***Mid-Term Appraisal of the Tenth Plan,*** P.C, GoI, N. Delhi.

(iv) Costlier oil prices becoming a burden for the national exchequer; etc.

Not only the government but the Confederation of Indian Industry (CII) as well as the World Bank expressed doubts in the Eleventh Plan realising the ambitious 10 per cent growth.

Eleventh Plan: Performance

The Planning Commission (PC) had attempted the mid-term appraisal of the Plan, which was considered and approved by the National Development Council in July 2010. The appraisal document reviewed the developments and provided a comprehensive assessment of the performance of the economy during the Eleventh Plan period so far, in different sectors, together with suggested mid-course corrections. It has drawn attention to the problems in some selected areas and identified constraints that would be of relevance for the balance period of the Eleventh Plan and also for the Twelfth Plan. These include inter-alia:

(i) Restoring dynamism in agriculture,
(ii) Managing India's water resources,
(iii) Problems in achieving power generation targets,
(iv) Issues pertaining to urbanisation, and
(v) Special problems of tribal development.

In respect of *agriculture,* the mid-term appraisal notes that though performance of agriculture and the rate of growth in the Eleventh Plan is likely to be better than that in the Tenth Plan, it may, however, not reach the target of 4 per cent per year. The need to focus on agriculture and other critical issues mentioned above would require *concerted action* by the Centre and the states.

The Review by the PC regarding the **Poverty Estimates** is also important when the issue has become a matter of debate in the country. The Planning Commission is the nodal agency for estimating poverty in the country, both at the national level and across the states. The estimates the poverty on the basis of poverty line defined in terms of monthly per capita consumption expenditure. The Commission has been estimating poverty line and poverty ratio since 1997 on the basis of the methodology contained in the report of the Expert Group on 'Estimation of Number and Proportion of Poor' (known as *Lakdawala Committee Report*). The Head-count poverty ratio has been estimated by using the above mentioned poverty lines from a large size sample survey of household consumption expenditure carried out by the National Sample Survey Office (NSSO) with an interval of 5 years approximately.

The Planning Commission constituted an Expert Group in December 2005 under the chairmanship of Prof. Suresh D. Tendulkar to review the methodology for estimation of poverty. The Expert Group submitted its report in December 2009. While acknowledging the multi–dimensional nature of poverty, the Expert Group recommended moving away from anchoring the poverty lines to the calorie intake norm, adopting the Mixed Reference Period (MRP) based estimates of consumption expenditure as the basis for future poverty lines, adopting MRP equivalent of urban Poverty Line Basket (PLB) corresponding to 25.7 per cent urban headcount ratio as the new reference PLB for rural areas. On the basis of the above methodology, the all-India rural poverty headcount ratio for 2004–05 was estimated at 41.8 per cent, urban poverty headcount ratio at 25.7 per cent and all India level at 37.2 per cent. It may however be mentioned that the Tendulkar Committee's estimates are not strictly comparable to the present official poverty estimates because of different methodologies. As has been indicated in the Mid-Term Appraisal of the Eleventh Five Year Plan, the revised poverty lines and poverty ratios for 2004–05 as recommended by the Tendulkar Committee have been accepted by the Planning

Commission. The Tendulkar Committee has specifically pointed out that the upward revision in the percentage of rural poverty in 2004–05, resulting from the application of a new rural poverty line, should not be interpreted as implying that the extent of poverty has increased over time. These estimates, as reported by the Committee, clearly show that whether we use the old method or the new, the percentage of the population below poverty line has declined by about the same magnitude.

The performance on the **Fiscal Scenario**, according to the Planning Commission, the expansionary fiscal measures taken by the government in order to counter the effects of the global slowdown were continued in 2009–10, and this led to further increase in the key deficit indicators. The fiscal deficit of the Centre, which was 2.5 per cent in 2007–08 increased substantially to 6.0 per cent in 2008–09 and further to 6.4 per cent in 2009–10, but it declined to 5.1 per cent in 2010–11 (RE) and the Budget Estimates for 2011–12 put the fiscal deficit at 4.6 per cent of the GDP. Similarly, the revenue deficit of the Centre increased from 1.1 per cent in 2007–08 to 4.5 per cent in 2008–09 and further to 5.2 per cent in 2009–10 and declined to 3.4 per cent for 2010–11 (RE). As per 2011–12 (BE), the revenue deficit is projected at the same level of 3.4 per cent of the GDP. The increase in the deficit levels of the Centre owes to revenue foregone on account of reduction in indirect tax rates and enhanced public expenditure in order to boost demand in the economy amidst global meltdown.

The issue of **Price Stability** remained resonating for more than half of the Plan period. To ward off the crisis of rising prices, the government needed to announce several tax concessions at one hand, while it could not pass the burden of the costlier imported oil prices on the masses. That would have resulted in ultimately putting the exchequer in a fund-crunch mode, at the end, creating a short-supply of investible funds in government's hand, hence, causing the Eleventh Plan to perform at the levels below its target.

TWELFTH PLAN

The 'Draft Approach Paper' of the Twelfth Plan (2012–17) was prepared by the Planning Commission after widest consultation till date-recognising the fact that citizens are now better informed and also keen to engage. Over 950 civil society organisations across the country provided inputs; business associations, including those representing small enterprises have been consulted; modern electronic and 'social media' (Google Hangout) were used to enable citizens to give suggestions. All state governments, as well as local representative institutions and unions, have been consulted through five regional consultations. Though the Approach Paper for the Plan was approved by the NDC by mid-2011, the Plan Document was finalised much later after the launch of the plan (like the Tenth and Eleventh Plans).

The Draft Approach Paper lays down the major targets of the Plan, the key challenges in meeting them, and the broad approach that must be followed to achieve the stated objectives which are summed-up as follows:

(i) Growth rate of 9 per cent is targeted for the Plan. However, in view of the uncertainties in the global economy and the challenges in the domestic economy, the Approach Paper indicates that it could be achieved only if some **difficult decisions** are taken.

(ii) It emphasizes the need to intensify efforts to have 4 per cent average growth in **the agriculture** sector during the Plan period; with foodgrains growing at about 2 per cent per year and non-food grains (notably, horticulture, livestock, dairying, poultry and fisheries) growing at 5 to 6 per cent.

(iii) The higher growth in agriculture would not only provide broad based income benefits to the rural population but also help restrain **inflationary pressure**, which could arise if high levels of growth are attempted without corresponding growth in domestic food production capabilities.

(iv) It proposes that the major **flagship programmes** which were instrumental for promoting inclusiveness in the Eleventh Plan should continue in the Twelfth Plan—there is a need to focus on issues of implementation and governance to improve their effectiveness.

(v) The Plan indicates that the **energy** needs of rapid growth will pose a major challenge since these requirements have to be met in an environment where domestic energy prices are constrained and world energy prices are high and likely to rise further.

(vi) For the GDP to grow at 9 per cent, commercial energy supplies will have to grow at a rate between 6.5 and 7 per cent per year. Since India's domestic energy supplies are limited, dependence upon imports will increase. Import dependence in the case of petroleum has always been high and is projected to be **80** per cent in the Twelfth Plan.

(vii) Even in the case of **coal**, import dependence is projected to increase as the growth of thermal generation will require coal supplies, which cannot be fully met from domestic mines.

(viii) It suggests the need to take steps to reduce energy intensity of production processes, increase domestic energy supply as quickly as possible and ensure rational energy pricing that will help achieve both objectives, viz., reduced energy intensity of production process and enhance domestic energy supply, even though it may seem difficult to attempt.

(ix) It draws attention to evolving a holistic **water** management policy aiming at more efficient conservation of water and also in water use efficiency particularly in the field of agriculture.

(x) It argues that a new legislation for **land acquisition** is necessary, which strikes an appropriate balance between the need for fair compensation to those whose land is acquired and whose livelihood is disrupted, and the need to ensure that land acquisition does not become an impossible impediment to meeting our needs for infrastructure development, industrial expansion and urbanisation.

(xi) It maintains that **health, education** and **skill development** will continue to be the focus areas in the Twelfth Plan and that there is a need to ensure adequate resources to these sectors – ***'universal healthcare'*** proposed by it, emphatically. Simultaneously, it also points to the need to ensure maximum efficiency in terms of outcomes for the resources allocated to these sectors. The need to harness ***private investment*** in these sectors has also been emphasised by the approach.

(xii) It takes cognizance of the fact that achieving 9 per cent growth will require large **investments** in infrastructure sector development—notes greater momentum to public investment and Public Private Partnerships (PPPs) in infrastructure sector needs to be imparted so that present infrastructure shortages can be addressed early.

(xiii) It has emphasised the importance of the process of **fiscal correction**. However, the paper cautions that fiscal consolidation would imply that total resources available for the Plan in the short run will be limited. Resource limitations imply the need to prioritise carefully and that some ***priority areas***, e.g., health, education and infrastructure will have to be funded more than others.

(xiv) It also emphasizes the need for focusing more on **efficient use** of available resources in view of the resource constraints. The Paper makes several suggestions in this regard, including giving implementing agencies greater amount of freedom, flexibility, promoting convergence between resources from different Plan schemes and the need for much greater attention to capacity building, monitoring and accountability.

B. Twenty-Point Programme

The Twenty Point Programme (TPP) is the second Central Plan which was launched in July 1975. The programme was conceived for coordinated and intensive monitoring of a number of schemes implemented by the Central and the state governments. The basic ***objective*** was of improving the quality of life of the people, especially of those living below the poverty line. Under this, a thrust was given to schemes relating to poverty alleviation, employment generation in rural areas, housing, education, family welfare and health, protection of environment and many other schemes having a bearing on the quality of life in rural areas.

The programme was restructured in 1982 and 1986. The programme, known as the ***'TPP-86'*** has 119 items grouped into 20 points which are related to the improvement in the quality of life in rural areas. Among the total items, 54 are monitored on the basis of evaluatory criteria, 65 against pre-set physical targets and rest of the 20 important items on monthly basis. The targets are fixed by the Ministries at the Centre in consultation with the states and the UTs. The allocation for the programme is done under the various Five-Year Plans.

The 'TPP-86' has been restructured and named 'TPP-2006' keeping in view the challenges of the 21st century with particular reference to the process of economic reforms. This is in harmony with the National Common Minimum Programme (NCMP) of the UPA Government.

Basically, the programme was targetted to the cause of poverty alleviation with the 'direct attack' approach. This experiment encouraged the government to go for a whole Five-Year Plan with the slogan 'Garibi Hatao' (i.e., the Sixth Plan, 1980–85). Over the years, the political changes at the Centre did not affect the programme and it has been continuously implented, more so due to its being of a high populist nature and known to the masses, as the experts believe.

C. MPLADS

The Member of Parliament Local Area Development Scheme (MPLADS) is the last of the Central Plans and latest to have been launched, too. The scheme was launched on December 23, 1993 with only Rs. 5 lakh given to each MPs which was increased to Rs. 1 crore in the year 1994–95. When the MPs did put a demand to increase the sum to Rs. 5 crore in 1997–98, finally the government enhanced it to Rs. 2 crore since 1998–99. In April 2011 the corpus was enhanced to Rs. 5 crore while announcing the new guidelines for the scheme.

Basically, in the early 1990s there came a demand from the MPs cutting across the party line for such a scheme so that the fruits of development could directly reach the masses via their representatives. The government of the time decided to go in for such a scheme and the MPLADS came.

Under this scheme the Members of Parliament[86] recommend some works (i.e., creation of fixed community assets, based on locally felt developmental needs) to the concerned District Magistrate. The scheme is governed by a set of guidelines, which have been comprehensively revised and issued in November 2005. Its performance has improved due to pro-active policy initiatives, focus monitoring and review.[87]

In recent years, many criticisms of the scheme came to the public notice, which concerned either misappropriation of the funds or non-use of the funds, especially from the backward states. The people's representative at the PRI level have been demanding scrapping of the scheme as it infringes the idea of decentralised planning. In it's place, they want the funds to be given to the local bodies directly for the same kind of works specified by the MPLADS.[88]

The MOSPI (Ministry of Statistics and Programme Implementation) issued ***revised guidelines*** for the scheme in ***August 2012*** with the following salient features:

(i) Assistance to physically challenged persons upto maximum of Rs.10 lakh per year for purchase of *tri-cycles* and *artificial limbs* have been allowed,

(ii) Ambulances/hearse vans under the District Authority/CMO/Civil Surgeon of the district can now also be operated through private organisations,

(iii) MPs allowed to recommend eligible works upto Rs.10 lakh per year outside the constituency for Lok Sabha MPs and outside states for Rajya Sabha MPs.

(iv) Advances to government implementing agencies increased to the ratio of 75:25 (from 50:50).

(v) Contingency Funds of 0.5 per cent have been increased to 2 per cent of the annual entitlement as administrative expenses.

(vi) Works can also be implemented in areas affected by *man-made calamities* like chemical, biological and radiological hazards.

(vii) Mobile library for government educational institutions/public libraries now permissible.

(viii) Works from out of the shelf of MGNREGA. A project approved by the Zilla Panchayat for the year may also be recommended under the MPLAD Scheme. Similarly, ***convergence*** of MPLADS funds with Panchayat Yuva Krida aur Khel Abhiyan (PYKKA) and Urban Sports Infrastructure Scheme (USIS) for creation of durable sports assets from out of the shelf of PYKKA Projects has been allowed.

(ix) Funds can be used now for construction of Railway Halt Stations to facilitate the local community for boarding/deboarding the train.

(x) An MP has been entitled for setting up of MPLADS Facilitation Centre in the Nodal District for which MPLADS funds not exceeding Rs. 5 lakh being the

86. For development works the MP, Lower House (the Lok Sabha) may select one or more districts of his/her constituency; the MP, Upper House (the Rajya Sabha) may select any one or more districts from his/her constituency (i.e. a state or an UT); and the Nominated MPs may select any one or more district from their constituency (i.e. the whole country).

87. As the Government reports in the ***India 2007,*** pp. 711–712, op.cit.

88. We may especially quote the '21 Point Memorandum' handed over by the ***All India Panchayat Adhyakshas Meet,*** mid-2002, N. Delhi to the President and the Central Government of the time.

cost of equipments, furniture, etc., can be used. The space/room would be provided by DC/DM in the premises of the Collectorate/DRDA and the recurring running expenses will be booked under 2 per cent of the administrative charges, of which the Nodal District gets 0.8 per cent.

(xi) MPs may recommend purchase of ***books*** up to Rs. 22 lakh annually for schools/ colleges/public.

Besides, an annual competition ***'One MP – One Idea'*** was also introduced for selecting three best innovations in solving local problems to be held in each Lok Sabha Constituency.

MULTI-LEVEL PLANNING

It was by the late 1950s and early 1960s that the states demanded the right to plan at the state level. By the mid-1960s, the states were given the power to plan by the Centre advising them that they should promote planning at the lower levels of the administrative strata, too, i.e., the district level planning—via the municipalities and corporations in the urban areas and via block level through panchayats and the tribal boards. By the early 1980s, India was a country of multi-level planning (MLP) with the structure and strata of planning as follows:

FIRST STRATA: CENTRE LEVEL PLANNING

At this level three types of Central Plans had evolved over the years—the Five Year Plans, the Twenty-Point Programme and the MPLADS.

SECOND STRATA: STATE LEVEL PLANNING

By 1960s, the states were planning at the state level with their respective planning bodies, the state Planning Boards with the respective CMs being their de-facto Chairman. The States Plans were for a term of five years and parallel to the concerned Five Year Plans of the Centre.

THIRD STRATA: DISTRICT LEVEL PLANNING

By the late 1960s all the districts of the states were having their own plans with their respective District Planning Boards[89] with the respective District Magistrate being the de-facto chairman. The district level plans are implemented now via municipalities or corporations in the urban areas and the panchayats via the blocks in the rural areas.

FOURTH STRATA: BLOCK LEVEL PLANNING

As a part of the district level planning the Block Level Planning came up which had the District Planning Boards as their nodal body. Below the blocks, India developed the planning at the local level, too.

FIFTH STRATA: LOCAL LEVEL PLANNING

By the early 1980s, plans were being implemented at the local level via the blocks and had the District Planning Boards (DPBs) as the nodal agency. Due to socio-economic differentiations among the population, local level planning in India developed with its three variants,[90] namely:

(i) Village Level Planning
(ii) Hill Area Planning
(iii) Tribal Area Planning

89. After the implementation of the 74th Constitutional Amendments they have become the District Planning Committees (DPCs).

90. While people in some areas have socio-cultural similarities (as in the hill areas with no tribal population and the people living in the plains i.e villages) they lack economic similarities. Similarly, while people living in the tribal areas and the hill areas have economic similarities they lack socio-cultural similarities. That is why all these three habitations had three sets of planning patterns.

Basically, the MLP was started to promote the process of decentralised planning in the country. It was the Indian version of democratic planning which ultimately sought to guarantee the people's participation in the process of planning. But it failed to do so due to many reasons. The reasons have been discussed below:

(i) It could not promote people's participation in the formation of the various plans. The basic idea of the MLP model was that once the local level plans will be handed over to the blocks, the blocks will make their plans and once the blocks hand over their plans to the districts, the district level plans will be formulated. Similarly, the state plans and finally the Five-Year Plan if the Centre will formulate one. By doing so, every idea of planning will have the representation of everybody in the country at the time of plan formation—a special kind of plan empathy would have developed out of this process. But this was not the reality. Every strata made their own plans—lacking the empathy factor.

(ii) Only Central Plans were implemented as the states lacked the required level of finance to support the plans. They ultimately had to be satisfied by implementing the Central Plans which failed to include the states' empathy.

(iii) As the local bodies in India were not having any constitutional mandate, they just played the complementary roles to the state planning process. As they had no financial independence, their plans, even if they were formulated, remained on paper only.

(iv) The MLP, thus, failed to include the people's participation in planning, badly betraying the local aspirations.[91]

But at least the failure of MLP made the government to think in the direction of decentralised planning afresh leading to the enactment of the two important Constitutional Amendments—the 73rd and 74th.

WAY TO DECENTRALISED PLANNING

Economic planning was basically an element of the centralised kind of political system (i.e., the socialist and the communist). When India decided in favour of a planned economy it was to face double challenges:

(i) The first challenge was to realise the objectives of planning in a time-bound frame and

(ii) Making economic planning a suitable instrument of development in the democratic set up—to democratise and decentralise the process of planning itself.

The government tried to decentralise the planning process by setting up the NDC and promoting the MLP, but without being able to achieve the desired results. By the late 1980s, a direct link was established[92] between development and democracy. And it was established that the above-given challenges were basically complementary—without solving the second challenge (i.e., decentralisation) the first challenge (i.e., development) cannot be solved. Finally, once

91. G.V.K. Rao Committee (CAARD), 1985; L.M. Singhvi Committee (CCPPRI), 1986 and Sarkaria Commission, 1988 all discussed this inter-connection (***Legislative Status of Panchayat Raj in India,*** IIPA, N. Delhi, 1997).

92. Governments' failure in including the local aspirations in the process of planned development has been considered by the major experts as the foremost reason behind the success of the regional political parties, which has led to the governments of the 'compromises' i.e. coalition Governments, at the Centre and in the states via the 'hung parliaments' and the 'hung assemblies', respectively.

the PRIs were given the constitutional status first time planning became a constitutional excercise at any level, i.e., at the panchayat level.

Though the planning at the central and the state levels are still extra-constitutional activities, it has become constitutional at the level of local bodies. Kerala has shown some pathbreaking good works via local body planning.[93] But still there are many hurdles to be solved before the local bodies are really able to plan for their proper development. These hurdles as per the experts are as under:

(i) The financial status of the PRIs is still not stabilised.

(ii) Which taxes the PRIs can impose are still not clear.

(iii) The state assemblies have been procrastinating in delegating timely and needful powers to the PRIs.

(iv) Low level of awareness among the local people regarding their Right to Information and the right functioning of the PRIs

(v) Use of money and muscle power in the PRI elections in some states

By mid-2002, there took place an all India Panchayat Adhyaksha Sammelan in New Delhi. At the end of the meet, the Panchayat Adhyakshs handed over a '21 Point Memorandum' to the government which specially dealt with the financial status of the PRIs. In July 2002, while the then PM was addressing the annual meet of the District Rural Development Agency (DRDA), he announced that the PRIs will be given 'financial autonomy' very soon. He further added that once there is a political consensus, the government might go in for a further constitutional amendment. Unfortunately, the same coalition (i.e., the NDA) did not come to power in the forthcoming general elections. But the UPA Government does not look less serious on the issue of participatory development. By mid-2006, the Planning Commission wrote letters to every Chief Minister of each state that before the Eleventh Plan commences it wants that all the PRIs are duly delegated their functional powers of planning from the concerned states. Otherwise, the funds kept for local development would not flow to the states. This shows the seriousness of the Central Government.

Once there is right level of awareness among the local people and the PRIs are able to take their real shape, the planning process will get decentralised, we may be sure of that.

THE PLANNING COMMISSION & THE FINANCE COMMISSION

Federal political systems provide independent financial control to the central as well as the state governments so that they are able to perform their exclusive functions.[94] For the same objective, the Constitution of India has made elaborate provisions,[95] i.e., setting up of a Finance Commission to recommend to the President certain measures relating to the distribution of financial resources between the Union and the states. But the powers given to the Finance Commission by the Parliament limited its functions to the extent of finding out revenue gap of the states besides recommending for the 'grant-in-aids to the states from the Centre. The finance commission cannot determine the capital-related

93. Jose George, 'Panchayats and Participatory Planning in Kerala', ***The Indian Journal of Public Administration,*** Vol. XLIII, No.1, January–March, 1997.

94. As *K.C. Wheare* writes about the classical federal constitutions in ***Federal Government,*** Oxford University Press, 3rd Ed., 1956, p. 97.

95. Articles 270, 273, 275 and 280 of the ***Constitution of India.***

issues of the states (though the Constitution does not classify between the capital or revenue related roles of the commission while determining the Centre's assistance to the states).

In the meantime, to promote the process of planning, an extra-constitutional body, i.e., the Planning Commission was set up even before the First Finance Commission was set up. The Planning Commission plays a very vital role in the process of determining Central assistance to the states as all development plans, programmes and projects are within its purview. All grants or loans given by the centre to the states for developmental works are practically dependent on the recommendations of the Planning Commission. And that is why the role of the Planning Commission was said to 'confine'[96] the role of the Finance Commission, i.e., a non-constitutional body eclipsing a constitutional body. P.J. Rajamannar who headed the Finance Commission (1966–69) suggested to clearly define the relative scope and functions of the two commissions by amending the Constitution, and the Planning Commission was advised to be made a statutory body independent of the government. But no such follow ups came from the successive governments at the Centre. But one thing was important, most of the finance commissions devoluted some extra shares in the central taxes (i.e., the income tax and the central excise) and grants-in-aid.

Since the decade of the 1990s, certain events made the Central Government change its mindset regarding the role of the states in the process of development. Major events may be counted as under:

(i) The process of economic reforms started in 1991–92 required active economic participation from the states.

(ii) The constitutional requirement of 'participatory planning' mandated by the 73rd and 74th Constitutional Amendments was enacted in 1993.

(iii) The arrival of coalition era at the Centre when over a dozen political parties, having regional affiliations came together to form the government.

(iv) The recommendations of the Tenth Finance Commission followed by a constitutional Amendment making Alternative Method of Devolution a law in 1995.

(v) Various new needs of the time such as tax reforms, agricultural development, industrial expansion, etc.

The year 2002 could be considered a watershed in the area of promoting the states' need for financial resources in promoting their developmental requirements. In July 2002, while the government was setting up the Twelfth Finance Commission (2005–10) the then Minister of Finance announced that in future the Planning Commission will be *playing more or less a role of collaborator to the Finance Commission.* In the same announcement, the government made one member of the Planning Commission, a member of the Finance Commission too (a symbol of physical and ideological connection between the two bodies).[97] It was as if the government had accepted the suggestions of the Fourth Finance Commission to a great extent. Though the critics took it as an infringement of a constitutional body by a non-constitutional one, the government clarified by calling it a symbol for promoting the contemporary needs of the economy and fiscal federalism.

96. ***Report of the Fourth Finance Commission*** (chaired by P.J. Rajamannar), GoI, N. Delhi, 1965, p. 88.

97. In the 10th Plan, **Som Pal** was that common member in both the Commissions (who resigned from the PC once the UPA-I came to power). But this arrangement has been followed by the government in all new Commissions since then—with **B. K. Chaturvedi** and **Prof. Abhijit Sen** (Members, PC) being the *Additional Members* of the *13th* and *14th Finance Commissions*.

Another milestone was created in the enactment of the Fiscal Responsibility and Budget Management (FRBM) Act in 2003 which empowers the state governments to go for market borrowings to fulfil their plan expenditure without prior permission from the Central Government (provided they have enacted their respective Fiscal Responsibility Acts).[98] This has boosted the participatory planning in the country by guaranteeing greater autonomous plan participation from the states.

If we look at the tax reforms process, we see a general tendency of enabling the states to collect more and more taxes, the Value Added Tax (VAT) being a glaring example by which almost all states have been able to increase their gross tax revenue receipts. The cause will be served more once the economy goes for the proposed enactment of the Goods and Services Tax (GST).

Thus, we see an overall change in the mindset of the Central Government towards allocating more financial resources in favour of the states which has been also shown by the Tenth and Eleventh Plans.

THE CHANGING NATURE AND THE ROLE OF PLANNING

Led by various inter-connected and experience-based factors, a great many ***new elements*** have been included in the Indian planning process in recent years. Some of the new elements are too path breaking to reverse the very established thinking of planning in the country. Still some of them could be seen as the Government's attempt to address some of the long-standing and overdue criticisms of planning in India. The inclusion of the new ***methods*** and ***strategies*** of planning has gone to change the very ***nature***, ***role*** and the ***scope*** of planning in the country. It was the Tenth Plan which is credited of doing this. Many 'first time' initiatives were taken up by the Plan. Usually, the plan projections in India did talk about development in the recognised sectors, but here the Tenth Plan imaginatively forges ahead towards new goals—it was undoubtedly a historic moment. The new measures initiated by the Plan[99], which led to changes in planning may be seen as under:

1. THE ROLE OF THE STATE IN PLANNED DEVELOPMENT

It was for the first time that the Planning Commission not only went for a detailed talk on the states' concerns but also emphasised and recognised their role in the process of development planning (in Vol. III, Tenth Plan). The Plan accepts that unless the states achieve their targets, a nation cannot achieve its targets. This is an open acceptance of the state's role in planning and a clear pointer to the need for decentralised planning. The meeting of the Planning Commission which passed the Tenth Plan advised two important ideas in this regard:

(i) to make the Tenth Plan a ***'People's Plan'***, and

(ii) to make development a ***'People's Movement.'***

The Deputy Chairman, Planning Commission articulated on the ocassion that 'people's say in Plan is a must'. The Chairman, Planning Commission emphasised that only economic growth should not be our objective but improvement in the quality of life of the masses should be the real goal of planned development. He further added that

98. This should be considered a great fiscal freedom to the states (which even the constitution could not forsee) and also making them behave with more responsibility in fiscal matters. More than 20 states have passed their Fiscal Responsibility Acts (FRAs) by now and are borrowing from the market for their planned needs.

99. ***Tenth Five-Year Plan,*** Planning Commission, GoI, N. Delhi, 2002.

people's participation in the planning process is a must to make development a mass movement and helpful to all. This idea continued in the Eleventh Plan and proposes the Twelfth Plan (2012–17).

2. Agricultural Sector Accepted as the Driving Force of the Economy

There had been a bias against the agricultural sector around the world after the Second World War—emphasis on agrarian economy was considered a symbol of backwardness. This mindset, ultimately, changed by the early 1990s to which the World Bank also agreed. Though the Union Budgets of 2000–01 and 2001–02 clearly referred the proposition, it was the Tenth plan which clearly accepted the 'agriculture sector' as the Prime Moving Force (PMF) of the economy. The Nobel Laureate Amartya Sen has also suggested on the same lines.[100]

The Plan further adds that by prioritising agriculture (in place of industry) the economy will be able to solve three major problems which have been ailing the economy:

(i) With the increase in the agricultural production the economy will have food security,

(ii) Emphasis on agriculture will give a great thrust to employment generation (92 per cent of the employment is today generated by the unorganised sector with agriculture being the biggest), and

(iii) Purchasing power of the masses will increase which will reverse the long-standing situation of 'market failure' in the economy (that is why India sells lesser industrial goods and the industries lack the market for their products. It means by emphasising upon the agriculture sector, the economy will be able to boost its income from the industries).

Accepting agriculture as the 'core element' of the economy, the Plan suggested key reforms which are at their various stages of implementations:

(i) Elimination of inter-state barriers to trade and commerce;

(ii) Encouraging contract farming and permitting leasing in and leasing out of agriculture lands;

(iii) Need to amend the Essential Commodities Act;

(iv) Liberalising agri-industry, agri-trade and exports;

(v) Replacement of various Acts concerning food by one comprehensive 'Food Act';

(vi) Permitting 'future trading' in all commodities;

(vii) Removal of restrictions on financing of stocking and trading.

3. Governance Recognised the Most Important Factor of Development

It was for the first time that the economic think tank, the Planning Commission went to comment upon the issue of governance (which has been only of political concern till date and the Planning Commission never thought to ponder upon such issues). In its first comment upon it, the Planning Commission recognised governance among the most important factors to realise the planned goals (a full chapter devoted to it in Vol. I, Tenth Plan). The government also did set up an empowered committee on the matter which advised a list of reforms:

(i) Improved people's participation through PRIs;

(ii) Increased involvement of civil society and NGOs;

100. While he was in India to receive the 'Bharat Ratna' award in 2001.

(iii) Civil service reforms for improving transparency, accountability and efficiency; security of tenure for the civil servants with more equitable system of rewards and punishments;
(iv) Rightsizing both the size and role of government;
(v) Revenue and judicial reforms; and
(vi) Use of Information Technology for 'good governance'

After the World Bank report on 'Good Governance' in the mid-1990s, the government has been trying to sensitise the issue. Finally, it was the Tenth Plan which accepted the immediate need for good governance.

4. New Steps for Economic Reforms to be Taken by the State

In a major decision it was articulated that from now onwards all the new steps of economic reforms will be taken by the states with the Centre playing a supportive role. It was the time when the government initiated the Second Generation of Economic Reforms. Till date the states had been playing a secondary role in the process of economic reforms. That is why the economy had not been able to tap the expected benefits from it. Now the method and strategy from the reforms process have gone in for a change.

5. Monitorable Targets of Development Set for the First Time

There used to be planned targets in the past but this time an innovative way of setting these targets was initiated. The Plan did set, for the first time, a national level monitorable targets in 11 areas, showing development:

(i) Poverty reduction: 26 to 21 per cent by 2007 and to 15 per cent by 2012.
(ii) Population growth rate: 21.3 to 16.2 per cent by 2001–11.
(iii) Growth in gainful employment to, at least, keep pace with addition to the labour force over the Tenth Plan period.
(iv) Schooling: 100 per cent enrollment by 2003 and five years compulsory schooling by 2007 to be completed by 2012.
(v) Literacy: 65 to 75 per cent by 2007 and further increased to 80 per cent by 2012.
(vi) Infant Mortality Rate: to be reduced from 72 to 45 by 2007 and 28 by 2012 (per 1,000).
(vii) Maternal Mortality Rate: to be reduced from 40 to 20 by 2007 and 10 by 2012 (per 1,000).
(viii) Potable Water: to all villages by 2012.
(ix) Reducing Gender Gaps: in literacy and wage rates by 50 per cent by 2007.
(x) Forest Cover: to be increased to 19 per cent by 1999–2000, 25 per cent by 2007 and 33 per cent by 2012.
(xi) De-polluting the Waterbodies: major rivers by 2007 and other notified water stretches by 2012.

The monitorable targets have importance as the concerned central ministries are parties to its realisation. The ministries hand over an undertaking to the Planning Commission about their strategies of realising the targets, and performance reports are submitted by them which become the bases for monitoring by the Planning Commission.

6. Differential Development Strategy Adopted

The Tenth Plan accepts that national targets do not necessarily translate into balanced regional development. It further adds that the potential and constraints of each state differ vastly. That is why the Plan goes on to adopt a differential development strategy. Under this strategy, separate state-wise growth and other monitorable targets were worked out by the Planning Commission for the states with their consultation so that the states can focus on their development plans. The states are getting central plan support according to their development requirement now as against the past pattern of plan allocations. The developmental funds to the states and the central loans to them now accrue subject to their performance concerning the monitorable targets set for the states (to which they agreed).

7. Monitoring the Progress of Various Central Ministries

With the Tenth Plan the government has started a process under which the progress of different central ministries is monitored by the Planning Commission This is how the policy initiatives of the various ministries and the Planning Commission's idea of development have been streamlined. The Planning Commission has really emerged as a 'super cabinet' in this way.

8. Relevance of Planning to Economic Reforms

After the two five-year plans (the eighth and the ninth) were already implemented, the government took up the cause of establishing a relevance between the process of planning and the broader process of economic reforms. Different steering committees have been set up which look after the plan implementation of the different sectors according to the decided idea of economic reforms. This step should be seen as the government's answer to the critics who opined that planning has become irrelevant in the era of economic reforms.

9. Reforming the Planning Process

The government called this Plan a 'reform plan' rather than a 'resource plan'. There has been a long-standing criticism about Indian plans that they are mere excercises in resource mobilisation. Probably, the Planning Commission has tried to do away with this criticism. The above given seven points visibly prove that the Tenth Plan was not merely a 'resource plan'. Basically, the Plan initiates many pathbreaking changes in the planning process—its methods, strategies and the ideas—all at the same time. Rightly, it has been called a 'reform plan' by the Planning Commission Second, this was the first plan in the era of economic reforms which accepts to go for establishing relevance to the process of economic reforms. From this perspective, too, this Plan is a 'reform plan'.

The inclusion of the above-given new elements into the Indian planning process has gone to really change the nature, role and scope of planning in the country. All these new elements are today carried forward by the Eleventh Plan with an emphasis wherever it is required. The planning process is more established today in India as the changes in the political arrangements at the Centre do not seem to be affecting it unlike the past.

MONITORABLE TARGETS SET BY THE TWELFTH PLAN

To focus the energies of the government and other stakeholders in development, it is desirable to identify monitorable indicators, which can be used to track the progress of our efforts. Given the complexity of the country and the development process, there are very large number of targets that can and should be used. However, there is a **core set of indicators** which could form the objectives towards which all development partners can work, which includes not only the Central and state governments, but also local governments, CSOs (Civil Society Organisations) and international agencies. The **Twelfth Plan (2012–17)** has set *twenty-five monitorable targets* in *seven broad areas* reflecting its (India's) '*vision of rapid, sustainable* and more *inclusive growth*': [101]

Economic Growth

(i) Real GDP growth rate of 8 per cent.

(ii) Agriculture growth rate of 4.0 per cent.

(iii) Manufacturing growth rate of 10.0 per cent.

(iv) Every state must have an average growth rate in the Twelfth Plan preferably higher than that achieved in the Eleventh Plan.

Poverty and Employment

(v) Head-count ratio of consumption poverty to be reduced by 10 percentage points over the preceding estimates by the end of Twelfth Five Year Plan.

(vi) Generate 50 million new work opportunities in the non-farm sector and provide skill certification to equivalent numbers during the Twelfth Five Year Plan.

Education

(vii) Mean Years of Schooling to increase to seven years by the end of the Twelfth Five Year Plan.

(viii) Enhance access to higher education by creating two million additional seats for each age cohort aligned to the skill needs of the economy.

(ix) Eliminate gender and social gap in school enrolment (i.e., between girls and boys, and between SCs, STs, Muslims and the rest of the population) by the end of the Twelfth Five Year Plan.

Health

(x) Reduce IMR to 25 and MMR to 1 per 1,000 live births, and improve Child Sex Ratio (0–6 years) to 950 by the end of the Twelfth Five Year Plan.

(xi) Reduce Total Fertility Rate to 2.1 by the end of the Twelfth Five Year Plan.

(xii) Reduce under-nutrition among children aged 0–3 years to half of the NFHS-3 levels by the end of the Twelfth Five Year Plan.

Infrastructure, Including Rural Infrastructure

(xiii) Increase investment in infrastructure as a percentage of GDP to 9 per cent by the end of the Twelfth Five Year Plan.

(xiv) Increase the Gross Irrigated Area from 90 million hectare to 103 million hectare by the end of the Twelfth Five Year Plan.

(xv) Provide electricity to all villages and reduce AT&C losses to 20 per cent by the end of the Twelfth Five Year Plan.

(xvi) Connect all villages with all-weather roads by the end of the Twelfth Five Year Plan.

(xvii) Upgrade national and state highways to the minimum two-lane standard by the end of the Twelfth Five Year Plan.

(xviii) Complete Eastern and Western Dedicated Freight Corridors by the end of the Twelfth Five Year Plan.

(xix) Increase rural tele-density to 70 per cent by the end of the Twelfth Five Year Plan.

(xx) Ensure 50 per cent of rural population has access to 40 lpcd piped drinking water supply, and 50 per cent gram panchayats achieve Nirmal Gram Status by the end of the Twelfth Five Year Plan.

Environment and Sustainability

(xxi) Increase green cover (as measured by satellite imagery) by 1 million hectare

101. ***Twelfth Five Year Plan (2012–2017),*** 'Faster, More Inclusive and Sustainable Growth', Volume I, pp. 34-36, Planning Commission. GoI. N. Delhi. 2012.

every year during the Twelfth Five Year Plan.

(xxii) Add 30,000 MW of renewable energy capacity in the Twelfth Plan.

(xxiii) Reduce emission intensity of GDP in line with the target of 20 per cent to 25 per cent reduction over 2005 levels by 2020.

SERVICE DELIVERY

(xiv) Provide access to banking services to 90 per cent Indian households by the end of the Twelfth Five Year Plan.

(xxv) Major subsidies and welfare related beneficiary payments to be shifted to a direct cash transfer by the end of the Twelfth Plan, using the Aadhar platform with linked bank accounts.

States are encouraged to set ***state-specific targets*** corresponding to the above, taking account of what is the reasonable degree of progress given the initial position. Sector-wise monitorable growth targets set by the states have also been given by the Plan.

A CRITICAL EVALUATION

Planning has been subject to a number of criticisms right since its inception in the country. With the passage of time, not only the number of criticism increased, but more importantly the shortcomings of planning were pointed out. Although after considerable delay, the governments took note of the shortcomings besides taking some major steps. The criticisms stand even today but with one difference that the government is not only conscious of them but also trying to do away with them. We may briefly discuss the major criticisms of planning in India as well as the follow ups from the government to do away with them as under:

1. LACK OF 'PERSPECTIVE' IN PLANNING

According to experts, if a nation is going for economic planning it must have 'perspective' element in it. To have perspective in planning, two basic elements need to be fulfilled, namely—

(i) Planning should be evaluation-based, and

(ii) 'Long-term' goals should be followed up besides the 'short-term' goals.

In the Indian content, the succeeding plans have been always commenced without the full evaluation of the preceding Plan. This was mainly due to following reasons:

(a) Lack of a nodal body responsible for data collection at the national level;

(b) Federal nature of polity made data collection full of delays and also due to higher dependence on the states; and

(c) Speedier data delivery was not possible.

After the recommendations of the National Statistical Commission (Chaired by C. Rangarajan), 2000, the government discussed to set up a nodal body for data collection at the pan-India level, cutting across federal hurdles. Computerisation is already being done for speedier data delivery. For the time being the Plans are launched on the basis of projected data (provisional, latest, etc.), which is almost near the real data. But once the above discussed arrangements are in place, Indian planning will be based on evaluation, undoubtedly. In the meantime, the 'Quarterly Review' and the 'Performance Budgeting' of the Union Budgets have brought in the evaluation element to a greater degree.

The First Plan had set long-term goals (for the coming 20 years) besides the short-term goals (for five years). But over the time, falling confidence in mobilising required resources and political uncertainties at the Centre made it a convention to set only short-term targets of planning. This shortcoming seems to be done away with after the commencement of the Tenth Plan. The Plan did not go for setting long-term goals only, but even did set monitorable targets for the Eleventh Plan, too.

Point should be noted here that the government had been conscious about the need for perspective planning as a separate division with the same name, which has been functioning in the Yojana Bhavan since the mid-1970s.

2. Failure in Promoting a Balanced Growth and Development

Indian planning is blamed for failing the objective of a regionally balanced growth and development. Though the Second Plan itself had noticed this fact, the measures taken were not sufficient or were short-sighted. Economic planning at the national level has proved to be a highly effective tool of promoting balanced growth. But in the Indian case it turned out to be the opposite.

To take care of the issue of balanced growth, the planning process has been using the right tools, i.e., allocating plan funds on a sectoral (primary, secondary and federal reasons) basis. But due to political reasons, enough discrepancies cropped up in the method of allocating funds to the states. At the theoretical level, the governments knew the remedies, but at the practical levels politics dominated the planning process. Democratic immaturity and politicisation of the planning process is to be blamed for this.

Now things have changed for the better. The government is following a two-pronged strategy to achieve the objective of a balanced growth and development in the country:

(i) Backward regions today are prioritised in directing the Central Government investment (very much the same since the 1950s), but a new beginning in the 'differential development strategy' has been made by the Centre with the Tenth Plan. Under this strategy, the development constraints of different states are to be tackled with a differentiation in the strategy. The more needy states get more funds and assistance from the Centre for their planned development, cutting across the political party lines (it is seen today as a symbol of political maturity on the issue of economic development, at least).

(ii) There is also a complementary strategy of the planning to address the matter of regional imbalance in the country. After the country started the process of economic reforms, the nature of planning was to incline more and more towards indicative planning. The economy was to be more and more dependent on private sector investment for its future development. And the private sector will be, naturally, more interested in investing in the regions, which have better infrastructure support. Since the developed regions have better infrastructure they will attract the highest level of private investment, which will again accelerate the process of imbalanced growth. To tackle this problem, the Centre is promoting the states with lower, infrastructure so that they can overcome the disadvantage. The process is slower the but at least the government is addressing the issue which is not less satisfying and there is no criticism to this strategy. Still balanced growth and development is going to be a great challenge for planning in India.

3. Highly Centralised Nature of Planning

Decentralising the process of planning has been a major goal of the governments since the 1950s. But after Nehru, with every Plan we see greater tendency of centralisation in the planning process. Setting up of the NDC and promoting multi-level planning (MLP) did not serve much purpose in this direction. It has been among the criticised areas of planning in India as the National Planning Committee as well as the First Plan itself had called for 'democratic planning' in the country.

By the mid-1980s, the mindset of the Centre went for a change and the need for decentralised planning got proper attention. Finally, by early 1990s two constitutional amendments (i.e., the 73rd and the 74th) promoted the cause of decentralised planning by delegating constitutional powers to the local bodies. With this, a new era of planning began, but still the planning of local bodies is in nascent stage due to lack of proper financial provisions for them. Once the financial provisions for them are evolved to the adequate level or the local bodies are given financial autonomy, the process of decentralised planning will surely get a new direction and meaning, as the experts believe.

In the meantime, the Tenth Plan emphasised greater role for the states in the planning process. The Plan started a concerted effort to include the states' participation in the national planning process. The Centre is today more concerned about the developments constraints of the states and is trying to adequately support the State Plans to the extent possible. In return, the centre wants greater and transparent fiscal compliance from the states. This approach continued during the Eleventh Plan and so has been committed for the Twelfth Plan, too. After some time we may hope that this criticism of Indian planning will lose it's ground.

It is high time now that the planning process of the nation tries including the mass participation. The ***Economic Survey 2011–12*** rightly devotes a section to dwell into contracts and how the **civil society** and citizens play a key role in fostering economic growth. *"Honesty, punctuality, the propensity to keep promises, the attitude towards corruption are matters shaped in great part by norms and social beliefs and the behaviour patterns can become habitual. Moreover, in a democracy like India, what can be done by government depends in great measure on how ordinary people think and what people believe in,"* it says. The Survey further adds that the **civil society** has been campaigning to put in place new institutions, such as the Lokpal Act, to ensure the quality of service and bring about transparency through steps such as auction of natural resources while the government has either been slow or resisted several changes.[102]

4. Lop-sided Employment Strategy

Planning in India has been tilted heavily in favour of 'capital intensive' industries, especially from the Second Plan onwards. Such industries in the public sector could not generate enough employment. In place of it India should have gone in for 'labour-intensive' industries. In the era of economic reforms, the attitude changed and the planning process is promoting the agriculture sector with an emphasis on agri-industries and agro-exports to create more gainful and quality employment opportunities. The earlier emphasis on 'wage-employment' has shifted towards 'self-employment' to do away with the lop-sided employment strategy of the past.

102. ***Economic Survey 2011-12,*** MoF, GoI, N. Delhi, p.30.

5. Excessive Emphasis on PSUs

Indian planning emphasised on public sector undertakings (PSUs) for the right reasons, but in the wrong way and for a considerably longer period of time. The state's monopolies in certain areas continued over such a long period that too in losses that there came a demand-supply gap in the major goods and services produced by the PSUs. Though very conducive policy changes were effected after the country started the reform processes, the hangover of the past is still looming large. Several reforms in the PSUs as well as a more liberal approach towards the private sector with market reforms are needed to phase out the discrepancies created by the over emphasis on PSUs.

6. Agriculture Overshadowed by the Industry

Promoting the cause of faster industrialisation over time became so dear to the planning process that the agriculture sector got badly overshadowed. Though the Plans were highlighting or prioritising agriculture, the industrial sector and the PSUs were glorified in such a way that time and resources both were scarce for the agriculture sector. Such a policy always created a situation of food insecurity (even today) for the country and the masses who depended upon agriculture for their livelihood and income (still it is 58.2 per cent)[103] could never increase their purchasing power to a level that the economy could reverse the situation of 'market failure'. In India, even today, industrial growth is badly dependent on agricultural growth.

The Tenth Plan recognises agriculture as the 'core element' of development. This is a welcome ideological change in the strategy of planning. Now the industries can sustain themselves, but the laggard agriculture sector needs some special care and promotion from the government, so that the masses who earn their livelihood from agriculture can benefit out of the WTO-promoted globalisation. The agriculture sector is in emergent need of attention, otherwise, the process of globalisation is going to be ineffective in benefitting the masses.

7. Faulty Industrial Location Policy

There are time-tested theories of 'industrial location' considering the nearness of raw materials, market, cheaper labour, better transportation and communication, etc. But the Plans always prioritised setting up of new industrial units (i.e., the PSUs) in the backward regions of the country, which falsify the theories of industrial location. The government needs to develop all industrial infrastructures besides setting up certain PSUs. As the PSUs require skilled labour force, the regions failed to gain any employment from the PSUs too. The government still continues with the same policy of setting up industries, but now the new PSUs are hardly set up in traditional areas.

8. Wrong Financial Strategy

Mobilising resources to support the highly capital-intensive Plans (courtsey the PSUs) has always been a challenge for the government. To support the Plans, no stones were left unturned namely, going for a highly complex and liberal tax structure, nationalising the banks, etc. Ultimately, tax evasion, the menace of parallel economy and lesser and lesser capital for the private sector were the bane of India. Expansion of subsidies, salaries and the interest burden every year gave an upward push to the non-plan expenditure leading to scarcity of funds to support the plan expenditure (i.e., the developmental expenses).

In the era of reforms, the governments started giving attention to financial strategy of supporting

103. ***Economic Servey* 2012-13**, MoF, GoI, N.Delhi, p.173.

the plans in the right way. Besides, tax reforms, the financial reforms, as well as fiscal consolidation have been given proper care in recent years.

9. Politicisation of the Planning Process

In a democratic political system, almost every issue of socio-political importance is influenced by politics. It is more correct in the case of lesser matured democracies. The same stands true for the process of planning in our country. Greater and greater politicisation of the planning process culminated in such a design that at times economic planning served the opposite purpose. For example, we know that planning is a tool for promoting regionally balanced growth but in India in the process of serving vested political interests of the Centre, it resulted into promoting an imbalanced growth.

In the recent years governments have tried to address the major criticism of planning in India. More such constructive steps with better results are expected in future. More aware and better informed citizens will lead to better and better planning in future.

There has been a general anger among the sections of society regarding coalition politics, scams, etc., in recent years. The ***Economic Survey 2014–15*** rightly *blames coalition politics* and the *federal structure* for tardy decision making in several areas—from oil subsidy to tax reforms, FDI in retail and free movement of foodgrains. Almost everyone outside the government blamed it for *policy paralysis*. The Survey notes it as an area of concern. The Survey notes that ***politicians*** and ***policymakers*** can set the ball rolling by acting as ***role models,*** but it also cited the poor record on enforcement of contract to argue that people's attitude needs to change. *"In these everyday situations (such as hiring a cab or a painter) it is cumbersome to bring in the state and the law courts. Here the main guarantor has to be people's personal integrity and trustworthiness"*, it says. The statement comes from a government that has been battling a spate of *corruption scandals*—ranging from those in the telecom sector to Commonwealth Games and criticism over poor governance standards and inability to push through critical decisions.[104]

The ***Economic Survey 2012–13*** suggested a new objective for the Planning Commission – the global economic and financial crisis which has persisted for the last five years has not only exposed the vulnerability of almost all the countries over the globe to external shocks, but also has lessons for the ***planning process***—countries need to have inbuilt social safety nets for facing such eventualities, which affect the weak and vulnerable the most, and wipe out the fruits of growth for years. India with its focus on inclusive development and timely interventions has, however, been able to weather the crisis better than many other countries.[105]

INCLUSIVE GROWTH

Inclusive growth is a growth process which yields broad-based benefits and ensures equality of opportunity for all (*UNDP* and the *11th Plan*). Fundamentally, the ideas of growth and development already include the element of 'inclusiveness' in them, but at times, due to certain reasons, the processes might occur in non-inclusive manner.

It was in 2000-01 that the Government of India (GoI) came to think clearly about 'inclusiveness' in the economy while reviewing the performance of the economic reforms. It was found that the reform process enabled economy towards faster and higher 'wealth creation' but all could

104. ***Economic Survey 2011-12,*** MoF, GoI, N. Delhi, p. 30.
105. ***Economic Servey 2012-13***, Mof, GoI, N.Delhi, p.269.

not be part of it. Only the people with resources (physical or human) were able to get benefits out of the reforming economy. It was assessed that the fruits of reforms could not percolate to the ***disadvantaged*** and ***marginalised*** sections of the society. It means, the growth process during reforms was not able to include a big segment of Indian population. In this backdrop, we see the government adopting a conscious policy towards 'inclusive growth'. Even before reforms commenced in the country this element was lacking. But during reforms it became more glaring due to the higher pace of growth which the economy attained during this period. Though government started attending this issue since 2000-01 itself, it was given real attention in the *11th Plan* (2007-12) where we see a clear policy evolving towards the idea of inclusive growth in the country – 'including the disadvantaged and marginalised sections of the society, specially, SCs, STs, OBCs, Minorities and Women' in the processes of growth and development. By *12th Plan* (2012-17), the focus increased when we see the issue of inclusiveness entering into the very slogan of the Plan- 'Faster, Sustainable and More Inclusive Growth'. During the course of time, we see the government evolving a clear *short-term* and *long-term* policy towards the cause of inclusive growth:

Short-term policy: This policy is aimed at supplying those goods and services to the disadvantaged and marginalised sections of society which are bare minimum and of essential nature. Several Central Sector Schemes and Centrally Sponsored Schemes are run by the governments for this purpose. This policy touches the areas like:

- Food and nutirition (Annapurna, Antodaya, Mid-Day Meal, and the last being National Food Security Act, etc.);
- Healthcare and sanitation (National Health Mission, Total Sanitation Campaign, ASHA, Mission Indradhanush, and the last being Swachh Bharat Abhiyan, etc.);
- Housing (Indira Aawas Yojana, Rajiv Aawas Yojana, etc.);
- Drinking water (National Rural Drinking Water Programme, etc.);
- Education (Sarva Shiksha Abhiyan, Rashtriya Madhyamik Shiksha Abhiyan, Model School Scheme, etc.).

The short-term policy has two drawbacks- *firstly*, the schemes in it are subsidy-based which incurr heavy drain on the national exchequer (it means it will not be fiscally sustainable in the long run) and *secondly*, they fail to make the target population self-dependent. This is why the government has also evolved a long-term policy in this regard.

Long-term policy: This policy is aimed at bringing in self-dependence in the target population. This policy contains in itself the sustainabilty element, too. The attempts by the governments may be classified as given below –

- All the schemes which aim at poverty alleviation and employment generation;
- All the programmes which promote education at any level;
- Vocationalisation of education (one such old idea has been the Industrial Training Institutes); and
- Skill Development (a recent idea).

In recent time, we see increased emphasis on imparting right 'skill' among the population. Towards this, the government decided in 2008-09 to launch a skill development programme in the country- through the National Skill Development Corporation (a joint venture non-profit company under Ministry of Finance 49% owned by GoI and 51% by private sector- a PPP). There is overall target of skilling/upskilling 500 million people in

India by 2022, mainly by fostering private sector initiatives in skill development programmes and providing funding. The new Government at Centre has also given the same call in the *'Skill India'*.

This way, we can see a full-proof policy towards inclusive growth getting evolved by the GoI which is sustainable, too. Planning Commission *(11th Plan)* says that inclusive growth can only be ensured if there is a degree of empowerment that creates a true feeling of participation so necessary in a democratic polity. Empowerment of disadvantaged and hitherto marginalized groups is therefore an essential part of any vision of inclusive growth. India's democratic polity, with the establishment of the third layer of democracy at the Panchayati Raj Institutions (PRIs) level, provides opportunities for empowerment and participation of all groups with reservations for SCs, STs, and women. These institutions should be made more effective through greater delegation of power and responsibility.

The strategy for inclusive growth in the *11th* and *12th Plans* is not just a conventional strategy for growth to which some elements aimed at inclusion have been added. On the contrary, it is a strategy which aims at achieving a particular type of growth process which will meet the objectives of *inclusiveness* and *sustainability*. A key feature of the inclusive growth strategy is that growth of "GDP should not be treated as an end in itself, but only as a means to an end". This is best done by adopting *monitorable targets* which would reflect the multi-dimensional **economic** and **social** objectives of inclusive growth. Furthermore, to ensure efficient and timely implementation of the accompanying projects and programmes, these targets need to be disaggregated at the level of the States which implement many of the programmes.

RESOURCE MOBILISATION

Resource mobilisation is a broad term which includes raising and directing the resources (physical and human) of the economy to realise the desired socio-economic objectives. It involves all the economic policies activated by the governments – per se, we can percieve it to be the very essence and the end result of the 'fiscal policies' of both the governments – Centre and the States.

So that the Indian economy moves on the path of desired growth and development the Government of India (GoI) needs to take care of the issue of resource mobilisation for various agents in the economy, namely –

1. GoI,
2. State governments,
3. Private Sector, and
4. General Public

In India, the responsibility of mobilising resources for the *planned* development of India was given to the Planning Commission (PC)- under this, it used to take care of the fund requirements of the GoI and the state governments. Practically, it was the PC which has to put in place the means by which the required funds for the *planned targets* of the economy were moblised. These plan targets are set by the GoI through the PC itself. The plan targets set by the States are also duly taken care of the PC in due course of this process. Though the effective responsibilities to moblise resources ultimately rests with the Central Ministry of Finance – in which the various departments and divisions of the ministry play their diverse and highly focused roles.

1. **GoI:** To the extent GoI is concerned it needs funds to realise two categories of the **planned targets**, namely:

(i) *Infrastructural targets* (which chiefly includes power, transportation and communication- in coming years so many other sectors got attached with it, for example, technology parks, urban infrastructure, etc.); and

(ii) *Social Sector targets* (which includes education, health, social security, etc.—known as the Human Development related targets since 2010–11). These funds get mobilised through the *Plan Finance-II Division* of the Ministry of Finance.

2. **State Governments:** Other than the fund requirements of GoI, the states also need funds for their developmental requirements (similar as the GoI)—they get the funds mobilised through three sources: *firstly,* through their own sources of income and market borrowings (after the recommendations of the 13th Finance Commission states are allowed to finance 25 per cent of their Plan Expenditure through market borrowing for which they do not need any permission from the GoI, provided they have effected their Fiscal Responsibility Acts); *secondly,* through the loans they get from the GoI on the advice of the PC (Ministry of Finance, GoI, shows these expenditures in the *Plan Finance-I Division*); and *thirdly,* through the GoI Central Sector Schemes, Centrally Sponsored Schemes and Additional Central Allocations (this includes the fund transfer to the states under 'Special Category States').

3. **Private Sector:** Other than the governments, a large amount of fund is required by the private sector to meet their short-term (working capital) and long-term (capital market) requirements. The GoI needs to take care of this issue also—the financial system is managed in such a way that other than the governments the private sector is also able to mobilise resources for its various requirements. This becomes even more important in a mixed economy which is reforming and favours increased participation in the economy from the private sector.

   This needs a directed reform in the financial system as it was structured to channelise more funds and resources towards government needs before reforms commenced. The main idea here is to prevent the governments from 'crowding out' the funds and let it flow smoothly towards the private sector—the process of reforms in financial sector, tax structure, fiscal policies of the Centre and states, etc., come under it.

4. **General Public:** Other than the government and the private sector, common people of an economy also need funds for their *general spending* and *investment*. The government needs to put in place such a fiscal policy which enables them (too) to have their access to funds. The savings common people do is used as investment provided they are able to save. Other than savings people must get incentive and enough funds which they might directly invest in the primary or secondary security markets or in financial instruments (shares, bonds, mutual funds, pension funds, insurance, etc.). Common people are the main drivers of 'demand' in an economy. In the periods of reforms GoI sets *twin targets*—at one hand promoting private sector so that 'supply' can be optimised in the economy (through *'structural reforms'*) and at the other it tries to create adequate 'demand' in the economy (by the process of *'macro-economic stabilisation'*).

GoI has used different 'means' to mobilise resources since Independence in order to realise the desired and required kind of developmental goals. A part of resources are mobilised for investment purposes (i.e., the creation of productive assets) for which different *'investment models'* have been tried by now.

INVESTMENT MODELS

Investment is a process of putting money in productive activities to earn income. It can be done *directly* (in different activities in primary, secondary or tertiary sectors), and *indirectly* (as in financial securities, such as shares, debentures, bonds, mutual funds, etc.). In case of India, 'Investment Models' are the *means and tools* by which the GoI has tried to mobilise required funds (resources) to promote the different goals of planned development. Since India started the planning process (1951), we see differing ***models*** being tried by the governments to mobilise resources—it has been a kind of 'evolutionary' process. We may understand them in the following 'phases':

PHASE-I (1951–69)

This was the phase of 'State-led' development in which we see the GoI utilising every internal and external means to mobilise required resources. The main areas of resource allocations were for infrastructure and social sector. The famous Mahalanobis Plan gets implemented during this period. In this period, we see the whole financial system, tax system and fiscal policy of the country getting regulated to drive in maximum funds for the GoI requirements to meet its planning related financial responsibilities.

This phase was marred by visible mismatches between the need and availability of investible fund – there always prevailed a lag between the requirement of funds and their mobilisation. Thus investment targets of the government got derailed many times (war with China and a limited war with Pakistan also eroded and diverted the resource allocation mechanism). But overall, the government was able to start the process of industrialisation almost from nothing by mobilising heavy funds in favour of infrastructure sector and infrastructure industries (the core sector)—education, health care also got funds but in a subdued manner as the GoI remained greatly preoccupied with 'glorification of the public sector'. This was the age when GoI used to consider the PSUs as the 'temples of modern India'.

PHASE-II (1970–73)

With the enactment of the Industrial Policy of 1970 we see GoI moving towards including the 'private capital' in the process of planned development— but not in a big and open way. The idea of 'Joint Sector' comes under which a combination of partners— Centre, State and Private Sector—could enter the industrial sector. This was done basically, to make private sector come up in the areas which were open for them but due to certain technical and financial reasons they were not able to take part. In due course of time the government did quit such ventures and such industrial settlements came under complete private control.

This is for the first time we see the government inclining on private funding for planned development, but we do not see any private entry in the GoI's monopoly areas of industrial activities (which takes place only after the reform process begins in 1991).

PHASE-III (1974–90)

With the enactment of the FERA in 1974 we see GoI, for the first time, proposing to take in the help of 'foreign capital' in the process of planned development—but not via cash foreign investment—only through the 'technology transfer' route that too up to only 26 per cent of the total project value proposed by the private sector. Basically, under FERA government tightened the flow of foreign currency to Indian private sector, which started hampering the technological upgradation process and initiation of the state-of-the-art technologies from the world—the technology transfer route was put in place to fill this gap. It means that even if GoI tried to include foreign investment in the developmental process its entry remained restricted in two ways:

(i) It was not either 'direct' (as we see FDI during the reform process) or 'indirect' (as the PIS), but via technology transfer.

(ii) Foreign entities could enter only those industrial areas which were open for the Indian private sector (under the Schedule B of the Industrial Policy Resolution, 1956). The 'monopoly' industries under GoI (some of the most attractive industries for the private sector) remained closed for entry.

It means, that India failed to articulate an *investment model* which could tap the better elements of the foreign capital—state-of-the-art technologies, better work culture and most importantly the scarce investible capital. Experts believe it as a missed opprtunity for India. By 1965–66, the South East Asian economies like Malaysia, Indonesia, Thailand and South Korea had opened up their economies for both forms of foreign investments—direct as well as indirect—and the governments there 'decontrolled' the industrial sectors which were fully under government controls (it should be noted here that these economies had started exactly the same way as India started after Independence). This gave those economies a chance to tap not only scarce investible fund into their economies, but the state-of-the-art technologies from the world and world class work culture and entrepreneurship, too. Soon these economies came to be known as the Asian Tigers.

The period after 1985 saw dynamism in the area of resource moblisation – two consecutive Planning Commissions suggested for opening up of the economy and inclusion of the Indian and foreign private capital in the industrial areas which were hitherto reserved for the GoI. It suggested the GoI to withdraw from the areas where the private sector was capable and fit to function (for example, infrastructure sector) and concentrate on the areas where private sector would not be interested to operate (for example, the social sector). In a sense, during this time, we see an ideological shift in the government towards giving an 'active' or 'central' role to the private sector in the process of economic development. This was an advice for a completely different kind of *investment model*. But due to lack of political will the governments of the time could not go in for the same. Though, we find the govenrment going for a kind of limited degree of economic reforms through the Industrial Policies of 1985 and 86 (this should not be taken as Economic Reforms in India which officially starts in 1991 only).

As a **summary** of the investment models up to 1990, we can highlight the following points:

(i) Government remains the main investor in the economy and experts believe that India did undue delay in putting in place an *investment model* by which the potential of the private sector could be channelised into the process of developmental investment.

(ii) Emphasis on the public sector continued together with nationalisation drives also by late 1960s and early 1980s (the PSUs, to a large extent, were privatised by the South East Asian economies by now, making these socially-oriented and loss-making units to catapult into hubs of profit and real drivers of growth and development).

(iii) Tax system was structured to raise maximum tax revenue (which led to tax evasion and excessive tax burdens on the citizens).

(iv) GoI continued cutting its non-plan expenditures so that resources could be allocated for the purpose of planned development (which led to expenditure cuts even on the essential areas like education, health care, etc.).

(v) Excessive government dependence on the financial system continued 'crowding out' funds, and as a result, the private sector could not mobilise suitable levels of funds for their requirements.

(vi) Technological upgradation and initiation of new technologies into the economy got hampered due to non-availability of foreign currency to the private sector (GoI, by late 1970, started facing the difficulty of paying its external liabilities, which were mainly created due to the expansion of the PSUs).

(vii) Main sources of fund in this Model were, government's tax revenue, internal borrowings, external borrowings and the freshly printed of currencies.

There always prevailed a lag between the requirement of funds and their mobilisation resulting into government investment targets getting derailed most of the times. In the meanwhile, the biggest crisis was building-up in the areas of infrastructure shortcomings. By early 1960s itself the Indian private sector was eager to enter this sector so that adequate levels of infrastructure could be developed. But due to several reasons we see the GoI continuing as the monopoliser in these sectors.

PHASE-IV (1991 ONWARD)

Due to prolonged follow-up of weak fundamentals of economics and immediated after Gulf War-I, India headed for a severe Balance of Payment crisis by late 1980s which made India go to the IMF for financial help. It comes up but at some 'conditions'—the design of the 'conditions' made India to go for a 'restructuring' of the economy under the process of economic reforms commencing in 1991.

Reform era shifted India towards including the 'private sector' (domestic as well as foreign) for the future development of the economy—and here comes a different *investment model*. Main elements of this investment model are as given below:

1. The hitherto monopoly sectors of the industry were opened up for private investment—barring Nuclear Research, Nuclear power and Railways (latter two areas are partially opened)—in all of them direct foreign investments have also been allowed (between 26 to 100 per cent). We see the 'investment model' for *'infrastructure sector'* shifting from 'government-led' to 'private-led'.
2. In coming times, GoI articulated the idea of the Public Private Partnership (PPP) model of investment for this sector, to provide confidence and space to the private sector to enter the sectors (as the private sector was not much interested to participate due to some inter-related problems in the sector, for example lack of 'market reforms'). By the 10th Plan we see private sector putting in around 21 per cent of funds required for the infrastructure projects in the PPP mode which increased up to 32 per cent by the 11th Plan. On the basis of past two plans the PC projected that private sector will put in around 50 per cent (48 per cent, to be precise) of the funds required for infrastructure development during the 12th Plan (which could not come in due to several internal and external reasons till 2015). Here, one point should not be missed that in future the infrastructure sector is to be fully handled by the private

sector—as per the idea of the reform process.

3. In 2002, the government, articulated the idea of PPP (Public-Private-People-Partnership) through the 10th Plan (2002–07). The idea has its use at the local level where the resources are to be mobilised for the creation of physical and social infrastructure. It was launched in the watershed management successfully. Gujarat state had shown highly successful model of this investment in its 'Pani Panchayat'.
4. To support the private sector to mobilise their share of fund in the infrastructure PPP, the government has set up the Infrastructure Development Fund, which also has provisioned for the Viability Gap Funding (VGF).
5. Inside the general idea of PPP, government has also put in place some other options of investment models, such as BOT (Build-Opetare-Transfer); BOO (Build-Own-Operate); BOOT (Build-Own-Operate-Transfer); BLT (Build-Lease-Transfer); BOLT (Build-Operate-Lease-Transfer); DBFO (Design-Build-Finance-Operate); DBOT (Design-Build-Operate-Transfer); DCMF (Design-Construct-Manage-Finance); etc.
6. In the area of mobilising resources for the expansion of the **Social Sector**, we see an increased focus coming from the governments (general government expenditure increasing from the levels of around 1.37 per cent of GDP in 1991 to 6.7 per cent of GDP by 2014–15, as per the *Economic Survey 2014–15*). But the government still thinks inadequacy of funds for the proper and timely development of the sector. Thus, by 2012, the GoI proposed plans to include the participation of private sector in the sector, mainly, education and health care through the PPP mode, which is still to be formally launched. Meanwhile, the provision regarding corporate social responsibilty (CSR) via the Companies Act, 2013, some additional funds have started flowing to the fund-starved social sector. By early 2015, the government has asked the PSUs to flow their part of the CSR expenditures to the GoI for the newly launched sanitation drive, the Swachch Bharat Abhiyan.
7. So that the *corporate sector* is able to mobilise enough resources for its investment needs in the economy, the governments started to restructure the whole gamut of the tax structure, financial structure and its fiscal policy. Now, as the economy will depend more on private participation for its developmental requirements, the government avoids crowding out the fund from the economy—a process of fiscal consolidation starts in. An increased emphasis comes on the fronts of 'targeting' the subsidies, their better delivery, pension reforms, etc., so that the government could de-burden the financial system from its fund requirements and enough finance flows in the system for the private sector.
8. To take care of the spending and investment requirements of the *general public* the government is committed to put in place a cheap interest rate regime, right kind of financial environment, an stable inflation and exchange rate besides other instruments. Bringing in 'inclusiveness' in the growth process is now the declared policy stance of the government.
9. Once the new government came to power mid-2014, we find a renewed synergy in creating conducive environment for the private sector so that the economy could

be able to attract enough investible fund to further the process of development. The government looks committed to the cause of improving the *'ease of doing business'* in the country. Aimed to this we find government busy in putting in place the 'right' kind of land acquisition law, labour law, companies law, tax laws, digitalisation of government processes, etc.

Overall, the current investment model of the economy is **private-led** and for this the GoI proposes to put in place the right kind of financial system, legal framework, labour laws, etc. The main idea of this model is to 'unshackle' the hidden potential of the private sector. To the extent the role of the government is concerned, it will be limited to being a regulator with an increased tone of a "facilitator" and a caretaker of the well being of the disadvantaged and marginalised sections of the society, so that the face of the economic reform remains 'humane'. In wake of the financial crisis in the western economies, the challenge of mobilising resourecs has become tougher and it will be really good that the government is able to devise out a working investment model for today.

CENTRAL SECTOR SCHEME AND CENTRALLY SPONSORED SCHEMES

The exercise of planned development in India has evolved over the time two type of schemes—**Central Sector Scheme** and **Centrally Sponsored Scheme**—the names are derived from the pattern of funding and the modality for implementation.

The ***Central Sector Schemes*** are 100 per cent funded by the Union Government and implemented by the Central Government machinery. These schemes are mainly formulated on subjects from the *Union List*. In addition, the Central Ministries also implement some schemes directly in the states/UTs which are called Central Sector Schemes, but resources under these schemes are not generally transferred to states.

Under the ***Centrally Sponsored Schemes (CSSs)*** a certain percentage of the funding is borne by the Centre and the states in the ratio of 50:50, 70:30, 75:25 or 90:10 and the implementation is done by the state governments. CSSs are formulated in subjects from the *State List* to encourage states to prioritise in areas that require more attention. Funds are routed either through the Consolidated Fund of states and or are transferred directly to state/district level autonomous bodies/implementing agencies. As per the *Baijal Committee Report* (1987), CSSs have been defined as the schemes which are funded directly by Central ministries/departments and implemented by the states or their agencies, irrespective of their pattern of financing, unless they fall under the Centre's sphere of responsibility, i.e., the Union List.

Conceptually, both CSS and Additional Central Assistance (ACA) schemes have been passed by the Central Government to the state governments. The difference between the two has arisen because of the *historical evolution* and the way these are being budgeted and controlled and release of funds takes place. In case of CSSs, the budgets are allocated under concerned ministries themselves which look after the entire process of the release of funds, too.

CENTRAL PLAN ASSISTANCE

Financial assistance provided by the Government of India to support State's Five Year Plans is called Central Plan Assistance (CPA) or Central Assistance (CA) which primarily comprises the following:

(i) **Normal Central Assistance (NCA)**: The distribution of the NCA is formula based (Gadgil-Mukherjee Formula) and is untied. Gadgil Formula of determining the Central Assistance to the State is being adopted from the Fourth Plan and revised subsequently—allocation is made by the Planning Commission.

(ii) **Additional Central Assistance (ACA):** This is provided for implementation of externally aided projects (EAPs), and for which presently there is no ceiling. Unlike NCA, this is scheme based. The details of such schemes are given in the Statement 16 of the Expenditure Budget Vol. I. There can be one time ACA and advance ACA. **One time ACA** are assistance given by Planning Commission to particular states for undertaking important state specific programmes and schemes. These are one time assistance and thus not recurring. These assistances are discretionary in nature. **Advance ACA** are advances given to *Special Category States* in times of financial stress and recoverable in 10 years.

(iii) **Special Central Assistance (SCA):** This is provided for special projects and programmes, e.g., Western Ghats Development Programme, Border Areas Development Programme etc. (in exceptional situations, Advance Central Assistance, may also be provided). This special plan assistance is given only to *Special Category States* to bridge the gap between their Planning needs and resources. In other words, SPAs are ACA are for special category states.

CPA is provided, as per scheme of financing applicable for specific purposes, approved by the Planning Commission. It is released in the form of *grants* and/or *loans* in varying combinations, as per terms and conditions defined by the Ministry of Finance, Department of Expenditure. Central Assistance in the form of ACA is provided also for various Centrally Sponsored Schemes, viz., Accelerated Irrigation Benefits Programme, Rashtriya Krishi Vikas Yojana, etc., and SCA is extended to states and UTs as additive to Special Component Plan (renamed Scheduled Castes Sub Plan) and Tribal Sub Plan. Funds provided to the states under Member of Parliament Local Area Development Scheme (MPLADS), i.e., Rs.5 crore per annum per MP also count as CA.

GADGIL-MUKHERJEE FORMULA

Up to the Annual Plan period (1966–69) the Central Plan Assistance was schematic and no formula was used in allocation of the fund. During the Fourth and Fifth Plans (1969–74 and 1974–78) the *Gadgil Formula* was used which comprised four bases for CPA allocation:

(i) Population (60 per cent);
(ii) Per Capita Income (10 per cent);
(iii) Tax Effort (10 per cent);
(iv) On-going Irrigation & Power Projects (10 per cent); and
(v) Special Problems (10 per cent).

In coming years, since item (iv) was perceived as being weighted in favour of rich states, the formula was modified by raising the weightage of Per Capita Income (PCI) to 20 per cent. The National Development Council (NDC) approved the modified Gadgil formula in 1980. It formed the basis of allocation during the Sixth Plan (1980–85), Seventh Plan (1985–90) and Annual Plan 1990–91. Following suggestions from state governments, the modified Gadgil Formula was revised to Population (55 per cent), PCI (25 per cent—20 per cent by deviation method and 5 per cent by distance method), Fiscal Management (5 per cent) and Special Development Problems (15 per cent). However, it was used only during the Annual Plan 1991–92.

Due to reservations of state governments on the revision, a Committee under Pranab Mukherjee, (then Deputy Chairman, Planning Commission) was constituted to evolve a suitable formula. The suggestions made by the Committee

Gadgil-Mukherjee Formula

Criteria	Weight	Remarks
1. Population (1971)	60%	------------
Per Capita Income	25%	------------
(a) Deviation method	20%	Covering states with per capita State Domestic Product below national average
(b) Distance method	5%	For all states
2. Performance in Tax Effort, Fiscal Management and Progress in respect of National objectives	7.5%	Tax policy [2.5%], Fiscal Management [2.0%], National objectives [3%] comprising population control (1.0%), elimination of illiteracy (1.0%), timely completion of Externally Aided Projects (0.5%) and land reforms (0.5%)
3. Special problems	7.5%	------------

were considered by NDC in 1991, where following a consensus, the *Gadgil-Mukherjee Formula* was adopted. It was made the basis for allocation during the Eighth Plan (1992–97) and it has since been in use. After setting apart funds required for (a) Externally Aided Projects and (b) Special Area Programme, 30 per cent of the balance of Central Assistance for State Plans is provided to the Special Category States. The remaining amount is distributed among the non-Special Category States, as per the Gadgil-Mukherjee Formula.

CSSs Restructured

The existing 137 CSSs (Centrally Sponsored Schemes) and 18 ACA (Additional Central Assistance) Schemes have been restructured into 66 schemes in the *Twelfth Plan*, including 17 Flagship Programmes. This has been done for greater synergy—funds under these programmes are released by the GoI as *Central Assistance* to State Plans, thus giving states greater authority and responsibility. To suit the requirements of the states, the GoI has also approved that a scheme may have state specific guidelines which may be recommended by an Inter-Ministerial Committee constituted for this purpose. For each new CSS/ACA/Flagship scheme, at least 25 per cent of funds may be contributed by the General Category States and 10 per cent of funds by the Special Category States including J&K, Himachal Pradesh and Uttarakhand.

How much expenditures on these schemes should be shared by the states has been a matter of debate in recent years with the GoI having the view that states should shoulder increased financial responsibility in their implementation. The **Union Budget 2014–15** (Interim) says that states have the fiscal space to bear a reasonable proportion of the financial costs of implementing flagship programmes and must willingly do so, so that the Central Government can allocate more resources for subjects such as defence, railways, national highways and telecommunication that are its exclusive responsibility.

The Finance Minister in his budget speech *(Union Budget (2013–14)* had stated that government is concerned about the proliferation of CSSs and ACA schemes and that each scheme would be reviewed and restructured. Earlier, the National Development Council (NDC), while approving the Twelfth plan in its meeting in December 2012 had also recommended building flexibility in the schemes to suit the requirements of the state governments.

The restructured schemes also include the following **17 Flagship Programmes**, running under various ministries and departments, during the twelfth Plan:

(i) Rashtriya Krishi Vikas Yojana (RKVY)—Department of Agriculture and Cooperation

(ii) Nirmal Bharat Abhiyan (NBA)—Ministry of Drinking Water and Sanitation

(iii) National Rural Drinking Water Programme (NRDWP)—Ministry of Drinking Water and Sanitation

(iv) National Health Mission (MHM)—Department of Health and Family Welfare

(v) Backward Region Grant Fund (BRGF)—Ministry of Panchayati Raj

(vi) Integrated Watershed Management Programme (IWMP)—Department of Land Resources

(vii) Rajiv Gandhi Panchayat Sashastrikaran Yohana (RGPSY)—Ministry of Panchayati Raj

(viii) Indira Awas Yojana (IAY)—Department of Rural Development

(ix) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)—Department of Rural Development

(x) National Social Assistance Programme (NSAP)—Department of Rural Development

(xi) Pradhan Mantri Gram Sadak Yojana (PMGSY)—Department of Rural Development

(xii) National Rural Livelihood Mission (NRLM) (SGSY restructured in 2010)—Department of Rural Development

(xiii) Mid Day Meal Programme (MDM)—Department of School Education and Literacy

(xiv) Sarva Shiksha Abhiyan (SSA)—Department of School Education and Literacy

(xv) Jawaharlal Nehru National Urban Renewal Mission (JNNURM)—Ministry of Urban Development and Ministry of HUPA

(xvi) Integrated Child Development Services (ICDS)—Ministry of Women and Child Development

(xvii) Accelerated Irrigation Benefit & Flood Management (AIBFM)—Ministry of Water Resources

Flagship programmes derive their origin from the term ***flagship*** which is the main or most important ship of a country's navy and is symbolic of the main thrust of the nation's developmental policy. Flagship schemes of the Government of India are those schemes which are declared so by the Union Cabinet or the Development Evaluation Advisory Committee (DEAC) of the Planning Commission—the list of these programmes can be modified by the DEAC or the government from time to time.

COMPOSITE DEVELOPMENT INDEX OF STATES

The development a state has been able to achieve is an outcome of a complex set of historical, cultural, and sociological factors. The Government of India has clear objective to have a more egalitarian society, coupled with balanced development of different regions. Despite taking a number of steps to reduce regional disparities, substantial differences in development still exist between states. In order to address this issue, the government in May 2013, decided to constitute an Expert Committee to consider backwardness of the states for evolving a '***Composite Development Index of States'*** under the Chairmanship of Raghuram G. Rajan, (the erstwhile Chief Economic Adviser, Ministry of Finance) which submitted its report in September 2013. The government is yet to take the final decision regarding the recommendations of the Committee for which there will be a need to revisit the existing Gadgil-Mukherjee Formula.

INDEPENDENT EVALUATION OFFICE

An Independent Evaluation Office (IEO) has been created by the GoI in February 2014, at an arm's distance from the government with the objective of strengthening public accountability of some of the important social sector programmes, which account huge resource mobilisation such as

Special Category States

The term Special Category States (SCS) has been in ***news*** for the past many years, specially since a new state of Jharkhand was carved out of the then Bihar—the new Bihar has been demanding such a status from the Centre—The present government in Bihar has always put this demand—before the General Elections of 2014, the government there put a condition on which it may think joining an Alliance forming the Central Government in the post-2014 times. Recently, the matter has been included by the GoI in the *Union Budget 2013–14* and the government has conveyed that it is 'considering such a status for Bihar'—whatever be the complusions/realities of the contemporary real politik, hereby, let us try to understand the idea of the ESCS.

The Special Category States (SCS) have some common characteristics like international boundary, hilly landscape, geographic and socio-economic backwardness with low capability to generate adequate income from available resources etc. Presently, 11 states come under this category- seven States of North-Eastern region, Sikkim, Jammu & Kashmir, Himachal Pradesh and Uttarakhand. Other states are referred as *General Category States (GCS)*. They are 'special' in the sense that they have special socio-economic, geographical problems, high cost of production with less availability of useful resources and hence low economic base for livelihood activities.

Fiscal Position of the SCS: The SCS are highly dependent on central grants from the Union Government for meeting their financial requirements. These states show a revenue surplus position because any 'expenditure that they make on creating assets out of grants from the Centre is not treated as revenue expenditure'. This is *contrary* to the existing accounting standards which treats all expenditure from grants as revenue expenditure.

Manipur, Nagaland, Sikkim and Uttarakhand have a fiscal deficit which is higher than 3 per cent but less than 6 per cent) of their GSDP and the *13th Finance Commission* has indicated that they have to make efforts to reduce the fiscal deficit to 3 per cent by ***2013–14***. Jammu and Kashmir and Mizoram have higher fiscal deficits and require concerted efforts at reducing their debt stock to achieve targets set by the 13th Finance Commission. The other states Arunachal, Meghalaya, Assam, Tripura and Himachal pradesh have a fiscal deficit which is less than 3 per cent of GSDP and therefore need to maintain their position to achieve the targets set out by the 13th Finance Commission.

Although the 12th Finance Commission recommended that all states (including SCS) should be permitted to borrow from the open market at market rates, the special dispensation given to special category states continues for external loans. In the case of the externally aided projects to SCS, the Union Government treats 90 per cent of the amount borrowed as a grant and only the remaining 10 per cent is a loan. (For the general category states, externally aided projects are funded on a back-to-back basis).

More Central Assistance for SCS: Human Development Index (HDI) is considered as a better indicator of overall development of a state. Central grants are required to ensure/maintain better education and health standards in these states as they may not be able to generate own resources for this purpose due to their economic vulnerability. SCS require more central assistance as some of the SCS's Debt-GSDP ratio is higher than General Category States. High Debt GSDP ratio leads to fiscal vulnerability and poor sustainability of debt related obligations.

The *13th Finance Commission* has recommended a 'Performance Grant' of Rs. 1,500 crore to three SCS, namely Assam, Sikkim and Uttarakhand in recognition of the efforts made by these states to reduce their 'Non-Plan Revenue Deficit' *[Non Plan Revenue deficit = Non Plan Revenue receipts - Non Plan Revenue expenditure]*.

Planning Commission also publishes data regarding SCS central assistance as per 'Gadgil Formula', plan expenditure, fiscal status etc. The North Eastern States out of SCS have been provided special incentives by the Ministry of Development of North Eastern Region (DONER). Moreover, Ministry of Commerce and Industry had been formulated a separate policy named as *North East Industrial and Investment Promotion Policy (NEIIPP), 2007* [earlier known as the North East Industrial Policy (NEIP), 1997] providing incentives for all industrial units to expand industrialisation and development activities in North Eastern states. The Special Incentives packages for industrial development of the states like J&K, Himachal Pradesh and Uttarakhand are also implemented by the Ministry of Commerce and Industry.

the flagship programmes. Conceived on the lines of Independent Evaluation Office (IEO) of the IMF,[106] the body has been created on the basis of international experiences, in cooperation with the *World Bank* and the British *DFID* (Department for International Development)—it is modelled on the lines of Mexico's National Council for the Evaluation of Social Development Policy.

The IEO will be an independent office attached to the Planning Commission under a Governing Board chaired by the Deputy Chairman, Planning Commission—to be funded by the Planning Commission and will have, as its head, a full-time Director General (Ajay Chhibber) in the rank and status of Member of the Planning Commission / Union Minister of State. The DG has a tenure of 3

106. An Independent Evaluation Office (IEO) functions in International Monetary Fund (IMF) since 2001 which conducts independent and objective *evaluations* of Fund's policies and activities. Under its Terms of Reference, it is fully independent from the Management of the IMF and operates at arm's length from the Board of Executive Directors with the following *three* missions—(i) Enhancing the learning culture within the Fund, (ii) Strengthening the Fund's external credibility, and (iii) Supporting Institutional governance and oversight *(Source: Independent Evaluation Office, IMF, Washington DC, 2014).*

years extendable to 5 years. Its staff will be selected by the DG without any interference and will have its independent budget line.

It is felt that the government programmes can benefit enormously from concurrent independent evaluation. Presently concurrent evaluation is done by the concerned ministries as an on-going parallel process. Expert evaluation of programmes that have been in operation is done by the Programme Evaluation Organisation (PEO) of the Planning Commission—the IEO is expected to strengthen this evaluation process. **Main aims** of the office is:

(i) To help improve the effectiveness of government policies and programmes by assessing their impact and outcomes.

(ii) To set guidelines and methodology for all evaluations done by various departments, and agencies and encourage a culture of openness and learning in government systems.

(iii) To connect India to the best international evaluated evidence in development practice and knowledge to learn from others success and mistakes.

Main features about the functioning of the office may be summed-up as given below:

(i) It will conduct independent evaluations of plan programmes—especially flagship programmes—and assess their effectiveness, relevance and impact. Besides, it has the freedom to conduct independent evaluations on any programme which has access to public funding or implicit or explicit guarantees from the government.

(ii) The work programme of the IEO will be prepared through an open process of consultations, including feedback from **civil society** and will be made public.

(iii) The IEO will prepare the *Terms of Reference* for all independent evaluations, which will be conducted by selected institutes and researchers, selected on competitive basis.

(iv) IEO will provide guidance to any agency or department of the government to improve the quality of it's self evaluation and monitoring system. Such support is intended to bring all evaluations under a common internationally accepted methodology, help achieve better development outcomes and encourage a *culture of learning* in the government.

(v) Besides making available on it's web site and other public avenues, its reports will be submitted to the Parliament and the Prime Minister's Office.

(vi) It will also make internationally available findings from independently and professionally evaluated Indian programmes in the spirit of South-South learning and cooperation.

(vii) IEO will **represent** India as it's independent evaluation authority at international forums on development effectiveness and will endeavour to improve India's evaluation systems in line with international best practices.

The evaluations in areas such as the public distribution system and health issues were among the first to be undertaken by the IEO with MGNREGA and JNNURM to follow later.

Meanwhile, early September 2014, the DG of the IEO was relieved from his services by the government, leaving the institution in a state of limbo (with little clarity *as of yet* over its future role). The debate on the IEO has been going on in the PMO questioning the creation of the new institution in the light of a similar body called the *Programme Evaluation Organisation (PEO)*, which already exists in the Planning Commission. The Committee of Secretaries set up for the purpose has decided to strengthen the PEO, leaving the option of either absorbing the IEO under the PEO or shutting down the institution.

PROGRAMME EVALUATION ORGANISATION

The Programme Evaluation Organisation (PEO) was established in October 1952, as an independent organisation, under the general guidance and direction of the Planning Commission (PC) with a specific task of evaluating the community development programmes and other Intensive Area Development Schemes. The evaluation set up was further strengthened by the development of methods and techniques of evaluation in the 1st Plan and setting up of evaluation machineries in the States during the 3rd Plan (1961–66) and 4th Plan (1969–74). Gradually, with the extension of the programmes/schemes in a variety of sectors, viz., agriculture cooperation, rural industries, fisheries, health, family welfare, rural development, rural electrification, public distribution, tribal development, social forestry, etc., the evaluation work undertaken by the PEO was extended to other important Centrally Sponsored Schemes.

The broad **functions** of the PEO include undertaking evaluation of selected programmes/ schemes under implementation, as per the requirement of the various Divisions of the PC, Central Ministries and Departments of the Government of India. The evaluation studies are designed to ***assess*** –

(i) the performance,
(ii) the process of implementation,
(iii) the effectiveness of the delivery systems, and
(iv) the impact of programmes.

The **objectives** of the PEO:

(i) Objective assessment of process and impact of the development programmes,
(ii) Identifying the areas of success and failures at different stages of administration and execution, analysis of reasons for success or failure,
(iii) Examining extension methods and people's reactions thereto and deriving lessons for future improvement in the formulation and implementation of the new programmes/schemes.

ORGANISATIONAL STRUCTURE

The PEO is primarily a *field level* organisation under the overall charge of the Deputy Chairman, PC. It has a **three-tier** structure:

First Tier: At the apex is the Headquarters at the PC which is responsible for evolving suitable methodologies including statistical designs for various type of evaluation studies, organizing execution and monitoring of sample surveys, data processing, statistical analysis and interpretation of qualitative and quantitative data generated by the field units and also for bringing out the Evaluation Reports. The Organisation is headed by the Adviser (Evaluation).

Second Tier: The middle link of the PEO represents Regional Evaluation Offices, which are 7 in number located at Chandigarh, Chennai, Hyderabad, Jaipur, Kolkata, Lucknow and Mumbai.

Tird Tier: The Field Units, known as Project Evaluation Offices constitute the third tier of PEO. These are located in the capital cities of 8 major states of the country, viz. at Guwahati, Bhubaneshwar, Shimla, Bangalore, Bhopal, Patna, Trivandrum and Ahmedabad.

Evaluation as Plan Scheme

The 10th Plan document pointed out that one of the most common reasons for the failure of programmes and schemes was the faulty and incomplete design of the programme/projects/ scheme. Care and attention must be taken to formulate programmes, projects and schemes in a more systematic and professional manner. It is essential to strengthen the existing mechanisms for *monitoring* and *evaluation*, in order to make sure that plans are being implemented as envisaged and the impact is also as planned. The strategy proposed above would definitely contribute to efficiency in resource use and improved performances of plan programmes. But evaluation capacity within and outside the government is limited. To make evaluation, an effective tool for this, capabilities of evaluation organisations will have to be enhanced. The *'Working Group for Strengthening Monitoring and Evaluation System'* set up (late 2012) by the PC recommended to enhance the evaluation capacity and incorporate evaluation in the Plan Scheme.

The PEO also encourages State Evaluation Organisations (SEOs) to send the evaluation reports to the PC so that these reports can also be put on the Internet (now, it may be sent to the **NITI Aayog**—a decision yet to be teken by the government). By late 2014, the government decided to strengthen the PEO—further actions in this direction is awaited.

NITI AAYOG

By mid-2014, India did show a quite strong mandate and a very stable government came at the Centre. We find the new government showing a renewed vigour and zeal in several areas. One such area has been its attempts at 'redefining' the federal polity of the country for the purpose of promoting growth and development. We see a pronounced policy shift in the direction of 'empowering and keeping state in front' by giving them more financial space and responsiblities.[107] Keeping its promises in the direction, the government abolished the Planning Commission (PC) and replaced it by a new body – the NITI Aayog. The acronym **NITI** stands for **National Institution for Transforming India**. We see the government aspiring for the emergence of the 'Team India' in the new body. It will be premature to be conclusive on this shift from "Planning to NITI" (as the government calls). Even an academic comparison between the old and the new bodies will also not serve enough purpose as it needs some time when the outcome of the change will be available. Judegemnts on this shift will be only good once it is done after some period of time. In the meantime, India remains a planned economy. The discussion given here is mainly based on the documents and releases which came out from the GoI before and after the NITI Aayog was set up (January 1, 2015). In these documents, the government has not only provided the reasons as why does India need to go in for a new body but charts out a very encouraging and out of tradition role/function for the new body. An attempt has been made to closely follow the 'government line' of thinking so that the 'spirit' of it is lost.

Transforming India

The government aims at 'transforming the development agenda of India' with the help

107. Such a stance in the process of planning we find in the document of the 10th Plan (2002-07) for the first time when the government of the time (the NDA-led) the call – **'if states are developed, the nation is developed'**. We find a pronounced shift towards 'decentralised planning' (the Plan was nicknamed as the 'People's Plan). The new idea of 'monitorable targets' also commenced in this plan giving states more say and accountibility in the process of planned development (these targets were continued with in the forthcoming Plans). Several other steps were also taken in this Plan aimed at bringing the states in the mainstream of the development process – by giving them increased role and accountibility.

of the NITI Aayog and has given a slogan, "from planning to NITI". India has undergone a paradigm shift over the past six decades—politically, economically, socially, technologically as well as demographically. The role of the government in national development has seen a parallel evolution. Keeping with these changing times, the government decided to set up **NITI Aayog** as a means to better serve the needs and aspirations of the people of India. The government thinks the new institution to function as a catalyst to the developmental process; nurturing an overall enabling environment, through a *holistic approach* to development going beyond the limited sphere of the public sector and the GoI which will be built on the foundations of:

(i) An empowered role of states as equal partners in national development; operationalising the principle of *Cooperative Federalism*.

(ii) A knowledge hub of internal as well as external resources; serving as a repository of good governance best practices, and a *Think Tank* offering domain knowledge as well as strategic expertise to all levels of government.

(iii) A collaborative platform facilitating *Implementation*; by monitoring progress, plugging gaps and bringing together the various ministries at the Centre and in states, in the *joint pursuit* of developmental goals.

CHANGING CONTOURS OF INDIA

The government agrees that the Planning Commission has served India well. However, India has changed dramatically over the past 65 years at *multiple levels* and across *varied scales*. These transformatory forces have changed the very contours of India—highlighted by the government document in the five areas:

1. **Demographic shift:** India's population has increased over three-fold to reach 121 crores. This includes an addition of over 30 crore people to Urban India. As well as an increase of 55 crore youth (below the age of 35), which is more than one and a half times the total population of the country then. With increasing levels of development, literacy and communication, the aspirations of the people have soared, moving from *scarcity and survival* to *safety and surplus*. Today, we are looking at a completely different India, and country's governance systems need to be transformed to keep up with the changed India.
2. **Economic shift:** India's economy has undergone a paradigm shift. It has expanded by over a hundred times, going from a GDP of Rs 10,000 crore to Rs 100 lakh crore at current prices, to emerge as one of the world's largest. Agriculture's share in the GDP has seen a dramatic drop, from more than 50 per cent to less than 15 per cent. The plan size of Rs 43 lakh crore of the 12th Plan dwarfs the plan size of Rs 2,400 crore of the 1st Plan. Priorities, strategies and structures dating back to the time of the birth of the Planning Commission, must thus be *revisited*. To align with this shift and sheer scale, India need to *overhaul* the very *nature* of planning processes, the government says.
3. **Changed private sector:** The nature of the Indian economy, and the role of the government in it, has undergone a paradigm shift. Driven by an increasingly open and liberalized structure, India's private sector has matured into a vibrant and dynamic force. The sector is not operating just at the international cutting

edge, but also with a global scale and reach. This changed economic landscape requires a new *administrative paradigm* in which the role of the government must evolve from simply allocating resources in a command and control eco-system, to a far more nuanced one of directing, calibrating, supporting and regulating a *market eco-system*. National development must be seen beyond the limited sphere of the 'Public Sector'. Government must, thus, transition from being a 'provider of first and last resort' and 'major player' in the economy, to being a 'catalyst' nurturing an 'enabling environment', where the entrepreneurial spirits of all, from small self-employed entrepreneurs to large corporations, can flourish. This importantly, frees up the government to focus its precious resources on public *welfare* domains such as essential entitlements of food, nutrition, health, education and livelihood of vulnerable and marginalized groups of the society.

4. **Forces of globalisation:** In recent decades, the world at large has also evolved. We live today in a 'global village', connected by modern transport, communications and media, and networked international markets and institutions. In this milieu, India's economic actions 'contribute' to the global dynamics, while our economy also get influenced by the happenings far away from us. The framework of *policy making* together with the *functioning of governments* need to incorporate the realities of our continuing integration with the global economic system.
5. **Role of the states:** Indian states have evolved from being mere appendages of the Centre, to being the actual drivers of national development. The development of states must thus become the national goal, as the nation's progress lies in the progress of states. As a consequence, the *one-size-fits-all approach*, often inherent in centralized planning, is no longer practical or efficient. States need to be heard and given the flexibility required for effective implementation. The government quotes Dr. B. R. Ambedkar to bring the point home – "it is unreasonable to centralise powers where central control and uniformity is not clearly essential or is impracticable". Thus, while emanating from global experiences and national synergy, India's strategies needs to be calibrated and customized to *local needs* and opportunities.
6. **Technology paradigm:** Technology advancements and information access have unleashed the creative energy of India. They have integrated our varied regions and eco-systems in an interlinked national economy and society, opening up newer avenues of coordination and cooperation. Technology is also playing a substantial role in enhancing transparency as well as efficiency, holding government more accountable. Thus, India needs to make it central to systems of policy and governance.

CHANGE MUST COME

The above-given changes have been recognised by the experts for years now. With changing contours of the economy, the institutions guiding the economy should also change. The government quotes several such *instances* when appropriate changes were advised in the Planning Commission by the experts, committees, even the PC, among others:

(i) The ***8th Plan*** (1992–97) document (the very first after the reform process commenced in 1991) categorically stated that, as the role of government was reviewed and restructured, the role and functions of the PC too needed to be rethought. The PC also needed to be reformed to keep up with changing trends, relieving itself of the old practices and beliefs, which had lost relevance, and adopting new ones based on past experiences of India as well as other nations. Specifically, the PC needed to be in tune with the process of economic reforms.

(ii) The ***Standing Committee on Finance*** of the 15th Lok Sabha observed in its 35th Report on Demand for Grants (2011–12) that the "PC has to come to grips with the emerging social realities to re-invent itself to make itself more relevant and effective for aligning the planning process with economic reforms and its consequences, particularly for the poor". This was the need of making the planning process relevant to the process of economic reforms.

(iii) The former Prime Minister, Dr. Manmohan Singh, in his farewell address to the PC (April 2014), also urged reflection on "what the role of the PC needs to be in this new world. Are we still using tools and approaches which were designed for a different era? What additional roles should the Planning Commission play and what capacities does it need to build to ensure that it continues to be relevant to the growth process?" This observation has quite high relevance, as Dr. Singh is himself a "noted" economist.

Taking the clues for a change, the government quotes Mahatma Gandhi before going for the change: "Constant development is the law of life, and a man who always tries to maintain his dogmas in order to appear consistent drives himself into a false position". The government adds further, keeping true to this principle our institutions of governance and policy must evolve with the changing dynamics of the new India, while remaining true to the founding principles of the Constitution of India, and rooted in our *Bharatiyata* or wisdom of our *civilizational history* and *ethos*. It was, in every sense, a kind of pledge to devise India's own means, methods, tools and approaches to promote development.

For the government, the NITI Aayog is to be the *institution* to give life to these aspirations (discussed above). The Aayog is being formed based on extensive consultation across a spectrum of stakeholders, including inter alia state governments, relevant institutions, domain experts and the people at large.

Functions of NITI Aayog

With the process of maturity and deepening in Indian nationhood, the country has embraced a greater measure of pluralism and decentralisation. This necessitates a *paradigm shift* in Central government's approaches to the governments at the state, as well as local levels. The *states governments* and the *local bodies* must be made equal partners in the development process through the following changes:

(i) understanding and supporitng their developmental needs and aspirations,

(ii) incorporating varied local realities into national policies and programmes with the required flexibility.

This way the new body, NITI Aayog, is designed to live up to the principle of 'Team India' with its following **officially demarcated functions:**

1. *Cooperative and Competitive Federalism:* It will be the 'primary platform' for operationalising cooperative federalism, enabling states to have active participation in the formulation

of national policy, as well as achieving time-bound implementation of quantitative and qualitative targets through the combined authority of the Prime Minister and the Chief Ministers. This will be by means of systematic and structured interactions between the Union and state governments, to better understand developmental issues, as well as forge a consensus on strategies and implementation mechanisms. The above would mark the replacement of the *one-way* flow of policy from centre-to-state, with a genuine and continuing *Centre-State partnership*. The Aayog is supposed to further this cooperation with the enhanced vibrancy of *Competitive Federalism;* the Centre competing with the states and vice versa, and the states competing with each other, in the joint pursuit of national development.

2. *Shared National Agenda:* It will 'evolve' a shared vision of national development priorities and strategies, with the active involvement of states. This will provide the framework 'national agenda' for the Prime Minister and Chief Ministers to implement.
3. *State's Best Friend at the Centre:* It will support states in addressing their own challenges, as well as building on strengths and comparative advantages. This will be through various means, such as *coordinating* with ministries, championing their ideas at the Centre, providing 'consultancy' support and 'building capacity'.
4. *Decentralised Planning:* The new body is to 'restructure' the planning process into a "bottom-up model", empowering states, and guiding them to further empower local governments in developing mechanisms to formulate credible plans at the village level, which are progressively aggregated up the higher levels of government. The maturing of India's governmental institutions has enabled increasing the specialisation of their functions. There is, thus, a need to separate as well as energize the distinct 'strategy' element of governance from the usual 'process' and 'implementation' element. As a dedicated "Think Tank" of the government, NITI Aayog will carry out this 'directional' role, strategically charting the future of the nation. It will provide specialised inputs—strategic, functional and technical—to the Prime Minister and the government (Centre as well as State), on matters critical to the fulfilment of the national development agenda. It means, the new body is to function like a 'think tank'.
5. *Vision & Scenario Planning:* To 'design' medium and long-term strategic frameworks of the big picture vision of India's future—across schemes, sectors, regions and time; factoring in all possible alternative assumptions and counterfactuals. These would be the 'drivers of the national reforms agenda', especially focussed on identifying critical gaps and harnessing untapped potentialities. The same would need to be intrinsically dynamic with their progress and efficacy constantly monitored for necessary mid-course recalibration; and the overall environment (domestic and global) continuously scanned for incorporating evolving trends and addressing emerging challenges. This would mean a fundamental transition from merely planning for where the nation's money goes, to planning where we want the nation to go. And given its

unique position as the aggregator and integrator of all developmental initiatives of the Government of India and states, the new body would be ideally suited for the same.

6. *Domain Strategies:* To 'build' a repository of specialised domain expertise, both sectoral and cross-sectoral; to assist Ministries of the Central and state governments in their respective development planning as well problem solving needs. This will especially enable the imbibing of good governance best practices, both national as well as international; especially with regards to structural reforms in the country.
7. *Sounding Board:* To be an 'in-house sounding board' whetting and refining government positions, through objective criticisms and comprehensive counter-views in the economy.
8. *Network of Expertise:* To 'main-stream' external ideas and expertise into government policies and programmes through a collaborative community of national and international experts, practitioners and other partners. This would entail being government's link to the outside world, roping in academia (universities, think tanks and research institutions), private sector expertise, and the people at large, for close involvement in the policymaking process. To bring the point home, the document quotes the Rigveda – 'let us welcome noble thoughts flowing in from all directions'.
9. *Knowledge and Innovation Hub:* The body to be an 'accumulator' as well as 'disseminator' of research and best practices on good governance, through a state-of-the-art Resource Centre which identifies, analyses, shares and facilitates replication of the same. The document durther adds, an increasingly mature Indian population has steadily increased the focus on, and demand for, actual delivery and results. To keep up with such enhanced aspirations, the new body will have the mandate to go beyond mere planning and strategizing, to facilitating *implementation* of the development agenda as well. This would involve making implementation central to the planning process, through an emphasis on tangible outcomes, realistic targets, strict time lines and robust monitoring and evaluation—a transition from the isolated conceptualisation of merely 'planning', to 'planning for implementation'. It will also act as a 'catalyst' to the government machinery at large—filling gaps, enhancing capabilities and de-clogging bottlenecks, as and where required.
10. *Harmonisation:* To 'facilitate harmonisation' of actions across different layers of the government, especially when involving cross-cutting and overlapping issues across multiple sectors through: communication, coordination, collaboration and convergence amongst all stakeholders. The emphasis will be on bringing all together on an integrated and holistic approach to development.
11. *Conflict Resolution:* To provide a 'platform' for mutual resolution of inter-sectoral, inter-departmental, inter-state as well as centre-state issues; facilitating consensus acceptable and beneficial to all, to bring about clarity and speed in execution.
12. *Coordinating interface with the World:* It will be the 'nodal point' for strategically harnessing global expertise and resources in India's developmental process—

coming in from across nations, multilateral institutions and other international organisations.

13. *Internal Consultancy:* It will offer an internal 'consultancy' function to Central and state governments on policy and programme design—providing frameworks adhering to basic design principles such as decentralisation, flexibility and a focus on results. This would include specialised skills such as structuring and executing Public-Private Partnerships.
14. *Capacity Building:* To enable 'capacity building' and 'technology up-gradation' across governments, benchmarking with latest global trends and providing managerial and technical knowhow.
15. *Monitoring and Evaluation:* It will 'monitor' the implementation of policies and programmes, and 'evaluate' their impact; through rigorous tracking of performance metrics and comprehensive programme evaluations. This will not only help identify weaknesses and bottlenecks for necessary course-correction, but also enable data-driven policymaking; encouraging greater efficiency as well as effectiveness.

THE GUIDING PRINCIPLE

The government document has categorically pointed out the very 'purpose' of the new body —in the process of carrying out its functions, the Aayog will be guided by an overall vision of development which is inclusive, equitable and sustainable. The instituion is to follow a strategy of empowerment built on human dignity and national self-respect—the document quote Swami Vivekanada to emphasise this: "to encourage everyone in his struggle to live up to his own highest idea". The new body to follow a development model which is ***all round, all pervasive, all inclusive*** and ***holistic.***

Antyodaya: To prioritize service and uplift of the poor, marginalised and downtrodden, (the document quotes the idea of 'Antodaya' as articulted by Pandit Deendayal Upadhyay). Development is incomplete and meaningless, if it does not reach the farthest individual. "Nothing is more dreadfully painful than poverty" (the centuries old sage-poet Tiruvallur has been quoted).

Inclusion: To empower vulnerable and marginalised sections, redressing identity-based inequalities of all kinds gender, region, religion, caste or class—highlighted its need by the document quoting from Sankar Dev—"to see every being as equivalent to one's own soul is the supreme means (of attaining deliverance)". Weaker sections must be enabled to be masters of their own fate, having equal influence over the choices the nation makes.

Village: To integrate our villages into the development process, to draw on the vitality and energy of the bedrock of our *ethos, culture* and *sustenance.*

Demographic Dividend: To harness our greatest asset, the people of India; by focussing on their development, through *education* and *skilling,* and their *empowerment,* through productive livelihood opportunities.

People's Participation: To transform the developmental process into a *people-driven* one, making an awakened and participative citizenry—the driver of good governance. This includes our extended Indian family of the non-resident Indian community spread across the world, whose significant geo-economic and geo-political strength must be harnessed.

Governance: To nurture an open, transparent, accountable, pro-active and purposeful style of governance, transitioning focus from *Outlay to Output to Outcome.*

Sustainability: Maintain sustainability at the core of our planning and developmental process, building on our ancient tradition of respect for the environment.

STRUCTURE OF THE NITI

The Aayog will be a lean organisation, modelled as a network of expertise; focusing on functionality, flexibility and domain knowledge with the following 'structure' and 'mechnaism':

(i) *Chairman:* the Prime Minister of India (de-facto).

(ii) *Governing Council:* will comprise the Chief Ministers of all states and Lt. Governors of union territories.

(iii) *Regional Councils:* will be formed to address specific issues and contingencies impacting more than one state or region. Strategy and planning in the Aayog will be anchored from state-level; with regional councils convened by the Prime Minister for identified priority domains, put under the joint leadership of related sub-groups of states (grouped around commonalities which could be geographic, economic, social or otherwise) and central ministries. The regional councils will have the following features:

(a) Will have specified tenures, with the mandate to evolve strategy and oversee implementation.

(b) Will be jointly headed by one of the group Chief Ministers (on a rotational basis or otherwise) and a corresponding Central Minister.

(c) Will include the sectoral central ministers and secretaries concerned, as well as state ministers and secretaries.

(d) Will be linked with corresponding domain experts and academic institutions.

(e) Will have a dedicated support cell in the Aayog's secretariat.

(iv) *Special Invitees:* It will have experts, specialists and practitioners with relevant domain knowledge as special invitees nominated by the Prime Minister.

(v) *Full-time Organisational Framework:* In addition to PM as its Chairman it will comprise:

(a) Vice-Chairperson—to be appointed by the PM.

(b) Members: all as full-time.

(c) Part-time Members: maximum of 2, from leading universities, research organisations and other relevant institutions in an *ex-officio* capacity. Part time members will be on a rotational basis.

(d) Ex-Officio Members: maximum of 4 members of the Union Council of Ministers to be nominated by the PM.

(e) Chief Executive Officer: to be appointed by the PM for a fixed tenure, in the rank of Secretary to the Government of India.

(f) Secretariat: as deemed necessary.

SPECIALISED WINGS IN THE AAYOG

The Aayog will house a number of specialised 'Wings', as per the government document:

(i) **Research Wing:** It will develop in-house sectoral expertise as a dedicated think tank of top notch domain experts, specialists and scholars.

(ii) **Consultancy Wing:** It will provide a market-place of whetted panels of expertise and funding, for Central and state governments to tap into; matching their requirements with solution providers, public and private, national and international. By playing match-maker instead of providing the entire service itself, NITI Aayog will be able to focus its resources on priority matters, providing guidance and an overall quality check to the rest.

(iii) **Team India Wing:** It will comprise representatives from every State and Ministry and will serve as a permanent platform for national collaboration. Each representative in this Wing will:

(a) Ensure every state/ministry has a continuous voice and stake in the Aayog.

(b) Establish a direct communication channel between the state/ministry and the Aayog for all development related matters, as the dedicated liaison interface.

A national "Hub-Spoke" institutional model will be developed, with each state and ministry encouraged to build dedicated *mirror institutions*, serving as the interface of interaction. These institutions, in turn, will nurture their own networks of expertise at State and ministry level. NITI Aayog will function in close cooperation, consultation and coordination with the ministries of the Central government, and state governments. While it will make recommendations to the Central and state governments, the responsibility for taking and implementing decisions will rest with them.

VEHICLE OF GOOD GOVERNANCE

The Aayog will seek to facilitate and empower the critical requirement of good governance, which is people-centric, participative, collaborative, transparent and policy-driven. It will provide critical directional and strategic input to the development process, focussing on deliverables and outcomes. This, along with being as incubator and disseminator of fresh thought and ideas for development, will be the core mission of NITI Aayog. The document, at the end, quotes from Chanakya to emphasise the importance and need of good governance – "good governance is at the root of a nation's wealth, comfort and happines".

This way, the idea of the NITI Aayog looks not only 'innovative' in its approach but contemporary, too – imaginatively forging into the emerging idea and need of 'happiness' (as being sponsored by the UNO in the *World Happiness Report*). It gives a call for inclusion of *ethos* and *cultural elements* of India in the development model, delicately linking the issue of growth and development to the 'behavioural' dimensions of the people of India (rightly in sync with the recent proposition of the World Bank in its *World Development Report 2015*). We find several such shining 'stars' in the newly set up body which will be surely analysed and discussed again and again by the analysts, experts, scholars in future. At the end, we can wisely conclude that the old body PC was aimed at serving some purposes which was suitable for the old time while the current times require us to carry on the legacy to a new level where we can build India, which can combine and integrate the energy and potential of all who belong to the nation being all open to the world (agreeing categorically to the idea of globalisation).