

REINVENTING THE PLANNING COMMISSION

*An Outcome Report of
Roundtables & Recommendations*

August 2014

Disclaimer: *This report is a summary of discussions on July 19 and 31, 2014 and should not be construed as consensus of all participants at the roundtables.*

Backdrop

Ever since the new government took charge at New Delhi in May 2014, there has been much debate in the media on the future of the Planning Commission (PC) as it has not been reconstituted. However, the Minister of State for Planning, Rao Inderjit Singh has said in the Parliament that there is no plan presently for scrapping or rationalising the PC.

Problematique

The PC was established by a government order by Prime Minister of India, Jawahar Lal Nehru in 1950 and not through a statute, which has been one major issue of criticism ever since. Reportedly, Nehru constituted the body as an adjunct of the Prime Minister's Office (PMO) as he could not convince his cabinet colleagues to have a statutory body. In terms of accountability to the Parliament, the Minister-in-charge of Planning responds to queries etc. It has had the responsibility of planning, resource allocation among Ministries and States and also rendering advisories to union ministries and states, as and when required. The PC is headed by the Prime Minister and includes a Deputy Chairman as the Chief Executive assisted by a Secretary. The membership comprises of select Union Ministers and various Members with the rank of Minister of State. There is also a Minister of State for Planning, Statistics & Programme Implementation, but he reports to the Deputy Chairman, who has always held a Cabinet Minister's rank, but interestingly does not have to face Parliament.

Chief Ministers, including the current Prime Minister, Narendra Modi, have often expressed their difficulties of dealing with the PC. Particularly because being elected representatives, they have had to deal with unelected Members of the PC who decide their financial fate. Former PM, Rajiv Gandhi had once called it a 'bunch of jokers' and former Road Transport Minister, Kamal Nath had defined the body as 'armchair advisers'. These comments were made perhaps due to the delays in getting decisions from the PC or having views different from Ministries.

In a quasi-federal structure that the Union of India has, the functions as performed by PC are often criticised as being against the spirit of federalism.

Added to this is the blurring division between the Members and the Secretariat of the PC, who mostly call the shots. Furthermore, the Secretariat staff of the PC has suffered degeneration over time as competent professionals are being replaced by serving and retired civil servants who have been passing birds. In the good old past, several noted economists and statisticians, such as P C Mahalonobis, served as members and senior knowledge staff at the Secretariat. The work done by them is still considered a benchmark.

Howsoever controversial the issue being, time and again, many question the utility of planning when the economy is now being market-driven.

In the past, the PC has undertaken many exercises to reform itself but *status quoists* and vested interests have not allowed it to undertake reforms. To illustrate, the PC established an Independent Evaluation Office in 2014 but refused to shut down its own similar Programme Evaluation Organisation. Thus, more questions were raised, whether the PC is willing to give up its old ways.

Way Forward

It was under this backdrop that, CUTS International Public Policy Centre (CIPPoC) organised two roundtables on July 19, 2014 and July 31, 2014 respectively on the topic 'Reinventing the Planning Commission' where many distinguished scholars, former Members of Planning Commission, MPs and other experts and dignitaries participated (*list attached*). In the general debate, it was recognised that India is a complex economy with myriad issues which needed to be steered in a certain direction. Centralised planning in the current form is a drag on it. Therefore, scenario planning is important where the need is to give multiple alternatives to a scenario. This requires the plan body to be able to churn out best possible advisories with the help of expert institutions. In this context the plan body should act as a central node of knowledge.

It was also pointed out that India cannot be governed well without a PC like body which coherently plans and recommends allocation of central funds keeping in mind converging needs and aspirations of citizens. Such planning cannot be left to the Ministries which do not have a wider vision. Some others felt such planning is now irrelevant and we need a body that does longer term planning on issues such as climate change and demographic transformation. However, the majority view also held that 'planning' *per se* should not and cannot be done away with. Even a country, such as US is mulling over the prospects of creating a federal planning body.

While some felt that the distinction between plan and non-plan expenditure was irrelevant and as suggested by the Rangarajan Committee this distinction should be done away with. If this is done then the artificial distinction between Plan (development) expenditure and Non-Plan (non-development) expenditure will also cease. Others felt that the Ministry of Finance (MoF), on one hand, and PC, on other provide their respective views on allocation of funds which should not be curtailed. Some felt that line ministries could also do this function.

The following is the substantial sense of what transpired at the roundtables:

- The PC as it is structured should be wound up and a new statutory National Reforms and Development Commission (or a body with a similar name) with an active role for States should be established. One cannot tinker with the existing establishment. The new body should be managed by the Union Government in partnership with States,

where a model governance structure could entail membership of select Chief Ministers or their nominees in the body. The new body can also serve as an economic advisory council to the PM in a spirit of cooperative federalism. However, it should inherit the institutional memory of the PC to be able to discharge its role. At the same time the need to be wary of being trapped in 'boxed' thinking (old practices and norms) was emphasised upon. In other words, the majority sentiment echoed that the reform of the plan body must entail not only out of the box thinking but as if there did not exist a box. Therefore, between inheriting institutional memory and carrying out reform, a delicate balance must be struck.

- The new body should be a think tank for the government and engage in long-term perspective planning. This can be done by resorting to scenario planning and giving the government multiple alternatives to various scenarios. In discharging such responsibilities, it can serve as a central node bringing in expertise from a network of knowledge bodies even from outside the government. However, it has to be seen if one can establish a 'think tank' like body within the four walls of government and ensure its true independence.
- The new body should be lean as it may not be able to attract good human resources and perform its research and planning functions in association with private think tanks, which it has been already doing. Emphasis should be laid on getting domain experts as members and advisers for this newly made body and the selection process should be transparent. It was also emphasised that it is equally important to bring in the brightest talent to the reformed commission as against the current practice of making it a parking lot for bureaucrats not wanted elsewhere.
- Financial resource allocation functions should be transferred to the constitutionally empowered Finance Commission which should seek the assistance of the new body as well as MoF. If required, a constitutional amendment will need to be done to empower the Finance Commission to carry out this expanded role. This is necessary to get better advice and also keep an arm's length distance from the Government so as to suggest optimally best solutions. All allocations so made must be associated with outcomes/outputs of policies/schemes and performance of states effectuating those policies/schemes.
- Fears were expressed that the new planning body without the financial allocation powers will not be heeded to by ministries and states. These were countered by the advice that the new body should be engaging in shared narratives with states and ministries as a mandatory exercise before the Finance Commission recommends allocation of funds to Central ministries and states. Such shared narratives will usher in ownership and will facilitate the much desired bottom up planning. Further, it was

discussed that the reform must entail learning from international experiences and other models like that of Korea and Thailand, where recommendations of think tanks are taken seriously because the government takes their roles seriously. China has consciously dropped the usage of the word 'planning' in the reformed National Development and Reform Commission (NDRC), but not the functions of planning. Such a step in the Indian context could signal a positive change along with structural reform of the commission.

- It was pointed out that implementation is very weak and even the advice of the PC is not taken seriously for various reasons. Other international experiences such as from Malaysia could also be referred to. Malaysia's Performance Management and Delivery Unit (PEMANDU) works on the principle of setting goals for the departments that work in synergy, letting them thrash out the road map for that goal's implementation and stepping in periodically to review the status and make course corrections.
- The new body should also perform the role of a repository of knowledge of both good and bad practices in governance at the Centre and states, and render advice on reforms to be carried out in a prioritised manner. With regards to the importance of bottom up planning, it was repeatedly stressed that constitutionally empowered District Planning Committees must be revived in a true sense.
- The new body can also serve as the Secretariat to service the National Development Council (NDC) with more regular meetings. Such meetings can also be designed around subject issues with State Ministers in charge of the subject being part of the process, such as the Empowered Committee on Goods and Services Tax (GST), and held regularly. Such a process can turn the spirit of 'cooperative federalism' into real federalism.

Recommendations of CIPPoIC

The recommendations of CIPPoIC on the reformed structure, functions, of the body hitherto known as PC are set out below:

Name: The body should be rechristened as National Reforms and Development Commission (NRDC). As the new name suggests, the emphasis must shift from planning to ensuring execution for achieving reforms and development, but without sacrificing the essential planning functions.

Functions: The NRDC could perform the following functions:

Perspective Planning and Scenario Building: NRDC must undertake perspective planning and scenario building. While perspective planning will help in identifying a long-term objective, scenario building will provide required flexibility and ensure adaptability to dynamic environment. This is not limited to planning a specific course of action, but predicting possible scenarios in future, and developing strategies to make transition from such scenarios to an optimal scenario. It is important here to note that planning is distinct from making of plans. The NRDC would benefit from the advice of President Eisenhower of the USA, '*plans are useless but planning is indispensable.*'

Bottom-up Approach: NRDC must adopt a bottom up approach, wherein experiences of sub-state and state-level actors are accorded priority while building scenarios and action plans to deal with such situations. This will help States in swift adaption to the recommendations. It might be recalled here that the erstwhile PC was often accused of adopting a top-down model, and not taking into account the unique capacity and requirements of states. The NRDC must not fall into such a trap.

Knowledge Support to the Legislature: The NRDC must act as a think tank for the members of Parliament. On the basis of perspective planning and scenario building, it must churn out possible alternatives, and provide expert suggestions, to aid effective debate in the Parliament.

Repository of Practices: The NRDC must not do away with the institutional memory and should review the good practices and lessons learnt in the past. Such review would help in efficiently undertaking new functions, and providing relevant suggestions. It must also record good practices and lessons learnt by States, and encourage states to learn from each other.

Secretariat to the National Development Council: The NRDC can serve as the Secretariat to service the National Development Council with regular meetings. Such meetings can be designed around subject issues with state ministers in charge, such as the Empowered Committee on GST, and held regularly. Such a process can turn the spirit of 'cooperative federalism' into real federalism.

Coordination with the Finance Commission: With the restructuring of PC, the function of allocating financial resources should be transferred to the constitutionally empowered Finance Commission (which should be turned into a permanent body). The NRDC and the Finance Commission must work in tandem along with the Finance Ministry, to ensure that the states have adequate financial resources to implement the strategies recommended by the NRDC. The Finance Commission must be statutorily required to take into account recommendations of the NRDC, and provide its responses.

Structure: Following is the proposed structure of the NRDC:

Statutory Body with Varied Representation: The NRDC must be a statutory body, run by a board of approximately nine members, having a fixed term, but headed by the Prime Minister. Around five members must be high level experts (selected through an independent panel set up by the government), having a term of five years. Chief Ministers (CMs) of four states, having a term of around three years, should occupy remaining positions. The deputy chairperson must be appointed by the Prime Minister from amongst the independent expert members. The CMs must represent interest of their and similar states. India already has five zonal councils wherein different states are grouped on the basis of their location. Such councils could be a good starting point to nominate states' representatives at the NRDC. The nomination at NRDC could be on a rolling basis from within the zones, to ensure representation from all the states. However, it must be noted that there is a need to relook at zonal councils' classification, which should not be based merely on geography, but also take into account the level of development, capacity, and similarity of problems faced by states, etc.

Sector Specialisation: The second tier of the NRDC must comprise of sector-specific specialists and experts. These experts could be engaged on a full-time or a part-time/*ad-hoc* basis, depending on the assignment. The NRDC must be empowered to engage with national and international think-tanks and expert organisations to prepare high-level recommendations. In this regard, it could act a central node of knowledge. It must be ensured that NRDC remains a lean body, relying on high quality permanent and temporary experts and utilising technology to undertake day-to-day functions.

Location: The NRDC must have a head office in New Delhi, with zonal offices, and it must nominate at least one body in each of the states, to feed in ground level information to the NRDC, and review implementation of the recommendations. Such nominated offices, zonal offices, and the head office, must be connected with high class real time technology, in order to share information, monitor progress, and track changes on the ground.

Accountability: As the NRDC will be performing public functions and utilise public money, it would be extremely critical to hold it accountable. Being a statutory body it will be directly accountable to the Parliament through the PMO. The primary contours of accountability would be ensuring that the recommendations are made within a specific time frame. In addition, its working should be transparent and open to public scrutiny. The NRDC must be able to defend its assumptions and hypotheses, and its reports must be released for public comments. The NRDC must also publish annual reports highlighting the manner in which its recommendations proved helpful, and the obstacles faced in implementing the recommendations. The reports must be placed before a Parliamentary Committee for review.

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