

Reinventing the Planning Commission

The Great Debate



CUTS International
Public Policy Centre



Reinventing The Planning Commission

– The Great Debate

Reinventing the Planning Commission – *The Great Debate*

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Reflections

...the task of long-term economic thinking coordination can be performed by a new body established to act solely as a think tank within the government...which...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.

Ajay Chhibber
*Director General,
Independent Evaluation Office*

Since the state has everywhere played a major role in developing physical and social infrastructure! and India has a big infrastructure deficit, why cannot the Planning Commission simply be 'Infrastructure Planning Commission'?

Alok Sheel
Former Secretary, Prime Minister's Economic Advisory Council

...planning process require an overhaul of the capabilities and resources of the Planning Commission. It must be a catalyst for learning, a facilitator of actions, and an inducer of coordination... It must be a principal node, in a network of think-tanks and actors, all of whom together will shape the progress of the country...

Arun Maira
Former Member, Planning Commission

With massive coal mines, all over India, we have started importing coal! Was that with the planned professional approaches, applied at our Central Ministry?...the problem and the trouble has been at the Centre. The States, even the best led ones, who ought to have inspired the Centre, have not been banded together to do justice by India and Indians....

Devinder Chopra
Former Secretary, Government of India

...there was a need for streamlining the role of the Commission...it should not be seen as a hindrance by states.

Rao Inderjit Singh
Minister of State for Planning

...whatever the Modi government decides will only give greater strength and momentum to this positive role of the Planning Commission, in whatever shape and form.

Mihir Shah
Member, Planning Commission of India

...the Prime Minister should work more closely with the Planning Commission...the idea of scrapping the Planning Commission should not be pursued.

Pronab Sen
Chairman, National Statistical Commission

....A body without constitutional validity tried to decide directions and content for the economy in every state. Every plan failed in achieving targets. The Planning Commission served to give employment to economists, statisticians and bureaucrats awaiting suitable postings. We do not need it.

S L Rao
Distinguished Fellow Emeritus, TERI and former Chairman, CERC

The Planning Commission is engaged in economy wide modelling and planning...which is useless in the context of ongoing globalisation...It needs to be reorganised and reoriented...

Tarun Das
Former Senior Economic Adviser, Ministry of Finance

The Planning Commission instead of engaging itself in perspective and long-term planning is trying to micro manage the states, states' finances and functions.

Yashwant Sinha
Former Finance Minister, Government of India

Given the fact that planning to optimise use of resources is necessary and that correcting the tardy implementation of programmes is critical, perhaps the best way forward would be to convert the Commission into a body that will prepare medium- and long-term plans — five, 10 and 20 years — and will actively monitor implementation.

Ashok Jha
Former Finance Secretary, Government of India

Preface

After the arrival of the new Government in Delhi in May, 2014 the debate on the future of the Planning Commission has intensified as to whether we need it or not, and if yes, in what shape should it be. The Commission is yet to be established though the Secretariat continues to function as an advisory body, while financial planning has shifted to the Ministry of Finance. The new government's thrust is on implementation and short term plans.

Shaking up some of the well rooted institutions in today's age is wrought with speculation about the role and relevance. One such body is the Planning Commission of India, which for the past 64 years has steered the country without a constitutional or statutory standing.

By its own admission, the plan body should have been engaged in indicative planning since the Eighth Plan. But far from it, the Commission remained the sole arbiter in the allocation of finances to the states and central ministries, smothering the spirit of federalism in the process. The argument, as has been expressed by many, is that since the states are not given a say in their own development, can one expect development or accountability?

Furthermore, the Commission itself suffers from the problem of accountability as it is not answerable to the Parliament except through the Minister of State for Programme Implementation and Statistics.

In his Independence Day speech, the Prime Minister announced in unequivocal terms that the Commission will be replaced by a new body which will embody the spirit of cooperative federalism and public-private participation.

The elevation of post of Minister of State for Planning by giving him an independent charge was an early indicator of the thinking of the new government. Earlier the Minister did not hold independent charge but reported to the Chairman of the body, the Prime Minister of India and also through the Deputy Chairman, who held a Cabinet Minister's rank.

This was consistent with the Prime Minister's views on Planning Commission, who, as the Chief Minister of Gujarat, often insisted that the Commission would be more effective if it played a role of a knowledge bank.

After the scintillating speech of the Prime Minister to reform the plan body, several recommendations have emerged which range from changing the character of the Commission into bodies such as perspective planning and reform commission or solutions commission, amongst others. But one thing that has been uniformly stated in most recommendations pertains to reducing its role into a think tank sans any power to determine allocation of funds. In doing so the new avatar is encouraged to also house a

repository of best practices from around the world to help and aid in making the process of governance more efficient.

But while these recommendations are pouring, counter views too need equal consideration.

These counter views typically include the need to take an independent view on allocation of funds in light of competing demands between ministries (and states), need for planning body to assess appropriate schemes, to have an integrated view of the economy, to provide for a buffer between the Prime Minister and the states etc.

These divergent views must create curiosity to delve deeper into the role, relevance and utility of the Commission. Informed views will prevent speculation.

Many would argue that the nation is at a juncture where it cannot afford delays in matters of governance. Therefore, as the government mulls change in the way planning has been done in the country; it is also incumbent upon all thinking hats and relevant institutions and organisations to participate actively in this debate.

Keeping this in mind, CUTS International has been leading efforts in generating views, counter views, suggestions and recommendations through multiple platforms. It started with detailed analysis, voicing opinion in the media and organising an e-debate. Subsequent to the enriching e-debate, two roundtables were organised by CUTS International Public Policy Centre (CIPPOIC) to brainstorm and debate the role of restructured Commission. This book is a compilation of all those inputs and published views of those who have written or spoken on the in this issue. Part I puts in perspective the main issues regarding the roles, relevance and functioning of Planning Commission, Part II contains a short synopsis of the e-debate and some of the published views, Part III contains the reflections from the e-debate, Part IV provides a summary of the discussion in the roundtables followed by recommendations of CIPPOIC, Part V contains relevant writings of scholars and commentators and Part VI comprises reports and publications that appeared in the recent past.

The Prime Minister has called for ideas for the new body's name, logo and tagline. This report will be sent to his office and him, and we hope that it will help determine the future body.

Jaipur
[]th August 2014

Pradeep S Mehta
Secretary General

Part – I

Introduction

The Planning Commission was set up by a Resolution of the Government of India in March 1950 in pursuance of prime objectives of the Government to promote better standards of living. In doing so, the Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for most effective and balanced utilisation of resources, determining priorities, indicating factors retarding economic development, determining nature of machinery for securing successful implementation of plans, and appraising the progress in execution of plans.

Important to note here is that the above mandate was articulated mainly in the backdrop of compelling factors like the lack of coordination between centre and the states on development issues, integration of new states in the polity of India, inflationary pressures inherited from the war and food deficiency aggravated by partition, to name just a few.¹

Clearly many of these reasons were unique to a fledgling economy and hence the government resolution conceived a top down approach to planning that envisaged a stronger Central Government.

“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.”

The above paragraph is what one would find on the website of Planning Commission. Interestingly, despite clear articulation that the nature of planning should increasingly be indicative subsequent to the launch of the eighth plan, not much seemed to have happened in this regard. It has been business as usual.

¹ <http://planningcommission.nic.in/aboutus/history/PCresolution1950.pdf>

The Problematique

Over the years there are several issues that have surfaced regarding the role, relevance and functioning of the Commission. At a broad level they can be categorised as follows:

- **Composition of the Commission**

As has been mentioned earlier the Commission was established by a government resolution Nehru in 1950. It means that it never had any statutory or constitutional status yet it has continued to enjoy budgetary powers. This in itself is one of the biggest criticisms of the Commission.

Secondly the Members of the Commission are appointed by the Prime Minister on the strength of his personal knowledge and comfort, and without any selection criteria. It is no surprise that it thus remains subject to the whims and fancies of the government in its composition and working.

- **Lack of accountability**

The functioning of the Commission is overseen by the Deputy Chairman who holds the rank of a Cabinet Minister but unlike the ministers of Central Government ministries, the Deputy Chairman is not subject to Parliamentary oversight except indirectly through the office of the Minister of State for Planning and Statistics. This raises questions on the accountability of the Commission.

In addition, the Commission has a Secretary, to which all officers (bureaucrats) report. Members are ranked as 'ministers of state' for protocol purposes, and like ministers of state in other ministries they too have no say in the appointments, transfers, evaluations, and quality of the staff. Thus the organisation is run like a 'ministry' albeit with a 'commission' of a few full-time Members attached to it.²

- **Duplication of work**

Despite having specialised agencies and bodies such as Inter State Council, Reserve Bank of India, Finance Commission, National Development Council, the Planning Commission too publishes economy wide reports. This leads to overlapping of reports making the performance of advisory functions ambiguous. To combat with inconsistency and confusion, it is imperative, that the role of these organisations be either clearly demarcated or else the role of the Planning Commission is made more lucid.

²ArunMaira, *India's Reluctant reformers*, Livemint, March 05, 2014.

- **Need for planning in the modern economy?**

Several questions have emerged with regards to the role of the Commission in a modern economy. In a controlled economy where Government intervenes in almost every aspect of public life, centralised planning may be justifiable. However, in a market economy, with diminishing role for the Government and increasing private sector participation in delivering public goods, the utility of Government planning has often been debated.

This is because at the time of setting up of the Commission, a substantial percentage of the gross investment came from tax receipts. Over time, this has reduced significantly (the rest being private risk capital). Given this, the need for investment planning by a Commission like body has been increasingly questioned.

Sabhlok³ supports this point and argues that planning in a market economy is simply not possible or desirable. Bagchi⁴ emphasises on the importance of centralisation but wants it to be indicative, coordinative and prescriptive. Over time, the Commission also realised that to suit the needs of market economy, a transition is needed from centralised to indicative planning where it concerns itself with building a long-term strategic vision of the future and decide national priorities. However, it continues, as before, with formulation of ambitious plans.

- **Negation of Federalism**

True federalism, as observed by Louis D Brandeis, Associate Judge on the Supreme Court of the US in 1932, is a condition in which a single courageous state may, if its citizens choose, serve as a laboratory, and try novel social and economic experiments without risk to rest of the country. A central plan body usually indicates strong role for the Central Government and fewer powers to states, thus conflicting with the idea of true federalism.

In India, over time, with evolution of coalition governments, multiple political parties, and realisation that states have different growth capacity and requirements, the demand for greater role of states has grown. However, the Commission has continued with its practice of allocating of funds to states, without taking into account their concerns. Thus, it is increasingly being viewed as a roadblock to true federalism.

- **Lack of Specialisation**

In its earlier years, Advisers in the Commission were domain experts chosen through stringent selection processes while Members were expected to provide a holistic view. However, there has since been a shift in the composition of Advisers who are now mostly officials from the Indian Administrative Service or Indian Economic Service and

³Sanjeev Sabhlok, Breaking Free of Nehru: Lets Unleash India, 2009

⁴Amaresh Bagchi, Role of Planning and the Planning Commission in the New Indian Economy: Case for Review, Economic and Political Weekly, 2007

the like, but not necessarily domain experts. Some of them do have domain knowledge, but most get appointed through jockeying to continue to live in Lutyen's Delhi. Even the office of the Secretary of the Commission used to be occupied by a serving IAS officer or an economist, but in two appointments in the recent past, retired IAS officers have been appointed -imagination and capabilities of whom are wanting.

This is in spite of the Commission's own recommendation in the 9th Five Year Plan policy documents that retirees should not be appointed to any such job, and if at all they are, then they should not be provided government accommodation.

Moreover, as far as the structure of the Commission is concerned, 26 divisions are overseen by only eight Members, resulting in each Member looking at an average three divisions. The Members of the Commission have also been given specific charge of management of relationships with specified states, and thus, most of their time is taken up in dealing with the states via granting or withholding resources. As a result, they do not have time to devote to their subject matter briefs in which they are supposed to possess an expertise. They are also not able to study numerous topics required to develop a plan and liaise with several key ministries, which has become necessary in today's complex contemporary environment.

On the other hand, these Members are expected to deliver high-quality guidance on the subjects assigned to them and to change the ways in which the Commission engages with the country and plans for its progress. But they do not have the resources to do this. In fact, all research projects are awarded by the Commission through the Secretary and the huge administrative staff. The award of the research projects also take a long time going through the hoopla of bureaucracy. A proposal was once mooted in 2010 that every Member be given a budget of Rs. 2 crore per annum to decide on a research project which they would like to commission, but that proposal fell flat as the entrenched bureaucracy opposed the same.

Separately, the Commission has become weaker with advisers no longer being domain experts because of a shift in their hiring pattern, and the lack of enough Members, which has resulted in a generic approach on important subject matters.

- **Negation of states in the planning process**

Most importantly, over time, the Commission has been transformed into a Control Commission having the last word on resource allocation to the states. Thus, originally envisaged as a purely advisory body, with no authority or administrative role, the Commission has become an extra-constitutional unaccountable political authority, and a means for the backdoor control of states economic policies. Bimal Jalan, former Governor, Reserve Bank of India, explains that lack of integration and consultation with states could have been due to different governments with different tenures in the states. However, the disconnect has widened so much that the Commission and

the Finance Ministry have been accused of practically deciding the plan with hardly any analytical understanding of various dimensions of major issues across the country.

Part – II

Synopsis

The above are some of the most commonly discussed issues pertaining to the Planning Commission. The e-debate conducted and hosted by CUTS⁵ also dealt with these issues directly or indirectly. The following is the synopsis of the debate along with some of the published views that were circulated in the debate.

It started with a fundamental question – Is planning really necessary, particularly in the context of modern economy? Ashok Nag defended the role of planning and asserted that planning is an absolute necessity for an entity that has a stake in future. In fact, implicitly he raised a larger point that planning and vision for future are mutually indispensable elements (Page no.13).

Furthermore for planning to be effective and meaningful it needs to be well coordinated all the way from the village level to the central government. Voicing these views Som Karamchetty expressed hope that elected leaders make decisions on plan goals and monitor the progress of plan(s) if and when the Plan body is reinvented (Page no. 14). The argument is based on a sound rationale that by passing the responsibility of planning upon elected representatives one can expect greater accountability and better execution on the ground (Page no. 14).

In a way these initial reflections indicated a malaise in the current system of planning and this is led to discussions on specific elements that prevent effective planning.

- **What precludes effective Planning?**

Rajesh Tandon steered participants' attention to the constitutional provisions on Planning and pointed that the Constitution of India envisages only one plan body vested in District Planning Committee (DPC) at the district level (Page no. 14). Introduced in the 74th amendment, this provision reinforces the importance of bottom up planning.

In other words it indicates that the planning process must be carried out in a systematic way from the district to the state and then finally to the central level. This would entail shared responsibilities and bolster the role of all actors involved. In the process it will restore the spirit of federalism as states and local actors would have a greater role to play. These sentiments were echoed by M Govinda Rao who strongly advocated for a robust federal structure and emphasised that centralised planning is a negation of federalism (Page no. 16).

⁵e-debate on the topic The Road to true Federalism: Reinventing the Planning Commission ran from 3rd April 2014 to 7th July 2014 on FunCOMP – an e group managed and hosted by CUTS International

On the other hand Surendra Singh (Page no. 16) advocated that the Plan Body should only serve as a repository of best practices to help and aid governance at different levels while V Ranganathan brought about a point that the Plan Body had usurped the functions of Finance Commission and in doing so had resorted to subjective and arbitrary methodology towards allocation of funds (Page no. 16).

It is well recognised that planning in India is a complex problem. The debate too indicated this by highlighting the fact that it involves a number of actors all the way from the grassroots to the top. The debate also highlighted that the primary role of the Commission should that be of coordination amongst fairly independent actors. But the question remains, how to achieve effective coordination?

Shedding light on this Arun Maira stated that a coordinating agency needs authority but the kind of authority Planning Commission has been exercising until now remained rather unproductive. What is indeed required is a shared narrative that compels stakeholders in the planning process to act upon a plan.

He further noted that actors in the planning process must learn from the planning exercise and this can be effectively achieved if the evaluation process is designed in such a way that it does not appear as a conventional audit looking for faults. Lastly Maira stressed that alongside skilful facilitation of shared narratives, the plan body must also act as a central node linking up relevant stakeholders and think tanks (Page no. 17).

Adding to this was Narendra Gupta (Page no. 17) who cited examples of Planning Commission efforts (Page no. 18) in reaching out to stakeholders at various fora. This indicated that some internal corrective steps have already started to appear in the working of the Commission. For instance, the Commission has embarked upon India Back Bone Implementation Network (IBIN) to facilitate a platform for shared narratives. Also, the Central Government in the interim budget of 2014-15 substantially increased the funds to be given to the state governments thus giving them more room in their own development.

But at the same time it could be said it is too early for such measures to start showing their intended impact. Udai Mehta (Page no. 18) added that for the Commission to assert its relevance in future it must undertake scenario assessment and provide suggestions for development policies. He added that Regulatory Impact Assessment (RIA) must become part of the policy making exercise and the Planning Commission along with Independent Evaluation Office could build capacity to undertake RIA for all legislations and programmes.

- **Planning Methodology – Relevant or Not?**

Planning Methodology is another area that affects effective planning and much controversy erupted in the debate with regards to the tools that the Commission employs for the planning exercise. Earlier, speaking at one of the 30th Anniversary Lectures of CUTS on Fiscal Federalism, former Finance Minister Yashwant Sinha suggested that the Planning Commission should have been engaged in perspective planning instead of micro managing the states (Page no. 19).

Tarun Das added a list of suggestions which broadly indicate that the Commission needs to engage in strategic and sector specific planning using scenario approach and partial equilibrium model in order to address rapid changes happening due to globalisation. Further, this must also necessitate regular review of the economic models used in the planning exercise (Page no. 19).

Reinforcing the earlier stated view that planning and vision for the future are indispensable elements, Sumit Majumdar (page no. 21) added that the current Leontief Input –Output Model used by the Commission is past its expiry date. He advocated for a total overhaul of the tools and functions of the Commission.

Later Prodipto Ghosh (Page no. 22) also shared the view placed by Tarun Das but added that policy makers should not rely totally on quantitative outcomes and instead be guided by them to gain insights into how components of economy interact.

A rebuttal came from Renu Parmar (Page no. []) who was categorical in saying that Commission has moved from being planner to strategist. However, she also said that Commission engages in economy wide modelling.

- **Does Planning Commission really take an all sector view?**

A point was made by Lalit Kaul (Page no. 22) with regards to a non-uniform role played by Planning Commission as far as focus on different sectors is concerned. Kaul argued that the Commission has ignored the Defence sector for far too long. The rationale of the argument was that as a country India was totally dependent upon imports which pull out a considerable amount of Foreign Exchange from the economy. Therefore, there is a need to take up this issue on priority and evaluate our defence PSUs efficiency and capability with a view to make them competitive and self-reliant. Prakash Singh seconded this point.

On the same note, citing other short comings Devinder Chopra added that a similar situation exists with regards to coal sector as well (Page no. []).

- **Implementation**

A plan is not any good without implementation. S L Rao (Page no. 23) was critical of Commission's implementation capabilities. He derided the Commission of being a

parking lot of economists, statisticians and bureaucrats and indicated that this fact along with the non –statutory nature of the Commission are to be noted as a reason for tense relations with elected representatives, especially the Chief Ministers of states.

Pradeep Mehta brought the attention towards another impediment in the way to effective implementation. Referring to turf issues in ministries and departments he said what is indeed required is a whole of government approach (Page no. 23). Referring to the concerns raised *vis-à-vis* the defence sector he said that the ultimate responsibility for the flaws in the defence sector lies with the minister in charge.

Another point worth mentioning with regards to poor implementation is the tendency of ministries becoming planners unto themselves. In the course of their business they become repositories of the information essential to making planning decisions and start to assert their authority where they should not. Ashok Nag raised this important point (Page no. 24) while Manas Chaudhari emphasised the need to embark on renewed method of approaching Commission’ s reports so that they become more implementation oriented. (Page no. 24)

- **Views on the Reform of the Commission**

In the course of the debate several views and recommendations on the reform of the Commission also emerged. View from Independent Evaluation Office (IEO), individual views of experts and dignitaries and views expressed by CUTS in its Policy Option Note.

While almost all views speak on reform or revamp of the existing Commission, the view from IEO advocates for a new body with redefined functions and responsibilities. On a closer analysis there is a unanimous view that the Planning Commission needs an urgent reform however approach to these reforms differ. (Page no. 25)

Part – III

Reflections from the Debate

- **The root issue: Is Planning necessary?**

Ashok Nag

...The very word “planning” has become a red herring to many liberally minded policy advocates. We must, however, understand that every complex organisation which has a stake in and view about its future must have a vision and a plan to implement them. Microsoft had a vision about the future computing technology environment, which was completely different from that of Google. Today, we can safely aver that the plan of Microsoft about its future has been a relative failure as compared to that Google. Despite its stranglehold on the computing technology environment Microsoft could not and cannot dictate the evolution of that technology and is destined for oblivion. The moot point is that you cannot plan for future if you are completely ignoramus or wrong about the shape of that future.

The State is one of the most complex organisations that human beings have invented, nurtured, used and abused for and against its own fellow human beings. It is, therefore, a pipe dream to think that such a complex organisation should not embark on a detailed plan about its future activities. But for such a plan to be effective the planners must understand the emerging possibilities that are beckoning from the time beyond and the means available to bring to fruition to such possibilities...

Senior Vice President, RiskRaft Consulting

Som Karamchetty

...Plans by a central Planning Commission in Delhi are less meaningful if there is no collaboration at the village level or at least at the *panchayat* level.

Be it an individual level, *gram* level, *panchayat* level, or national level, there should be a commitment to invest and work towards the strategic goals and objectives. A collaborative effort in planning at various levels should result in thousands of *panchayat* plans, a couple of hundred district plans, over two dozen State plans, and one National Plan. There should be appropriate collaboration and coordination with private businesses and SHGs.

... There is constant talk in India about empowering *Gram Raj* or *Panchayat Raj* institutions.... planning requires these local leaders to identify their current state, the goals, the key tasks that take them from here to there, the resource requirements, marketing tasks to acquire the resources, and finally developing execution plans.

If and when the Planning Commission of India is reinvented, I hope, it has such collaborative and coordinated structure and agenda. The elected leaders should make

decisions on plan goals, objectives, risks, resources, and monitor the progress of plan(s) and not appointed plan technicians.

*Member, American Society of Mechanical Engineers and
National Active and Retired Federal Employees*

Girdhar Bajoria

If the states are allowed to plan, implement and monitor their own models of development through State Level Planning Commissions (within parameters defined by centre), accountability will be more transparent and giving the people of the state a clearer picture of the performance of the government elected by them. They will not be able to blame the centre for all they could not do.

With implementation of GST, revenue sharing model between state and centre can be easily and clearly defined

*Rajasthan Synthetics India Limited
Entrepreneur*

Kris Dev

I am of the opinion, Planning Commission's role must be to coordinate a bottom-up planning from the village to the national level for equitable distribution of resources for all round development.

It should develop integrated system for decentralised data collection, resource distribution and monitoring of progress from the village to the national level through the various stages. It should support the all-round progress and development up to the last mile. It should not be seen as a dole distributing agency by various state governments on behalf of the central government.

*Co-founder
International Transparency and Accountability Network (TrAcNet)*

• What precludes effective planning?

Rajesh Tandon

The Constitution of India provides for only one body for planning – District Planning Committee (DPC)... This provision was introduced through the 74th Constitutional Amendment Act introduced in 1992. Under this provision, DPC is mandated to develop, and coordinate the process of development of, local and district level plans for economic development and social justice.

The Planning Commission in Delhi recognised the significance of DPC only in August 2006 when the Deputy Chairman wrote to all Chief Ministers to set up these DPCs and bring state plans to the Planning Commission only after the district plans have been developed by respective DPCs.

Over the years, DPCs have remained largely non-functional. They have been designed to include both rural and urban areas within a district; they are to be headed by *Zola Paris had Adhyaksha* with mayor of the largest city (normally the district headquarter) as Vice-Chair. All line departments are expected to present their plans and seek approval of DPCs.

The 13th Finance Commission had even earmarked special funds for strengthening planning capacity of DPCs; alas, most of these funds have not been utilised for these purposes.

Further, a Task Force set-up in 2008 had recommended that planning and monitoring officers of all CSS programmes should be combined into a single unit under DPC, to avoid duplication, and to ensure coherence. The turf control by CSS national ministries hasn't allowed this to be realised either. Where they do function, DPCs have become mere rubber-stamps for approval of pre-determined priorities of CSS for the district or the state. Unless DPCs have control over developmental resources, and freedom to use them in the interest of the priorities of that district, they will remain mere 'paper' entities.

In the ongoing debate...it is imperative that the district is given a greater focus since there are wide variations across them in any state. DPCs can thus become institutional mechanisms, with constitutional mandate, to undertake bottom-up and integrated planning for 'economic development and social justice' of that area. If decentralisation remains stuck at the level of state governments, it may not contribute to equitable development of a state till district is made the unit for planning (in any case, it is the unit for implementation). Strengthening and empowering DPCs can be practical way of ensuring local relevance and ownership of public programmes of socio-economic development in the next decade.

*Co-Chair, UNESCO Chair on Community based
Research and Social Responsibility in Higher Education*

P.K. Chaubey

Why should an elected CM be subjected to discuss the state plan with a *babu* in the chair of Deputy Chairman who hardly understands the state well enough? What is happening now is that it has grown as a parallel ministerial set up having mostly the same bureaucrats doubling up as experts in Planning Commission as in Ministries.

I think Planning Commission should serve between two consecutive Finance Commissions while Finance Commission should consider all resources. Planning Commission is misusing Art 282 which compels GOI to disproportionately collect resources. National priorities are looming large over state priorities.

*Professor, Economic Administration
Indian Institution of Public Administration*

M Govinda Rao

...This issue is so provocative that I decided to make view-points. These are, of course, my personal views. Centralised planning is a negation of federalism. In a market economy planning involving the investment decision of the private sector, even if indicative does not make sense. Nor does it make any sense for approving the plans of the states. The elected governments must be allowed to plan for the subjects entrusted to them in the 7th schedule to the Constitution. Indeed, there can be some activities that may be considered national priority, and these may require a few specific purpose grants programmes to ensure a prescribed minimum level of spending on these activities. Even here, it should be left to the state and local governments to design the programme and implement them. There is no case for micromanaging them. Funny, even after the so called consolidation by the Committee headed by one of the Members of the present Commission, they find 66 programmes of national importance!

*Member, Fourteenth Finance Commission and
Former Director, National Institute of Public Finance and Policy*

Surendra Singh

I entirely agree with Govinda Rao. In the federal set up the Planning Commission is an anachronism. States should sink or swim according to their own devices. If the Planning Commission is to continue, its role should be that of a repository of best practices followed by Indian States and countries across the world, from which state governments could draw according to their requirements. The Independent Evaluation Office could support it in that role.

Former Cabinet Secretary, Government of India

V Ranganathan

On the equally anachronistic situation of the various Kings in India, on the eve of Independence, Lord Louis Mountbatten had this to say: "a group of hereditary shepherds, now looking like lost sheep themselves". Planning Commission and its members are in such a state. While Finance Commission has a legitimate and statutory role and its allocations to States are governed by pre-fixed formulae.

Planning Commission is not a statutory body, and its allocations are subjective, and consequently potentially arbitrary.

Mentor Faculty, IIM, Kashipur

Arun Maira

The requirement is for 'coordination' amongst fairly independent actors. One way to coordinate is to have authority over the actors. This is neither feasible, nor desirable perhaps, in a democratic, entrepreneurial country. The Centre cannot command the states, or the private sector. Another source of power to control is by providing substantial resources without which the actors cannot function. Indeed, this has been the source of the Planning Commission's power in the past but it is diminishing as it

will and should when the states grow up and earn their own way and when the private sector grows and is given more freedom too.

Neither of these sources of power is available to the planning process, nor should be. Therefore coordination and compulsion to act according to the plan must be obtained in another way. This other way is the shaping of shared narratives that are formulated by the stakeholders. The essence of the planning process then is in skilful facilitation of the formulations of such shared narratives amongst the requisite stakeholders. In our studies of how other countries are modernising their planning processes, and some freshly installing them too, we have found that this is the key.

The need for better understanding by independent actors about what they must do has implications for the design and orientation of the evaluation processes. These processes must give insights to the actors which they internalise to change their behaviours and actions. The evaluations must not be construed as 'independent audits' in a conventional way with the connotation that the actors must be checked to find out what they have done wrong and what they would like to hide. The emphasis has to be on 'learning' by the actors.

These fundamental re-orientations of the planning process require an overhaul of the capabilities and resources of the Planning Commission. It must be a catalyst for learning, a facilitator of actions, and an inducer of coordination. It must not seek to be the authority over others or the prime source of knowledge. It must be a node, perhaps the principal node, in a network of think-tanks and actors, all of whom together will shape the progress of the country. The leaders within the planning commission must have the skills for this.

Former Member, Planning Commission

- **Corrective Steps Initiated by the Commission**

Narendera K Gupta

I have participated at various fora – be it energy sector, meeting taken by Dr. Montek Singh Ahluwalia, himself at the Planning Commission precincts. It saw presence of stakeholders from all concerned sections..

The Prime Minister himself addressed the stakeholders on infrastructural projects on 22nd March, 2010. Most of his cabinet colleagues invested their full day in deliberations with large presence from state governments-be it Rajasthan or the north east.

Planning Commission has been holding discussions with stakeholders on PPP projects –led by Shri Haldea and others on power sector, infrastructural sector to share a few. The Commission held discussions for skill building in schools with stakeholders at various fora. Dr Narendera Jadhav, Member of the Planning Commission himself participated and led the discussions. Most recently, in a daylong conference, which

was inaugurated by the Vice President of India on skill development in schools, saw the presence of concerned adviser of the Planning Commission.

Note: *As an improvement upon its style of working, the Planning Commission has started an India Backbone Implementation Network (IBIN), with the objective to promote widespread capabilities in the country to systematically convert confusion to coordination, contention to collaboration, and intentions to implementation.*

Further, it may be also be noted that the government has also started playing its part. For instance, via the Interim Budget 2014-15, substantially increased the funds to be released as Central assistance to states, thus giving states greater authority and responsibility.

*Vice President
Ustad Bismillah Khan Educational Society*

Udai Mehta

In a nutshell, it is pretty clear from the prevailing political-economic scenario that:

1. Planning Commission in its existing form is undesirable.
2. There is a need for greater co-ordination between centre and states for effective governance and inclusive development.
3. There is a need for impact assessment of programmes and policies of central and state governments.

These three points are inter-linked and could pave the way for functions of the new/restructured Planning Commission. The Commission needs to ensure greater co-ordination between centre and state governments, and it must provide a platform for such interaction. It could develop into an expert independent advisory body to Central and state governments to undertake scenario assessment and provide suggestions for development of policies. Interesting to note is that the recently released BJP's manifesto envisages planning along regional aspirations, strengths and potentials, and equal partnership between the PM and CMs in development.

Impact assessment is something which is critically missing in the Indian policy making scenario, at present. While the Planning Commission (through the Working Group on Business Regulatory Framework), Ministry of Corporate Affairs (through the Report on Reforming the Regulatory Environment for Doing Business in India) and Ministry of Finance (through the Financial Sector Legislative Reforms Commission) have recommended adoption of Regulatory Impact Assessment in India, it is yet to see the light of day. One observes that though the Independent Evaluation Office, attached to the Planning Commission, has recently been constituted, greater clarity on its roles and responsibilities is yet to develop. The PC/IEO must mandatorily build capacity to undertake RIA and over time, must take up the function of impact assessment of all the primary legislations/policies/programmes.

Director, CUTS International and Centre Head, CUTS CCIER

- **Planning Methodology – relevant or not?**

Yashwant Sinha

(Excerpts from 30th Anniversary lecture organised by CUTS on Fiscal Federalism)

Instead of engaging in the perspective planning the Planning Commission today is engaged in micro managing the states...

Former Finance Minister, Government of India

Renu Parmar

“At present Planning Commission is engaged in economy wide modelling and planning with the help of Leontief Input-Output modelling, with very little of econometric modelling”

Adviser, Planning Commission

Tarun Das

At present Planning Commission is engaged in economy wide modelling and planning with the help of Leontief Input-Output modelling, with very little of econometric modelling. Such sort of planning and modelling are useless in the context of ongoing globalisation. Planning Commission needs to be reorganised and reoriented to put emphasis of the following issues:

1. Indicative planning is better than target setting planning;
2. Qualitative planning is better than simply quantitative planning;
3. Strategic planning is better than pre economic planning;
4. Socio-Economic-Political context is better than pure economic context;
5. Sector planning is better than economy wide planning;
6. Participative planning is better than dirigistic planning;
7. A combination of bottom-up and top-down planning is better than simply top-down approach;
8. Scenario approach is better than single target setting;
9. A limited purpose model is better than a general purpose model;
10. A positive (operational) model is better than a normative (theoretical) model;
11. A policy oriented model is better than a general forecasting model;
12. A short run/medium term model is better than a long run model;
13. A model with selected sectors is better than a large economy-wide model;
14. A partial equilibrium model is better than a general equilibrium model;
15. A behaviourist model is better than a Linear Programming optimising Model;
16. An econometric model is better than a Leontief Input Output Model;
17. Models should be selected to address specific problems and objectives;
18. It is better to depend on expert guess on the crucial variables (such as population, weather, international food and oil prices, domestic technology, minerals exploration etc.), which have major impact on productivity and growth rather than completely leaving out missing data on these variables;
19. Computerised models on social systems cannot be expected to produce precise results.

20. But these can be used for creating vision and indicative planning;
21. Quantitative results need to be justified by qualitative judgments which are very useful for policy planning;
22. Social-political context may be treated as given in a model;
23. Models should be tested rigorously and simulated for the real world with full range of policy options;
24. Modellers should specify sources of data and share basic data with others;
25. Substantial portion of resources should be used for full documentation of the model, so that any other group can test, calibrate and run the model;
26. Part of the documentation should be clear and free from statistical and econometric jargons and mathematical squabbles for general understanding by the non-technical audience;
27. Stakeholders, users and policy makers should be involved in the modelling process from the very beginning so that the model could be modified and made more realistic;
28. It is necessary to continually review, monitor, update, upgrade and simulate the model to take care of changing domestic and external environment;
29. It is better to state biases, intuitive arguments and the inherent limitations of a model more explicitly in the model description rather than concealing
30. A modeller or a planner should know whom he is addressing for the presentation of his model and who the clients for the final results are. If he is addressing senior most policy makers, main text may concentrate on basic results and their interrelations, while the econometric estimation details and equations with mathematical jargons may be presented in the technical appendix.

Former Senior Economic Adviser, Ministry of Finance

Sumit Majumdar

...We have a blank slate today! If, as likely, the Planning Commission will soon be reconstituted, the Perspective Planning Division has to be re-vitalised and assume primacy. Nevertheless, that contingency has to be preceded by the statement of a vision of at least what India is as a nation, what the India economy is to be constituted of and what her relative position in the world is to be. An industrialised India can hold her head high in the world.....Perspective planning of the older Leontief type input-output matrices may simply be passé, as they do not handle the numerous behavioural contingencies involved in a networked world. Such fundamental changes in society call for fundamental changes in planning, and, therefore, a total re-definition of the activities, functions and tasks of the Planning Commission and of the process of perspective planning.

*Professor of Technology Strategy
University of Texas at Dallas, USA*

Prodipto Ghosh

....the model employed for a particular policy problem must be fit for purpose. A model of general applicability does not exist. The credibility of the models depends

upon the extent to which the assumptions built in capture the essential features of the real world, represent correct scientific understanding, and employ reliable parameter estimates. As an assurance of credibility, the onus is on modellers to lay bare the detailed structure of the models, the sources of data, and the results of simulations designed to show how well the model has replicated the world in the past. Even so, policy makers should never accept in totality the quantitative outcomes of the models, and at best accept "order of magnitude" results if these are maintained over sensitivity analyses over key parameter values and modelling assumptions. The best use of policy analysis models is to gain insights into the way different components of the economy interact in response to policy changes or shocks, and in this they beat raw intuition any day.

Distinguished Fellow, The Energy and Resources Institute

Tarun Das

Dr. Prodipto Ghosh has more eloquently explained what I wanted to say in my comments. I fully agree with his views. My basic view was that the Planning Commission needs to be reorganised and reoriented to shift to strategic planning, indicative planning and policy planning and modelling instead of the traditional quantitative and physical planning and target setting for various sectors.

Former Senior Economic Adviser, Ministry of Finance

Renu Parmar

...Planning Commission has already moved on from being "Planner" to "Strategist", but modelling and scenario analysis have not been abandoned. Even a strategist cannot do without these tools!

Adviser, Planning Commission

• Does Planning Commission really take an all-sector view?

Lalit Kaul

...Compare the two sectors Petrochemicals and Textiles with our Defence Sector where we are totally dependent on imports as our DPSUs/PSUs/ OFBs are not in a position to deliver and meet the timely regular requirements and other requirements of our Armed Forces owing to which we are still dependent in this sector on imports even after more than 60 years thus draining a large chunk of our hard earned Foreign Exchange on import of outdated equipments/defence items and spares at the terms, conditions and delivery schedule of the concerned Original Equipment Manufacturers (OEMs), Defence Public Sector Undertakings (DPSUs), Public Sector Undertakings (PSUs), Ordnance Factory Boards (OFBs)...

...Who is responsible for this? Are we waiting for another war to erupt which will decide where we stand, what we are required to do/what we must do?

I am sure that Planning Commission is well aware of all this and can start and take the case of our defence sector on priority and send expert teams to various

DPSUs/PSUs/OFBs to look into their working systems etc., which will clearly tell where we stand and also will be an eye opener to all what's happening there and also start taking the help and participation of the enterprising Indian private sector as we all must first value our country's safety and security first and not wait/to be overruled by our politicians for their approvals/ decisions for this sector (which will never come/be delayed intentionally) which is of utmost national importance.

Vice President, Bharat Forge

Prakash Singh

I agree with whatever Mr. Kaul has said and informed about the defence sector. Government of India should take the expertise and insure that the private sector participate in a big way in the defence sector.

Retired IPS, Padma Shri (1991)

Devinder Chopra

With massive coal mines, all over India, we have started importing coal! Was that with the planned professional approaches, applied at our Central Ministry? ...

...I maintain that the problem and the trouble has been at the Centre. The States, even the best led ones, who ought to have inspired the Centre, have not been banded together to do justice by India and Indians....

Former Secretary, Government of India

- **Implementation**

S L Rao

...A body without constitutional validity tried to decide directions and content for the economy in every state. Every plan failed in achieving targets. The Planning Commission served to give employment to economists, statisticians and bureaucrats awaiting suitable postings.

We do not need it. The Prime Minister should through his Ministers develop the policies for development of people and the economy but leave it to each state to decide what they need to do. It is offensive to see Chief Ministers trooping to be allocated funds by unelected Members without any statutory backing. Central planning is unsuited for this large and diverse country. Implementation of Plans has always been a problem. What planning has done is to build a large and powerful bureaucracy, poor development, and widespread corruption.

Distinguished Fellow Emeritus, TERI and former Chairman, CERC

Pradeep S Mehta

Kris Dev makes a very important contribution, for the Planning Commission to activate a bottom up approach starting from the villages and his other views also match with what we have outlined in our Policy Options Note. This idea was floated by the late

Jawaharlal Nehru as head of an AICC Committee on economic policy for India even before we got our independence but was lost in the maze somewhere.

In his address to the Planning Commission on 30th April, 2014 the Prime Minister, Dr Manmohan Singh, too has called for revamping the body to mould itself to the changing requirements of the economy and a globalised world.

Arun Maira has already written three articles in the Mint on this matter (Page no. []) and also contributed to this forum, and surely others would also do some thinking. We do not need out of box thinking, but to do so as if there is no box.

Some readers have also pointed out the spill over effects of poor planning, like the tragedy of the defence sector. But this tragedy is also due to a poorly performing Minister, so what the Planning Commission could do. Even if it had made excellent suggestions, have they been followed?

One area that I am personally familiar with is that of The National Manufacturing Plan which was prepared by the Planning Commission in its role as Government Think Tank, but the DIPP (which has drafted the National Manufacturing Policy) has not appreciated the same. The Plan is not reflected on their (or the NMCC's) website also. This is another malady that of turf issues, which the new government must address, so that we can have a whole-of-government approach to finding solutions to our administration and lacklustre growth. Regarding tertiary issues, these are essential to understand the calculus, but let us try and focus on the structural issues of the plan body and see what should be done. Why should only Planning Commission members suggest ways? Hopefully, once these inputs are in, the Planning Commission will do a synthesis paper and put it out for wider public scrutiny and debate.

Secretary General, CUTS International

Ashok Nag

Prof Edward. S. Mason has made the following remarks "The author, while recognising the importance of implementation, puts these problems to one side in order to focus attention on planning decisions. But the dividing line between planning and implementation is not so clear-cut. In the process of carrying out decisions, the ministries become the repositories of the information essential to the making of further planning decisions. The ministries become increasingly the planners within the areas of their responsibilities, looking only to the Ministry of Finance for financial authorisation and allocations of foreign exchange. The Planning Commission comes increasingly to play the role of mediator and compromiser among claimant states and ministries, attempting mainly to ensure consistency among these competing claims."

This prescient comment really sums up what the Planning Commission is about. The question is why such negotiations cannot be done within the Parliamentary mechanism itself.

Manas Chaudhuri

If we assess the role, function and contribution of Planning Commission in the run up to the economic and overall policy developments of India since the inception of this organisation around mid-fifties, we may not have much to say except some well written reports and documents. The reports and documents have all along been very well written since almost all contributors of these documents were and are outstanding scholars of national and international repute. Then what? Are we able to implement these well written and well researched documents in real life scenarios? I am afraid the situation is far from reality. Sometimes questions are being raised within important Central Ministries about the utility and need for continuance of this Organisation though it is very unfortunate that because of absence of proper mechanism of implementation the organisation is blamed.

A time has come to introspect and find a method as to how the reports are required to be researched and written so that implementation of most of them becomes a reality and obligation than anything else.

Partner, Khaitan & Co

- **Views on the reform of Planning Commission**

CUTS' View

In the Policy Options Note prepared by CUTS titled 'Rethinking the role of Planning Commission, the following recommendations have been placed⁶:

The Commission, in order to deal with evolving economic governance challenges, must be transformed into an independent expert statutory body with two key roles. First, to advise Central and state governments on critical economic policy issues on the basis of in-depth research, data collection, analysis, identification of alternatives, and evaluation of impact of policy proposals and prevailing policies. Second, to facilitate coordination between different government departments, Central and state governments and different state governments. In order to perform these functions, the Commission could have offices in all the states. These offices must be connected to an online central repository wherein all the data, reports, minutes of meetings, recommendations etc. should be uploaded.

CUTS recommendations also second the opinion that the Commission's association with the Prime Minister's office must be discontinued. Its members and officers must be selected through a transparent rigorous process and its performance must be evaluated against a set of pre-determined identifiable targets (including time-bound advisory process, and evaluating utility of suggestions in real world).

The Commission should be capable of evolving with the needs of the economy, and its actions must be open to public scrutiny. Only if these suggestions are implemented,

⁶ http://www.cuts-ccier.org/pdf/Rethinking_the_Role_of_Planning_Commission_of_India.pdf

plans would be made on the basis of first-rate information with greater participation from states, and states could act as laboratories for democracy, as envisaged by Justice Brandeis.

An expert advisory body in the form of a revamped Commission would be available to assist in efficient implementation of such plans and evaluation of outcomes, thus acting as a dynamic knowledge organisation and effective facilitator of implementation. This will help in achieving true federalism and could also set the stage for decentralisation of powers within the states and lead to better growth.

IEO View

Recently a report prepared by Dr Ajay Chhibber, DG Independent Evaluation Office suggested that 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. This think-tank could be called as Reforms and Solutions Commission and 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.⁷

According to the report, its tasks would primarily involve work as 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; provide ideas for integrated systems reform and identify new and emerging challenges and provide solutions to pre-empt them.

Dr Pronab Sen's view

(Excerpts from the interview published in the Financial Express, June 27, 2014)

"There is first a need to understand the functions of the Planning Commission... then you have to list out the necessary and unnecessary functions...then it needs to be seen if those functions are can be handled by one institution or they need to be divided.... This process needs to be completed to do full justice...

It is a wrong perception that Planning Commission has one framework for all states...infact the ministries has such a mindset...

....The Commission has always performed very well when it has worked in close coordination with PMO... it depends how the PM views the Planning Commission"

Chairman, National Statistical Commission

⁷http://www.livemint.com/Politics/vgpA8EJmggL9zHH8PGSdFM/Scrap-Planning-Commission-says-IEO-report.html?utm_source=copy

Yashwant Sinha

'I think the Planning Commission needs to be reinvented....we should reduce the number of central schemes from 150 at the moment to something like 10 or 12. It should not exceed one dozen and these schemes should relate to the basic needs of the people like *bijili, paani, sadak*, education, health, agriculture, employment and things of that kind. Planning Commission, Government of India should make funds available for it on a 100 percent basis. No contribution needed from the states...Then, you monitor these projects 100 percent. There is now an independent evaluation office. Strengthen the independent evaluation of it, make it an instrument of cooperative federalism.'

Former Finance Minister, Government of India

(Excerpt from an Interview to SKOCH Foundation, circulated in the e-debate by CUTS, Page no.)

Other Views from the debate**Sanjay Bhatt**

In my humble view actually what I perceive as the role of Planning Commission is to think ahead and prepare a plan with a futuristic model and goal in mind. Such plan ought to do a balancing act so that the under developed states get better pie to improve their position and the developed and developing states do get enough allocation not only to sustain but continue to grow at the same rate.

Although I am not an economist but a lawyer and my understanding of the subject may be very crude and basic but from a pragmatic approach the above I think should be the ideal way to go.

Senior Partner, Kesar Dass B & Associates

Alok Sheel

Since the state has everywhere played a major role in developing physical and social infrastructure! and India has a big infrastructure deficit, why cannot the Planning Commission simply be 'Infrastructure Planning Commission'?

Former Secretary, Prime Minister's Economic Advisory Council

Part IV

An Outcome Report of Roundtables & Recommendations

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 (CIPPoIC) 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.

List of Participants

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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.

Part V

Some Relevant Writings of Scholars and Commentators

Indian Financial Sector on the Edge of a Precipice

Yashwant Sinha

I think the Planning Commission needs to be reinvented. I think that there should be a statute of parliament governing the functioning of the Planning Commission. It should not be merely an executive order based body. It should become a statutory body. Planning Commission should give up doing day-today planning for the states. Planning Commission should give up micromanagement. Planning Commission should give up doling funds to the state governments. What the Planning Commission should do – we should have like we had in Pitambar Pant’s time a strong perspective plan division in the Planning Commission which will be acting like a very effective think-tank and look into the future, 20-25 years from now, prepare vision documents for the various sectors of the economy and give direction to the entire economic activity of the country.

Second, we should reduce the number of central schemes from 150 at the moment to something like 10 or 12. It should not exceed one dozen and these schemes should relate to the basic needs of the people like *bijili, paani, sadak*, education, health, agriculture, employment and things of that kind. Planning Commission, government of India should make funds available for it on a 100% basis. No contribution needed from the states. It should be need based. What is the need of Jharkhand, what is the need of Bihar, what is the need of Punjab and you make the allocation of funds accordingly. For the rest you can have the Gadgil-Mukherjee formula.

Then, you monitor these projects 100 . There is now an independent evaluation office. Strengthen the independent evaluation of it, make it an instrument of cooperative federalism. Give representation to the states. The governing body of this independent evaluation office and for all the ministries of the government of India and all the schemes that the government of India finances for the states let this independent evaluation office be the most cruellest evaluator of the functioning and make suggestions with regard to how we can improve. Of course, there will be a plan for the government of India’s line ministries. The Planning Commission should make that and there the Planning Commission will continue to have a role to play.

Excerpts from an interview of Yashwant Sinha, former Finance Minister, Government of India with Sameer Kochhar, which appeared in
<http://www.inclusion.in/index.php/component/content/article/1008>

India's Reluctant Reformer

*Arun Maira**
Mint, March 05, 2014

What is the purpose of a “Planning Commission” for India in the 21st century? In a just-released book, the author, a former cabinet secretary, complains that the incumbent deputy chairman of the Planning Commission has failed to dismantle it! The parliamentary standing committee for finance and planning has called for an evaluation of its utility. The truth is the Planning Commission has reviewed its purpose and functions. It asked a diverse group of 20 eminent Indians, including industry leaders, members of Parliament with experience of governance, and former governors of the Reserve Bank of India and cabinet secretaries, for their views.

The consensus was that 21st century India needs a planning process, but does not need a planning “ministry” which the planning “commission” has morphed into. The experience of other countries and the institutions they have created to guide their long-term development were also examined. The conclusion is that all countries need processes and institutions to guide their long-term development. Jeffery Sachs says in *The Price of Civilization*, “The sad truth about Washington today is that we lack serious institutions charged with carrying out systematic planning for the future...Issues such as energy, climate, water, demographic change, and so forth are either neglected or chopped up into the work of several different parts of the government.” He says the “anti-planning mentality” of the US establishment is aggravated by the short-termism caused by two-year election cycles. India has similar problems: huge systemic challenges such as a weak industrial base, inadequate rate of job creation, insufficient energy and depleting water sources. It also has political processes with very short horizons that seem to be in election mode all the time.

There was a consensus amongst the Indian leaders who were consulted that the country needs a process, like a radar system, which shows the flotilla of inter-dependent agents—state governments, the private sector, the multiple central ministries, and political parties—the forces shaping the country’s future and pathways through them they should follow. Many countries have planning processes to guide their progress, some with and some without a central planning body like India’s. China, Korea, Japan, Germany, Mexico, Malaysia, and South Africa are examples. So India’s persistence with planning is not an anachronism as it is often made out to be. What must change and has not is the way India is conducting planning. China, which initiated central planning at the same time as India (both countries are into their 12th Five-Year Plans), changed its state planning commission into the national development and reforms commission in 1998. South Korea also began central planning at the same time as India. Whereas it has notably evolved its planning process, India’s has been “locked in place”, as Vivek Chibber says in his book, contrasting the histories of the two countries’ planning processes, *Locked in Place: State-Building and Late Industrialization in India*.

India's planning process is locked in place with an outdated model of planning. It is also locked within an inappropriate organisational structure. The principal functions of the prevalent Indian model of planning are fixing targets in five-year blocks, allocating financial resources for ministries and states, and some oversight of implementation. In a rapidly changing environment, planning must become more dynamic. When outcomes have to be produced by the actions of many who are not dependent on centrally allocated funds, as is the case now with a very large private sector and with states raising and investing their own resources, allocations of limited "plan" resources are hardly sufficient to produce the desired national outcomes. Many players have to be motivated and their actions aligned. Noting the changes required in the Planning Commission, the prime minister charged it in 2010 to become a "system reforms commission", rather than an allocator of funds. And to become "an essay in persuasion" to motivate actions by many over whom it has no authority and to whom it gives no resources, rather than a writer of bulky plan documents and a reviewer of others' proposals.

The Planning Commission's internal systems are run on the lines of a government ministry. It has a secretary like all other ministries. The secretary reports to the deputy chairman who is a "minister" with independent charge. All officers in the planning "ministry" report to the secretary. Members of the Planning Commission are ranked as "ministers of state" for protocol purposes, and like ministers of state in other ministries they have no say in the appointments, transfers, evaluations, and quality of the staff in the divisions they are notionally responsible for. Thus the organisation is run like a "ministry" albeit with a "commission" of a few full-time members attached to it. These members are expected to deliver high-quality guidance on the subjects assigned to them and to change the ways in which the Commission engages with the country and plans for its progress. They do not have the resources to do this.

**Former Member, Planning Commission of India*

<http://www.livemint.com/Opinion/NNe9LZXm8Vib9swAjdW4KJ/Arun-Maira--Indias-reluctant-reformers.html>

Catalytic Change to Planning

*Arun Maira**
Mint, March 12, 2014

Institutions rise. Some win laurels. Then many rest on them. Till several rust on them. Some institutions stand out and lead others to rise too. While many get dragged into the system and these are no longer system reformers. Some institutions stand out in India today: the Supreme Court, the Election Commission, the Comptroller and Auditor General, and the Competition Commission of India. The country needs many more.

The Planning Commission, according to its critics and according to its chairman, the Prime Minister himself, has been rusting for too long. It has to reform itself and reform systems around it as well. The Planning Commission must become a dynamic knowledge organization and an effective facilitator of implementation. Meanwhile the planning ministry within it will have to continue performing legacy services to the government of allocations and approvals until these processes are re-engineered. A plan has been drawn up to enable the Commission to change its orientation.

A committee chaired by C. Rangarajan has also proposed some changes: remove the distinction between plan and non-plan funds; shift budget management responsibilities to the finance ministry; and lift the Planning Commission's function to overall strategic guidance of the economy. These are in line with the plan made by the Commission internally. Archimedes said: "Give me a place to stand and a lever long enough and I can move the world." The Commission must establish pivot points within itself from which it can leverage resources outside. Four pivot points have been located. The first is that the Planning Commission must be a node within a national knowledge network. The metaphor for managing flows of knowledge today is "cloud computing" not "computer mainframes".

The Commission should not be designed like a mainframe with all resources housed in it. It does not need many experts within itself. Rather, it must access the vast network of knowledge available outside and channel expertise to address the country's needs. For this, it should have a small, dynamic cell within it to stimulate the formation of a network of think tanks and establish learning processes between policymakers and knowledge providers. The second is a unit dedicated to develop and use modern methods of planning and communication. The Commission has begun the use of scenario planning to provide the radar that stakeholders have requested. It has conducted the largest consultation process with citizens ever to prepare the 12th Five-Year Plan and the scenarios that accompany it. Almost 1,000 civil society organizations, scores of business associations, and dozens of think tanks participated in the exercise.

The Commission has begun to map the diverse audiences it must persuade and the channels they can be reached through, including social media where appropriate. The

third is the manner in which the Commission improves the states' performance. Annual meetings to approve the states' plan sizes with admonishments about their poor performance are not very effective. Rather the states want the tools to improve their own performance and knowledge of best practices adopted by other states. The Commission has designed a process to support the states and has begun implementing it too. This process must be strengthened and the orientation of the Commission's state plans division must be changed accordingly. India's progress has slowed down impeded by thousands of bottlenecks, at the centre, in the states, and in the cities. Contention amongst stakeholders stall policies and projects. Confusion results in long delays and wasted resources.

The fourth pivot is a movement the Commission launched a few months ago called the India Backbone Implementation Network (IbIn). It is spreading around processes and tools to convert contention to collaboration and confusion to coordination so that plans can be made and implemented. Other countries, such as Korea, Malaysia, Germany, China and Japan, are using such techniques. These are being brought to India. Indian best practices are also being discovered and deployed. The rollout of IbIn is modelled on the total quality management (TQM) movement which transformed Japanese industries in the 1970s. Techniques by which teams could improve the performance of their system spread around Japan.

TQM was not a government programme. Many partners, from the private sector, academia and government, stirred and spread the movement across Japan. The Planning Commission does not require a large number of experts to make these four critical changes. They are small but pivotal to change the Commission's orientation. However it will be more difficult to change the large planning ministry to which the members of the Commission are attached. The ministry is embedded within the inertia of the larger government machinery: its service rules, transfer systems, and its archaic systems of file movements. The Planning Commission must be a leader in government in applying modern methods of work that enable systemic and faster decisions.

There is no law that says that cross-divisional teams of the Commission cannot have a dialogue face-to-face to produce a national view instead of writing their narrow divisional perspectives in files that meander around. Finally, it is not necessary and hardly feasible to change the people to change nations and institutions. Change the way people work and think, and institutions and nations will change.

**Former Member, Planning Commission of India*

<http://www.livemint.com/Opinion/TmpVfHpzrvqybMTzrz4KI/Arun-Maira--Catalytic-change-to-planning.html>

A 21st Century Planning Commission

*Arun Maira**
Mint, March 30, 2014

How can we leave a better world for our grandchildren?" This rhetorical question is asked frequently in many countries. Consumer-driven societies and electoral democracies tend towards short-term satisfaction. Now many of them around the world are feeling the need for an institutionalized long-term planning process to direct their governance towards ensuring the common good of all citizens and the needs of the future. Noteworthy amongst these is the state of California. Renowned for innovation and liberty, California has been a forerunner in the development of direct democracy with referendums and citizen propositions.

For many decades though California's participatory democracy has tied the state's governance into knots. Its infrastructure is crumbling; water is becoming scarcer; the state's vaunted education system has deteriorated; the state is spending more on its prison system than on education. Political gridlock has brought the state's finances to the brink. A group of the states' citizens, including chief executive officers (CEOs) of its technology firms, world-renowned professors, and former high level federal and state officers, set up a Think Long initiative to find better governance solutions.

Nicolas Berggruen, a leader of the initiative, and Nathan Gardels explain the solutions in their recent book, *Intelligent Governance for the 21st Century: A Middle Way between West and East*. They engaged with many Chinese scholars too to understand the principles of Chinese governance and planning models. They also looked into emerging practices in Europe. They propose a better governance process that combines the electoral systems of multi-party democracies with a process of long-term planning. India must find a way for faster, more inclusive and sustainable growth. This is the goal of its recent Five-Year Plans. Indian democracy, with its rambunctious politics, noisy 24x7 TV channels, and now stirred by social media too, seems unaffected by the ponderous plans of the country's Planning Commission.

India needs a better process to guide its long-term progress. Insights from California's Think Long initiative are worth noting. 1. A system of electing representatives from local districts directly into a national parliament ensures representation. However, since the incentive of the elected members is to continue nursing their local constituencies to get elected again, they are not inclined to take wider, long-term views in national debates. Therefore, another institution is necessary for deliberations about the big picture. This should be a non-partisan institution whose appointments, moreover, are not locked into the electoral cycle. 2. Direct democracy by involving citizens in referendums and votes for propositions seems an attractive bypassing of dysfunctional representative institutions. In fact, as California's experience reveals, the effects of the cure may be worse than the disease. While citizen participation in such direct votes is very large, it is very shallow too. Voters do not understand the systemic implications of the specific propositions before them. Thus, on one hand

they will limit taxes on their properties. And on the other, vote for more schools. “Retail rationality at the ballot box can easily add up to wholesale madness,” say the authors. 3. Electronic polling and social media can expand the reach for citizens’ participation. Perversely, they also reduce the richness of citizens’ understanding of issues.

The participatory power of social networks can tear down authority by mobilizing diasporas of the disaffected, as in the Arab Spring. But they have not been able to create agreements about the path to the future. “You cannot tweet a constitution,” the authors say. 4. Not just shared information, but a shared narrative is essential to provide the patient allegiance required from citizens to allow policies for the long term to show fruition. For this, democratic societies need an institution to shape a process of widely inclusive and well-informed deliberations amongst stakeholders. 5. The Think Long initiative in California was formed by self-selected members.

They engaged with citizen groups and the state’s governor and some changes in policies have already been made. The committee has proposed that a more formal non-partisan body, appointed by elected officials but composed by prominent citizens with expertise and experience, whose term does not coincide with that of the elected government, should watch over California’s long-term interests. In the run-up to the national election next month, many Indian newspapers, citizens’ groups and think tanks have been volunteering their views on what should be the agenda of the next government and the way forward for the country. The Planning Commission, an official institution, could shape a shared narrative for the country. Sadly, neither political parties nor citizens see it that way.

They see the Planning Commission as a fund allocator and target setter, but not as the facilitator of a national dialogue cutting across party lines about the strategy for the country to achieve its goals. Publishing tomes with the country’s Five-Year Plans, exchanging notes on files with central ministries and matter of form meetings with state governments cannot create a shared narrative for the country. Citizens must be engaged to develop a shared narrative in their minds that will endure through election cycles. Then citizens can put pressure on politicians and strengthen their political will to do what is required for the country. The Planning Commission must be reformed to fulfil this 21st century role.

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<http://www.livemint.com/Opinion/hLYFnnq42FeRKqe2hsZDAK/Arun-Maira--A-21st-century-Planning-Commission.html>

Show Your Cards, and Keep The Pot

*Saba Naqvi**
March 31, 2014

How would Narendra Modi actually woo potential allies in a post-election scenario? Presuming that the BJP will be the single largest party and will get an invite to form government, sources close to Modi reveal that his most potent ploy to appeal to regional parties would be to begin the process of financial reorganisation, giving greater fiscal power to the states.

This could potentially be a powerful card as numerous states continually complain about the overreach of the central government. Although it is not one of the aspects of his speeches that gets attention, Modi has consistently spoken of a genuine, greater federalism. A senior BJP leader says that would involve revisiting Centre-state relations and “reshaping the way the Centre does business with the states”.

In other words, scrap the Planning Commission, which anyway is not a constitutionally entitled body but created by an executive order passed in 1950 by India’s first prime minister Jawaharlal Nehru (he was also its first chairman). Columnist Swapan Dasgupta, seen as being close to Modi, says, “Left to himself, Modi is likely to undertake the whittling down of the Planning Commission. What Modi would like to do is put more money in the hands of the Finance Commission (an autonomous body appointed by the government) that sets a criterion for distribution of funds between Centre and states.”

Arvind Panagariya, professor of economics at Columbia University in the US, who is also believed to have influenced the economic thinking of Modi, also declared at a public function last week that the nation should think of doing away with structures like the Planning Commission.

Were Modi to actually be in a position to begin this process, it would certainly appeal to the states. Just about two years ago, SP leader Mulayam Singh Yadav had asked for the sacking of Planning Commission deputy chairman Montek Singh Ahluwalia when the institution came up with new poverty guidelines. According to its website, the commission is mandated with “formulating plans for the most efficient and balanced utilisation of resources and determining priorities”. In other words, it’s the sort of institution that tells the states what to do—no surprises then why so many would be delighted to see it circumscribed. From Mamata in Bengal to Jayalalitha in Tamil Nadu, Naveen Patnaik in Orissa to Nitish Kumar in Bihar, all have in the last few years spoken again central writ in the states. There is a strong argument for greater economic federalism for the states, squeezed as they are by the Centre at the top and local bodies in the state unit.

However, there are two aspects to this that certain Modi advisors have been advocating. First, the BJP is traditionally a votary of a strong Centre and were Modi

suddenly to become the catalyst for devolution of central powers, it would be quite radical. It would also be quite ironical, as Modi has centralised power in his own hands during his reign in Gujarat, cutting all other institutions to size, including wings of the Sangh parivar that have deep roots in the state.

The other significant point is that such a process could only begin were the BJP under Modi to get a 200-plus figure and then manage a minority government. A great deal of imagination and innovation would have to be applied to run a minority government, and greater federal power would certainly be a canny thing to advocate.

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<http://www.outlookindia.com/article/Show-Your-Cards-And-Keep-The-Pot/289881>

Road to True Federalism

Pradeep S. Mehta*
Business Standard, April 02, 2014

"It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory, and try novel social and economic experiments without risk to the rest of the country," said Justice Louis D Brandeis, Associate Justice on the Supreme Court of the US, in 1932. This view forms the basis of the new federalism philosophy in the US that advocated restoration of some of the autonomy and powers to the states , which they lost to the federal government, as a consequence of the New Deal.

A key determinant of the role of the states in a federal polity is their participation in the formulation and implementation of critical economic plans. A central plan body usually indicates a stronger role for the central government and *vice versa*. It is unable to handle the differences among the states in a clear manner.

The experiment of a central plan body formulating long-term plans was pioneered by the erstwhile USSR. China still has a National Development and Reform Commission having broad administrative and planning control over the economy. The General Commission for Strategy and Foresight in France assists the government in determining the direction for economic development. The Federal Planning Bureau in Belgium provides expert assistance to the government and issues studies and projections on economic and other issues. In the US, other than the state-level plan bodies, the Council of Economic Advisers offers the president objective economic advice on the formulation of domestic and international economic policy.

India's plan body, the Planning Commission of India, is located in the central government. It was constituted by a resolution in 1950 with the objective of setting national growth priorities and determining the systematic course of balanced development. It probably suited the times, given the imminent hunger for rapid development of a newly born Union of India with weak states.

The Commission's roles include formulating a plan for most effective and balanced utilisation of the country's resources, in close understanding and consultation with the state governments, and determining devolution of funds to the states. In practice, however, due to a strong Centre, and the governments at the Centre and states being led by the same party for a significant period since independence, states have been relegated to following national priorities and directions and have little say in planning and implementation.

Over time, with the evolution of coalition governments, multiple political parties, and the realisation that the states have different growth capacity and requirements, the demand for a greater role of the states in the Union has grown. However, the Commission continues with its practice of formulating ambitious plans and allocating

funds to the states. The members of the Commission are appointed by the prime minister, and are not answerable to Parliament. Thus, the Commission is increasingly being viewed as a roadblock to true federalism.

This calls for an Australian-style review of governance, wherein the recently constituted Commission of Audit is assessing the current split of roles and responsibilities between and within the federal government, state and territory governments, among other things.

It is not that the Commission has not realised its maladies. It has started taking corrective measures by introducing greater stakeholder participation (by adopting the India Backbone Implementation Network), and identifying critical intervention areas (such as improving business regulatory environment and human asset environment for enhancing manufacturing). However, this is not sufficient, and more needs to be done from within the Commission as well as by the government, on a priority basis.

The Finance Commission has been charged by the Constitution with the responsibility of transfer of resources from the Centre to states. It could do the task of allocating funds to the states on a regular basis as well.

Thus, in order to deal with evolving economic governance challenges, the Commission must be transformed into an independent expert body with two key roles. First, to advise the central and state governments on critical economic policy issues on the basis of in-depth research, data collection, analysis, identification of alternatives, and evaluation of impact of policy proposals. Second, to facilitate co-ordination between different government departments, central and state governments, and different state governments.

In order to facilitate these functions, the Commission could have offices in all the states. These offices must be connected to an online central repository wherein all the data, reports, minutes of meetings, recommendations and so on should be uploaded. The Commission's association with the Prime Minister's Office must be discontinued. Its members must be selected through a transparent process. Its performance must be evaluated against a set of predetermined identifiable targets (including evaluating utility of suggestions in the real world, should they be accepted). The Commission should be capable of evolving with the needs of the economy, and its actions must be open to public scrutiny.

Only if these suggestions are implemented, plans would be made on the basis of first-rate information with greater participation from the states, and they could act as laboratories for democracy, as envisaged by Justice Brandeis.

**Secretary General, CUTS International*

http://www.business-standard.com/article/opinion/pradeep-s-mehta-the-road-to-true-federalism-114040201257_1.html

India needs a Reforms Commission instead of advisory councils

*Arun Shourie**
Economic Times, June 11, 2014

Former telecom and disinvestment minister Arun Shourie believes that India doesn't need multiple advisory councils but a Reforms Commission that sets the agenda for the country.

"Everyone does similar work and whoever is closest to Sonia (in UPA) or Narendra Modi will get heard. The Planning should be replaced by a Reforms Commission that tells us where to move forward and how, instead of just doing the same old fund allocations," he said.

Firmly backing the Rajasthan government's decision to amend outdated labour laws to boost job creation rather than wait for the Centre to change these laws, Shourie said this is the only way forward on subjects in the concurrent list of the Constitution.

"Such changes will solve many of the issues where investments are stuck. Labour laws don't help labour, they are only anti-jobs. The fact that you need the government's permission for retrenchment means it's redundant as no government will grant such an unpopular move," he said. Breaking of status quo, said Shourie, is critical for India to move ahead, and it is important to promote competition among states to attract investments, improve working conditions and create jobs.

States could similarly take the lead in the land acquisition law, which the Centre may find difficult to amend. "Under the new land acquisition law, you can't set up a factory for four years. But if it's on the concurrent list, some progressive states can reduce that time frame through state laws," Shourie said.

There is speculation that the former minister would get a critical role in the Modi administration, but Shourie categorically said that he is neither speaking on behalf of the BJP or the government.

"Trade unions only represent a small part of even the country's organised labour force. Do you want the process of economic growth and development to be mortgaged to a handful of people? This is the real problem in India. People who are in, don't want to let anyone else enter. And those who are out, will try to get in even through a window," he said, referring to trade unions' opposition to labour law reforms.

Shourie recalled instances from the previous NDA government when existing players opposed changes in the telecom licensing regime or even Air India's disinvestment. "The people who opposed Air India's disinvestment are the same ones who are now opposing the entry of new carriers like Air Asia," he said.

Commenting on the remarkable 'change of discourse from caste to development' in India's politics, Shourie said this had happened because of state chief ministers, 'whether it was Narendra Modi in Gujarat or Shivraj Singh Chouhan in Madhya Pradesh or later even Akhilesh Yadav in Uttar Pradesh.'

"By contrast, we used to have Lalu Prasad tell people in Bihar that they don't need roads as they have no cars to drive," Shourie said. Calling for a paradigm shift in the Centre-state relations, Shourie suggested that the fund allocation formulas of the Finance Commission and Planning Commission be changed in order to reward states that take progressive steps.

"There are 7 lakh headmasters in India with no leadership skills... if you make imparting skills to them a norm, for instance, and tailor allocations on the basis of adoption of better policies and practices by states to improve things like primary healthcare and the public distribution system, that would go a long way. That doesn't mean that poor states have to be left behind," he stressed.

** Former Union Minister for Disinvestment*

http://articles.economictimes.indiatimes.com/2014-06-11/news/50508643_1_air-india-arun-shourie-land-acquisition-law

Scrap Planning Commission

IEO Report, June 23, 2014

A report prepared by the Independent Evaluation Office (IEO), headed by Ajay Chhibber, has recommended that the Planning Commission be scrapped and replaced with the Reform and Solutions Commission, adding to the debate about the role of the plan body in a changing India. The Commission was created by Jawaharlal Nehru, the nation's first prime minister, and has its roots in Nehruvian socialism that saw a largely planned economy.

The new National Democratic Alliance (NDA) government is believed to be in favour of either scrapping or recasting the Planning Commission. After Montek Singh Ahluwalia resigned from the post of deputy chairman, the Narendra Modi government is yet to look for a replacement. Advocating a "bold and radical step", the IEO has submitted a report to the Prime Minister's Office saying that the current functions of the Planning Commission be taken over by other bodies "which are better designed to perform those functions".

The report stated that 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. The task of long-term economic thinking and coordination, the report said, can be performed by a new body established to act solely as a think tank within the government.

"This institution should be staffed with experts with domain knowledge and kept free from a ministerial administrative structure. It is also recommended that it should have full-time representation of major trade and industry organizations, civil society representatives, academics etc. so as to capture their concerns and benefit from their expertise in formulating long term strategy," it added.

The new Reform and Solutions Commission will perform three main functions: 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; provide ideas for integrated systems reform; and identify new and emerging challenges and provide solutions to preempt them. The report says that while the Finance Commission be made a permanent body responsible for the allocation of centrally collected revenue to the states working with the help of a panel of advisors, the finance ministry should be tasked with the division of funds among the various central ministries.

"To facilitate this task, a new Department of Planning can be created within the finance ministry. This department would work in consultation with the other departments of the finance ministry to allocate resources to meet the capital expenses of the other ministries of the central government," it added. The IEO in its

report said the Planning Commission 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,” it added. N.C. Saxena, a former member of the Planning Commission, said he was in favour of abolishing the Commission but did not see the need to replace it with a solutions commission.

“Most of the functions now performed by the Planning Commission like deciding the size of the state Plan are mere rituals,” Saxena said. “Other functions of the Commission like coordinating and evaluating programmes and schemes can be carried forward by the ministry of planning.”

<http://www.livemint.com/Politics/vqpA8EJmqgL9zHH8PGSdFM/Scrap-Planning-Commission-says-IEO-report.html>

Planning Commission should be the PM's sole economic advisory body

*Pronab Sen**
Financial Express, June 27, 2014

The chairman of the National Statistical Commission, Pronab Sen, who has been associated with the planning process for over two decades, says the Prime Minister should work more closely with the Planning Commission. Sen explains to Santosh Tiwari why the idea of scrapping the Planning Commission should not be pursued.

There has been a debate over the role of Planning Commission; some have even talked of scrapping it. Will this be a good idea?

Before any such talks, there is a need to first understand what are the functions such an institution performs. Then you have to list out which functions are necessary and which are unnecessary. After that, you need to decide can those necessary functions be handled by one institution or should be divided among different institutions. Unless you have completed this full process, you will not be able to do full justice.

Which, then, are the necessary functions of the Planning Commission?

The first, of course, is the Plan itself. Is it that the country does not need planning? It is a vision for the future, for development in the next five years, based on an integrated view. Then, there is a responsibility of delivering various components of the Plan on several players—finance ministry, ministries handling specific components and the state governments. How much of the responsibility lies with whom needs to be decided. And then the allocation of resources between the states and the Centre, and among different ministries of the central government. This is the function that will always be there. The Centre-state part, perhaps, can be given to the Finance Commission. Above all, somebody has to take an independent view on how much money needs to be allocated to a particular scheme. Different ministries here have competing demands. Whether a particular scheme fits into the objectives of the Plan also needs to be looked at.

Does the Planning Commission play an independent role?

Let me be clear here. The Planning Commission is a part of the government. It was, essentially as envisaged, an extension of the Prime Minister's Office (PMO). The appraisal part has to be done by an independent body like Planning Commission, not having the implementation responsibility. Evaluation is then the next function. It was being done by the Planning Commission, it has now been hived off to the Independent Evaluation Office. Another significant function of the Commission is that of an advisory body to the PM. Earlier, the Planning Commission was the only advisory body to the PM, then bodies like Economic Advisory Council and National Advisory Council were invented. Now, if the PM needs an advisory body, then the Planning Commission

can play that role with great advantage of having an institutional back-up, its secretariat. The Planning Commission is also a buffer between the PM and different ministries and also between the PM and the states. So, the PM becomes an appellate authority helped by the Planning Commission in taking a decision whenever there is a dispute. The Planning Commission also provides checks and balances on the finance ministry in the absence of which the ministry would be unilaterally deciding on the allocations. In the absence of the Planning Commission, it will be very difficult to have different point of views on a subject in the system. Apparently, if one agency has to perform these roles, it is the Planning Commission.

From another perspective, the states now need to be given freedom in deciding where they want to spend the money that they are getting and that they can do this talking directly to the ministries or, say, the PMO. Isn't it?

This is a wrong perception that the Planning Commission has one framework for all the states. In fact, the ministries have such a mindset and the Planning Commission in its communication to the ministries has been pushing for allowing the states more freedom in designing their own schemes. The Commission has insisted that you must have an objective method of allocating funds. Like, for education, it is the extent of deprivation of education in a state that should drive the allocation of funds. All this straight-jacketing emanates from the ministries. It doesn't come from the Planning Commission.

So, states directly dealing with the ministries or the PMO is a bad idea?

This is why the states come to the Planning Commission. All the states complain about shortage of funds but that is a resource availability issue. They also complain about too little untied funds. These are bargain issues and the Planning Commission is the place where these bargains happen.

You mean the moment the Planning Commission goes, this bargaining platform goes...

And the states will be the losers as the central ministries will then decide on the allocations. The straight-jacketing of fund allocation has been fought by the Planning Commission for quite some time but ultimately ministers are part of the Cabinet and powerful ministers win in the Cabinet. But the discussion on the flexibility required by the states continues because of the Planning Commission. When schemes are multidimensional, you need to weigh various aspects of the scheme and that is what the Planning Commission does. Ministries by their very nature tend to be unidimensional.

What will happen if the Planning Commission is scrapped?

The allocation role will be handled completely by the finance ministry. The design of programmes will be pulled by each ministry. The moment the finance ministry

allocates funds for a scheme to the administrative ministry, it will unilaterally decide how the fund will be spent. It will be more of a budgetary function on the one side and linear decision-making on the other side.

And the balancing role will then be performed by the PMO...

Then it is the Planning Commission which has to do this. The Commission is a part of the PMO and it has performed its job very well when it has worked in close coordination with the PMO. Jawaharlal Nehru used to come to the Planning Commission every week and spend one day. Then it broke apart during the Rajiv Gandhi period. It came back during the Vajpayee period and then Montek Singh Ahluwalia's proximity with the PM ensured there was close coordination. It depends on how the PM views the Planning Commission.

So, the better idea would be to keep Planning Commission as close to the PM as possible...

The right manner would be to do the way Jawaharlal Nehru did it. Which is to say that I am not going to have a council of economic advisers. I am going to have the Planning Commission only, rather than having multiple bodies. Which is my council of advisers, it has sectoral experts also so it is more than an economic adviser.

In that case, the PM would be in a better position to handle states' demand for more freedom. Isn't it?

You have to recognise the functions of the Commission and organise it to perform its role effectively. It has to function in a collegiate manner with members from different segments and to my mind the deputy chairman should be a politician. A politician will be adept at reconciliation. And the secretariat has to help him perform that function.

** Chairman, National Statistical Commission*

<http://www.financialexpress.com/news/record-cape-planning-commission-should-be-the-pm-s-sole-economic-advisory-body-pronab-sen/1264558>

Why the Planning Commission cannot be wished away?

*Arun Maira**
Livemint, June 29, 2014

It is fashionable to say that India's planning experience that began in 1952 and continues to this day, is a costly mistake. (For one recent example, see the editorial in this newspaper, "An idea whose time has come", 25 June).

The thought that planning is passé should be consumed with an abundant dose of caution. The former prime minister and chairman of the Planning Commission, Manmohan Singh, ended his last meeting with the Commission on 30 April with four questions:

- Are we using tools and approaches which were designed for a different era?
- Have we added on new functions and layers without any restructuring of the more traditional activities in the Commission?
- What additional roles should the Planning Commission play and what capacities does it need to ensure that it continues to be relevant to the growth process?
- Governance issues being integral to economic growth, are these areas for the Planning Commission to delve into?

He had asked similar questions about the relevance of the Planning Commission in 2009. A study was carried out then and its findings were discussed with him in 2010. The conclusion was that reform of the Planning Commission was long overdue. Mint's harsh conclusion about the utility of the planning as being done is not wrong. What roles the Planning Commission should perform and how it should perform them were also presented to the prime minister in 2010. He directed that the Commission should henceforth be a "systems reform commission" and not a budget-making body. He also urged the Commission to change its methods of communication, shifting from lengthy plan documents that hardly anyone reads, to more persuasive forms of communication that stakeholders can understand.

The Independent Evaluation Office's recommendation that the Commission should be converted into a Reforms and Solutions Commission (RSC) is consistent with this. Mint disagrees with this recommendation. Its criticism is incorrect. Firstly, it is not necessary that the knowledge required for solutions should be within this central body. Modern knowledge and solutions systems are constructed as networks tapping into the knowledge of many organizations around the world.

The members of RSC, which must be a small node in the network, must have the orientation and the skills to listen to the needs of the country and its citizens, and to tap into the best knowledge anywhere for solutions. Secondly, placing experts within ministries, as Mint suggests, cannot be the solution. The major challenges the country is facing cannot be resolved by experts within the silos of their own ministries and

their own disciplines. Systemic solutions are required that cut across the boundaries of ministries and disciplines.

Therefore a capability is required at the centre (in the RSC) to lift these sectoral experts up into a helicopter together, to take a wider system perspective. From this perspective, more systemic solutions will be found, and better collaboration can be engendered between experts, ministries, and states. Thirdly, the paradigm of “planning” must undergo a change with a dawning “Second Enlightenment” coming into scientific thought.

The First Enlightenment, born in 17th century Europe, led to a paradigm of specialization with expertise in increasingly narrow fields. This has led to great advances in knowledge no doubt. But an unintended consequence of it is an increasing incapacity to understand and resolve inter-disciplinary issues. Systems thinking and collaborative implementation methodologies are emerging as effective approaches to address such issues. The RSC will have to be equipped with people with these new systems thinking approaches and collaboration skills to enable the country to accelerate economic growth that is integrated with environmental sustainability and social cohesion too.

Other countries have also found a need for systems reform commissions with longer-term orientations. China changed its Planning Commission, which was founded in 1952 around the same time as India’s Planning Commission, into the National Development and Reform Commission in 1998. Many will be sceptical of an example of China, though it is reforming its planning apparatus faster than India, saying that it originally adopted the idea of planning from the Soviet Union, like India did.

They dismiss the very idea of a central planning process in an open market democracy. They would be surprised to know that California, with its grass-roots democracy and vibrant entrepreneurs—the anti-thesis of the Soviet Union—is developing a form of “planning commission” under its “Think Long” initiative. California finds it necessary to install a form of planning commission to balance the short-termism and populism inherent in electoral democracies. California’s infrastructure, its public services, its environment, and its public finances are suffering due to this short-termism and populism. Not surprisingly, democratic India has problems in the same areas: infrastructure, public services, the environment, and public finances.

A proposition to replace India’s large, bureaucratic planning ministry which passes budgets and writes long plan documents, with a nimble, systems reforms and solutions commission, must be taken seriously. The need for it was confirmed in 2010, and the modern processes it should use were delineated by 2013 after studying what other countries have learned too. Some of these, such as scenario planning and the concept of an India Backbone Implementation Network to improve cooperation amongst stakeholders, have already been introduced. It is high time to move beyond questioning the need for a Planning Commission, which we keep coming back to, and

to implement new forms of planning. ArunMaira is a former member of the Planning Commission.

**Former Member, Planning Commission*

<http://www.livemint.com/Opinion/93hClq6vtBxqMEwqhym8SO/Arun-Maira--Why-the-Planning-Commission-cannot-be-wished-aw.html>

Case for Planning Commission 2.0

*Dilip M. Nachane**
Livemint, July 01, 2014

Ever since India set out on the path of market-oriented reforms, there has been a growing feeling among advocates of liberalization that the Planning Commission has become an anachronistic and completely incongruous with the emerging market philosophy. As expected, over time the calls for scrapping the Planning Commission have become ever more strident. There are indications that the Planning Commission may be completely revamped and its mandate vastly emasculated.

However, before embarking on this ultimate step, it is necessary to deliberate very carefully on the precise role of the Planning Commission in Indian policymaking. It is of course true that the inception of the Planning Commission in the early 1950s was largely inspired by the Soviet central planning experiment. Even in the heydays of the planning era (1950-1975), the Indian Planning Commission could hardly claim the overarching influence on policymaking that its counterpart—the Gosplan—commanded in the USSR. In contrast to the Gosplan approach of striving for “material balance” at the most detailed micro-level, the Indian Planning Commission confined itself to a broad macro-balance sheet of sources and uses of physical capital and intermediate goods.

There was also a most rudimentary exercise to match the demand and supply of financial capital. Broadly speaking over the four decades 1950-90, the Planning Commission engaged in the following four main functions : (i) Ensuring the maintenance of inter-sectoral balance (via the use of input-output tables—a watered down version of the Soviet material balance tables) in the process of growth (ii) Drawing out a road map for the long-term vision of the economy (perspective planning) (iii) Overseeing the inter-state disbursement of public investment with a view to reconciling conflicting demands arising naturally in a federation. (iv) Acting as a think-tank on leading economic issues confronting the country. Things changed dramatically in the 1990s.

The most noteworthy changes were a virtual abandonment of the first two of the above functions. Inter-sectoral balances, in the new philosophy of globalization, were perceived as non-binding constraints as any imbalances could always be restored via imports. This is fallacious reasoning, for imbalances can involve non-tradables such as land, infrastructure or skilled services. Besides, if Indian manufacturing is to participate in global supply chains then special sectors or clusters (involving select commodities) have to be developed, for which an assured broad base of domestic auxiliaries is vital.

The second dimension to be sacrificed was the long-term perspective. The intellectual common denominator for this neglect of long-run issues may be located in the post-liberalization policy mood of an overzealous and universal faith in the dynamic

efficiency of markets in inter-temporal allocation of resources—a faith totally unfounded in economic theory. Further the fact that the Planning Commission's composition was dominated by considerations of political loyalty and sectarianism meant that it lacked the plurality of views and capacity to think independently that a high-level think tank would require.

On the issue of inter-state disbursement of public investments, the Planning Commission has proceeded on a purely ad hoc and opaque basis with no clearly laid down guiding principles. However the fact that the Planning Commission could not mark an effective transition from a mixed economy to a market economy should not be construed as a case for its abolition. In my opinion, the four-fold mandate I have outlined above could still serve as a useful guideline for a revamped Planning Commission, provided some appropriate changes are introduced in line with the changed business environment and policy context.

As mentioned above inter-sectoral balances continue to be as important in a market-dominated economy as in a semi-planned one but the attainment of these balances has to proceed in a totally different manner. Specifically, the attainment of macro growth targets has to be via successive rounds of iterative dialogues with industry, labour representatives and macroeconomists, whereby imbalances and bottlenecks associated with various growth trajectories can be worked out in the manner of the French indicative plans.

Another issue where a reformulated Planning Commission can play a vital role is in devising a long-term perspective on sustainable development, with special emphasis on a national natural resources usage policy and schemata for internalizing various environmental externalities. Finally, it would be worthwhile if a research arm in the Planning Commission could be shaped in the manner of the National Bureau of Economic Research in the US. Such a research division could bring out very detailed and authentic forecasts of important macroeconomic parameters for various forecast horizons, with a view to providing guidelines for public and private investment.

It is of the essence that this research arm should involve a broad pluralistic approach, with affiliating scholars selected on the basis of their expertise rather than their loyalty to the ruling party or on sectarian considerations. Thus even in a market-oriented economy, a body such as the Planning Commission can have a useful role to play. However it would need considerable restructuring and reorientation to function effectively.

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<http://www.livemint.com/Opinion/zmxTOTAcMWqoPeh9bmyECM/Case-for-Planning-Commission-20.html>

The Planning Commission, in practice

*Mihir Shah**
Indian Express, July 04, 2014

As speculation mounts by the day that the Modi government is thinking of winding up the Planning Commission, this is an opportune moment to reflect on the relevance of the institution in the context of a rapidly changing Indian economy and society.

One way of classifying institutions is in terms of the balance between their potential positive power (PPP) and potential negative power (PNP). Potential positive power may be broadly understood to mean the capacity and power to enforce or facilitate positive change that would hasten the achievement of national goals. Potential negative power, on the other hand, refers to the capacity or power to obstruct, delay or derail positive reform, in cases where such reform threatens entrenched vested interests, status quo or business as usual.

The exercise of PNP is often a ruse to foster corrupt practices, but it can also be an exercise of wanton power for its own sake, reflecting a perverse sense of power-induced pleasure.

The two institutions with perhaps the highest quotient of both PPP and PNP in the government of India are the Planning Commission and the ministry of finance. In my five years in the Planning Commission, I saw many instances of PNP and how this became a source of great resentment against the Planning Commission, both among state governments and Central ministries. Of course, at times, the Planning Commission acted with sagacity in checking profligacy of funds and schemes. But there were many cases where in-principle approvals, investment clearances, grants-in-aid and other decisions appeared to smack of bureaucratic red tape more than an application of mind motivated by the broader national interest and effectiveness of functioning. There were also visible vestiges of the old Stalinist command and control, inspector raj mindset.

But it is also true that in these five years I saw innumerable instances of the exercise of positive power. I believe there are at least five broad areas in which the Planning Commission played an extremely positive role: one, pioneering an inclusive planning process; two, facilitating and mainstreaming reform, especially emphasising the principle of subsidiarity, recognising the deep diversity of India; three, co-ordinating across, if not breaking down silos; four, being the spokesperson of the states at the Centre; and five, arbitrating disputes by taking a more long-term and holistic view of issues.

The 12th Plan process saw a completely unprecedented architecture of plan formulation. For the first time in the history of the Planning Commission, the 12

working groups on water, rural development and panchayati raj were chaired by eminent experts from outside government and included the best minds and practitioners from across Central and state governments, academia, research institutions, industry, civil society, and panchayati raj institutions. It was clearly recognised that all wisdom does not reside within government and that the best plans, programmes and policies could be made only with the active involvement of those outside government.

This was not mere tokenism in the name of participation. Final decisions were made by these inclusive working groups. For me, the true indicator of the success of this process was that even though none of the players involved were fully happy with the final outcome, something truly pathbreaking was achieved. This only reflected the spirit of compromise that is a hallmark of good governance, as a hard-fought consensus was thrashed out among the members and the chair and co-chair, who was in each case the seniormost official of the concerned department.

The result was a series of landmark proposals that constitute a paradigm shift in water management in India, including the first-ever National Aquifer Management Programme, a new approach to incentivise de-bureaucratisation of large irrigation projects and irrigation management transfer to increase water use efficiency, a new integrated approach to rural drinking water and sanitation, a proposal to regularly audit the industrial water footprint, a new approach to flood management, a scheme to empower gram panchayats, a radically reformed MGNREGA, etc, each of which drew upon best practices pioneered by the states, who have always led the reform process in our country.

At the request of the chief minister of Punjab, I chaired a high-level expert group on waterlogging in Punjab. The group, consisting of the nation's best experts on the subject, conducted a thorough investigation of the problem in close partnership with the state government and came out with a package of solutions, which was generously supported by the government of India. When the chief minister of Madhya Pradesh went on a fast, raising a series of legitimate grievances of the state with the Centre, the prime minister asked me, as member in-charge of Madhya Pradesh, to work with all concerned Central ministries to hammer out an amicable solution, which was done in record time, to the satisfaction of the aggrieved CM. Similar roles were played by other members in other contexts, which illustrate how the PC can be an effective mediator and problem-solver for states, rather than their tormentor.

My aim in the Planning Commission was to be a support available 24x7 to dynamic officers in the states to showcase their best practices and help mainstream these across the length and breadth of the country. I attempted to do this with the Jyotigram separation of power feeders scheme in Gujarat, the participatory irrigation reforms of Andhra Pradesh, the water regulator of Maharashtra and many others. My hope is that whatever the Modi government decides will only give greater strength

and momentum to this positive role of the Planning Commission, in whatever shape and form.

** Member, Planning Commission (2009-14)*

<http://indianexpress.com/article/opinion/columns/the-planning-commission-in-practice/>

From Yojna Aayog to Vikas Aayog

Pradeep S. Mehta and Amol Kulkarni**
The Hindu Business Line, July 04, 2014*

The new government means business and many of our institutions will be restructured. Empowered states would mean that the Planning Commission in its present form will undergo an overhaul to enable every state to grow without depending upon the mercy of the Central government. However, shutting down the Plan body will be a case of throwing out the baby with the bathwater.

Just before the end of Congress rule, the Planning Commission underwent some soul searching but it was a perfunctory exercise. Five years ago when ArunMaira was appointed, he was asked to prepare a blueprint to turn the Plan body into a systems reform commission. His efforts did not succeed because of inertia and status quoism.

While reviewing the performance of the Commission, two fundamental issues strike upfront. First, is it efficiently carrying out its assigned roles? And second, are the roles attuned to the political and economic realities of the country? The answer is 'no' on both counts.

Far from cerebral

In its formative years, Planning Commission advisers were domain experts chosen through a stringent selection process. Now, bureaucratisation has become the norm. It has become a ministry without accountability to Parliament. The deputy chairman is a 'minister' with independent charge, with a secretary. Members are ranked as 'ministers of state' for protocol purposes and have no say in the personnel management of their divisions. It's only when good, qualified advisers and staff are appointed that the Commission's efficiency can improve.

Since it is run like a government department, the Commission's members, staff and officers remain unaccountable and are not subject to performance evaluation and review. There is no attempt to adapt to changing realities. So, while the market structures and processes have marched ahead, the Commission remains stuck in the Central planning and state control warp.

Late realisation

The Modi Government has realised that there is an urgent need for the Commission to reform itself into a high quality, action oriented organisation. This will not be possible without integration of several vital institutions within the Commission.

Rigorous selection and evaluation processes must be put in place. Independent professionals should be allowed to compete with civil servants for appointments, and retired civil servants must be declared ineligible. A cadre of permanent staff and Members with deep understanding of specific areas must be developed to ensure high quality outputs.

The performance of Commission must be evaluated against a set of pre-determined identifiable targets. This would help in improving the efficiency of the Commission. The Commission should be capable of evolving with the needs of the economy, and its actions must be open to public scrutiny. The Commission should shift its focus from simple top-down planning to perspective planning based on a bottom-up approach. It should transform into an independent expert body working closely with central and state governments to analyse, evaluate and implement policies in relation to critical economic issues.

It also needs to function as a repository of knowledge across various areas of governance and critically the States.

To do all this, it needs to become a smaller tech-enabled Reforms and Development Commission with regional centres in our states. Through this network-based structure it could also facilitate cross fertilisation of both good and bad practices from one to the other state.

Only when Yojana Aayog is transformed into Sudhaar and Vikas Aayog can its place in the prevailing political-economic scenario be justified.

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<http://www.thehindubusinessline.com/opinion/from-yojana-aayog-to-vikas-aayog/article6177808.ece>

A post-Plan era

*Narayan Ramachandran**
Livemint, July 13, 2014

India's first plan was not made by the Planning Commission. The Bombay Plan of 1944, which became the inspiration for independent India's first Five-Year Plan in 1951, was the brainchild of several businessmen led by J.R.D. Tata, G.D. Birla and John Mathai.

Purshottamdas Thakurdas, then head of the East India Cotton Association, edited the second volume a year later. The main objectives of the plan, outlined for a period of 15 years, were to double the output of the agricultural sector and quintuple those of the industrial sector with an investment of Rs 10,000 crore (\$18 billion at the time).

The Bombay Plan proposed a significant role for the yet to be formed government in deficit financing, protecting domestic industries from competition, setting up of public sector industrial units and in ensuring a fair distribution of income. Many experts believe that the Plan suggested a substantial role for government to forestall a full tilt towards socialism and nationalization of private property. Be that as it may, the Plan served as the broad, if unacknowledged, template for nearly three Five-Year-Plans thereafter.

The architecture of institutions involved in economic planning, centre-state financial relations, and resource mobilization and usage was created in the early 1950s. The Planning Commission was the first out of the gate, conceived as an agency of government. The Finance Commission came a year later, established under Article 280 of the Constitution.

The National Development Council (NDC) was created in 1952 as a mechanism to mobilize resources in support of the five-year plans and to ensure the fair and balanced development of the country. The Planning Commission and Finance Commission are technocratic bodies, and the NDC, a political one. The NDC is made up of the entire Union cabinet, chief ministers of all states, heads of Union Territories and members of the Planning Commission. Elsewhere in the world, economic planning has had a mixed ride.

The National Development and Reform Commission (NDRC) of China was conceived as a Soviet-style planning agency. It has been through many restructurings and a rise and fall in importance. After having peaked in impact during the Hu Jintao-Wen Jiabao era, the NDRC has lost a step under the current President Xi Jinping. In its heyday, the NDRC was called the "number one ministry" in contrast the Planning Commission has been described by some as the worst ministry in government. In South Korea, former president Park Chung-hee used Five-Year Plans to build the industrial capacity of his country into a formidable force. Korea abandoned economic planning in 1996 after it became a full-fledged market economy.

Should the Planning Commission be reformed or junked? The Planning Commission is charged with creation of Five-Year Plans and implementation of the financial interaction between the Union government and the states. Over the years, the Planning Commission has grown into a large organization which functions as a think-tank on economic matters, coordinates the centre-state financial relationship and acts as the first gateway for access on economic matters with the government. It has also become the employer of choice for officers of the Indian Economic Service (IES) and the India Statistical Service (ISS).

The Planning Commission has tried a few times to reform itself. Manmohan Singh, then deputy chairman, tried first to reform it in the mid-1980s. Another attempt was made by its member secretary, N.C. Saxena in 2000 and more recently, Montek Singh Ahluwalia and ArunMaira gave it a go. To little avail. Maira's investigations with several eminent persons revealed an organization that, far from leading the country in terms of bold ideas to be explored, was mired in a Jurassic past.

India is evolving and maturing as a country and can learn lessons from other developing countries that have transformed themselves and created prosperity for their citizens. One lesson is that resource allocation—particularly capital allocation—is better left to the market. The government should focus on creating an enabling environment and concern itself with fewer and fewer areas of capital allocation in the economy.

The role of think-tanks will be to push the government further into the future in its thinking and to suggest alternative methods of enablement that increase convenience and adoption. It is better to allow many think-tanks to compete rather than stick with one agency that is granted a monopoly on new ideas. In a fast federalizing India, the other function of the Planning Commission—implementation of the Finance Commission's allocation—is better housed in a new secretariat organized under a revitalized NDC. Economic ideation and a more politically credible process for financial devolution should therefore be separated.

While technically this can be achieved by reforming the Planning Commission and breaking it up into two or more parts, practically it would be much better to junk it and start afresh. P.S. "To be, or not to be: that is the question: Whether 'tis nobler in the mind to suffer The slings and arrows of outrageous fortune, Or to take arms against a sea of troubles, And by opposing end them?" said Shakespeare, in Hamlet, Act 3, Scene 1

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<http://www.livemint.com/Opinion/L0eFll5wo7csFwBCQc1GSO/A-postPlan-era.html>

The Long March

*Lola Nayar**
Outlookindia, July 14, 2014

On the surface, everything seems to be normal at Yojana Bhavan, which, as the building that houses the Planning Commission, is a symbol of the old command economy. As a regular wryly remarked, its infamous Rs 35-lakh toilets are certainly being frequently used. As always, government officials reach out to its members for “expert advice” on various issues, from poverty numbers to infrastructure development to social sector spending.

But it’s difficult to hide the air of unease. For most of the 1,100-odd people working with the Planning Commission—including officers and consultants, many on deputation or contract—the ongoing debate on its restructuring is a taboo subject. “There is a great deal of disquiet, despondency,” agrees a senior official reluctantly, refusing to be named.

It’s not surprising, actually, given the uncertainty over the future of the planning body (set up in 1950), as being debated in the media. The fact that no one has been named to take over as deputy chairman and the process of appointing members is yet to begin (even though the new NDA regime had been in power for over a month) has added weight to fears that the commission’s days are numbered. MoS for planning, statistics and programme implementation, Rao Inderjit Singh, seemed as much in the dark as everyone else, telling PTI, “I too heard it through the media. I don’t know whether there is anything of substance in it really.” B.D Viridi, advisor, multi-level planning, is one of the few who’s still upbeat. He feels “there is curiosity, not anxiety, to know what changes are in store...whether it’ll improve delivery”.

A Planning Commission veteran points out that even in ’04 when the UPA came to power, the appointment of Montek S. Ahluwalia as deputy chairman was finalised only on July 4. Another senior official points out that as in ’04, this year too in the run-up to the general budget there is not as much active consultation on gross budgetary support as the main discussions with the states, central ministries and finance ministry had already taken place ahead of the interim budget.

But the media debate goes on. After all, the Planning Commission is seen as an irritant by most state governments and central ministries. Also, during the previous NDA government and the UPA tenure, it’s been at the centre of many a controversy or tussle for power.

Four years after ex-PM Manmohan Singh spoke about the need for revamping the commission, and accepted the recommendations of former member ArunMaira, the debate on improving the ‘monolith’ organisation’s functioning continues. On May 30, Dr Ajay Chhibber, the first director-general of the Independent Evaluation Office, set up to review the outcomes of various central government programmes, submitted his

'suggestions' to PM Narendra Modi. The main suggestion is to replace the Planning Commission with a 'Reform and Solutions Commission' while apportioning its role as an allocator of resources to states to the Finance Commission and the allocation of funds to the central ministries to the finance ministry. "We do need a body for long-time thinking and planning," says Chhibber, a former IMF economist who was tasked with suggesting reforms by Dr Singh.

N.C. Saxena, ex-secretary, Planning Commission, in a paper points out that centrally sponsored schemes (CSS) were originally to be formulated only where an important national objective such as poverty alleviation was to be addressed, or the programme had a regional or inter-state character or was in the nature of a pace-setter. Instead, by the terminal year of the Eleventh Plan (2007-12), there were approximately 300 CSS. While smaller resource-constrained states benefit from this scheme of things, it is politically a bone of contention. Many states like Gujarat want greater flow of funds without being tied down to specific projects.

Critics of the Planning Commission say there is nothing substantial to be said in favour of the body. It has often been accused of bias in funds allocation in favour of states recording higher growth. Dr Vinay Sahasrabudhe, director of the BJP-supported think-tank Public Policy Research Centre, says, "The Planning Commission's been overstepping its role for some time now, with even instances where it has entered into the executing arena. That said, as a student of governance, I feel there is need for a supervisory body as the very implementation of a public scheme involves several bodies."

He cites the example of water management which is dealt with by half a dozen institutions leading to overlap and poor execution. Whether it is the UID or the Institute for Applied Manpower Research, both under the Planning Commission, there have been several shortcomings. Experts feel the Commission needs to evolve into a more credible body with greater accountability to Parliament. Currently, its members and consultants are not answerable to Parliament.

What about the earlier attempts to reform it? Maira is critical that the executive, while accepting his report did little in the way of implementing any suggestions. He however acknowledges that Montek did allow members to seek and accept suggestions from experts outside the commission. "There is need for the Planning Commission to once again become a genuine planning body and not the large planning ministry that it has morphed into. It should become a systems reforms commission. What is lacking so far is the will and skill to get it done," says Maira.

Sindhushree Khullar, secretary, Planning Commission, also shares the view that restructuring is called for to help the institution emerge as a credible think-tank. "We fall between two stools—the government department and the think tank—and fall short of expectations on both counts because we muddle our roles," says Khullar.

The official however shares the views of Chhibber, Maira and other experts that the commission's function as a bridge between the different arms of the government—including the PM, the finance ministry and the Centre and states—cannot be done away with. In some form or the other, the occupants of Yojana Bhavan will still be relevant in the future.

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<http://www.outlookindia.com/article/The-Long-March/291310>

Need to streamline role of Planning Commission

*Rao Inderjit Singh
Economic Times, July 15, 2014*

Planning Minister Rao Inderjit Singh today underlined the need for streamlining the role of the Planning Commission, the country's apex policy making body which is yet to be reconstituted by the new government.

"As far as the role of the Planning Commission is concerned, it needs to be made more streamlined. The states should not take this institution as a hindrance," Singh said in his Facebook post.

Questions are being raised about the role of the Planning Commission as the government has been moving towards market-linked development process since 1991.

The Narendra Modi government is yet to reconstitute the Planning Commission, the term of which is co-terminus with the government. The Prime Minister is the Chairman of the Commission.

In a recent interview, Finance Minister Arun Jaitley had said Modi would make an announcement about the role of the Commission.

On the issue of Rangarajan committee report on poverty, Singh said the recommendations are still being considered by the government.

Rangarajan's report, which was submitted to the Planning Commission earlier this month, dismissed the Tendulkar Committee report on estimating poverty. It had said the number of poor in India was much higher in 2011-12 at 29.5 per cent of the population.

As per the report, persons spending below Rs 47 a day in cities would be considered poor, much above the Rs 33-per-day mark suggested by the Suresh Tendulkar Committee.

As per Rangarajan panel estimates, poverty stood at 38.2 per cent in 2009-10 and fell to 29.5 per cent in 2011-12.

On other issues, Singh said the unique identification number issued by Unique Identification Authority of India (UIDAI) would continue to remain under the Planning commission and the NPR (National Population Register) under the purview of Ministry of Home Affairs.

"Merger of these two records is not going to be an immediate exercise," he posted.

In reply to a question on foreign funding of NGOs, he said it needs to be re-looked at.

"We must ensure that there shouldn't be even an iota of intent to subvert the democracy and territorial integrity of India behind this kind of funding," The Minister said in his post on the social networking site.

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http://articles.economictimes.indiatimes.com/2014-07-15/news/51542342_1_planning-commission-rao-inderjit-singh-rangarajan-panel-estimates

No plan to scrap Planning Commission

*Ragini Verma**
Livemint, July 18, 2014

The Bharatiya Janata Party-led (BJP-led) National Democratic Alliance (NDA) government said on Thursday that it wasn't considering winding up the Planning Commission, the government panel that has drawn up Five-Year Plans since 1951 setting out the nation's economic priorities and allocating resources.

"At present, there is no proposal under consideration of the government for abolishing the Planning Commission," Rao Inderjit Singh, minister of state for planning, statistics and programme implementation, said in a written reply to the Rajya Sabha.

The response comes days after the Independent Evaluation Office (IEO), headed by Ajay Chhibber, recommended in a report that the Planning Commission be scrapped and replaced with a Reform and Solutions Commission.

Since the Narendra Modi-led NDA government came to power, there has been much speculation over the future of the Plan body. Modi, as the chief minister of Gujarat, was a vehement critic of the functions of the Planning Commission.

The NDA government, though in power for over 50 days, is yet to reconstitute the Planning Commission and find a replacement for Montek Singh Ahluwalia, who has resigned from the post of deputy chairman. The Planning Commission is headed by the Prime Minister and its term is co-terminus with that of the government. The earlier members resigned following the ouster of the Manmohan Singh-led United Progressive Alliance government in the April-May general election.

Earlier this week, Inderjit Singh said in a **Facebook** post that there was a need for streamlining the role of the Commission. He had also said that it should not be seen as a hindrance by states.

In a report submitted to the Prime Minister's office on 23 June, the IEO had recommended that the current functions of the Planning Commission be taken over by other bodies "which are better designed to perform those functions".

The report said that since the state governments had 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.

The report also said 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.

B.K. Chaturvedi, a former member of the Planning Commission, said that he felt that while reforms for the Planning Commission could be considered, the body itself was important.

“I feel that the Planning Commission has done an extremely important job for the government. Every country needs an institution to understand the direction in which the economy is moving in an overall perspective.”

“The commission has played an important role in formulating policies and providing documentation for private investment, served as an interface between the Centre and the states, facilitated coordination between various ministries, addressed special needs such as those of the North-East states. Reforms can be considered for the body to align it with the changes in present times but a commission without fund allocation powers and solely advisory powers would be toothless,” he added.

The commission was created by Jawaharlal Nehru, the nation’s first prime minister, and has its roots in Nehruvian socialism that paved the way for a planned economy.

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<http://www.livemint.com/Politics/VdSEdSplziEmhV1DOOKghJ/No-plan-to-scrap-Planning-Commission-NDA-minister.html>

Time to axe Planning Commission

Ashok Jha*

The Hindu Business Line, July 28, 2014

No, but it does need to be reformed. It should work on medium- and long-term plans and focus on implementation

Should the Planning Commission be abolished? There are many in the Union infrastructure ministries such as highways, power, civil aviation and shipping who salivate at the prospect. By some convoluted reasoning in the UPA Government, the Commission became the focal point for infrastructure; it was the body that serviced the Cabinet Committee on Infrastructure, chaired by the Prime Minister.

Many mandarins in these ministries feel the country has paid a heavy price for that decision. Over the past few years, the development of physical infrastructure - roads, ports, power, airports - was hamstrung by a number of factors. This included the constant bickering, nagging and one-upmanship by the Commission, which conducted itself as a super body without any accountability.

The letters written to the Government by the chairman of the National Highways Authority of India in the last couple of years adequately highlight what happens in a scenario of authority, divorced from responsibility and accountability. The alacrity with which the copyright of a document prepared by inputs from many officers and various government departments was claimed by the Commission did not endear it to those who had contributed to the document.

The environment was so soul-destroying that some secretaries to the Government had sought to move out of their ministries as they felt that the blame for lack of performance would be tagged on to them even though the actual problem lay elsewhere.

Policy mavens

But this was not always so. Set up in March 1950 by an executive order, the Commission has had a galaxy of deputy chairmen heading it, not excluding the last incumbent. Names such as DR Gadgil, DT Lakdawala, PN Haksar and C Subramaniam (who was also minister for planning) come to mind. The objectives of the Commission were to “promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community”.

Over the last six decades, it has produced a number of useful documents which have helped in policy formulation. However, it is widely believed that the quality of its output has declined. But to judge its usefulness by aberrations in its functioning may not be fair. To take a considered view, it is worthwhile to examine its *raison d’etre* and determine if those activities are best performed by other agencies.

Some of the more important functions of the Commission are: (i) allocation of resources between the Centre and States, within the Central ministries, between States and between various development programmes in the States; (ii) mediation in inter-ministerial disputes; (iii) appraisal of projects; (iv) evaluation of programmes; and (v) the preparation of a Five-Year Plan.

Is the Commission really supposed to allocate resources? With the Finance Commission, Finance Ministry and the modified Gadgil formula (and, if necessary, fresh guidelines) doing the same job, the Commission need not be burdened with this responsibility.

The annual unseemly wrangle between the Commission and the Finance Ministry about the size of the Plan - which subsumes incorrect notions of developmental and non- developmental expenditure, based on a distinction between Plan and non-Plan - will also be put to rest. Along with this, the ritual of chief ministers of States calling on the deputy chairman to fix the size of their annual plans can be jettisoned.

The Commission was never meant to be a mediator in inter-ministerial disputes. The structures for resolving such disputes exist. The Committee of Secretaries at the official level chaired by the Cabinet Secretary is mandated to do this job. If disagreements still persist, the Cabinet steps in.

The Planner

The appraisal function of the Commission is a significant one as it provides inputs which facilitate investment decisions of the Centre. This activity could be spun off to the Finance Ministry. The programme evaluation set up in the Commission was meant to assess the delivery and impact of programmes objectively and independently. However, for many reasons, it has lost its credibility and utility. This work could be outsourced to bodies that are at arms' length from the Government.

But perhaps the most important function of the Commission is the preparation of a Five-Year Plan. It is argued that many countries do not have such plans, and therefore we too can do without it. That said, given the state of development of the economy, the need for optimum utilisation of resources, linkages between different sectors and their impact, as well as an articulation of the developmental philosophy of the Government, a Plan document which intricately weaves the above factors is required. Without it, the danger of a drift becomes more pronounced.

However, the requirement that state Plans are to be approved by the Commission has been found to be irksome, if not repugnant. There is considerable merit in the view that States cannot be straitjacketed in their resource allocation by a body that may not fully comprehend their needs.

A think tank

So, should the Planning Commission be abolished or reformed? The Independent Evaluation Office has suggested in a recent paper that the Commission be abolished and in its place a Reform and Solutions Commission, which would function as a think tank of the Government, should be established. This Commission would be staffed by experts with domain knowledge.

Given the fact that planning to optimise use of resources is necessary and that correcting the tardy implementation of programmes is critical, perhaps the best way forward would be to convert the Commission into a body that will prepare medium- and long-term plans - five, 10 and 20 years - and will actively monitor implementation. The Commission can be rechristened as the Planning and Implementation Commission and can have two wings. One will be in charge of perspective planning and the other of implementation.

The ministry of statistics and programme implementation can be downsized to become the ministry of statistics. In any case, the basic role of this ministry was to monitor certain programmes and projects. It essentially provides information on projects which have been sanctioned, completed and delayed. It does not have the mandate to look at issues of implementation.

Projects worth more than Rs. 6 lakh crore are stuck due to issues of land acquisition, environment and forest clearance, financing and so on. As a consequence, the economy has slowed down and banks are stressed. Over time, new projects will get added.

In order for the reformed Commission to be effective in resolving hurdles in implementation, it will need to be adequately empowered. This should not be difficult considering the Prime Minister would be the chairman of the body. Instead of meeting once in six months or annually, the reformed body would meet every month where issues of implementation can be discussed, debated and sorted out under the chairmanship of the Prime Minister.

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<http://www.thehindubusinessline.com/opinion/time-to-axe-the-planning-commission/article6254738.ece>

Planning for the Commission

V S Arunachalam & Anshu Bharadwaj**
Business Standard, August 02, 2014*

Ever since the Modi government took office, the future of the Planning Commission has become a subject of intense speculation. The government is yet to appoint a deputy chairman of the Commission, or incorporate members. Media reports suggest several options are under consideration, ranging from abolishing the Commission to converting it into a "systems reforms commission" or a think-tank.

The Planning Commission was set up in 1950 as a ministry of the Government of India, through Article 77(3) of the Constitution. In that sense, it is a department of the government just like the Prime Minister's Office, or PMO. The main functions of the Commission included: formulation of a Plan for effective utilisation of the country's resources; appraisal of progress in the execution of the Plan, and recommendations as to policy adjustments; and the determination of the machinery required for implementation of the Plan. Thus the Commission has a very important and significant mandate. However, over the years, its role has been transformed mainly into giving allocations for states, which has often led to resentment and criticism.

Carving out a new role for the Planning Commission requires understanding of two important aspects of the present political and administrative set-up. First is the strong role of the PMO, which takes most of the important policy decisions. The Cabinet notification of the new government makes it clear that the PMO will decide on important policy issues including major projects. Second, there is a dilution in the Commission's traditional role of allocation of funds to states. This was evident in the Commission's minimal involvement in the Budget preparation process.

So what could be a future role for the Planning Commission? We believe that in the present set-up, the Commission's role should be strengthened even more, over and above its historical role. A strong PMO requires a strong Planning Commission. The allocation of funds to states could be transferred to the finance ministry. However, there are some very important functions which should be retained and further strengthened within the Commission.

The first such function is the formulation of a long-term growth policy, which includes structural reforms to be implemented by the concerned ministries. The formulation of a long-term growth policy is best pursued under the prime minister, to ensure its implementation by the concerned ministries and also by state governments. Therefore, the Commission's main task would be to support the formulation of such a policy and suggest reforms, which can be implemented under the directions of the PMO. Often this may require negotiating reforms with the line ministries from a position of strength. The Commission has a key role to support these reforms with objective and informed analyses.

The second important function is the analysis and assessment of important policy decisions. The present government is considering major decisions, especially in the infrastructure sector, which require large investments. In that sense, the Commission functions as a think-tank for the government. The ministries are often so preoccupied with day-to-day responsibilities that they do not have the time required for detailed analyses on major policy issues. Moreover, such policy analyses often require sophisticated analytical tools and research methods. As a result, the ministries often rely on external consultants or set up task forces to provide inputs. However, the Commission is the appropriate institution to develop in-house expertise and long-term institutional memory for such rigorous policy research and serve the government. For instance, the RAND Corporation in the United States provided such support to the US defence department during the Cold War.

To achieve the objectives mentioned above, we suggest that the Planning Commission be transformed into a Growth and Reforms Commission (GRC), headed by the PM. It should consist of non-political domain experts from various sectors. The Commission's governing council should consist of accomplished members not just from the government, but also industry, academia, and civil society. This will ensure that it is representative of the society at large and in sync with the changing times. In addition, the Commission should be formally linked with leading think-tanks and universities in India and abroad. This will ensure a continuous flow of high-quality and talented researchers to work on important national problems. Given the present government's initiative on regional cooperation, the Commission could also provide a platform for collaboration with neighbouring countries on policy issues which are of interest to the region as a whole.

While the Commission should serve the government with informed studies, its analyses should be objective and the results not be dictated by the compulsions of government mandates. This is very important to ensure the credibility of the institution. Ensuring such independence requires that the GRC is not entirely dependent on government grants and has an entrepreneurial funding model, based on its performance.

We believe that the above will transform the Commission into a vibrant, high- quality and decisive organisation. A new and well-structured GRC will also restore the glory of the Planning Commission, though in a new avatar.

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http://www.business-standard.com/article/opinion/v-s-arunachalam-anshu-bharadwaj-planning-for-the-commission-114080201460_1.html

IEO questioned over its recommendation of scrapping Planning Commission

*Yogima Seth Sharma**

The Economic Times, August 11, 2014

Did the Independent Evaluation Office (IEO) use an unauthorised short-cut when it recommended that the Planning Commission, to which it's actually attached, should be scrapped?

And, did the rumoured scepticism of the new Narendra Modi government about relevance of the Planning Commission have something to do with the first IEO assessment report being released immediately after the new regime took over? Ajay Chibber, who heads the IEO, refutes this, saying the views in the report are based on the views of stakeholders and some Planning Commission members themselves.

The report was submitted to Prime Minister Modi on May 29, three days after he was sworn in. The IEO's evaluation has to be authorised by Development Evaluation Advisory Committee headed by the deputy chairman of the Planning Commission. That wasn't done, according to a reply from the IEO in response to a query from ET under the Right to Information Act.

"This evaluation was carried out internally," IEO said. This is in violation of Cabinet orders of 2010 that mandates DEAC to decide on evaluations that will be taken up by IEO and raised questions about the procedure followed by an institution that has cost the exchequer more than Rs 12 crore in the past year.

Besides, IEO's findings have to be placed before DEAC, which will then seek comments from the concerned ministry as well as the Planning Commission. However, this process wasn't followed by IEO in its assessment either.

The Planning Commission has said evaluating it was not the part of the IEO's mandate. "The above stated report of the IEO is not related to any of the flagship schemes listed above, as assigned to them for evaluation as follow-up action outlined in the President's address to Parliament," the Planning Commission said in its response to a question in the Lok Sabha.

The Cabinet note of 2010, a copy of which is available with ET, said the evaluation agenda of IEO would be decided by the DEAC from time to time. "The Independent Evaluation Office will be guided by DEAC which will act as the apex body for guiding and prioritising the areas of research and methodology to be adopted," it had said.

Since the Modi-led NDA government is yet to reconstitute the commission, the term of which is coterminus with the government, there is no deputy chairman to head the DEAC. In the assessment report, the IEO's view on the Planning Commission was forthright.

"It is clear that the Planning Commission in its current form and function is a hindrance and not a help to India's development. In my experience 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," it had said.

Calling it a "control commission", the IEO had further said that the plan body exceeds the scope of its authority, particularly its influence on the allocation of funds to the state governments and has suggested that its role as an allocator of resources to states should be taken up by the Finance Commission while the allocation of resources among central ministries should be carried out by the finance ministry.

Chibber said he had tried to draw the attention of the Planning Commission to the inadequacies of the prevailing system but had been ignored. "After a few months in office, I realised that the Cabinet's mandate to the IEO needed to be re-worked in the light of huge variation amongst states for any given scheme. Hence, I had re-drafted the Cabinet note and sent it to the then deputy chairman but nothing happened," Chibber said.

Independent Evaluation Office was set up in July 2013 as an office attached to the Planning Commission, in pursuance of a decision of the Cabinet to evaluate a dozen flagship schemes of the government.

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http://articles.economictimes.indiatimes.com/2014-08-11/news/52687302_1_ieo-independent-evaluation-office-planning-commission

New body set to replace Planning Commission

*Sanjeeb Mukherjee**

Business Standard, August 16, 2014

Prime Minister Narendra Modi on Friday said he would scrap the 64-year-old Planning Commission and replace it with a new institution to address India's economic needs and strengthen its federal structure.

Officials said the new body would have eight members - three from industry and the rest comprising former or existing chief ministers and Cabinet ministers. Likely to be called the National Development Reforms Commission, it might be housed in Yojana Bhawan, office of the Planning Commission. An 80-page document on the role of the body had been prepared, officials said. This might also pave the way for shifting the allocation of Plan funds to the finance ministry.

"Sometimes, it becomes necessary to repair a house. It costs a lot of money but it does not give us satisfaction. Then, we feel it is better to make a new house. We will very soon set up a new institution in place of the Planning Commission," Modi said in his Independence Day address at Red Fort.

He said the country needed an institution for creative thinking on optimally using India's young population. "The country has to push the public-private partnership model and strengthen federalism," he added.

The Planning Commission was set up in March 1950 by Jawaharlal Nehru, India's first prime minister, to promote a rapid rise in the standard of living by efficiently exploiting resources, increasing production and offering employment opportunities to all.

Its abolition and replacement with a new body does not require legislative changes, as the Planning Commission was set up by an executive order. The commission's demise follows two decades of India's pro-market reforms, after turning away from a socialist command economy.

N C Saxena, former member-secretary of the commission, said the role Modi saw for the commission was already being performed by it. "The previous Planning Commission had Montek Singh Ahluwalia as deputy chairman; it had representation from industry in Arun Maira, the scientific community in K Kasturirangan and an academic in Abhijit Sen," he pointed out.

There had to be clarity on whether the new body would have the power to allocate Plan funds, Saxena said. "If it retains that power, the suggested change will be old wine in a new bottle," he said, adding if its allocation powers were scrapped, the new body would be just another think tank. "There are think tanks like the one talked about by the prime minister in Bangladesh, Pakistan and Nepal. None of them has worked. The fear is unless the think tank has eligible people, it might become another body of experts."

Ajay Chhibber, director-general of the Independent Evaluation Office attached with the Planning Commission, said, "This signals a major shift in India's economic and planning process." In June, Chhibber's office had recommended scrapping the Planning Commission and replacing it with a think tank.

"The Planning Commission is a hindrance to India's development. It is not easy to reform such a large ossified body and it would be better to replace it with a new institution to assist states with ideas, to provide long-term thinking and to help reforms," Chhibber had said in his assessment report to Modi.

Calling it a control commission, the Independent Evaluation Office said the Plan panel exceeded its authority, particularly in the allocation of funds to state governments. It suggested this role be handed over to the Finance Commission, while the finance ministry could allocate resources among central ministries.

"I am glad the prime minister heeded our advice. The Plan allocation function of the commission should be handed over to the finance ministry, as also those related to Centre-state funds," Chhibber said.

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http://www.business-standard.com/article/economy-policy/new-body-set-to-replace-planning-commission-114081600035_1.html

Planning Decommissioned

*Sanjeeb Mukherjee**

Business Standard, August 16, 2014

With changed financial priorities and new political imperatives, the Planning Commission has become irrelevant over the years

Yojana Bhawan, the headquarters of the Planning Commission, is an imposing six-storeyed structure in the heart of New Delhi, a short drive from South and North Blocks, the seat of ultimate executive power in the country. Yet, the distance between the two has increased in the last few years. The divide culminated on Friday when Prime Minister Narendra Modi announced the Planning Commission would have to wind up to be replaced by a think-tank-like institution.

With it, the curtains have come down on the organisation that, for 64 years, was responsible for the country's planned development. In recent years, far from being the cornerstone of India's economic and social policy, it had come to be seen as an obstacle to fast decision-making. Instead, it had become a hub of stress-free jobs for an army of bureaucrats. Rajiv Gandhi, the former prime minister, had called the Planning Commission "a bunch of jokers". His son and Congress vice-president, Rahul, has said that even a villager has better knowledge than members of the Planning Commission. Former Union minister Arun Shourie called it a "parking lot" for political cronies and unwanted bureaucrats.

It is not that the panel's demise came instantly. In fact, the downfall started in the 1990s when the government clipped the powers the Planning Commission exercised on the states. It tried to remain relevant by exercising its authority through other avenues, but could not ever reach its old glory. Modi has been able to mothball the Planning Commission because it is not a Constitutional body, unlike the Finance Commission. The Planning Commission was created in 1950 through a resolution of the government and was headed by the then prime minister, Jawaharlal Nehru. (The prime minister is the chairman of the Planning Commission.) Gulzarilal Nanda was its first deputy chairman. Nehru felt the need to create an over-arching body to monitor, implement and execute development programmes because most of the newly-created states of the country had little experience in handling such work.

It played a vital role right up to the 1980s. One of its biggest contributions was ushering in the public-sector revolution in the country. "In those days, the Planning Commission played a vital role in deciding even the location of most of the public sector units," says NC Saxena, a former secretary of the Planning Commission. It was from the 9th Five-year Plan (1997-2002) that its role started diminishing. The state governments were granted freedom to devise and execute their own schemes and were not required to seek the permission of Yojana Bhawan for every small matter.

Though the state chief ministers came to Yojana Bhawan at least once a year, these visits were largely to discuss the discretionary funds available with the Planning

Commission deputy chairman. (The deputy chairman enjoys the status of a Cabinet minister, though he takes part in Cabinet meetings only as a special invitee.) The untied funds (not linked to a scheme or programme) in the hands of the Planning Commission too gradually dwindled because they were passed on to the ministries, rendering its work merely ornamental. "In earlier days, almost 90 per cent of untied funds granted to the state governments were routed through the Planning Commission, while just 10 per cent went through the ministries. After the 1990s, this changed and only 5 per cent of the untied funds were routed through the Planning Commission, while the remaining went through the ministries," Saxena says.

Many states, especially those ruled by the Opposition, would complain of step-motherly treatment. Shivraj Singh, the Bharatiya Janata Party chief minister of Madhya Pradesh, had recounted at an event in Bhopal some years ago how he took up farm-sector reform aggressively only after his request for assistance after a drought was snubbed by the Planning Commission. This might have played on Modi's mind when he made the announcement during his Independence Day speech at the Red Fort.

As this role diminished, the Planning Commission re-oriented itself and started exerting greater control over the ministries, which is where differences with the ministries and their heads cropped up. The ministers thought it was unnecessary interference in their work. In the last decade, during the rule of the United Progressive Alliance, the Planning Commission got embroiled in too many controversies like the one over poverty numbers, which had little to do with its primary objective. "The priorities of the government too changed from supporting the public sector to playing a more inclusive role focused on rural development, education, health and so on," a senior official says. But amidst all the changes that the Planning Commission was experiencing, it left a vital process untouched: preparing the Five-year Plans.

Here too, many feel its work was not up to the mark. "The Planning Commission was undergoing some changes, but the pace was far too slow," says Arun Maira, a former member of the Planning Commission and one of the earliest proponents of transforming it. It was only for the 12th Five-year Plan onwards (2012-13 to 2016-17) that the Planning Commission started involving experts in its work. But the idea was stoutly resisted by the people within, who felt this would encroach on their hallowed territories. Most people believe this only weakened the intellectual bandwidth of the Planning Commission. "Two years ago, when we started formulating the 12th Five-year Plan, the targets were set keeping in mind a five-year perspective. But, the reality is the world changed in one year itself, making the entire process redundant," Maira says.

He adds the idea of a five-year plan should be replaced by rolling plans or scenario planning, which he had suggested to the UPA's Prime Minister, Manmohan Singh, in order to convert the Planning Commission into a 'Systems Reforms Commission.' "I am happy that Prime Minister Modi has recognised the need to completely overhaul the

Planning Commission with a new name, new soul, new objective and new outlook," Maira says. According to him, the need for Planning Commission-2 had been felt for long as the current one was not equipped to handle or enforce any change. The change, some officials say, will not just be in the nomenclature - the new body is expected to be called the National Development Reforms Commission - but will be also in its composition, functioning and outlook.

The new body, being modelled on the lines of China's reform commission, is expected to comprise three members from the corporate sector, three sitting or former chief ministers and also some cabinet ministries. The buzz is that former Union minister Suresh Prabhu may head it. "There are think-tanks like the one talked about by Prime Minister Modi in countries like Bangladesh, Pakistan and Nepal, but none of them has worked. The fear is unless eligible people are there in the think tank, it might become just another body of experts like so many others," Saxena says. He argues that the Planning Commission got a bad name solely because of the quality of the people it employed.

"The bureaucrats posted in the Planning Commission thought it as a parking lot, while the members sometimes were those who enjoyed clout with the ruling dispensation. If the same thing happens again under a new nomenclature, I don't think anything will change," he adds.

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http://smartinvestor.business-standard.com/market/Econnews-259953-Econnewsdet-Planning_decommissioned.htm

Doing away with Planning Commission is very dangerous

*Sitaram Yechury**
The Hindu, August 16, 2014

The CPI-M Polit Bureau member Sitaram Yechury has described as “very dangerous” the decision to do away with the Planning Commission announced by Prime Minister Narendra Modi in his Independence Day speech.

“This would mean virtually doing away with social sector planning,” said Mr. Yechury, speaking on the sidelines of a conference of the All India ING Vysya Bank Employees’ Union here on Saturday.

He said the Planning Commission was an important body that monitors people-oriented programmes of the government, such as the Integrated Child Development Scheme (ICDS) and the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA).

“Doing away with it means that whatever little remains of the social security net will be allowed to die a natural death,” Mr. Yechury said.

Mr. Yechury said a broad-based platform was being set up of Left parties to organise themselves to resist communalisation of politics by the Bharatiya Janata Party-led government, in the light of a “new aggressiveness with which the ruling BJP was pushing a communal agenda”.

In the long run, it was felt that a “united voice” of all parties would be better heard than that of individual parties, he said.

The NDA government was able to push its policies without any opposition, given its huge majority in the Parliament, he added.

He said major changes in labour laws were being pushed hurriedly without consultation and without being referred to the standing committee.

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<http://www.thehindu.com/news/national/karnataka/yechury-doing-away-with-planning-commission-is-very-dangerous/article6324352.ece>

Move to scrap Planning Commission raises Constitutional questions

Puja Mehra*

The Hindu, August 17, 2014

Prime Minister Narendra Modi's decision to scrap the Planning Commission has raised administrative and Constitutional questions that the Centre will have to address in the coming days.

The first of these is what happens to the ongoing 12th Five Year Plan? Will this Plan, which was adopted by the National Development Council (NDC) that comprises not only the Centre but also States, including Gujarat, be junked or be allowed to run its course till 2017?

"The 12th Plan is an ideologically-neutral, NDC-approved, growth policy document with inclusion and sustainability as its pillars and technically the Centre cannot on its own decide to junk it," a high-level source said.

Second, since indications are that the role of making plan allocations to States for development spending will be transferred to the Finance Ministry, there are likely to be implications of this for India's federal system.

Will the States, especially those governed by the Opposition parties, readily accept allocations from the Union Finance Ministry is the question, says Y.K. Alagh, who was Planning Minister in the Deve Gowda government, when contacted by *The Hindu*.

The Commission made these annual allocations to them under Article 282 of the Constitution following discussions with each of the States at its Yojana Bhawan office in Delhi every year. "At present, the Finance Ministry does not have the expertise or capacity to decide fresh allocations for States and Ministries at the Centre and more importantly over time it could gain too much power with such a role," said Abjijit Sen, a member of the last Planning Commission.

Though differences between it and the State governments cropped up often at these discussions, there is not a single case of a dispute remaining unresolved. "Despite the differences, there is not a single case of a State government in over 60 years ever having rejected an annual plan approved for it by the Commission," Mr. Alagh said. "That's because the Commission wasn't just of the government of India but of both States and the Centre."

In his Independence Day speech on Friday, Mr. Modi announced plans to replace the Planning Commission with a new institution that will have "a new body, soul, thinking, direction and faith". This new institution would be powered by creative thinking, public-private partnership, optimum utilisation of resources, and the utilisation of youth power, Mr. Modi said, adding that it would empower the federal structure of India.

Sen also pointed out that with no “buffer” of the Commission’s Deputy Chairperson, the Prime Minister will have to directly respond to demands for allocations from his Cabinet colleagues and States. “Demands are normally raised for three times of what can be allocated and so it helps to be able to divert them to the DCH,” he said.

** Delhi-based Journalist*

<http://www.thehindu.com/news/national/move-to-scrap-planning-commission-raises-constitutional-questions/article6324619.ece>

Abolishing Planning Commission will free states from Delhi's grip

Ashok Malik

The Economic Times August 18, 2014

Announcing the abolition of the Planning Commission during his Independence Day address, Prime Minister Narendra Modi explained the context of the decision. A new institution was needed to represent contemporary India, he said, because "state governments... (were) at the centre of development" and "India's federal structure was more important today than in the last 60 years". In fact, the word "federal" was used several times and represented a key motivation.

The stress on the states is crucial to understanding Modi's programme. At the end of five years, if his term is a success, if India has begun to realise the possibilities of a manufacturing revolution, it will very substantially be a product of how far states and state governments have taken forward Modi's mandate. If the states fail, Modi too will falter.

Right Connect

Modi is sensible enough to understand announcements in Delhi won't immediately translate into booming factories in Orissa. Neither will welfare laws written in the sanctuary of Lutyens' zone ensure well-being for a far-flung village in Tripura. Local ownership is absolutely imperative.

Rajiv Gandhi, too, knew the Union government could not do everything. Unfortunately, the mechanism he chose to redress this was unviable. He sought to empower panchayats and give them financial and jurisdictional powers that were beyond their capacities. In promoting the mantra of "PM to DM" (prime minister to district magistrate and/or Delhi to district/panchayat), the Rajiv plan ended up undermining the institution in the middle: the CM (chief minister) or the state government.

Political Weapon

Politically, the attempt to weaken state governments was a Congress response to the rise of regional parties. That only about 10% of Union government funding for state plans allows state governments the luxury of spending it as they deem fit — outside of a framework designed in Delhi — is emblematic of this. In the UPA years, the Planning Commission and the environment ministry became instruments to harass states with non-Congress governments.

The shutting down of the Planning Commission is part of what can be termed Modi's D-E-F mission: restoring the Dignity of state leaderships; Empowering state governments; Facilitating economic development of states. How will this D-E-F be carried forward?

While in Gandhinagar, Modi often pointed out that he found it demeaning that elected chief ministers needed to go to glorified super-bureaucrats in Yojana Bhavan to plead for assistance. What should have been a political process, and a negotiation between the Union and state governments, became the dictation of a bunch of self-important Wise Men (and Women). Some members of the Planning Commission thought it fit to lecture elected chief ministers, merely because they controlled taxpayer money. This was at the root of Modi's opposition to the Planning Commission.

Move now to empowerment. In recent days, a few commentators have sought to distinguish between changes in economic laws and merely making government efficient and cleaner. The second, they have argued, is all Modi has achieved. Harder reform involves amending laws, and that is something he has ducked. In contrast, these commentators have pointed approvingly to Vasundhara Raje, the Rajasthan chief minister who wants to amend labour and land acquisition laws.

Is this assessment fair? For a start, it is simply not true that Modi's Gujarat model did not involve legislative innovation. For example, take the Gujarat Special Investment Region Act of 2009. It is a model law for incubating manufacturing and industrial zones, and has implications for building urban clusters and new cities.

Labour Gains

That apart, any government — even one with a single-party majority in the Lok Sabha — has limited political capital. This needs to be spent judiciously and only when necessary. It is for this reason that Modi, during the election campaign, suggested pushing changes in labour laws to the states. Let states compete to provide better amenities to their residents, better investment opportunities for businesses and, inevitably, more relevant labour laws.

The government in Jaipur has taken Modi at his word. It has introduced changes in labour laws that will be Rajasthan-specific but will require the concurrence of the Union government. On his part, Modi is committed to supporting Vasundhara Raje. If a non-BJP government in another state makes similar changes in labour laws, Modi would be expected to give equal support.

Finally, there is the question of facilitation. The Union government can provide expeditious and transparent financial and environmental clearances for an economic project. It can sign counter-guarantees where needed. Yet, in the final reckoning, the project will have to be carried forward by the individual state government and by a go-getter chief minister.

That was what Modi did in Gujarat as chief minister. As prime minister, he can promise not to be biased against a state, but he cannot spoonfeed it either. A state's

future is for its government to make or mar. That is the essence of Modi's post-Planning Commission federalism.

**Delhi-based Journalist*

http://articles.economictimes.indiatimes.com/2014-08-18/news/52942244_1_prime-minister-narendra-modi-governments-lutyens

Struck off in one Blow

Gopalkrishna Gandhi
The Hindu, August 18, 2014

The 18th century nursery rhyme, its original probably a riddle, is loved for the one image it invokes — a great fall. The picture of a dumpy egg, of a being crashing to his well-deserved and irreparable end provokes mirth among children. It also provides to short-of-ideas parents and teachers the relief of a successful attempt at distraction.

The Union Planning Commission has been toppled off in a progressively untenable balancing act. Reconciling projection with implementation, performance with evaluation, discussion with allocation has taken its toll.

And applause greets its fall.

I regard this as not just unfair and unfortunate but positively dangerous for with all its Humpty Dumptyness, the Planning Commission represents a crucial strand of our post-Independence self-definition. It represents a people whose leaders very consciously integrated India's political goals with its social and economic aspirations and made planned economic progress a tool not just for progress *per se* but for balanced well-being.

Origins of planning

The Bharatiya Janata Party and its ideological family would do well to note that the first almost rudimentary idea of economic planning as part of republican justice in India arose not from the father of Indian planning, Jawaharlal Nehru, and his exceptional colleague in planning, P.C. Mahalanobis, but from another equally kinetic twosome. In a vital blueprint drawn in 1938 when he was Congress President, Netaji Subhas Bose, with the collaboration of the physicist and mathematician, Meghnad Saha, gave us a glimpse of all that planning for the long term, by an independent and transparent apex, could do for an India of the future.

In his presidential address at the Haripura session of the Congress in February 1938, Netaji envisaged “the first task of the Government of Free India” as being the setting up of a “National Planning Commission” in order to address the task of fighting poverty. He created what was, in effect, the nucleus for the future Union Planning Commission in the National Planning Committee under the aegis of the Indian National Congress, with Jawaharlal Nehru as the first Chairman of the Committee.

It is important that this link in our planning chain be remembered for thus reason: If an institution's or a tradition's calibre is best judged by the state of its performance, its purpose is best gleaned by the stature of its provenance.

The intent of the national planning process was, basically, threefold — One, to provide a framework for the orderly development of the economy. Two, to mediate the process of planning and plan funding as between the Union Finance Ministry's

budgetary prerogatives and its various ministries, and as between the Centre and the States. Three, and most importantly, to evaluate the quality of programme implementation and convey its findings to the government.

By making Centre-States interlocution a structured part of national development, the Planning Commission became a keeper of India's federal conscience.

Federating, in India, is not just about bringing constituent geopolitical units together for certain ends. It is about linking, bridging, vestibuling the large with the small, the strong with the weak, the naturally privileged with the inherently underprivileged. It is about levelling a very uneven, potholed terrain.

A mixed record

It only followed that a national planning exercise should enjoy a measure of independence from the attitudinally constraining, politically constricting and systemically inundating ethos of governments. To plan was to think, think independently and think full-time.

All this, those who have signed the Planning Commission's death warrant would do well to know. They would also do well to know that founded in 1951, with our first Prime Minister, Jawaharlal Nehru, as its first Chairman, the Planning Commission led from the front. The first three Plan Documents had a foundational ring to them, ranking in idealism and earnestness with the preamble to the Constitution. The decades of the 1950s and the 1960s were in many senses the Planning Commission's golden age.

It had stalwart Indians from what may be called non-Congress streams of thought-shaping as Deputy Chairmen. V.T. Krishnamachari and Ashok Mehta in the Nehru years, with Mahalanobis and Pitambar Pant providing intellectual sinew and ideological leaven, made it a veritable engine of activity. Pant established a tradition of empirical analysis within government in the matter of planning and policy formulation. In other words, he showed that the Planning Commission is an instrument for critical self-analysis, perhaps the only state body to be so.

The Gadgil formula

But during the 1970s and the 1980s, when the Congress was in office, singularly un-independent Congressmen holding the Planning portfolio in the Union Cabinet were also made Deputy Chairmen. This diminished the autonomy, the vitality and even the credibility of the body and of the process of independent planning itself.

To two Maharashtrian Deputy Chairmen must go the credit of having given to the planning process and, indeed, to India's economic polity itself, much needed bouts of spring-cleaning.

The first was the economist D.R. Gadgil. Made Deputy Chairman by Prime Minister Indira Gandhi, he was veritably a Deputy Prime Minister for Planning. Critiquing the planning methodology that had been followed until then for lack of objectivity and, more, for not being equitable, Gadgil evolved the formula that later bore his name, to make plan transfers to States more balanced. Making population, tax-effort and tax-receipts, per capita income and special problems and needs the basis for plan transfers, Gadgil created the concept of Special Category States like Assam, Jammu and Kashmir and Nagaland which were to be given preference, their needs first being met out of the total pool of Central assistance.

The second was the socialist Madhu Dandavate. Palagummi Sainath has told us in the columns of this newspaper how the “poverty line” has fluctuated and how now “a mere 29.9 per cent of India’s population is below the official poverty line (BPL).” He has narrated the story of how “Kill me, I say,” said Deputy Chairman Madhu Dandavate in 1996, chuckling. “I just doubled poverty in your country today.” Dandavate had just jettisoned a methodology or an exercise used by Yojana Bhavan before he came to head it, that had by a sleight of hand “brought poverty down” to 19 per cent in 1993-94 from 25.5 per cent in 1987-88.

Since the 1970s the Planning Commission has been in a Slough of Despond. The ritual of annual plan discussions over the years turned what should have been a dynamic body of thinkers and chapter-turners into an impersonal ATM.

Reports on performance that did not lead to mid-course correction, floundering at the doors of implementing ministries, “out-sourcing” studies to teams outside the public domain, among other factors, routinised it and robbed it of the defining role Netaji Subhas intended for it and Nehru worked to achieve.

A cliché describes cutting off the head because it aches.

Giving it a Deputy Chairman like D.R. Gadgil and Madhu Dandavate, doing strategic long-term planning for the States and critically evaluating programme implementation would have enabled the Planning Commission to retrieve its intent and fulfil its federal mandate.

Abolitions in free India

Article 17 of the Constitution of India abolished untouchability.

Zamindari was abolished in 1951.

Dowry came to be abolished in 1961.

Privy purses to former Princes were abolished in 1971.

Privileges have been abolished in India, unevenness’s legislated away.

Abolishing the Planning Commission turns the clock’s hands back. It distances the Indian state from India’s federal spirit. It makes self-analysis and self-criticism alien to

government. It makes bridge-building between the weak and the strong, the centre and the peripheries, seem irrelevant.

More, it portrays planning and conceptualising as a luxury. “We are doers, not thinkers,” is the abolition’s subtext.

The Planning Commission needed to be returned to its first purposes, to its transparent and audacious planning for an India progressing without old enervations and new injustices to prosperity. It needed to be returned to its founding documents, its defining mandates. There are steps that could have been taken to make its plan-fund transfers more consultative, less conditional, more participative, less prescriptive. These changes could not have been carried out by UPA-I or -II, mid-course or end-stream. The new government could have done so with reason and credence, on its “first page.”

The Planning Commission needed mending, not ending.
It did not call for capital punishment.

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<http://www.thehindu.com/opinion/lead/planning-commission-struck-off-in-one-blow/article6329382.ece>

Narendra Modi-backed five-member think tank to replace Planning Commission

*Deepshikha Sikarwar and Vinay Pandey
The Economic Times, August 18, 2014*

A small, handpicked, five-member think tank, which will draw its power and prestige from Prime Minister Narendra Modi's clear backing, is likely to replace the Planning Commission.

The new panel will most likely be led in an executive capacity by former union minister Suresh Prabhu, with free market economists Arvind Panagariya and Bibek Debroy as two more likely members. It will be formally chaired by the prime minister and the announcement can come as early as Monday or a day or two after that, officials familiar with discussions said.

An academic with wide science and technology expertise, perhaps from IITs, and a social science expert familiar with wider Sangh Parivar thinking are likely to be two other members of the as-yet-unnamed advisory body.

Economists Debroy and Panagariya have both been involved in advisory capacities with Narendra Modi's core team before the Modi-led BJP won the general election in a landslide in May this year.

Officials who spoke to ET for this report, on the condition they not be identified, said the names of science and social science experts are in the process of being finalised. One senior official said while most thinking on the new panel's formation is over, two questions being addressed now are: first, the name of the think tank and, second, whether to accommodate at least partially a counterview on the size of the panel. This official said a name distinct from China's Development and Reforms Commission is being sought but hasn't been decided as yet.

On the size of the panel, the official said there has been a view that a larger think tank may be able to accommodate representational political issues such as caste and states. However, a smaller, nimbler panel is the more likely option, he added, because it will be distinct from the now-abolished eight-member Planning Commission.

However, the think tank will have the mandate to co-opt experts from other domains, another official said. He also said while terms of reference of the new body haven't been fixed yet, broad guidelines have been decided.

One immediate focus is likely to be the size of government budget, given the Kelkar committee's recommendation that the fiscal deficit-to-GDP ratio be brought down to 3 percent by 2017. The finance minister's deficit target for this fiscal year is 4.1 percent.

Advice on government spending by keeping the Kelkar target in mind and devising economic and social sector strategies within that constraint is likely to be the think tank's first priority, said the official quoted earlier.

Another official said the PM has a very clear role for the new body as "he has always been a Planning Commission sceptic". "Back in early 2013, as the chief minister of Gujarat, Modi had made a presentation to the Planning Commission pointing out its shortcomings and the role it should play," this official said.

The new panel, according to senior officials, will be a strategic advisor, doing big thinking and thinking for the future. Among other priorities will be a blueprint for a manufacturing revival — a theme in the PM's Independence Day speech. Resource allocation to states, as reported by ET earlier, will move to the finance ministry.

As for the existing staff of the Planning Commission, most staffers are on deputation. The commission's core staff strength is less than 100 and can either be absorbed or deployed elsewhere, officials said.

http://articles.economictimes.indiatimes.com/2014-08-18/news/52942069_1_new-panel-prime-minister-narendra-modi-think-tank

Planning Commission overhaul started under UPA govt: Ex-members

*Raj Kumar Ray and Subhash Narayan
The Financial Express, August 19, 2014*

While PM Narendra Modi is set to create a super think tank in place of the Planning Commission, the latter has indeed moved a lot in the direction of being an advisory body in recent years. Senior former Planning Commission officials, including some of its former members FE spoke to, recalled how even the UPA government led by Manmohan Singh was planning a similar role transformation for the body that, some of them conceded, has come to be a “parking lot” for civil servants resistant to change for their sheer survival instincts.

The revamping of the centrally sponsored schemes effectively giving states greater freedom in deciding how the Plan funds allocated to them would be spent was also a step in the direction of cutting the remit of the commission, a vestige of the Nehruvian era and now recognised to have outlived its purpose.

In fact, the writing on the wall over the future role of the commission was clear from UPA finance minister P Chidambaram's interim budget where, of the central assistance for states and union territories, the component of funds that goes straight to state treasuries was trebled to R3.39 lakh crore for 2014-15 from a revised estimate of R1.19 lakh crore in 2013-14. The budget support for the Central Plan (the component routed through ministries via the commission) was slashed to R2.17 lakh crore from 3.56 lakh crore.

Modi's finance minister Arun Jaitley followed the same pattern in his maiden budget on July 10 as he tinkered with the figures a bit —the central aid for state and UTs for FY15 was put at R3.38 lakh crore while the support for the Central Plan was revised to R2.37 lakh crore.

For the record, the commission's role practically includes an involvement in designing India's medium-term economic strategy through the formulation of Plan targets and priorities. But its primary function is to determine the (quantum) of allocation of Plan funds out of the gross budgetary support it receives to states, as opposed to the constitutionally mandated role for the finance commission which evolves the formula for sharing of central tax receipts with states.

Says Arun Maira, who was a member of the commission during UPA rule: “Narendra Modi has caught the bull by the horn. The commission has become old, large and also part of a large system where civil servants get a parking lot. It was the resistance from these (bureaucrats) that prevented an overhaul of the commission for long. Even during my tenure at the commission, then PM Manmohan Singh had looked at forming a new institution to replace the commission. The new body was to act as a nodal agency interacting with other think tanks both within and outside the country,

leveraging the powerhouse of knowledge in order to produce customised solutions for India."

Maira, who is also the former chairman of Boston Consultancy Group's Indian unit, said: "We need a body that understands the problems and gets systems to help in building capacities across states."

Agrees Anwarul Hoda, also a former member: "The commission in its current role already functions more on the lines of a thinktank. The central planning was given up by the commission long ago. In my stint there, I functioned more as an adviser. That is what I was also told to do by former deputy chairman Montek Ahluwalia. But we do not know what would be the structure of the proposed think tank."

The plan panel of late has made some changes in rules that allowed states flexibility in using 10 percent of plan funds as per requirement as compared with the earlier mandate of 5 percent. The panel during the last 10 years of UPA rule had been involved directly or indirectly in advising the government on many other policy issues, ranging from PPP contract modelling and funding of infrastructure to relaxation in rules for forest clearances.

However, some experts are apprehensive in agreeing to the idea of demolishing the existing framework and roles of the panel. Pronab Sen, chairman of National Statistical Commission and former principal adviser of PC, warned: "You don't wind up an institution without giving proper thought. Every institution performs a function and gives direction to address a situation. How much of this is taken up by the new structure will need to be seen."

Sounding a note of caution, BK Chaturvedi, a former cabinet secretary who went to become a member of the plan panel, said: "We should understand that the Planning Commission was not just allocating plan resources but undertaking other important activities that have a bearing on economic policymaking. The question of bifurcating or trifurcating this old institution should not result in loss of key policy directions that the commission gave from time to time."

Mihir Shah, former member, listed five critical functions that need to be incorporated in the new body: Make pioneering efforts towards inclusive planning, evolve policies and give innovative ideas for policy framework at the national level, act as a reformer and facilitator of reforms, act as spokesperson of states for the Centre and break government silos for efficient functioning to take holistic view of issues and arbitrator of disputes. "A vacuum will be created in governance after the panel is wound up and I hope this will be offset by a new empowered body," he added.

<http://www.financialexpress.com/news/planning-commission-overhaul-started-under-upa-govt-exmembers/1280488>

From planning to implementing commission

Santosh Tiwari
The Financial Express, August 19, 2014

Prime Minister Narendra Modi did well by putting a full-stop to all the speculations made about the Planning Commission in his Independence Day speech. Once it is clear that the government is not going to continue with the conventional Planning Commission, the next task would be to ensure that the whole rejigging exercise doesn't become "old wine in a new bottle" by changing the name and bringing in new experts.

Whatever be the form, going forward, the body will have to find ways if it has to go beyond mere symbolism to ensure that the money being spent through various schemes yields optimum results on the ground.

There has been too much focus on devising new schemes and allocating money to them, but implementation has never received the attention it should get.

So, the first and the foremost job of the new Planning Commission (the name is being kept just for the sake of simplicity; soon there will be a new name) will be to analyse, modify and restructure the existing central schemes in consultation with the states.

Though the Prime Minister did not outline the specifics in his speech, he did spell out the broad roadmap how it needs to be done.

It would be apt to quote Modi to bring in clarity: "Planning Commission has contributed to the growth of the country in its own way, but the prevalent situation in the country is different, global scenario has also changed, governments are no longer the centre of economic activities, the scope of such activities has broadened. State governments have been at the centre of development and I consider this a good indication. If we have to take India forward, it can happen only by taking the states forward, to strengthen our federal structure a team of chief ministers and the Prime Minister should be there. (The Planning Commission) is a very old system and it will have to be rejuvenated, it will have to be changed a lot within a short period, we will replace the Planning Commission with a new institution having a new design and structure to lead the country based on creative thinking, public-private partnership, optimum utilisation of resources, utilisation of youth power of the nation, to promote the aspirations of state governments seeking development, to empower the state governments and to empower the federal structure."

Clearly, the approach in the planning process has to take a complete U-turn from the Centre devising developmental and social sector schemes and the states implementing these, to the states themselves being an active partner in formulation, implementation and monitoring of such schemes.

There are enough examples to demonstrate how individual states can modify and make particular schemes workable.

Take the case of the rural housing scheme, the *Indira Awaas Yojana* (IAY). The shelterless BPL families are given Rs 70,000 assistance in the plains and Rs 75,000 in hilly/difficult areas for construction of a new house. In FY14, a total of Rs 13,895 crore was allocated for constructing 24.81 lakh houses and Rs 12,970 crore was released. The problem with the scheme is, it is very difficult to construct a proper house in any part of the country today with Rs 70,000. So, Tamil Nadu has come up with an innovative and workable idea. The state provides additional Rs 50,000 from its side over and above the Centre's Rs 70,000 for constructing the house with a little money from their own savings or by taking small loans, the poor families in the state are able to build their own house which costs Rs 1.5-1.6 lakh. This can either be replicated in other states or the IAY can be restructured to make it more attractive. Either way, this is what the new-look Planning Commission should look at.

Then, even the scheme for creating sanitary toilets for households without access to one the issue was among the most important ones highlighted by the Prime Minister needs to be looked at afresh. Only 32.7 percent rural households had sanitary toilets according to the 2011 census. The total sanitation campaign, renamed the *Nirmal Bharat Abhiyan* (NBA) in 2012, seeks to achieve 100 percent access to sanitation for all rural households by 2022. Under the NBA, the grant has been increased to Rs 4,600 (Rs 3,200 from the Centre and Rs 1,400 from the state) per individual household, with Rs 500 extra for hilly and difficult areas, from the Centre. Additional financial assistance up to Rs 4,500 per Individual Household Latrines has been provided in convergence with MGNREGA for all eligible beneficiaries.

The scheme has done well in villages where the residents have been proactive but is facing several implementation issues besides the inadequate funds provided under the scheme to the individual households.

A finance ministry sample survey report on performance of major social sector schemes points out that rural sanitation being a state subject, the state governments need to accord high priority to the programme. So, good results are seen in states such as West Bengal, Tripura, Kerala, Tamil Nadu and Maharashtra where high priority is attached to the scheme. Clearly, the success of sanitation schemes is heavily dependent on the state governments and they need to be completely on board with the Centre and this can happen only if they are equal partners in the making and implementation of the scheme.

The same report suggests that "while generally MGNREGA has been able to serve its purpose, better management and further modifications are needed to make the programme more fruitful and development-oriented." Why not use it for development of tourism in the areas where other community-related farm activities have been completed by now?

One of the key tasks of the new body will be to come up with efficient delivery mechanisms. As the Economic Survey FY14 also highlights, "The outlays for the different schemes have not often translated fully into outcomes owing to the poor delivery mechanism. Leveraging modern technology for efficient delivery of programmes, removing the multiple layers of governance, simplifying procedures, and greater participatory role by the beneficiaries can help in creating a better delivery mechanism."

These are the type of issues which the new plan body would need to look at and it will be a good idea to begin with the independent evaluation of all the existing schemes afresh. The days of Centre playing the big brother in the handling of developmental schemes are over. A note of caution is that intent is still just words; but the preliminary efforts, undoubtedly, are in the right direction.

<http://www.financialexpress.com/news/from-planning-to-implementing-commission/1280504>

RIP Planning Commission

*Nitin Desai**
Business Standard, August 20, 2014

In his Independence Day speech, Prime Minister Narendra Modi announced the end of the Planning Commission. There will be few mourners at its funeral, mainly old war horses like me. So this is in the nature of an obituary for an institution in which I served for a decade and a half, and where I learnt to understand the complexities of India's political economy.

When the Commission was launched in 1950, it was basically Jawaharlal Nehru's instrument for providing a coherent vision for the development actions of the central and state governments. Along with his letters to the chief ministers, it was also an instrument for high-level policy education. In those days, it attracted some of the best economic brains from India and around the world to its portals, and for several decades every Indian economist of note was associated with the Commission in one capacity or another.

Twice in its long history, the Commission put its stamp on development policy - first in the 1950s and then in the mid-1960s.

In the fifties, P C Mahalanobis and Pitambar Pant were the ones who articulated development strategy - the former with his machines-to-make-machines strategy of priority for heavy industry, and the latter with the preparation of long-term perspectives for development that provided a quantitative framework for macro-policy and sectoral target-setting. Many economists have criticised this as a mistaken import substitution policy. But this planning approach was formulated at a time when Europe and Japan were still in the throes of recovery from the war, and the prospects for export-led growth did not look promising even to the Indian economists who put forward a wage goods-oriented development strategy.

The achievements of this phase of planning in terms of capacity building are substantial. Apart from the steel plants and heavy machinery factories, these years saw the establishment of the Indian Institutes of Technology and the Indian Institutes of Management, the commissions for atomic energy and space, the Council of Scientific & Industrial Research labs and much more that is the basis for the scientific and technical capacities that underlie today's success stories. Nor was this capacity building confined to the urban industrial sector. The system of agricultural research and extension, the expansion of the rural credit network, and community development were also all started in this phase.

The second time the Planning Commission made a real difference was in the mid-1960s, when, with the emergence of non-Congress governments in some states, the discretionary system of state Plan financing faced political problems. This is when the

Planning Commission, a little distant from the pressures of competitive politics, could and did come up with a solution in the shape of the Gadgil formula of central Plan assistance to the states.

There was a third time when the Commission looked like playing a seminal role in shaping development policy: that was in the early 1970s, when Indira Gandhi went in for a leftist policy of bank nationalisation, monopoly control, state trading in foodgrain, etc. The instigators of this policy were more her kitchen cabinet - though, from Yojana Bhavan, D P Dhar and Sukhamoy Chakravarty did play an important role. But this phase of policy did not last very long, and by 1975, the rollback from leftist policies started and gathered pace after Indira Gandhi returned to power in 1980.

The missed opportunity was in the 1960s, when the boom in world trade greatly improved the advantages of export-led growth. Unfortunately, two wars, two severe droughts, the loss of two prime ministers and the conflicts within the Congress led to a loss of policy coherence as the government coped with the basics of survival.

Since then the Commission has played a relatively low-key role, working within the interstices of the dense structure of the sectoral ministries to influence policy. I was personally associated with the division that appraised public investment projects, mainly to assist the finance ministry in its responsibilities for project approval and indirectly to orient public investment projects towards efficiency, equity and environmental protection.

There were other attempts like the brave effort at reorienting agricultural planning around agro-climatic zones that my friend, Yoginder Alagh, pushed. A more recent instance is the role of the Planning Commission in promoting public-private partnerships in infrastructure and galvanising infrastructure development, where its role was openly criticised by at least one senior minister.

The fact is that the policy revolution of 1991 rendered obsolete much of the methodology of planning that had evolved over decades and gotten congealed in the minds and working practices of Yojana Bhavan. Quantitative targeting of domestic production became irrelevant with delicensing of production and trade; approval and monitoring of public investment became problematic with the growing integration of the public sector into the market economy. Moreover, with the growth of competitive populism, public spending shifted away from investments in the productive economy to social welfare doles.

The role of the Planning Commission in federal finance also declined. The allocative power shifted to the loose confederation of sectoral ministries with the proliferation of centrally sponsored schemes, which are in essence conditional transfers of resources to the states. The block Plan finance grants became a very small part of the Budgets in the more prosperous states. Chief ministers like Narendra Modi saw little value in state Plan discussions - and resented the implicit erosion of federalism.

The status and the role of the Planning Commission has been the subject of debate for several decades now. Attempts to reorient it have usually characterised the start of every new regime at least from the early 1970s. Yet after Nehru, no prime minister has reposed faith in the capacity of the Planning Commission to guide development. Even in the United Progressive Alliance, it was the personal relationship between Montek Singh Ahluwalia and Manmohan Singh that mattered rather than an institutional linkage between Yojana Bhavan and the Prime Minister's Office.

In Mr Modi, we have a prime minister who is capable of imposing his vision of development on the sectoral ministries and the states. The new institution to replace the Planning Commission will be shaped by him and will carry the clout that Nehru's Planning Commission had. If this clout is combined with a clear public vision of development, then we will be back to the halcyon days of the 1950s when the government did something innovative month after month.

Former Under-Secretary-General for Economic and Social Affairs of the United Nations

http://www.business-standard.com/article/opinion/nitin-desai-rip-planning-commission-114082001390_1.html

So, how should the Planning Commission alternative look like?

*Ragini Verma**
Livemint, August 20, 2014

On 15 August, in his Independence Day speech, Prime Minister Narendra Modi articulated what has long been whispered in New Delhi's corridors of power—his government would scrap the Planning Commission, and replace it with a more contemporary alternative. Media reports surfaced claiming that the new body would be called National Development and Reforms Commission. Other reports mentioned the names of possible members. On 19 August, the government asked people to send in their thoughts on the structure and role of the new body. What is known so far about the composition of the body is what Modi said—that it would comprise the Prime Minister, state chief ministers and experts. Mint asked experts what they'd like to see in place of the Planning Commission. Here's what they said:

AJIT RANADE, chief economist, Aditya Birla Group

The Planning Commission never had a constitutional basis for allocation of grants from the central pool. The new institution that replaces it should have a constitutional mechanism for transfer of grants from the centre to the states. This will be important if you want balanced economic development in the country; separate development projects in backward states can then be implemented. The abolishing of the Planning Commission, however, does not mean that the need for a think tank for policy inputs and strategizing is gone. We still need an institution that would function in a way to provide an inter-ministerial and inter-sectoral glue to overcome excessive silos-ed thinking.

MANISH SABHARWAL, chairman, staffing firm TeamLease Services Pvt. Ltd

The government is organized vertically. The new institution that replaces the Planning Commission should take a horizontal perspective across ministries. The key areas where it should align the strategies and goals of the government should be education, urbanization, infrastructure and job-creation, which sum up India's biggest problems. It should function as a body that can balance the trade-off between the different arms of the government and the central and state governments.

ARUN MAIRA, former member, Planning Commission

I am pleased that the Prime Minister has taken the bold decision of doing away with the unmodifiable existing structure of the Planning Commission. We need a new institute that will reflect five key changes. First, structurally it should be a small

catalytic body that brings in knowledge from a larger network of knowledge organizations rather than housing a large number of domain experts within itself. Secondly, scenario planning that includes political and social parts of the system should replace budgetary planning to align it with a dynamic world. Thirdly, it should provide a learning platform for states with exposure to best international ideas. Fourthly, empowering states to take their own decisions through this learning rather than exercising budgetary control over them to act in a pre-determined manner. Lastly, facilitating coordination between the different stakeholders by adopting best methods, something India in particular needs badly.

PRONAB SEN, chairman, National Statistical Commission and former principal adviser, Planning Commission

The problems that face India today are not fundamentally very different from the ones (it did) in the 1950s; these have changed only as a matter of degree, not as a matter of substance. So the functions of the new institution will largely remain the same. The functions of planning or visioning, allocation, appraisal and intermediation between the centre and the states will have to stay. Some functions like approvals of PPP (public-private partnership) projects and evaluation of schemes and projects can be hived off. What can be improved is the new body's capacity to perform these functions. Over time, the body of the Planning Commission, which is the secretariat, has lost its technical capacity. The new body must have the technical capacity and the authority to carry out its functions.

**Assistant Professor, University of Pennsylvania*

<http://www.livemint.com/Politics/VXLalalp7wr4RahINvwjil/So-how-should-the-Planning-Commission-alternative-look-like.html>

1000-Odd Planning Commission Staff at Sea

*Chetan Chauhan**
Hindustan Times, August 20, 2014

Uncertainty mires not only the future of 1,000 employees working with the Planning Commission and its affiliated institutions but also some constitutional tasks on inter-state relations the panel used to perform.

Prime Minister Narendra Modi in his Independence Day address announced the 64-year-old vestige of the socialist era would be scrapped and replaced by a new body with a modern outlook.

The announcement confirmed the worst fears of people working at the panel's Yojana Bhawan headquarters and associated offices such as the Institute of Applied Manpower Research and the National Rainfed Area Authority.

Many thought the panel would continue with abridged powers and the new government would not abolish an institution that adapted itself to the liberalisation of the economy by Manmohan Singh in 1991, when he was finance minister. Earlier, Singh took over as the panel's deputy chairperson in 1985.

"We don't know whether we will be accommodated in the new body or sent to another government department. Our opinion has not been sought," said an official who has a sprawling office on the first floor of Yojana Bhawan that has the offices of the minister, deputy chairperson and panel members.

Another official, who credits his 30-year tenure in Yojana Bhawan for honing his skills in the infrastructure sector, wondered whether his expertise would matter for the new government.

"I may be of the old school and may not be needed anymore in this era," said the official, who joined the panel at the age of 22 and has worked with Manmohan Singh and Pranab Mukherjee.

He is among several people in the five-storey building who religiously mark their attendance on the country's first Aadhaar-based biometric attendance system every morning — and then wait for some news of their future.

Some, who in the past have been involved in the panel's prime function of finalising allocations to state governments, don't know whether the new institution will still perform this constitutional duty.

They said the think-tank proposed by Modi cannot be expected to allocate money to the states and the finance ministry, which was given the task to disburse money to

Central ministries for this budget, does not have domain expertise on the task of state performance appraisals.

Another question is who will take over the panel's key function of holding meetings of the National Development Council, India's only body for holistic strengthening of Centre-State relations.

"Allocation after appraising the past performance of the state governments and conducting NDCs was the job given to the panel," the official said and wondered that what would happen to the 12th five year plan (2012-17), the last decision of the NDC.

<http://www.hindustantimes.com/india-news/1-000-odd-planning-commission-staff-at-sea/article1-1253574.aspx>

It must have a certain oomph

*Abhijit Banerjee**
Hindustan Times, August 20, 2014

Call me sentimental. The first time I went to the Planning Commission was when it was under KC Pant, a long time ago. Since then I have been back there many, many times to the point where the many people who seem to spend their lives sitting outside the various offices and even the patches of grime in the hallways and stairwells began to look familiar. I will miss it when it's not there anymore.

I see the reasons why the government wants it gone. A lot has changed since 1950: We are liberalised now, placing our faith in the wisdom of the market over that of the State.

Equally important, we are much more federal as a nation, relying more on state governments to provide us with direction.

Our states have more expertise and more confidence in their different ways of doing things than they did in 1950 (though I wish I could say that we have a more competent set of leaders).

In all of this I can see how the Commission may end up being a slightly overbearing presence, demanding compliance to some grand plan that does not pay enough respect to the different ambitions and issues that animate the individual states.

This is what, I believe, drew that famously testy response from Narendra Modi when he was chief minister of Gujarat.

But the production and enforcement of five-year plans is only one of the many functions that the Commission has served over the recent past.

First, there is the economic analyst function, what the Congressional Budget Office does in the US: Someone needs to think through important shifts in policy and their consequences carefully.

I am unhappy that Modi did not use his honeymoon to get rid of fuel subsidies, but the one explanation that I find somewhat reassuring is that he did not want to act in haste — eliminating the subsidies is easy, but dealing with happens after is not.

The right strategy almost surely is to combine the announcement of the elimination of the fuel subsidy with the announcement of a new income subsidy programme for the poor that is cheaper, less distorting and better targeted.

But to do that, someone would have had to think through the entire design of the new programme.

If the government was flush with good economists, these responsibilities could perhaps be handled by the economists in the relevant ministries. But it is not: A joke making the rounds in Delhi last month is that finance minister Arun Jaitley was so short-handed at the ministry of finance that he asked P Chidambaram to do the budget for him.

Given how hard it is to recruit high quality economists into the government, the strategy of using the prestige associated with being a member of the Commission to create a crack economic team within the government makes a lot of sense.

Modi says that he will replace the Commission with a think tank. I can imagine a think tank that plays this role, but it will take some doing to attract high-quality people to work for it.

There is also a role for asking tough questions: The PM wants every family to have two bank accounts, but what is the evidence about how much those accounts will get used? And given that what will be the net cost of this programme? Is there a better way to use that money? A think tank could ask these questions, but would they dare, if it requires coming up against the PM? I am not remotely implying that every Commission member has always been able to stand up to higher authorities.

But the long established protocols of communication between the Commission, the ministries and media must make it easier for it to deliver an unwanted message and moreover, the public status of its members probably makes it harder for a minister to intimidate them for bringing up a piece of unhelpful evidence.

And what if there is no reliable evidence? The think tank would need to have enough credibility (both in terms of neutrality and competence) that its judgment about the evidence would be trusted, enough clout that they would be able to stare down a ministry that is all fired up to go and the resources and the skill to go out and generate the necessary evidence by collecting data and conducting rigorous experiments.

The same goes, of course, for programmes that have already been scaled up; it is just harder, since programmes create their own constituencies.

But if the programme cannot be shut down whatever the evidence, perhaps it can be tweaked to work better? The officials in line ministries are supposed to do this, but do they have the competence or the right incentives? It is a rare minister, at least in India, who encourages his staff to stick their neck out.

These are all the reasons why the previous government set up the Independent Evaluation Office (IEO) and placed it under the Commission to give it some political

weight. I am sure a new home will be found for the IEO, but it's vital that it has the political clout and the independence from the line ministries.

Finally to the extent that there was one, the Commission served as the institutional base for the much-needed crosscutting innovations in government.

For example, take malnutrition: I was once put in the awkward position of chairing a meeting on this at the Commission, where there were senior representatives from at least five ministries — maternal and child welfare, food, water and sanitation, health and education (because of the school meals).

The only thing they all agreed upon was that the core problem was poverty and so outside all of their particular domains.

How many think tank members will have the political influence (or oomph) to get past their carefully constructed defences and get them all talking about how to solve the problem? I certainly did not.

**Ford Foundation International Professor of Economics and Director, Abdul Latif Jameel Poverty Action Lab, MIT*

<http://www.hindustantimes.com/comment/abhijitbanerjee/a-think-tank-may-replace-plan-panel-but-it-would-need-to-have-enough-credibility/article1-1253920.aspx>

Modi still has some use for Plan panel

*Puja Mehra**

The Hindu, August 21, 2014

Even after sounding the death knell of the Planning Commission from Red Fort on Independence Day, Prime Minister Narendra Modi continues to seek inputs from Yojana Bhawan on infrastructure, energy, rural development and other policy questions.

In fact, barring the deserted first floor that housed the plan panel's members and deputy chairman, it's mostly business as usual at this iconic institution of the Nehruvian India on Parliament Street.

Key formulator

Yojana Bhawan remains the key formulator of the Andhra Pradesh — Telangana bifurcation process. It is also drawing up the blueprint of the Clean India Campaign that the Prime Minister announced in his Independence Day speech.

The Commission's eight members and deputy chairman Montek Singh Ahluwalia resigned at the end of the term of the UPA Government but the PMO coordinates mainly with its Secretary Sindhushree Khullar and Minister of State for Planning Rao Inderjit Singh.

Its 500-member staff comprising permanent direct recruits and those on deputation from organised services such as the Indian Administrative Services and the Indian Economic Services, continues to give inputs to various Ministries and evaluate and appraise projects and schemes as per the ongoing annual plans of the state and the 12th Five Year Plan.

The role they play in the Expenditure Finance Committees that approve allocations to proposals from Ministries remains undiminished. They continue to participate in meetings of these committees held routinely at the Finance Ministry.

The PMO has been routinely seeking inputs from the 30-odd advisers and senior advisers at the plan panel — its sectoral domain experts — for the various review meetings Mr. Modi takes, such as his monthly round-up with secretaries of infrastructure Ministries.

** Delhi-based Journalist*

<http://www.thehindu.com/news/national/modi-still-has-some-use-for-plan-panel/article6335925.ece>

Chinese planning lessons for Modi

*Amitendu Palit**

Financial Express, August 21, 2014

The National Development Reforms Commission (NDRC) in China seems to have influenced Indian Prime Minister Narendra Modi's decision to replace the Planning Commission with a similar body. Before such an entity is up and running, it is useful to take a closer look at the influencing agency itself.

The NDRC in China replaced the State Planning Commission from 2003. It has since functioned as a macroeconomic management agency, reporting directly to the Chinese State Council. The Commission performs a huge array of functions across twenty-six departments. In this respect, it is almost as large and diverse as India's Planning Commission that has thirty-one departments.

The NDRC is organised into departments reflecting strategic priorities of the Chinese government such as regional economy, rural economy, climate change, fiscal and financial affairs, laws and regulations, policy studies and economic reforms. While some of these reflect the sectoral priorities of the Indian Planning Commission too, the NDRC has much greater thrust on industry and investment, which is evident from its divisions on industry, basic industry, hi-tech industry, fixed asset investment and foreign capital and overseas investment. Along with industry and investment, the NDRC is equally focused on regional development through the departments of regional economy, western region and northeastern region. Resource conservation and climate change are its other major priority. Unlike India's Planning Commission, it has a specific division on prices.

Interestingly, the NDRC does not focus on health and education, at least not through separate divisions. Nor does it, in any way, act as an interface between the Centre and the provinces, as the Planning Commission does. But it has extensive review and approval powers, particularly for industrial investment proposals.

Apart from the obviously larger focus on industry, investment, macroeconomic policies (including reforms) and emerging issues (climate change, regional disparities), the NDRC China has three major functions. All these three functions set it apart from the Planning Commission.

First, the NDRC is the key agency in deciding the country's strategic policies on natural resources. The National Energy Administration (NEA) is located in the NDRC. The NEA not only formulates energy development plans and policies, it also contributes substantively to R&D activities in the energy sector as well as taking the lead in fixing energy pricing and finance. The NDRC also manages China's strategic petroleum reserves. In addition to energy, the State Grain Administration in the NDRC prepares policies for long-term macro-management of grains in the Chinese economy including grain storage, procurement, distribution, and pricing, as well as administering quality

standards. The third resource management role of the NDRC is in formulating policies for mobilizing strategic material resources for China.

The second function of the NDRC, larger and more exhaustive than the plan panel's, is in its international cooperation agenda. The NDRC has the responsibility of working on not only institutional foreign collaborations, but also fostering economic diplomacy by guiding Chinese embassies on various economic matters and providing the economic perspective on foreign affairs. This unique and under-discussed role of the NDRC makes it a critical actor in China's global commercial diplomacy.

Finally, the NDRC acts as a bridge between macroeconomic policies and their effective communication to the top brass of the Communist Party of China (CPC). This is done through the NDRC's leadership team comprising the chairperson, seven vice-chairpersons (including five minister-level appointees), senior supervisory commissioner, members, secretary general and deputy secretary generals. Other than the leadership, the NDRC has total staff strength of around 900.

Over the little more than ten years that it has been around, the NDRC has assumed enormous control over the Chinese economy. Widely touted as China's 'economic policy factory', the NDRC is the country's most powerful economic agency with the authority to have almost the last word on macroeconomic policies and economic reforms. Almost because, China's top decision-making authority the Central Politburo Standing Committee of the CPC including the Chinese President and the Premier, has the final say on policies. But the strong integration between the CPC's top leadership and that of the NDRC has entrenched the strategic influence of the Commission.

The NDRC's enormous clout has had its downsides. The new Chinese leadership, under President Xi Jinping and Premier Li Keqiang, has actively encouraged internal reforms for the NDRC, to cut its review and approval authority and increasing the policy content. Clearly, the Commission has outgrown its mandate. Rather than encouraging growth of market behaviour, it was retarding it through an overarching regulatory sweep.

India's effort to establish an alternative to the plan panel has a few lessons to pick up from the Chinese experience. The first is in the degree of strategic and functional importance of the agency. The NDRC's importance, in this regard, has been massive. Granting similar authority to the Indian body would imply making it more powerful than most ministries, probably second only to the PMO. Without such power, however, it might just become an advisory body with notional significance such as the Economic Advisory Councils to the Prime Minister.

The second important decision would be in fixing the ambit of the agency. It might be asked to prepare the vision for the country's macroeconomic policy framework; within the framework, it needs to identify priorities. Making an Indian NDRC work on every

aspect of the economy would be a futile exercise. There must be clear priorities in this regard.

With the Prime Minister seeking suggestions on the mandate and constitution of the body, it would be good to keep the Chinese experience in mind: both the upsides and downsides.

**Head (Partnerships & Programme) and Senior Research Fellow, Institute of South Asian Studies, National University of Singapore*

<http://m.financialexpress.com/news/column-chinese-planning-lessons-for-modi/1281070>

Partisan Commission

*Prasanna Tantri**

The Financial Express, August 21, 2014

In his maiden Independence Day speech, Prime Minister Narendra Modi clearly indicated that the Planning Commission will cease to exist. It is likely to be replaced by a new institution with adequate representation to the states. Careful academic research has clearly shown that resource allocations made through the commission tend to have political overtones and favour states which are politically important to the ruling dispensation. Therefore, this is one measure about which even the opposition parties have little to complain about.

Stuti Khemani, who works with the development research group of the World Bank, in her scholarly article published in the *Journal of Development Economics*, investigates if the fiscal transfers made by the Centre via planning commission are politically motivated. She studies such transfers for a period spanning 23 years, between 1972 and 1995. Such transfers are extremely critical to the states because in the period under study, central government transfers constituted nearly a third of state revenue. Transfers made through the Plan panel constitute 6% of the total revenues of the states and 51% of the state borrowings. The paper shows that "affiliated states", i.e., states ruled by the same party that rules at the central level, receive a higher proportion of the resources that are directed through the Planning Commission. Interestingly, states where the ruling party at the Centre enjoys a thin margin get an even higher proportion of resources. The difference pointed out by the author is approximately 30%, which is both economically and statistically significant. Some politically-important states, where the ruling party at the Centre faces stiff fight, receive upto 50% higher grants and loans.

To attribute any political motive and claim any kind of causality, one must clearly understand the institutional set up in India and also the econometric framework used. In India, the central government collects the bulk of the taxes. A large part of the state government expenditure is funded by general purpose transfers made by the Union government. Two institutions play a crucial role in determining the amount to be transferred to each state: Finance commission, a Constitutional body, and the Planning Commission, which is populated by political appointees. It is important to note that transfers done through the Planning Commission pertain to central government schemes such as universal education schemes, employment schemes, etc, which are well-advertised by the central government. People associate these schemes with the central government. In short, the central government has political axe to grind in these schemes.

One may still argue that the above finding could just be a co-incidence and resource allocation might have been actually efficient. To counter this argument, the paper looks at the transfers made by the Finance Commission. The Finance Commission is a Constitutional body entrusted with the responsibility of determining the basis for

transfer of general revenues from the Centre to the States. The author does not find any bias in the transfers made using Finance Commission formulae. In fact, such allocations counter the effect of partisanship described above. Politically-affiliated states receive 30% lower grants from the Finance Commission. It is important to note that this finding, apart from confirming the robustness of the findings above, also points at the fact that Constitutional bodies in India have, in general, been impartial. It is also important to note that the study covers 23 long years which saw different parties at the Centre as well as states and almost all states swung from being affiliated states to non-affiliated status and vice-versa. The rich econometric specifications employed by the author exploit these variations and establish the main findings in a robust manner.

These findings are very believable given the findings of a number of earlier independent studies. Shawan Cole, of the Harvard University, has shown that lending by public-sector banks in India tends to be politically-motivated. He shows that agricultural lending goes up during election years and the increase is higher in "swing" constituencies. He also shows that such politically-motivated lending fails to improve productivity. My colleagues, Shashwat Alok and Meghana Ayyagiri, from the George Washington University, have shown that even capital expenditure decisions of the public sector enterprises tend to be politically-motivated. Several other studies have found similar results for other countries.

However, it is prudent to be cautious before assuming that political intervention is going to end. The Prime Minister has not yet spelled out the details of the new super-advisory to be set up to replace the Planning Commission. It is understandable that the Independence Day speech is hardly the occasion to spell out the details, but it is important to unearth the devil hidden in the details. Suppose, if a new set up, with practically similar functions as the Planning Commission, replaces the latter, then the results will not be any different. It could become the proverbial old wine in a new bottle, a refuge to the political refugees, who are likely to sing to the tune of the government in power. In contrast, if the new set up turns out to be an independent advisory group, then there is real hope of change.

Constitutional authorities in India such as the Election Commission, the Comptroller and Auditor General of India and the Supreme Court have established their credibility as neutral arbitrators in their respective domains, stray allegations notwithstanding. I recommend that the Finance Commission be given a larger role in determining the resource-allocation formula and the new body replacing the Planning Commission play a purely advisory role. If the government's intentions are clear, then this is a great move towards strengthening federal structure of our country.

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<http://m.financialexpress.com/news/column-partisan-commission/1281069>

The Planning Commission must be replaced

Bibek Debroy

The Economic Times, August 22, 2014

The year was 2001. Jeffrey Sachs had invited me to a seminar in Harvard, something to do with the Indian economy. As is customary with seminars, some overseas participants were invited to a dinner and I found myself seated next to John Kenneth Galbraith. I was overawed, at his reputation and at his height, even when he was seated.

Galbraith was 93 and his memory wasn't what it used to be. I didn't mention one of his standard books, but mentioned Ambassador's Journal (1969) instead. He said he hadn't read it and was somewhat surprised to be reminded he was its author. But he perked up at India being mentioned and told me a delightful anecdote.

The Planning Commission was set up by an executive resolution in 1950. I think Galbraith may have got the chronology somewhat wrong, since Milton Friedman's memorandum to the government of India was written in 1955, when Friedman was a consultant with the finance ministry, and not the Planning Commission. Nevertheless, here is the Galbraith story.

Press US for Help

The Planning Commission having been set up, Prime Minister Jawaharlal Nehru wrote to President Dwight Eisenhower (the Kennedy-Galbraith era came later), requesting that an American economist be sent to aid the planning process. The US obliged by sending Milton Friedman.

It didn't take long for Nehru to send a horrified letter to Eisenhower. "We asked you for help in the planning process and you sent someone who doesn't believe in planning. Please send someone else instead." Or words to that effect. Galbraith turned up as a replacement.

Galbraith vs Galbraith

Galbraith travelled across the country and was disgusted at what he saw. In published print, he would later use the derogatory expression "post office socialism" after he returned to the US. But before that, he wrote a nasty confidential report and submitted it to the government. Having submitted the report, he started to travel around the country again, this time for pleasure rather than business.

In that day and age, this often meant being incommunicado. On his return to Delhi, he discovered a debate raging, at least within Parliament. The debate, circa 1956, was between Ashoka Mehta and Nehru, circa 1956. Mehta was then with the Praja Socialist Party. He would become deputy chairman of the Planning Commission and join the Congress later.

Galbraith hadn't signed his name on the report. It was anonymous, so to speak. The report leaked and Mehta got hold of a copy. Nehru brandished the report and argued: we have a report by a famous American economist and it vindicates our policies. Ashoka Mehta brandished the report and argued: we have a report by another famous American economist and it demolishes your policies. Both read out selectively and neither realised it was the same report and the same economist.

Is this Galbraith anecdote true? I have no idea. I did find out that there was indeed such a debate between Nehru and Mehta. The story is so delightful and bizarre that it must be true. No one can cook up something like this. Not even Galbraith.

"The work of the Planning Commission will affect decisively the future welfare of the people in every sphere of national life. Its success will depend on the extent to which it enlists the association and cooperation of the people at all levels. The government of India, therefore, earnestly hopes that in carrying out its task, the commission will receive the maximum support and goodwill from all interests and, in particular, from industry and labour." This is a quote from the March 15, 1950, Cabinet resolution that set up the commission.

Planning No More

This can be contrasted with the enormous negativity now associated with the Planning Commission (state governments about centrally-sponsored schemes, citizens about poverty lines and toilet renovation). That original resolution had almost all of its entire focus on planning. Planning, in its centralised sense, is dead. Its heyday was probably the Second Five-Year Plan (1951-56).

After that — barring a slight resurgence during the Fourth Plan (1969-74) — thanks to the advent of computers, it has been more of the same, the nth version of the same Plan. (Did you know the number of variables in Plan models was determined by the number of variables a computer programme could handle?)

The Planning Commission may be dead, with the adjective consciously excised. But there are reasons one needs a replacement. First, something has to intermediate between the Union government and states, subsuming the National Development Council (NDC) and the interstate council.

Second, all finance ministries seek to slash deficits. This is done by cutting Plan and/or capital expenditure. Some entity has to exercise countervailing pressure as a voice of the state governments and social sector ministries. Third, some entity has to be a storehouse of data and improve its quality (subsuming the National Statistical Commission). Not all data originates outside the government system.

Fourth, someone has to devise incentive mechanisms for desired decentralising/devolving reforms. Humpty Dumpty received a un-birthday present.

This Humpty Dumpty has fallen down. The Planning Commission is dead. But we still need an Un-planning Commission.

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http://articles.economictimes.indiatimes.com/2014-08-22/news/53112731_1_planning-commission-economist-report

A man with a plan

*Sidin Vadakut
Livemint, August 23, 2014*

Lo and behold that great Indian institution that is the Planning Commission is now no more. Kind of. Perhaps it is more accurate to say that the Commission is on life support, the family has been summoned, there are some sobbing into hankies, small children are tugging at the catheter, and the requisite paperwork has been completed. Now all that is left is for Dr. Modi to flick the switch and end the agony. But hey. No need to feel overly sorry for the people who used to work there. After all, who in the world has a better answer to that classic interview question: “Where do you see yourself in five years’ time?”

Some writers have pointed out that whilst the Planning Commission is often portrayed as the greatest of all Nehruvian follies, it was actually originally mooted by Subash Chandra Bose many years before Independence.

The February 1938 Haripura session of the Indian National Congress was, in many ways, a landmark event. Bose, who had been elected president at the 51st Congress session in January of that year, arrived at Haripura to a rousing reception. According to one account Bose was driven to the venue in a ceremonial chariot pulled by 51 bullocks along a path lined by spirited crowds.

He then delivered an oft-quoted speech that is no stranger to this column. Not that long ago Déjà View referred to one portion of this speech in which Bose made the audacious suggestion that India adopt a uniform Roman script.

Right after this bombshell Bose outlined his plan for the economic revival of India. To eradicate poverty, Bose said, “A comprehensive scheme of industrial development under state-ownership and state-control will be indispensable.” And for this, “The planning commission will have to consider carefully and decide which of the home industries could be revived despite the competition of modern factories and in which sphere, large scale production should be encouraged.”

And again in the next paragraph: “The state on the advice of a Planning Commission, will have to adopt a comprehensive scheme for gradually socialising our entire agricultural and industrial system in both the spheres of production and appropriation.”

This, many claim, is the birth of the planning process in India.

Later in the October of that year Bose convened a conference of the provincial minister of industries. This conference then appointed an All India National Planning Commission chaired by Jawaharlal Nehru. Several sub-committees were formed, and reports were written. But before a comprehensive report could be produced in 1940,

World War II broke out, Nehru was jailed, Bose fled to eventually form the Indian National Army, and the process was brought to a halt. Later Nehru would pick up from where he left off.

Historian Romain Hayes writes that despite his numerous war-time preoccupations, Bose still clung on to the idea of a planned economy. In November 1941 Bose opened the Free India Centre in Berlin. In addition to creating a flag, anthem, currency and stamps for Free India, Hayes says, Bose also tried to revive a National Planning Commission for Azad Hind.

It is for all these reasons that Bose is called the father of planned economy in our country. The Planning Commission even published a book titled Subash Chandra Bose: Pioneer of Indian Planning. But perhaps this is misleading. Perhaps that title may actually belong to somebody else. Turns out that Nehru was not the original pick to chair Bose's beloved Commission in October 1938. That honour had all but been conferred upon M. Visvesvaraya.

Robert S. Anderson writes in *Nucleus and Nation: Scientists, International Networks, and Power in India* that Visvesvaraya a renowned engineer and public administrator in the state of Mysore, was "better known in this committee as the author of a 1934 book, *A Planned Economy For India*."

A full four years before Bose first spoke of planning in Haripura, Visvesvaraya wrote this 300-plus page book with a remarkably full vision for a planned Indian economy. It even included a 10-year plan and the outlines of a planning body: "Left to private enterprise, industries will not make satisfactory progress. Government should take the lead, as every progressive government is doing now; bold policies should be laid down and adhered to, an official organization... should be brought into existence, and correct, comprehensive reports of progress supported by adequate statistics should be published yearly..."

Clearly no one seemed better placed to lead the commission. But just as the consensus built around the great engineer, scientist Meghnad Saha convinced Visvesvaraya that without political leadership, Bose's baby would be seen as too academic. Visvesvaraya graciously bowed out, Anderson writes, and Nehru, then in Europe, was invited in as chair. What if Saha had not intervened? Had Nehru remained peripheral to this inchoate planning body, would he have been such a fervent supporter of a Planning Commission later? Would Visvesvaraya have been an equally ardent planner? These are the speculative questions that we can only mull over, with answers the Commission will take to its grave.

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<http://www.livemint.com/Opinion/jOnGkvjqoijJUlvy44dDaK/Dj-View--A-man-with-a-plan.html>

What's the plan for India's century?

*Arun Maira**

Deccan Chronicle, August 24, 2014

The Planning Commission was set up in 1950. It has evolved in the 64 years of its existence. India and the world have, however, changed much more in the same time. Thus the gap between what the country needs now and what the Planning Commission is doing has become very wide.

When the Planning Commission was set up, India's economy was much smaller; it was less diverse (with a much smaller private sector, too); and, it was not tied into the global economy on the scale it is now. Politically, too, the structure of the country was different then. One large political party ruled, with a majority at the Centre and in almost all the states, too. In those circumstances central planning, with resource allocations and directions from the centre, could work. It was required, too. Therefore, a central Planning Commission could and did make good contributions to get the country's development and growth moving.

But as India has changed, faster than the Planning Commission has, the methods it is using have become less relevant and less useful. The Indian economy has been opened up with reforms since the late 1980s. Connections between India's economy and the global economy have thickened. At the same time, the political configuration in India became more plural; regional parties became ascendant in the states, and coalitions became the norm at the centre. A new dynamism and new uncertainties were introduced into the Indian economy. Amidst all this, planning processes, founded in a top-down and deterministic paradigm, with concomitant tendencies towards 'one size fits all' solutions, became less effective. They even became a hindrance to the innovations that were required and that began to emerge in the states.

Rusting on its laurels

Some attempts have been made since the late 1980s to nudge the Planning Commission to change faster, to catch up with the changes that were taking place in India and the world. Sadly these attempts to change it could not budge the institution enough out of the rut into which it was sinking. There is a saying: 'Institutions earn their laurels. Then they rest on their laurels. Resting too long, they begin to rust in their laurels'. Perhaps this is the story of India's Planning Commission.

Change in India has accelerated in the new millennium. The new and younger India requires a 'Planning Commission' (or body by whatever name) to shed some old functions and to learn new ones. Can the old institution rapidly learn these new functions? Is it willing to shed its old ways? If the answers to these questions are 'no', then there is a need to replace the institution with another that can perform the new functions required.

Some of these new functions are:

1) A replacement of the out-moded 5-year Plan process tied up with budgetary allocations, with a more dynamic planning process that guides the actions of several independent actors—the states, the private sector, and even central ministries. The Planning Commission can no longer have the sort of power through its central authority that it used to have to determine the sizes of industries and control their investments, and to determine states' plans, though it may hanker to have such power. As mentioned before, the shape of the economy and polity has changed. Modern, dynamic, systems thinking based, 'scenario planning' processes are required, instead of planning processes tied to budgetary allocations.

2) Facilitate faster learning in the states to produce the results they need. For this, set up lateral learning processes amongst the states, rather than bringing in the states, one by one, for an annual evaluation by the head master, which is how most states perceive the annual ritual of the state plan approval exercise.

3) Introduce systematic methods to enable coordination amongst stakeholders—amongst the states, amongst the ministries, and amongst government, civil society, industry stakeholders—so that the bottlenecks that have been arising due to conflict amongst these stakeholders, which have been slowing down India's growth and development, do not arise. Such methods are being applied in other countries. India, with its diversity, democracy, and its requirement of faster development, needs such systematic methods more than any other country.

4) The new institution into which the Planning Commission should morph must be a small catalytic organisation, rather than the large monolith the Planning Commission has become, stuffed with presumed experts who evaluate the plans of states and ministries without adding much value to them.

The performance of these new functions requires people with a very different mind-set: people who seek to facilitate and enable, and not to check and control; and who are rapid learners, not stuck in old paradigms. Certainly, the new institution cannot be a 'parking lot' for bureaucrats and political appointees.

This is what the new body must do and what it must be. Can the old body transform into this? The country is impatient and needs to accelerate its development to meet the unfulfilled needs and rising aspirations of its citizens. If the old body is unwilling or incapable of making this transformation of itself, as evidence so far shows, then another body, on the lines described above, will have to take its place.

Models of central institutions that other countries have adopted to guide their development should be considered, but with caution. The National Development and Reforms Commission (NDRC) of China attracts attention because China has progressed much faster than India in the past 25 years. The NDRC has enormous clout in China. It

is reported that it influences even the appointment of governors of provinces and mayors of cities. This is possible because the Communist Party has a monopoly of political power throughout the country. Such power to change chief ministers of states would be unthinkable in India.

Therefore the Indian 'planning' institution must develop other ways to persuade change, rather than demand more authority as the NDRC appears to have. A different mind-set, different skills, and different ways to make the states follow its advice must be found. Perhaps the ways in which Australia's Productivity Commission functions, or the solutions being designed for the democratic, entrepreneurial state of California for 'Think Long' planning and governance, may be better models for a federal, democratic, and politically plural India. The point is, the solution proposed must fit the context in which it is to be applied.

India's Planning Commission is resting on the laurels it earned in the past. It has been unable to make the transformation in its orientation from Soviet-style planning, with power over others, on which it was founded. When the new functions it must perform, mentioned before, were introduced into the Planning Commission in the past four years, the internal organisation resisted their assimilation. The old ways carried on.

Change is always resisted. How shall we create the new capabilities in an institution the country needs at the centre to guide its progress? Can we obtain what we need by marginal changes in the existing institution? The evidence is, we cannot. The gap between what is required, on the one hand, and the form and capabilities of the present institution, on the other, has become too large. A new institution is required, although it may use some capabilities of the old one.

Get the design right

All reforms of institutions take place in the real world. Inevitably, implementation of institutional reforms will require compromises with existing realities. Therefore, first the ideal must be visualised as a reference, so that a bad compromise can be distinguished from a good one.

The process of designing the new institution, and the determination of how much of the old one it can use, must follow five steps.

First, define what the new institution must do. This is the objective. To be clear about this objective, work from outside in. Ask, what does the country need, and what do the stakeholders of the new institution require of it?

When the objective and principal functions are defined, think of the name for this institution (to reflect what it will do).

Only after the first step of defining the goal and functions of the institution, determine who will be its leaders. They must have the orientation and skills the institution needs.

Along with these leaders, determine what other capabilities the institution must have. Only then consider, can any of the personnel and processes of the existing institution fit into the requirements of the new one.

The decision to create a new institution has been taken. The country needs one. Now, we must design it right. Above all, whether the new institution's leaders are economists or engineers, they must have the will and the skills to build an institution, and not merely use their positions as pedestals for personal visibility.

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<http://www.deccanchronicle.com/140824/commentary-op-ed/article/what%E2%80%99s-plan-india%E2%80%99s-century>

Disband Yojana Bhavan

*Govind Bhattacharjee**
The Statesman, August 25, 2014

Before denouncing the idea as preposterous and heretical, let's take a hard look at the facts. The Planning Commission was created by an executive resolution of the Government of India in March 1950. The Commission is not a constitutional entity, but it enjoys extra-constitutional authority to recommend the transfer of almost half of our annual budgetary allocations to states as plan grants every year. It produces voluminous five-year plans full of fantastic rhetoric and fancy jargon, besides generating a plethora of reports on every conceivable subject. It is also known to entertain the nation by generating astounding statistics, especially in relation to poverty figures. Over the decades, the Planning Commission has grown into a mammoth bureaucracy that needs about Rs 100 crore of public funds annually to run its report-producing apparatus. For the past several decades, it has also become the major driving force behind doling out national resources in the form of ill-conceived and poorly-implemented Centrally Sponsored Schemes, through which the powers that be get access to public funds as well as the licence to misuse these funds for political ends.

There is only one mechanism provided in the Constitution for devolution of Central resources to the states ~ under Article 275, through the Finance Commission. But the spirit of fiscal federalism in the Constitution was hideously defeated by the creation of the Planning Commission and by giving it exclusive powers, without any constitutional backing, to transfer a huge amount of Central resources to states as plan transfers, while limiting the scope of the Finance Commission only to recommend non-plan transfers.

The creation of the Planning Commission necessitated classification of expenditure into plan and non-plan, something again without any constitutional sanction. The device used for plan transfers is Article 282, meant for dealing with exceptional situations. These transfers are discretionary in nature, vulnerable to be influenced more by political rather than economic considerations and enabling the Centre to arm-twist any state, given the huge amounts at stake. When this arbitrary discretion of the Centre over transfer of plan funds was sought to be limited by making these transfers based on the so-called Gadgil formula, the Centrally Sponsored Scheme was the innovation introduced by the Centre to retain its hold over public funds, and to allow it to misuse these funds on cheap, wasteful and supposedly vote-catcher plan schemes. A number of such schemes have since proliferated unabated on political considerations, creating aberrations in our public finances all the way. Most of these transfers are also made outside the state budgets, so they bypass the usual budgetary, accounting and legislative controls. More than Rs one lakh crore are thus transferred every year to states outside their budgets, often leading to huge wastes and leakages.

Plan transfers have now become tied to these fancy schemes and their allocations have taken quantum jumps in recent years. In the process, the fiscal space of the states has shrunk, their autonomy has suffered and their flexibility to launch schemes specific to their needs almost completely denuded. Other distortions followed as private sector investment naturally went to states with better infrastructure, widening the economic imbalance and disparity among states.

A debate on what the first four and a half decades of planning since independence had achieved is already passé. Despite such rhetoric as “socialistic pattern of society”, *garibi hatao*, “growth with stability and distributive justice”, “planning from below” and adoption of fanciful models of growth borrowed from US textbooks, output declined, prices soared, unemployment increased, poverty remained undented and growth continued to languish within the Hindu rate of 3.5 per cent till 1991 when the economy was poised precariously on the verge of failure. This was, in brief, the story of the first seven plans. But as more and more ambitious plans were introduced with ever more allocation of public funds, the Yojana Bhavan bureaucracy flourished, becoming still more powerful by doing the bidding of their political masters. Its style of functioning, however, became curiously and increasingly ran counter to a modern economy.

Over time, the Planning Commission determined what was to be produced in the economy, how much and by what means. After surveying the available resources, a growth target for each sector of the economy was fixed and investments allocated, specifying the type of projects and even the specific production techniques as well. Naturally, it led to an economy characterised by extensive regulation, protectionism and a public sector supposed to dominate the “commanding heights of the economy”. The size of the Government also grew in tandem. Under UPA II, we had 53 ministries overseeing every aspect of our lives. The extensive control only fuelled pervasive corruption all around and stifled growth. Vital sectors of the economy were nationalised, and the rest regulated by an elaborate system of licences and red-tapism that inhibited private investment, making the economy reel under this licence-permit raj. This tyranny of the State only benefited certain entrenched groups but smothered individual entrepreneurship.

In such a collectivised, centralised planned economy, economic democracy, growth and productivity became the ultimate casualties. The market ~ which propels growth in a modern economy – was not allowed to flourish. As Professor P R Brahmaanda has observed – Instead of attacking poverty through a wage-goods model, the authorities chose a number of anti-poverty and public distribution measures, which were simply in the nature of fire-fighting exercised with large leakages. The result was forced impoverishment of the nation that earned the nickname of “Sick Man of Asia”. Add to this the growth of black money, an offshoot of corruption, the heightened inequality and disparity, and the picture of an impending disaster was complete. Time magazine has quoted a recent McKinsey Global Institute report suggesting that even in 2012, “as many as 56 per cent of the Indians – some 680 million people – could not afford most basic needs like food, water, housing, sanitation and health care”. The truth of this

finding wouldn't be questioned by most Indians, except perhaps the diehard optimists.

Economic reforms were introduced when it was realised that it was the market and not the Government that should drive the economy. In recognition of this fact, the Eighth Plan states in its preface that it was only "indicative" in nature and that the state could at best be a facilitator for investment by the private sector. But despite the declining share of public investment, post-reforms and the promotion of the PPP mode of investment, the role and importance of the Planning Commission did not diminish.

Indeed, Yojana Bhavan's role as the most important extra-constitutional allocator of plan resources has long jeopardised Centre-State relations. As the Commission on Centre-State Relations observed in its report (March 2010), *"Following the introduction of economic reforms in the country, the role of Central Planning seemed to have lost much of its relevance. There was a shrinking of the share of public sector investment. States saw an opportunity to regain ground lost to the Planning Commission. However, this hope was belied."*

And the command and control mindset continued. Command economies invariably tend to become corrupt because by concentrating economic power and authority, the normal decision-making process is given a go-by. Plans drawn on the basis of insufficient information were approved and implemented with disastrous results. As growth became sluggish, inequality increased, the rural-urban divide widened, resource allocation to different sectors remained lopsided and *ad-hocism* reigned supreme.

The critical issues that affect the common man – inflation, poverty and unemployment – remained uncontrolled and unfettered. One is reminded of what Frederick Hayek wrote in *The Road to Serfdom* in 1944, "There could hardly be a more unbearable and more irrational world than one in which the most eminent specialists in each field were allowed to proceed unchecked with the realisation of their ideals".

India certainly deserves better than be led by a set of technocrats far removed from ground realities but wielding unrestrained power and illegitimate authority. It is indeed time to realise that in a diverse country such as ours, where skill, talent and entrepreneurship are abundantly available, Centralised planning does not work. Whatever little we have achieved was not because of, but in spite of the Planning Commission. It is time to disband it and bury the five-year plans once and for all. Responsibility for planning henceforth should be delegated to the elected representatives in the respective States, where it logically and rightfully belongs.

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<http://www.thestatesman.net/news/68115-disband-yojana-bhavan.html>

Cabinet note proposes new identity, role for Planning Commission

*Yogima Seth Sharma**

The Economic Times, August 27, 2014

As the government prepares to wind up the Planning Commission, Planning Secretary Sindhushree Khullar has suggested five changes that could outline the identity, structure and function of the body that will succeed the 64-year-old commission.

Officials at Yojana Bhawan, the seat of the Planning Commission since 1950, said Khullar has in a Cabinet note proposed a new name and reduced strength for the new body. The note, drafted following a directive from the Prime Minister's Office, also suggests limiting the new panel's functions to key areas like infrastructure, mining and targeted implementation of the government's flagship schemes.

"Planning secretary has proposed five major changes that can be made to re-invent the institution whose structure and functionality has been questioned by many over the last few years," a senior official told ET on condition of anonymity.

The government is in the process of collating the views of all stakeholders on the new institution.

According to the official, it has been suggested that the name of the new institution should reflect the spirit of development and knowledge-based work that the body will undertake.

"Besides, it has been suggested to substantially cut down on the routine staff and replace them with a handful of domain experts in the areas of infrastructure including power and social sector, which are the focus areas of Narendra Modi government," the official added.

The Planning Commission employs nearly 1,000 people. A list of the staff along with their roles and responsibilities has been attached with the Cabinet note.

The new institution will also re-work on the model concession agreement of public-private partnership projects across sectors as the government is keen to rope in private players for infrastructure development.

Besides, the new institution will house social sector experts, who will deliberate on the key changes in over a dozen flagship schemes and introduce these changes over a period of time to ensure the targeted outcomes are achieved. The commission has already collated nearly 1,000 changes, big and small, in flagship schemes as proposed by respective ministries and sent them to the PMO, which had asked for the suggestions last week.

The prime minister, who is the chairman of the Planning Commission, had announced in his Independence Day address the demise of the body that was set up through an executive order in 1950 by India's first Prime Minister Jawaharlal Nehru and served as a link between the Centre and states.

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http://articles.economictimes.indiatimes.com/2014-08-27/news/53284749_1_flagship-schemes-cabinet-note-planning-commission

How the plan panel lost the plot

*Subhomoy Bhattacharjee**
The Financial Express, August 28, 2014

The size of the Indian government's investment budget has now become far too massive for any one organisation to keep anything more than a perfunctory watch over that money in real time. The reason why the Planning Commission ran into disrepute was it gave a deceptive feel that it could manage the money but was not really equipped to do so.

The big challenge will be how to redraw the management of government investment. Before taking it up, it will be instructive to examine how the Commission was handling this brief.

Of the total plan expenditure of the Centre, nearly 50% is now spent on salaries. Data from the government's civil accounts department show that the plan panel had become more inefficient over the years in managing the money meant for investment. The share of capital expenditure has been declining for the past three years.

The redrawing of the Planning Commission, which has begun now, should consequently not plug for any other monolithic body to manage the money, including the Union finance ministry. The following data analysis reveals the scale of the problem.

Union governments, over the years, have not skimmed in higher budgetary allocations for plan spending, except for minor blips in some years. But to make good the allocations, the Commission developed some short-cuts and this is where the problems emerged.

Of the plan expenditure for FY13, for instance, the Commission has carried out more than 35% of it through what is called the 'society mode'. As per the CAG definition, this is the practice of transferring money required for implementing several centrally-sponsored schemes directly into the bank accounts of implementing agencies like societies or autonomous institutions. The practice became widespread FY07 onwards, the CAG notes. Between then and FY13, there has been an increase of two-and-a-half times in such outgo.

This mode undercut the older method of transferring money by routing it through state treasuries. The older system was supported at every stage by a robust tracking mechanism for expenditure. The reasons which were offered to develop the short-cut were that from the early years of 2000s, the states were in fiscal deficit and so plan funds from the Centre were often hijacked by them to meet their own ways-and-means needs. This logic does not hold good any longer. All the states are cash-surplus and finance the deficit of the Centre instead.

What has happened by parking such large sums of money with the implementing agencies is “that the responsibility for control of waste and abuse of authority has become diffused”. The auditor has found that a fat percentage of the recipient NGOs and others do not furnish implementation certificates for years. As a corollary, some of the sharpest criticism of the wounding up of the plan panel now came from these bodies.

The other aspect of the system was that key ministries that got large plan funds were, therefore, at the mercy of these organisations. If, for some reason, those organisations did not pick up the money on time, there was no fall-back investment plan.

For instance, in FY13, the aggregate plan budget of the central government went down by 20% from the budget estimates. Why? This happened because the 10 major ministries which receive plan funds including HRD, agriculture, women and child development, health and drinking water supply had transferred more than 80% of their plan funds to autonomous bodies for these to develop investment plans. When some of that money could not be sent out within the year to the organisations concerned, it had to be surrendered.

Between 2009 and 2013, the aggregate spending on the seven flagship investment programmes of the government declined. In this context, one has to examine what the future investment strategy of the government of India will be, in the post-Planning Commission era.

The finance ministry, through the civil accounts department, will now have to claw back this humongous transfer mechanism and restore the oversight of the state governments. Some of it has already begun, by clipping the number of centrally-sponsored schemes. All of them need to be put in good shape eventually. The next set of changes at the central level will be to restructure some critical committees through which domestic investments are decided upon in the government. These are the expenditure finance committee, which is the first inter-departmental committee of secretaries in the government, and then, higher up the ladder, the public investment board—in the case of the railways, the extended board of the railways.

For both the Project Appraisal and Management Division in the Planning Commission evaluates all central sector projects acting as the institutional information bank. It sort of tries to figure out if the money is worth spending. Each of these has the member-secretary and secretary (expenditure) in the ministry of finance as their permanent members. Most of the investment decisions of the government were decided upon by these two committees, leaving only those above R500 crore to be decided by the Cabinet.

The Union ministries will have to figure out what the alternatives for this structure could be. One way could be to go the way of the road ministry—the Vajpayee

government had delegated larger financial powers to the ministry and, eventually, to the National Highways Authority of India, releasing them from the need to approach the Cabinet or the two committees for each project. The ministry was given an omnibus clearance at the beginning of each financial year. It could be a good time to walk this decentralised route.

**Leading Columnist, Financial Express*

<http://www.financialexpress.com/news/how-the-plan-panel-lost-the-plot/1283091>

That was the Easy Part

*Shantanu Nandan Sharma and Avinash Celestine
The Economic Times (Magazine New Analysis), August 24-30, 2014*

In the same week that prime minister Narendra Modi announced what was long anticipated, the dismantling of the Planning Commission in its existing form, another event took place which highlighted the kind of problem that the commission had become increasingly used to facing in its dying years — the ever-present battle between the Central and the state governments over financial resources.

This time around the problem focused on reforms to create a common goods and services tax (GST). If it does go through later this year as promised, the GST will be a landmark reform event. Currently any business looking to produce goods in one state and distribute it to consumers across different states faces a variety of local taxes and duties across regions. The GST aims to create a single set of taxes. It's a move that will be widely welcomed by business, but it's also a reform that states have mixed feelings about since it directly affects their power to impose taxes. States would like to keep goods which are key sources of tax revenue — alcohol and diesel, for example — out of the GST and retain the power to tweak taxes on them. The battle is over what goods and services to include under the GST and what to leave out.

The Planning Commission did not play much of a role in this particular battle; however, in recent years it had become the focus of states' ire over financial resources raised by the Centre but spent across states in areas like health, education and infrastructure. Indeed, it was widely believed that one reason why Modi was eager to dismantle the panel was his fights with it as chief minister of Gujarat. But dismantling the commission doesn't mean those fights are going to end. How will the fights play out under the new government?

A Rubber Stamp

Despite the image of the Planning Commission being an all-powerful bugbear of the states, the reality is that its power had dwindled over the years to virtually nothing, even in terms of the resources it had control over, and could transfer to states. Till recently only around 6% of the funds that go to states from the Centre were actually 'decided' by the Planning Commission — even there, it had only little discretion and had to follow a set formula that took into account how poor different states were.

Indeed, the biggest blow didn't happen last week, but with the 1991 reforms and delicensing. Among the roles the commission was left with was to rubber-stamp the so-called 'state plans'. A relic of the planning era, these are effectively five-year projections of what each state wants to spend its money on. The Centre also chips in with funding to support those plans and this is where the Planning Commission came in.

Even in this it had become more or less irrelevant. Former Planning Commission member Arun Maira terms the meetings between states and plan panel officials for finalization of fund allocation as "hilarious", admitting that many chief ministers find the process itself an irritant. "It's like filling up a form just for the sake of formality. If a particular state gets an allocation, say of Rs 9,950 crore, the Planning Commission may just round it off to Rs 10,000 crore after a 15-20-minute meeting with the chief minister of that state," he says. "Earlier too, the question came: why should the Planning Commission continue to control states' allocation when it should ideally guide the states and become their strategic partner," asks Maira, who in 2010 consulted 20 eminent persons, including industrialists Ratan Tata and Kumar Mangalam Birla, policymakers like Chakravarthi Rangarajan and Bimal Jalan, before submitting a report on how to make the plan panel a dynamic organization. The UPA-II, however, was in no mood to radically change the commission.

Centre vs State

The key problem between the Centre and the states can be put fairly simply. It's that the Centre controls the most important sources of revenue (income-tax and corporate tax, for instance). But under the Constitution using any money raised to fund some of the most important functions of any government — providing health, education, sanitation or urban infrastructure — is largely the job of the state governments. "It is this vertical imbalance that has been the main issue," says Tapas Sen, professor at the National Institute of Public Finance and Policy. "What should have happened was that the Centre mobilizes the money but transfers a large chunk of it to individual states while leaving it up to them to decide how it should be spent."

Under the Constitution, the Finance Commission has to decide what proportion of Central revenues should be given to states (currently it is around 32%), and how much to each state. Transfers to states under the Finance Commission were Rs 3,18,229 crore in 2013-14.

The Power Tussle

One of the states' biggest complaints over the years has been that successive Central governments couldn't really keep their hands off the money they mobilized, and increasingly wanted a say in how it should be spent at the state level. This led to the problem of 'tied funds' — which were transferred to states by the Centre over and above those set by the Finance Commission, but with explicit riders to states on how the money should be spent.

Centrally sponsored schemes like the National Rural Employment Guarantee and the Indira Awas Yojana are classic examples of this. As of 2013-14, the Centre allocated around Rs 2,13,879 crore for 156 such schemes. Worse, if the Centre put up say 70% of the funds for a scheme, the state was required to put up the remaining amount. States complained they were being forced to divert their own resources towards a programme that had little regard for local conditions, and over which they had little

control. The power to regulate and administer these schemes lies not with the plan panel or the state, but the Central ministry which set up the scheme. "Getting rid of the Planning Commission may not end the CMs' trauma of begging for funds from the Centre. The states still have to run to the ministries for funds," says a government official who had a stint in the commission.

Will the states get economic freedom from the Centre, as Modi has promised? Former Planning Commission secretary NC Saxena does not expect that to happen any time soon. Indeed, one of the ironies of the post-liberalization era has been that even as states have gained in power politically with the emergence of powerful regional parties, they remain as dependent as ever on the Centre financially, for resources. Currently, for every Rs 100 that a state raises on its own, it gets about Rs 71 more from the Centre — a ratio almost unchanged since 1991 (see chart below). "Over the years, the Centre has become a donor to the states. It's more a post-1991 phenomenon when the growth rates improved dramatically and more money came into the Centre's hands," says Saxena. The Centre began to craft big-ticket schemes on health and rural development which are essentially state subjects, to dole out what's called tied funds. As Sen points out: "What is the justification for the Centre to get involved in something like primary education? In most countries, this is a subject that is handled by local authorities, or at most, by individual states." For example, Modi's emphasis on open defecation-free India by 2019 is likely to give birth to a new mega Central scheme on sanitation which is essentially a state subject. In other words, the Centre's diktat to states on where to spend money could continue during this regime too.

Will Modi be Different?

To be fair, the states have to shoulder their share of the blame. One of the reasons why successive Central governments have wanted to step in was precisely because states gave them the excuse to do so, by allocating less money to basic needs than they possibly should have. "The Centre's handholding is essential. Otherwise, there could be a scenario where a particular state may end up using its money in building airports than spending it on health or education," says Saxena. "As states improve administration and increase their capacity on planning, more and more power on how to use its money should be delegated," he adds. "This is a country with huge regional inequalities," says economist Abhijit Sen, also a former member of the Planning Commission. If the Modi government were to simply decide to divvy up funds across states along the lines decided by the Finance Commission, it leaves little room for narrowing those differences through specific targeted funds and schemes. "If not the Planning Commission, someone will have to take that call," he adds.

The true test of the Modi government's approach to dealing with states is not in dismantling an already largely defunct institution. It will be in whether it will continue the trend of earlier Central governments of deciding how states should spend money. Tapas Sen, ironically, sees cause for hope in the government's move to highly

centralize its functioning, by reducing power of individual ministers and pushing power to the Prime Minister's Office. He says that this leaves little room for the kind of bureaucratic empire-building that was another big reason for the proliferation of Centrally sponsored schemes, with the final outcome possibly being far fewer such schemes and the decision to simply give funds to the states to spend as they prefer. Whether this actually happens, for better or for worse, will be a true measure of the change that Modi is promising.

<http://m.economictimes.com/news/politics-and-nation/will-modi-governments-new-think-tank-help-states-get-financial-freedom-from-the-centre/articleshow/msid-40795771.cms>

Part VI

Reports and Other Relevant Publications

Fiscal Federalism: *An Unequal Balance**

*Yashwant Sinha**

Let me begin by saying that we often make or create confusion between federalism and decentralisation and I have seen quite a number of studies where the two terms have been used interchangeably. To me it appears that federalism has to be defined separately from decentralisation. Federalism is the coming together of equal partners who come with a common goal and share powers and jurisdictions. In the case of decentralisation, it is one superior entity which is partly decentralising its powers to the units below and there is a spirit of condescension.

And N. K. Singh, in particular, will remember representing Bihar as he does in the Rajya Sabha on the question of special category states. It's up to the Government of India to give it or not. So it is not an equal partnership and therefore this unequal balance very well describes the scene as it obtains.

Now the second point is that our Constitution, our polity, is markedly and decidedly non-federal. The first Article of the Constitution talks about India that is Bharat being a Union of States. It is not a federation of states. It is described as the Union of States and there are a number of articles in the Constitution which emphasise the overwhelming character, the unitary character of our polity. Article 3 gives the power to the Parliament of India to create a new state, to bifurcate states, to change the boundary of states, to change the name of a state. Now can you do it in a federation of states? This is a power which gives pre-eminence to the Centre, to the Union, through its Parliament.

Then there are other articles of the Constitution which are clearly unitary in nature: Article 248 with regard to residuary powers of legislation; Article 249, power of Parliament to legislate with respect to a matter in the state list in national interest; Article 257(2), giving directions to a state; Article 271, surcharge on certain duties and taxes not to be shared with the states. And two former revenue secretaries here will agree with me that this is a typical tactic which is adopted by the Government of India when you don't want to share something with the states, so you don't impose a new tax, you impose a surcharge because that money is wholly yours. Then Article 280, Finance Commission, I am referring to it because Finance Commission is appointed by the Government of India. It consults the states, but the states have no role in the appointment of the Chairman of the Finance Commission and the members of the

Finance Commission. And finally, Article 356 which as we all know relates to President's rule.

Now when the Constitution was framed and given to the people of this country in 1950, all this was very well, because we had challenges and those challenges had to be met and therefore we created a Union of States and not a Federation of States because India had to remain united. Over a period of time, as these threats and dangers have receded and regional parties have emerged, states have decided to assert themselves. The same Constitution is today being interpreted by the states in a different light and thus there is a pressure on the Central Government. This makes the Central Government cede more and more powers and jurisdiction to the state government, and therefore we are, despite provisions of the Constitution, progressing towards federalism where the states are demanding to become equal partners with a union government.

I referred to the Finance Commission. Take the case of the Planning Commission. The Planning Commission, as we all know, is not a constitutional body. It has been created by an executive order of the Union Government and it has continued all these years through decades without any statutory or constitutional position and we are all aware of the very important role that the Planning Commission plays in the devolution of funds from the Centre to the states. Now I'll have a little more to say on this later but as far as devolution is concerned, I am not talking of other informal arrangements which the Finance Ministry may make from time to time to help a state.

Under our system, the devolution of funds to the states takes place through the Finance Commission award and through the Planning Commission allocations. And again there is the National Development Council (NDC) which is a body of the Planning Commission presided over by the Prime Minister who is the Chair of the Planning Commission and presides over the meetings of the NDC. It remains a matter of opinion about the kind of role that the NDC plays or can play. But in the Constitution there is a very important body called the Interstate Council. The Interstate Council is truly a constitutional body where the centre and the states are supposed to come together and discuss issues of mutual interest and then take a decision based on consensus between the Centre and states and its not merely fiscal, it encompasses a whole range of issues and that's the reason why perhaps it has been located in the Ministry of Home Affairs and not with the Ministry of Finance.

Now as I was telling you, long years of single party rule both at the Centre as well as the states level led to a situation where we had almost the dictatorship of the Centre operating at the state level also. But things started changing from 1967 when the first non-Congress governments were elected in some of the states and they started asserting themselves and today the situation is dramatically changed. Now there are apart from devolution as I said, a number of issues, where the centre has to necessarily work with the state governments. We are all aware of the fact that the state governments' accounts, except for Jammu & Kashmir, are maintained with the

Reserve Bank of India. They are allowed certain overdraft facilities and it used to be a very live issue some years ago where the states were always hand to mouth and they would go to the Reserve Bank of India or come to the Ministry of Finance to enable them to draw more than what their limit of overdraft with the RBI was, but now the situation has changed.

The fiscal deficit of the states today is much better than of the central government and this is thanks largely to the Fiscal Responsibility and Budget Management Act that was passed by Parliament when we were in government, implemented by this government, and then through the Finance Commission we persuaded the states to adopt similar legislations. I dare say that the states have done much better in observing the tenets of this Act than the Government of India has done. We have thrown it out of the window, that's another matter.

But take for instance the case of Agriculture Produce Marketing Committees (APMCs), which is a very major issue in our agriculture because if something militates against making India a common market, it is the APMCs and you cannot abolish it because it is a state legislation, so you have to work with the states to moderate it or get it abolished. I remember we had started a number of discussions in the Interstate Council sub-committee with the state governments on the question of abolition of APMCs without much success.

Here I will recall an incident where we were discussing the value-added tax (VAT) with the state Finance Ministers and I think the finance secretary in that meeting of the Government of India dared to suggest that the states should abolish the tax on the trade of grains, food grains which will help reduce prices. The Finance Minister of Haryana lost his temper so badly that one thought that he might even assault the finance secretary of the Government of India. He had to be restrained and as you know, the Finance Secretary had only made a suggestion.

There is another issue – Essential Commodities Act, which the states implement. Now you change Section 7 of the Essential Commodities Act as we did but you have to carry conviction with the state governments because they are the ones who have to implement the provisions of this Act. I remember a series of discussions which I had with the state governments before we were able to amend Section 7 of the Essential Commodities Act with regard to storage, hoarding, unfair trade practices etc.

But the most important issue today of course between the centre and the states is the GST. Earlier it was the VAT and I can tell you from personal experience that when I started the process of introduction of the VAT, we had already done it at the Central level through Central Value Added Tax (CENVAT) and this had to be now implemented at the state level and the states sales tax had to be replaced by VAT. We had long meetings with the state finance ministers, and again claim credit for the fact that I created a body at that point of time which has survived the test of time and has today become a very important organ of centre state co-operation and that is the

Empowered Group of State Finance Ministers, not a constitutional body, but a body which is playing a very important role today.

And I remember in those discussions, we were only acting as facilitators, getting the states together to sit down, discuss what the VAT should be like, what the legislation should be like, what the rules should be like and it was after very detailed and long meetings that some kind of a consensus was worked out between the centre and the states with regard to VAT which has been now implemented. But I remember for instance the representatives of the Government of Pondicherry came to me and they said that this was against the assurance that Pandit Nehru had given to Pondicherry, you can't impose VAT. I said we are not imposing VAT, we are persuading you to adopt VAT. And VAT is a system of taxation which can unravel very quickly if all the states do not simultaneously join it. Fortunately, VAT has happened – VAT has happened in our country, and now we are moving to the GST.

The GST has many complexities and this is the first attempt which is being made to change a very important part of our Constitution. I don't know ultimately whether some Supreme Court judge will say this is part of the basic structure of the Constitution and strike it down. I don't really know. I am very seriously making this point because there are, as we are aware the Union List, the State List and then the Concurrent List and powers of taxation have been directly given to the states under the State List.

Now what we are trying to do is to change all that and have one tax which is the GST, common to the centre and to the states. It is complex because we are taking away most of the powers of the state governments and introducing a system which will be very complex to operate. It can operate only if we have a first rate information technology platform otherwise the kind of problems that let's say NK Singh encountered as revenue secretary with regard to set-off and refunds with regard to CENVAT. These are issues which will arise and can completely debilitate GST if we don't have a very efficient system of information searing. But GST is something which has created fright among the state governments and they are demanding that we should have some powers still left to impose taxes they wish without reference to the central government.

There are issues between states, there are issues among states and there are issues between the state governments and the Government of India. The former finance minister who now sits in the *Rashtrapati Bhavan* had introduced the GST Constitutional Amendment Bill in Lok Sabha. The Bill was referred to the Standing Committee on Finance, which I chair. We have sent our report to Parliament and through Parliament to the Government of India, but there have been statements by the Prime Minister and the Finance Minister that there is no way in which GST can be introduced within the life of this Lok Sabha and will probably have to have a look at it subsequently.

But I am on a different point – when I went through the Constitutional Amendment Bill, I noticed two things, one was we were amending, going to amend, the Constitution but the Constitutional Amendment Bill – will be an enabling legislation. After which the Government of India will pass its law, the states will pass their laws, and then there will be rules framed – that is the process of legislation. Now the Constitutional Amendment Bill is so detailed that things which should be in the rules have been included, or are sought to be included, in the Constitutional Amendment Bill. It will make life so difficult because every time you want to change a little thing you will have to come back to Parliament, go to the state legislatures to amend this part of the Constitution.

So we have made our recommendations, but the second point which I'd like to make is that while the states are afraid of this GST and I have many concerns, nobody is airing the concerns of the Government of India. Nobody, and we have called the stakeholders, we called the Ministry of Finance, called the experts, called the others, nobody is bothered about what is going to happen to the functioning of the Ministry of Finance, and the making of the budget of the Government of India. Because this legislation has, and when it comes, will have a GST Council presided over by the Finance Minister of India but the deputy chairperson of that body will be a state Finance Minister. Decision will be taken either unanimously depending on what ultimately the Government of India decides or by two-thirds majority. Clearly the states will have a majority in the GST Council, and I was just telling you about surcharge. Can the Finance Minister of India impose a surcharge and get away with it? The GST Council will reject it, the GST council will say whatever you may do, we must have our pound of flesh.

How will you prepare the budget, will you take the budget to the GST Council and get it approved - part B of the budget, which deals with taxation. I have a feeling that the Government of India is surrendering far more authority under the GST than the states are, but in the Government of India, nobody seems to be worried so be it, but a future finance minister who takes office after the GST comes into force will encounter all these problems.

Now I refer to the Planning Commission. Planning Commission has emerged has what shall I say a new DAITYA. It is something which the Constitution does not allow. The Planning Commission instead of engaging itself in perspective planning, long term planning, is today trying to micro manage the states, micro manage the states' finances and states functions. And I remember I had worked in my civil service days as principal secretary to a Bihar chief minister who was one of the brightest politicians I have ever met, Karpooori Thakur. Thakur came to the Planning Commission for a meeting with the deputy chairperson one day or he probably made this point in the meeting of NDC. He said where are these wise people coming from; these wise people are coming from the states. So when my officer comes and sits in the Yojana Bhawan, he acquires such knowledge and wisdom that he will sit in judgement over the officers who are working at the state level.

And the Government of India, its line ministries which have vested interests have created over period of time a plethora of schemes, centrally sponsored, which are supposed to be implemented by the state governments, and these schemes have varying funding patterns, some 80/20, some 75/25, some 60/40, 30/70, there is no prescribed rule about what the funding pattern of a certain scheme of the Government of India will be. There is no standard rule like the Americans have when they deal with the diplomats, they have a standard procedure, we don't. So what is happening, even after the present finance minister persuaded the Planning Commission and the line ministries to reduce the number of schemes, the total number of schemes which are being run by the Government of India and implemented by the states is 149 or so. You go to any district of this country and ask the District Magistrate, the Deputy Development Commissioner, the Block Development Officer, the *Panchayat*, the *Zola Paris had*, about the number of schemes are they implementing. Nobody will be able to count all these schemes because they have lost count.

This is one of the worst systems that we have perpetrated in our polity – Government of India's schemes. And therefore in the Parliamentary Finance Committee we have suggested that the total number of schemes run by the Government of India should be reduced to something like 10 or 12.

You can't have every scheme as a flagship scheme. Sheep rearing is a flagship scheme of the Government of India – and there is one in my constituency where sheep have long vanished. There are only people, persons, who are running the sheep farm. I mean it's ridiculous in the extreme, and every time nobody is prepared to accept zero budgeting. There is no review in the Planning Commission. Every year we go on sanctioning funds one after the other, and let me also tell you that every year there is a slanging match between the Planning Commission and the Finance Ministry with regards to the gross budgetary support.

When N.K. Singh and Montek Singh Ahluwalia were in the Finance Ministry, they used to fight alongside me with the Planning Commission to say how GBS should be restricted. When they went to the Planning Commission, they became warriors of the Planning Commission. About how much GBS should be made available and every time it goes to the Prime Minister for arbitration and then he passes the final word. Then once the GBS is decided, then the sectoral allocations are made by the Deputy Chairperson of the Planning Commission, not by the Finance Minister.

So what is the plan allocation for agriculture or rural development or anything which is under plan will be determined by the Planning Commission, and the Deputy Chairperson of Planning Commission and no one defends the allocation of the Planning Commission in the Parliament. This is one of the major lacunas in our system. Once when I told a Deputy Chairperson of the Planning Commission, when I was Finance Minister, in front of the Prime Minister, that I will have to stand up and

defend these allocations with which I have nothing to do, and he was not very happy with the remark.

So the Planning Commission needs to be restricted, in fact at a seminar in the Stanford University where I had gone, thanks to N.K. Singh, I had made a presentation where I had said that the Planning Commission should become a Perspective Planning and Implementation Commission and they should stop interfering with the state governments in their day to day functioning and whatever be the allocations, you make 100 per cent allocation for these 10-12 flagship schemes and for the rest just transfer the funds to the state governments and let them decide what they want to do. This is the formula that we had followed when we had in our time started the *Pradhan Mantri Gram Sadak Yojana* – 100 per cent funding, 100 per cent monitoring, otherwise you have no monitoring. I understand that now we have an Independent Evaluation Office, and I wish the head luck because it's a difficult thing that he has taken upon himself. So if there is one body which is the biggest obstacle in the path to federalism in our system, I'll put my finger at the Planning Commission of India.

Now the Government of India is also the banker of last resort. This is the point I was alluding to earlier, that whenever despite all the chant of federalism, that the states, whatever their political complexion may be. The point remains that they come to the Government of India whenever they are in fiscal difficulties and the Government of India has to find the wherewithal to be able to help them. There are instances galore, of how often we have gone out of our way to help state governments and the most, the greatest satisfaction that I derived in my tenure as Finance Minister was not a letter for appreciation from a BJP ruled state Chief Minister but from Kerala which was being ruled by the CPM. The then Chief Minister E. K. Nayanar wrote a beautiful letter to me appreciating the fact that I had been always ready to help the Kerala government.

Finally I'll end by saying that whatever union federalism, decentralisation, now to the fourth level of our Panchayats that is taking place, is fine. But what we need in future in our polity, what we need truly is co-operative federalism. This co-operative federalism and one example of this is the Empowered Group of State Finance Ministers, where we have co-opted them, where they have started playing a very important role and I think in various other areas where we have to deal closely with the state governments. It will be a useful thing if we created similar bodies, for instance, why not have a Standing Committee of State Home Ministers to discuss various issues relating not only to law and order but also to the overall security scenario of this country.

We have meetings called by the Central ministers but there is no appointed body to be able to fully involve itself with its own secretariat to be able to talk to Government of India on equal terms. So unity of purpose at the state level, a more liberal approach by the Government of India and co-operative federalism, to my mind is the way

forward and I hope we'll have the political wisdom to create that kind of a polity in our country in the very nearest future.

*Former MP & Chairman,
Parliamentary Standing Committee on Finance*

**Better Governance for Inclusive Growth -
CUTS 30th Anniversary Lecture Series 2013-14**

[http://www.cuts-international.org/30thAnniversaryLectures/pdf/Better Governance for Inclusive Growth.pdf](http://www.cuts-international.org/30thAnniversaryLectures/pdf/Better_Governance_for_Inclusive_Growth.pdf)

Policy Options Note

2/2014

Rethinking the Role of Planning Commission of India

The Planning Commission of India (Commission), India's central plan body, has been in the eye of storm for quite some time now. It has been accused of ignoring the concerns of states while formulating plans, functioning sans accountability, and proving to be a roadblock in the path of federalism. Moreover, the need of planning in a market economy is being increasingly debated, and so is the utility of a central planner.

This Policy Options Note attempts to track growth of the Commission, since its conception, and probe into some such concerns. It concludes with providing ideas to revamp the Commission to suit the needs of modern Indian economy, while taking into account institutional knowledge¹ accumulated by the Commission, over a considerable period of time.

Formulation of the Commission

The Commission was set up in 1950 by a government resolution (and not a legislation) during the time of then Prime Minister, Jawaharlal Nehru. His idea was to create an arms' length body of experts to advise him on public policy as he would not have been able to get the best from the Cabinet or the ministries. In order to give it some authority, the head of the Commission (Deputy Chairman) was given a rank of Cabinet Minister and the Members were given a rank of Minister of State.

One of the fundamental criticisms of the Commission is this absence of constitutional/statutory authority. Paranjape² speculates that being a novel experiment, the government might have wanted to avoid statutory constraints. However, even after decades, its foundation remains the same in spite of having a vital role in the economy. Members of the Commission are appointed by the Prime Minister on the strength of his personal knowledge and comfort, and without any selection criteria. It is no surprise, thus, that it remains subject to the wishes of government in its composition and working.

Growth into a Behemoth

The Commission was constituted with the objective of setting national growth priorities and determining the systematic course of balanced development. It probably suited the times, given the imminent hunger for rapid development of a newly born Union with weak states. Its roles include a determining devolution of funds to the states, and formulating a plan for most effective and balanced utilisation of the country's resources, in consultation with state governments.

In practice, however, this has often been a one way street. Due to strong Centre and the governments at the Centre and states being led by the same party for a significant period since independence, states have been relegated to following national priorities and directions, neglecting their specific growth capacity and requirements, and have little say in planning and implementation.³

Over time, the Commission has been transformed into a Control Commission having last word on resource allocation to states. Thus, originally envisaged as a purely advisory body, with no authority or administrative roles, the Commission has become an extra-constitutional unaccountable political authority, and a means for the backdoor control of states' economic policies.

Bimal Jalan, former Governor, Reserve Bank of India (RBI), explains that lack of integration and consultation with states could have been due to different governments with different tenures in the states. However, the disconnect has widened so much that the Commission and the Finance Ministry have been accused of practically deciding the plan with hardly any analytical understanding of various dimensions of major issues across the country.

Lack of Accountability

Another major criticism levelled on the Commission is that it has developed into a powerful organisation without having any accountability. The Deputy Chairman, who is the Chief Executive of the Commission, influences a substantial portion of government expenditure, is never questioned directly in the Parliament, except through the Minister of State for Planning and Statistics. The Commission's

practices are also not subject to any review. Year after year, it relies on past allocations to make plans, and does not undertake zero budgeting.

Hijacking the Role of Other Central Bodies

The Finance Commission, and not the Commission, has been charged by the Constitution with the responsibility of transfer of resources from Centre to states. However, in practice, this function has been hijacked by the Commission. Perhaps, because the Finance Commission is an independent constitutional authority and thus not amenable to government diktats, while the Commission is a body which is under the direct control of the Prime Minister, who is also the Chairman of the Commission.

Another constitutional body, the Inter State Council, housed in the Home Ministry, with the responsibility to arbitrate on policies and resource allocation between the Centre and states, has been abrogated by the expanding scope of functions of the Commission.

At present, many central organisations exist, carrying out substantially similar activities. These include (in addition to the Commission), the RBI, the Finance Commission, the Inter State Council, the National Development Council, the Central Statistics Office, the Prime Minister's Economic Advisory Council (PMEAC), the Chief Economic Adviser (CEA) in the Finance Ministry, amongst others. Other than the Commission, the RBI, PMEAC, and the CEA publish annual reports on the state of the economy.

Thus, mandate of these organisations seem to be overlapping at times, as all these perform economic research and advisory functions, to certain extent. A clear understanding of role of each of these organisations, and preferably undertaking of cognate activities by a single organisation, is need of the hour. This will help avoiding inconsistency and confusion.

Need of Planning in Modern Economy

As the country transitioned from a closed economy into a market economy, utility of central planning was questioned, in light of diminishing role of the government and increasing private sector participation in delivering public goods. At the time of its setting up, around 90 percent of the gross investment in the country came from tax receipts. Over time, this has reduced to around 25 percent (the rest being private risk capital). Given this, the need for investment planning by a Commission-like body has been increasingly probed.

While Sabhlok⁴ argues that planning in a market economy is simply not possible or desirable, Stiglitz⁵ points out that while government planning in market economy is needed, he questions if its most effective location is in the government centralised bureau or at the level of firm. Bagchi⁶ emphasises on the importance of centralised

planning, but wants it to be indicative, coordinative and prescriptive.

Over time, the Commission also realised that to suit the needs of market economy, a transition is needed from centralised to indicative planning where it concerns itself with building a long-term strategic vision of the future and decide national priorities.⁷ However, it continues, as before, with formulation of ambitious plans.

Roadblock in the Path of Federalism

Recently, senior parliamentarians: Yashwant Sinha, N K Singh and B L Mungekar, while discussing the issue of fiscal federalism and centralised government planning, suggested that Commission in its existing form was the biggest roadblock in the path of federalism. Both N K Singh and B L Mungekar have also served as Members of the Commission in the past and in unison suggested that the Commission should be wound up. They were sharing their views at a lecture on "Fiscal Federalism: An Unequal Balance" organised by CUTS at New Delhi on December 18, 2013, as a part of its public lecture series on "Better Governance for Inclusive Growth" to celebrate its 30th anniversary.⁸

True federalism, as observed by Louis D Brandeis, Associate Judge on the Supreme Court of the US in 1932, is a condition in which a single courageous state may, if its citizens choose, serve as a laboratory, and try novel social and economic experiments without risk to rest of the country. His view of states being 'laboratories of democracy' forms the basis of new federalism philosophy in the US which advocates restoration to states of some of the autonomy and powers which they lost to the federal government, as a consequence of the New Deal.

A central plan body usually indicates strong role for the Central Government and fewer powers to states, thus conflicting with the idea of true federalism. On the other hand, an expert advisory central body indicates greater balance between Central and state governments and recognition of the principles of federalism.

China has the National Development and Reform Commission (NDRC) having broad administrative and planning control over the economy.⁹ The NDRC is a successor to the State Planning Commission (SPC), which had managed China's centrally planned economy since 1952. In 1998, the SPC was renamed as the State Development Planning Commission, which then merged with the State Council Office for Restructuring the Economic System and part of the State Economic and Trade Commission in 2003. Since then, the organisation further shifted its policy from a planned to a socialist market economy. The restructured organisation was then merged into a newly created NDRC, which gained greater responsibility and power in overseeing China's economic development.

Such experiment of a central plan body formulating long term plans was pioneered by the erstwhile USSR, which became a model for all countries, including India, which were following a centrally planned economy.

However, alternatives exist. The General Commission for Strategy and Foresight in France assists the government in determining direction for economic development. The Federal Planning Bureau in Belgium provides expert assistance to the government and issues studies and projections on economic and other issues. In US, other than the state-level plan bodies, the Council of Economic Advisers offers the President objective economic advice on the formulation of domestic and international economic policy.

In India, over time, with evolution of coalition governments, multiple political parties, and realisation that states have different growth capacity and requirements, the demand for greater role of states has grown. However, the Commission continues with its practice of allocating of funds to states, without taking into account their concerns. Thus, it is increasingly being viewed as a roadblock to true federalism.

Knowledge Bank of the Commission

Supporters of the Commission in its current form argue that it is the only body with inter-ministerial knowledge and believe that it has an important role at central level. They suggest that its main functions of allocating resources, designing policies and evaluating performance, will have to be carried out in any case, which will ultimately require staff and resources that Commission has today.

Lack of Specialisation

In its earlier years, Commission's advisers used to be domain experts chosen through stringent selection processes while Members were expected to provide a holistic view. However, there has since been a shift in the composition of advisers who are now mostly officials from the Indian Administrative Service or Indian Economic Service and not necessarily domain experts. Some of them do have domain knowledge, but most get appointed through jockeying to continue to live in Lutyen's Delhi. Even office of the Secretary of the Commission used to be occupied by a serving IAS officer or an economist, but in two appointments in the recent past, retired IAS officers have been appointed, imagination and capabilities of whom, can be captured on the back of a postage stamp.

This is in spite of the Commission's own recommendation in the 9th Five Year Plan policy documents that retirees should not be appointed to any such job, and if at all they are, then they should not be provided government accommodation.

The Commission currently has 26 divisions but has only eight Members, resulting in each Member looking at an average three divisions. The Members of the Commission

have also been given specific charge of management of relationships with specified states, and thus, most of their time is taken up in controlling the behaviour of states via granting or withholding resources. As a result, they do not have time to devote to their subject matter briefs in which they are supposed to possess an expertise. They are also not able to study numerous topics required to develop a plan and liaise with several key ministries, which has become necessary in today's complex contemporary environment.

Consequently, the Commission has become weaker with advisers no longer being domain experts because of a shift in their hiring pattern, and the lack of enough Members, which has resulted in a generic approach on important subject matters. Thus, it needs permanent staff with deep understanding of specific areas, which could be from civil services but roped in after a well laid out selection process.

Commission or Ministry?

The Commission's internal systems are run on the lines of a government ministry. It has a Secretary like all other ministries. The Secretary reports to the Deputy Chairman who is a 'minister' with independent charge. All officers report to the Secretary. Members are ranked as 'ministers of state' for protocol purposes, and like ministers of state in other ministries they have no say in the appointments, transfers, evaluations, and quality of the staff in the divisions they are notionally responsible for.

Thus, the organisation is run like a 'ministry' albeit with a 'commission' of a few full-time Members attached to it. These Members are expected to deliver high-quality guidance on the subjects assigned to them and to change the ways in which the Commission engages with the country and plans for its progress. They do not have the resources to do this.¹⁰

In fact, all research projects are awarded by the Commission through the Secretary and the huge administrative staff. A proposal was once mooted in 2010 that every Member be given a budget of ₹2 crore per annum to decide on a research project which they would like to commission, but that proposal fell flat as the bureaucracy opposed the same.

Suggestions from within the Commission

Different opinions on restructuring the Commission can be heard from within the plan body. Suggestions include a significant increase in the number of Members, hiring of domain experts both at the Member as well as adviser levels, creation of new divisions and greater involvement of think tanks in the planning process.

Some have suggested making the Commission a much bigger body having specialised divisions and staffed with more Members and domain experts, to make it more useful. Others have called for establishment of a small, dynamic cell within the Commission to stimulate the

formation of a network of think tanks and establish learning processes between policymakers and knowledge providers.

There have even been calls for recruiting high level generalists to identify gaps in economy, and setting up *ad-hoc* panels with experts to build alternate scenarios.¹¹

Opinion of Experts

Many models have been suggested for revamping the Commission, by different experts, to bring it in tune with the demands of the current market economy.

Paranjape recommended the Commission be turned into a genuinely expert advisory body, without the clout to enforce a specific pattern of development in the country. Some suggested turning the Commission into Systems Reforms Commission, with the job of getting many ministries to work together. This is relevant given that a multi-party government and federal structure requires a set of non-political thinkers who could foresee what was happening.

Suggestions also include limiting Commission's role to data dissemination, with the Finance Commission allocating resources to states. The Administrative Reforms Commission recommended discontinuation with the practice of Prime Minister's formal and mandatory association with the Commission, to reduce clout, and ensure arms-length relation with the government.

Sabhlok calls for first principles review of the Commission and suggested establishing an independent and statutory Governance and Economic Reform Commission that conducts intervention impact assessment of government programmes and provides independent advice on its proposals. Some have suggested turning Commission into an office of chief economist with the primary function to draw on a wide range of economic and commercial expertise and intelligence and develop strategies related to improving the overall competitiveness of Indian economy.

Sinha, while speaking at the CUTS lecture,¹² (referred to above) suggested that the Commission be restructured into Perspective Planning and Implementation Commission, while ceasing to interfere in functioning of state governments. Mungekar suggested that functions of the Commission are well suited to be carried out by the Finance Ministry as instead of planning for the future, the Commission had simply become an agency for incurring expenditure and making budgetary allocation. The panel agreed that Commission could be rechristened into a Department of Planning and Cooperation.

Rajiv Lall, Executive Chairman, IDFC, while speaking at a subsequent CUTS 30th anniversary lecture on 'Economic Governance in India,'¹³ highlighted the need to refurbish the Commission so that it becomes a true national level institution to deal with evolving economic governance challenges.

Pradip Shah, Chairman, IndAsia Fund Advisors, also speaking at the lecture, was critical of the role of the Commission and called for a redefinition of its duties and responsibilities. He suggested that it should become Planning cum Monitoring Commission¹⁴ and possess a very strong monitoring wing that checks the translation of plans into implementation.

Almost a consensus emerges in favour of de-politicisation of the Commission and making it an advisory body, and determination of investment priorities by the states.

Reforms Initiated by the Commission and the Government

It is not that the Commission has not realised its maladies. It has started taking corrective actions by introducing greater stakeholder participation (by adoption of the India Backbone Implementation Network), identifying critical intervention areas (such as improving business regulatory environment and human asset environment for enhancing manufacturing), and designing processes to support states to improve their performance and knowledge of available best practices.¹⁵

The government, via the Interim Budget 2014-15, substantially increased the funds to be released as Central assistance to states, thus giving states greater authority and responsibility. However, going forward, it expects states to willingly bear a reasonable proportion of the costs of implementing flagship programmes. To enable this, states must have a greater voice in design of plans.

The current efforts are not sufficient, and more needs to be done from within the Commission as well as by the government, on a priority basis, to make the Commission relevant in current times and justify spending of public resources.

Conclusion and Suggestions

The Finance Commission, being charged by the Constitution with the responsibility to transfer resources from Centre to states, could do the task of funds allocation to states on a regular basis as well.

The Commission, in order to deal with evolving economic governance challenges, must be transformed into independent expert statutory body with two key roles. First, to advise Central and state governments on critical economic policy issues on the basis of in-depth research, data collection, analysis, identification of alternatives, and evaluation of impact of policy proposals and prevailing policies. Second, to facilitate coordination between different government departments, Central and state governments and different state governments.

In order to perform these functions, the Commission could have offices in all the states.¹⁶ These offices must be connected to an online central repository wherein all the

data, reports, minutes of meetings, recommendations etc. should be uploaded. The Commission's association with the Prime Minister's office must be discontinued. Its Members and officers must be selected through a transparent rigorous process. Its performance must be evaluated against a set of pre-determined identifiable targets (including time-bound advisory process, and evaluating utility of suggestions in real world). The Commission should be capable of evolving with the needs of the economy, and its actions must be open to public scrutiny.

Only if these suggestions are implemented, plans would be made on the basis of first-rate information with greater participation from states, and states could act as laboratories for democracy, as envisaged by Justice Brandeis. An expert body in the form of a revamped Commission would be available to assist in efficient implementation of such plans and evaluation of outcomes, thus acting as a dynamic knowledge organisation and effective facilitator of implementation. This will help in achieving true federalism and could also set the stage for decentralisation of powers within the states and lead to better growth.

Endnotes

- 1 Though institutional memory is quite weak as the Commission has no systematic process to capture and store information. Through random searches one can find some relevant data, but that is dependent on luck and the effort put in by a researcher. For example, CUTS was the knowledge partner to the Commission on the Working Group on Business Regulatory Framework, when it was discovered that many discussions have taken place in the past but the Industries Division could not locate the data. Therefore, one recommendation was to collect all the old reports and analyse them on the processes and the reasons why their recommendations did not fly
- 2 H K Paranjape, *The Task of Ninth Finance Commission - The Planning Commission Tangle*, 1988
- 3 Report of the First Administrative Reforms Commission, 1966
- 4 Sanjeev Sabhlok, *Breaking Free of Nehru: Lets Unleash India*, 2009
- 5 Amaresh Bagchi, *Role of Planning and the Planning Commission in the New Indian Economy: Case for Review*, Economic and Political Weekly, 2007
- 6 *Ibid*
- 7 <http://planningcommission.nic.in/aboutus/history/function.php?about=funcbody.htm>
- 8 www.cuts-international.org/30thAnniversaryLectures/Lecture-Fiscal_Federalism-The_Unequal_Balance.html
- 9 See, <http://en.ndrc.gov.cn/>
- 10 Arun Maira, *India's Reluctant Reformers*, Livemint, March 05, 2014
- 11 http://articles.economictimes.indiatimes.com/2014-02-11/news/47235810_1_planning-commission-policy-reforms-coal-mining
- 12 Supra note 8
- 13 www.cuts-international.org/30thAnniversaryLectures/Lecture-Economic_Governance_in_India.html
- 14 An Independent Evaluation Office has since been set up in June 2013 with a Director General in the rank of a Minister of State
- 15 Arun Maira, *Catalytic change to planning*, Livemint, March 12, 2014
- 16 The Pune International Centre has made similar suggestions. It advocates establishment of 'Independent Evaluation Office' in states, to improve expenditure efficiency and development outcomes. See, *Innovating India, Road map 2014-19*, Pune International Centre

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Reforming the Planning Commission

An Assessment by the Independent
Evaluation Office

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1. Reasons for Setting up the Planning Commission

The Planning Commission was set up on March 15, 1950 vide Government of India Cabinet Secretariat Resolution (Planning)No.1-P(C)/50. The Cabinet Resolution mentions several reasons why a specialized body like the Planning Commission was needed in 1950, the year of its creation:

1. The absence of adequate co-ordination and of sufficiently precise information about the availability of resources.
2. The need for a fresh assessment of the financial and other resources and of the essential conditions of progress necessitated by the integration of the former Indian States with the rest of country and the emergence of new geographical and economic facts.
3. Inflationary pressures inherited from the war, balance of payments difficulties, the influx into India of several million persons displaced from their homes and occupations.
4. Deficiencies in the country's food supply aggravated by partition and a succession of indifferent harvests.
5. The dislocation of supplies of certain essential raw materials have placed the economy under a severe strain.

Additionally, it was to further the “declared objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and offering opportunities to all for employment in the service of the community.”

The reasons specified in the Cabinet Resolution indicate that the Planning Commission 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 Cabinet found that the need to mobilize unutilized resources outweighed the need to utilize resources in the most efficient way possible during the turbulent times of 1950. This reasoning is not unique and has been adopted even by traditionally free market economies in time of severe crisis. Good examples of this are the economic reorganization of major European powers during the Second World War.

This choice of top down planning is also explained by the political leadership of the 1950s. The Planning Commission was created under the auspices of India’s first Prime Minister, Pandit Jawaharlal Nehru. It therefore had its roots in Nehruvian socialism that envisaged a largely planned economy with the Central Government responsible for a dominant portion of investment in the economy.

The Planning Commission was also chaired by the Prime Minister, a man with widespread democratic legitimacy and nationwide moral authority in the aftermath of the Independence movement. Furthermore, Prime Minister Nehru was the undisputed leader of the Congress Party and led a country where all the States were led by Chief Ministers from the Congress Party. This meant that concerns about impinging upon the rights of the States and diluting the federal structure of the country were not voiced or considered when establishing the Planning Commission.

The Planning Commission therefore became an instrument by which an unchallenged Prime Minister could make far reaching economic plans for the whole country unfettered by Parliamentary considerations. These circumstances also explain how the Planning Commission became the administrator of the Five Year Plans and a monolithic allocator of financial resources, a role it serves till today.

2. Historical Function of the Planning Commission

In light of the economic and political circumstances explained above, the Planning Commission was tasked with a wide range of responsibilities. It was tasked with making recommendations to the Cabinet acting in “close understanding and consultation” with the Ministries of the Central Government and the Governments of the States. The responsibility for taking and implementing these recommendations was placed jointly on the Central and the State Governments.

Towards this end, the Planning Commission was tasked by the Cabinet Resolution No.1-P(C)/50 with the following functions:

1. Make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;
2. Formulate a Plan for the most effective and balanced utilization of the country's resources;
3. 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;
4. 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;
5. 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;
6. 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

7. Make such interim or ancillary recommendations as appear to it 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 problem as may be referred to it for advice by Central or State Governments.

3. Has India Outgrown the Planning Commission?

Since 1950, India has undergone a political and economic transformation. A Planning Commission responsible only to the Prime Minister no longer enjoys the legitimacy that it enjoyed in the turbulent times in which it was created. It is also clear that four of the five factors listed in the Cabinet note as reasons for the establishment of the Planning Commission are clearly inapplicable in the current context.

There can be no argument that factors two through five given as reasons for the creation of the Planning Commission in Cabinet Resolution No.1-P(C)/50 which relate to the integration of States, war, historical famines and partition respectively and are relevant to the country any longer.

Only the first of the listed factors, i.e. “The absence of adequate co-ordination and of sufficiently precise information about the availability of resources” can be argued to persist. Even in this, the situation has unarguably improved tremendously since 1950. The special economic circumstances that explained the adoption of a top down planning mechanism in 1950 can therefore not be said to exist today.

In the face of these major political and economic developments, the Planning Commission has failed to adapt itself fast enough. Even though it has abandoned its most overly ambitious mandates to micromanage which went as far as to give it the responsibility to identify the machinery needed to implement its plans, it still continues to have a top down approach to planning and allocation.

A review of the Planning Commission in 2010 identified the following functions that the organization performs in the current day and age.

1. Seeing the ‘big picture’ and presenting it to the country
2. Injecting fresh thinking into policy-making
3. Allocating money to the States
4. Allocating money to Central Ministries

In performing the first two functions, the Planning Commission acts as a think tank for the Central government as well as the State Governments. Unfortunately, in performing the third and fourth functions listed here, it continues to perform the role

of allocating resources to the States and the Central Ministries. In other words, it still continues to be an arbiter for the distribution of the nation's financial resources.

The changed political and economic conditions in the country have sharply brought into focus many problems with the role and functioning of the Planning Commission which has not adapted sufficiently to suit the need of the hour. Some key problems are identified and discussed in the following sections.

4. Key Problems Facing the Planning Commission

4.1 Concerns Regarding Federalism

The Planning Commission, by performing the role of a control commission rather than a recommending body exceeds the scope of its authority which is based on a singular Cabinet resolution. This overreach is especially egregious due to the Planning Commission's influence on the allocation of funds to the State governments which directly impacts Centre-State relations.

It should be noted that the balance in Centre-State relations regarding financial matters as conceived by the Constitution of India was arrived at after tremendous reasoned debate.⁸ This balance was established in the Constitution of India through the offices of the Finance Commission. Neither the Constitution nor its framers envisaged a Planning Commission with administrative or control rights over the distribution of funds to the various States. Accordingly, concerns of constitutional propriety and impartiality need to be considered when evaluating the role of the Planning Commission.

The absence of a constitutional mandate, or even the legislative delegation of the authority to assign funds to the States therefore strikes at the heart of the balance of power between Centre and States. This concern is exacerbated by the Planning Commission's lack of accountability to anyone but the Prime Minister, who appoints its members.

These issues of constitutionality and accountability therefore pose a threat to federalism as provided for in the Constitution of India. They are examined in greater detail in the following sections.

4.2 Concerns of Constitutional Impropriety

Certain sources of government funds such as income taxes and excise duties are more effectively collected by the Centre rather than by individual States. Therefore, once collected by the Centre, these proceeds have to be apportioned amongst the States for their functioning and to finance developmental activity. The modalities of carrying

⁸ See Constituent Assembly Debates, Volume 9.

out this distribution, a role now played to a great extent by the Planning Commission, was extensively debated by the framers of the Indian Constitution.

In their wisdom, the framers created the Finance Commission, a constitutional body with several checks and balances to perform this role. These check and balances are in the form of provisions that regulate the commission's operational procedures as well as the selection and terms of service of its members to ensure impartiality and independence.

The explicit allocation of the responsibility to determine the distribution of Central funds between the Centre and the various States to the Finance Commission is clear from Article 280, Constitution of India.

Art. 280(2):

It shall be the duty of the Commission to make recommendations to the President as to

- a. the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;*
- b. the principles which should govern the grants in aid of the revenues of the States out of the Consolidated Fund of India;*
- c. any other matter referred to the Commission by the President in the interests of sound finance*

By assuming the crucial function of allocating resources to the States, the Planning Commission clearly comes into conflict with the role of Finance Commission. By doing so, it circumvents the constitutional protections that were designed to ensure impartial allocation of funds and reduces the independence of the States to manage their finances and to design and implement their own developmental programmes. The Planning Commission therefore finds itself in opposition to both the form as well as the intent of the Constitution of India.

4.3 Concerns of Accountability

The members of the Planning Commission are appointed by the Prime Minister. This includes the Deputy Chairman of the Commission who oversees the functioning of the Planning Commission. Unlike the Ministers of Central Government Ministries, the Deputy Chairman is not subject to Parliamentary oversight by means of questioning in Parliament. He is answerable to Parliament only indirectly through the offices of the Minister of State for Planning and Statistics. Since the Deputy Chairman holds Cabinet rank and outranks the Minister of State for Planning and Statistics, the latter cannot be expected to effectively supervise his actions. This means that the Planning Commission is not subject to Parliamentary oversight through its leader like regular Ministries of the Central Government.

Furthermore, unlike other ministers, the members and the Deputy Chairman are also not chosen from amongst members of either House of Parliament relieving them of Parliamentary oversight at the individual level.

This opaqueness vis-à-vis the functioning of the Planning Commission is a matter of concern especially as far as its role as a major allocator of financial resources is concerned. Since the Planning Commission distributes resources between the Centre and the States, its members' lack of accountability to anyone but the head of the Central executive makes this problem especially egregious. Unlike the members of the Finance Commission, whose independence is protected by Constitutional provisions regulating their appointment and terms of service, members of the Planning Commission are susceptible to pressure from the PMO. This outside influence wielded by the Prime Minister opens up the possibility of actual or perceived partial treatment by the Planning Commission in allocating resources amongst the States which is a very serious threat indeed.

4.4 Concerns Regarding Human Resources and Organizational Structure

The Planning Commission has been criticized for becoming a monolithic bureaucracy no different from other Central ministries in the way it is administered. The members of the Planning Commission, who are eminent experts with domain expertise, find themselves outside the ossified structure of authority.

The organization has also been accused of becoming a 'parking lot' for IAS officers between assignments who have neither the specialized domain level expertise nor the training to carry out long term economic planning. These officers do not report to the expert members, but like every other ministry, report to the Secretary of the Planning Commission who in turn reports to the Deputy Chairman. This means that the expert members have little influence over the large pools of unspecialized bureaucrats who man the organization. The members are therefore unable to effectively guide and supervise the work of the bureaucrats and effectively channelize the human resources available to the Commission.

Furthermore, the bureaucrats staffing the Planning Commission do not have any specialized planning competence greater than that of their colleagues who work in the administration of the various States. This leads to a situation where non-experts end up exercising ineffective and unwarranted influence over the spending decisions and developmental priorities of the States.

These factors suggest that the Planning Commission is not suitably structured to be an effective think tank of the government nor is it properly structured to be effective in allocating and supervising the States' finances.

5. Alternatives to the Current Planning Commission

Recent attempts to reform the Planning Commission correctly conclude that the Planning Commission, as it exists, will elude attempts at fundamental reform. The bureaucratic inertia of the organization has stymied several attempts at reform and it is reasonable to assume that it will stymie others. Recent attempts have accepted this reality and recommended that a new wing be created to do what the existing commission is unable to do effectively.

It is believed that such half measures are sub-optimal and that we can do better. A bold and radical step is required. It is therefore recommended that the Planning Commission be abolished and its staff returned to their parent cadres.

The functions currently being performed by the Planning Commission can be taken over by other bodies which are better designed to perform those functions. Suggestions for carrying out functions currently performed by the Planning Commission more effectively are given in the following sections.

5.1 The Finance Commission Should Determine the Division of Funds between the Union Government and the Various States

The function of allocating 'plan expenses' which the Planning Commission currently discharges without any constitutional or legislative mandate should be performed by an expert body designed for the specific purpose of allocating Centrally collected funds. Happily, such a body already exists in the form of the Finance Commission which has this authority bestowed upon it by the Constitution of India.

Unlike the Planning Commission, this body contains checks and balances, independence from the PMO as well as accountability and legal sanction build into it by vide Art. 280 (1) and (4) of the Constitution of India and the provisions of The Finance Commission (Miscellaneous Provisions) Act, 1951.

These provide the Finance Commission with strict rules governing the qualifications, conditions for disqualification, terms of office, eligibility for reappointment, salaries and allowances of its members as well as stipulating the procedures and powers of the commission. Unlike the Planning Commission, the Finance Commission is, therefore, a neutral body not beholden to the Prime Minister. It is thus better placed to fairly and expertly apportion resources to the Centre and the various States.

It is important to note that the Constituent Assembly debated the issues of the federalism related to the need to protect the independence of the States vis-à-vis their reliance on Central funds. It was only the independence of the Finance Commission and the requirement of Parliamentary approval of its recommendations

that quelled strong objections.⁹ By usurping the power to allocate funds to the States, the Planning Commission nullifies both these protections thereby negating the result of careful deliberations by the Constituent Assembly.

This appropriation of authority causes problems because there are no constitutional protections that stipulate qualifications and terms of service for the members of the Planning Commission (who are nominated by the Prime Minister) and furthermore, its financial allocations to the States (plan expenses) are not subject to parliamentary approval.

By adopting the recommendations of the Rangarajan Committee Report, the distinction between plan and non-plan expenses should be eliminated.¹⁰ The Finance Commission should, as it is empowered and required by Art. 280(2)(a) & (b) of the Constitution of India, determine the division of all centrally collected revenue between the Centre and the States. It should also determine the distribution of funds amongst the various States of the Union while avoiding the micro-management the Planning Commission has been criticised for.

The Finance Commission should, therefore, be made a permanent body responsible for the allocation of centrally collected revenue to the States working with the help of a panel of advisors with domain level expertise.

5.2 The Finance Ministry Should Allocate Funds to the Various Central Ministries

The allocation of funds to the various Central Ministries does not entail concerns of federalism. This means that the body tasked with distributing the revenue allocated to the Centre (by the Finance Commission) amongst the various Central Ministries only needs to be accountable to the Central Government. Accordingly, a Central Ministry such as the Finance Ministry, which is answerable to Parliament through the Finance Minister and is a part of the Union Cabinet, can fill this role, at least as far as concerns of accountability are concerned.

The Finance Ministry has departments responsible for economic and financial management such as the Department of Economic Affairs and the Department of Expenditure. It also has a clear picture of the country's financial resources through the Department of Revenue. In light of this, it is recommended that the Finance Ministry be tasked with the division of funds amongst the various Central Ministries.

⁹ See Constituent Assembly Debates, Volume 9.

¹⁰ See the Rangarajan committee report on *Efficient Management of Public Expenditure* that it submitted to the Planning Commission in September 2011. The then Deputy Chairman Montek Singh Ahluwalia stated that this suggestion can be reconsidered by the new government taking charge in 2014 since the States would not want to defend non-plan expenses before the Planning Commission. This report advises the new government taking charge to put an end to the practice of State "defending any expense before the Planning Commission putting this objection to rest.

To facilitate this task, a new Department of Planning can be created within the Finance Ministry. This department would work in consultation with the other departments of the Finance Ministry to allocate resources to meet the capital expenses of the other ministries of the Central Government. Making the Finance Ministry responsible for funding the Central Ministries will streamline the finances of the Central Government and allow for more effective oversight and accountability. This would also allow the Union Cabinet to directly manage the resources available to the Central Government, give it more flexibility in its spending and enable it to implement its programmes through the offices of the various Ministries more effectively.

5.3 A Reform and Solutions Commission Should be Created to Act as the Think Tank of the Government

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. This institution should be staffed with experts with domain knowledge and kept free from a ministerial administrative structure. It is also recommended that it should have full time representation of major trade and industry organizations, civil society representatives, academics etc. so as to capture their concerns and benefit from their expertise in formulating long term strategy.

This think tank of the government can be called the Reform and Solutions Commission to highlight its role as a driver of new and dynamic thinking. It should 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
- c) Identify new and emerging challenges and provide solutions to preempt them.

Like the Prime Minister's Economic Advisory Council, the National Development Council, the Inter-State Council and the Office of the Chief Economic Advisor in the Finance Ministry, this body should not have the power to compel and force its views on state governments by being able to withhold resources. The recommendations of this body should, therefore, be precatory and it must perform a guiding function rather than the command function currently being performed by the Planning Commission.

In other words, its recommendations must be persuasive and it must present the Central and State governments, Parliament, state legislatures, the public and the private sector with a roadmap of priorities and expert advice.

Having swept aside the legacy of the planning commission, there is also no need for this body to restrict itself to a time horizon as short as five years when setting the nations priorities. Instead, it should look at a ten, twenty or even fifty year horizon to augment the advice of bodies such as the Prime Minister's Economic Advisory Council, the National Development Council, the Inter-State Council and the Office of the Chief Economic Advisor which focus on a shorter time frame.

It is clear that the Indian economy has evolved considerably from the era when a quasi-command economy could be managed by a Planning Commission in New Delhi with the power to mandate and coerce action across the States. The increased complexity of the economy and enhanced capabilities of the States requires planning as well as implementation decisions to be devolved to the State level. The State governments have better information about local requirements and resources than the Central Government and Central institutions. They should, therefore, be allowed to identify priorities and implement reforms at the State level independent of mandatory dictats from Central institutions.

Summary

The Planning Commission was created at a time of extraordinary social and economic challenges. At the time of its creation, it got its legitimacy from the stature of its first Chairman, Pandit Jawaharlal Nehru instead of an explicit constitutional or legislative mandate. This created a body that exercises vast powers that dilute the federal character of the nation by determining the allocation of resources to the various States and impinges upon the role of a specialized Constitutional body.

Since the Planning Commission has defied attempts to reform it to bring it in line with the needs of a modern economy and the trend of empowering the States, it is proposed that the Planning Commission be abolished. It is recommended that the Planning Commission's role as an allocator of resources to the States should be taken up by the Finance Commission and the allocation of resources amongst the Central Ministries should be carried out by the Finance Ministry.

It is also proposed that the role of the Planning Commission as a think tank of the Government be carried out by a specialized body staffed by experts with domain knowledge. This is in contrast to the Planning Commission which is manned by generalist bureaucrats who currently comprise the vast majority of its staff. This new think tank should be tasked with giving recommendations and with providing a road map of priorities to Central and State Governments as well as to the private sector. It should categorically be denied the power to impose its views by controlling the allocation of financial resources.

In light of these findings, the following actions are proposed:

1. The Finance Commission should be tasked with allocating centrally collected funds to the Central Government and to the various State Governments.

2. A Department of Planning should be created in the Finance Ministry to apportion funds amongst the various ministries of the Central Government to meet their capital expenses.
3. A Reform and Solutions Commission should be established to act as a think tank of the Government to replace the Planning Commission.

...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...which...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.

Ajay Chhibber
*Director General,
Independent Evaluation Organisation*

...planning process require an overhaul of the capabilities and resources of the Planning Commission. It must be a catalyst for learning, a facilitator of actions, and an inducer of coordination... It must be a principal node, in a network of think-tanks and actors, all of whom together will shape the progress of the country...

Arun Maira
Former Member, Planning Commission

...there was a need for streamlining the role of the Commission...it should not be seen as a hindrance by states.

Rao Inderjit Singh
Minister of State for Planning

...whatever the Modi government decides will only give greater strength and momentum to this positive role of the Planning Commission, in whatever shape and form.

Mihir Shah
Member, Planning Commission of India

...the Prime Minister should work more closely with the Planning Commission...the idea of scrapping the Planning Commission should not be pursued.

Pronab Sen
Chairman, National Statistical Commission

....A body without constitutional validity tried to decide directions and content for the economy in every state. Every plan failed in achieving targets. The Planning Commission served to give employment to economists, statisticians and bureaucrats awaiting suitable postings. We do not need it.

S L Rao
Distinguished Fellow Emeritus, TERI and former Chairman, CERC

The Planning Commission is engaged in economy wide modelling and planning...which is useless in the context of ongoing globalisation...It needs to be reorganised and reoriented...

Tarun Das
Former Senior Economic Adviser, Ministry of Finance

The Planning Commission instead of engaging itself in perspective and long-term planning is trying to micro manage the states, states' finances and functions.

Yashwant Sinha
Former Finance Minister, Government of India

Given the fact that planning to optimise use of resources is necessary and that correcting the tardy implementation of programmes is critical, perhaps the best way forward would be to convert the Commission into a body that will prepare medium- and long-term plans — five, 10 and 20 years — and will actively monitor implementation.

Ashok Jha
Former Finance Secretary, Government of India