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REVAMPING PLANNING COMMISSION OF INDIA: A CRITICAL REVIEW*

Sompal Singh

The general perception that planning was adopted by India after attaining independence is not correct. There had been an animated debate on the idea during 1930s pioneered by India's eminent political leaders and economists like Dadabhai Nauroji, Mahadev Govind Ranade and Prof. R.C. Dutt. The Indian National Congress adopted a resolution in this regard at its Karachi session in 1931. It found formal expression in the Presidential address by the revolutionary leader Netaji Subhash Chandra Bose at the Haripura session of All India Congress Committee (AICC) in 1938. Following it up, he set up a Planning Committee of the Indian National Congress under the Chairmanship of Pandit Jawahar Lal Nehru. In 1944, the Government of India established a separate Department of Planning and Development. Later on, the Interim Government of India appointed the Advisory Planning Board, which reviewed the problems of planning and came out with an important recommendation to establish a Planning Commission to oversee the whole field of development of the country. The vast multitude of problems faced by the country, like the inflationary pressures inherited from the World War II, balance of payments difficulties, influx of several million persons displaced from their homes and occupations, acute shortages of food and dislocation of some important raw materials and industries due to partition, made it imperative to go in for a comprehensive planning based on careful assessment of resources and an objective analysis of all socio-economic factors. To serve these objectives, the need to have an independent and strong institution that was free from the burden of day-to-day administration, but in constant touch with the Government at the highest policy making level, was intensely felt. Accordingly, the Finance Minister of India in his Budget speech on 28th February, 1950 announced the decision to set up a Planning Commission, which was finally implemented through a Cabinet Resolution dated 15th March, 1950.

Referring to the Constitution of India and the Directive Principles of State Policy that guarantee certain fundamental rights to the citizens irrespective of their caste, creed, profession, language, region or religion and undertake promoting the welfare of the people by securing and protecting a social order in which justice, social, economic and political, shall inform all the institutions of national life, the Cabinet Resolution ordered that "the Planning Commission will:

- 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;

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- formulate a Plan for the most effective and balanced utilization of the country's resources;
- determine the 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;
- 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;
- 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;
- 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
- 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 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 the Central or State Governments."

The Resolution also clearly stated, "The Planning Commission will make recommendations to the Cabinet. In framing its recommendations, the Commission will act in close understanding and consultation with the Ministries of the Central Government and the Governments of the States. The responsibility for taking and implementing the decisions will rest with the Central and the State Governments. The Government of India feels confident that the States will give the fullest measure of help to the Commission, so as to ensure the maximum coordination of policy and unity in effort. Its success will depend on the extent to which it enlists the association and cooperation of the people at all levels."

The importance of the Commission can be gauged by the fact that the Prime Minister of India was to be its ex-officio Chairman. A full time Deputy Chairman, enjoying the rank of a Cabinet Minister, was to be its Chief Executive Officer (CEO). One of the senior most Secretaries of Government of India would be the Secretary/Member Secretary. Initially, it had four members, but later the number has been varying from six to twelve. In the interest of harmony and cohesion, the Deputy Chairman and all Members tender their resignation, whenever the Government in Delhi changes. This basic structure and the convention have continued till date. A similar pattern is followed at the State level, where the Chief Minister is the ex-officio Chairman.

Having granted such an overarching and all-encompassing role and position to the Planning Commission, the smart bureaucracy true to its character appended a 'Note' at the end of the Cabinet Resolution, which reads as follows. "The Planning Commission (Yojana Ayog) will be concerned broadly with the technical questions relating to planning and the planning organization itself. The policy and details of specific schemes included in the Plan are matters to be dealt with by the Central Administrative Ministries and State Governments." The implications of the Note have been far reaching. Unfortunately, but not unusual, the political bosses including the great visionary leader Pandit Jawaharlal Nehru, who as stated earlier was the first ex-officio Chairman of the Planning Commission, failed to see through the bureaucratic trick of making an innocuous and finely printed footnote to ultimately override and thwart the spirit of the main substantive one, and thereby relegate the role of Planning Commission to periphery in nothing else but the very process of planning. Some specific details of how it did so are to be discussed a bit later.

The Planning Commission had an elaborate and well organized arrangement for its internal functioning and keeping close contacts with Central Ministries, the State Governments, Public Sector Undertakings, major institutions like the Reserve Bank of India and others. It had numerous divisions to handle various aspects and subjects. These divisions were grouped into three types – the Administrative, the General, and the Subject – each further divided into several sub-divisions. From the planning point of view, the General Divisions were responsible for undertaking the most important work, such as Perspective Planning, Financial Resources, International Economics, Plan Coordination, State Plans including Multi-level Planning, Hills-Desert-and-other Difficult Areas Development Programmes, Labour Employment and Manpower, Science and Technology, Project Appraisal and Management, Development Policy and Socio-Economic Research. The Subject Divisions were mainly concerned with specific fields of development that were handled by the Central Ministries and the States. All these divisions and sub-divisions were headed by quite senior bureaucrats and experts designated as Principal Advisors, Advisors and Joint Secretaries.

Formulating the Five Year Plan and Annual Plans as parts thereof was the basic and most important function of the Planning Commission. The Five Year Plan set out the dimensions and direction of economic development and growth of the country and postulated the macro-economic features, such as aggregate resources, savings, investment, Gross Domestic Product (GDP) growth, and other broader economic and social requirements. Basically, the Indian planning process focused on optimal deployment of investible resources available to the country. The process involved outlining the strategies, working out the macro-parameters, allocating resources between the Centre and the States and various sectors and regions. Chronologically, the process began with the preparation of an Approach Paper, which was widely circulated to all the Central Ministries, Departments, Public Sector Undertakings, Reserve Bank of India, State Governments, important institutions, eminent experts and expert bodies, academics and so on; and suggestions were invited from all. The Planning Commission held discussions with almost all of them. After getting the feedbacks from all these, the Approach Paper was placed for discussions before the National Development Council (NDC), which was presided over by the Prime Minister and attended by all the Central Ministers and Chief Ministers of the States. Having obtained the approval of the NDC, the approach paper was formally sent to all Central Ministries, Departments and the States for formulating and submitting their respective Plans, which were again discussed with them and finally incorporated into the national Plan. While finalizing the Plan, the Planning Commission took special care to estimate the size of national resources, assess the imports, exports and balance of payments situation, inflow of foreign capital, and the Incremental Capital Output Ratio (ICOR), which is a summary expression of the efficiency of the economy and in the micro economics, called as the Total Factor Productivity (TFP). Thus, the projected rate of growth was arrived at. The Planning Commission then presented the final Plan to the National Development Council (NDC) for its consideration and approval. The Plan was then divided into five annual plans and a mid-term review was also undertaken to apply some mid-course correction, if needed. It is appreciable that this detailed exercise made the planning process of India quite democratic, participatory and federal in spirit.

The track record of the Planning Commission has been interesting. Since its inception, and till date, the Planning

Commission of India had been responsible for formulating twelve Five Year Plans. A perusal of these documents clearly reveals that unlike the totalitarian model of Soviet Russia, the Indian planning model has neither been too deterministic nor static. It had two distinct characteristics to its credit. One, that it had never been oblivious of the role of market forces and private capital/sector. Rather, it had always been cautious that private capital and enterprise play a substantial role in the economic growth of the country. Therefore, the Commission was of the view that all the governmental policies should be so formulated as to help private enterprise grow and actively contribute to the national developmental effort. Secondly, it had also all through been conscious of the numerous uncertainties within and outside the country, which are beyond precise prediction and capable of influencing the Plan projections, negatively and or positively. So, it may be interesting to know how the planning model has been changing and evolving through the twelve Plans depending on the prevailing circumstances.

At the time of Independence, India inherited an economy that had been heavily bruised by two unfortunate events-the Second World War and the Partition. It was already beset with the proverbial vicious cycle of poverty marked by low incomes, low consumption, low demand, low savings, low investment and low productivity due to scarcity of investible resources, lack of basic infrastructure, technology, education and technical training. The myriad problems were further compounded by the sudden and huge influx of several million displaced persons needing basic sustenance and resettlement, going out of fertile agricultural areas causing severe food and raw material shortages, high rates of inflation and very serious balance of payments situation. All these hardly left any scope for a plan for economic growth. Hence the First Five Year Plan (1952-57) was not a plan as such, but a damage control emergency exercise aiming at tackling the pressing problems of the day and reconstruction of the country.

The Second Plan (1957-62), however, did come out with a well thought out growth strategy based on the famous Prof. P.C. Mahalanobis model that put special emphasis on setting up of heavy industries that could manufacture items like steel, copper, aluminium, cement, paper, mother machines etc. The objective was to prepare a strong base for rapid industrialization. Construction of big dams on major rivers for expanding canal irrigation, flood control and hydro- power generation, development of railways, roads, ports and airports were parts of the strategy. Another stated objective was to enhance the currently prevailing very low rate of savings in a forced manner by restricting consumption and keeping investment in consumer industries on hold for the time being. This was quite unconventional and path breaking at that time and shows how dedicated, committed, bold, courageous and confident was the political and economic leadership of the day.

Taking note of the continuous balance of payments and foreign exchange problem necessitating strict control and rationing of foreign currency, the Third Five Year Plan (1962-67) shifted emphasis in favour of industries going in for mass production for import substitution. Many people including experts have been very critical of the approach, but it was highly admired even abroad and emulated by several developing countries.

Formulation and launch of the Fourth Plan had to be deferred by four years, which was called as the Plan Holiday, as the country got confronted by another unique and unprecedented situation. The two years of 1967 and 1968 witnessed one of worst droughts of the Century and the American food aid under PL-480 that had begun in 1951was abruptly called off in the wake of India-Pakistan conflict of 1965. The country neither had enough food production of its own nor adequate foreign exchange to import. Thus, food security became the first and foremost concern of the nation. Simultaneously, the realization ensued that without ensuring abundant production and supply of food and making it available at reasonable rates, called in economics as cheap wage goods, even rapid industrialization was not possible. The experience also highlighted the fact that self-sufficiency or self-reliance in food production is not only desirable to ensure food security, but also indispensable for securing national sovereignty. In this background was conceived the idea of bringing in from abroad the dwarf cultivars of wheat and rice, the two main essential staple foods of India. The strategy of pumping in large scale investment for mass expansion of irrigation and heavy doses of fertilizers paid rich dividends as it materialized in making India not only self-sufficient in food and agricultural production but exporting these. This grand success of India's agriculture has been globally hailed as the Green Revolution of India, which belied some of the western prophets of dooms who had predicted that India would again slide back into the era of famines that frequently visited her in the latter half of the 19th and the first half of the 20th Century. It was also for the first time that the Plan took note of the emerging concerns about the dwindling of natural resources and degradation of environment.

At the time of preparation of the Fifth Plan the planners recognized that the rate of savings in India during 1970s had almost doubled as compared to that of 1950s and for the first time surpassed that of the USA. So, savings no more remaining a constraint, it was high time to shun the Mahalanobis model of restricted consumption and forced savings and, good to return to the Harrod-Domar model. Secondly, they realized that mere growth in GDP and industrialization are not enough to alleviate the conditions of the poor masses. For improving their lot a concrete minimum need based, time framed and targeted anti-poverty programme was required, which was duly conceived and launched. Since then, the programme has been kept progressively enriched and reinforced with newer components and higher allocations during the successive plans and is still in vogue yielding quite positive outcomes.

The Sixth Plan, for the first time, explicitly recognized that the Mahalanobis model of raising the saving rate of the economy by directing investment to heavy industries and restraining investment in consumer industries had resulted in a lopsided development of industry itself. On one hand huge excess capacities got created as there was no matching demand for heavy industry products ensuing down the line. It was also responsible for creating large scale idle capacities. One of the obvious consequences was pulling up of the overall ICOR of the industry, and thereby the whole economy rendering it inefficient. This raised a legitimate question: how a capital scarce country like India could afford to have such inefficient utilization of investible resources. The second and equally significant consequence was the no or very limited and tardy growth of consumer industry to meet the naturally increasing economic demand that is supposed to be the best lead element driving entrepreneurship and production system. This in turn had several adverse impacts. Firstly, it unnecessarily held back the development of industry and addition to GDP i.e. economic growth. Second and equally important is that it inhibited job generation so badly needed by a country experiencing high rates of unemployment. Thirdly, it did not allow the production base, and therefore, the tax base to expand, leaving hardly any scope for fiscal expansion and financial resource mobilization required for enhancing public investment. So, the whole strategy turned out to be counterproductive. This realization brought the planners to adopt a more realistic and technocratic planning laying more emphasis on development of other than heavy industries and infrastructure. This approach continued through the next three plans.

The approach adopted in the Sixth Plan was further reinforced and fortified in the Seventh Plan. The conviction grew that basic infrastructure was only too essential for rapid industrialization, wherein the private investment at least at that point of time was hard to attract. Therefore, public investment should have the top priority for that sector. Thus, Seventh Plan virtually became an 'infrastructure plan'. The strategy of import substitution too was critically reappraised and the shift towards a more liberal trading regime was initiated, which was deemed essential for making the economy competitive and efficient.

At the time of the beginning of the preparations for the Eighth Plan appeared the serious crisis of balance of payments in 1991. At one point of time India had foreign exchange reserves sufficient to finance imports for merely one week. The revenue expenditure was continuously burgeoning and all the three deficits – fiscal, revenue and current account – were getting out of control. These circumstances forced India to observe another two year Plan Holiday. The situation also called for a comprehensive and drastic review of the whole methodology of planning. Under the able guidance of the eminent economist Finance Minister, Prof. Manmohan Singh, who later became the Prime Minister, and the visionary political leader Prime Minister, Mr. Narsimha Rao, began the era of reforms and indicative planning for a market oriented economy. The strategy paid rich dividends making the country achieve a record GDP growth rate of 6.7 per cent as against the initial target of 5.5 per cent set for the Plan.

The momentum, however, could not be sustained during the Ninth Plan for several reasons. The first factor was three bad years for agriculture out of total five creating severe supply side problem and causing inflation to rise beyond two digits necessitating heavy monetary and fiscal contraction. Several newer realizations then dawned on the planners for the first time. The first was that the direction and volume of private investment was central to achieving even the Plan targets. Second, that private investment too was driven by the functioning of the financial sector. Therefore, the financial sector has to be an integral component of planning and could not exclusively be left to the Finance Ministry. Third, the demand and availability of investible resources could act as a constraint to growth. Hence, even fiscal management has to be incorporated into the planning process. The warning was issued but not heeded to and the Government went ahead implementing the Fifth Pay Commission that put avoidable burden on the finances, drastically reducing the availability of financial resources for public investment both at the Central and the State level. All these caused a cyclical down turn in the economy.

Having acquired all the above stated varied experience and successfully surviving so many crises, Indian planning attained reasonable maturity and confidence to once again adopt a visionary and bold approach in the Tenth Plan. It set an ambitious target of doubling the per capita incomes over the next ten years and creating 100 million jobs. This was a huge challenge as the demographic estimates and projections indicated that rate of addition to the work force (persons attaining the age of ability to work) had peaked to a record 2.4 per cent during the Ninth Plan, and would continue to increase by 1.8 per cent per annum over the next ten years, while the rate of job generation during the latter half of 1990s dropped to around 1per cent. This was fondly dubbed as high-tech-jobless growth. If the trend was allowed to continue, around 2.5 million persons would be added to the ranks of unemployed each year. In addition to creating a serious doubt on the desirability of such a growth pattern from the point of view distributive justice, it was likely to create an uncontrollable social and law and order problem. Recognizing this aspect, the Plan carried out a detailed analysis of sectoral growth patterns, identified agriculture and the unorganized sector including small and medium enterprises and the services sector to be offering maximum scope and capability for additional job generation in the future. The Plan contained a lucid analysis of the employment scenario and candidly stated that the whole organized sector of the Indian economy, which included all the governments right from the Centre to the States, the Districts and Local Bodies, and the Corporate sector, provided jobs to only about 9 per cent of the country's work force; while 81 per cent employment came from the unorganized sector, out of which 56 per cent was in agriculture and remaining 35 per cent in other enterprises. At that point of time the overall ICOR of the economy was 4.9:1 and the internal rate of saving, about 24 per cent. Even after factoring in the external and other sources, the saving rate could be raised to maximum 30 per cent. Doubling the per capita incomes in the next ten years could be possible either by raising the rate of saving to 44 per cent or by lowering the ICOR to 3.5 i.e. making the production system more efficient. The third possibility was attracting foreign direct investment in a sizably bigger way than hitherto. The Plan embarked on a composite approach factoring in all the three and reoriented the whole policy on fiscal, financial and Foreign Direct Investment (FDI) fronts. Another very important aspect that the Plan highlighted was the gap of skills. On the one hand, there was a huge unemployment, and on the other, there was acute shortage of skills required by the newly emerging technology based economic activities. Enhancing skills on a large scale was seen as the only way to enhance the employability as well as per capita productivity. This was flagged to the government and a nation-wide skill imparting programme was launched. The Chinese and Korean models were taken as the role models. Introduction of service tax was another landmark decision, which helped to improve the Tax, GDP ratio and consolidate the fiscal position. Very novel and ambitious nationwide schemes like total literacy programme, national rural health mission, urban renewal mission, rural road and electricity connectivity plans too were launched.

The Eleventh Plan took over precisely from here and announced 'Inclusive Growth' as its motto. Although the economy recovered fast during the Tenth Plan period, but the global slowdown of 2008 and the severe drought of 2009 in the country hampered the growth momentum. Yet, the growth rate remained robust to make Indian economy as one of the fastest growing ones in the world. Per capita incomes grew, incidence of poverty got reduced sizably and the pattern of food consumption perceptibly changed in favour of high value non-cereal items. The supply side response, however, still being inadequate, the inflation again rose to reach double digits that necessitated some tight monetary measures and stiff rates of interest. Exports too suffered. The emphasis on poverty alleviation, however, not only continued but was reinforced. In order to directly attack poverty in rural areas, a very ambitious national rural employment guarantee scheme, ensuring minimum 100 days of employment to the landless poor in a year, was launched. The benefits of the scheme in terms of firming up rural wages and improving purchasing power of the masses at the bottom started becoming clearly evident.

Almost all the above mentioned unfavourable circumstances still continue to haunt the current Twelfth Plan period. Global recovery has been slow. The Indian economy too has not regained momentum. Corporate investment that helped India achieve high rates of growth during the previous two Plans has been floundering. Tight money policy and regulatory bottlenecks too have had their toll in adversely affecting big private investment. For these reasons, the Twelfth Plan could hardly do anything novel except striving to restore the environment that was available during the earlier two plans. The inflationary pressure though seems to be relenting a bit of late mainly courtesy the falling international prices of crude oil. Some relief on the current account deficit side too is visible. The dynamism that is being exhibited in the new government's statements for breaking the logjam caused by the embargo on coal block allotments and tardy environmental clearances that have been responsible for holding back major power generation and other infrastructure projects, if comes true, the pace of development is expected to pick up soon. The new government in Delhi also seems inclined to take some positive action on the fiscal correction, easing the money supply, lowering of interest rates, controlling the ever burgeoning revenue expenditure, and a congenial policy of encouraging newer investments including FDI. Decisions to allow 100 per cent investment in railways, raising FDI limit in insurance sector from 26 per cent to 49, and inviting foreign investors to invest in urban and housing sectors are concrete examples to testify the government intentions. The coming budget too is touted to make fresh announcements in the direction to create an investor friendly climate and also make the fiscal regime more taxpayer friendly. The initiative to provide online environmental clearances and such other measures, if implemented earnestly and quickly, as is being promised, can surely unleash the entrepreneurship that is currently on hold. For the time being, at least a ray of hope to break the 'policy paralysis' is visible.

The historical analysis presented above makes it amply clear that the Indian planning has been dynamically evolving according to the conditions and needs of the country, and has not been static at all. The achievements too have not been mean. The trend of continuously falling per capita incomes that characterized the first half of the Twentieth Century has been decisively reversed. The GDP annual growth rate, which remained stuck up at around 3.5 per cent during the thirty years of 1950 to 1980, and was jocularly termed as 'the Hindu rate of growth' by the famous economist Prof. Raj Krishna, has been successfully accelerated to 5.5 per cent during the 1980s, to 6.5 per cent in the 1990s and 7.6 in the initial years of the new millennium. The pressing problem of food security and the scourge of famines have been totally eliminated. The incidence of poverty has been brought down, although not at the desired pace. Infrastructure development, especially irrigation, road connectivity and transport system, ports, airports, railways, power generation, telecommunications and IT, has shown great improvement. Almost all the villages in India now are connected with all-weather roads and electricity. The country has the world's largest area under irrigation making India not only self-reliant in agriculture but exporting large quantities. The social indicators like the literacy rates, life expectancy, infant mortality and mother mortality rates etc. have shown remarkable improvement. Services sector has grown the fastest contributing more than half of country's GDP, while manufacturing has not grown as desired and accounts for only 16 per cent of GDP even now, which is a matter of concern.

In spite of all these successes and achievements, Indian planning has been criticized for various reasons. The first criticism is on the ideological basis saying that when the concept of planning has been abjured even by almost all the erstwhile totalitarian nations, why India still seeks to preserve it. Secondly, that it perpetrates statism and thereby unnecessary and avoidable governmental interventionism causing immense damage to entrepreneurial energies. Thirdly, that the state intervention causes corruption and renders the economy inefficient. Fourthly, it is instrumental in obstructing growth according to natural propensities and also forcing wrong location of industry and economic activity. Fifthly, that when India already has a robust market economy, why should it need planning at all. And lastly, that many countries have performed much better without any planning. Most of this criticism comes from the quarters that have observed the system from a distance within and outside of the country. Although there is lot of substance and force in these arguments, but a country like India, and for that matter all the developing nations, cannot afford to consign everything to the market forces that tend to become highly monopolistic, oligopolistic, cloutist and exploitative. To chasten such tendencies some sort of affirmative action by the state would yet be needed. And to articulate policies and measures required there for an independent think tank cum policy making body must be there. Such a need is being recently recognized even by the institutions like the World Bank.

A more valid criticism is waged by the insiders, and I must confess, I have been in the forefront there of. It emanates from the fact, and no one can deny this, that the Planning Commission grossly failed to fulfill the original mandate given to it at the time of its creation in 1950. Before I go on to list the failures, I shall be failing in my duty if I do not commend the vision and articulation of those who formulated the seven clause mandate. I would also like to place on record that the original formulation needs hardly any improvement even now. To buttress the point, it is essential and most relevant to invoke those clauses that have been quoted in the beginning of this paper, and scrutinize the functioning of the Commission with reference to each one of them to find out where it floundered.

The first clause asked the Commission to "make an estimate 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", which was never undertaken in a systematic fashion, and most of the time the stray information available with other sources was used. Even in the matter of financial resources required for the Plans, the Commission depended on the residual allocation made by the Finance Ministry. As has already been stated, it was for the first time during Tenth Plan preparations that the Commission impressed upon the Government that financial and fiscal planning are crucial elements influencing the volume, direction and behaviour of not only public investment but also that of private investment, and equally important, the total demand and its pattern and composition. Therefore, fiscal and financial planning should be the integral component of planning process.

The second clause wanted it "to formulate a Plan for the most effective and balanced utilization of the country's resources". The commission never came out with such a comprehensive plan. It was left to the Central Ministries, Departments and the State Governments. In due course, therefore, the Planning commission became a "mere mirror image of the ministries" – an expression used by our colleague the then Planning Minister and eminent journalist Mr. Arun Shourie.

The third clause directed the Commission to "determine the priorities" and "propose the allocation of resources" accordingly. The Commission did not determine the priorities in a right order or on the basis of rational criteria. The subject has been lucidly discussed in Volume-I of the Tenth Plan entitled as "the Macro Economic Dimensions of the Tenth Plan", which for the first time carried a table on the sectoral ICORs', which we know is an important text book tool for deciding the fate of marginal unit of capital available for investment. Allocations throughout the plan periods to sectors having highest ICORs' like Communications had been manifold more as compared to the critical and basic sectors like agriculture and irrigation that sustained more than two-third of India's population and had greater scope of additional job generation and poverty reduction. Moreover, the sectors like communication are quite attractive to private investors, while irrigation and agriculture were not so at all. It is but one of the many examples of misplaced priorities. Thus, even the priorities of public investment were not in proper order, nor justifiable either on the basis of the rate of economic return or the social return.

The fourth clause required the Commission to "indicate the factors which are tending to retard economic development". This obviously wanted the Commission to identify the constraints, including the policy constraints and advise the government to remove those to facilitate development. It never enumerated such obstructive phenomena. Rather, usually the Commission was found justifying the restrictive tendencies of the government based on the ideological "socialistic pattern of society" agenda. The atrocious tax regime of India up to the mid-1980s and the industrial licensing policy are two conspicuous examples, which caused corruption, forced people to avoid taxes and generate black money and obstructed investment and emergence of new enterprise. Although some reforms in the fiscal regime were introduced by Mr. V.P. Singh as Finance Minister during 1985 and 1986, but the major ones had to wait till the crisis of 1991, after which quite an impressive and comprehensive agenda of reforms was implemented by the team of Prime Minister Narasimha Rao and Finance Minister Dr. Manmohan Singh. Many restrictions, some old and some new and quite major ones, however, still continue in various forms, like environmental clearances and dubious questionable system of allocation of natural resources to crony capitalists.

The remaining three clauses are mainly bureaucratic in nature, hence not of great significance, so, good to skip here. Even at the cost of repetition, however, I would like to reiterate that the footnote to the original cabinet resolution setting up the Commission took away the freedom and independence of the Commission in formulating various sectoral schemes and made it rely on the ministries, which in due course rendered it as a "mere mirror image of the ministries". Secondly, it became another top heavy bureaucratic structure with no executive powers. Therefore, no bureaucrat was ever interested in coming to the place, which was derisively called as "the parking lot" for out of favour bureaucrats. Thirdly, the Planning Commission could never fix realistic targets, and took refuge under the cache "indicative planning" to ward off the charge of not fulfilling the once set by it. Not only that, even the financial allocations made by the Commission were neither in tune with the due priorities of the nation, nor commensurate with and adequate for achieving the targets. Perhaps it was this tendency that prompted the world famous economist and erstwhile Ambassador of USA in India Prof. J.K. Galbraith to observe that Indian Planning was nothing but "therapeutic targetry". Probably, having got bored of the routinous style of bureaucratic functioning and sense of *de je vu* prevailing within the Commission, which I too observed when I was its Member, the eminent economist and himself a Member of Planning Commission Prof. Raj Krishna had called the Fourth or the Fifth Plan as the *nth* "edition of the First Five Year Plan."

Friends, now, as you must have learnt from the recent reports appearing in media, the Planning Commission has already been executed, and therefore I feel as if I am reading an obituary. The new incarnate has since been named as the Policy Commission, or whatever. Therefore, it is time to discuss the question what the planning is to do to deal with the problems emerging in the 21st Century, and what should be its form and direction. My own inclination is that some sort of planning is definitely called for to have an "out of box strategic thinking" independent of the usual government establishment. The next natural question then is: what should be its functions, structure, size, level and location. Before foraying into these issues, it must be recognized that the entities, variables and the vagaries involved are likely to be manifold and more complex than hitherto. The implication is that predicting them and projecting the future course will be much more complex, uncertain and difficult task. In this context, it is tempting to quote two great men of the world. First, the US President General D.D. Eisenhower, who said, "In preparing for the battle, I have always found that plans are useless, but planning is indispensable." The second one is from Arthur C. Clarke, the author of The Odyssey Two, who said, "All human plans are subject to ruthless revision by Nature." Let us draw hope from these and at least discuss, as is proverbially said about diplomatic negotiations, discuss for the sake of discussion. If that is not done, the possibility of solution is shelved by saying so, which may not be in anybody's interest. After all, the life survives on hope only. Now, we may have a look at what we have to plan for in the new millennium.

The first and the most conspicuous phenomenon of the 21st Century is the fast pace of globalization. The second is the emergence of market as the leading force, since the other alternative of a totalitarian economy has been finally abandoned even by its original proponents. Both these imply that there would be much larger and freer flow of factors of production including capital, goods, information, technology, expertise and work force. The developed countries, like the USA, had a sense of triumphalism on this score after the crumbling of the totalitarian economies of East Europe, especially the USSR. They also felt that the developing countries will be greatly benefited by this open regime as abundant capital and other resources would be available to them, which they badly needed to develop at a faster pace. Secondly, they pleaded that the developing nations will have access to the export markets of the developed countries. Both taken together were touted as the panacea for tackling all the problems including economic instability and gaps in the developmental programmes of the developing nations. Recent experience, however, has proved that even the process of globalization is subject to cyclical swings and as such, it instead of helping, becomes a serious cause of instability for the developing economies. The cases of Russia, Mexico, Argentina, and later on Malaysia, Thailand and Indonesia have proved the assertion. The solutions and packages prescribed by the World Bank and International Monetary Fund (IMF) also failed to bail these countries out. So, globalization is not an opportunity alone, it is an equal or may be a greater challenge and threat, which once again highlights the need to have one's own planning and country specific strategy to meet such eventualities. Malaysia under the determined leadership of Prime Minister Mahathir Mohammad has proved it decisively.

Culturally and natural endowment wise too all countries are different and unique. Therefore, each of them has its own strengths and weaknesses. These diversities and complexities can never be properly understood and appreciated by outsiders. Even the insiders sitting in the ivory towers of the capitals fail to comprehend the problems of and the solutions needed by the people on the ground. There can, therefore, be no standard one size fit all dispensation that can be applied to all the countries across the globe. A proper understanding of the problems faced by various sections of people and working out the solutions thereof warrants direct interaction with them. Any planning now on has to be bottom up in place of the top down followed till so far.

In spite of the abandonment of the deterministic system of planning investment on the basis of input-output relationship, the need and relevance of public investment planning in the developing countries shall remain till they become capital surplus. Otherwise, who is going to invest in rural infrastructure including public irrigation systems, rural electrification, rural roads, health care facilities, urban infrastructure, mass education and skill training etc., as these are neither profitable for the private sector nor affordable by teeming millions living therein. Even for development of basic infrastructure like highways, ports, airports and power generation, public investment is needed to leverage private investment. It is for this reason that the Tenth Plan began with the public private partnership (PPP) approach providing viability gap funding (VGF) for such projects from the government side.

Carrying out programmes such as poverty alleviation, population control, employment generation, ensuring balanced growth across regions, sectors, sections and affirmative action like empowerment of weaker sections and gender will continue to require both, planning and public investment. These can neither be left to the separate ministries nor to the market force.

An institution like the Planning Commission is expected to perform another very important function and that is to enlist the cooperation and coordination of various autonomous tiers of the government and ensure that they do not work at cross purpose. This work is essential for having a coherent national strategy and consensus on policies, which is also desirable to preserve the federal spirit and unity of the country especially in a democracy where different parties often rule at different levels.

Continuously observing and monitoring the progress and evaluating various programmes and suggesting improvements in them can also be best done by such an independent body.Identifying the gaps and constraints including the policy constraints and recommending corrective action has also to be undertaken by such an independent think tank.A regular watch on the regional, national and global situation, studying the likely impact of any changes therein and working out a scenario planning based on a composite model should also be assigned to the body.

Ensuring a harmony between developmental needs and environmental concerns is yet another field to be the purview of the institution. Basically, the new institution has to act as a think tank and advisory body but having direct link and access to the government at the highest level. Equally important is the caution that it has to be kept away from the day to day administrative matters. Only renowned and experienced experts belonging to various fields should be appointed in the organization. In addition to planning for economic development, a number of newer issues like environmental degradation, climate change, social and life style changes, and terrorism that tend to threaten the very existence of humanity on the earth are to be closely studied and to tackle them a comprehensive plan of conserving natural resources, having clean energy, sharing technology, inculcating family values and need based consumption in place of unbridled blind consumerism and ensuring regional and global cooperation for establishing peace and harmony should inform the agenda of planning in the country. For all these, far greater understanding, cooperation and skills would be needed.

Sompal Singh
Formerly, Minister of Agriculture, Government of India;
Member, Planning Commission of India;
Vice-chairman, State Planning Board, Madhya Pradesh