



**GOVERNMENT OF INDIA
ADMINISTRATIVE REFORMS COMMISSION**

STUDY TEAM ON THE MACHINERY FOR PLANNING

FINAL REPORT

December 1967

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**STUDY TEAM ON THE MACHINERY FOR PLANNING,
ADMINISTRATIVE REFORMS COMMISSION,
I.I.P.A. Building, Indraprastha Estate,
Ring Road, New Delhi.1.**

**R. R. MORARKA,
Chairman, Study Team**

December 8, 1967

DEAR MR. CHAIRMAN,

I enclose herewith the Final Report of our Study Team. As we have mentioned in the Introduction, we are not going over the ground covered in the Interim Report. We are, therefore, suggesting that our Interim Report may be treated as Part I and this, as Part II of our Report.



**Yours sincerely,
R. R. MORARKA**

**SHRI K. HANUMANTHAIYA,
Chairman,
Administrative Reforms Commission,
Government of India
New Delhi.**

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INTRODUCTION



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सत्यमेव जयते

INTRODUCTION

0.11. Our Study Team was given the task of studying the machinery for planning at all levels, that is, "planning organisation and procedures at the Centre and in the States and the relationship of the Planning Commission at the Centre and the planning agencies in the States with other agencies." The Study Team was expected, in regard to this subject, "to ascertain facts, locate the principal problem areas, examine solutions for the problems and make recommendations for the consideration of the Administrative Reforms Commission."

...

0.12. We have already explained in our Interim Report the nature of the material and data that we collected. After submitting our Interim Report, we have completed the analysis of these data. We further tried to ascertain the views of the Chief Ministers, especially of States where new Governments have come into power after the General Elections. We also sought to ascertain the views of some experienced industrialists and other knowledgeable persons regarding the problems of planning in general, and the relationship between the planning agencies and the private sector in particular.

0.13. As some of the basic changes in the Planning Commission recommended by us have already been carried out by the Government and by the Planning Commission, we have thought it appropriate not to go over the ground already covered in that Report and we treat our Interim Report as Part I of our Final Report. In this, Part II, of our Report, we have thus not touched again on the problem of the organisation of the Planning Commission and the overall planning set up in the country.

0.14. We begin this part of our Report with the planning process (Chapter I), deal with the remaining problems relating to planning at the national level (Chapters II—V) and then go on to the problems of planning machinery at the State and lower levels (Chapters VI—IX). After dealing with the question of Centre-State relations in Planning (Chapter X), we summarise our conclusions and recommendations (Chapter XI)

CHAPTER I

(xi-xii)

सत्यमेव जयते

CHAPTER I

THE PLANNING PROCESS

1.11. The Planning Process in India has been evolving as a result of improved understanding of planning techniques, the experience gained during the last 17 years, and evaluation, internal and external, of planning as it has worked in India up to now. It is obvious that planning has to be suited to the political, economic and social conditions and the stage of economic development reached in a given country, and the techniques suited to one country cannot necessarily be transplanted to another one. The nature of the problems faced and the techniques available being what they are, one cannot think of an ideal planning process. What is possible is a periodical examination of the processes and procedures of planning with a view to improving them on the basis of new experience and analysis.

1.12. The essential elements of a development plan are—

- (i) enunciating the objectives or targets to be achieved;
- (ii) laying down methods for their achievement; and
- (iii) providing a time schedule in which these developments will take place.

Improvement of the planning process essentially involves the improvement of all these three elements which should be defined with as much precision as possible.

1.13. Objectives and methods to attain them are not independent of each other and both of these are not independent of the time schedule. The first task of a planning agency is to point out the alternative possibilities open to the economic system—in terms of higher or lower targets, with more or less efforts and in longer or shorter time periods. While mathematical precision in the relationships between economic quantities may not be attainable, considerable progress can be achieved by relying on broad quantitative relationships. Moreover, we have already decided that we would have personal freedom for our citizens and operate a mixed economy. It is, therefore, not necessary that detailed targets and means for attaining them are laid down for all the commodities and services that are/or have to be produced in the economic system. It is only necessary that objectives in broad terms such as national income and per capita income at constant prices are laid down; and the requirements specified only in terms of those basic commodities and services in whose case, without planned action, bottlenecks which would upset the whole development effort would arise. Other items and activities can be left to the normal functioning of the economic system and the market forces.

Posing Alternatives

1.21. An important part of the planning process has to be in terms of working out a few alternative possibilities, whether it is the long term plan or the medium term plan. It is then for the political authorities concerned to make up their mind, through a process of discussion at different levels, about which of the alternatives is to be chosen. It is true that, in a fast changing economy, the possibilities for change open in the very short period or even in the medium period might not be very large and only marginal differences may be possible. But when one thinks of a period of ten or fifteen years, some major shifts in choices are possible and one of the crucial tasks of a planning organisation is clearly to put forward such possible choices at discreet points of time in the planning process and get the community to decide, in whatever manner is normal in that community, the particular alternative which has to be chosen. This can be done properly only if the more important implications of the alternatives are worked out in terms of the most important aspects and clearly posed before the concerned groups. Unless this is done, the authorities taking the decisions may be letting themselves and the planners in for something for which they are not genuinely prepared and this may lead to upsetting the whole planning strategy in the very midst of a plan.

1.22. It is our view that this approach of posing alternatives with their implications has not yet been adequately attempted by our planners. It is true that at the preliminary stages of discussion regarding all the three Five Year Plans, and also in discussions about the Fourth Plan, some alternatives in broad macro-economic terms were posed. But these were not posed in sufficient depth as is increasingly done in other countries like France*. We are aware that the working

* For example, when the French Planning Commission prepared the Fourth Plan, they considered three different hypotheses of growth: (1) a rate of three per cent which was thought to be the minimum in view of the demographic situation, the nation's needs etc.; this rate could be attained easily without any particular effort; (2) a rate of four and a half per cent, equivalent to the trends observed in the previous two years; and (3) a rate of six per cent which might have entailed new and more effective economic methods and which France had never attained.

To estimate the most probable rate of growth, individual and collective consumption was assessed and so also investment. Comparing these needs with the conditions of production required to achieve various possible rates was the next task. These conditions were worked out principally in terms of foreign trade, intermediate output, manpower needs and investments. (See P. Bauchet: *Economic Planning—The French Experience*, Heinemann, London, 1964—pp. 140 to 152).

Similarly, in the U.S.S.R., "the planners draw up a string of draft plan variants, each more acceptable than the preceding one, until an optimum variant has been elaborated. This last variant forms the unified economic plan". (G. Sorokin: *Planning in the USSR*, Moscow, 1967, p. 301, also see pp. 255—303).

out of such alternatives is quite a laborious and complicated task and requires considerable expertise, technical equipment and economic and technical data. There have been difficulties in respect of all these elements. Even working out the implications of one alternative and improving this continuously has posed difficult problems. But in spite of our awareness of these difficulties, we think that the planning process loses real meaning if significant alternatives for future plans are not posed in an appropriate way. It is obviously not necessary to pose alternatives with minor variations; the prognosis for the future is not so exact that minor variations would not any way occur during the implementation of a plan; but major alternatives based on different assumptions should be posed and clearly discussed if there has to be a genuine plan choice. We think that this is a major change that needs to be brought about in the whole approach to the planning process.

Continuity in Planning

1.31. A second major change should be that plan formulation must become a much more continuous process than it has been in the past. There has been over-emphasis on the Five Year period in our planning. While this was inevitable at the beginning, it came to be realised even during the Second Plan period that much more continuous work on plan formulation needed to be conducted. The Third Five Year Plan recognised this clearly. "Planning is a continuous process and cannot be isolated for short periods..... Planning is a continuous movement towards desired goals and, because of this, all major decisions have to be made by agencies informed of these goals and the social purposes behind them. Even, in considering the Five Year period, forward and long term planning has always to be kept in view" (p. 19). An undertaking was given that by 1963-64, an overall plan covering the period up to the end of the Fifth Plan would be prepared (p. 30) and that it would be based on a detailed study of the resources and possibilities of different parts of the country (p. 289). Thus the idea was that while there may be five year divisions for purposes of convenience, there should be a long term plan well worked out covering a period of fifteen years or so. This should be continuously brought up-to-date on the basis of actual developments and improved knowledge and techniques. For operational purposes it was found worthwhile to have an annual plan and the system of such Annual Plans has been current for over ten years.

1.32. We find, however, that while the fifteen-year plan was prepared as earlier decided, it has not been possible to prevent a break in plan continuity. It is of course true that in the case of the Fourth

Five Year Plan, many other difficulties have also cropped up due to which it has not been possible even to finalise the Five Year Plan. We think that as a part of the reorganisation of the planning process, a fifteen-year plan should be prepared along with every Five year plan. Regarding a Five Year Plan, it is essential that an interim Five Year Plan should be prepared at least by the time half of the Five Year period is over so that a plan for the next Five years is ready by that time. This Five Year rolling plan may be based on the assumption that no major policy changes would be made; its preparation need not be preceded by basic policy discussions; these may be held only every five years. This document will be more in the nature of forecasts and its purpose will be mainly to provide a revised framework within which various sectoral and other agencies can take their particular decisions. The document would be in the nature of a working document and need not receive the status of a plan for public discussion; but unless it is prepared, planned development is bound to be less smooth and continuous than it should be.

Policy Implications of Planning

1.41. The third general change necessary in the planning process is to obtain clear decisions on policies. We have already mentioned that the implications of the major *alternatives of planning* should be put forward and a decision on the selected choice obtained from the concerned authorities. Once this is done, it should be the planners' task to work out in detail the major policy implications of the proposed course of development and to point out to the Government the manner in which these policies need to be implemented and also the difficulties that may arise if any significant modifications are made in such accepted policies during the course of the Plan. It is our view that for one reason or another the Planning Commission has not always put forward such clear-cut issues before the Government. The implications of investment at certain rates in terms of the policy for savings and consumption and the policy regarding the distribution and prices of essential commodities provide examples of this deficiency.

1.42. It is our view that one of the essential tasks of a planning agency is to point out the policy implications of the accepted course of development and to make the Government as well as, to some extent, the general public aware of the dangers of trying to adopt a particular course of development without adopting the concomitant policy measures that have to go with it. It is true that due to

unforeseen happenings, the Plan may have to be significantly modified even if the policy implications have not only been understood but also acted upon. Therefore, it is also necessary to have a 'core plan' or plans which may provide the basis for modification as and when found essential. We shall discuss this further a little later* in this chapter.

Perspective Planning

1.51. The preparation of the long-term or Perspective Plan has been one of the techniques developed by the Planning Commission during the past decade. Lessons from similar work elsewhere have been attempted to be learnt and technical assistance from competent persons from India and abroad utilised. The technical staff of the Planning Unit of the Indian Statistical Institute has also been closely associated with this work. The Perspective Planning work as it has developed up to now, and as already pointed† in our Interim Report, has somewhat suffered from the fact that it has had to rely on largely historical data regarding inter-sectoral balances and technical co-efficients. The result has been that the picture of future demand provided by it has often been inadequately based upon latest technical data and knowledge. Part of the blame for this lies in the inadequacy of work elsewhere, in the Ministries and technical and research organisations. We have, therefore, suggested‡ that units in the Commission dealing with natural resources, manpower etc., should be brought together under this Group. The Group can give a lead to agencies operating in this field, be in touch with them and draw upon the best available data. The inadequacy of personnel, especially on the economic side of the analysis has perhaps also been responsible for the deficiencies in the work done in the past.

1.52. One other major deficiency in the work relating to perspective planning has been that very little work of this kind has been attempted either by the States or by any sectoral agency. While the overall magnitudes of development can be worked out for the country as a whole and a fairly useful picture drawn, it cannot be sufficiently useful for operational purposes if it is not based upon similar work done by different States and at least by the most important developmental sectors. The Planning Commission will have to accept responsibility for initiating long-term developmental planning by the States and by the sectoral agencies.

* See Para 1.68.

† See Interim Report, para 4.63.

‡ See Interim Report, para 4.63.

at least in the important developmental sectors, and for the training of personnel who could do such work for these agencies. Unless the Planning Commission accepts this responsibility, their own work would remain inadequate.

1.53. As in the Planning process as a whole, so also in drawing up the perspective plan, there has been inadequate emphasis on posing alternatives. Even when broad alternatives have been posed as in more recent years, there has been some reluctance to obtain or accept clear cut decisions and follow them up. As we have earlier suggested, however, we think it important that plan variants should be clearly posed, and once the optimal or acceptable variant is chosen, the perspective plan should be worked out on that basis.

Five-Year Plans

1.61. A document entitled "The Planning Process" published by the Planning Commission in 1963 had broadly indicated the manner in which the Planning process had evolved by that time and what was attempted to be done by way of an appropriate process for the formulation of the Fourth Plan. In that document it was pointed out that the national plan evolves gradually in a series of stages. "The first stage is the consideration of the general approach to the formulation of the Five Year Plan. This begins about three years in advance of the commencement of the Plan and involves an examination of the state of economy, identification of its social, economic and institutional weaknesses and appraisal of past trends in production and rate of growth in relation to the long-term view of the progress of the economy. An attempt is made also to suggest the directions in which, during the period of the plan, imbalances must be corrected or more intensive efforts ensured. At this stage, no attempt is made to suggest magnitudes for the Plan; this awaits the fuller study which has yet to be undertaken. The first phase of deliberations leads to preliminary indications on the part of the National Development Council of the rate of growth to be assumed for the next plan and the objectives and considerations which should receive special emphasis." (p. 44).

1.62. The second stage was supposed to consist of "studies, not yet in too great detail, which are intended to lead to the consideration of what may be described as the draft of a Memorandum on the physical content of the Five Year Plan. The inter-relationships and the broader dimensions of the Plan are studied within the Planning Commission. While these studies proceed, the Planning Commission constitutes a series of working groups composed of its own specialists

and those of the Ministries concerned at the Centre. To ensure greater participation, while the groups are expected to report to the Planning Chairmen of the groups, and a considerable part of the technical from the Ministries and more often the permanent heads, serve as Chairmen of the groups, and a considerable part of the technical study in each field is undertaken by experts in the Ministries and in the technical organisations associated with them. The working groups are expected to review the performance of the economy in their respective fields, assess progress in achieving the policy objectives outlined in the current and preceding plans, and point out deficiencies which may have been observed. From time to time, the working groups raise questions as to the assumptions to be made in the formulation of further plans and on those the Planning Commission is expected to provide the necessary guidance. As the working groups at the Centre begin their work, State Governments are also advised to constitute similar working groups of their own, and arrangements are made for the working groups at the Centre and in the States to be in informal contact with one another. The main object of the working groups in the States is to try to build up a picture of the development plan of each State. In the practice hitherto followed, State plans have not started with a view as to the overall dimensions which they might aim at; but have been built up on the basis of sectoral studies. However, once the outline of a long-term plan for the country as a whole, including also similar plans for individual States and regions, has been evolved, at the State level also an overall view will become feasible at a fairly early stage in the formulation of the Plan. In several sectors, while the expert working groups undertake studies, the Planning Commission constitutes Panels, composed of leading experts and workers drawn mainly from outside the Government, to advise on the broader aspects of policy and approach towards the formulation of the Plan in their respective fields." (pp. 44-45).

1.63. After this the Commission is expected to gather the main features of the Plan, including the principal magnitudes, into a draft Memorandum. The draft Memorandum, after it is approved by the National Development Council, provides the basis for the formulation of State plan proposals and also for the preparation of a draft Outline of the national plan. The Draft Outline is a further elaboration of the earlier Memorandum and is intended to give more content to the plans envisaged for different sectors and to bring out the main issues of policy and objectives and the approach which is proposed to be adopted. The draft Outline, after approval by the National Development

Council, is put forth for public discussion and consideration. Comments and opinions of various sections of the population and those expressed in Parliament and Parliamentary Committees are considered before finalising the Plan. In the meanwhile, detailed discussions are held with States about their plan proposals and tentative conclusions about State plans and Central assistance for State plans are arrived at. On the basis of these and other discussions, the full scale Five Year Plan is prepared and this becomes an authorised document after approval by the Union Cabinet and by the National Development Council.

1.64. The procedures as outlined by the Planning Commission in the document quoted above were not the actual procedures exactly followed at the time of formulating any one of the previous plans, but were procedures that were getting crystallised at the time the document was prepared as a result of the formulation of the First, Second and Third Plans, the Commission had built up certain traditions of work and these were attempted to be streamlined and rationalised when formulating the Fourth Five Year Plan. It is true that the formulation of the Fourth Plan has been beset by a number of almost unavoidable difficulties—the death of Shri Jawaharlal Nehru, the Indo-Pakistan conflict, the death of Shri Lal Bahadur Shastri, the foreign exchange crisis, devaluation, the food crisis, the price spiral and the recession. But one also finds that there are certain features of the process of plan formulation itself that are defective.

1.65. It is not necessary for us to go into any details about the working of the planning process in the past. The review that we have made of its working suggests the necessity of streamlining this process. One of the reasons why some sectoral and functional Working Groups do not work efficiently is that there are no agencies feeding these Groups with well worked out plans and programmes relating to the sectors or functions. Officials who are very busy in various executive and current policy making responsibilities cannot devote much time to thinking about five year or long-term plans except on the basis of well worked out proposals. But today few good agencies exist in most areas for doing this work; a notable exception is the Central Water & Power Commission in the field of Irrigation and Power. We are suggesting later in this Report (Chapter V) the constitution and the strengthening of planning cells for different sectors and functions. In our view, the officials of the Planning Commission dealing with a particular subject should be in close touch with the work that would be done in such planning cells and other

similar agencies. Only if both these elements are secured can the Working Groups be expected to provide useful advice and guidelines for the formulation of a Five Year Plan.

1.66. Even this, however, would not be possible if the Commission is unable to fulfil its initial responsibility of providing a basic framework and indicate in much more specific terms the work that the various Groups should carry out. As in any other planning process, the basic framework itself may have to be modified as more detailed plans and programmes are worked out by the planning agencies for different sectors and functions; but such an initial framework is essential if the different planning groups etc. are to make proposals which are well integrated. Otherwise the Planning Commission finds on its hands proposals which are hardly coordinated in physical terms. Even in financial terms, at the time of the formulation of the Draft Memorandum of the Fourth Plan, the total outlays proposed by the Working Groups amounted to a total outlay of Rs. 24,162 crores while even the optimistic elements in the Planning Commission thought only an outlay of about Rs. 15,000 crores feasible in financial terms. Obviously there had to be drastic cutting down of the suggested outlays. This led to a great deal of wasted efforts.

1.67. The basic changes that can be made in policies and programmes during a Five Year Plan are not likely to be very large. A number of schemes would be continuing and a number of programmes would have to be further intensified and developed. The only choice might be about the tempo at which they should be developed—and even there, the choice might be quite limited. The real difference can arise about the taking up of new schemes and programmes and these, especially the more costly and time consuming, will pertain not so much to the next five year period as to the next but one. The really important choices, therefore, would relate to the long-term and not the medium term plans. But these choices have to be made at the time of the formulation of a Five Year Plan. This further emphasises the fact that if a proper choice is not made, it becomes more difficult to bring about the necessary development in the next five or ten years' period. These choices are crucial and need to be made after appropriate technical work and deliberation in depth. No improvement in the planning process is possible if the Planning Commission and the Government do not come to conclusions about such basic issues. Patching up verbal compromises or evading the crucial issues will not serve any purpose.

1.68. It appears, however, that in spite of their very best attempts, the Planning Commission and the Government may continue to face a significant degree of uncertainty about the availability of crucial resources, specially foreign exchange, required for the development plan. In such a case they may like to keep two courses open, one based on a modest estimate about exports and foreign aid and the other based on a more optimistic one. They may similarly like to have two variants based on different assumptions about crop harvests. It might be useful to have a development plan for Five Years worked out on what at the time of formulation are thought to be the most reasonable assumptions to make, at the same time keeping ready a well thought out alternative based upon different assumptions. As we have seen from the past experience of our planning, the necessity many times arises of having to think of a '*core plan*' or even a *hard core* of the plan. It is obviously better that thinking about such a '*core plan*' is a part of the overall plan thinking rather than a subsequent analysis undertaken in conditions of crisis.

1.69. The number of Working and Planning Groups and sub-Groups set up in connection with the formulation of the Fourth Five Year Plan was quite large. There is no sanctity about any particular number and it is quite obvious that, as the complexity and magnitude of development increases, we shall have to create more such groups. But the detailed planning work, as we are suggesting later (Chapter V) has to be done by appropriate full-time agencies. The task of the Working or Planning Groups should be to bring the experience and knowledge of persons closely related to the fields to bear upon the programmes and plan suggestions worked out by the planning or technical agencies. The number of such Groups should be such that, with an appropriate coordinating machinery provided by the Plan Coordination Group or the use of a device like a Steering Committee consisting of the heads of the Working Groups, it should be possible to ensure coordinated development of the work of the different Groups.

1.70. We may also say something about the composition of the Working Groups and other Consultative Bodies in plan formulation. In our view there is unnecessary exclusion of non-governmental and non-official elements from the Working Groups, especially those dealing with crucial sectors and functions. The best technical and other talent and experience should be brought in for this work irrespective of whether they belong to the Ministries, technical organisations, public sector, private sector, or other professional and expert bodies. Entrusting the work of plan formulation mainly to groups of officials

and using non-officials for occasional advice and consultation is hardly the way to obtain genuine non-official participation and cooperation or to secure the best out of the limited talent available in the country. In sectors where field experience is important, State officials should be associated, not to represent particular States, but as experts in their own right.

1.71. It is also essential that the Planning Commission should be the really effective agency responsible for the appointment and functioning of these Groups even though the officials of the concerned Ministry play a large role in it. It may be useful to put an officer of the Commission full time in charge of each Working Group. This is necessary to ensure that the Groups work effectively and within the basic framework of the Plans as indicated by the Planning Commission. It has occasionally happened in the past that some Groups just had two or three sittings and furnished some kind of a Report. This is hardly useful.

1.72. One of the major deficiencies in plan formulation procedures as they have worked in the past is that there is little communication between planners at the Centre and planners in the States during the evolution of their thinking on plan programmes and policies. Even though at the time of the formulation of the Fourth Plan it had been decided that the Groups constituted at the Centre should keep in close touch with their counterparts constituted in the States this did not materialise in practice. The result was that the State plan proposals were worked out largely in isolation from the main trends of plan thinking at the Centre and this led to a number of proposals which had no chance of being accommodated in the overall national plan. The recommendations we are making later* in the Report for improving and strengthening the institution of Programme Advisers should be of help in this respect. The creation of planning cells in Ministries, the streamlining of the Planning Commission's own internal organisation and the constitution of planning bodies in the States should be of considerable assistance in improving such communication.

1.73. We have already recommended† in our Interim Report that the National Development Council should operate more continuously and systematically than has been the case in the past. This further involves that the N.D.C. and its sub-Committees should be utilised much more regularly as instruments of communication as

* See Chapter X, paras 10.61 to 10.71.

† See Interim Report, para 2.43.

well as consultation between the States and the Centre. It will perhaps not be inappropriate to mention here that no worthwhile consultation is possible if discussion papers are made available to participants at the last minute. A number of persons in the States, both at the political and the official levels, have mentioned this as one of the reasons for the deliberations of the N.D.C. not being sufficiently effective.

1.74. Another deficiency in our planning process is the marginal role played by industry in general, and by the private sector in particular, in the process of plan formulation. We are discussing later* in the Report the question of setting up proper links between the planning organisations and industry. We should only mention here that in our view an appropriate contribution by different industrial groups to thinking about plan formulation is essential both for making the plan realistic and for making important elements in industry feel committed to the plan. It is necessary to have effective communication not only between the Ministries and the Planning Commission but also between the Ministries dealing with particular economic sectors or functions and the industrial, business, technical or other professional organisations operating in that field. One of the most significant contributions of the planning experience in France has been the very useful functions that the Modernisation Commissions in that country have performed, both for advising the Planning Commission and for ensuring better communication between the Government and the industry, on the one hand, and among different elements in industry itself, on the other. We understand that in the U.K., the experience about what are called 'little NEDDIES', i.e., specially constituted Consultative Councils for main groups of industry, is similarly happy. We, therefore, think that this is an important lesson that may be profitably learnt from the experience of these countries.

Annual Plans

1.81. The system of annual plans had not developed very much in the First Five Year Plan period. The system was first introduced in 1957 in relation to the formulation of State annual plans for 1957-58. In the case of the States this arose at least partly because the amount of Central assistance to be given to the States was not definitely fixed in the Second Plan. It was, therefore, necessary to decide it on a year to year basis in the light of the resources position at the Centre and in the States and the requirements of the Plan at that stage. For

* See Chapter V, paras 5.91, 5.92 and 5.93.

the Third Plan, the Central assistance for each State for the Plan period as a whole had been determined in advance. But, by this time, annual plans had come to be emphasised as an important tool of properly phased development. The system of preparing annual plans for States, therefore, continued in the Third Plan period. As the Fourth Plan has not been finalised up to now, the annual plans have assumed even greater importance. Annual plans for States for the years 1966-67 and 1967-68 were prepared and it seems that the annual plan for 1968-69 will also be prepared by the Planning Commission now before any definite decision is taken about the Fourth Five Year Plan.

1.82. As regards the annual plan relating to the Union Government, it was the practice from a very early stage of planning that the Planning Commission be closely associated with the preparation of the Union Government's Capital Budget or that part of it which related to development. There always used to be some discussions between the Planning Commission and the various developmental Ministries regarding their proposed developmental outlays for the forthcoming year. In recent years an attempt was made to give more content and purpose to these discussions. For example, in a memorandum issued by the Planning Commission in 1961 to all the Ministries of the Government of India regarding their plan proposals for 1962-63, it was pointed out:

“As Ministries are aware, the preparation of Annual Plans is of crucial importance in the execution of the Third Five Year Plan. In the past, more attention was given to these plans in relation to the States than the Centre. From this year onwards, it is intended that the emphasis should be put on the annual plans of Central Ministries as well. In the preparation of the annual plans, each Ministry is, therefore, requested to visualise, besides the tasks which it may itself be carrying out or sponsoring through the States, also those tasks which other public or private agencies are expected to execute in the concerned sector during the coming year. Attempts should also be made to ensure that the programmes included in these annual plans are properly synchronised with those of related sectors. Further, in view of the large number of major projects being undertaken, the annual plan should be regarded as an essential instrument of advance planning for the succeeding years. The annual plan has, therefore, to be set out in

fair detail, defining the tasks and obligations of all concerned, and indicating time schedules which must be adhered to as closely as possible.

“Moreover, it will be necessary for the Planning Commission, with the help of the Ministries, C.S.O. and the Reserve Bank of India, to project the growth of the economy over the next year, identify the principal tasks and problems ahead and formulate appropriate policies in advance. For this purpose, it is requested that the Ministries may supply to the Planning Commission by the end of November, 1961 any data they have on projections of output or demand as well as appraisals of existing or anticipated difficulties in accelerating the rate of growth in their sectors.

“Thus, preliminary work on the annual plan at the Centre for 1962-63 has to provide the broad frame within which State and sectoral plans may be worked out and implemented. The plan at the Centre should also take into account the growth of private sector of the economy, both organised and unorganised, and should initiate the process of formulating definite programmes for all important industries in the private sector with the help, where necessary, of Development Councils and other agencies.

“The Ministries concerned with Social Services may present schemes for the Annual Plan according to the accepted ‘programme limits’, subject to the undertaking that these schemes may have to be revised later in the light of the financial provision for 1962-63 which the Ministry of Finance may indicate on the basis of an assessment of the overall financial situation.”*

1.83. We have given this long quotation to indicate what the Planning Commission’s conceptual approach to the Annual Plan is. An earlier indication regarding the importance of the annual plan to the process of planning had been given in the Second Five Year Plan document:

“However important the strides in the future, the next step ahead is, for the moment, the most crucial. A five year plan has, therefore, to be broken up into annual plans or programmes, and performance must be judged more and more in terms of the tasks executed on an annual basis.

* Planning Commission O.M.F. No. PC(P)2(2)/MIN/61, dated October 28, 1961.

This is not to say that there should be no flexibility in the matter of taking on and seeing through programmes or projects, but this flexibility must be part of the annual plans themselves rather than in the nature of *ad hoc* adjustments. The Central and State Governments operate in terms of an annual budget, and this offers a natural opportunity for reviewing and adjusting the broad annual phasing indicated in the five year plan. But this review has to be undertaken by the Planning authorities on a consideration of the overall needs of the economy and experience in respect of the fulfilment of tasks for the year about to end

“Planning is not a once-for-all exercise for a five year period; it requires a continual watch on current or incipient trends, systematic observations of technical, economic and social data and adjustments of programmes in the light of new requirements

“.....the plan has to be regarded as a framework within which programmes for each year have to be worked out in detail and implemented.”*

1.84. In practice, the so-called annual plan has been a much more modest attempt. As regards the Union Government, till recently, the Finance Ministry finalised its proposals regarding the Capital Budget of the Government of India without necessarily waiting for the Planning Commission's advice regarding the plan proposals put forward by different Union Ministries. Whether a particular proposal was based on what had been included in the Five Year Plan or not, of course, continued to be important. More recently, the Planning Commission has been organising discussions with Developmental Ministries regarding their Capital Budget proposals in cooperation with the Ministry of Finance (the recently abolished Department of Co-ordination used to be associated with this), and this meant that to some extent the plan proposals for the Union Ministries for the forthcoming year were vetted by the Planning Commission before the Ministry of Finance took a decision regarding them.

1.85. The Planning Commission on the other hand played a much more crucial role regarding the annual plans of the States. The reason was that the State Governments have come to be increasingly dependent upon Central assistance to meet the requirements of their developmental outlays; and the grant of Central assistance has been

* The Second Five Year Plan, 1956, pp. 18-19.

largely dependent upon the recommendation of the Planning Commission. The procedure that has been used more recently for this purpose is as follows.

1.86. The Planning Commission, mainly with the help of Programme Administration Division and the Economic Division, prepares an estimate of developmental outlays required to be made during the forthcoming year, the possibility of mobilisation of resources by the States and the Union Territories, and the amount of Central assistance that should be made available. This problem is then discussed between the Planning Commission and the Union Ministry of Finance and the latter gives a tentative indication of the overall amount of Central assistance that may be available for the annual plans of the States. The Planning Commission then thinks in terms of the distribution of this total amount among various States and this figure is intimated to the State Governments along with the guidelines regarding the formulation of the annual plans.

1.87. The States then send their annual plan proposals. These proposals are examined and discussed between the Planning Commission and the State Government concerned. The discussion lasts for a period of three days in the case of a State, and two days in the case of a Union Territory. The discussions initially take the form of examination of different sectoral aspects of the plan by Working Groups consisting of the representatives of the Central Ministries, State Governments and the concerned Division of the Planning Commission. There is also a detailed discussion on the financial resources position of the State in a special Working Group which is presided over by the Programme Adviser concerned. The reports of all these Working Groups are finalised on the second day of the discussion. The Programme Adviser then considers the recommendations of the Working Groups and, after a further discussion with the State Planning and Finance officials, puts forward his proposals to the Planning Commission. These are discussed between the Planning Commission and the State Government on the third day at the ministerial level. At the end of the meeting, an agreement is expected to be reached regarding the annual plan outlays of the State, Central assistance and the mobilisation of State resources. When all the State discussions are over, the agreed figures about Central assistance and State Plan outlays are conveyed to the State Governments. Sometimes, additional Central assistance may be involved and the matter has to be discussed between the Planning Commission and the Ministry of Finance. The approach is that all this should be decided in time to enable the State Budgets to be finalised on an appropriate and agreed basis.

1.88. From this discussion of the annual plan, one can easily see that the term annual plan is somewhat of a misnomer. What is attempted is working out of annual Capital and Revenue Budgets relating to plan outlays in the public sector. The criteria adopted are not very different from those adopted in the normal financial examination except that, as there is already a five year programme which has been accepted, the annual programme can be put in appropriate relationship with this five year programme. One other major operational improvement that is of some significance is that, taking into view the special problems faced or requirements felt, emphasis may be given to certain programmes. In some years in the Third Five Year Plan, for example, special programmes for agricultural production were instituted and special Central assistance or at least accelerated assistance was provided for them.

1.89. On the whole, it has not been possible to make an effective overall review of the economy or to take a full view about the further prospect when undertaking the preparation of the annual plan. Moreover, because there is no full-scale annual phasing of the Five Year Plan and usually no proper phasing over time of major projects, there is no criterion by which the proposals put forward by different authorities—Central or State—can be judged as against the original plan. There is also no system of adequate appraisal or progress reporting which would provide an appropriate basis for judging the proposals. There is also very little integrated approach in the discussions on the different proposals. In the case of discussions on the State Plans, it is frequently found that each sectoral Working Group goes its own way and the Programme Adviser finds that he has to take an integrated approach largely by himself without much assistance from the discussions in the Working Groups. A further point about the State annual plan discussion is that it is a race against time and decisions have to be reached quickly without adequate time for discussion, reflection or evaluation. In the case of the annual plan for the Centre, all that is achieved is a general discussion and no effective guidance or control function is achieved through this process.

1.90. We have already suggested in our Interim Report* that there should be a full-scale progress report and appraisal regarding plan developments for a year, prepared by the Evaluation Wing, within six months of the completion of the year. The Planning Commission may also prepare a kind-of general economic forecast for the

* See Interim Report, para 4.71. Also see Chapter II, para 2.172 of this Report.

coming year in cooperation with the Ministry of Finance—the Ministry of Finance anyway does it for budgetary purposes—and this may be used for the purpose of suggesting significant changes necessary in the phased programme of development as outlined already in the Five Year Plan. If the forecast indicates that production capacity or potential already brought into existence is not likely to be effectively utilised—and this is bound to affect adversely national income savings and plan outlay—the Commission will have the obligation to suggest measures for correcting this to the maximum possible extent. At the same time, the Progress and Appraisal Report may be taken into account to see where adjustments, either by way of acceleration or deceleration, should be made in the next year's programme for a particular sector. It is on these modifications or adjustments that attention may be focussed in the case of discussions with States and Ministries.

1.91. At the same time, there should be a full-scale discussion between the Planning Commission and the State authorities and also the developmental Ministries where the progress and appraisal report in regard to the particular State or Ministry is considered and steps to improve plan performance in the future discussed. The timetable for this should be so organised that the various important elements that should participate in the discussion can do so, and this without undue hurry.

1.92. The Planning Commission itself, both in its document on the Planning Process and, more recently, in the Draft Outline of the Fourth Five Year Plan has agreed that the Annual Plan as it is used at present contains serious deficiencies. "The appraisal of performance, both for the preceding year and the current year, which accompanies the preparation of the annual plan, is generally incomplete and gaps in performance are not located with sufficient precision. Since accurate information is not always available for past and current performance and forecasts for the succeeding year contain a large element of guess-work, there is a temptation to proceed rigidly on the basis of estimates and targets embodied in the Five Year Plan without taking the opportunity, which the annual plan should provide, of revising the earlier estimates, bringing them up-to-date and preparing fresh forecasts for later years.....

"In relation to industrial programmes in the private sector, procedures now in vogue do not provide for systematic review of past performance and for a close enough appreciation of current needs and of plans for the following year. Plans for production, imports and

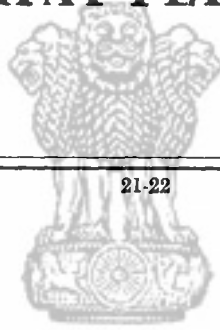
exports, are not as closely integrated as they need to be. It has not been possible yet to prepare systematic annual balances and forecasts for key materials or to link up estimates of requirements adequately with plans drawn up for the more important industries, projects and programmes.”*

1.93. We agree with this assessment regarding the Annual Plan process. We also broadly agree with the improvements suggested by the Planning Commission in the process.† Making a clear-cut distinction between continuing projects for which adequate resources must be made available to ensure completion, and new projects which should be taken up only when they are fully worked out and are ready for implementation and the resources for them assured, is an important step in such improvement. Along with financial provisions, the physical tasks to be fulfilled and the tests by which programme performance would be judged must also be carefully laid down. While some of this may take time to implement, the Annual Plan discussions may concentrate on broader issues, such as, resources mobilisation, appraisal of performance in key areas, important policy problems and the requirements of major projects. Detailed planning within such a framework, and further necessary adjustments, should be largely left to the Ministries and the States, with provision for a systematic follow up by the Commission of the progress of the Plan. In this way the Annual Plan discussions can be made more fruitful and the annual plans improved in their depth and scope and, therefore, their usefulness.

* Government of India, Planning Commission: Fourth Five Year Plan—A Draft Outline, p. 156.

† *ibid.*, pp. 157-158.

CHAPTER II



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CHAPTER II

INTERNAL ORGANISATION AND PROCEDURES OF WORK IN THE PLANNING COMMISSION

Functions of the Groups in the Plan Formulation Wing

2.11. As we have already indicated* in our Interim Report, the two principal functions of the Planning Commission should be:

(A) plan formulation and revision; and

(B) plan appraisal and evaluation.

Regarding the process of plan formulation, our basic approach is as follows:

(i) The Planning Commission should only be responsible for formulating the objectives, laying down priorities, indicating broad sectoral outlays, fixing the basic targets and approving the main programmes together with criteria for selection of projects and schemes. Detailed sectoral planning including elaboration of the targets and formulation of individual projects and schemes, their detailed examination, scrutiny and implementation should be the responsibility of the respective Central Ministries, State Governments and other executive agencies. The Commission need go into the details of only those projects which involve a very substantial amount of investment outlay or a sizable foreign exchange component, or have inter-State or other significant policy implications. The approach should be carefully to select a few important projects for closer scrutiny by the Commission and leave the rest largely to the discretion of other agencies. The Commission's interest in these selected projects should be mainly confined to examining their place in and repercussions, both in physical and financial terms, on the integrated scheme of planned development and ensuring that their economic, technical and administrative feasibility has been properly examined. Individual references on schemes should cease to come to the Commission except when they pertain to major deviations from the Plan.

(ii) As a general rule, greater freedom of action, than in the past, would be permitted to the States in the matter of State subjects except in matters involving national priorities. While in certain crucial areas such as seed multiplication farms, technical education

* Interim Report, para 4.51.

and family planning, Central direction, scrutiny and control may have to be greater, these objectives can be met by having a small number of Centrally sponsored schemes, or through the mechanism of tied assistance for a few such crucial programmes. In the welfare or the social services sector, where regional and local variations are many and aspirations different, considerable initiative and freedom of choice must be given to the States. The Central responsibility in this area should be mainly restricted to ensuring uniformity in certain spheres and the fulfilment of minimum national standards in others.

2.12. We have already indicated* in our Interim Report the grouping of subjects as considered appropriate by us and have also broadly indicated the kind of work expected from the Groups. It is not our intention to enumerate the detailed items of work that each Group is expected to do. But we shall briefly mention the functions which are common to most of the Groups and also those which belong to each Group separately.

In the abstract, the functions of the Groups in the Plan Formulation Wing would be as follows:

- (i) Assessment of needs.
- (ii) An estimate of the possible, and spelling out of the assumptions for making the possible, achievable.
- (iii) Concretisation of the objective finally selected. This would involve consideration of the strategy; policy implications and measures; broad allocation of outlays; priorities; target fixation; examination of large projects and schemes for inclusion in the Plan; laying down norms and criteria for selection of such schemes; assessment of the requirements of the material, financial and human resources for the plan; and time phasing of the plan tasks.
- (iv) Planning is a two-way process. The Commission would be providing a certain amount of lead and guidance to the States, Ministries and other sectoral agencies. The latter in turn would be feeding the Commission with useful data, policy proposals and ideas about programmes for development in the light of which the Planners may modify the national plans. Carrying on a continuous dialogue of this nature would be an important function of the Groups.

* See Interim Report, paras 4.61 to 4.70.

- (v) Assessing the implementation of ~~the relevant policies~~ and suggesting revision of these policies in the light of such assessment.
- (vi) Suggesting adjustments in priorities and outlays, and modification of programmes in the light of the Progress and Appraisal Reports and other studies of the Evaluation Wing.

Perspective Planning Group

2.21. As we have already indicated* in our Interim Report this Group should be responsible for working out long-term projections of economic development, the implications of the assumed rates and alternative models of growth, and for providing a picture of inter-related commodity balance for ensuring balanced economic growth. It should study from time to time the inter-relationship of the various sectors and check the consistency of various targets set within a five-year period, examine their impact on the long-term perspectives and suggest modifications in the five-year programme so that the long-term perspectives are not distorted. At the same time, it will be its responsibility to adjust the perspective in the light of the developing situations.

2.22. One of the principal determinants of development in any economy is the natural endowment of the country. However, no single Department either at the Centre or in the States is exclusively concerned with the task of investigating the natural resources. Work would have to be started on identifying the principal gaps in our knowledge in regard to these resources well in time if bottlenecks are not to develop later. Work of this nature does not yield immediate tangible benefits with the result that, when confronted by financial stringency, the executive agencies, concerned mainly with short-term considerations, are tempted to prune the already moderate provisions made for this purpose. The Planning Commission, however, has a role as a 'trustee' for the future. One of the major functions of this Group would, therefore, be to keep watch on the implementation of programmes drawn up in this connection and to ensure that they are properly carried out.

2.23. Obviously, in the field of natural resources, it is not necessary for the Commission itself to undertake or even to direct the studies which are required. The Commission's task should be three-fold:

- (a) to indicate the studies that are needed;

* See Interim Report, para 4.65.

- (b) to ensure that these are organised through the existing agencies if necessary by strengthening them or suggesting the creation of new agencies; and
- (c) to be in continuous touch with these agencies to ensure that the studies are carried out according to the prescribed time schedules.

2.24. Then we have the problem of conservation, augmentation and proper utilisation of the natural resources. It should be the responsibility of this Group to study the patterns of utilisation and explore the possibilities regarding the alternative use of scarce resources. This is no doubt basically the function of scientific research. In this field too, the Group's task should be to identify the major areas where research would be crucial and pose problems to the research institutions. For this purpose, the Group will have to keep itself informed about major technological changes and study their impact on the use of resources. Meaningful projections of a long-term nature will not be possible without adequate knowledge of the rapid technological changes taking place in many industries.

2.25. In the field of manpower, the Group should study, in collaboration with the Institute of Manpower Research and other similar agencies, methodological problems relating to manpower planning. Apart from long-term manpower planning it should also attempt, in cooperation with the Manpower Directorate of the Home Ministry and the other existing agencies, to study the problems of estimation of manpower stock in different fields, the qualitative upgrading of the existing stock and changes in the pattern of production. Thus in the field of long-term planning, its efforts should be directed towards bringing about both a quantitative as well as a qualitative balance.

Economic Group

2.31. The major pre-occupation of the Economic Division in the past was the assessment of financial resources. This position was partly rectified in 1961 by setting up a separate Unit on Economic Growth and Policy. However, the precise area of activities of this Unit was not clearly defined. We envisage the following areas of study for the Group in this field:

- major policy implications of alternative rates of growth;
- the policy implications of the directive principles of State policy as embodied in the Constitution;
- the long-term and five-year policies relating to incomes, wages and prices;

problems of credit policy, savings and investment;

study of current economic policies of the Government from the point of view of their impact on Plan objectives.

2.32. The existing Economic Division also has an Inter-Industries Study Group. Its main function is to prepare inter-industry tables and the application of that analysis to the economy. This is a very small group which so far has mainly concentrated on collection of information and providing a certain amount of material for the newer type of economic analysis that is being used for programming purposes. We feel that studies of this nature belong more appropriately to the Perspective Planning Group which is already doing work of this kind. We, therefore, recommend that this work need no longer be the responsibility of the Economic Group.

2.33. Estimation of internal financial resources from time to time should continue to be a function of this Group. Another important activity of this Group should be to study the problems of over-all resource mobilisation including changes in fiscal policy necessary for that purpose, and the price and related policies of public enterprises, in the context of development.

2.34. It is necessary to provide technical guidance to the States in the matter of resource mobilisation. During the course of our discussions with certain States, we got an impression that they would welcome such assistance. At present, there is no agency at the Centre which studies on a continuous basis problems of State finances and measures for mobilisation of resources. We recommend that a Unit for this purpose may be set up in the Economic Group. This Unit, may also prove to be of general assistance to the Ministry of Finance and to the Finance Commission, whenever it is set up.

2.35. Problems relating to employment and employment policy cannot be divorced from the issues relating to incomes, wages and investment policy. We have, therefore, suggested the allotment of the subject of employment to the Economic Group.

2.36. In relation to the problems of external resources, we envisage that the conduct of basic studies as well as other work such as negotiations for foreign aid will be the responsibility of the concerned ministries of the Union Government. The Commission's function would be to draw up a five-year picture of requirements, and bring out the policy implications arising out of the gap in the balance of payments situation or the overall resources gap. This is an extremely complex task. The assumptions relating to the availability of external assistance are bound to remain an uncertain factor in any exercise

that may be undertaken. But the same uncertainty need not extend to what can be achieved either by way of export promotion or import substitution.

2.37. A precise definition of the food problem, and the requirements of a long-term food policy, were clearly brought out in the First Five-Year Plan document. However, from the Second Plan onwards, the Commission somehow did not continue to highlight this with the same emphasis and forcefulness which characterised its statement on food policy in the First Plan. The Commission does not ever appear to have set up a full Unit to look after this important work on a whole time basis. We suggest the assignment of this work to the Economic Group as the problems of food policy are closely related to and have a great impact on price policy as well as to incomes, savings and investment.

Plan Coordination Group

2.41. We have already indicated* in our Interim Report that the principal functions of this Group should be to:

- (a) put together various strands of development plans worked out by the various groups and
- (b) bring them to a focus, initially for appropriate consideration in the Commission itself and later for obtaining the decisions of the concerned governmental agencies.

2.42. We consider this Group as the main functional secretariat of the Planning Commission. Thus, this Group will have to bring out clearly any inconsistencies or conflicts in objectives and priorities in programmes put forward by Ministries and States, to the notice of the Planning Commission. The responsibility for editing and bringing out the Plan documents would also rest with this Group.

2.43. An important unit of this Group would be responsible for dealing with State Plans as a whole. Some of its important duties in this field would be in the sphere of Central assistance, guidelines to the States and classification of schemes. Its efforts should be directed towards evolving suitable objective standards and criteria for these purposes. Studies relating to regional development should be another important function of this unit. It is needless to add that specific regional studies would have to be carried out by the States themselves. We envisage that this Unit would undertake general studies regarding the mechanics and methodology of regional development so that it is in a position to provide guidance to the States.

* See Interim Report, para 4.67.

In view of the important nature of the work undertaken in this Unit, it should be in charge of an Adviser who is of the status of a Senior Joint Secretary or Additional Secretary.

2.44. We may also make a mention of the documentation function. A large number of papers are prepared in the Commission from time to time, quite a few of which are 'working papers'. Only the 'finished' papers coming up before the Commission are available at a centralised place either in the Plan Coordination or Coordination Branches of the Commission; and even these are not properly recorded. It would be advantageous if at one place in the Commission a systematically arranged record of all the important papers is readily available.

Agriculture and Rural Development Group

2.51. In a list of subjects dealt with by it, supplied to us by the existing Agriculture Division, about fifty subjects have been indicated. Obviously, the Division cannot concern itself with every odd item falling under the agricultural sector, nor can it ever possess the expertise to do so. The Unit need only be concerned with the *principal* elements of agricultural development and not with sundry subjects connected with agriculture.

2.52. Detailed agricultural planning is not possible in an agricultural economy dominated by millions of peasant proprietors. It is also inappropriate to speak of agricultural production targets in the same sense as of industrial targets, for the reason that ultimately their success or failure would depend on the decisions and actions of a large number of peasants over whom the Government has no direct control. What is possible is to draw up a coordinated plan of inputs like fertilisers, improved seeds, improved practices and credit and then provide the necessary incentives to the farmers through a suitable agricultural prices policy and adequate marketing facilities. In drawing up a coordinated plan, the Group would continuously strive to absorb the results of the research conducted in the concerned research organisations and the experience of States and study the policy implications of the main determinants of agricultural development.

2.53. In the field of irrigation, the Unit would study the ultimate potential, the most economical way of developing this potential and the most effective way of utilising the potential created. It need not

be concerned with detailed technical work which should continue to be handled by the Central Water and Power Commission to the extent that the Centre is involved in it. But it should apply certain criteria—economic costs and benefits, and adequacy of project preparation—before it permits a major project to be included in the Plan. It will be advised in this by the Technical Advisory Committee on Irrigation and Power Projects (See Chapter III, para 3.61).

2.54. In the field of Land Reforms, the principal responsibility of the Agriculture Group would be to study the progress of the implementation of land reforms on a continuous basis and bring to the notice of the Commission and, through it, of the concerned Chief Ministers and if need be the N.D.C., lags in implementation or misdirection in legislation. It is not necessary that every individual legislation on land reforms should be examined by the Commission, as happens at present.

2.55. In view of the fact that Agriculture is the most important single factor on which the over-all development of the rural sector depends, we have made the subject of rural development also the responsibility of the Agriculture Group. The development of non-agricultural employment in rural areas is in many ways tied up with agriculture. It is obvious that an integrated plan of rural development must simultaneously cover schemes for rural industries based on local resources, rural transport, rural electrification, provision of marketing facilities and so on.

Industry, Transport and Power Group

2.61. This Group will be concerned with large, medium and small industries. The vast range and magnitude of the industries involved, both in the private and the public sectors, raise important problems of coordinated progress. The basic function of this Group would have to be one of examining the factors affecting balanced growth of inter-related industries, studying the factors which tend to disturb this balance and recommending corrective policies. It is in this context that it will have to study the implications of Industrial Policy, including the respective roles of the public and private sectors, licensing policies, problems of industrial finance, problems of import substitution and the question of increasing efficiency and reducing industrial costs. We realise that it will not be possible, for the Group itself to undertake all the studies that may be necessary. Many of these would be conducted by other agencies. What we expect is that the Group should have at its disposal the results of all such studies for use in drawing up and adjusting the Industrial Plan.

2.62. Since development of Power is more directly related to industrial and transport development, we have suggested its allotment to this Group. It is obvious that other Groups will also be concerned with it—e.g. the Agricultural Group with rural electrification, and also with hydro power because of its interest in irrigation. Though power is a concurrent subject, in view of the advantages of 'scale', planning for power generation may increasingly have to be made on a national rather than on a State or regional basis.

2.63. In the field of transport, the Group's main function would be that of coordination of the transport plans put forward by different executive agencies into a balanced transport plan in the light of its estimate of long-term transport requirements—more related to industries but quite obviously also to the requirements of agriculture, and other sectors.

Social Services Group

2.71. The division of subjects between the Union and the State Governments is such that large areas of development in education, health and labour welfare are within the purview of the State Governments. The Union Government and the Planning Commission can only play the role of evolving a national framework of policy, working out the main priorities and targets, ensuring the adherence of States to certain minimum national standards and providing assistance in such a way as to enable and induce the States to follow these broad guidelines. As the Union Government has limited executive responsibility in these subjects, most of this work will be the only substantive work done by the concerned Ministries at the Union level. There have even been questions raised whether separate Ministries for these subjects in the Union Government are justified as the Planning Commission can bring about the necessary coordinated development in these sectors. Our Study Team is, however, not concerned with these questions.

2.72. The main task of the Social Services Group in the Planning Commission regarding the development of social services, such as education, health and labour welfare would be to ensure that the development of these takes place in balance with the other parts of the Plan and in keeping with the accepted social objectives. In the case of a few programmes such as technical education and family planning, their success might be of such crucial importance to the Plan as a whole that the Planning Commission may have to take special interest in their success. Ordinarily, however, we expect that

the Commission's role in these subjects would be limited. The units in this Group would, therefore, be small, the Commission depending upon the concerned Ministries for most of the work in these areas.

The Role of the Groups in the over-all Planning Process.

2.81. It is necessary to make a special mention about the role of the different Groups in the planning process. Planning means co-ordinated effort. A departmental approach would mean the very negation of planning. The present organisation of the Commission's Secretariat into different Divisions and Sections, patterned as it is somewhat on the lines of a Ministry, seems to have led to compartmentalised thinking and lack of adequate mutual communication. It is with these considerations in mind that we have recommended the organisation of 'Groups' dealing with a number of related areas of development in place of the former Divisions. The function of the Planning Commission is to integrate the sectoral and regional claims into a composite, balanced whole and the role of the Groups in the Plan Formulation Wing is to participate in this task of integration. The Groups must, therefore, have not only sound knowledge of their own sectors but also an adequate insight into the essentially inter-related nature of the different sectors in the economy. This will not be achieved by organisational arrangements alone; much will depend on the development of suitable personnel capable of thinking of the connected tasks together.

2.91. With the changes in the emphasis regarding functions and shedding of certain activities as suggested by us, the problem of duplication of work between the Commission and other official agencies should be appreciably reduced. However, it should be realised that when two or more agencies are looking at the same problem, though from different angles, some duplication and overlapping of functions are inevitable. In most cases it would be difficult to draw a clear line of demarcation. The general principle should be that whatever work the Commission can get done by other agencies, it should not attempt to do itself. If the Commission decides to follow this principle, duplication would be considerably reduced.

Procedures of Work

2.101. The Commission has been criticised for being "galvanised into action" immediately preceding the preparation of a Plan but showing little signs of activity during the time in between two Plans. Moreover on occasions like the preparation of the "Memorandum" and the "Draft Outline" which have to be presented to the N.D.C. by a particular dateline, as also at the time of the preparation of

the Annual Plans, the Commission works at a feverish pace. This dislocates and disturbs the normal flow of work, which should not happen except in the case of real emergencies. It is, therefore, necessary to organise the work of each Group so that its long-term work, especially that relating to the preparation of long-term and five-year Plans, proceeds smoothly. The Commission, as an expert professional body, will never be able to give its best if it is required to make its decisions in an atmosphere of hurry and crisis. It must spread its work evenly and plan it methodically and in detail.

2.102. It is not enough that the subject matter to be dealt with by each officer is clearly defined, but this should also be strictly adhered to in practice as closely as possible. In allocating work, care should be taken to ensure that sufficient time is given to the officer and that distribution of work is not uneven. No worthwhile papers can be prepared at short notice and under heavy pressure of work. It should, therefore, be the responsibility of the Group Advisers to draw up, in consultation with the subject specialists working under them, a comprehensive annual programme of work which should then be broken up into monthly work assignments allotted to officers by name. The programme should cover, apart from planning work relating to the sector, studies of major policy issues. Whether the Government chooses to consult the Commission on a particular matter or not, the Commission cannot afford to allow itself to be overtaken by events. The Commission's terms of reference provide that it can on its own initiative make such interim or ancillary recommendations as may be warranted in the light of the prevailing conditions. Thus at any particular point of time the Commission's thinking, on all matters affecting long-term economic development, should have progressed to a stage, where after taking stock of the existing situation, it is in a position readily to advise the Government.

2.111. The Secretariat assistance to technical Divisions is at present provided in the shape of a unit attached to each Division comprising a Section Officer, a few Assistants, U.D.Cs. and L.D.Cs. The size of the supporting complement differs from Division to Division depending on the strength of the technical officers and only the larger Divisions have a Section Officer heading their secretariat adjuncts. In addition, a technical officer of the status of Joint Director and above has a Stenographer/Stenotypist attached to him. Normally three S.R.Os./R.Os. are given one Stenographer/Stenotypist. We feel that this arrangement is not conducive to the efficient functioning of an organisation like the Commission. We recommend that the work of the Commission should be officer-oriented and the officers be given

suitable assistance of Stenographer or Stenotypists. The adoption of this change, which the Commission was considering at one stage, should eliminate from the technical Groups a large part of the secretariat staff. For handling routine secretarial work and taking care of additional typing work, each Group may need an Assistant and one or two clerks. This small unit may work under the direct supervision of a technical officer nominated for the purpose by the Head of the Group.

2.121. At present the work in the technical Divisions of the Commission is modelled on the same pattern as obtains in a secretariat department. The channels of communication are formal and often there is lack of adequate communication among the various Divisions. Obviously, most of the matters which have vital inter-sectoral repercussions, should be properly thrashed out and reconciled at the official level before they are discussed by the Commission. The work of the Groups has to be so organised that they work to a common purpose. This presupposes that both within the Groups as well as among the Groups, there is a free and full exchange of information and views so that all possible repercussions of a particular proposal are sorted out at the earliest stage in the preparation of papers. Inter-group discussions at all levels should become a normal feature in the process of preparation of papers having inter-sectoral implications. It is only after the proposals have been considered jointly at the top official level that issues would become clearly spelt out with points of disagreement, if any. This would facilitate the decision making process. A further advantage would be that the specialists would feel relatively more free to express views and make suggestions in discussions at the official level.

2.122. The papers to be submitted to the Commission need not be approved, regarding the conclusions, by the Member concerned. He would no doubt have the right to ask the concerned Group Advisers to look into some points or to reconsider their proposals in the light of his observations, but the final paper going before the Commission need not bear the stamp of his approval. As would be evident from our analysis in the Interim Report* of the 'port-folio' system, we supported the allocation of subjects to Members on the ground that it would be a waste of talent if Members specially chosen for their knowledge and experience in particular fields are not asked to look after them. While the Members, in the light of their special knowledge and experience, would organise, supervise

* See Interim Report, para 3.63 to 3.66.

and guide the work of the Groups allotted to them in the best possible manner, they should extend full freedom to the technical advisers to express their views in the technical papers prepared by them. Consideration of such papers should then be undertaken by the Commission as a whole.

2.123. The programme of the Commission's meetings should be so organised that they are not crammed into a short period of time and the agenda is not too heavy. Quite often in the past there have been considerable difficulties in arranging meetings of the Commission in a phased and orderly manner because of the pre-occupation of some of the Members with other activities, including tours. Various attempts made to ensure the presence of all the Members on particular days a week did not bear fruit. Now that Members would not be active politicians, difficulties of this nature should no arise.

Functions of the Plan Evaluation Wing

2.131. We have already indicated* in our Interim Report the functions and broad lines on which the Plan Appraisal and Evaluation Wing will need to be organised. Broadly speaking, the Wing would have the following functions:

- (a) Periodical progress reporting;
- (b) Evaluation studies;
- (c) Special studies on particular aspects of implementation;
- (d) Periodical Plan Appraisals; and
- (e) Socio-Economic research.

Progress Reporting

2.141. We do not visualise that the Commission would be directly responsible for the collection of progress data at the operational level. We expect that the Commission would regularly receive progress reports from the States, Central Ministries and other major implementing agencies. It may also be useful to devise means to secure such information from large organised industries in the private sector. The Plan Appraisal and Evaluation Wing should use the information thus obtained to bring out, once in a quarter, a tentative Progress Report on the Plan. Such a report would be of considerable assistance in keeping all concerned fully informed about the progress of the Plan in different sectors of the economy. An Annual Progress Report may also be brought out and published.

* See Interim Report, paras 4.71 to 4.73.

2.142. The Evaluation Wing should select, in consultation with the Plan Formulation Wing, a limited number of important plan projects both in the public and private sectors, the progress of which may be watched closely and continuously, because their timely execution would make a significant difference to the success of the Plan as a whole. For such projects, there should be monthly progress reports. The Planning Commission has an Intelligence Room where progress of the crucial projects and programmes is maintained in the form of charts and other visual aids. We hope that these charts and aids would be used for operational purposes.

Evaluation Studies:

2.151. The concept of evaluation is essentially different from that of progress reporting. For the purpose of clarity, it is necessary to make a distinction between what can be described as 'current' evaluation as against 'periodical' evaluation. Broadly speaking, the Planning Commission has attempted to do the former kind of evaluation through the Programme Evaluation Organisation and the latter through the constitution of *ad hoc* Study Teams under the auspices of the Committee on Plan Projects. Though the P.E.O. was set up in 1952 with the specific objective of evaluating the Community Development Programme, over the years, and especially since 1960-61, it has enlarged its scope to include the entire field of rural development programmes. On the other hand, the Committee on Plan Projects, through its Study Teams, has mainly concentrated on intensive study of selected projects over the whole area of development.

2.152. While the studies conducted by the P.E.O. as well as the C.O.P.P. have been certainly useful, there are many crucial areas of plan implementation which have not been adequately covered by either. It is true that evaluation by the Planning Commission cannot and should not cover all the Plan programmes and schemes; but it is necessary that it studies a selected number of important projects and programmes closely and continuously. For the remaining areas, reliance would have to be placed mainly on the evaluation machinery in the States and other sectoral organisations. Even here it would still be necessary for the Evaluation Wing of the Commission to undertake certain studies on a sample basis, so that it is able to discharge its responsibility of bringing out Plan appraisals. It will also be in a better position to make an objective assessment of progress in a State. It would, therefore, be necessary for the Commission to continue to have its own regional evaluation

Units spread over the country. It may also be useful to involve the Universities and other research organisations in the evaluation work. This can be done by farming out some of the studies to them through the Research Programmes Committee. The decision as to what kind of studies may be given to these bodies would, however, have to be solely that of the P.E.O.

2.153. The other functions of the Central evaluation machinery would include study of methodological problems, evolving standardised concepts and outlines of studies and, in the light of its longer experience, guiding and helping the State Evaluation Units. The training of evaluation personnel should be the responsibility of the Training Institute which we are proposing* later in the Report.

2.154. As regards the two approaches to evaluation as signified in the P.E.O. and the C.O.P.P., we feel that both would be necessary for the reason that methods of evaluation of projects in sectors like power and manufacturing and mining industries are different from those relating to programmes which are community-based. Expertise needed to study the projects in the former type of sectors would significantly differ from project to project. Such expertise is scarce and would, therefore, have to be mobilised from the different sources from time to time through the constitution of *ad hoc* study teams to study particular projects.

2.155. Later in this Report, we are making† detailed recommendations regarding the institution of Programme Advisers. We are suggesting that the institution should be strengthened by the appointment of Deputy Programme Advisers at the State level. We expect that the Evaluation Wing would work in close collaboration with the field offices of the Programme Advisers. The concerned Programme Advisers as well as the Group Officers concerned should be fully associated with the finalisation of the evaluation reports.

Special Studies on Particular Aspects of Implementation:

2.161. We would like to say a few words about the kind of studies the Commission has lately been undertaking through the Management and Administration Division of the C.O.P.P. and the Construction Economies Unit. As a result of evaluation studies, certain problem areas are thrown up which require further studies with a view to removing the short-comings. Our general approach is that in all cases where existing official agencies can take up this

* See Chapter IV, para 4.47.

† See Chapter X, paras 10.31 to 10.71.

task, it should be made their responsibility. Thus, in the field of construction economies, the Ministry of Works, the Ministry of Irrigation and Power or the Ministry of Transport should be made responsible for the study of problems affecting their sectors. Studies in the field of management should be entrusted to an agency like the Bureau of Public Enterprises and those in the field of administration, to the Department of Administrative Reforms. Some problems could be entrusted to research organisations also such as the Institutes of Management and the Indian Institute of Public Administration. In the long run it would be in the Government's own interest to help build and maintain high competence in such agencies and institutions. Only in those cases where the problems cut across a number of sectors or affect more than one agency, or where the necessary competence or willingness does not exist should the Commission set up its own *ad hoc* enquiry units. Obviously, the units for such studies cannot and should not form a part of the permanent organisational structure of the Commission and should be wound up as soon as their need is over or a suitable agency can be found to undertake such studies on a permanent basis.

Plan Appraisals:

2.171. During the First Plan period, an attempt was made to bring out annual plan appraisals. A review of the First Plan as a whole was also made before the finalisation of the Second Five-Year Plan. However, the practice of annual plan appraisals fell into disuse during the Second Plan period. There were only two appraisals, viz., the Mid-Term Plan Appraisal and the Progress Report for the year 1959-60. There was no five year review of the Second Plan performance. Similarly during the Third Plan period the first appraisal was made only in the middle of the plan period; later another review was brought out to cover the third and the fourth years of the Plan. A full-scale review of the Third Plan as a whole has not yet been prepared. The main reason for the failure to bring out timely appraisals of Plan performance has been the lack of a separate agency in the Commission charged exclusively with this responsibility. Now that we are recommending the creation of a special Wing for this purpose, we hope that the position in this respect will improve.

2.172. We would like to reiterate what we have suggested already*—that the annual plan appraisals should be brought out every year within a period of six months of completion of the Plan year.

* See Interim Report, para 4.71.

Such appraisals should provide objective, critical and analytical reviews of plan implementation during the preceding year. The approach should be to analyse the data so as to locate bottlenecks and other factors which were responsible for higher or lower plan progress as against the stipulated physical targets. On the basis of such appraisals, we expect the Commission to adjust the Plan priorities and programmes if necessary, and also indicate any policy changes and administrative and procedural adjustments for improving plan performance. The annual appraisals would also serve the purpose of offering timely and corrective warnings to the various implementing agencies. We hope that five-year Plan appraisals would also be brought out as a matter of course.

Socio-Economic Research:

2.181. We have already observed* in our Interim Report that there is no reason for the Planning Commission to continue the support to general socio-economic research provided by it through the Research Programmes Committee. This should be the function of the proposed Council of Social Science Research as recommended in its Interim Report by the Committee on Social Science Research. The Final Report of this Committee has, however, not yet been submitted to the Planning Commission and we do not know when this Report will be submitted. We hope that an organisation for supporting the development of social science research on a more stable footing will be set up at an early date. We would not, however, like to disrupt the present support that a number of social science research institutions are receiving for their research programmes through the Research Programme Committee until such an alternative organisation is set up.

2.182. The Planning Commission may still require certain specific studies to be conducted in a certain way. The designs for these studies and their organisation as well as the time schedule for their completion will have to be worked out by the Planning Commission in collaboration with the institutions which are to undertake such studies and the work may be given to them on a contract basis. Such studies would be *directly relevant even in the short run*, to the Planning Commission's work. If high quality work has to be obtained at comparatively short notice, the institutions to be selected for this work should have already established competence in such research and it would be in the Commission's own interest to ensure that such competence is duly maintained in these

* See Interim Report, para 4.42.

institutions. Arrangements have been made with the five institutions which are involved in studies on planning and development under the Committee for Research in Planning and Development. The main difference between the work to be done at these five institutions and that done under the R.P.C., seems to be that special grants for building up research competence and facilities have been made available to the former institutions. We suggest that this programme should be suitably expanded so as to cover institutions dealing with the social and administrative aspects of development and a few more institutions in other parts of the country, so as to enable them to build up research talent and facilities of a high order. It is equally necessary that the Planning Commission should clearly pose the problems on which it would like research to be undertaken by these institutions and ensure that such research is actually undertaken, completed and its results made available in time for the use of the Commission. This will be possible only if the Commission and its Groups are clearly aware of their problems and the manner in which their solutions can be obtained.

2.183. Thus even after the constitution of a Council of Social Science research, it would still be necessary for the Commission to have a smaller and compact Committee through which to organise the studies which have a direct immediate bearing on the Commission's work. The reconstituted Research Programme Committee and its nucleus secretariat, though located in the Evaluation Wing, would obviously have to work in close and constant collaboration with all the Groups in the Plan Formulation Wing.

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CHAPTER III



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CHAPTER III

ADVISORY BODIES OF THE PLANNING COMMISSION

General Approach

3.11. In our Interim Report, we had discussed briefly the working of the advisory bodies, set up by the Commission from time to time. Our general conclusion was that the large number of advisory groups and committees created by the Commission had not, with a few exceptions, served a very useful purpose. We also observed that while we did not preclude the possibility of the Commission requiring the services of small standing groups for advice on particular matters, before constituting them careful thought should be given to the purpose for which they are set up and the manner in which they should operate*.

3.12. We understand that the Planning Commission has already taken a decision to abolish its various advisory bodies. The intention seems to be to reconstitute afresh only those which may be found necessary. We, therefore, discuss only such Committees the continuance of which we consider essential and those which, in our opinion, need to be set up newly.

3.13. The general approach should be that in cases where the Central Ministries have created special advisory bodies for consultation in particular subjects, which are also of interest to the Planning Commission, the Commission should try to utilise these bodies for its own purposes to the extent possible, and not set up its own parallel set of bodies. If it is felt necessary to obtain the advice of some of these bodies on a continuous basis, small sub-Committees of these bodies may be attached to the Commission. In areas where the need for advice is not felt regularly, but only occasionally for particular problems, small *ad hoc* groups could be constituted for the purpose. These may be wound up as soon as their work is over. In cases where the Commission requires certain studies to be conducted, these may be entrusted either to specialists or specialised research institutions, as may be deemed appropriate, on a contract basis. The Commission may also find it useful in some cases to obtain the advice of eminent experts in formulating plan policies and programmes. Such among them as can spare the necessary time

* See Interim Report, paras 4.81 to 4.90.

can be associated with the Working Groups set up in connection with the formulation of the Five-Year Plans. This is already being done to a small extent. Those who do not have so much time to spare can be consulted on an individual basis. Where the purpose is not so much obtaining expert advice as ascertaining the reaction of the concerned interests, consultations can be held with organized all India Associations representing these interests.

3.14. It is only in cases where the type of advice and consultation that the Commission needs cannot be had from the existing bodies, that Committees may be set up under the auspices or with the initiative of the Commission. They should serve the purpose of bringing together experts, obtaining their joint professional advice and improving understanding with the profession. These Standing Committees or panels should consist of persons who are at the top of the profession and are likely to be useful because of their special interests and also the institutional position occupied by them. Panels of Economists and Scientists are examples of Committees of this type. Another type of Standing Committee may bring together essential expertise for the purpose of undertaking specific work on behalf of the Planning Commission. This work may be either in the form of examining inter-related problems through a group of knowledgeable and interested persons or conducting a semi-judicial, semi-technical, examination as in the case of the Advisory Committees on Projects. There may also be Committees on a permanent footing set up for the purpose of advising the Commission on the studies that it should undertake, the methodology that it should use and the agencies through which such studies could be conducted. The Evaluation Advisory Board and the Research Programmes Committee would belong to such a category. In order that the working of these Committees should be business-like, they would consist of ten to fifteen persons, not exceeding twenty in any case. Sub-Committees may also be formed for study of particular problems.

Committee on Natural Resources

3.21. The Committee on Natural Resources was constituted in December, 1961, with the following objectives:

- (i) to assess from time to time the available information regarding the natural resources of the country and to identify gaps in it in relation to programmes of planned development;

- (ii) to arrange for the formulation, in collaboration with the various organisations concerned, of coordinated programmes for surveys of natural resources in different parts of the country in relation to plans for long-term economic development;
- (iii) to initiate studies on problems relating to natural resources;
- (iv) to make recommendations bearing on the conservation, utilisation and development of natural resources; and
- (v) to disseminate information concerning the country's natural resources through publications.

3.22. The Committee consisted of twenty-three members, which included Members of the Planning Commission, Chairman of the Atomic Energy Commission, Chairman of the University Grants Commission, Chairman, C.W.P.C., Director General, C.S.I.R., Director General, N.C.A.E.R., and heads of number of specialised organisations concerned with the survey and assessment of natural resources. It was assisted by a Standing Committee of eleven Members and Technical Committees on Land, Water, and Minerals with a membership of twenty-four, thirty-one and twenty-five respectively. Sub-committees and Working Groups were appointed from time to time for carrying out particular studies.

3.23. The Committee on Natural Resources rarely met in the past. As we have said* in our Interim Report, though some very useful work has been done in making an assessment of the natural resources of the country, the aim of locating major gaps in information and making an organised effort to reduce or eliminate them has been only inadequately achieved.

3.24. We are of the view that in a field as comprehensive as natural resources, the need for a Committee to think on the basic problem areas and suggest studies that need to be undertaken, in accordance with a determined scale of priorities, is beyond question. This is work of a continuous nature, which presupposes that a body appointed for the purpose should be composed of persons who can find the time necessary for undertaking this task. We do not, therefore, see any particular advantage to be gained in associating all Members of the Planning Commission and other highly placed persons with this Committee; such persons, because of other demands on their time, would hardly ever find time effectively to serve on

* See Interim Report, para 4.03.

this Committee. We would suggest that the Committee on Natural Resources be reconstituted with about ten to fifteen persons, most of whom should be drawn from the specialised organisations engaged in survey and assessment of natural resources and a few other eminent specialists who can spare the time to serve on it. The Member in charge of Natural Resources in the Commission may be its Chairman. The composition and the manner of functioning of the various technical Committees under the Committee on Natural Resources should also be reviewed.

3.25. An Energy Planning Committee had been set up in August, 1965, in pursuance of the recommendations of the Energy Survey Committee. The Energy Planning Committee consisted of eighteen members, with the Member in charge of Natural Resources in the Commission as Chairman and included Member (Industry), Secretaries of six concerned Ministries, Secretary, Planning Commission, Chairman, Oil & Natural Gas Commission, Vice-Chairman, C.W.P.C., Director General, C.S.I.R., Director General, N.C.A.E.R., Chairman, Bharat Heavy Electricals and four other officers of the Planning Commission. Its functions were:

- (i) to review the trends in consumption of energy by its various users and forecast future trends in demands;
- (ii) to estimate available supplies from various energy sources and make recommendations for developing different energy sources for meeting the foreseeable demands; and
- (iii) to recommend policies for reducing of energy.

3.26. We have no doubt that a Committee for energy planning is essential for the reason that energy covers such heterogeneous elements as electric power, coal and petroleum, which are dealt with by different official agencies. Its composition, however, needs to be reviewed in the light of our observations on the Natural Resources Committee.

Panel of Scientists

3.31. In the field of Scientific Research, the Commission had a Panel of Scientists and also a Committee of Scientists to advise it. Both these bodies were, however, abolished a few years ago. We feel that in the field of scientific research, the Commission would need the services of a small Committee of top scientists to advise on the development of scientific research and also on the impact of scientific development on future planning. It may also be useful to

appoint small *ad hoc* groups of scientists from time to time to study the application of science and technology to particular problem areas. This may also be done in consultation with the Panel.

Panel of Economists

3.41. The Panel was constituted in March, 1955, and was reconstituted in February, 1959, with a total membership of twenty-seven, of which seven were officials and twenty non-officials. The Panel was active at the time of the formulation of the Second and the Third Plans and also in 1957 when the Second Plan was being revised in the wake of the foreign exchange crisis. It met last in 1960. It was not called upon to advise on the formulation of the Fourth Plan. We think that a properly chosen group of economists being called upon regularly to discuss problems of economic policy affecting the development plans would be useful. The fact that a professional group deliberates on certain policies and provides certain guidelines would be of considerable use to the Commission in putting its ideas across to the Central and State Governments and various other interests in the country. The Commission in recent years has failed to make an adequate and intelligent use of this instrument and this position needs to be rectified.

3.42. We recommend that the Panel may be reconstituted, with a somewhat smaller membership. In order to provide for injection of fresh talent the Panel should be so constituted that automatically a certain percentage of members retire periodically. It should be called upon to meet at least once a year, and more frequently when some basic questions are being discussed. Major questions of economic policy may be posed for discussion by the Panel; members may also be free to raise questions of their interest. Sub-groups of the Panel may also be formed as and when necessary.

The Land Reforms Implementation Committee

3.51. The Land Reforms Implementation Committee, which is a Committee of the N.D.C., was set up in November, 1963, with the Union Home Minister as Chairman and the Union Food & Agriculture Minister, Member in charge of Land Reforms in the Commission and the Chief Ministers who are Vice-Chairmen of the Zonal Councils, as members. It was set up for the purpose of reviewing the progress of land reforms in different States and suggesting measures for strengthening and improving implementation. The Committee presented a report on the subject to the N.D.C. at its meeting held in August, 1966.

3.52. Having regard to the fact that the problem of land reforms to-day is one of proper implementation of the accepted policy, we consider that the continuance of this Committee is likely to be useful. Its Chairman should be either the Union Minister for Food and Agriculture or the Member in charge of this subject in the Commission and not the Union Home Minister, as at present, as the latter is functionally not closely concerned with the subject. There are, of course, obvious advantages in his association with the Committee as he is the Chairman of the Zonal Councils. He should, therefore, remain a member of the Committee.

Technical Advisory Committee on Irrigation, Food Control and Power Projects

3.61. The Committee, initially set up in February, 1954, was reconstituted from time to time, the last time being in June, 1965. It had fourteen members of which two were non-officials. The Union Minister and Deputy Minister for Irrigation & Power were its Chairman and Vice-Chairman respectively. The function of the Committee was to examine irrigation, power, flood control and other river valley projects proposed by the Central and State Governments and other authorities and to satisfy itself that:

- (i) the schemes had been prepared after detailed investigation;
- (ii) the schemes were technically sound, the estimates complete and correct; and
- (iii) the financial forecasts and estimates of benefits to be derived were based on accurate data and on the basis of such examination, advise the Planning Commission and the Ministry on the merits of individual projects.

3.62. We consider that machinery of this kind for joint project appraisal is a useful device for ensuring that only such schemes as satisfy techno-economic criteria, qualify for inclusion in the Plan. This is an expert function and should be performed by an expert body. From this point of view, the Committee could not be called a purely expert body inasmuch as its Chairman and Vice-Chairman were the Union Minister and Deputy Minister for Irrigation & Power respectively. We recommend that this Committee should be reconstituted, with an expert as its Chairman and that Ministers should not be associated with it. We would suggest that the agenda

for each meeting should be such that full justice can be done to the work on hand. For this purpose, the reconstituted Committee should make it convenient to meet more frequently, if necessary.

Technical Advisory Committee on Industrial Projects

3.71. At present, there is no advisory body in the industries and minerals sectors. We have recommended earlier* that the Planning Commission should examine in detail only those projects which involve a very substantial amount of investment outlay or a sizeable foreign exchange component. It is an important function of the Commission to ensure that such projects are techno-economically sound. This function is being performed very inadequately at the moment. As this would require high level technical staff, which is in short supply, this function of project appraisal should be properly done at least by one agency in Government. It may, therefore, be useful to consider the establishment of a compact projects appraisal machinery for the industrial sector, somewhat on the lines of the Technical Advisory Committee for Irrigation and Power projects. This Committee may associate with itself experts in individual fields, while examining projects in those fields. Obviously, the projects coming up to the Planning Commission would already have been examined by the Planning Cells in the Ministries. However, it would still be necessary to provide for a scrutiny at a higher level of competence by a specialised agency which has no direct interest in those projects. An agency of this kind may have to be developed, either in the Bureau of Public Enterprises or in the Planning Commission. It is on the basis of the detailed examination by such an agency that the proposed Advisory Committee would be making its recommendations to the Commission on the merits of individual projects.

Planning Committee on Transport

3.81. Because of the fact that different modes of transport are being dealt with by three different Ministries at the Centre, there is need for a forum where coordinated thinking on long-term transport policy can be done. It is vital that the Commission is fully involved in this thinking. Whether this is done in an Inter-ministerial Committee on which the Commission is also represented, or directly under the auspices of the Commission itself, is not so material. But the Commission cannot escape this responsibility if there is no other agency to do this work of co-ordination. The preparation of such a coordinated transport plan is essential for long term and medium term planning.

* See Chapter II, para 2.11.

Evaluation Advisory Board

3.91. The Board was originally constituted in May, 1962, and reconstituted in March, 1965. It had five members of which three were non-officials. Its functions were:

- (i) to provide advice and guidance to the Programme Evaluation Organisation in selecting problems for investigation, planning and designing evaluation studies and presenting their results;
- (ii) to assist the Central and State Governments in developing facilities for evaluation and arranging for training of personnel; and
- (iii) to advise the Planning Commission in regard to methods, techniques and approach in the evaluation of development programmes.

3.92. The evaluation aspect of the planning process needs considerable strengthening. In this context, we recommend that the Evaluation Board should be continued after reconstitution.

Research Programmes Committee

3.101. The Research Programmes Committee was set up in 1953. It consisted of thirtyseven members drawn from social scientists of recognised ability and administrators associated with development planning. Its major responsibilities were:

- (i) formulation of research programmes;
- (ii) designing of research projects to be sponsored by the Committee;
- (iii) administering grants-in-aid for approved research projects including publications grants;
- (iv) reviewing progress of research projects during the course of their implementation; and
- (v) promoting utilisation of the results of research.

The Committee was assisted by five regional sub-Committees, seven technical sub-Committees, a readers' committee and a publication committee, as also by specially constituted Committees of Direction or *ad hoc* sub-committees.

3.102. A Committee on Research for Planning and Development was also set up in 1963 for organising collaborating arrangements between the Planning Commission and five research institutions to

undertake research on socio-economic problems in which the Commission was particularly interested. The Committee consisted of Members of the Planning Commission, heads of five collaborating institutions and Secretary, Additional Secretary and Economic Adviser to the Planning Commission. Its functions were to draw up programmes of collaborating research, review their progress, co-ordinate activities of the participating institutions and promote utilisation of the results of research.

3.103. We have suggested* earlier in this Report that the Research Programmes Committee should be reconstituted with a smaller membership. As in the case of the Panel of Economists, the R.P.C. also should be so constituted that a certain percentage of members retire periodically to make room for fresh talent.

Informal Consultative Committee of the Parliament attached to the Planning Commission

3.111. As in the past, an Informal Consultative Committee of the Parliament was appointed during the tenure of the Third Lok Sabha. It consisted of hundred and one Members—sixty eight from the Lok Sabha and thirty-three from the Rajya Sabha. During the years 1964 to 1966, the Committee met twenty-two times; eight meetings took place in 1964, four in 1965 and ten in 1966. The highest attendance during these three years has been thirty-four and the lowest, three.

3.112. A step to consult important sections in Parliament was taken in December, 1958, by the constitution of the Prime Minister's Committee on Planning. The purpose was to secure "a free and frank discussion on all aspects of the Plan because the Plan was not a Party Plan and it should be treated as a National Plan". The membership of the Committee of twenty, of which seven were Ministers and thirteen, Members of Parliament, was decided in consultation with the major political parties as well as the independent Members. The Committee was reconstituted in November, 1965, with Prime Minister, five other Ministers and eight Members of Parliament as members. Though the Committee was constituted in December, 1958, its first meeting only took place in December, 1959. From that time to April, 1961, the Committee met ten times. After reconstitution in November, 1965, it met in December, 1965. Subsequently, two more meetings were held, one in February, 1966, and the other in August, 1966.

* See Chapter II, para 2.185.

3.113. The idea of associating the Members of Parliament with the process of Plan formulation seems to have originated some time in October, 1952, when an informal discussion was held with a selected group of Members of Parliament on the draft of the Final Report of the First Five Year Plan. However, consultation of this kind was attempted in an organised manner only at the time of the formulation of the Third Five Year Plan. In September, 1960, five Committees of Parliament were constituted for considering the different aspects of the Draft Outline of the Third Five Year Plan. The Draft Outline of the Fourth Five Year Plan was also considered by Parliamentary Committees appointed for that purpose. Thus after a Draft Outline was presented to the Parliament, it has appointed a few Committees to discuss different aspects of the proposed Plan. This procedure seems to have worked successfully in the past and we recommend that it should be nurtured and continued in the future.

3.114. We think it very important that Parliament should have a proper opportunity to examine the actual working of the economic plans in the country. Parliamentary time being limited, the normal procedure for making a deep parliamentary scrutiny is that of a Parliamentary Committee. Taking note of the importance of development plans for our economy, we think it would be appropriate if a special Parliamentary Committee on Planning on the lines of the Committee on Public Undertakings is established by Parliament. It should have a comparatively stable membership, one-third of the members retiring every year. Its function should be to examine the annual and other appraisal reports as well as evaluation reports as are made available to Parliament from time to time and to make necessary recommendations. The establishment of this Committee will also ensure that appraisal reports are regularly prepared and laid on the Table of the House as required. We need not add that after this Committee is appointed, neither the Estimates Committee nor the Public Accounts Committee should examine the working of the Planning Commission. This Committee would also undertake the functions of these two Committees in respect of the Planning Commission. This Committee should not, however, concern itself with the process of plan formulation or the laying down of priorities, which should be dealt with by Parliamentary Committees appointed to consider the draft outline of a Plan.

CHAPTER IV



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CHAPTER IV

PERSONNEL FOR THE PLANNING COMMISSION

Framework for the staffing System

4.11. We have recommended* earlier in this Report that the Planning Commission should not ordinarily engage in field research and formulation of detailed projects and programmes. These activities should more appropriately be entrusted to the sectoral agencies in the Union Government, the State Governments and various other official and non-official research organisations and consultants. In this respect, the responsibilities of the Planning Commission should comprise organising and providing the right kind of focus for the research activities of the above agencies, scheduling the detailed work to be done by them and feeding back the results of their studies into the regular work of the Commission.

4.12. The research work developed within the Planning Commission would be directed mainly at coordinating, utilising and synthesizing the work of sectoral agencies and various research institutions in the context of the economy as a whole. We thus envisage that not much primary research work, like that of designing studies and carrying them out in detail, will have to be undertaken in the Commission. Such work, to the extent it will be done, will be largely confined to the Perspective Planning and Economic Groups of the Plan Formulation Wing and to the Plan Evaluation Wing in the proposed organisational set-up of the Commission.

4.13. The type and size of the personnel required in the Planning Commission have to be mainly determined by the Commission's responsibilities as they have been identified by us. To carry out those responsibilities effectively, the Commission needs to have specialists like economists, engineers, scientists and sociologists, who have concrete knowledge and experience about different areas of development. Such knowledge and experience has to be especially extensive in breadth to enable the person to have sufficient perception of the inter-relationship not only among different aspects of a project or programme, but among different sectors and the larger objectives of national development set up by the Planning Commission. Perception of this kind would form a necessary and important

* See Chapter II, paras 2.11, 2.23, 2.36, 2.61 and 2.182.

dimension of the work specially of persons appointed in senior positions. In research and technical posts at lower levels the more important requirement will be the specialised knowledge of the particular subject area.

4.14. Another important ingredient of the personnel skills required in the Planning Commission is the capacity for analysis and for positive and creative thinking. It should be broadly interpreted as an effective ability to collect facts and information, mostly from the detailed studies made by others; capacity to determine whether the information so collected is adequate, reliable and valid; ability to use one's powers of evaluation and reasoning to draw meaningful conclusions from the data; and finally the capacity to arrive at concrete solutions to the problems in the form of recommended policy proposals or courses of action. One of the important responsibilities of the higher level specialists in the Planning Commission is to identify on a continuous basis gaps in the knowledge and information necessary for comprehensive formulation and evaluation of development programmes in different sectors and arrange for the undertaking of studies to fill these gaps. This will require the Commission's research and technical personnel to be knowledgeable about various sources of primary information and the official and non-official agencies that are engaged in carrying out studies based upon such information.

4.15. In view of the need for qualitative improvement in the working of the Planning Commission and in the personnel skills and abilities required for this purpose, we think that the staff engaged in the fulfilment of the main functions of the Commission need not be classified into more than a few categories. The organisational set up proposed by us indicates three functional levels for transacting the business of the Commission. The top level officials will be Advisers who have overall charge of a Group or an important unit in a Group. The next level is comprised of specialists in charge of the major identifiable units consisting of the subjects or functions included in the Plan Evaluation Wing or in any of the six Groups of the Plan Formulation Wing. While we do not envisage that all these units should be further sub-divided, such sub-units may be necessary in the case of certain units such as those dealing with State Plans in the Plan Coordination Group and with industry, in the Industry, Transport and Power Group. Lastly, the third level of the research and technical personnel would consist of Analysts whose function will be to assist higher level specialists in carrying out the work in

their respective subject areas. As we have recommended* that the Planning Commission should generally farm out studies to outside agencies and use only the results of such studies, the work of collecting raw data, their tabulation and analysis will not normally be required to be done in the Commission in any significant way. As a result, it will not be necessary for the Commission to have a large number of Economic Investigators who are at present mostly engaged in this kind of work. We recognise that some amount of statistical analysis and data collection will inevitably have to be done in some units and that this will necessitate the employment of some Investigators. It will also be necessary to provide such staff to assist the senior officials in routine work. Persons of the category of Senior Investigators will be better suited to provide such support to the Advisers and Specialists.

4.16. We realise that the work assignments of the persons working at each of the main functional levels identified above are not so uniform that a fixed grade value can be attached to each level. The complexity of work of different persons at the same functional level may not be the same. The same research work can also result in varying outcomes according to the research capacity, creativity and insights of the persons working on it. The appointment of persons in the three levels would, therefore, involve consideration of both the assigned duties and responsibilities and the capacity and contribution of the incumbents. This makes it desirable to provide a certain measure of flexibility regarding the creation of technical posts in different categories and the appointment of persons in these posts, somewhat on the lines of what obtains in the Atomic Energy Establishment.

4.17. Leaving aside Investigators, in our view, the basic level of research personnel in the Planning Commission should be that of Analysts—the grade varying from Research Officer to Joint Director. These categories should be treated as interchangeable according to the availability of persons. The next level would be that of persons in charge of units or sub-units in the case of Groups where sub-Units are considered necessary. The Industry, Transport and Power Group may, for example, not only have a Unit on Industry but may also require this Unit to be further sub-divided into sub-units on, say, engineering industries, minerals and chemicals industries. The Plan Coordination Group may be divided into Units on Central Plans,

* See Interim Report, para 4.46.

State Plans etc. and the Unit on State Plans, into sub-units according to convenient groupings of States. In such a sub-Unit the personnel required could be attracted only if the grade offered is sufficiently good—e.g. a Specialist in the grade of a Director or a Chief.

4.18. At the level of Unit-Heads, persons of the category of Specialists will be necessary. The Head of the Group will be a person of the level of Adviser with a salary and status equivalent at least to that of a Joint Secretary—it may have to be significantly higher in some cases. We would like to mention that if the Planning Commission is to attract first-class talent which is bound to be in considerable demand from industry and elsewhere in certain fields, it may be necessary to pay remuneration which is higher than would be normally given to the Heads of the other Units. Even though persons may be given different remunerations, all Heads of Groups should be called Advisers and they should enjoy the same status as far as the internal working of the Planning Commission is concerned.

4.19. The pattern of staffing envisaged by us thus consists of three functional levels: Advisers in charge of Groups or major units in some Groups, Specialists in charge of particular subjects or functions and Analysts who would be doing the basic studies and analytical work. The actual strength and composition of the staff of each Group and its Units will obviously vary according to the nature of the work that has to be done and the kind of personnel that is available. We feel confident that this re-orientation of work organisation would help the Commission to reduce its staff strength and make its working much more functionally oriented and less hierarchical in character. We understand that the Planning Commission has recently appointed a Team under the leadership of one of its Members to examine the question of staff organisation and strength. Therefore, beyond indicating our broad views on reorganisation, we do not consider it necessary to go into details.

Recruitment and selection

4.21. We understand that a number of existing research and technical posts in the Planning Commission have been encadred in the Indian Economic and Statistical Services. The Government-wide basis of these Services has itself opened up possibilities of cross fertilisation of ideas and experience between the Planning Commission on the one hand and Central Ministries and their attached offices on the other. We also visualise that the Commission may have the posts in groups such as Perspective Planning and Plan Evaluation Groups, for which it may not be possible to obtain experienced

staff from outside. It would be necessary for the Commission itself to develop the necessary expertise for these groups. With regard to the remaining research and technical posts, especially those at higher levels, we feel that the Planning Commission should place greater reliance than in the past upon lateral recruitment in order to benefit from a sufficient inflow of fresh ideas and thinking into its work processes.

4.22. The kinds of specialists required in the Planning Commission are at a premium and we think that for securing the best of such specialists the Commission would probably have also to look to other fields of recruitment besides Government services. The basic field of recruitment available to the Commission should be thought to be not so much this agency or that as the important occupational groups, each representing a body of persons having specialised knowledge and experience of a certain subject, area. The staff programme of the Commission should consist of identification of the kinds of specialised knowledge needed for handling the work of different units and Groups, discovery of the best employment markets for different specialists, maintenance of contact with these markets and arrangements to secure the services of specialists for the Commission whenever necessary on mutually agreeable terms.

4.23. Since the principal employment markets for some highly specialised persons lie in other sectors of the country's economy, most of these persons are not likely to take up jobs in the Planning Commission on a long term career basis. On the other hand, such specialists may be persuaded to come into the Commission for short periods because of their interest in particular programmes or project objectives if in doing so they can obtain valuable experience without disruption in their professional career. To enable the Commission to secure the services of these persons, we have recommended* in the Interim Report that the Commission should be authorised to make contract appointments for periods ranging from three to five years, subject to renewal, if necessary. The policy of emoluments payable to these persons should be flexible to make it possible to attract and retain them. The emoluments should be related to these persons' normal earnings in their particular professions. Such appointments should be made from Universities, research and technical institutions, private and public undertakings and the Planning Boards of the State Governments as well as from other civil services

* See Interim Report, para 5.61.

wherever the personnel possesses the necessary professional qualifications. It is possible that some of these highly qualified specialists will bring with them into the Commission the 'culture' of their professional organisations and thereby induce a healthy change in the atmosphere of a Government department which today exists in the Commission to some extent. The Planning Commission has recently given thought to the possibility of securing the services of experts as consultants on tenure basis and some posts of consultants were even sanctioned in 1964-65. What we are suggesting is only a step further along the path that the Commission itself has been contemplating; with a proviso that the rules may be so liberalised as to attract the right talent.

4.24. We realise that there may be some difficulty in securing the release of some top specialists from their main employers even for the period of a few years. In such cases, it may be useful to have specialists who continue to work in their respective organisations—governmental or others—available to the Commission for advice. Such persons may be appointed as consultants on a part-time basis for a period of one year at a time with a provision for automatic review in case further extension is found desirable. Of equal importance is the responsibility of the Commission to accord suitably high status to the positions filled on contract or consultancy basis. Apart from the pecuniary benefits attached to the special jobs, these factors will go a long way in attracting professionally qualified persons. It will also be necessary to make provision for special housing facilities to persons appointed on short contracts or tenure basis and we, therefore, reiterate the recommendation that we made in our Interim Report in this respect.*

4.25. Although most of the appointments will be made in the Planning Commission through or in consultation with the Union Public Service Commission, it is necessary to deploy more positive methods to reach out to the best talents and skills for filling the posts requiring specialised knowledge, experience and skills. As part of a positive recruitment programme, the Planning Commission should develop and maintain 'up-to-date panels of persons who are specially qualified to work in the different Groups and Wings of the Commission. In recruiting personnel for the Planning Commission, the existing staff may also be given opportunity to compete with the fresh candidates in recruitment through the Union Public Service Commission.

* See Interim Report, para 5.62.

Promotions

4.31. Promotions will continue to be an important source of recruitment specially in areas where experience of work in the Planning Commission is likely to provide the best field for acquiring the necessary skills. The Commission also needs a small core of personnel who would make work in the Planning Commission their life-time career; and such personnel can be retained only if there is scope for them to build up a good career in the Commission. We envisage, therefore, that a certain proportion of senior positions would always be filled by promotions.

4.32. One of the important objectives of the promotion policy of the Commission, besides enhancing the career satisfaction of personnel, should be to provide the necessary support to the special orientation and requirements of the Commission. The research and technical personnel in the Commission, especially those at higher levels, are supposed to take professional interest in the most efficient performance of their functions. Such interest and orientation can significantly develop if in matters of promotions, greater emphasis is placed on a person's ability to produce high quality work and less on the length of his service. In keeping with the latest promotions policy of the Government of India, promotions in the Commission should be based on demonstrated merit, creativity and capacity for growth rather than on seniority. It is not suggested by us that the length of service should not at all be considered. To some extent it is an important factor; but it should be allowed to be a determinant only where candidates of equal merit are being considered for a higher position.

4.33. There is no doubt that the supervisory staff in the Planning Commission will have to play an important role in the promotion of subordinates because the achievements and behaviour of the latter are better known to their supervisors. It is, therefore, necessary to provide such staff with objective tools for measuring the qualities and skills of their subordinates. The present method of annual confidential report and the manner in which they are prepared needs to be considerably improved. These reports have a strong subjective flavour and many times they induce the lower officials not to say or do anything against the explicit or implicit wishes of their superiors. Hence, it may be necessary to reduce the subjective element in these reports to the minimum and to supplement them with other devices such as maintenance and evaluation of up-to-date record of performance and the quality of papers prepared by the research personnel for the Commission as well as those published in scientific journals.

4.34. Regarding the areas of promotions within the Commission, these should be determined by the needs of the Commission as a whole. At the higher levels it is necessary that persons have a wide understanding about many of the related subjects. Perception of this kind should, therefore, be one of the criteria for promotion to higher positions and it is likely to be best developed under a system of job rotation among Senior Research Officers and Research Officers working in a number of closely related subject areas. The performance of persons on the jobs among which they are rotated will constitute an important part of their personnel record.

4.35. In the present promotion policy of the Planning Commission there are hardly any provisions for locating the personnel with high growth potential and developing them to qualify for higher positions. In our view, one of the key functions of supervisors in promotional matters is to size up the persons with high potentialities and encourage them to develop their latent skills so that actual promotions could be made on a selective basis.

Staff Development and Training

4.41. We think that the Planning Commission has not paid as much attention as it should have to the problem of training and developing specialised staff for doing the work of the Commission. It has occasionally sponsored candidates for short training programmes to fill in some gap in the employees' skills and knowledge and to provide the needed background. But most of the staff development continues to take place in an unguided manner.

4.42. In our opinion, several facts about the Planning Commission's functions point to the need of programmes to train and develop the research and technical personnel of the Commission. Specialists in the Commission are expected to work with a special orientation and frame of mind which they are not likely to have inculcated during their previous service in sectoral Ministries, States, Universities, enterprises or research institutions. Unguided individual efforts to acquaint oneself with the orientation desired in the Commission may be generally wasteful, inadequate and not closely related to the requirements of the Commission. We, therefore, recommend that there should be an orientation programme for introducing specialists newly joining the Commission to their special responsibilities which arise as a result of the Commission's role as a leader, coordinator and synthesiser in the process of national planning. Such a programme should mainly aim at impressing upon the new recruit the inter-disciplinary focus of the work carried out in

the Commission and helping him to learn important and relevant principles of the disciplines of which he has had no previous training. We are not suggesting that each specialist in the Commission should be extensively trained in more than one discipline. The orientation training is only intended to make him sensitive to and appreciative of other aspects of the Commission's work.

4.43. We think that along with intelligent perception of the inter-disciplinary nature of the work of the Commission, the research personnel in the Commission need to understand the impact of the planned programmes and projects on the citizens and the practical problems faced at the operating levels. On the other hand, it is also necessary to promote among the staff working in sectoral agencies such as Ministries, proper perception of the broader objectives of the programmes and projects prepared by them. Both these purposes can be served through a personnel exchange programme between the Planning Commission and the sectoral agencies—both at the Union and State Government levels. Such exchange will help a better understanding of each other's roles and bring fresh points of view to bear on problems faced in the Commission. It can be combined with a system of inducing sectoral personnel on deputation to the Planning Commission and *vice versa*.

4.44. Research and technical work should not remain static. The changing nature of work often requires superior or new qualities and skills, and the best way to meet such requirements is through orderly training of the available personnel. Such training will also open up possibilities of *job-enlargement* which can contribute to the job satisfaction of the employees. The programme should also undertake the training of persons for higher positions in the Planning Commission once such persons are located as having high potential for growth.

4.45. We are also envisaging* the development of new planning positions in the Ministries of the Union Government, in the State Planning Organisations and even at the District levels. It will obviously be necessary to develop suitable training programmes if appropriately trained and qualified personnel are to be appointed to fill these various positions. This will require the organisation of suitable training institutions.

* See Chapters V, VIII & IX.

4.46. It is our view that training in planning will have to be of two broad types. One will be training in the econometric, statistical and other kinds of planning tools. Such training will be largely imparted through specialised institutions like the Indian Statistical Institute or the Institute of Economic Growth—training for Statistical and Economic Service Officers has been organised in these institutions—and it will be mainly confined to persons already qualified in statistics and economics. The other type of training which will have to be imparted on a larger scale would be meant for persons who are specialists in different aspects of development—agricultural and other scientists, technologists, educationists, health specialists and administrators—who have to operate as planners in respect of their own specialised areas. If they are to do such work satisfactorily, they will have to be specifically trained in the objectives, tools and techniques of planning. We are afraid that even the Planning Commission's own technical staff has not been helped in the past to acquire these skills except by learning on the job. On-the-job learning, while certainly useful, does not provide systematic training in understanding concepts and the techniques of planning and the lessons to be drawn from the practical experience gained in the field. We recommend that appropriate training facilities should be created for imparting training in planning for the categories that we have listed above.

4.47. Such training, if it has to be of any use in the actual operation of planning agencies, must be imparted by persons who are closely associated with the planning process and it should be based upon teaching material which is drawn from actual cases in the operation of planning agencies in India or abroad. It is, therefore, obvious that the training agency for such purposes should be one closely associated with a planning agency and the training staff should be similarly closely associated. We do not want to go into the details of how such an institution may be created. In our view, it will be necessary to create immediately one such institution in Delhi. The institution concerned should be able to work very closely with the Planning Commission, and its training faculty should be partly drawn from persons full-time engaged on planning work. Even the whole time members of its faculty—which should be small in numbers at the senior level—should be drawn from among persons who have had an opportunity to study at first hand the working of the Planning Process. It will be useful if they continue to be closely in touch with planning problems and have access to old (and some not so old) cases for training purposes so that training can be practical

and realistic. It will of course be necessary for the Faculty also to collect material about planning experience in various countries of the world and also in different States in India.

Secretariat and Administrative Personnel

4.51. In the initial years of its existence, the Planning Commission employed a small nucleus of secretariat and administrative staff. In the intervening years, this type of personnel grew rapidly not only in number but also in terms of the categories of posts in which administrative personnel were appointed. To some extent this was inevitable as the increasing number of research and technical officials had to be provided with the necessary administrative support. Nevertheless, we are not certain that the increase in the Secretariat and administrative staff has taken place on the basis of proper criteria, germane to the 'staff' needs of the Commission. We understand that the Commission has been seized of this problem and has actually reduced some administrative staff in the house-keeping sections as a result of the study made by the Staff Inspection Unit of the Finance Ministry. As we have recommended* virtual elimination of references and such administrative work from the Planning Commission, we think that the Planning Commission should reassess its needs of administrative staff.

4.52. An organisation like the Planning Commission should be creative throughout. We, therefore, feel that the personnel management of the Commission should serve as a model pace setter to Government Departments. One of the key functions of the Personnel Office of the Planning Commission would be to exploit all the possible modes of recruitment for securing the best minds and skills to work in the Commission. This involves, as pointed out earlier, preparation and maintenance of up-to-date panels of eligible persons for different positions in the Commission, keeping track of such persons and finding ways and means to secure them for the Commission whenever necessary. For this purpose, the personnel administrator in the Commission should have adequate knowledge of the job contents of various categories of research and technical posts existing in the Commission and for this purpose he should keep in touch with the senior and supervisory officials, who are primarily experts in their subject areas. It will also be his duty to see that the training facilities available in this country and abroad are utilised not for rewarding past services but as investment to secure better performance in future. In view of the special responsibilities

* See Chapter II, para 2.11.

of the chief personnel administrator, we think that it should be possible for the Commission to secure a suitable person for this post from as wide a field as possible and not necessarily from any particular Service, and train him up specially for the purpose.

Utilisation of the Staff

4.61. We believe that in order to ensure the sustained interest of its specialised personnel in its work, the Planning Commission will have to change certain aspects of its internal organisation. These specialists are not likely to give their best when authority and initiative are largely filtered in the organisation through a hierarchy of superiors and subordinates. It is no doubt true that the senior and middle level technical personnel in the Planning Commission have enjoyed more freedom of expression than is normal in Government departments. It is, however, necessary widely to recognise such freedom as a normal part of behaviour in organisations of this type. We think that this requires adoption of the professional mode of organisation which stems from the relationship of the individual to a specialised type of work—and not to an impersonal system of hierarchy.

4.62. The Commission also needs to revise its procedure of work with a view to inducing its personnel to adopt a more professional approach in their work. We have already indicated that evaluation of the staff on the basis of results achieved would foster a professional orientation. Such a promotion procedure may induce them to achieve specified objectives in their work and obviate the need for detailed operating rules and close supervision. We also think that the Commission should make deliberate efforts to maximise the intrinsic rewards associated with the research and technical jobs, such as freedom to show initiative and develop new ideas and methods of work, scope for independent thinking in official work, and the possibility of professional recognition for one's work. Regarding the last factor, it may sometimes be even worthwhile to solicit professional recognition outside the Planning Commission by publishing in a suitable form the papers prepared in the Commission. The Commission could occasionally publish a volume of Staff Papers containing selected documents which need no longer be kept confidential and which may be of interest to professional students. Such an orientation would not only enhance the morale of the staff but also create conditions for greater functional contribution of the specialists to the work of the Commission and also to the methodology of Planning.

CHAPTER V



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CHAPTER V

PLANNING UNITS IN MINISTRIES AND OTHER SECTORAL ORGANISATIONS

5.11. The task of formulating a development plan involves work only a part of which can be done in the Central planning agency itself; but this too can be done only if supporting work is being undertaken in a number of other agencies. The Central planning organisation has to work out the long-term macro-economic picture and provide broad guidelines for various sectoral agencies to undertake their detailed planning tasks. On the other hand, the Central planning agency cannot do a worthwhile job of providing such a macro-picture unless this is based on detailed work done by various sectoral and regional agencies. If such work is not being done at all or if it is not done adequately, the work of the Central planning agency, however high its quality, may not prove sufficiently fruitful.

Natural Resources

5.21. Four types of agencies for such detailed work can be broadly classified. The first comprises the agencies specialising in exploring the natural resources of the country. The Planning Commission should examine the gaps in knowledge about natural resources and suggest how these gaps need to be filled; the actual work of conducting the necessary studies can be done only by the specialised organisations capable of studying the availability of natural resources. Unless these agencies are properly developed and manned by competent experts, planning will remain an inadequate exercise.

Scientific Research

5.31. The second kind of agency would be one dealing with scientific and technological research. While fundamental research can never be planned, experience in a number of developed countries indicates that if appropriate questions are posed, answers to which can help developmental processes, and scientists and technologists working in the laboratories are made aware of these problems, it is not impossible to secure the development of applied research along the required lines. Close links should, therefore, be established between the planning agencies and such research agencies.

Regional Planning Agencies

5.41. Thirdly, as we are explaining* in another part of the Report, there should be the State, regional or area planning bodies whose task it will be to examine the possibilities of developments in particular States, regions or areas having common characteristics. These agencies will take an overall view of the potentialities in the given area and how best the development of that area can be undertaken. Planning for larger regions and ultimately for the country as a whole would be possible only on the basis of continuous studies undertaken by such regional and area planning agencies.

Sectoral Planning Agencies

5.51. The fourth type of planning agency that we consider important in this context is the sectoral planning agency. For different sectors of economy, there would be different kinds of agencies responsible for development. In certain sectors such as agriculture, irrigation, small industry and social services, the responsibility for development and day-to-day administration or management is largely that of the State Governments and not of the Union Government. In other sectors, for constitutional or practical reasons, the responsibility for development is largely that of the Union Government; these would include railways, large scale industry, atomic power and increasingly, all electric power, minerals and foreign trade. Here it would also be necessary to make a distinction between Union Ministries dealing with State subjects and those dealing with Central subjects. The former are not *implementing* Ministries in the same way as the latter are. Therefore, the nature of planning work that will be conducted by the two types of Ministries would be different. Moreover, some fields such as power and transport (especially the railways) are virtually monopolised by the public sector. There are others such as iron and steel, heavy engineering, heavy electricals and petroleum, where most of the *new* developments would be in the public sector. There are others such as fertilisers and chemicals where the new developments would be *both* in the public and the private sectors and still others where new developments would be almost entirely in the private sector. The task of detailed development planning will, therefore, have to be differently organised for these different types.

Transport

5.61. One point that struck us forcefully is that in spite of the seventeen years of planning in India, adequate thought has not been given to the development of suitable planning agencies for the

* See Chapters VIII and IX.

different sectors of the economy. Even in sectors such as railways, highways and other forms of transport, no effective planning agencies have yet been built up. The Planning Commission no doubt attempted to bridge this gap through the appointment of a Committee on Transport Policy and Coordination and, later, of a Planning Committee for Transport with its Joint Technical Group for Transport Planning. These however have been *ad hoc* devices and could only be supported as such. A time has certainly come when more stable and permanent arrangements for detailed plan formulation are made in the transport field. While the Commission can provide coordination* and perspective for the different forms of transport, each concerned Ministry must develop a really effective Planning Unit.

Irrigation and Power

5.71. In the field of Irrigation & Power we have been fortunate in having an organisation like the Central Water & Power Commission which has built up considerable experience and expertise. While it is able to do high quality technical work on the engineering side, it has not yet developed adequate expertise on the economic planning and other related aspects of irrigation and power. Its relationship with the parent Ministry is also not fully conducive to its functioning as a high level professional organisation.

5.72. The position in this area varies from State to State. A few States have developed high level technical agencies both for the survey of irrigation and power potentialities and for designing suitable projects. Other States are very poor in both these respects. It is obviously essential that, as the development of irrigation projects and to some extent of power projects has to be the responsibility of States, each State must develop appropriate competence and expertise in this field. It should be one of the duties of the C.W.P.C. to help each State to build up such expertise.

Industries

5.81. A special question arises in the case of planning in the industrial field and that is what exactly should be the respective roles of the Planning Commission, of the concerned Ministry and of the business undertakings—public or private? There is also a further question about the role of specialised organisations such as the Directorate General of Technical Development.

* Also see Chapter III, para 3.81.

5.82. The role of the Planning Commission in industrial planning, as in planning in other sectors, would be to work out the inter-related policies, programmes and targets for achievement over a given period of time, in the light of their technical and economic relationship and the requirements of the projected rate of growth and other considerations. The Planning Commission would also be responsible for ensuring that cost and benefit relationship are examined in the appropriate context in different investment projects and that imbalances in development are avoided. It should also be responsible for ensuring that the wider objectives of industrial policy and planning such as balanced regional development and prevention of economic concentration are kept in view. Most of all, it will have to ensure that economic and industrial progress takes place at the expected rate and whenever there is a tendency towards a slide-back, it will point out the necessary corrective steps to make up the lag. Thus either working out or examining the details of various industrial projects or the feasibility of individual targets would not be the responsibility of the Planning Commission. The Commission's officials should of course have a watching brief in matters like industrial licensing so that the Commission can raise questions about anything which is likely to affect in a significant way the progress of the Plan or major policy objectives.

5.83. The nature of the role that a Ministry will be called upon to play will depend upon whether the development in the industry it is dealing with is expected to take place predominantly in the public sector or the private sector. Even for the public sector, the task of working out detailed projects of industrial development should not be considered as the responsibility of a Ministry. A Ministry of Government, or even an office attached to the Ministry, is not likely to be the most suitable organisation for project preparation. Such an organisation requires a highly specialised and sophisticated staff of experts which has to keep up to date in its technological knowledge. A system of incentives and flexibility in payments, promotions related to proved capacity and weeding out of persons who are either found to be unsuitable or whose creative capacity is spent are essential pre-requisites for the success of such an organisation.

5.84. We have already a few well developed organisations both in the public and the private sectors for such work. While it would be necessary to develop such organisations wherever possible in the public sector, encouragement should also be given to the setting up of similar organisations in the private sector. We would like to

reiterate that considerable flexibility in management, especially regarding the points mentioned earlier, must be permitted to a public sector designing agency; otherwise it may not be able to locate, obtain and retain the necessary talent required for a successful designing organisation. It is not for us to go further into this problem. We would like to emphasise, however, that the very basis of planned development in the industrial sector depends upon the creation and successful growth of efficient plant designing and consulting organisations. There is a dearth of such talent and organisations every where; it is specially so in India today. That is one reason why we have had to depend a great deal on foreign collaborations by way of turn-key jobs. Such dependence, as is well known, makes planned development quite difficult in addition to the various other disadvantages that it involves.

5.85. Once it is agreed that the actual task of formulating and designing projects is to be done by special agencies, either in the public or in the private sectors, the role of other governmental agencies, such as the Directorate General of Technical Development, needs to be defined. It does not seem practicable to expect the Directorate General of Technical Development to provide such technical services in industries like steel and petroleum where large-scale development is expected to be undertaken in the public sector. Ministries dealing with these would obviously need to have their own technical staff to examine the projects prepared by the designing organisations and to assist the Ministries in making recommendations to the Planning Commission and to the Government. The availability of such technical staff would enable the Ministries to perform some of the functions that the Boards of Directors perform in the case of a new project in the private sector. In other industries, where the public sector is likely to play a lesser role in future development, steps may have to be taken to reorganise and strengthen the Directorate General of Technical Development so that it can provide the necessary pool of technical expertise for the use of the Ministries concerned and also the Planning Commission.

5.86. In addition to the provision of such technical staff in Ministries, it will be necessary to have planning staff in each Ministry concerned with major developmental activities which are a Central responsibility. The technical staff will be concerned with the technological process and related matters, while the planning staff will be concerned with other aspects of development and will be in touch with the Planning Commission on the one side and the

executive wings of the Ministries and the actual executing organisations on the other. We, therefore, propose that planning cells consisting of planning as well as technical staff should be established in every such Ministry to perform the following functions:—

- (i) to commission and/or to examine proposals for setting up of new units or expansion of existing units; to have feasibility studies prepared by competent agencies and to examine these with a view to deciding both the possibility of development in a particular industry and the cost and time factors involved in such development;
- (ii) to keep in touch with the technological developments in the concerned industries and suggest the examination of alternative possibilities through scientific or technological research;
- (iii) to help the Planning Commission in the task of formulating plans in respect of sectors with which the agency is concerned and once the guidelines of the plan are decided, ensure that detailed project reports are prepared and estimates of resource requirements, physical and financial, internal and external, properly worked out and time schedules indicated;
- (iv) to advise in the light of the above on the award of contracts, foreign exchange allocations and allocations of scarce materials, wherever necessary; and
- (v) to keep watch over the actual developments of the projects in comparison with the cost and time schedules indicated and suggest remedial action wherever necessary.

5.87. These Planning Cells will have to be manned by personnel specifically developed for such work. It is not easy to define how these personnel can be obtained. They will have to be purposefully developed. The number involved would not be large. But the persons will have to be hand picked from different backgrounds—technology, cost accounting, business management, industrial economics and planning and specially trained and developed as a team which can deliver the goods. Adequate remuneration will have to be paid if such talent is to be laterally recruited and retained in the concerned Ministries and other organisations. Such personnel should be, entitled to the highest rates of remuneration admissible in the Public Service. Where necessary, they may be employed as consultants on short term contracts and their remuneration then should be such as to attract the required talent and not be based on civil ser-

vice scales. One of the difficulties that the Planning Commission has faced in manning its Industry and similar Divisions appropriately has been that it has been tied down to Governmental salary scales in a situation where private industry has been free to pay whatever remuneration it considered suitable to attract and retain good talent.

Planning and the Private Sector

5.91. One of the major criticisms of industrial planning up to now has been that there has not been adequate collaboration between the Planning authorities and the private sector. The Planning Commission has not established any direct consultations on a regular basis with the private sector. Even the machinery created for normal consultation between the Government and the private sector, such as the Central Advisory Council of Industries and the various Development Councils established under the Industries Development and Regulation Act, has not worked satisfactorily from the point of view of helping better and more realistic planning in the industrial sector. The working of these bodies has largely revolved around current problems of industrial licensing and various grievances that private sector industries feel. The Central Advisory Council is, however, too large an organisation for an effective discussion of problems relating to industrial planning. It can only provide a forum for discussing general approaches and policies for which it can and should be used.

5.92. The Development Councils are required to make recommendations regarding targets for production, coordination of production norms, norms of efficiency, better utilisation of installed capacity, development of raw materials, promotion of scientific research and training of man-power. These are exactly the tasks of development planning. Unfortunately, the Development Councils in practice have been almost ineffective in these respects. Deficiency regarding their secretariats has been one factor responsible for this; the other factor may have been that the concerned Ministries and the Planning Commission have not given adequate attention to the use of these Councils for the purpose of finding out what developments were possible and contemplated under different assumptions by private sector industry. While the main responsibility for examining possibilities of development in different individual industries would lie with the concerned Ministries, the Planning Commission should be suitably represented on the Development Councils.

5.93. One method of establishing better communication between the Planning Commission and Industry may be to have Planning Groups attached to the Development Councils. These Groups should

have members who represent the professional side of industry—managerial or technical—rather than the directors and industrialists. Such a body would probably be in a better position to deal with the actual problems of operation as well as development than the Development Councils with their largely non-professional composition. The proposed Planning Cells in the Ministries may provide the Secretariat for the Planning Groups and the Planning Commission should be actively associated with their working. In this way the Planning Commission may be able to establish better liaison with the actual developmental and operational personnel in key industries and this may be useful in more realistic formulation of the industrial plans.

Agriculture

5.101. As regards planning in the agricultural sector, the detailed planning will have to be done either in the States or at levels further below. The Planning Commission will have largely to work out the broad possibilities of development on the basis of certain assumptions regarding availability of inputs and also work out major policy instruments for the purpose of attaining the given objectives. The task of the Union Government in this field would be mainly in respect of research, assistance for the provision of essential inputs such as fertilisers, special varieties of seeds, improved tools and implements and increasing credit facilities, and working out an appropriate price and marketing policy. The Agricultural Department of the Union Government will have to be much better equipped to provide technical assistance to different States for particular programmes in agricultural and related fields.

Education, Health and Social Welfare

5.111. As in the case of agriculture, so also in the case of other subjects which lie predominantly in the State field, the nature of responsibility that the Union Ministries have is different from that in the case of Ministries dealing with Union subjects. In the case of subjects like education and health, the Union Ministries are responsible mainly for working out broad programmes of development and policies for ensuring maintenance of appropriate standards, the conduct of research and making available the results of research to the various programme planning and implementing agencies in States. The organisation of such Ministries in the Union Government is a subject that is being dealt with by another Study Team. We would only like to mention that coordination of State plans and programmes, ensuring certain minimum rates of development and

standards of attainment for the country as a whole and ensuring a balanced attention to the provision of services like welfare, education and health are among the essential tasks of a Union Ministry operating in this field. This is a major function of the Ministry as a whole. It may, however, be desirable to reorganise the Ministries in such a way that planning and coordination are attended to in a separate Planning Cell in each Ministry.

Finance and Foreign Exchange Problem

5.121. The Planning Commission will continue to rely on the Ministry of Finance and the Reserve Bank for obtaining the basic data relating to fiscal and monetary developments. The task of preliminary data collection and their analysis is largely undertaken by these organisations; this is rightly so. A major deficiency in the work done in this sphere at present is regarding the fiscal problems of States. There is no agency adequately equipped to provide expert assistance to State Governments on the basis of studies relating to State finances. We have suggested earlier* in this Report the creation of a special unit for this purpose in the Economic Group of the Planning Commission. Except for this unit, basic work relating to fiscal and monetary policies and also that relating to foreign exchange, at least as far as data relating to the past and the present are concerned, will be the responsibility mainly of the Ministry of Finance and the Reserve Bank. The Planning Commission will utilise these analyses and data for its investigation and thinking about policy alternatives. For data relating to foreign trade, it will similarly rely on the Ministry of Commerce and its associated agencies. To ensure better understanding and communication among the different economic advising units in the Government of India, we have already suggested† in our Interim Report that there should be a Standing Committee of the heads of Economic and Statistical Units in the different Ministries and the Planning Commission.

5.122. An essential requirement of planning in the present conditions in India is foreign exchange forecasting in as competent a manner as possible. It is obvious that such forecasting for the future would be full of uncertainties. However, any exercise of working out development plans for five years without a determined attempt at foreign exchange forecasting is bound to create even greater difficulties and upset all plan calculations. This has remained one of

* See Chapter II, para 2.34.

† See Interim Report, para 5.43.

the major lacunae in our planning process up to now. As mentioned earlier, the basic data relating to balance of trade and balance of payments would be available with the Ministries of Commerce and Finance and the Reserve Bank. The task of working out the future requirements of foreign exchange and the possibilities of obtaining that foreign exchange, either through foreign trade balances or through foreign loans and grants, will have to be worked out as competently as possible. We do not think that the present arrangements in the Commission in this respect are adequate. We, therefore, suggest that while the Ministry of Finance, the Reserve Bank and the Ministry of Commerce would continue to work on these problems, it is necessary that the Economic Group of the Planning Commission should be specially strengthened for preparing a foreign exchange forecast.



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CHAPTER VI



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CHAPTER VI

NATURE AND SCOPE OF STATE PLANNING

Introduction

6.11. The State Plans constitute an important part of the National Plan. In magnitude, the Plans of States and Union Territories have usually accounted for nearly half of the Public sector Five Year Plan outlays. But the real importance of the State Plan lies not so much in their magnitude as in the nature and composition of the State Plan outlay and the importance of the heads of development on which States Plans are concentrated. In many ways the Central and the State Plans are complementary to each other.

6.12. Any attempt at establishment or re-organisation of the Planning Machinery at State level will necessarily have to be related to the nature and scope of the planning work in States. For this, the differences and the similarities between the nature of planning at the State and the national levels need to be identified. A broad understanding of the nature and problems of planning at the State level would help to indicate the character and procedure of planning at the State level in contrast to those at the National level. With this in view, we propose to underline some of the distinguishing features of State planning as compared to Central planning.

6.13. Our Five Year Plans, National as well as State, have a reference only to the additional developmental outlays in the public and private sectors and do not include all the developmental programmes of the country. The scope of the State plans is further limited as against the National one since the Central Plan outlay undertaken within the geographical limits of a State does not form a part of the 'State Plan'. It also excludes the developmental outlays of the private sector as these are mostly directed and regulated by the Central agencies through licensing, credit control, release of foreign exchange and other regulatory and fiscal measures. Therefore, the scope of work for the National planning agency, i.e., the Planning Commission, is the entire economy and all sectors including the public (Central and the States), private and cooperative sectors, whereas the State Plans are largely confined to the additional developmental outlays of the State Governments' sector.

6.14. The States' responsibility for planning is also limited to fewer areas of economic and social activity. The State plans are largely concentrated over a few sectors of activity. For example,

under the Fourth Plan, nearly 90 per cent of the States' outlay has been provided only under three development heads. These are: (i) Agriculture and Community Development, (ii) Irrigation and Power, and (iii) Social Services. On the other hand, the Planning Commission formulate a Plan which attempts to cover all sectors irrespective of the agency through which these may be administered.

Operational Planning

6.21. Apart from the limited scope of the State Plans, it needs to be mentioned that as we move from the National level to the State level and lower, the nature of planning effort undergoes a significant change. In a way, plan formulation and implementation come closer. Plan formulation no more remains an aggregative exercise at working out targets and evolving policies. At the State and lower levels, plan formulation implies project and programme planning. In certain respects, the planning work at these levels is somewhat similar to the work that we envisage* for the planning units in the executive Ministries at the Centre. For instance, agricultural planning at the National level would have to take into account the projected future demands for the nation as a whole and its nature would be aggregative; but at State and District levels it will be more in the nature of working out details of operational programmes and also activities based upon local resource potential. Educational planning at the National level would largely involve the evolution of short and long term educational policies, especially in the fields of higher and technical education, in view of the overall socio-economic situation and requirements of national manpower planning. On the other hand, at the State level, these policies would have to be translated into concrete operational programmes. No doubt each State would take into account its own educational needs; but a State would not be expected to evolve educational standards and policies which are at significant variance from the National ones. Most of the planning work at the State level would be related to phasing and location of educational institutions and programmes. Similarly, planning for irrigation and power at the State level would mean fixing priorities between different schemes in view of their relative costs and benefits.

People's Participation

6.31. Another feature of the State plans as distinct from the National Plan is the direct involvement of local people in the preparation of plans and programmes at State and district levels. It

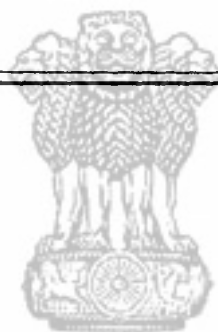
* See Chapter V, para 5.86.

is partly due to the fact that the State administration is close to the field and is also an implementing agency. Closeness of the planning agencies to the field and the people exposes them to local pressures in the planning process even on very minor matters, although it also ensures greater participation of those for whom the programmes are intended. There is thus the risk that continuing social pressures may sometimes distort economic planning and create obstacles in the process of rational decision-making. No doubt political pressures exist at the National level as well. But the nature of pressures is likely to be somewhat different—ideological considerations may receive more prominence than regional and sectoral pressures. With the establishment of the *Panchayati Raj* institutions, this process of local pressures in planning can take another form, each District agency insisting on an equal share in all programmes of development— setting up new educational institutions, distribution of fertilisers, construction of roads, establishment of an industry or provision of credit. At the same time, these very social and political pressures can be made a potent force in reaching rational and acceptable decisions and securing political support for their smooth and efficient implementation.

Promotional Character

6.41. The composition of the State Plan outlays would also indicate that the State Plans are oriented towards increasing agricultural production, building up of the infrastructure, towards developing social services in rural areas and raising levels of living for the less developed areas of the country. In a way, the State Plans are intended towards enhancing production in the diffused sectors of the economy. A large part of the State's outlay is, therefore, of a promotional character. The outlays provided for extension programmes in the fields of agriculture, education, health and the propagation of technical know-how in the field of industries are basically promotional. On the other hand, the nature of the Central plan outlay is relatively less promotional and more that of (direct or indirect) capital investment. The latter directly creates fixed capital whereas the former goes to change human equipment. It also needs to be emphasised that the main responsibility for institutional reforms like land reforms and establishment of *Panchayati Raj* also falls upon the States.

CHAPTER VII



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CHAPTER VII

REVIEW OF PLANNING IN STATES

7.01. After discussing the nature and scope of State Planning, we now propose briefly to review the functioning of State Planning during the last fifteen years. The objective of this review is not to evaluate the degree of success in planning at the State level or to assess the impact of State Plans on the State economies. The purpose is a very limited one, viz., to underline some of the broad features of the State Plans that need to be kept in view in formulating proposals for the planning machinery and procedures at State and lower levels. Later* in this Chapter, we have made a review of the existing planning set up in the States. ...

Growing Similarity in States' Plan Priorities

7.11. A view was expressed by most of the State representatives who appeared before us that there was very little scope for planning at the State and lower levels. Apart from the imposition of decisions on plan targets, the States are also many times given the methodology of achieving the objective, and departures even from the patterns of staffing etc. are not permitted. In such cases the only option to the States is either to accept the central programmes or reject them. Since each programme carries a subsidy (sometimes as much as 100 per cent) from the Centre the States almost invariably accept such offers even when these have limited utility and applicability for them. The net result is a growing tendency towards inter-State similarity in the sectoral distribution of plan outlays. There is thus, consciously or unconsciously, a tendency on the part of the States to follow the National pattern of priorities and Central directions with consequential neglect of their own specific growth capacity and requirements. This may not always be in the best interests either of the country as a whole or of the particular State or States.

Plan Performance—Financial and Physical

7.21. We have also observed that the States almost invariably spend the planned financial provisions; but the same degree of success

* See paras 7.51 to 7.111.

is not attained by way of achievements in terms of physical targets. This observation is supported by a comparative study of the sector-wise financial and physical targets and achievements in the Third Plan period. Though the variations from targets are not uniform, they are undoubtedly considerable in certain key sectors. It is to be noted that in many cases there has been excess expenditure and the physical targets have not been achieved even then. In cases where there is less expenditure than provided, the corresponding shortfall in physical terms is considerably larger than that in expenditure.

7.22. Broadly speaking, there are two reasons for these variations. This may have happened because of insufficient care on the part of the State Governments in the preparation of plan proposals—not working out proper financial costs and physical benefits of each programme and project. It may also be that, because of the general rise in the price level during the latter part of the plan period, the estimates might have gone wrong. The latter reason, however, would hold true for all the States and for all sectors of development. There can be no denying the fact that the Indian economy has been under considerable inflationary pressures, specially during the later years of the Third Plan. However, this could explain variations between performance in terms of expenditure and physical achievements if there were all around shortfalls. But the Plan progress has not been uniformly lower in all sectors. The main reason for these variations seems to be inadequate preparation of plan proposals.

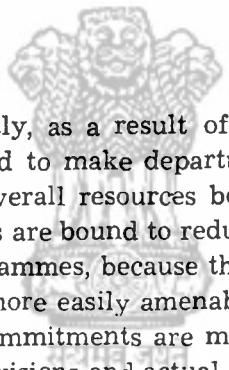
7.23. Our discussions with some of the heads of the executive departments of States suggest that plan targets are usually worked out on the basis of certain given assumptions and yard-sticks. The yard-sticks used for working out plan targets are frequently those which have been indicated by the Central agencies. Some States have made little attempt at evolving their own yard-sticks which would be more realistic and have greater relevance to the State. To illustrate this point, we may mention the widely used ratio of an irrigation well to irrigation potential as 1 well to 7.5 acres. But this ratio cannot obviously hold good for all States in the country or even for all areas within a State. Apart from this, the capacity of a well will depend upon the soil water table, the cropping pattern and so on. But in actual practice some States report on the new irrigation potential created by simply multiplying the number of new wells by the yardstick of 7.5 acres.

7.24. The increase in cost of projects cannot be entirely explained by the rise in price level. It was also our impression that the executive departments in States prepare plan proposals and cost estimates which do not reveal the real estimated costs of projects. There has been a noticeable tendency to underplay the costs and overplay the benefits in order to get an easy clearance from the Finance Department and the Central agencies. It was further explained that once a project was approved by the State Government and cleared by the Central agencies, it did not matter if the cost of the project rose to even twice its original estimate at a later date. Once a project is taken up, the emphasis shifts to completion and questions are rarely asked as to the earlier costs and benefits estimates. Sometimes, to obtain additional resources, the Departments concerned show enlargement in the scope of the projects. This has been the story in the case of a number of multi-purpose projects in the country. In the irrigation and power sector also the costs of projects have invariably been revised upwards. On the other hand, the actual benefits accruing from these projects have usually been considerably lower than originally estimated. To only a limited extent, the rise in the cost of projects is justified due to the expansion in the scope of the schemes so as to cover larger areas for irrigation and such other added benefits.

Departure from the Plan Priorities

7.31. The increase in the cost of projects due to inadequate preparation has had many consequences on the State Plans. Due to the absence of proper project planning, the estimates have gone wrong and the rise in the financial requirements of the projects has raised problems of resources. At the same time, under the impression that a project would cost only what was estimated earlier, more projects were included in the Plan and commitments were made for initiating the same in the Plan period. As a result, the States have found themselves committed to a larger number of projects than they can support at a point of time. Under this situation the only alternative left to the States is either to go slow on these projects or make adjustments in other sectors. Secondly, because of this lower tempo in implementation, the gestation period was prolonged and there were delays in achieving the physical targets. The delays themselves were also a factor which added to the cost of the projects since the interest charges on investments were higher than those anticipated in the earlier estimates and this inflated the capital cost of the projects.

7.32. Secondly, when a large number of projects are concentrated over a shorter period, equally serious pressures are built up on the physical resources of the country. This creates shortages of basic raw materials and other goods at a given point of time. In the absence of proper project planning, it is difficult to forestall the difficulty of securing the requisite physical and other inputs which may be required at different points of time. For instance, if it is possible to estimate through properly phased planning of the larger projects that such and such physical inputs would be required by the various implementing agencies every quarter, the necessary advance measures could be undertaken to ensure the requisite supplies of material and thus avoid any bottlenecks in the supply-line. If all the States undertake such exercises, the Central agencies would be in a position to advise on what annual priorities a State could have without fear of facing serious shortages. This would help to avoid unnecessary concentration on demand pressures especially for scarce commodities at a particular point of time.



7.33. Quite frequently, as a result of increased cost of projects, the States were required to make departures from the agreed plans in other sectors. The overall resources being what they are, higher outlays on some projects are bound to reduce the availability of finances for other plan programmes, because the outlay on other plan programmes is somewhat more easily amenable to reduction than outlay on projects in which commitments are made in advance. A study of the sector-wise plan provisions and actual expenditure in States under the three Five Year Plans shows that most of the States have made significant departures from the original plan provisions. In some sectors, there is a tendency towards lower expenditure and in certain others, towards excess. It needs no emphasis that significant departures from plan priorities as agreed to at the beginning of the plan period indicate poor planning. It is not our intention to say that there cannot be reasons for some changes in the composition of State Plan outlays. In fact, some flexibility has to be accepted for adjustments in plan provisions to accommodate the changes based upon actual experience of plan implementation and to take note of short-term and immediate problems. But as the following table shows, the departures as indicated by our study are much more than can be explained by normal deviations from the Plan. (Of course, the Sino-Indian conflict in 1962 also led to some changes in emphasis in the State Plans.

TABLE

Showing Percentage Shortfall in the Sectoral Financial Provisions under the Three Plans (States only).

Sl. No.	Heads of Development				Ist Plan	IIInd Plan	IIIrd Plan
1	2				3	4	5
1	Agricultural Programmes				(-)8.2	(-)7.2	(+)9.7
2	Community Development and Cooperation	(-)26.8	(-)10.2
3	Irrigation				(-)10.2	(+) 0.5	(-) 1.9
4	Power				(-)14.4	(+) 6.4	(+)23.8
5	Industry				(-)20.1	(-) 11.0	(-)6.4
6	Transport				(+) 5.1	(+) 5.1	(+)13.4
7	Social Services				(-)25.9	(-) 9.0	(+) 2.9
8	Miscellaneous				(-) 2.8	(-)41.9	(+)31.2
9	Total				(-) 9.2	(-) 1.0	(+) 5.2

Location of Projects.

7.41. After sectoral allocations have been made for a State Plan, the next problem is that of deciding upon the choice of projects and programmes and their sites within the States. It is our impression that the location of development programmes or projects is not decided consciously on the basis of well worked out alternative proposals. In fields like social services and agricultural programmes, the outlay is usually distributed on a prorata basis (either on population or area) whereas in the case of major projects, decisions are made on the basis of scanty information as regards costs and benefits of the alternative possibilities. The alternative sites can only be considered if the States have already undertaken surveys of their potential resources and identified potential areas for development and an effort made to prepare sectoral perspective plans which could be phased according to the availability of financial and physical resources. We would like to mention that most of the States have made efforts to organise Water Resources Circles to undertake surveys of surface and underground water resources and Central Design Circles to prepare detailed plans and estimates of feasible projects. In some States, attempts have also been made to prepare a number of irrigation schemes in advance irrespective of the immediate possibility of their being taken up for execution. Apart from this, some States had appointed Commissions for Irrigation to work out long-term perspectives for the development of

irrigation. The reports of these bodies were based upon elaborate studies and had, in most cases, presented substantial programmes for the development of the Irrigation potential in these States. The work done by these bodies has proved to be of considerable help to those State Governments by offering a genuine choice between many well studied alternatives. The fact that project proposals in the sphere of irrigation were readily available has been a factor contributing to substantial allocations being made for Irrigation in the State Plans. In the absence of similar highpower bodies for other sectors, such well worked out plans for these sectors did not exist and they did not receive as much attention as they deserved. This, in our view, has introduced considerable imbalance in the State Plans. A remedy for this would be found in having equally intensive efforts made for the preparation of long term perspectives for all other sectors.

7.42. We consider it necessary to underline the necessity of evolving balanced State Plans, which take into account the resource potential of the States as also the individual State needs in all sectors. This, however, is only possible if adequate effort is made to work out the possibilities of development for each sector in the State as exhaustively as possible. For this purpose larger States may be divided into two or more regions on the criteria of relative homogeneity of resources and problems. Special emphasis will need to be placed on spatial distribution of developmental programmes than on the aggregative approach as is done in the case of the National Plans. It is our impression that the trend towards growing similarities in State plans and the tendency towards uniformity in methods of achieving the targets is neither desirable nor realistic. Similarly, concentration of plan expenditure in the later years of a Plan is an indication of inadequate attention having been paid to the preparation of projects and programmes in advance. In our view, the basic reason for the absence of temporal, spatial and inter-sectoral phasing of State Plans is the absence of adequate planning machinery at the State and lower levels. In the absence of such a planning agency, the work of project and programme planning could not be taken up in a scientific manner and on continuous and systematic basis, and planning had to be largely confined to financial planning with very little attention paid to the actual results from plan investments. ...

Location of Planning Departments

7.51. The main agency for planning in the States is the Planning Department which functions as a department (or in some States, part of a department) in the State Secretariat. The Planning Departments in States manage all types of work related to State Planning—

from Plan formulation to progress reporting. For the purpose of progress reporting, most of the States also use their Bureaus of Economics and Statistics which work in close collaboration with the State Planning departments. Some States have well-organised Bureaus for collection and analysis of statistics whereas in others these are still inadequately developed. Regarding the location of the Planning departments, views differ as to whether it should be part of the State Finance Department or should be an independent Department. It is sometimes argued that unless planning at State level is related to financial resources, it tends to become unrealistic and that the Finance Department can take an overall and objective view of the various sectors of development. It is also suggested that in case there is a separate Planning Department, it would get involved in avoidable duplication of work; e.g., the Finance Departments will have to scrutinise all outlay proposals as they do now. On the other hand, others hold the view that State planning has to be based on the assessment of the physical resources potential of the State as well and that the location of Planning in the Finance Department would subject planning to conservative outlook for which Finance departments are traditionally known. Planning also usually implies mobilisation of more financial resources, and a department independent of the Finance Department would be in a better position to take a forward looking view on this matter. Moreover, the staff of the Planning Departments should have considerable knowledge of the field so as to appreciate the problems of implementation but there exists no such special expertise in the Finance Departments. Lastly, it is also suggested that the role and functions of the Planning Departments would be very much different from that of Finance and, therefore, no useful purpose would be served by combining these two in one place.

7.52. Twelve States have set up full-fledged Planning Departments, viz., Andhra Pradesh, Bihar, Jammu & Kashmir, Haryana, Rajasthan, U.P., Orissa, Assam, Nagaland, West Bengal and Madhya Pradesh. In Mysore, 'Planning' is a part of the Planning, Health and Social Services Department. The head of the Planning Department is, however, not a full-time Secretary in all States. For instance, in Jammu & Kashmir, Orissa and West Bengal the department is headed by the Development and Planning Commissioner. In Rajasthan as also in Gujarat, the State Planning Unit is located in the General Administration Department and the Chief Secretary is also *ex-officio* Planning Secretary. In all the Planning Departments which do not have a separate Planning Secretary, the day-to-day directions are usually

given by the Deputy Secretary in the Planning Department. In two States viz., Madras and Maharashtra, Planning work is handled by a special section in the Finance Department. In Kerala and Punjab, the Finance Secretary is also *ex-officio* Planning Secretary.

Personnel of the Planning Departments

7.61. We have studied the staffing pattern and the personnel composition of State Planning Departments and collected background information regarding the Planning Department staff at the level of Under Secretary and above for the following eight States: Andhra Pradesh, Bihar, Kerala, Maharashtra, Mysore, Rajasthan, U. P. and West Bengal. The total number of officials of the rank of Under Secretary and above numbered 49. The strength of the staff in a State varied from 9 in Maharashtra and Mysore to only 2 in Kerala and 4 in West Bengal. Out of the 49 officials, 17 were not working full-time on the Planning side and held substantive posts in other Executive Departments. For instance, the Chief Secretary of Rajasthan is *ex-officio* Planning Secretary and functions as Secretary to the State Cabinet also. In West Bengal, Planning Secretary is also Secretary, Housing and Public Works Department. Similarly, in U.P., The Planning Secretary also held the office of the State Transport Commissioner.

7.62. Out of these 49 officials, 22 were drawn from the Indian Administrative Service, 18 from Provincial Civil Services and 2 each from Bureaus of Economics and Statistics, and the State Secretariat Services. Only 5 were drawn from other Services. Out of the 22 I.A.S. Officers, 9 held additional and substantive responsibilities in other Departments. Out of the 18 officials of the State Civil Services, only 3 held similar additional responsibilities. The staff at the level of Under Secretary very rarely had additional responsibilities in other executive Departments.

7.63. As regards the previous background and experience of the staff of the Planning Departments, out of the total 49 officers, 27 had previously held field or administrative positions; another 7, posts in extension or welfare Departments; 5 (all in Maharashtra) were in the Finance Department and 3 had teaching background. Another 7 held posts in the State Economics and Statistics Bureaus. This indicates that the staff of the State Planning Departments, more so at the higher levels, is mainly drawn from generalist services. This is further supported by the fact that out of 49 officers, 40 belong to Central or State Civil Services. An analysis of the academic background of the IAS

officers, who held directing positions in Planning Departments, shows that out of 22 such officers, 6 held degrees in Economics or Statistics, 4 in English, 1 in History, 2 in Law, 4 in Science and 5 in other subjects. Regarding the lower posts, however, a large number of officers had economics or statistics as their academic background. There are no specialised training courses for the State officials in the field of State planning. However 4 officers had received training in planning abroad and one had attended a special course on Planning within the country.

7.64. Thus the organisation, pattern of staffing and the location of Planning Departments vary from State to State. Further, the Planning Departments have not been organised with any conscious design so as to enable them to undertake the heavy responsibility. Even though some of the States have established independent Planning Departments, in practice, the departments are guided only by junior officers. Very little consideration seems to have been given to the selection and training of officers for the Planning Departments. The Planning Departments are thus not very different from the other Secretariat Departments in the States.

State Planning Boards

7.71. For a long time, the absence of a planning agency at the State level had engaged the attention of the Planning Commission; but it was only in 1962 that the Commission specifically suggested to the States the appointment of State Planning Boards. The main objectives of recommending the appointment of the Boards were to:

- (a) help State Cabinets to prepare the Fourth Plan;
- (b) prepare long-term State Plans (1962-63—1975-76);
- (c) consider and recommend policies and measures for the realisation of major social objectives;
- (d) recommend measures and policies for the mobilisation of financial resources; and
- (e) evolve criteria for selection of locations of large projects and have an assessment of the relative costs and benefits of the alternative proposals.

Appointment of State Planning Boards

7.81. Following the suggestion of the Planning Commission, most of the States did undertake measures to appoint a Planning Board, a Cabinet Sub-Committee on Planning, a State Advisory Board or a State Development Board. In most cases, the Chief Minister of the

State acts as Chairman. Out of the 14 States for which information is available, State Planning Boards as such have been appointed in 8 States*. The State of Assam has been considering the appointment of experts on its proposed 'State Advisory Council', Andhra has a 'State Advisory Committee for Planning'; and Madhya Pradesh has a State Planning Advisory Group'. In Mysore, there is a 'State Development Council'. Some of the States have two or three similar agencies. In Madras and Maharashtra, Planning Sub-Committees of the Cabinet have been in operation and no Boards have been appointed.

Membership and Composition.

7.91. A conspicuous feature of the existing *State Planning Boards* is their large membership. For instance, in Rajasthan membership of the State Planning Board runs to 65; in West Bengal, to 27; and in Kerala, to 26. The members are usually drawn from State Ministers, Members of Parliament and Officials, with a sprinkling of a few specialists and experts. In Mysore, the State Development Council consists of the Chairman of the Chambers of Commerce in the State, Vice-Chancellors of all State Universities and some members of the legislature including the leader of the Opposition. Similarly, in Madhya Pradesh, the Board has all the Ministers, one representative from each District, some Members of the State Legislature and Parliament and 20 others (including educationists, engineers and industrialists). Most of the Boards can be better described as 'Consultative Bodies' or 'Public Relations Committees' of the Government on the subject of Planning. Because of the large membership, their meetings cannot be held frequently nor can there be any pointed and purposive discussion. The Board meetings, however, do provide an occasion for the members, who represent different interests, to express their views on some aspects of State Planning. The Board meetings also provide an opportunity for Ministers to explain the Government's viewpoint. The meetings are generally inconclusive. The State Governments, however, take advantage of such meetings for the purpose of making announcements relating to the broad framework and policies of the proposed State Plan.

7.92. In the case of three States, the membership of the Boards is confined to Ministers. For example, in Punjab the State Planning Board consists only of Members of the Cabinet; and in Madras and Maharashtra, there are only Cabinet Sub-Committees. The main advantage of such a Board or Cabinet Committee is claimed to be that

* (i) Bihar, (ii) Gujarat, (iii) Jammu & Kashmir, (iv) Kerala, (v) Orissa, (vi) Punjab, (vii) Rajasthan and (viii) West Bengal.

the Chief Minister and his colleagues can take quick decisions. This also gives the Board a high status and the meetings of the Board can be used for decision making in an effective manner. Because of the small size, the meetings of such a body can be held more frequently and discussions can be more fruitful. Such Boards, however, suffer from some basic and serious limitations. While such boards or Committees of Ministers are useful for decision-making they cannot obviously undertake any long-term studies. Essentially, Minister-Member Committees are oriented towards day-to-day problems and, because of the pressure of work, they can hardly find time for sustained thinking and analysis. These Boards also do not have the advantage of expert advice from within on important economic issues. The Boards are serviced by Departments which themselves do not usually have adequate planning expertise. In brief, Minister-Member-Boards are hardly an improvement over the earlier Planning organisations in the States.

7.93. In some States, the Chairman of the Boards have been non-officials, and some experts appointed as Members. Such Boards could claim an advantage over Minister-Member-Boards, provided the experts were full time and were provided with the necessary staff support. The experience of these States, however, indicates that this was not the case and, therefore, the Boards did not function better than the others in any way. In practice the Planning Departments, wings or sections acted as the Secretariat to the Planning Boards; and the membership of the Boards was large and heterogeneous.

Functions assigned to the Boards

7.101. From the information made available to us, it appears that the functions assigned to the State Planning Boards have been rather vaguely defined. The Boards were expected to cover plan formulation, programme coordination and review of plan progress; at the same time, the Boards were not given any full time staff. Some States even expect the Boards to advise the Government on broader issues of economic policy. In Kerala and Jammu and Kashmir, Boards were not given any specific functions. Except in Punjab, Maharashtra and Madras, the Boards are only advisory in character.

Functioning of the Boards.

7.111. From the information that we could collect on the functioning of State Planning Boards in 1966-67, we found that in Rajasthan there was no meeting of the Board during the year. In West Bengal, Mysore and Kerala, the Boards met only once; and in Bihar there

were only two meetings. As regards attendance, in Kerala, out of 26 members, 10 attended the meeting. In West Bengal, out of 27 members, 17 attended. Though in Mysore, the membership exceeded 60, the attendance was only 15. The minutes of these meetings indicate that there was no real discussion on plan policies or programmes. Each member tried to put forth his general ideas on the problems of the State as he viewed it. On the other hand, the Chief Minister took this opportunity mainly to explain his own problems. In brief, the State Planning Boards, as established in practice, have not served the purpose for which their creation was suggested. They have at best served as 'Public Relations Committees'. The appointment of the Boards or other similar bodies has thus not helped in the past to strengthen either the Planning machinery or the process of planning in States.





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CHAPTER VIII

PLANNING MACHINERY AT THE STATE LEVEL

8.11. The necessity for having well organised planning agencies in the States arises from the fact that the State Plans have to be worked out within the overall targets, programmes and priorities of the National Plan and yet have to make the fullest use of the physical resource potential of a State. In view of the varying socio-economic conditions and differing resource potential of the various States, this exercise is not a simple one. If each State plan was prepared entirely with a view to maximise results from the developmental efforts for the State, the aggregate of State plan investments may be different from the overall National allocation. However, these two aspects have to be coordinated in such a manner that a common programme of development is evolved for each State. In the absence of detailed and objective planning exercises at the State level, the States may follow a set of priorities which is best suited neither for the maximum utilisation of the State's physical resources nor for meeting the felt needs of the State. We, therefore, think that for working out of a rational State plan, each State should undertake detailed and regular studies in planning.

8.12. The Planning machinery in States may be visualised in three tiers, viz.,

- (i) State planning agency;
- (ii) sectoral (Departmental) planning agencies; and
- (iii) regional and District planning agencies.

State Planning Agency

8.21. Before one discusses the desirability, the functions and composition of the planning agency at the State level, one needs to ask two questions, viz. "What would be the nature of work at this level?" and "What functions need to be performed by the State Planning agency?" In Chapter-VI we have pointed out that the scope of State Planning agencies is not as comprehensive as that of the national agencies. State Plans as worked out today do not include either private or Central public sector Plan outlays. The composition of the States' Five Year Plan outlays suggests that the State Plans,

and, therefore, the planning agencies at the State level, confine themselves mainly to three major areas of development, viz., agriculture, economic infrastructure (power, roads etc.) and social services. In the past, more than four-fifths of the State outlay has been appropriated for these heads of development. We assume that the scope of the State Plan would continue to be the same. It does not, however, mean that a State planning agency can afford to be unmindful of plan programmes or projects financed by the Central agencies or by the Private sector. The State agencies should indicate the complementary programmes which must precede the establishment of large scale industrial enterprises in the State so that the newly developing potentialities in the State can be fully and appropriately utilised.

8.22. Our earlier review of State planning indicates the imperative need of having a permanent and non-political body which would undertake the responsibility of preparing long, medium and short term development plans for the State. Such a body should be able to maintain a certain degree of continuity in the process of development irrespective of political changes in the State and coordinate development programmes of different regions and districts. We consider that an important task of this body would be to ensure inter-district co-ordination, especially in situations where some *Zilla Parishads* are controlled by political parties different from the one at the State level. This planning body would also be expected to work out a rational set of priorities and phasing of plan programmes for the State as a whole and reduce the likely danger of over or under emphasis in the development of a sector or an area because of subjective and other considerations.

Board versus Department

8.31. Among the possible alternative agencies which could undertake such work are: a State Planning Board or a State Department of Planning. A brief review of the organisation of the State Planning Departments has been made in Chapter-VII of this Report. We feel that even if the staff of the Planning Departments could be appropriately recruited and the Departments otherwise strengthened, the need to have an independent agency which would coordinate sectoral programmes will not be met. There are many reasons for this. The Department being a part of the normal secretariat would not be able to operate an entity independent of the State Government. It would not be able to attract experts from outside the Government. It is well recognised that there is acute shortage of personnel who can man planning agencies at different levels. At the same time, the nature of work

in these agencies is very different from that in the normal secretariat. Therefore, the Planning agencies will have to make special efforts to develop expertise of their own. Moreover, no Department can function in its day-to-day operations in a manner which is radically different from the other Government Departments; and whatever be the original intention, in practice, Planning Departments come to function like any other secretariat office. On the other hand, a separate planning agency has distinct advantages. Such an agency, if appropriately set up and manned, can work on lines suited to the functions that have to be performed. It will have more flexibility in its operations and be able to develop close and active collaboration with various agencies and individuals whose talent and experience it could draw upon for the functions that it has to perform. And yet being an agency set up by Government, it will be able to maintain close liaison with the administrative departments of the State Government and its other agencies.

8.32. The idea that such an independent agency may take the form of a Planning Board for the State was sponsored by the Planning Commission in the Third Five Year Plan document. As we have mentioned earlier, some States felt that it was unnecessary to have such State Planning Boards. The objections seem to be two-fold. One was due to the fear that the Boards might become rival and parallel authorities *vis-a-vis* the State Cabinets. This fear, however, was ill-founded since the Planning Boards were to be advisory in character. Secondly, it is argued that planning work in States is essentially that of implementation; and most of the thinking regarding social policies, fixing of sectoral priorities etc. is the responsibility of the Central agencies. Any addition of experts at the State level would only result in duplication. We would, however, again like to emphasise that in view of the differing nature and quantity of the resource potentials of different States, it is necessary for State and lower level agencies to prepare their own plans and not accept plan programmes which have little utility in their special context. No doubt, there is need to have uniformity in pursuance of certain policies; but this does not mean that each State needs to follow the same methods to achieve it. We have no doubt that both from the point of view of effective planning by the State and for being able to deal at the expert level with the Central Planning Commission and other associated agencies, the State Government would find the creation of a Planning Board to be specially useful.

8.33. Thus, in our view, State Planning Boards are necessary for the purpose of ensuring the availability of an independent, flexible and continuing planning agency in the State whose advice would be

of an expert character and would, therefore carry greater weight than that given by a Departmental agency. With the possibility of changes in the party in power and the existence of different parties in power at the Centre and in the States and, within a State, in different districts, an independent expert planning body at the State level would be in a better position to give independent and expert advice when plan problems are being discussed between the Centre and the State or between the State and various districts than would be possible for a Planning Department of the State. Unfortunately, in no State has the institution of a State Planning Board received a proper and fair trial upto now. It is not therefore possible to refer to past experience in making this recommendation.

8.34. We also believe that State Planning Boards would help to relieve undue pressures upon the Chief Ministers relating to problems of location and sharing of development programmes among districts and regions. In this manner the Boards could strengthen the hands of the Chief Ministers and their colleagues in following more rational policies. We also visualise that the Boards would be able to provide an opportunity for collaboration of non-officials in the development processes of a State. And lastly, we think that the Boards would be able to organise analytical studies and coordinate surveys and other research investigations for purposes of providing a better base for plan formulation. It is in view of these considerations that we recommend that the State Governments should be persuaded to establish State Planning Boards.

Proposed Functions

8.41. The functions of a State Planning Board may be defined as follows:

- (i) making an assessment of the State resources and investigating the possibilities of augmenting them;
- (ii) formulating plans for the most effective and balanced utilisation of the State's resources;
- (iii) determining plan priorities for the State with due consideration to National Plan priorities, working out temporal and spatial phasing of plan projects and proposing allocation of resources for the due completion of each stage;
- (iv) assisting regional and district authorities to formulate their development plans within the spheres where such planning is considered useful and possible, and coordinating such plans with the State Plan;

- (v) indicating steps for physical and financial resource mobilisation;
- (vi) indicating factors which tend to retard economic and social development and determining conditions to be established for successful execution of the plans;
- (vii) determining the nature of the machinery necessary for successful implementation of each stage of the Plan in all its aspects;
- (viii) periodically appraising the progress achieved and recommending the adjustments of policies and measures which such appraisals may indicate; and
- (ix) making such other recommendations as appear to be appropriate either for facilitating the discharge of duties assigned to it or, on a consideration of prevailing economic conditions, current policies, measures and development programmes or on an examination of such specific problems as may be referred to it by the State Government.

8.42. One point that should be emphasised is that the Boards may fail, or at least not succeed in the expected measure, if they are handicapped from the very beginning through inappropriate composition. In one or two States where an experiment was tried, party political leaders or retired civil servants were appointed to the Boards for no specific qualifications that they had. For reasons that we have mentioned* in our Interim Report in relation to the Planning Commission, and which we need not repeat here, we think it important to emphasise that the Members of the Planning Board need to be very carefully chosen and they should be persons who enjoy wide respect for their wisdom, impartiality, integrity and objectivity. While political experience or having worked in the Civil Service is no bar by itself, it cannot be a substitute for other criteria. It is essential that the Board is clearly seen to be a non-political expert advisory organisation and its whole-time Members, including the Deputy Chairman, should so conduct themselves in regard to political matters as not to cause any misgivings in the minds of any political party in the State about their objectivity and impartiality.

* See Interim Report, para 3.61.

Composition of the Boards

8.51. As compared to the Planning Commission the State Planning Boards may be somewhat smaller in size. For reasons similar to those which justify the continuance of the Prime Minister as Chairman of the Planning Commission, we think that the Chief Minister should be *ex-officio* Chairman of the State Planning Board. The number of full time members should not exceed four (inclusive of the Deputy Chairman). Since there are three main areas of State Planning, one member each may be appointed to look after one broad area of development, *viz.*, (i) agriculture, including irrigation, (ii) industry, power and transport and (iii) social services, and the Deputy Chairman may deal with the work relating to long-term planning, resources, and other overall plan problems of the State. We have carefully considered the question of other State Ministers being nominated as Members of the Board. Largely, because of reasons similar to those stated* in our Interim Report about the Planning Commission, we do not consider it desirable to have any other Ministers as members of the Boards.

8.52. Broadly speaking, the qualifications for appointment as Member of a Board would be similar to those for a Member of the Planning Commission. However, in view of the nature of the Planning work in the States as distinguished from the Centre, it would be necessary to place more emphasis on the technical knowledge and experience of the Board Members as compared to the Members of the Planning Commission. The term of office for the Members may be five years, and the status, facilities and emoluments may be the same as that for a Minister of State.

8.53. The Boards should have a full time secretary of the rank of Secretary to the State Government. The Secretary need not necessarily be from the administrative services, but one specially chosen for his knowledge about and experience of the problems and processes of development planning, in addition to the normal requirements for that administrative position.

Organisation of the Boards

8.61. The Boards would need a small but competent staff for the satisfactory discharge of their responsibilities. The bulk of the data required by them will come from the executive and other agencies of the State. Each Board may have at least three sectoral units: (i) agriculture and allied subjects including irrigation; (ii)

* See Interim Report, paras 3.31 to 3.35.

industry, power and transport and construction projects; and (iii) social services. Another Unit may deal with the overall problems of the State economy, inter-sectoral and spatial balances, coordination of the private and public sectors as also the Central and State programmes, resource mobilisation and financial policy.

8.62. The State Plans have to be formulated keeping in view Central decisions on location of large scale industrial enterprises. The State planners would have a limited say in regard to the private sector. In view of these facts, the Boards would have a special responsibility to ensure coordination between the central public sector and private corporate sector developments on the one hand, and the State plan programmes on the other. It may, therefore, be necessary for the Boards to have a separate coordination unit for undertaking this responsibility.

8.63. The State Planning Boards will also be responsible for periodic appraisals and evaluation of plans and programmes administered by the State agencies. This function should be conducted by a special Evaluation Unit. Like the Evaluation Wing of the Planning Commission, its function should be to bring out (i) annual progress reports and plan appraisals, (ii) evaluation studies of particular programmes and projects and (iii) comparative studies for improving implementation as well as the methodology of planning. For this purpose, this Unit will keep itself informed about the manner of organisation and methodology followed for the preparation, evaluation and coordination of plan programmes in other States of the country. About the details regarding the organisation, methodology, etc. of the Evaluation work, we are largely in agreement with the recommendations of the (V. K. R. V. Rao) Working Group on Evaluation in States that was set up by the Planning Commission.

8.64. The organisational structure of State Planning Boards is bound to vary from State to State. There need be no attempt to have a uniform pattern. For instance, an industrially ambitious State may need a separate unit for industrial planning; another State may need another type of special unit to ensure adequate attention to its particular requirements. A large State may need a regional planning unit in its Planning Board to look after different plan regions and so on.

8.65. We visualise that the State Planning Boards would actively involve the talent available in the State, whether in industry, profession, Universities or Research Institutions, in the process of plan formulation and evaluation. In the past, very few non-officials

have been genuinely associated in the planning process at the State level. Properly chosen, such talent can play a very useful role in improving the quality of planning in States. Planning Boards may invite such non-officials for short periods to work upon specific State problems either on contract or on an honorary basis. The Board should have the flexibility of offering necessary and appropriate emoluments and other facilities to such persons. The State Planning Board should also make special efforts at organising public discussion on the crucial issues relating to the planned development of the State.

Sectoral (Departmental) Planning Cells

8.71. Apart from the State Planning Board, it would be necessary to have specialised Planning Cells in important executive agencies of the State Government. The main task of these sectoral planning cells should be to prepare detailed programmes for inclusion in the Plan. The Departmental Planning Cells will also have the responsibility of coordinating plan programmes of the Department and ensuring the follow up of accepted programmes. The State Planning Board will only have a small and compact staff and the detailed work for plan programmes should be mainly done by the Departmental Planning Cells. The State Planning Board would not be effective except on the basis of well organised Planning Cells in the major development departments.

8.72. The officers for these Departmental Cells will have to be so chosen that they are capable of understanding the problems and processes of planning. Even today, in many States some officials in each Department are expected to be in charge of planning. But there has hardly been any attempt to specify the type of knowledge and training that such an officer should have or to develop such officers. In the past, there has also been no attempt to keep a suitable officer in the same work for a sufficiently long period of time to enable him to specialise in a particular subject. It is necessary to emphasise that frequent transfers of officers are not conducive to the achievement of better results in planning. The sectoral Planning Cells with competent personnel would provide the necessary links between the executive agencies and the State Planning Boards.

8.73. We are conscious of the fact that in some States the number of Departments is very large. A sector like Agriculture is divided under Forestry, Fisheries, Community Development and Agriculture. Similarly, Social Welfare is sometimes attached to the Labour Department and sometimes to the Education Department.

It is obvious that because of separate departments dealing with related programmes, coordination in plan formulation becomes difficult. Each Department may pull its own way without realising the implications of the development on the overall State Plan. We hope that the Study Team dealing with the administrative set-up in States would give due consideration to the problems created by the existence of a large number of departments and arbitrary division of work responsibilities which need to be closely coordinated for the achievement of better results in plan formulation as well as implementation.

Training of Manpower

8.81. If State planning has to become more effective and better organised, it will require personnel specially trained and developed for the purpose. As we have indicated* in our discussion relating to planning machinery at the Centre, there is bound to be a dearth of such personnel, specially because such personnel may not be readily available. What is, therefore, necessary is to locate appropriate talent with potential capacity for planning work and developing them through proper training programmes and work assignments. This can be done through appropriate institutions once the necessity for such personnel is recognised. At present, planning is expected to be a task that can be assigned to any general administrator or as a part-time assignment to one of the many deputies of the head of the department. Specialisation, continuous study and communication with planners in related fields of activity—the importance of these is still not adequately realised. We would like to emphasise the importance of developing proper personnel for planning purposes at all levels. The creation of Planning Boards, Planning Cells or any other agency is bound to remain a paper decision unless this is properly attempted.

Conclusions

8.91. In brief, our conclusions are:

It is necessary to establish a State Planning Board in each State. The Board should have the Chief Minister as its Chairman, and four other full time Members. As in the case of the Planning Commission its full time Members should be so chosen that they have expertise and experience of different aspects of State development and command confidence of different political and regional elements in the State, so that their advice is likely to be accepted by the different political parties and regions in the State without too much difficulty.

* See Chapter IV, paras 4.41 to 4.47 and Chapter V, para 5.87.

8.92. As in the case of the Planning Commission, the State Planning Boards should not be executive bodies. They should be advisory bodies responsible for plan formulation, review, appraisals and evaluation and for suggesting revisions in State Plans as required from time to time in addition to recommending measures which, in their opinion, would improve implementation.

8.93. A Planning Board may normally have the following Units:

- (a) Economic Unit;
- (b) Agriculture and Rural Development Unit;
- (c) Power, Transport and Industry Unit;
- (d) Social Services Unit;
- (e) Coordination Unit;
- (f) Evaluation Unit.

8.94. Each Development Department should have a small Planning Cell whose main task should be to work out operational details of plan programmes, to ensure appropriate follow-up action of plan programmes and to initiate work for formulating plan programmes for the future.

8.95. The State Planning Boards in collaboration with the Planning Commission will need to pay special attention to the question of building up personnel to man planning agencies at the State and lower levels. For this, the Boards may either organise training programmes by themselves or help some other institution in the State to organise Training Courses for the District and lower level officers.

CHAPTER IX



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CHAPTER IX

PLANNING AT THE DISTRICT LEVEL

Why District Planning?

9.11. The necessity of Planning at levels lower than the State has been increasingly recognised. Grass roots planning is more effective for the best use of land and manpower through agriculture, small irrigation works and rural industries. The district is a compact area in which conditions are generally more homogeneous than in larger regions or the whole State and is a readily available administrative unit for plan implementation. Again, the State is too large an area to evoke effective popular participation in the planning process. Popular participation is required to ensure the contribution of materials, finance and labour by the population in the given area and, what one hopes will be increasingly important, the contribution of new ideas based on local knowledge and experience. Planning at district and lower levels is also expected to foster the democratic system through the process of discussion by the affected persons on the formulation of plan schemes.

9.12. Partly as a result of these considerations, even in the First Five Year Plan, encouragement was given to planning at District and Block levels. This was specially attempted to be done from the Second Plan onwards. The establishment of *Panchayati Raj* institutions was expected to assist in planning at these levels. In the approach to the formulation of the Fourth Plan, the Planning Commission gave an even greater emphasis to District and local Plans.

Why Ineffective up to now?

9.21. It cannot be said, however, that these attempts have been very effective. The reasons for this may be briefly stated as follows:

- (i) The authorities concerned with the formulation of District or Block Plans usually had no clear idea about the resources that would be available to them; and even if they had some idea, they inflated demands to get more through bargaining, recognising that the Plan would have to be pruned at a later stage, with the result that the various local Plans put together always involved an outlay very much higher than even the overall size of the State Plan. Because the plans as originally formulated by the District and Block authorities were unrealistic, they had to be

drastically pruned. After this drastic pruning, no genuine attempts seem to have been made to work out properly integrated district Plans on the basis of the revised out-lays.

- (ii) There was very imperfect comprehension of what a District Plan should aim at and what should be left to the State planning agency. The Planning authorities in the District had only scanty knowledge about the State schemes so that they only recommended a list of State schemes for inclusion in the District plan without any regard to the sectoral allocations available for the State as a whole. In sectors such as education and health, the scope for formulation of plans was small as the policy decisions are laid down at the State level. But programmes in these sectors are placed under the control of *Panchayati Raj* institutions and form a part of the District plan. In spheres in which the District plans can really make worthwhile contribution as in agriculture, minor irrigation and other rural schemes for utilisation of manpower, local contribution by way of initiative, resources and labour has been negligible, as the District Officers have generally tended to adopt standard schemes as laid down by the State departments.
- (iii) The inducement provided from the National level downwards to undertake certain schemes, through the provision of subsidies or proportionate grants, has meant that each department chose certain schemes to be undertaken in the State, irrespective of whether those schemes were genuinely suitable for that State. Similar inducements were provided to the District authorities to undertake schemes in the District which were not necessarily the most important from the point of view of the development of the District.
- (iv) There has been little attempt at coordinating the urban as well as the rural areas in a given District for the purpose of formulating District Plans. As a matter of fact, till recently, there has been very little planning for the urban areas, although schemes for water supply, drainage etc. have been taken up in these areas to meet the demands of their growing population.
- (v) The District had no planning expertise as such. There was very little attempt at training officers in formulating District plans. District Level Officers dealing with developmental areas were stationed in any given District for too

short a period to understand the potentialities of that area, or establish communication with the local population, and thus to help formulation of a Plan which would be realistically related to the potentialities of that District.

Suggested Remedies

9.31. These defects which have been experienced in the past can be overcome if the following correctives are adopted:—

- (i) The District Planning authorities should be given a much clearer understanding of the resources that would be available to them for development purposes—both in financial terms and in terms of some scarce supplies such as fertilisers, pumps, electric power, etc. This understanding should be given in terms of two level commitments—minimum and optimum ones—and the State should be morally committed to abide by the minimum commitments. The district should be free to incur a larger outlay if it can raise more resources locally. As a matter of fact, some inducement should be given to the District to do this by providing some kind of a matching grant.
- (ii) In deciding upon the financial assistance to be provided by the State to the District, the rigidity regarding outlay for different sectors should be reduced. It should not be necessary for each District to adopt the same pattern of development in order to obtain the maximum assistance from the State. While there need be no harm in insisting that each district should spend a certain proportion of its outlay on education or health, it seems unnecessary to insist that each District must spend so much on animal husbandry, so much on minor irrigation and so much on soil conservation, etc. These matters could be well left to the District Planning authorities, subject to an overall check by State level agencies.
- (iii) It should be more clearly understood that the core of District planning should be related to those sectors of development where local variations in the pattern and process of development are likely to pay dividends in terms of the rate of growth. These would obviously be sectors related to local resources such as Land and available manpower. This will mean that the really important sectors for District Planning would be Agriculture, Small Irrigation,

Rural Industries, Rural Communications and, to some extent, construction works based on locally available material and labour. In other sectors such as education and health, the pattern will be uniform all over the State and the only discretion left for the district planning authorities would be as regards the locations of schemes to be executed in the district.

- (iv) It should be clearly understood that the District Plan must be based on a common integrated approach towards the development of the urban and rural areas in the District.

District Planning Machinery

9.41. It is necessary to provide appropriate planning machinery for the proper formulation of district plans. One point that may be briefly mentioned is that the District does not have the same importance in the pattern of *Panchayati Raj* institutions in all States. It seems however operationally difficult to envisage, at least for the next decade or so, that there could be adequate planning machinery at levels lower than the district. As a matter of fact, the creation of adequate skills for effective planning even at the district level is likely to prove quite a challenging task. At the moment therefore we do **not** think it practical to think of any area smaller than the District as a suitable unit for planning. However, wherever possible the **Community Development Blocks** could be made responsible for the preparation of agricultural plans for the Blocks.

9.42. At this level, planning has to be thought of primarily in terms of physical planning for the development of available natural resources and other potentialities. It will be necessary for this purpose to have appropriate knowledge of the physical resources and the alternative possibilities of their development. It will also be necessary to have a good understanding of the local population, its technical and organisational skills, the leadership available and the extent to which special local participation could yield dividends. While local political leadership will no doubt play a part in plan formulation, their ideas would remain unsystematic unless they are supported and aided by a group of technically competent and locally knowledgeable but trained officers. Looking at past experience, the most important point to emphasise seems to us to be that the crucial Development Officers must remain in the same District at least for a period of about five years, if they are to be able to contribute anything effectively to development planning at this level. The period

of five years will include a short period to get at least primarily acquainted with the District—its resources and people—the period of plan formulation and then a part of the next Five Year Plan period so that the officer participates in implementing the plan as formulated.

9.43. The planning team in the District would essentially consist of a Planning Officer who may be either an Administrative or a Technical Officer but must be one who has been found to be specially good at coordinating developmental work and who is specially trained for this purpose. This officer should work full time on the planning side. The district level technical officers belonging to sectors such as agriculture, forestry, animal husbandry, minor irrigation and industries should be responsible for plan formulation as well as implementation at this level. It may be expected that any local institutions such as Colleges, agricultural or other specialised schools and other such institutions would be drawn in to assist in the process of plan formulation. This is likely to create a sense of participation among the teachers and the students, the bulk of whom may have local roots and therefore local knowledge.

District Planning Committee

9.51. A District Plan should be a comprehensive plan for the district and, for that purpose, coordination between urban and rural plans as also other developmental activities undertaken within the District is very necessary. The *Zilla Parishads* would normally have no representation of urban areas and are therefore not likely to be the best agencies for ensuring a balanced plan for the District as a whole. Apart from this, the *Zilla Parishads* would be large bodies which cannot be operationally effective for the purpose of formulating a District plan. It would also be necessary to involve persons from fields other than the Panchayat Parishads and the Municipalities to ensure proper understanding of the District problems and for the purpose of preparing balanced District plans. We would, therefore, recommend that there should be a District Planning Committee consisting of the representatives of the *Zila Parishad*, Municipal Bodies in the District, professional talent in the District and with appropriate association of the district officers—developmental and others.

9.52. The District Planning Committee should be kept small in size to ensure effective participation by its members. The Committee should meet at least once in two months for reviewing progress. The District Planning Officer should be the Secretary of this Committee.

Planning Personnel in Districts

9.61. Even at the cost of repetition, we would like to emphasise the importance of following proper personnel policies regarding Planning officials both at the State and the District levels. It has to be appreciated that the Planning and Development officials in a District and at lower levels should remain in their charge for a sufficiently long period to establish *rapprochement* with the local population. Officers at these levels may not always be drawn from the same District in which they are posted. The officers who have the responsibility to plan for the District would, therefore, have to acquaint themselves about the various socio-economic aspects of the District life. It is only after they are able to understand thoroughly the problems of the district and win the confidence of the local population that these officers can help to bring about economic and social changes in the District. Special care will have to be taken to ensure that transfers are not too frequent. One reason for frequent transfers at these levels seems to have been the existing system of promotions. We think that it would be quite appropriate to retain an officer on a district post for a certain minimum period even if the post has to be upgraded. *Pro forma* promotions may be given to such officers who have proved successful in their positions. Broadly speaking, a period of at least five years should be considered as a normal period of service in a particular district for a Development or Planning Officer and other district officers.

9.62. It has been mentioned earlier that there is considerable scarcity of persons who can man district level planning agencies. We are fully conscious of this fact and, therefore, suggest that the State Government should pay special attention to the provision of adequate training facilities to District Planning officials. We have already indicated* in an earlier Chapter that the State Planning Boards should specially look into the problems of training and plan methodology at the District level.

Planning at Levels between District and State

9.71. A further question that is sometimes raised is whether it would be worthwhile to have a further level of planning in between the District and the State. In the case of large States where there are significant differences in the level of development reached in different parts of the State, and there is some historical basis for dividing the State into regions, an attempt has occasionally been made to

* See Chapter VIII, para 8.95.

have some kind of special coordination of the plans of certain Districts belonging to a particular region. It is, however, difficult to lay down any uniform solution for this problem. Too many planning agencies at different levels are likely to create a great deal of infructuous work and confusion. It may sometimes be necessary to set up a coordinating agency among the district planning agencies in a region which has remained backward due to natural or historical causes. *Ad hoc* agencies may also be set up for, say, a major Irrigation Project, which may cover a number of districts so that agricultural planning and, to some extent, other related aspects of development may be thought of for the connected districts together. *Ad hoc* or permanent coordinating agencies may have to be set up for such purposes; but the essentially operating planning agency should be that at the District level.

State Development Council

9.81. It may be useful to create special machinery for regular consultation between the Planning agencies in the Districts (and in the regions, if any) and the State Planning Board. A State Development Council consisting of the members of the State Planning Board and a representative each of the District Planning Committees may be set up for this purpose. This Council should be expected to meet at least once a year to review the problems relating to plan progress and to provide a forum where difficulties faced by District Planners can be discussed. The Council may meet somewhat more frequently at the time of preparing a Five Year Plan when it may be used as a channel of communication for basic approaches and ideas between the State Planning Board and the District Planning authorities.

CHAPTER X



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CHAPTER X

CENTRE-STATE RELATIONS

10.11. The Constitution envisages an equal and joint responsibility of the Centre and the States for 'economic and social planning' which is one of the subjects included in the Seventh Schedule of the Constitution. Since Independence, and more so after the initiation of the planning process, the role of the Central and State Governments in India has undergone a change. The governmental institutions are not now visualized merely as agencies for maintaining law and order and ensuring the defence of the country, but as the active instruments in initiating and regulating the process of social and economic change. This task has to be performed at different levels for ensuring the efficient implementation of plan programmes and projects.

10.12. The term 'Social and Economic Planning' can be very comprehensive in its implications. For any under-developed country, economic growth implies the development of industries as an essential element; and industrialisation is inevitably accompanied by urbanisation. In the Indian case also the initiation of the planning process has resulted in the growth of large cities and medium sized townships. The growth of urban centres poses a variety of law and order and other administrative problems. Therefore, in a process of economic and social change, whether planned or otherwise, it is necessary to give due importance to the planning and extension of the so-called 'non-developmental' functions of the Government. It was, therefore, feared that process of planning would result in the encroachment by the Centre in the fields specially reserved for the States under the Constitution.

10.13. In practice, however, there have been attempts to bring in more and more decentralisation in the process of planning. It must be said to the credit of the Centre and the Planning Commission that it has very rarely attempted directly to force decisions on the State Governments. Generally, the Central agencies have used persuasion through informal discussions and otherwise. The advice of the Planning Commission to the State Governments has been more easily acceptable because it was accompanied by substantial Central assistance which was granted mainly on the basis of the recommendations of the Planning Commission. By and large, the

attitude of the State Governments to the suggestions of the Planning Commission has been that of cooperation and understanding. Two other factors could be mentioned as responsible for this attitude of the States. These are:

- (a) that there was only one party in power throughout the country through most of the period between 1950 and 1966. Jawaharlal Nehru was, for the period upto 1964, almost the undisputed leader of the Congress Party and he was also the Prime Minister and the Chairman of the Planning Commission. The Planning Commission derived its authority, to some extent, from the Central political leadership of the Congress Party;
- (b) the States appreciated that the Planning Commission's endeavours to guide and coordinate State plans were obviously in the national interest and also in the interest of each State.

10.14. The first factor listed above is no longer valid and it would probably be rather unusual for one party to be in power in the Centre and in all the States in the future. But the other factor still continues to be important. The Planning Commission can, therefore, still undoubtedly enjoy the cooperation of State Governments in its work though, as in other fields of our national life, the Commission will have to face the problems arising out of the federal form of our Constitution which had earlier not come to the forefront. The Planning Commission will, therefore, function successfully only in proportion to the quality of its expertise and objective advice and guidance. The Commission has been able in the past to exert a healthy influence in favour of better mobilisation of financial resources, greater care in working out the details of important projects and programmes, and avoidance of unbalanced distribution of development outlays. In these respects, the Commission was many times able to help in sorting out the internal difficulties faced by the State Planners either at the political or the official levels. The Planning Commission was many times able to influence the final decisions on the magnitude and priorities of the States plans, partly because of the increasing dependence of State Governments on Central assistance and the manner in which this assistance was provided.

10.15. We have already suggested that it is essential to have a much better organised planning machinery at the State level to work out State Plans. A well equipped State Planning Board would then be able to formulate State Plans on a much more studied and

scientific basis and the necessity for the Planning Commission to intervene to secure rationality in State Plans would no longer exist. Once there is an expert planning organisation in the State, it should be possible for the professional experts in the two organisations to keep in touch with each other. It would then be more easily possible for the the two sets of planners to cooperate. The Planning Commission would work out broad policy guidelines and the framework of developmental possibilities. On the one side the Planning Commission would guide the State planners; and on the other, the State planners would work out the possibilities of development in their own States in the context of the guidelines provided by the Centre. The State efforts would no doubt help the Central planners to modify and correct national plans. Planning would thus appropriately become a two-way process.

10.16. One definite change that would come about as a result of this professional relationship between the Planning Commission and the State Planning organisations would be that discussions of State Plans need no longer remain a hectic matter of a few days' discussion as tends to happen at present. The exact machinery for ensuring communication and coordination between the State Planning organisations and the Planning Commission has been discussed later;* - but we assume that through this machinery, a continuous dialogue would take place between the Planning Commission and the State Planning Boards. This will ensure that the State Plans are prepared after taking into account the likely points and questions that the Planning Commission may like to raise. Thus only a few points would remain to be sorted out at the time of the formal and final discussions between the State Planners and the Planning Commission.

10.17. The Planning Commission would continue to have somewhat better technical expertise for certain purposes and it will also be acquainted with the developments in all the States. It would, therefore, always be in a position to provide some technical guidance and advice to the State planners. The Commission will also indicate certain basic constraints which would limit the possibilities open to the State planners in certain crucial direction. For example, it would indicate the availability to the States of scarce physical resources and of foreign exchange to take care of the import components of the State development programmes, the extent of total Central assistance and also that of the loan programmes of the State Government. The last two would largely limit the overall size of State Development outlay.

* See paras 10.61 to 10.71.

Financial Assistance to States

The Finance Commissions

10.21. The States receive financial assistance from the Central on the recommendations of two bodies, the Finance Commission (which is appointed once every five years) and the Planning Commission. The Finance Commission, which is a body appointed under the provisions of the Constitution, makes recommendations to the President of India regarding devolution of taxes and financial assistance to States under Articles 270, 272 and 275. The Constitution has indicated that the duties of the Finance Commission are to advise on:

- (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 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 revenue of the States out of the Consolidated Fund of India, and
- (c) any other matter referred to the Commission by the President in the interest of sound finance.

10.22. In practice, however, the functions of the Finance Commission have been restricted to ascertaining and covering the revenue gaps of the States. It is frequently pointed out that the States are facing increasing budgetary deficits because, on the one hand, the States' sources of revenue are inelastic by nature and, on the other, the States are undertaking a large variety of projects and programmes under the Five Year Plans which create financial liabilities in the form of committed expenditure after every Five Year Plan period is over. Also, the nature of State outlays is such that these do not usually offer much scope for direct returns on investments whereas the Central outlays are substantially in the nature of direct investment and are, therefore, revenue yielding. The Union Government also benefits from the general economic prosperity of the country much more than States. Under the situation, it is argued that the States cannot but have increasing budgetary deficits.

10.23. We do not agree with the assumption that *all* State sources of revenue are inelastic in character whereas *all* the elastic sources are with the Centre. No doubt there are some State taxes such as those on land, the continued or more intensive use of which is difficult—especially under popular pressures. Even a broad comparison of the tax revenue of the States and the Centre would indicate that the

States' revenue sources have not been as inelastic as is usually made out. For instance, the tax revenue of the Centre was Rs. 357.02 crores in 1950-51 and it rose to Rs. 1682.7 crores by 1964-65. The corresponding tax revenue of the States rose from Rs. 269.07 crores to Rs. 1053.04 crores. This suggests that the tax revenue of the Centre has risen at an average annual rate of nearly 26 per cent, whereas for the States it rose at the rate of nearly 21 per cent. Obviously, this performance belies the idea that the States' sources are very inelastic as compared to those of the Centre.

10.24. A review of the Finance Commission's Reports would show that the basis for determining the share of the individual States, in the total amount to be distributed amongst the States, under articles 270 and 272, has mainly been that of 'population'. For instance, the First, Third and the Fourth Finance Commissions recommended the sharing of taxes under Article 270 on the basis of (i) population and (ii) collections. Population was the basis for distribution of 80 per cent of the total divisible pool of the taxes under this Article. The Second Finance Commission had however recommended that 90 per cent of the amount should be distributed on population basis alone. Similarly, population was accepted as the basis for the distribution of 80—90 per cent of the financial assistance under Article 272 by all the Four Finance Commissions.

10.25. Each one of the four Finance Commissions appointed so far has placed different emphasis on the basis for deciding Grants-in-Aid under Article 275. The First Commission took into account (i) the extent of budget deficit, (ii) tax effort (iii) the need to maintain equity in the provision of social services, (iv) special burdens, (v) the level of economic activity, and (vi) the financial implications of pursuing certain national policies. The Second Commission attached greater importance to meeting committed expenditure under the Plan taking into account tax efforts made by a State, so as to enable each State to bridge a large part of its budgetary gap. Regarding the question of equity in the provision of certain basic social facilities (education and health) the Second Commission was of the view that it was for the Planning Commission to take care of inter-regional imbalances. The Third Commission recommended that Grants-in-Aid should cover 75 per cent of the States' Revenue expenditure on the Third Plan. (The Government of India, however, did not accept this recommendation). The Fourth Commission also held the view that it was within the scope of the Finance Commission to take into account the committed expenditure of the States on the maintenance and upkeep of the completed Third Plan Schemes.

10.26. From the above account it is clear that the main consideration accepted by the Finance Commissions, for deciding the quantum of financial assistance from the Centre to individual States under Articles 270 and 272, has been *pro rata* sharing of the divisible pool in the basis of population; and the Grants-in-Aid under Article 275 have been increasingly directed to help the State Governments to bridge their budgetary deficits.

Central Plan Assistance

10.31. Apart from the statutory financial assistance under Articles 270, 272 and 275 (dealt with by the Finance Commission), the Centre has provided financial support to the States under Article 282 for 'any public purpose'. It has to be accepted that Article 282 was not originally expected to play as significant a role as it has actually come now to play in the Centre-State financial relationships as a result of planning. The Article was included under Miscellaneous Financial Provisions. The allocation of assistance to States under this Article has been done on the recommendations of the Planning Commission. The procedure, in brief, had come to be as follows in the Third Plan period. At the beginning of a Five Year Plan period, the Commission, in consultation with the States, decided upon the quantum of Central assistance that would be made available to each State during the Plan period. Central assistance comprises grants as well as loans. For each Plan period, the method of determining the grants component has varied. Under the Third Plan, however, the grant and loan elements in the Central assistance to States were dependent upon the pattern of outlays and the nature of programmes with which grants were tied in certain proportions. Thus the magnitude of grants that a State would receive was related to the extent to which the State accepted Central directions.

10.32. In addition to Central assistance, there are Centrally sponsored Schemes which are fully financed by the Centre and form a part of the Central Plan though they are administered by State agencies. For these schemes, the Central agencies indicate practically all details—from the pattern of staffing to the layout of buildings. The number of Central Schemes has varied from Plan to Plan. During the Third Plan the number stood at 100 and the total amount allocated was quite large.

10.33. In overall terms, Central assistance has formed a significant part of the State Plans. Of the aggregate States Plan outlays, it accounted for 61.6 per cent during the First Plan. 51.1 per cent during the Second Plan and 61.7 per cent during the Third Plan. The dependence of individual States on Central assistance for their plans

has varied from time to time and from State to State. In general, one may make an observation that the share of Central assistance has been smaller in the comparatively better off States and larger in the case of the poorer ones. (See enclosed Table).

Method of Distribution.

10.41. Regarding the manner of deciding the distribution of total Central assistance among States, we are aware of the feeling among States that this distribution has not been made in the past on a scientific or rational basis. The difficulty is that no State is satisfied.

TABLE

Showing Dependence of States Upon the Central Assistance During the Three Plans

(Para 10.33)

Serial No.	Percentage Dependence	1st Plan	2nd Plan	3rd Plan
1	2	3	4	5
1	30—50	Bombay Madras Mysore	Gujarat Kerala West Bengal	Gujarat Maharashtra
2	50—70	Andhra Pradesh Bihar Kerala Uttar Pradesh Madhya Pradesh	Andhra Pradesh Assam Rajasthan Uttar Pradesh Madras Mysore Punjab Madhya Pradesh	Mysore Punjab Andhra Pradesh Bihar Kerala Madhya Pradesh Rajasthan Uttar Pradesh West Bengal
3	70—90	Assam West Bengal Jammu & Kashmir Punjab	Orissa Jammu & Kashmir	Assam Orissa Jammu & Kashmir
4	90—above	Orissa Rajasthan		

SOURCE: Compiled on the basis of Programme Administration Division note "Three Five Year Plans of States—A Synoptic View". Planning Commission Circular No. PC(P)/66, dated 12th August, 1966.

While those who have got a proportionately larger share assume that this and really something more was only due to them and those which have got a proportionately smaller share feel an acute sense of grievance. Sometime back the Planning Commission had asked for the views of the States on this question so as to evolve an objective

criterion on which the quantum of Central assistance to individual States could be determined. A wide variety of views were expressed by the States. Broadly speaking, each State supported a basis which would give the largest amount of Central assistance to that State. The States having bigger areas pleaded for having 'area' as the basis and States with comparatively larger population wanted the Central assistance to be determined on the basis of population. The comparatively better off States pleaded that the basis for determining the magnitude of Central assistance for individual States should also take into account the degree of success in mobilizing additional resources and the States' capacity for implementation. The less well off States pleaded that Central assistance should be largely used for the purpose of correcting inter-regional imbalances. Their contention was that since the backward States can not raise the required resources, their States Plans have to be kept smaller; and unless the Planning Commission shows special consideration to the poorer States, the objective of reducing inter-State disparities for a balanced growth of the different parts of the country would not be achieved.

10.42. There is no fool-proof method regarding the distribution of Central assistance among different States which would satisfy all the parties concerned. However, the general dissatisfaction of the States should not be taken as an excuse to shelve aside the very objectives for which Central assistance was thought of. During the recent past, we notice that there has been a tendency to avoid controversies in regard to the method of determining Central assistance. For instance, for the Fourth Plan period 70 per cent of the Central assistance was proposed to be distributed amongst the States on the basis of population. No doubt this is a less controversial and more objective basis for distribution, but we do not think that any formula like this can solve the problem and help to achieve the objective for which the Central Plan assistance needs to be used.

10.43. Since there has been a considerable degree of ambiguity, we would like to restate the objectives for which the Central assistance, in our view, should be used. We consider that the following are the basic objectives for which the instrument of Central assistance has to be utilised by the Planning Commission:

- (i) ensuring adequate mobilisation of physical and financial resources for the plans;
- (ii) influencing the size and priorities of the State Plans so as to ensure that the State Plans are not worked out in isolation or in divergence from the national perspective;

- (iii) making an effort to reduce inter-State disparities; and
- (iv) making an effort to secure at least a minimum rate of economic growth and social transformation in the States.

10.44. During the three Plan periods, excepting three States, namely, Rajasthan, Maharashtra and Gujarat, no other State achieved its target of resource mobilisation as initially agreed. The shortfall in resource mobilisation varied from State to State. The enclosed Table shows the variations in the targets and achievements of additional resource mobilisation by the States. It would not be wrong to conclude that the objective of inducing and encouraging efforts by the States to mobilise additional financial resources for their plans has not been achieved on the scale required and desired. One could, however, say that the variations do not necessarily reflect lack of real effort on the part of the States; because there could be initial over-estimation in some cases of the capacity to raise resources by these States. This may be a general limitation of the methods of estimating the resource potential of a State and, while we hope better estimates would be made in future, this cannot be entirely avoided.

TABLE

*Showing Additional Taxation by States Under the Three Five Year Plans (combined) and the Degree of Variations from the Targets.**
(Para 10.44)

Sl. No.	Excess or Shortfall in Resource mobilisation to Targets	Targets	Achievements	Percentage increase or decrease of Col. 3 over Col. 2.
1	2	3	4	5
1	Rajasthan	51.3	58.6	(+)14.0
2	Maharashtra	105.4	110.7	(+) 5.0
3	Gujarat	65.9	65.6	(-) 0.4
4	Kerala	51.0	44.2	(-)13.0
5	Orissa	45.4	38.4	(-)15.0
6	Punjab	88.1	73.5	(-)16.0
7	Madras	98.7	81.3	(-)18.0
8	West Bengal	108.9	83.7	(-)19.0
9	Mysore	72.3	56.4	(-)22.0
10	Andhra Pradesh	98.0	71.8	(-)25.0
11	Assam	28.5	21.1	(-)26.0
12	Uttar Pradesh	228.2	133.6	(-)40.0
13	Madhya Pradesh	100.3	50.8	(-)50.0
14	Bihar	106.3	41.5	(-)61.0

* Data for Nagaland and Jammu & Kashmir were not available for comparative points of time.

10.45. It is clear that the instrument of Central assistance was not always effective for the purpose of ensuring larger resource mobilisation by the States, and yet it must be recognized that it has played a significant role in impressing upon the State Government the importance of undertaking additional tax effort and introducing economies wherever possible. The degree of its effectiveness has not been uniform. Some States had agreed to additional mobilisation of a certain order but failed to raise the promised financial resources. For example, in the last year of the Third Plan period, the States which did not reach the promised figures of additional tax effort came out with the plea that they could not do so as their capacity to raise resources was overestimated in the beginning. Some of the States who had failed to raise the promised resources were actually given additional Central assistance in the year 1965-66. We are not going into the merits and demerits of providing additional Central assistance to achieve inter-regional balances or to correct the earlier estimates; but it is necessary to underline that such a decision creates an impression that States which do not make the agreed tax effort get rewarded instead of being penalized for their failure. We would, therefore, suggest that though Central assistance may be determined at the beginning of the Five Year Plan period, its actual release should be at least partly related to the additional tax effort that was agreed upon between the Central and the State. Central assistance may be released *pro rata* according to the degree of financial mobilisation achieved by the State as compared to the Plan.

10.46. While determining the relationship of Central assistance to a State's overall Plan outlay, the Planning Commission should also take into account the level of economic activity in the State. We are aware that this is a difficult task; and yet when we talk of inter-State disparities we should be able to identify a number of indicators to show the magnitude of differences between the States. The Planning Commission sometime back made an effort to evolve an objective method of rating the degree of backwardness of districts and States in the country. This, however, has not yet borne fruit. It is our hope that the Commission would continue this work further and come to some sort of a workable basis for meeting this need.

10.47. The second objective of Central assistance is to influence the size and priorities of the State Plans. In an earlier Chapter* it has been pointed out that there has been a growing tendency on the part of the States to adopt a standard pattern of priorities. It is our

* See Chapter VII, para 7.11.

view that the manner of administering Central assistance is such that it cannot but lead to such a tendency. The Planning Commission, has very rarely imposed its decisions on the States in a direct way; and yet the Planning Commission's approach to priorities gets generally accepted by the States. We have therefore recommended that efforts should be made by the States to establish and improve the machinery for Planning at the State and lower levels. We hope that once the States do this, the instrument of Central assistance would continue to provide a sense of direction to State authorities; but it would not unjustifiably influence State plan priorities as it has tended to do in the past.

10.48. One of the disturbing features of the administration of Central assistance has been the emergence of a very complex mechanism for discussion, deliberation and guidance leading to avoidable work at various stages. While the Centre must have a say in the determination of the size and the pattern of Plan outlays of a State, no Central agency can ever have adequate expertise or information to be able finally to decide on details of State plan programmes and schemes. It is our suggestion that Central assistance may be tied to the main Heads of development at the time of the formulation of a Five Year Plan. But there should be no attempt to relate the assistance to any sub-heads or individual programmes except in cases of very high national priority such as family planning. The Planning Commission may ascertain from the State planners the details of the physical targets under different heads of development. The precise schemes, locations and manner of staffing and other details are matters which can best be decided by the State Governments for themselves. For instance, the Planning Commission may indicate that under the head of development of Agricultural Programmes, additional production target needs to be put at a certain figure. How exactly it is to be achieved is a matter that should be left to the State Government to work out though this will be subject to the approval of the Planning Commission at the time of the annual plan discussions. For instance, additional potential in agriculture may be achieved by bringing in more land under flow and lift irrigation, by methods of soil conservation or by introducing improved seeds, better implements, construction of tube wells or the use of more fertilizers. The choice as to which of them should be used and in what proportion, a State must make for itself, subject to approval by the Planning Commission. Similarly, we recommend that the number of Centrally Sponsored Schemes should be kept to the minimum. Only such schemes which are important from the national angle should be taken up as Centrally Sponsored ones.

10.49. Another important question regarding Central assistance is its break up in terms of loans and grants. The proportion of grants and loans in the total assistance will have to be decided at the beginning of a Five Year Plan period. The composition of Central assistance to the States in terms of grants and loans may initially be determined on the basis of the criterion that grants are to be made for programmes which are related to welfare or are promotional in character and from which the State Government would not receive any immediate increase in revenue. On the other hand, loans should be given for plan programmes and projects which are in the nature of investment and would eventually provide a source of revenue to the State Governments. An early estimate of these types can be made by the Planning Commission in consultation with the Ministry of Finance and the State Governments.

10.50. Once the overall break up of Central assistance in terms of grants and loans has been decided, the problem would be that of determining the size of grant and loan component in Central assistance for an individual State. Even though Central loans would be given to the State Governments for the purpose of those plan programmes and projects which would yield revenue, it may also be worth considering if assistance for multipurpose projects or large irrigation works may not be provided by way of *earmarked* loans so that such projects are not held up for want of funds. Since we have recommended that time phasing of such projects would be worked out in advance, the agency administering the plan loans should ensure that the States are completing such projects according to the time schedule and are actually utilising Central assistance for the purposes agreed upon.

10.51. We think that the actual administration of Plan assistance from year to year especially loan assistance should be entirely the responsibility of the Central Government, or any agency created or nominated by it. The Planning Commission should only be responsible for recommending the overall assistance during the Five Year Plan period and also the annual central assistance, its break up into grants and loans, and the conditions upon which its availability would rest. the decisions regarding the release of actual amounts and their administration should be outside the purview of the Planning Commission.

10.52. We now proceed to examine the main links that have been established between the Planning Commission and the State Planning Organisations. These are, at the policy level: (i) the Natural

Development Council; and (ii) the Programme Advisers. As regards the National Development Council, we have already made our recommendations in the Interim Report (see para 2.21 to 2.43).

Programme Advisers

10.61. When the Planning Commission realised during the First Five Year Plan period that there was no machinery available in the Commission for giving proper advice on plan formulation and assessment of the development plans in the States, it decided in 1952 to appoint three senior officers as advisers on Programme Administration. The approach was that these officers would be the connecting link between the Planning Commission and the State Governments. Officers with wide experience, knowledge and ripe judgment were expected to be specially selected for these posts. Three posts of Programme Advisers were created. The officers appointed to these positions have usually been drawn from the ICS (there have been a few exceptions) and they are usually of a seniority which entitles them to have the *ex-officio* rank of an Additional Secretary to the Government of India.

10.62. We have examined the working of this institution which was created with very good intentions. Due to various reasons, however, the institution has not worked as well as it was originally expected to work, specially in more recent years. Since 1952, eighteen persons have worked as Programme Advisers and, as mentioned* in our Interim Report, not even one of the Programme Advisers in position at that time had worked for more than a year in that capacity. This high rate of turnover as well as the fact that on certain occasions, many weeks have elapsed before a new Adviser could be appointed to replace one who had left, have resulted in many changes in the Advisers looking after the different areas in the country. There also seems to be no consistency regarding the allocation of States among different Advisers. The only rule that has been observed following a recommendation of the Estimates Committee has been that an Adviser is not put in charge of a State to which he 'belongs'. The acceptance of this recommendation was obviously unjustified as the basic idea was to have an officer as Programme Adviser who would best be able to provide a link between the State Government and the Planning Commission.

10.63. More recently another experiment has been tried in this field and that is to have one Adviser for one State. This experiment was undertaken in 1965 and, therefore, has been in operation only for a short time.

* See Interim Report, para 5.52.

10.64. The experience regarding Programme Advisers specially as the institution has worked in recent years, does not indicate that the original intentions have been successful. One reason for this, as observed earlier, is the high turnover of persons occupying this position. Officers have been appointed as Programme Advisers when they were senior enough to be appointed as Additional Secretaries. Few officers have liked to work as Programme Adviser in preference to positions in Ministries. It has not been unusual, therefore, for this position to be treated as a stop-gap arrangement and as soon as an officer could secure either an equivalent or a higher position in a Ministry, he has usually tended to leave. Not many of these officers have had close contacts with the Planning Commission or with the planning process before being appointed as Programme Advisers. To be effective as links between the Commission and the State Governments concerned, it is obviously essential that they understand planning, the planning process and the various States which are put under their charge. An officer is bound to take some time to learn all this; but he is expected to conduct his work very responsible in character, involving delicate negotiations and a number of different development areas straightaway on his appointment. If he does not stick to this post for more than a couple of years, the possibility is that by the time he has learnt how to handle this work, he would be leaving.

10.65. It has also not happened infrequently that the Programme Adviser has not been in the know of what the Planning Commission is thinking regarding the Five Year Plan or various plan policies. The Programme Advisers have been associated with thinking on State Planning but have not always been encouraged to participate effectively in the thinking on national planning. The unstated assumption justifying this might have been that they did not have much to contribute to these discussions. But the difficulty then has been that the State Governments did not find the Programme Advisers to be a very effective channel of communication between the Planning Commission and themselves. There has also been a recent tendency for the Members of the Planning Commission directly to deal with the State Governments without necessarily keeping the Programme Advisers in the picture. This has sometimes made the position of the Programme Advisers quite invidious.

10.66. In our view the institution of Programme Advisers was basically well conceived, and the faults that have arisen in the working of this institution are largely due to its defective working. We envisage in the future that there would be an appropriate planning organisation in the States and there would, therefore, be close liaison

and communication between the Planning experts of the State Government and those in the Planning Commission. However, it would always be necessary to have a person in the Planning Commission who would be able to provide an effective link between the Commission and a group of States. While the experience regarding having one Adviser for one State is too short for any definite conclusions to be drawn from it, we think that one of the main advantages of these positions, namely that the Adviser can draw upon the experience of a number of States and make this pool of experience available to the States with which he is connected, would be lost if there is one Adviser for each State. Apart from the difficulty of securing good enough persons for these positions, the Adviser may not have enough work if his scope is confined to one State. We would, therefore, recommend that one Programme Adviser should be expected to look after three or four States. The groupings of the States should be made on a semi-permanent footing for this purpose and the States allotted to an Adviser should not be changed to suit the convenience of individual officers. We do not think it necessary that a Programme Adviser should not be given charge of the State to which he belongs. This consideration should also not, therefore necessitate, the break-up of the charge of a Programme Adviser in the future. It is obviously essential that the grouping of States should be done on the basis of contiguity and common developmental problems so that the Programme Adviser can be effective in coordinating the solutions to such problems.

10.67. One of the most important changes we wish to suggest is in regard to the selection of officers and the period for which they operate in this position. The Programme Advisers have to advise on plan formulation, make a review of plan progress and help in revision of the State plans as and when necessary. The persons to be selected for these positions need not necessarily be from the ICS or the IAS. But if they have to be effective in their dealings with the States, their status should be that of at least an Additional Secretary to the Government of India. The two most important criteria for selection should be :

- (i) knowledge, experience and aptitude for regional planning; and
- (ii) capacity to play the role of mediator and negotiator at administrative as well as political levels.

It should not be difficult to locate four or five persons to satisfy these criteria and, once they are so selected, they should not be permitted to leave this work at least for five years. With the status and pay of

an Additional Secretary, it should not be difficult to secure five such competent officers and to retain them for the required period. The normal administrative officer may not necessarily be interested in this kind of work which carries little authority but may lead to a great deal of influence. It is obvious, therefore, that the officers will have to be very carefully chosen. If an exceptional case arises where a good Programme Adviser will have to be lost very early because of promotion possibilities elsewhere, we see no reason why he should not be given the status and pay of a Secretary to the Government while continuing to work as Programme Adviser.

10.68. In order to be effective, the Programme Adviser must have some staff of his own. At present he is expected to obtain staff assistance from the Programme Administration Division and also from subject-divisions as and when necessary. We think it would be useful if the Programme Adviser has under him a competent officer looking after each State under his charge. This officer should have the status of a Deputy Secretary and his headquarters should be in the State concerned. He will thus have, over a period of time, a group of State specialists and these will provide specialised knowledge in the Planning Commission about various States. It will also be useful if, wherever the number of personnel in the different Subject Divisions so permits, one officer is expected to become knowledgeable about the sectoral programmes in the group of States which is the charge of a Programme Adviser. The bringing together of knowledge about the given areas would then be much easier and the Adviser would be able to draw upon knowledge and expertise about the States under his charge much more effectively than is the case at present.

10.69. It is not quite clear to us why, but we have a distinct impression that the Programme Advisers have played a less effective role in the overall thinking process of the Planning Commission for some years past. Whatever it is, we think it essential that the Programme Advisers should be closely associated with the thinking of the strategies and policies relating to the Plan. It should also be quite clear that no negotiations or discussions should be held with the State on behalf of the Planning Commission except with the knowledge and participation of the Adviser. The position of the Adviser is bound to be considerably undermined if this is not invariably done.

10.70. The original idea that the Programme Advisers should ordinarily spend 15 days a month on tour in the States which are allotted to them was a sound one but has not been effective in practice. While no rigid rule about this can be laid down, we think that Advisers

should be expected to keep to a schedule of visits in their States which would enable them to spend an overall minimum period of four to six weeks a year in each State allotted to them. We do not think their knowledge about the States and their development plans would be adequate unless this is done. It will also be a useful practice if the tour programmes of the Advisers are so arranged that all of them are available at Headquarters at least for one whole week in a month during which time they can meet each other for inter-change of experience and also meet the Deputy Chairman, Members and officials of the Planning Commission.

10.71. It had sometimes been suggested in the past that one reason why Programme Advisers were not adequately effective was that they did not have financial powers even to ensure that small schemes whose timely execution would be valuable are completed. An attempt was made at the time of sanctioning posts of Planning Advisers to improve this position by giving these Advisers certain limited financial powers to approve new schemes—both Centrally sponsored and State Plan schemes and to sanction additional Central assistance for such schemes. In the approach that we are recommending regarding Central assistance, we are envisaging a considerable change the result of which would be that there would be very few Centrally Sponsored Schemes or schemes based on matching contribution by States. Tied assistance would be confined to a very few cases. A large part of the Central assistance would be either untied and released on the basis of expenditure under a head of development or tied to identifiable projects. Delegating financial powers to the Advisers would therefore be much less important under this approach than would have been the case in the past. It is however obvious that in regard to the schemes for which there is tied assistance, the Advisers should not only be expected to ensure that the schemes are being properly carried out but also be able to help through authorising marginal additions to expenditure wherever they think that some minor bottlenecks are holding up their progress.

CHAPTER XI



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CHAPTER XI

SUMMARY OF CONCLUSIONS & RECOMMENDATIONS

CHAPTER I

The first task of a planning agency is to point out the alternative possibilities open to the economic system—in terms of higher or lower targets, with more or less efforts and in longer or shorter time periods. (1.13).

The alternatives should be based on different assumptions and worked out in sufficient depth with their implications. (1.21 & 1.22).

Continuity in Planning

Plan formulation must become a much more continuous process. (1.31).

As a part of the reorganisation of the planning process, a 15 year plan should be prepared along with every five year plan. It is essential that an interim Five Year rolling Plan should be prepared at least by the time half of the Five Period is over so that a plan for the next Five Years is ready by that time. (1.32).

Policy Implications of Planning

It should be the planners' task to work out in detail the major policy implications of the proposed course of development. (1.41).

The Planning agency must make the Government and the public aware of the dangers in trying to adopt a particular course of development without adopting the concomitant policy measures. (1.42)

Perspective Planning

Planning Commission has to accept responsibility for initiating long-term developmental planning by the States and by the sectoral agencies and this responsibility would cover the training of personnel for this purpose. (1.52).

In drawing up the perspective plans also, it is necessary to pose clear alternatives and once the optimal variant is chosen, the Perspective Plan should be worked out on that basis. (1.53).

Five-Year Plans

Two improvements essential for streamlining the planning process are: (i) the improvement of agencies preparing well worked out

plans and programmes in different sectors and functions; (ii) ensuring that the concerned officials of the Planning Commission are in close touch with such agencies. (1.65).

The Planning Commission must provide a basic framework within which the Working Groups are to operate. (1.66).

No improvement in the planning process is possible if the Planning Commission and the Government cannot come to conclusions about basic issues like the tempo of development or the choice of new schemes. (1.67).

Because of the inevitable uncertainty, it may be useful to have two variants of the Plan, one based on the assumption of normal conditions and the other on the assumption of possible difficulties. The latter variant would provide the basis for a 'core plan'. (1.68).

The number of Working Groups should be such that, with appropriate machinery, it should be possible to ensure their coordinated functioning. (1.69).

The Working Groups must consist of the best available talent irrespective of whether the persons are officials or not. The Working Groups must be made effectively the instruments of the Planning Commission in the plan formulation process. (1.70 & 1.71).

Effective communication between the planners at the Centre and those in the States in the plan formulation stage is very important. The Programme Advisers and the NDC, with the improvements suggested by us, and the creation of effective State Planning agencies should enable this to be done in a better way. (1.72 & 1.73).

Effective communication between the planners and the ministries on the one hand and industry on the other is also essential for better planning. (1.74).

Annual Plans

The Annual Plans, as they are prepared uptill now, are useful but not adequate. The time provided is also too short. (1.81 to 1.89).

The progress and appraisal reports prepared by the Evaluation Wing together with an economic forecast for the coming year that the Commission may prepare in cooperation with the Ministry of Finance should provide the basis for the Annual Plans. It is important to lay down not only financial provisions but the physical tasks to be fulfilled in the coming year. (1.90).

CHAPTER II

Functions of the Groups in the Plan Formulation Wing

In plan formulation, the planning Commission should only be responsible for formulating the objectives, laying down priorities, indicating broad sectoral outlays, fixing basic targets, and laying down criteria for selection of projects and schemes. The Commission need go into the details of only a few specially selected projects and, even in these selected projects, its interest should be mainly confined to certain overall aspects. Individual references on schemes should cease to come to the Commission except when they pertain to major deviations from the plan. (2.11).

Greater freedom of action than in the past would be permitted to the States in the matter of State subjects except in matters involving national priorities. While in crucial areas, Central direction may have to be greater, in the welfare or the social services sector, maximum initiative must be given to the States. The Central responsibility in this area should be restricted to ensuring uniformity in certain spheres and the fulfilment of minimum national standards in others. (2.11).

Broadly, the functions of the Groups in the Plan Formulation Wing would be as follows:

- (i) Assessment of needs.
- (ii) An estimate of the possible and spelling out of the assumptions for making the possible achievable.
- (iii) Concretisation of the objective finally selected.
- (iv) Providing lead and guidance to the States, Ministries and other sectoral agencies.
- (v) Assessing the implementation of relevant policies and suggesting revision of these policies in the light of such assessment.
- (vi) Suggesting adjustments in priorities and outlays, and modification of programmes in the light of the Progress and Appraisal Report. etc. (2.12).

Perspective Planning Group

Perspective Planning Group should be responsible for working out long-term projections of economic development, the implications

of the assumed rates and alternative models of growth and providing a picture of inter-related commodity balances for ensuring balanced growth. It should study the inter-relationship of the various sectors and check the consistency of various targets set within a five-year period, examine their impact on the long-term perspectives and suggest modifications in the five-year programme so that the long-term perspectives are not distorted. (2.21).

In the field of *natural resources*, Planning Commission's task should be three-fold:

- (i) to indicate the studies that are needed;
- (ii) to ensure that these are organised through the existing agencies, if necessary by strengthening them, or suggesting the creation of new agencies; and
- (iii) to be in continuous touch with these agencies to ensure that the studies are carried out according to the prescribed time schedules. (2.23).

The Group would also study the patterns of utilisation and explore the possibilities regarding the alternative uses of scarce resources, identify major areas where research would be crucial and pose problems to the research institutions. For this purpose, the Group will have to keep itself informed about major technological changes. (2.24).

In the field of Manpower, the Group should study methodological problems relating to manpower planning. In the field of long-term planning, its efforts should be directed towards bringing about both a quantitative and a qualitative balance. (2.25).

Economic Group

We envisage the following areas of study for the Economic Group in the field of Economic Growth and Policy:

- (i) major policy implications of alternative rates of growth;
- (ii) the policy implications of the directive principles of State policy as embodied in the Constitution;
- (iii) the long-term and five-year policies relating to incomes, wages and prices;
- (iv) problems of credit policy, savings and investment; and
- (v) study of current economic policies of the Government from the point of view of their impact on Plan objectives. (2.31).

The work now performed by Inter-Industries Study Group under the Economic Division is more appropriately the function of Perspective Planning Group. (2.32).

Estimation of internal financial resources from time to time should continue to be a function of this Group. Also, the Group should study the problems of over-all resource mobilisation, including changes in fiscal policy necessary for that purpose, and price and related policies of public enterprises, in the context of development. (2.33).

It is necessary to provide technical guidance to the States in the matter of resource mobilisation. At present, there is no agency at the Centre which studies on a continuous basis problems of State finances and measures for mobilisation of resources. We recommend that a Unit for the purpose may be set up in the Economic Group. (2.34).

Problems relating to employment and employment policy should be dealt with by the Economic Group. (2.35).

In relation to the problems of external resources, the conduct of basic studies as well as other work such as negotiations for foreign aid will be the responsibility of the concerned Ministries. The Commission's function would be to draw up a five-year picture of requirements, and bring out the policy implications arising out of the gap in the balance of payments or the overall resources gap. (2.36).

We suggest that appropriate attention should be given to the study of the food problem; this work should be assigned to the Economic Group. (2.37).

Plan Coordination Group

The principal functions of this Group should be to:

- (i) put together various strands of development plans worked out by the various Groups; and
- (ii) bring them to a focus, initially for appropriate consideration in the Commission itself and later for obtaining the decisions of the concerned governmental agencies. (2.41).

This Group will operate as the main functional secretariat of the Planning Commission. The responsibility for editing and bringing out the Plan documents would also rest with it. (2.42).

An important unit of this Group would deal with State Plans as a whole. Its duties in this field would be in the sphere of Central assistance, providing guide-lines to the States and classification of schemes. Studies relating to regional development should be one of its important functions. (2.43).

It would be advantageous if at one place in the Commission a systematically arranged record of all the important papers prepared is readily available. (2.44).

Agriculture and Rural Development Group

The Unit need only be concerned with the principal elements of agricultural development and not with all the subjects connected with agriculture. (2.51).

Detailed agricultural planning or fixing definite agricultural targets is unrealistic in the Indian context. The aim should be to draw up a coordinated plan of inputs and suggest a suitable price policy. (2.52).

In the field of irrigation the Unit would study the ultimate potential, the best way of developing this potential and of utilising the potential created. It should apply certain criteria—economic costs and benefits, and adequacy of project preparation—before it permits a major project to be included in the Plan. (2.53).

In the field of Land Reforms, the principal responsibility of the Group would be to study the progress of the implementation of land reforms on a continuous basis and bring to the notice of the concerned authorities lags in implementation or misdirection in legislation. (2.54).

In view of the importance of planning rural development in an integrated way, we suggest that rural development be the responsibility of this Group. (2.55).

Industry, Transport and Power Group

The basic function of this Group would have to be one of examining the factors affecting balanced growth of inter related industries, studying the factors which tend to disturb this balance and recommending corrective policies. It will have to study the implications of Industrial policy in different aspects. Though most studies would be conducted by other agencies, the Group should have at its disposal the results of all such studies for its use. (2.61).

As development of Power is more directly related to industrial and transport development, we have suggested its allotment to this Group. Planning for power generation may increasingly have to be made on a national rather than on a State or regional basis. (2.62).

In the field of transport, the Group's main function would be to coordinate the transport plans put forward by different executive agencies. (2.63).

Social Services Group

The role of the Union Government and the Planning Commission in this area will be confined to evolving a national framework of policy, working out the main priorities and targets, ensuring the adherence of States to certain minimum national standards and providing assistance in such a way as to enable and induce the States to follow these broad guidelines. (2.71).

The main task of the Group regarding the development of social services would be to ensure that their development takes place in balance and in keeping with the accepted social objectives. The success of programmes like technical education and family planning, might be of such crucial importance to the Plan as a whole that the Planning Commission may have to take special interest in them. The Commission's role in these subjects would however be limited and, therefore, the units in this Group would be small. (2.72).

The Role of Groups in the over-all Planning Process

The function of the Planning Commission is to integrate sectoral and regional claims into a composite, balanced whole. The Groups in the Plan Formulation Wing must therefore have adequate insight into the inter-relations among different development sectors. (2.81).

The general principle should be that whatever work the Commission can get done by other agencies, it should not attempt to do itself. Duplication can thus be considerably reduced. (2.91).

Procedures of Work

The Commission, as an expert professional body, must spread its work evenly over time and plan it methodically and in detail. (2.101).

The Group Advisers should draw up a comprehensive annual programme of work which should be further broken up into monthly work assignments to officers. The programme should also cover studies of major policy issues irrespective of whether the Govt. chooses to consult the Commission on a particular matter or not. (2.102).

We recommend that the work of the Commission should be officer-oriented and the officers be given necessary assistance. This change should eliminate from the technical Groups a large part of the secretariat staff. (2.111).

Matters which have vital inter-sectoral repercussions should be properly discussed at the official level before they are discussed by the Commission. The work of the different Groups should be so organised that they work to a common purpose. This presupposes that, both within the Groups as well as among the Groups, there is a free and full exchange of information and views so that the repercussions of a particular proposal are sorted out at the earliest stage in the preparation of study papers. (2.121).

While the Members, in the light of their special knowledge and experience would organise, supervise and guide the work of the Groups allotted to them, they should extend full freedom to the technical advisers to express their views in the technical papers prepared by them. Consideration of such papers should then be undertaken by the Commission as a whole. It is not necessary that the papers should be approved regarding the conclusions by the Member concerned before consideration by the Commission. (2.122).

The programme of the Commission's meetings should be so organised that they are not crammed into a short period of time. With the new approach to the persons to be appointed as Members, difficulties regarding their availability in Delhi should not arise. (2.123)

Functions of the Plan Formulation Wing

The Wing would have the following functions:

- (i) Periodical Progress reporting;
- (ii) Evaluation studies;
- (iii) Special studies on particular aspects of implementation;
- (iv) Periodical Plan Appraisals; and
- (v) Socio-Economic research. (2.131).

Progress Reporting

We expect that the Commission would regularly receive progress reports from the States, Central Ministries and other major implementing agencies. It is necessary to secure such information from large organised private sector industries. Quarterly and annual Progress Reports should be brought out on the basis of such information. In the case of a limited number of important plan projects, both in the public and private sectors, monthly progress reports should be prepared. (2.141 & 2.142).

Evaluation Studies

It is necessary that the P.E.O. should study a selected number of important projects and programmes closely and continuously. For this purpose, the Commission should continue to have its regional evaluation units. It may also be useful to involve the Universities and other research organisations in evaluation. (2.152).

The Evaluation Wing should also conduct methodological studies and help the State Evaluation Units. (2.153).

As regards the broad approaches to evaluation as signified in the P.E.O. and the C.O.P.P., we feel that both would be necessary. (2.154).

The concerned Programme Advisers as well as the Group Officers should be fully associated with the finalisation of the evaluation reports. (2.155).

Special Studies on Particular Aspects of Implementation

Our general approach is that in all cases where existing official agencies can take up this task, special studies should be made their responsibility. Some problems could be entrusted to research organisations also. Only in those cases where the problems cut across a number of sectors or affect more than one agency, or where the necessary competence or willingness does not exist, should the Commission set up its own *ad hoc* enquiry units. The units for such studies should be wound up as soon as their need is over, or when a suitable agency can be found to undertake studies on a permanent basis. (2.161).

Plan Appraisals

Annual plan appraisals should be brought out every year within a period of six months of the completion of the Plan year. Such appraisals should provide objective, critical and analytical reviews of plan implementation during the preceding year. We hope that five-year Plan appraisals would also be brought out as a matter of course. (2.172).

Socio-Economic Research

There is no reason for the Planning Commission to continue the support to general socio-economic research provided by it through the Research Programmes Committee. This should be the function of the proposed Council of Social Science Research as recommended in its Interim Report by the Committee on Social Science Research.

We would not however like to disrupt the present support that a number of social science research institutions are receiving for their research programmes through the Research Programmes Committee until such an alternative organisation is set up. (2.181).

The Planning Commission may still require certain specific studies to be connected in a certain way. The designs for these studies and their organisation as well as the time schedule for their completion will have to be worked out by the Planning Commission in collaboration with the institutions which are to undertake such studies and the work may be given to them on a contract basis. Arrangements exist with five institutions which are involved in studies on planning and development under the Committee for Research in Planning and Development. We suggest that this programme should be suitably expanded so as to cover institutions dealing with the social and administrative aspects of development and a few more institutions in other parts of the country so as to enable them to build up research talent and facilities of a high order. (2.182).

Even after the constitution of a Council of Social Science Research, it would still be necessary for the Commission to have a small and compact Committee through which to organise the studies which have a direct and immediate bearing on the Commission's work. (2.183).

CHAPTER III ADVISORY BODIES

General Approach

We need not preclude the possibility of the Commission requiring the services of small standing groups for advice on particular matters; but before constituting them careful thought should be given to the purpose for which they are set up and the manner in which they should operate. (3.11).

Where the Central Ministries have created special advisory bodies for consultation in particular subjects which are also of interest to the Planning Commission, the Commission should try to utilise these bodies for its own purposes. If it is felt necessary to obtain the advice of some of these bodies on a continuous basis, small Sub-Committees of these bodies may be attached to the Commission. In areas where need for advice is not felt regularly, small *ad hoc* groups could be temporarily constituted. Such among the eminent experts as can spare the necessary time can be associated with the Working Groups set up in connection with the formulation of the Five Year Plans. (3.13).

Only in cases where the type of advice and consultation that the Commission needs cannot be had from existing bodies, should Advisory Committees consisting of ten to fifteen persons be set up directly under the auspices of the Commission. (3.14).

Committee on Natural Resources

The Committee on Natural Resources may be reconstituted with members mainly drawn from the specialised organisations engaged in survey and assessment of natural resources and a few other eminent specialists. The composition and the manner of functioning of the various technical Committees under the Committee on Natural Resources should also be reviewed. (3.24).

A Committee for energy planning is essential because energy covers such heterogeneous elements as electric power, coal and petroleum, which are dealt with by different official agencies. Its composition, however, needs to be reviewed. (3.26).

Panel of Scientists

In the field of scientific research the Planning Commission would need the services of a small Committee of top scientists to advise on the development of scientific research and also on the impact of scientific development on future planning. It may also be useful to appoint small *ad hoc* groups of scientists from time to time to study the application of science and technology to particular problem areas. (3.31).

Panel of Economists

A properly chosen group of economists being called upon regularly to discuss problems of economic policy affecting the development plans would be useful. The Panel of Economists may be reconstituted with a somewhat smaller membership. In order to provide for injection of fresh talent the Panel should be so constituted that automatically a certain percentage of Members retire periodically. It should be called upon to meet at least once a year, and more frequently when some basic questions are being discussed. (3.41 & 3.42).

The Land Reforms Implementation Committee

The continuance of the Land Reforms Implementation Committee is likely to be useful. Its Chairman should be either the Union Minister for Food & Agriculture or the Member in charge of this subject in the Commission. (3.52).

Technical Advisory Committee on Irrigation, Flood Control and Power Projects

Such machinery for project appraisal is useful for ensuring that only such schemes as satisfy techno-economic criteria are admitted for inclusion in the Plan. This Committee should be reconstituted, with an expert (and not the Minister) as its Chairman. (3.62).

Committee on Industrial Projects

It may be useful to consider the establishment of a compact projects appraisal machinery for the industrial sector, somewhat on the lines of the Technical Advisory Committee for Irrigation and Power Projects. This Committee may coopt experts in particular fields, while examining projects in those fields. An expert agency for independent techno-economic scrutiny of projects of this kind may be developed, either in the Bureau of Public Enterprises, or in the Planning Commission; this will assist the Advisory Committee. (3.71).

Planning Committee on Transport

There is need for a forum where coordinated thinking on long-term transport policy can be done. The preparation of a coordinated transport plan is essential for long-term and medium term planning. A Transport Planning Committee is necessary for this purpose. (3.81).

Evaluation Advisory Board

Evaluation needs considerable strengthening. The Evaluation Board should be continued after suitable reconstitution. (3.92).

Research Programmes Committee

We have suggested earlier in this Report that the Research Programme Committee should be reconstituted with a smaller membership (Chapter II, para 2.183). As in the case of the Panel of Economists, the R.P.C. also should be so constituted that a certain percentage of members retire periodically to make room for fresh talent. (3.104).

Committees of the Parliament for the Planning Commission

The practice of having the Draft Plan discussed by special committees of Parliament seems to have worked successfully in the past and we recommend that it should be nurtured and continued in the future. (3.113).

It would be appropriate if a special Parliamentary Committee on Planning on the lines of the Committee on Public Undertakings is established by Parliament. It should have a comparatively stable

membership, one-third of the Members retiring every year. Its function should be to examine the annual and other appraisal reports as well as evaluation reports as are made available to Parliament from time to time and to make necessary recommendations. Once this Committee is constituted, neither the Estimates Committee nor the Public Accounts Committee should examine the working of the Planning Commission, as this Committee would also undertake the functions of these two Committees in respect of the Planning Commission. (3.114).

CHAPTER IV

Framework for the Staffing System

We envisage that not much primary research work, like that of designing studies and carrying them out in detail, will have to be undertaken in the Commission. (4.12).

The Commission needs specialists with concrete knowledge and experience about different aspects of development; but they should also have perception of the inter-relationship among different aspects of projects and different sectors and larger objective of national development. (4.13).

It is also necessary that higher level persons in the Commission should be in a position to identify the gaps in knowledge necessary for planning and be knowledgeable about the official and non-official agencies engaged in relevant studies. (4.14).

The organisational set up proposed by us indicates three functional levels for transacting the business of the Commission: Advisers, with a salary and status equivalent at least to that of a Joint Secretary, in overall charge of a Group or an important unit in a Group; Specialists, in charge of major identifiable units; and Analysts, whose function will be to assist higher level specialists in carrying out the work in their respective subject areas. It will not be necessary for the Commission to continue to have large numbers of Economic Investigators. (4.15).

The work assignments of persons working at the three functional levels not being uniform, a fixed grade value cannot be attached to each level. It is therefore necessary to provide flexibility regarding creation of technical posts in different categories and appointment of persons thereto on the lines of what obtains in the Atomic Energy Establishment. (4.16).

If the Planning Commission is to attract first-class talent in fields like industry, it may be necessary to pay remuneration which is higher than would normally be given to the Heads of the other Units. Even though persons may be given different remunerations all Heads of Groups should be called Advisers and they should enjoy the same status as far as the internal working of the Planning Commission is concerned. (4.18).

The reorientation of work organisation suggested by us would help the Commission to reduce its staff strength and make its work more functionally oriented and less hierarchical. (4.19).

Recruitment and Selection

The Commission will require a nucleus of permanent staff for providing necessary continuity and man posts for which it may not be possible to obtain experienced personnel from outside. For the other research and technical posts at the higher levels, the Commission should place greater reliance upon lateral recruitment. The Government-wide basis of the Economic and Statistical Services has opened up possibilities of cross fertilisation of ideas and experience. (4.21).

The Commission needs to identify the specialised knowledge needed for handling the different tasks in the Commission, discover the best employment markets for these specialists, maintain contact and arrange to secure the services of the best specialists. (4.22).

Highly specialised personnel may not like to take up jobs in the Planning Commission on a long-term basis; but they may be persuaded to join for short periods because of their interest in particular programme and also for the experience that they can get. Various special attractions will have to be provided as suggested in the Interim Report, to attract and retain such personnel. Bringing in outside talent for short periods should induce a healthy change, because of such persons bringing with them into the Commission the 'culture' of their professional organisations. We also recommend liberalisation of the terms offered to Consultants by the Planning Commission. (4.23).

Where it is difficult to obtain the release of top specialists on a full-time basis even for a short period, it may be useful to have them available for advice, on a part-time basis. It is equally important to accord suitably high status to persons appointed on contract or as Consultants. (4.24).

The Commission will have to deploy more positive methods for filling the posts requiring specialised knowledge, experience and skills. (4.25).

Promotions

The Commission needs a small core of personnel on a long career basis and they can be retained only if there is adequate scope for them to be promoted. (4.31).

Promotions in the Commission should be based on demonstrated merit, creativity and capacity for growth rather than on seniority. (4.32).

Supervisory staff in the Commission should be provided with objective tools for measuring qualities and skills of their subordinates, if promotions are to be based less on seniority and more on merit. (4.33).

Perception of inter-relationship among related subjects should be an important criterion for promotion to higher positions. (4.34).

A key function of Supervisors in promotional matters would be to locate personnel with high growth potential and help them develop their latent skills. (4.35).

Staff Development and Training

Staff development has not received adequate attention in the Planning Commission. (4.41).

It is necessary that there should be an orientation programme for introducing persons newly joining the Commission to the responsibilities which arise as a result of the Commission's role as a leader, coordinator and synthesizer in the national planning process. (4.42).

A personnel exchange programme between the Planning Commission and the sectoral agencies is essential to develop better understanding of each other's role. (4.43).

To meet the requirements of the changing nature of work, the existing personnel needs to be trained. This will also help to open possibilities of *job enlargement*. (4.44).

With the new planning positions in Ministries, State Planning agencies, and District planning agencies that we envisage, the development of suitable training programmes for personnel to fill these positions is essential. (4.45).

Training in Planning will be of two types:

- (i) Training in economic, statistical and other tools which can be largely imparted through specialised institutions and confined to persons already qualified in such subjects.
- (ii) Training for persons who are specialised in different aspects of development but are now to work as planners: such persons have to be trained in the objectives, tools and techniques of planning.

We recommend that appropriate training facilities should be created for imparting the latter type of training. (4.46).

The training agency for such a purpose should be closely associated with the planning agency and its training faculty should be partly drawn from persons who have had an opportunity to study at first-hand the working of the planning process. It is necessary to create immediately one such training institution in Delhi. (4.47).

Secretariat and Administrative Personnel

We are not certain that the increase in the secretariat and administrative staff of the Commission has taken place on the basis of proper criteria. The Commission is already seized of this problem. We think that it should reassess its needs of administrative staff in the light of our recommendations. (4.51).

The Study Team thinks that the personnel office of the Planning Commission should serve as pace-setter to other government agencies and should be able to perform its functions in a professional manner. In view of the special responsibilities of the chief personnel administrator, the Commission should secure the most suitable person and train him specially for the purpose. (4.52).

Utilisation of the Staff

The specialised personnel in the Planning Commission will give their best only if a hierarchical atmosphere is avoided and freedom of expression is accepted as a normal part of organisational behaviour. (4.61).

It is necessary to revise the Commission's procedures so as to induce its personnel to adopt a more professional approach in their work. Deliberate efforts should be made to maximise the intrinsic rewards associated with professional jobs; these will include freedom to show initiative and develop new ideas and methods, scope for independent thinking in official work and the possibility of professional recognition. The last could be attempted through the occasional publication by the Commission of a volume of staff papers. (4.62).

CHAPTER V

The Central planning organisation cannot work successfully unless complementary work is being effectively conducted in sectoral and regional agencies. (5.11).

Natural Resources

Four types of agencies for such detailed work can be broadly classified. The first comprises the agencies specialising in exploring the natural resources of the country. (5.21).

Scientific Research

The second comprises agencies for scientific and technological research. Close links should be established between such research agencies and Planning agencies. (5.31).

Regional Planning Agencies

Planning for States and ultimately for the country as a whole would be possible only on the basis of continuous studies undertaken by States, regional and area planning agencies which constitute the third kind of agency. (5.41).

Sectoral Planning Agencies

The fourth type of planning agency that we consider important is the sectoral planning agency. For different sectors of the economy, there would be different kinds of agencies responsible for development. In certain sectors, the responsibility for development and day-to-day administration or management is largely that of the State Governments. In others, for constitutional or practical reasons, the responsibility for development is largely that of the Union Government; certain sectors are expected to develop largely in the public sector; others, in the private sector. The task of detailed development planning will have to be differently organised for different types of development. (5.51).

Transport

Adequate thought has not hitherto been given to the development of suitable planning agencies for the various sectors of the economy. While the Planning Commission can provide coordination and perspective for the different forms of transport, each ministry concerned with transport must develop a really effective Planning Unit of its own. (5.61).

Irrigation & Power

In respect of Irrigation & Power, the Central Water & Power Commission has built up considerable experience and expertise. While it is able to do high quality technical work on the engineering side, it has not yet developed adequate expertise on the economic, planning and other related aspects. It is also necessary that each State should develop appropriate competence in this field. It should be one of the duties of the Central Water & Power Commission to help each State to build up expertise for the survey of potentialities and designing projects. (5.71 & 5.72).

Industries

The role of the Planning Commission in respect of industrial planning would be to work out the inter-related policies, programmes and targets for achievement over a given period of time, ensure that cost benefit relationships are examined and the wider objectives of industrial policy and planning such as balanced regional development and prevention of economic concentration are kept in view. Most of all, it will have to ensure that industrial progress takes place at the expected rate. (5.82).

The task of working out detailed projects of industrial development should not be the responsibility either of the Planning Commission or of a Ministry. Such a task requires an organisation of highly specialised and sophisticated experts. Encouragement should be given to the further setting up of such organisations both in the public and the private sector. Considerable flexibility in management must be permitted to a public sector designing agency. The very basis of planned development in the industrial sector depends upon the creation and successful growth of efficient plant designing and consulting organisations. Continued dependence on foreign collaboration and turn-key contracts is not desirable. (5.83 & 5.84).

Ministries dealing with industries which are mainly developing in the public sector (e.g., Steel or Petroleum) would obviously need to have their own technical staff to examine the projects prepared by the designing organisations and to assist the Ministries in making recommendations to the Planning Commission and to the Government. For other industries, where the public sector is likely to play a lesser role in future development, steps may have to be taken to reorganise and strengthen the Directorate General of Technical Development so that it can provide the necessary pool of technical expertise. (5.85).

It will be necessary to have planning cells consisting of purposefully developed technical and planning staff in each Ministry directly concerned with major developmental activities. These cells should perform functions like commissioning and examining proposals for new units or expansions, keeping liaison with scientific and technological institutions, ensuring that work relating to projects included in the plans is properly done and keeping watch over actual development of a project and suggesting remedial actions, if necessary. (5.86. & 5.87).

Planning and the Private Sector

The Planning Commission has not established any direct consultations on a regular basis with the private sector. The working of bodies such as the Central Advisory Council of Industries and Development Councils has largely revolved around current problems of industrial licensing and various grievances that private sector industries feel. (5.91).

Planning Commission should be suitably represented on the Development Councils. (5.92).

One method of establishing better communication between the Planning Commission and Industry may be to have Planning Groups attached to the Development Councils. These Groups should have members who represent the professional side of industry—managerial or technical—rather than the directors and industrialists. The proposed Planning Cells in the Ministries may provide the Secretariat for the Planning Groups and the Planning Commission should be actively associated with their working. (5.93).

Agriculture

In the field of agriculture, the task of the Union Government would be confined mainly to research, assistance for the provision of essential inputs and working out an appropriate price and marketing policy. The agricultural department will have to be better equipped to provide technical assistance to different states for such purposes. (5.101).

Education, Health and Social Welfare

In these subjects the Union Ministries have responsibility mainly for working out broad programmes of development and policies for ensuring maintenance of appropriate standards, the conduct of research and making available the results of research to the various

programme planning and implementing agencies in the States. It is necessary to create separate Planning Cells in these Ministries to carry out these functions by reorganisation of staff. (5.111).

Finance and Foreign Exchange Problems

There is no agency adequately equipped to provide expert assistance to State Governments on the basis of studies relating to State finances. We have suggested earlier in this Report the creation of a special unit for this purpose in the Economic Group of the Planning Commission. We have already suggested in our Interim Report that there should be a Standing Committee of the heads of Economic and Statistical Units in the different Ministries and the Planning Commission. (5.121).

It is necessary that the Economic Group of the Planning Commission should be specially strengthened for preparing foreign exchange forecasts. (5.122).

CHAPTER VI

Nature and Scope of State Planning

The State Plans account for nearly half of the public sector Five-Year Plan Outlays. (6.11).

The State Plans have a reference only to additional developmental outlays in the State public sector and do not include plans for the private sector or for the Central public sector. (6.13).

The major areas for planning at the State level are agriculture and community development, irrigation and power, and social services. (6.14).

The nature of State planning is operational and locational with considerations of implementation directly in view, and not aggregative as is the case with National planning. (6.21).

At the State level, there is a greater degree of people's participation and this exposes these agencies to a variety of socio-political pressures which may not always be in the best interests of rational decision making. However, this also provides an advantage because, with some imagination, the social and political pressures can be used for more effective decision making and for better implementation. (6.31).

The outlay in the State Plans is largely promotional in character whereas the Central plan outlay is more in the nature of direct investment in physical capital. (6.41).

CHAPTER VII

Review of Planning in States

There appears to be a tendency towards inter-state similarity in sectoral distribution of State Plan outlays. In view of the variations in the quantity and nature of resources potentials of the States, this trend does not appear to be in the best interests of the country in general and of the States in particular. (7.11).

A comparative study of the sector wise distribution of financial and physical targets and achievements in physical terms have been much lower than those of the corresponding financial expenditure. This could happen either because the plan proposals were not properly worked out in terms of their costs and benefits or because of a general rise in the price level. In our opinion, the more important reason is that of inadequate preparation of plan proposals. Another reason for this is the absence of scientifically worked out assumptions and yardsticks. (7.21—23).

Very little attention is being paid to ensure timely completion of plan projects. A number of projects are initiated without due consideration to resource availability. This has led to a number of projects being taken up when the matching resources were not available. This leads to delays in the completion of projects and the delays in turn raise costs. Delays also postpone the availability of benefits to the society. (7.24).

Original underestimation of financial requirements for projects is partly responsible for involvement of the States in a larger number of projects than what can be financially supported by the State at any point of time. In the follow up, therefore, the limited financial resources have to be spread over to a number of projects and therefore lesser inputs are available than necessary for completion of projects in time. (7.31).

Lack of advance time phasing of projects leads to concentration of expenditure and heavy demands on physical resources in the later years of the Five-Year Plan period. (7.32).

There is considerable degree of scope for manoeuvrability, by way of reducing or increasing expenditure on the social services sector; in the case of project expenditure, commitments are made in advance and therefore, for maintaining the tempo of project progress, the States cannot help but give preference to expenditure on projects in the Irrigation and Power sector. This results in changes as compared to the outlays provided. (7.33).

Most of the States have undertaken steps to organise investigations in the field of Irrigation and Power. Some States have done a lot of work in preparing alternative schemes of development. But in sectors other than Irrigation and power, similar attempts have not been made. As a result, the Irrigation and Power sector has received more attention than the other sectors for which alternative programmes of development were not worked out. (7.41).

For evolving balanced State Plans, it is necessary to undertake efforts at working out detailed proposals for each head of development. The bigger States may be divided into two or more regions on the criteria of resources and problems. Special emphasis needs to be placed on spatial distribution of programmes. There has been no planning agency in the States and, therefore, project and programme planning has not been taken up in a scientific manner on a continuous basis. (7.42).

The main agencies for planning in the States are the Planning Departments. The working of the Planning Departments is similar to that of any other department of the State Secretariat. (7.51).

It is reported that the fullfledged Planning Departments have been established in 12 States. A closer examination shows that the departments are really not separate Departments but have usually been attached to one or the other major State Secretariat Departments. (7.52).

The staffing pattern of the Planning Departments indicates that no special efforts were made to develop personnel for the type of work which planning at the State level requires. Senior level officers are drawn from generalist services with differing academic backgrounds and with a variety of job experiences. Little consideration is paid to the selection of the right type of officers or for training of the officers selected for the Planning Departments. (7.61—63).

State Planning Boards

The Planning Commission had suggested in 1962 the appointment of State Planning Boards. Following this suggestion, eight States appointed State Planning Boards and others have said that they are in the process of pursuing the suggestion. (7.71).

The State Planning Boards have a large membership which is drawn from legislatures, and from representatives of business, industry, agriculture, education, etc. The meetings of the Boards are held very infrequently and in these meetings very little discussion

which would be useful for Planning at State level takes place. By and large, the State Planning Boards could be described as 'Consultative bodies' or 'Public Relations Committees'. (7.91).

In three States, Cabinet Committees were appointed in the place of State Planning Boards. The membership being confined to only a few, more meetings could be held and discussions could be more fruitful. But such a Committee by its very nature cannot undertake continuous studies for the purpose of planning at the State level. In States where full-time office-bearers were appointed on the State Planning Boards, they were not provided with the necessary staff support. In practice, therefore, the Planning Departments acted as the Secretariat of the Planning Boards. This was in no way different from those States which had only Planning Departments. The functions of the State Planning Boards have invariably been vaguely defined and are wide in scope. (7.92—101).

A survey of the functioning of the State Planning Boards indicates that the meetings of these Boards were held only once or twice a year and the discussions were only of a general character. This has not helped either the strengthening of the Planning machinery or the process of planning in the States. (7.111).

CHAPTER VIII

Planning Machinery at the State Level

In view of the varying socio-economic conditions and differing resource potentials of the various States, it is necessary to have continuing efforts at preparing programmes which will take into account the overall national priorities as well as attempt to use the physical resource potential of the States in an optimal manner. For this purpose, planning machinery in States is visualised at three levels. (8.11 & 8.12).

There is an imperative need for having a permanent and non-political body which would undertake the responsibility of preparing long, medium and short term development plans for the States. This body should coordinate the development programmes of different regions and districts within a State, work out a rational set of priorities and the phasing of plan programmes for the State as a whole and reduce the likely danger of over or under-emphasis in development of a sector or an area because of subjective or other considerations. (8.22).

State Planning Boards are necessary for the purpose of ensuring the availability of independent, flexible and continuing planning agencies in the States. Their advice would be of an expert character and would carry weight with the Government and other institutions in the States. In no State has such an institution been created; therefore, it is not possible to refer to past experience in making this recommendation. The creation of Boards would help the Governmental leadership to pursue more rational policies and also permit a larger degree of participation of non-governmental individuals and agencies. (8.32).

The proposed functions of the State Planning Boards would be, by and large, similar to those of the Planning Commission with some changes which have been indicated in the text. (8.41).

The success of the State Planning Boards would be largely determined by the type of persons who are appointed as Members on these Boards. The criteria for selection of the Members of the Boards should be broadly similar to those indicated regarding the Members of the Planning Commission (8.42).

The Chief Minister of the State should be the *ex-officio* Chairman of the State Planning Board. There should be full time Members whose number should not exceed four. One Member each may be appointed to look after a broad area of development, namely, (i) agriculture, including irrigation, (ii) industry, power and transport and (iii) social services. The Deputy Chairman may deal with long term planning, resources and other overall plan problems of the State. No Ministers need be appointed on the Boards as Members. (8.51).

In selection of the Members of the Boards, it is necessary to place more emphasis on technical knowledge and experience than would be the case with Members of the Planning Commission. The term of office for the members should be five years. Their status, facilities and emoluments should be those of a Minister of State. (8.52).

The Board should have a full time Secretary of the rank of Secretary to the State Government. He need not necessarily be from the administrative services but should be specially chosen for his knowledge and experience of the problems and processes of development planning (8.53).

The Board may have three main units, namely, (i) agriculture and allied subjects; (ii) industry, power, transport, and construction

projects, and (iii) social services. A separate unit may deal with the overall problems of planning at the State level (8.61).

The Boards should have the responsibility of ensuring coordination between Central Public Sector and Private Corporate Sector developments with the State Plan Programmes. (8.62).

The State Planning Boards should undertake annual progress reporting and plan appraisals, evaluation studies of programmes and projects and comparative studies for improving implementation as well as the methodology of planning. (8.63).

The organisational structure of a State Planning Board should be determined in view of the State's problems and there need be no attempt to evolve a uniform pattern of organisation in all States. (8.64).

The Boards should pay special attention to involve non-governmental professionals in the process of planning. Non-officials may be invited for a short time to work on specific problems either on contract or on an honorary basis. The Boards should have the necessary flexibility to be able to offer appropriate emoluments and other facilities to such persons. (8.65).

Planning cells should be established in all executive agencies of the State Governments. These cells should prepare detailed programmes for inclusion in the State Plan. The main function of the departmental planning cells should be to coordinate different plan programmes of the Department and ensure the necessary follow up for better implementation. The cells would play a role complementary to the State Planning Boards. (8.71).

The personnel for these planning cells will have to be specially selected and trained to enable them to undertake their assignments in a purposeful manner. Frequent transfers should be discouraged. (8.72).

For strengthening the machinery for planning at the State level and for improving the process of planning it is necessary to pay attention to the building up of personnel in the States by pursuing appropriate personnel policies and by making arrangements for training officers. The decision to constitute Planning Boards, Planning Cells and other agencies would remain a paper decision unless adequate attention is paid to the building of a cadre of persons who can undertake this new task of planning at the State and lower levels. (8.81).

CHAPTER IX

Why District Planning?

District as a unit of planning offers better opportunities for land use and man-power planning; it may also evoke more effective popular participation. Such planning should be now easier after the establishment of *Panchayati Raj* institutions. (9.11).

Why Ineffective up to now?

The main reasons for ineffectiveness have been: (i) lack of adequate efforts to work out an appropriate methodology for planning from below; (ii) ambiguity as regards the scope of district planning; and (iii) the absence of proper personnel to undertake this responsibility. (9.13).

Suggested Remedies

The Districts should be given in advance a firm indication of the magnitude of resources available from the State. Incentives may also be given to the Districts for attempts at additional resource mobilization. Apart from insisting on a minimum effort for the development of social services, the District planning agencies should be given a greater degree of freedom to decide their own programmes of development. The scope of the District Plans should be mainly confined to programmes which have to be evolved in view of the nature and magnitude of local resources. A District plan should be an integrated one for the rural as well as urban areas. (9.31).

District Planning Machinery

For the present, we do not consider it practical to think of establishing planning machinery at levels lower than the District. (9.41).

Normally, Planning and development officers at the District and lower levels should be continued in their jobs for about five years. These officers should be kept in their posts for sufficiently long periods to enable them to understand the problems of an area and to establish *rapproch* with the local population. (9.42).

Each District should have a whole time Planning and Development Officer and his responsibility should be to coordinate all planning efforts in the District. Special efforts should be made to involve non-official institutions and individuals in the process of planning. (9.43).

District Planning Committee

The District Planning Committee should have the representatives of the Panchayats and municipal committees and a few professional experts available in the District. (9.51).

The size of the District Planning Committee should be kept small so as to ensure effective participation by its members; it should meet at least once in two months. The District Planning Officer should be the Secretary of this Committee. (9.52).

Planning Personnel

Frequent transfers of Planning personnel should be avoided and for that purpose, if necessary, proforma promotions may be given to officers. (9.61).

The State Governments and the State Planning Boards would have to pay special attention to the provision of adequate training facilities for District Planning Officers and other planning staff. (9.62).

Regional Planning

Coordination agencies may be set up for a number of districts where there are either major projects or programmes covering them or there exist a number of common problems. (9.71).

State Development Council

For regular consultations between the Districts and the State Planning agencies, a State Development Council may be instituted. The Council should meet at least once a year to review progress and discuss the problems of planning in the State. (9.81).

CHAPTER X

The task of plan formulation and implementation has to be undertaken at different levels and the coordination of work at these levels is of considerable importance. Though the subject 'economic and social planning' is included in the concurrent list of the Constitution, the Centre has uptill now not attempted to use its legal authority to impose its will on the constituent units. (10.11 & 10.12).

In the process of planning up to now, the States have recognised the leadership role of the Planning Commission. Because of the changing conditions, the Planning Commission will now have specially to prove that it can provide guidance and advice in the field of development planning as an independent expert agency. (10.13 & 10.14).

The Centre-State coordination of planning efforts would be considerably helped by the establishment of the State Planning Boards. (10.15 & 10.16).

The Planning Commission should continue to indicate the broad national objectives and the availability of resources, internal and external, to each individual State. (10.17).

The Finance Commission

The main consideration before the Finance Commissions, for deciding the quantum of financial assistance from the Centre to individual States, has been *pro rata* sharing of the divisible pool of finances on the basis of population. Grants-in-Aid have been increasingly used to help the State governments to bridge their budgetary deficits. (10.21 to 10.26).

Plan Assistance

The magnitude of Central Plan Assistance is usually decided after discussions between the Planning Commission and the individual State. An important part of Central Assistance was related to the extent to which the State accepted Central directions regarding State plans and programmes. In addition to Central Assistance, there have been a number of Centrally Sponsored Schemes. (10.31 & 10.32).

The share of Central Assistance in a State's Plan outlay has been larger in the comparatively less developed States of the country. (10.33).

Method of Distribution

No one method of distribution of Central Plan Assistance can be evolved with universal support. Each State would plead for a basis which would give it a larger share in Central Assistance. But the general dissatisfaction of the States need not be taken as an excuse to shelve aside the very objectives for which Central Assistance has been thought of. We do not think that any one formula can help to solve the problem and to achieve the objectives for which the Central Assistance should be used. (10.41).

The instrument of Central Assistance should be consciously used for the following objectives:

- (i) ensuring adequate mobilization of physical and financial resources for the plans;
- (ii) influencing the size and priorities of the State plan so as to ensure that the State Plan is not worked out in isolation and without adequate attention to the national perspective;

- (iii) reducing inter-State disparities; and
- (iv) securing a minimum rate of economic growth and social transformation in the States. (10.43).

The objective of ensuring additional mobilization of resources by the States has not been achieved on the scale desired and required. In future, the Planning Commission should use this instrument more effectively for impressing upon the States the need to raise adequate resources on their own. (10.44 & 10.45).

While determining the size of a State's overall plan outlay and the magnitude of Central Assistance, the Commission should take note of the level of economic activity in the State. (10.46).

We hope that even after the States have established State Planning Boards, the Commission would provide a broad sense of direction to the States. But it should not unduly influence State Plan priorities through the mechanism of Central Assistance, as it has tended to be in the past. (10.47).

We suggest that Central Plan Assistance may be tied only to the main Heads of Development and not to individual programmes and schemes at the time of the Five Year Plan formulation. The precise schemes, manner of staffing and other details should be left to the State and lower authorities to decide for themselves. Also, the number of Centrally Sponsored Schemes should be brought down to a minimum. (10.48).

The composition of Central Assistance to the States in terms of grants and loans may be determined broadly on the basis that grants are to be made for programmes which are related to welfare or are promotional in character and from which the State Government would not receive immediate increase in revenue. For projects and other such investments, Central Assistance should only be in the form of loans. (10.49).

The agency administering plan loans to States should ensure that the States are completing projects according to the time schedule and are not diverting Central Assistance for purposes other than the agreed one. (10.50).

The actual administration of Central Assistance should be the responsibility of the Central Government and not that of the Planning Commission. (10.51).

Programme Advisers

The institution of Programme Advisers was well conceived but has not worked in the manner it was expected to. There has been a high rate of turnover and little consistency regarding the selection of officers or the allocation of States among different Advisers. (10.61 to 10.64).

The Programme Advisers have not always been kept well informed of the thinking in the Planning Commission on crucial issues. The Commission Members have not always taken care to avail of the help of the Programme Advisers when visiting or having discussions with the States. All this has reduced the effectiveness of the office of the Programme Adviser. (10.65).

Programme Advisers would continue to provide a useful instrument for liaison between the States and the Planning Commission. It would be of advantage to have more than one State under each Programme Adviser. The Grouping of States under a Programme Adviser should be done on semi-permanent footing. It is not necessary that a Programme Adviser should not be given charge of the State to which he belongs. The basis of this grouping should be contiguity and homogeneity of conditions and problems. (10.66).

The Programme Adviser should have the status of an Additional Secretary to the Government of India. The officers for appointment to this position should be selected on considerations of their suitability for this position and they need not necessarily be from the I.C.S. or the I.A.S. (10.67).

The Programme Adviser should be given a competent aide to look after each State under his charge. This officer should be of the status of a Deputy Secretary to the Government of India and his headquarters should be in the State under his charge. (10.68).

The Programme Advisers should be closely associated with the thinking on the strategies and policies relating to State Plans. (10.69).

The Programme Advisers should make an attempt to spend four to six weeks, spread over the year, in each State under their charge. It is also necessary to ensure that they keep in touch with each other and with Planning Commission. (10.70).

Financial powers may be delegated to the Programme Advisers only to the extent necessary for the Centrally Sponsored Schemes. (10.71).

ACKNOWLEDGEMENTS

In conclusion, we wish to express our warm thanks to a large number of individuals and organisations that have helped our Study Team in conducting its work. A formal list of their names will be found in Appendix II but mere mention would be a wholly inadequate tribute to the time and thought that they have generously given to assist us in our labours. In particular, we must express our gratitude to the Government of India, the Planning Commission and State Governments for the unstinted cooperation extended to us both in providing information and giving oral evidence.

2. We also wish to make special mention of the Research Unit on Planning of the Indian Institute of Public Administration whose services were largely placed at our disposal from the inception of our work. We are grateful to the Director of the Institute for this and the various other facilities given to the Study Team.

3. We should also like to acknowledge our appreciation and gratitude to Dr. H. K. Paranjape, our colleague and the Director of the Study Team, for contribution that he made in organising and directing the Study Team's work.

4. Dr. S. K. Goyal, Senior Research Associate in the I.I.P.A.'s Research Unit, worked with characteristic zeal and devotion and helped us greatly, particularly in conducting our studies relating to State Planning. Shri P. J. Vernekar, Shri G. R. Dawar and other Research Staff of the Unit also worked hard and ably assisted us.

5. Shri N. S. Gidwani, Deputy Secretary of the Administrative Reforms Commission and our Liaison Officer, with his many years of experience in the Planning Commission was able to make a special contribution to our work. We have great pleasure in placing on record our warm appreciation of Shri Gidwani's help, not only in the preparation of material but also in arranging the Study Team's meetings at Headquarters and in various State Capitals, often at relatively short notice. We would also express our appreciation of the work done for us by Shri S. S. Kshirsagar and Shri R. D. Saxena of the Administrative Reforms Commission.

6. We also wish to place on record our gratitude to the Administrative Reforms Commission and, in particular to Shri V. V. Chari, its Secretary, for generous support and assistance at all stages of our work.

7. Finally, we should mention the hard and efficient work done by the stenographic and clerical staff, Sarvashri Kedarnath Bawa, K. K. Bidani and R. K. Verma from the I.I.P.A. and E. V. Anjaneyulu, D. P. Tandon, D. P. Chadha, P. K. Dass Nag and A. K. Sachdev from A.R.C.

R. R. MORARKA
Chairman

SHARDA MUKERJEE
Member

CHANDRA SHEKHAR
Member

E. P. W. DA COSTA
Member

M. R. YARDI
Member

S. R. SEN
Member

H. K. PARANJAPE
Member-Director



N. S. GIDWANI

*Liaison Officer, Study Team and Deputy Secretary
to the Government of India.*

APPENDIX I

APPOINTMENT OF THE STUDY TEAM AND TERMS OF REFERENCE ADMINISTRATIVE REFORMS COMMISSION

TRAVANCORE HOUSE, CURZON ROAD,
New Delhi, May 16, 1966

Constitution of a Study Team on the Machinery for Planning

REFERENCE:—Para 5 of the Government of India, Ministry of Home Affairs (Department of Administrative Reforms) Resolution No. 40/3/65-AR(C), dated 5th January 1966.

The Administrative Reforms Commission hereby appoints the following persons to constitute the Study Team on the Machinery for Planning:

- | | |
|--|-----------------|
| 1. Shri R. R. Morarka, M.P. | <i>Chairman</i> |
| 2. Smt. Sharda Mukerjee, M.P. | <i>Member</i> |
| 3. Shri Chandra Shekhar, M.P. | <i>Member</i> |
| 4. Shri E. P. W. da Costa,
Managing Director,
Indian Institute of Public Opinion Ltd. | <i>Member</i> |
| 5. Dr. S. R. Sen,
Additional Secretary,
Planning Commission. | <i>Member</i> |
| 6. Shri M. R. Yardi,
Adviser (Programme Administration)
and ex-officio Additional Secretary,
Planning Commission. | <i>Member</i> |
| 7. Dr. H. K. Paranjape,
Professor of Economic Administration and
Project Director, Indian Institute of
Public Administration. | <i>Member</i> |

2. The Study Team will, in regard to the subject allocated to it, ascertain facts, locate the principal problem areas, examine solutions for the problems and suggest such of them as they would recommend for the Commission's consideration. The Study Team will submit its report as early as possible.

3. Dr. H. K. Paranjape will be the Director of the Study Team and Shri N. S. Gidwani, Deputy Secretary, Administrative Reforms Commission, will act as Liaison Officer for the Study Team.

Sd. V. V. CHARI
Secretary

To

The Chairman and Members of the Study Team.
Secretaries to the Ministries and Departments of Government of India.
Chief Secretaries to all State Governments.

APPENDIX II

LIST OF PERSONS

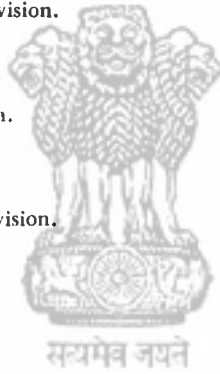
A. *With whom Study Team held discussions*

(a) *Planning Commission—*

1. Shri N. K. Bhojwani,
Chief,
Agriculture Division.
- *2. Shri M. V. Desai,
Adviser,
Plan Information Division.
- *3. Shri G. Jagathpathi,
Joint Secretary,
Manpower Division.
- *4. Dr. A. C. Joshi,
Adviser,
Education Division.
5. Shri G. R. Kamat,
Secretary.
6. Dr. K. S. Krishnaswamy,
Economic Adviser.
- *7. Shri Chedi Lal,
Adviser,
Natural Resources and Scientific Research Division
8. Dr. Harbans Lal,
Member-Secretary,
Socio-Economic Research Division.
9. Shri K. L. Luthra,
Chief,
Transport and Communications Division.
10. Dr. D. K. Malhotra,
Joint Secretary,
Village & Small Scale Industries Division.
11. Shri Ashoka Mehta,
Deputy Chairman and Minister for Planning.
12. Shri K. Mitra,
Adviser,
Programme Administration Division.

• Discussions with the Sub-Committee of the Study Team.

13. Dr. P. K. Mukherjee,
Director,
P.E.O.
14. Shri B. S. Nag,
Adviser,
Irrigation and Power Division.
15. Shri Pitamber Pant,
Adviser,
Perspective Planning Division.
- *16. Shri K. B. Rao,
Adviser,
Industries and Minerals Division.
17. Professor V. K. R. V. Rao,
Ex-Member,
Planning Commission and Minister for Transport and Shipping.
- *18. Dr. A. C. Ray,
Director,
Scientific Research Division.
- *19. Shri A. N. Seth,
Director,
Land Reforms Division.
20. Shri M. Shaghil,
Chief,
Plan Coordination Division.
21. Shri R. S. Singh,
Chief,
Agriculture Division.
22. Shri R. Srinivasan,
Member-Secretary,
Rural Industries Planning Committee.
23. Shri R. Subramanian,
Director,
Public Cooperation Division.
(Shri H. K. D. Tandon and Shri Krishna Prashad also attended).
24. Shri K. A. P. Stevenson,
Joint Secretary,
Plan Coordination Division.
25. Shri Tarlok Singh,
Member (A. & T.).
26. Professor M. S. Thacker,
Member (N.R.).



(b) *Non-officials—*

- | | |
|--|---------------------|
| 1. Professor V. M. Dandekar and Staff,
Gokhale Institute of Politics and Economics,
Poona. | at <i>POONA</i> |
| 2. Dr. A. K. Dass Gupta,
Director,
A. N. Sinha Institute. | at <i>PATNA</i> |
| 3. Dr. C. D. Deshmukh,
Vice-Chancellor,
University of Delhi. | at <i>DELHI</i> |
| 4. Professor D. R. Gadgil, M.P.,
Gokhale Institute of Politics and Economics,
Poona. | at <i>DELHI</i> |
| 5. Shri R. A. Gopalaswamy, ICS (Retd.). | at <i>MADRAS</i> |
| 6. Professor Gautam Mathur,
Professor of Economics,
Osmania University. | at <i>HYDERABAD</i> |
| 7. Professor M. V. Mathur,
Vice-Chancellor,
University of Rajasthan. | at <i>JAIPUR</i> |
| 8. Shri K. S. V. Raman, ICS (Retd.). | at <i>PATNA</i> |
| 9. Shri K. Santhanam, M.P. | at <i>MADRAS</i> |
| 10. Dr. Vikram Sarabhai,
Chairman,
Atomic Energy Commission,
Bombay. | at <i>DELHI</i> |

(c) *Chief Ministers—*

- | | | |
|---------------------|---|-----------------------------|
| 1. Andhra Pradesh | — | Shri K. Brahmananda Reddi. |
| 2. Bihar | — | Shri Krishna Ballabh Sahay. |
| 3. Himachal Pradesh | — | Shri Y. S. Parmar. |
| 4. Rajasthan | — | Shri Mohanlal Sukhadia. |
| 5. Madras | — | Shri M. Bhaktavatsalam. |
| 6. Maharashtra | — | Shri V. P. Naik. |
| 7. Uttar Pradesh | — | Shri Charan Singh. |

B. Who gave their views to the Member-Director of the Study Team

1. Shri D. B. Anand,
Chairman, C.W.P.C.
2. Shri M. R. Bhide,
Chairman,
Life Insurance Corporation.
3. Shri S. Dutt,
Joint Secretary,
Ministry of Finance.
4. Shri S. Jagannathan,
Secretary,
Ministry of Finance.
5. Shri L. K. Jha,
Secretary to Prime Minister.
6. Dr. B. D. Kalelkar,
Dy. Director General,
Directorate General of Technical Development.
7. Shri G. P. Kane,
O.S.D.,
Ministry of Industry.
8. Shri K. B. Lall,
Secretary,
Ministry of Commerce.
9. Shri K. P. Mathrani,
Secretary,
Ministry of Irrigation and Power.
10. Shri Ashok Mitra,
Secretary,
Ministry of Information and Broadcasting.
11. Shri Ajit Mazoomdar,
Joint Secretary,
Ministry of Finance.
12. Shri P. R. Nayak,
Secretary,
Department of Petroleum and Chemicals
13. Shri B. P. Patel,
Chairman,
State Trading Corporation.
14. Dr. I. G. Patel,
Chief Economic Adviser,
Ministry of Finance.

15. Shri M. S. Rao,
Chairman,
Hindustan Steel Limited.
16. Shri L. P. Singh,
Secretary,
Ministry of Home Affairs.
17. Shri T. P. Singh,
Secretary,
Ministry of Finance.
18. Shri B. Sivaraman,
Secretary,
Ministry of Food & Agriculture.

C. Who sent Memoranda

1. Shri G. D. Birla,
15, India Exchange Place,
Calcutta-1.
2. Dr. M. N. Dastur,
C/o Dastur & Co. (P) Ltd.,
2, Rajdutt Marg,
Chanakya Puri,
New Delhi-1.
3. Professor D. G. Karve,
Executive Director,
Homi Bhabha Fellowships Council,
1, Mangaldas Road,
Poona-1.
4. Shri S. L. Kirloskar,
Chairman,
Kirloskar Oil Engines Ltd.,
Elphinstone Road,
Poona-3.
5. Shri H. T. Parekh,
Managing Director,
Industrial Credit and Investment Corporation of India
Bombay.
6. Shri R. N. Singh Deo,
Chief Minister,
Government of Orissa.
7. Shri J. R. D. Tata,
Tata Industries Private Ltd.,
Bombay House, Bruce Street,
Fort, Bombay-1.
8. Professor C. N. Vakil,
C/o Reserve Bank of India,
Bombay.

APPENDIX III

STATES VISITED BY THE STUDY TEAM

Sl. No.	Name of the State	Place visited	Date when visited
1.	Maharashtra	Poona & Bombay	6th August, 1966. (POONA) 7th to 9th August, 1966. (BOMBAY)
2.	Bihar	Patna	7th to 10th September 66.
3.	Himachal Pradesh	Simla	12th to 14th September 66.
4.	Andhra Pradesh	Hyderabad	1st to 4th October 66.
5.	Madras	Madras	4th to 7th October 66.
6.	Rajasthan	Jaipur	24th to 25th December 66.

(Discussions were held with Chief Ministers and Ministers/Senior Officials connected with Machinery for Planning.)



APPENDIX IV

MEETINGS OF THE STUDY TEAM

1st Meeting		May 18, 1966
2nd Meeting	--	June 2, 1966
3rd Meeting	—	July 14, 1966
4th Meeting	—	July 30, 1966
5th Meeting	—	August 3, 1966
6th Meeting	—	August 20, 1966
7th Meeting	--	August 31, 1966
8th Meeting	—	September 6, 1966
9th Meeting held at <i>MADRAS</i>	—	October 6, 1966
10th Meeting	—	March 11, 1967
11th Meeting	--	March 13, 1967
12th Meeting	—	March 14, 1967
13th Meeting	—	March 16, 1967
14th Meeting	—	March 17, 1967
15th Meeting	—	March 18, 1967
•16th Meeting	—	March 24, 1967
•17th Meeting	—	March 25, 1967
•18th Meeting	—	March 27, 1967
19th Meeting	—	March 28, 1967
20th Meeting	—	March 29, 1967
21st Meeting	—	March 30, 1967
22nd Meeting	—	April 11, 1967
23rd Meeting	—	May 8, 1967
24th Meeting	--	May 9, 1967
25th Meeting	—	June 15, 1967
26th Meeting	—	July 18, 1967
27th Meeting	—	July 19, 1967

• Full-day Meetings.

APPENDIX IV—contd.

	—	July 19, 1967
28th Meeting	—	August 4, 1967
29th Meeting	—	August 5, 1967
*30th Meeting	—	September 12, 1967
31st Meeting	—	September 13, 1967
*32nd Meeting	—	September 14, 1967
*33rd Meeting	—	September 15, 1967
34th Meeting	—	September 16, 1967
*35th Meeting	—	September 29, 1967
*36th Meeting	—	September 30, 1967
*37th Meeting	—	October 13, 1967
38th Meeting	—	October 14, 1967

* Full-day Meetings.

