UNIT 7 ROLE OF PLANNING COMMISSION AND NATIONAL DEVELOPMENT COUNCIL IN POLICY FORMULATION

Structure

7.0 LEARNING OUTCOME .

After studying this Unit, you should be able to:

- Understand the role and functions of the Planning Commission;
- Discuss the organisational structure of the Planning Commission;
- Explain the composition and role of the National Development Council;
- Describe the role of various agencies in the planningprocess; and
- Review the role of Planning Commission in policy forrnulation.

7.1 INTRODUCTION

Planning has been an integral part of India's developmental and administrative process. Over the years it has gained legitimacy in the Indian federal system. The goals, priorities and direction set by the national Planning Commission are based on anon-partisan approach, backed by expertise and reliable technical exercises, The Indian leaders were interested to base future economic progress and growth on a comprehensivelong-term planning. Therefore as early as 1946, before the transfer of power, a Planning Advisory Board was appointed, which recommended the appointment of a Planning Commission to devote full attention to the task of planned development. As a result, the Planning Commission was constitutedin March, 1950 by a resolution of the Government of India. It was decided that the state has to play an important role in bringing socio-economictransformation, as required by the Directive Principles of State Policy. The Planning Commission consults the

Union ministries and the state governments while formulating five-year plans, and annual plans, and oversees their implementation.

In this Unit, we will highlight the organisational structure and functions of the Planning Commission and the National Development Council in India. The planning process and formulation of five-year plans will also be discussed. In the subsequent section, we will concentrate on the growth performance through Five-Year Plans, and review of the role of Planning Commission in policy formulation.

7.2 ROLE OF PLANNING COMMISSION

The role of the Planning Commission is directly related to the tasks assigned to the government by the Indian Constitution in its Directive Principles, especially those relating to economic and social development. The Directive Principles of State Policy urge upon the state to secure citizens' right to adequate means of livelihood and control the inequalities in the ownership of wealth and means of production. In this context, the state is required to ensure growth in production, and its equitable distribution among the various sections of society. In this context, the Planning Commission formulates plans for the whole country and also functions as an advisory planning body at the apex level. The major functions of the Planning Commission, assigned as per the Government of India (Allocation of Business) Rules 1961, are as follows:

i) It makes an assessment of the material, capital and human resources of the country, including technical personnel, and formulation of proposals on the basis of possibilities of augmenting such resources that are found to be deficient.

b) Formulates a plan for effective and balanced utilisation of resources in the country.

c) Defines the stages in which the plan should be carried out, and proposes the allocation of resources for completion of each stage.

d) Identify the factors, which tend to retard economic development and determine the conditions, which in view of the current social and political situation should be established for the successful execution of the Plan.

e) Determines the nature of machinery, that is, necessary for implementation of the Plan.

f) Appraises the progress achieved in the execution of each stage of the Plan, and recommends the adjustments of policies and measures that such appraisal may show to be necessary.

g) Makes interim or ancillary recommendations, which appear to be appropriate either for facilitating the discharge of the duties assigned to it or on a consideration of prevailing conditions, current policies, measures and development programmes or on an examination of such specific problems as may be referred to it for advice by the Central or State Governments.

In addition to the above-mentioned functions, the Planning Commission has been entrusted with responsibility in the following matters.

a) Public Cooperation in National Development;

b) Specific programmes for area development like Hill Area Development Programme;

c) Perspective Planning;

d) Institute of Applied Manpower Research; and

e) Overall Coordination of the Pradhan Mantri Gramodaya Yojana (PMGY).

Note:

The overall coordination of the PMGY shall be the responsibility of the Planning Commission. However, concerned nodal ministry/department will be responsible for the overall management and monitoring of the sectoral programmes under PMGY.

It is evident from the above description that the Planning Commission has been made responsible for almost all aspects of planning, except execution. To formulate a plan, first of all, a set of objectives or goals is prepared that are required to achieve the target, such as, growth of national income, reduction of the percentage of unemployed persons, etc. Secondly, time frame and the stages in which these goals are to be achieved are decided. For deciding the above-mentioned stages one has to estimate the resources. For example, do we have enough resources to literate everyone in five years? After estimating the resources, the Commission determines a strategy to make the best utilisation of limited resources. Thus, the formulation of a plan implies the setting up of priorities, time frame, and stages; estimating the resources; and deciding on a strategy, which is the major function of the Planning Commission.

After the formulation of plan, the central ministries and the state governments execute the plan through their departments. The Planning Commission keeps an eye on the progress of the plan, identifies impediments, and suggests remedial measures. It monitors and evaluates the plan. For this purpose, it makes apost-mortem of the past plan and draws lessons, which are used to build subsequent plans. In this context, the Programme Evaluation Organisation (PEO), periodically undertakes evaluation details or quick studies of the implementation of selected development programmes to assess the impact of that programme. Thus, it assists the Planning Commission to provide useful feedback to planners and implementing agencies which contribute in policy-making.

7.3 PLANNING COMMISSION: ORGANISATIONAL STRUCTURE

As the Planning Commission was set up by a Resolution of the Government of India, it is not a statutory body. Thus, the plans formulated by the Planning Commission have no legal status. Though it appears as an advisory body, in practice, it wields considerable authority. The Prime Minister of India is the ex-officio Chairman of the Planning Commission. We will now turn to a discussion of the structure of the Planning Commission.

Chairman

The Prime Minister of India has been its Chairman since the very inception of the Planning Commission. It works under the overall guidance of the National Development Council. The Chairman participates and gives direction to the Commission on all major policy issues. It is to be noted that the Prime Minister attends only the most important meetings of the Commission so **as** to ensure that the Commission's proposals coming up before the Cabinet are viewed objectively.

Deputy Chairman

The Deputy Chairman, full-time, looks after the day-to-day work of the Planning Commission. He/she is usually a politician of standing belonging to the ruling party at the Centre. At times, an expert in economic development is appointed as Deputy Chairman. Prof. D. R Gadgil and Dr. Montek Singh Ahluwalia are such examples. The Deputy Chairman enjoys the rank of a Cabinet Minister, although he may not necessarily be a member of the Council of Ministers. **A** Minister of State is given the portfolio of planning in order to facilitate accountability to the Parliament.

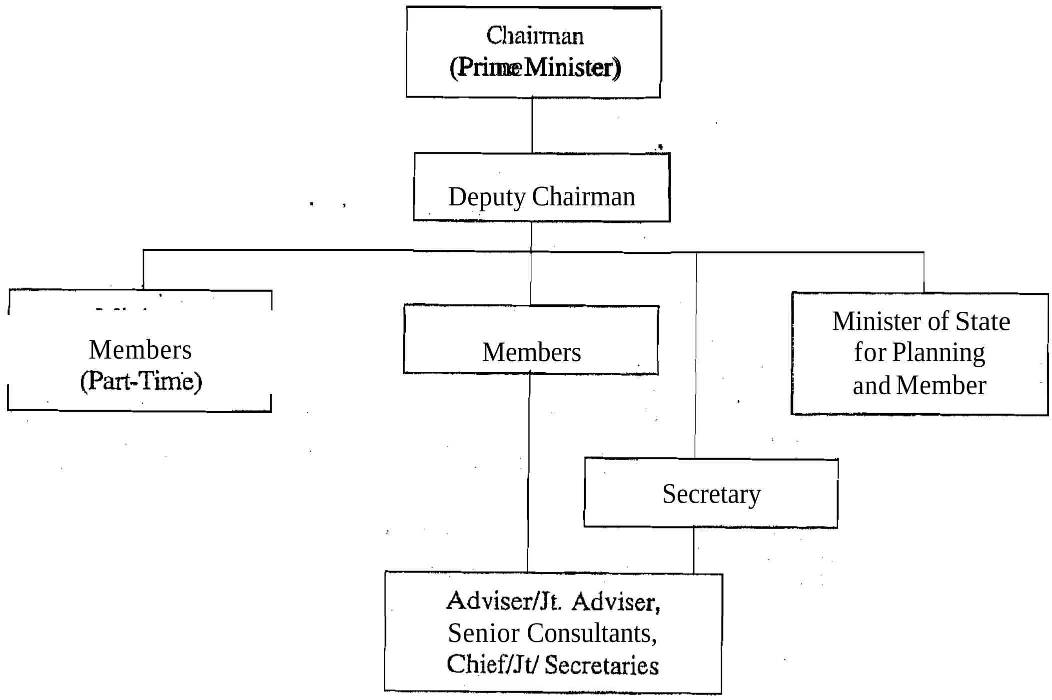
Members

All full-time Members of the Commission are in the rank of Union Minister of State. There are two types of members, in addition to the Minister of State for Planning who is'also an ex-officio member of the Planning Commission. The full-time members are eminent public persons, administrators, economists and technical experts. In addition, the Planning Commission has **a** few important Cabinet Ministers, as its members, who attend the more important meetings of the Commission. The few important meetings that cover only the most important decisions which all members, full-time and minister-members, attend are called the meetings of the full Commission. Apart from that, the Planning Commission with full-time members meets frequently and acts as a team.

The Deputy Chairman and the full-time Members of the Commission function as a composite body in matters of detailed plan formulation. The Deputy Chainnan and the full-time members look after the day-to-day work. The Prime Minister appoints these members after consulting the Deputy Chairman, from among prominent public persons and experts. The full- time members are not given a fixed tenure, but normally they continue till these is a change in the government. Here it is worth mentioning that in 1990 the full-time members were changed thrice in a single yeas. Each member of the Commission looks after a specific set of subjects. These Members direct, guide and advise various Subject Divisions of the Planning Commission in the exercise of preparing approach papers/documents for five-year plans and annual plans. They also provide guidance to the Subject Divisions for monitoring and evaluating the plans, programmes, projects, and schemes. The Cornmission has collective responsibility for all decisions, and its members work as a collective body. Each member deals individually with the technical and other aspects of his/her allotted subject(s). However, the Commission considers all those cases that require policy decisions, or where difference of opinion exists between its members.

The following chart depicts the osganisational structure of the Planning Commission. **As** on February 1,2006 there were, total 48 contributors including the Chairman, the Deputy Chairman, the Minister of State, 13 Members (6+7), the Secretary, 4 Principal Advisers, 20 Advisers, 2 Senior Consultants, the Joint Secretary and Additional Secretary &FA, the Director (IAMR), the Joint Secretary, the Joint Adviser, and the Adviser to Deputy Chairman.

Chart 7.1: Organisational Structure of the Planning Commission



Source: Planning Commission, Government of India

Office of the Planning Commission

The Members of Planning Commission are assisted in their tasks by an office comprising various technical and subject divisions. A senior officer or expert is the head of each division designated as the 'adviser', who is a senior level officer of the level of Joint Secretary or Additional Secretary. The head of division functions under the guidance of the member in-charge of that particular subject. The tasks of co-ordination and overall supervision and guidance of the work of the division, especially in non-technical matters, is the responsibility of the Secretary, Planning Commission.

All the divisions in the Planning Commission concerned with plan formulation, monitoring and evaluation are grouped into three types of divisions as mentioned below:

i) Subject Divisions

The Subject divisions look after specific subjects, such as, agriculture division; communication and information division, power and energy division, science and technology division, education division, rural development division, transport division, etc, The number of subject divisions have gradually increased at the end of March 2006, stood at seventeen, which are concerned with specified Gelds of development in the related areas. All the divisions are involved in the task of formulation of a plan, which requires technical inputs of various kinds and specialised knowledge of the subjects, that is, being provided by the concerned division.

ii) Specialist Divisions

The specialist divisions are concerned with different aspects of the entire economy like perspective planning, financial resources and development policy. Following specialist divisions are functioning in the Planning Commission:

- Development Policy Division,
- Financial Resources Division,
- Labour, Employment and Manpower Division,
- Plan Coordination Division,
- Perspective Planning Division,
- Project Appraisal and Management Division,
- International Economics Division.
- Infrastructure Division
- Programme Outcome and Response Monitoring Division
- Socio-economic Research Unit,
- State Plan Division, and
- Multi-Level Planning Division, which includes Hill Area Development, Decentralised Planning, etc.

As our Unit is concerned with planning and policy-making, therefore we will discuss briefly the role of Perspective Planning Division.

Perspective Planning Division

Perspective Planning Division (PPD) plays an important role in overall integration of the plan into macro-economic framework, delineating possibilities and constraints; and projecting a long-term vision of development in terms of potentials, constraints and critical issues. In addition, as a part of its regular activities the PPD:

- Assists the Planning Commission in forming its views on technical issues regarding planning process, shift of a public sector programme from Non-Plan to Plan side of Government expenditure and vice-versa;
- Prepares an overall framework for medium and long-term plans by analysing implications of long-term objectives for the appropriate strategy of development;
- Examines the current policies and programmes especially in the inter-temporal, inter-regional, and inter-sectoral contexts;
- Estimates state-wise poverty ratios using household consumer expenditure surveys conducted by NSSO and analyses the changes in the poverty indices;
- Studies consistency between plan objectives and plan allocation, conformity of regional distribution of public sector outlays with the regional needs of development, effect of price rise on consumption level of people in different income groups, trends in saving, investment and economic growth, trends in foreign trade, and the implications of various developments in the economy for public investment.
- Renders advice on the influence of macro-economic development on principal commodities like food, crude oil, and steel; and
- Contributes to the response by Planning Commission on issues regarding "Planning Process" posed by Parliament, forum of economists and economic editors, representatives of economic planning agencies in the States, and delegation from national Planning Commissions from other countries and trans-national institutions being through the respective nodal Ministries of the Government.

In the next subsequent section, we will highlight the role and composition of National Development Council, which is the other important body associated with national planning.

7.4 NATIONAL DEVELOPMENT COUNCIL: ROLE AND COMPOSITION

The National Development Council (NDC) was set up in August 1952. The main purpose of the NDC is to strengthen and mobilise the effort and resources of the country in support of the five-year plans, and more specifically, to:

- promote common economic policies in all vital spheres; and
- ensure the balanced and rapid development.

In the *draft* outline of the First Five-Year Plan, the Commission recommended the need and necessity of a body representing the central and state governments, to enable the plans to have a national character. It emphasised that in a large country like India where the states have, under the Constitution, full autonomy within their own sphere of duties, it is necessary to have a forum, such as, the National Development Council at which, from time to time, the Prime Minister of India and the Chief Ministers of States can review the working of the Plan and its various crucial aspects. The NDC is neither a constitutional nor statutory body. Basically it is an advisory body on planning. At present, the NDC is composed of the Prime Minister (also its chairman), the Deputy Chairman, the Chief Ministers of States, and the Members of Planning Commission. Sometimes outside experts have also been invited to the Council's meetings, whenever necessary. The Secretary of the Planning Commission is the ex-officio Secretary of the NDC, The NDC makes its recommendations to the central and slate governments in India. The major functions of the NDC as laid down in the Government of India Resolution (No. 65/15/CF-67) are to:

- consider important questions of social and economic policy affecting the nation's development; and
- review the working of the Plan from time to time to recommend measures for the achievement of the aims and targets set out in the National Plan. The latter include measures to secure the active participation of people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community, and to build up resources for national development.

The NDC can take up any issue related to national development. The NDC makes its recommendations to the central and the state governments. In the past, the NDC has deliberated and decided on a number of issues, such as, inter-regional disparities, prohibition, panchayati raj, agrarian cooperation and irrigation levies. The NDC is required to meet at least twice a year, though it has sometimes met more often. Given the size of the body and the busy schedule of its members, it is not possible for the NDC to meet frequently and go into great details regarding each specific matter. Therefore, it has been decided by the NDC to appoint, from time to time, suitable sub-committees or panels. The agenda for the meetings includes approval of the approach paper to the five-year plan, the draft five-year plan, and the final five-year plan. In addition to the above, other matters form a part of the agenda suggested by members of the NDC. The stature of the Council has ensured that the 'recommendations' of the NDC have the prestige of directives that are generally followed and obeyed.

Now, we will discuss planning procedure to formulate and concretised in the national plans.

7.5 PLANNING PROCEDURE: FORMULATION OF FIVE-YEAR PLAN AND ANNUAL PLANS

The principal task of the Planning Commission is to formulate the five-year plans. In this context, proper planning procedure is followed for the most effective and balanced utilisation of the material, capital, and human resources. Special emphasis is given to appraisal of the progress in the implementation of the plan from time to time, and to recommend adjustments of policy and measures that are considered to be necessary in the light of such appraisal. The Planning Commission also overseas the development programmes of the central ministries and the state governments with a view to achieve coordination at the highest level.

At the Union level, the role of Planning Commission is crucial. In investment planning, it provides an objective method of resource allocation reconciling the competing claims of various departments and agencies, taking into account the broad national objectives and priorities. A national plan in India comprises of the plans of the central government, the state governments, the central and state public-sector undertakings, and the private sector of the economy. In the five-year plan document, the amount of money, which is proposed to be invested under various plan heads during the' specific period is broken down into public sector outlay and private sector plan outlay. The public sector outlay is the more important part in the plan as the government has direct control over the investment of this sector during a five-year plan period. It is further divided into the central plan and state plans, earmarking the projects and schemes to be launched. In this plan, specific schemes of financing are worked out for the Union and each state, indicating clearly the additional resources, and mobilisation efforts that would need to be undertaken. These are integrated with the overall scheme of flow of funds for the economy. Thus, preparation of the five-year plan for the nation's economy is a mammoth exercise involving many multiple constitutional authorities and statutory agencies.

The national plan must have the involvement and consent of the parties concerned. The formulation of each plan is preceded by considerable amount of technical work, prolonged consultations and intense lobbying to arrive at consensus, especially on the various parameters of state plans. The need for building a consensus arises as India is a federal and democratic polity. The constitution provides for the demarcation of subjects between the Union, the State, and the Concursent lists in the seventh schedule of the Constitution so as to conform to the norms of a federal polity. Moreover, planning falls under the concurrent list. Therefore, it is the responsibility of both the Union and state governments. The national plan must be able to carry along the central ministries and state governments on a generally accepted course of action. Even the democratic structure requires that the national plan should be formulated through consensus. Thus, it involves wide-ranging discussions, and participation of non-departmental agencies also. In addition to the involvement of specialised institutions, such as, the Reserve Bank of India, the Central Statistical Organisation, etc. The political leaders, business and industry groups, etc. are also involved at various stages. Public opinion is also sought on the important aspects of the plan. The Planning Commission seeks to ensure through the annual plans, which are the operational plans, that the sum total of outlays of the centre and the state tallies with the estimates of available resources. In the subsequent sections we will discuss the formulation of five-year plans in India.

7.5.1 Five-Year Plans

In the process of plan formulation there are three clearly distinguishable stages. The first step and the preliminary stage involves the preparation of a paper on 'approach to the plan'. It is a brief document, broadly outlining the goals to be achieved during the proposed five-year plan period. It is based on documents prepared by various working groups and a steering committee. For preparing an approach paper, Steering Committee/Working Groups are set up for reviewing the progress in the implementation of the five-year plans, and for making recommendations regarding policies, programmes, projects, and schemes as also for outlays and targets for the various sectors and sub-sectors. Members of the steering committee and working groups are drawn from officials in the Planning Commission, central ministries/departments, academic institutions, state governments and specialists from business and industry, and experts from relevant fields. For the Tenth Five-Year Plan, 27 Steering Committees and 98 Working Groups were setup.

The approach paper is prepared on the basis of preliminary exercises undertaken in the Planning Coinmission, projecting the growth profile of the economy over a period of 15-20 years including the ensuing five-year plan period. The draft of the approach paper is first considered and discussed in the meeting of the full Planning Commission, and then by the Union Cabinet and finally by the NDC. After the approval of the NDC, it is placed before the Parliament. After final approval on the approach paper the broad five-year targets are given as guidelines to a number of Working Groups. These Groups are set up and work with assistance from the divisions of the Planning Commission. They are generally subject or area-specific, Such as, Working Groups on Financial Resources of the Centre, which includes, inter alia, representatives of the Planning Commission, Ministry of Finance, and Reserve Bank along with other relevant organisations.

These Working Groups usually consist of economists, concerned technical experts, and administrators in the concerned central ministries and in the Planning Commission. The primary task of the Working Group is to work out the detailed plan for each sector on the basis of the preliminary guidelines. They are expected to spell out the details of policies and programmes required for achieving the targets. The Working Groups are expected to use research studies in the specific areas. In cases of gaps in knowledge and information, the concerned division promotes specific research studies or holds seminars, workshops etc. In the second stage of plan formulation, the state governments are encouraged to have their own Working Groups, and the Central Working Groups are also expected to interact informally with their state counterparts. The recommendations of the State Plan Sectoral Working Groups are based on the plan proposals of a State Plan Adviser. He prepares a report making detailed recommendations on programmes, targets and outlays. This report forms the basis of discussions between the Planning Commission and the state government, concerned, for finalising the State's Plan. The final position, especially regarding the states own resources, including market borrowings and additional resource mobilisation, the quantum of central assistance and programme content emerge after the above stated discussion.

In the Tenth Five-Year Plan, the Division concerned prepared a Background paper especially in the case of central plan taking into account the guidelines laid down in the approach paper, the recommendations of the Working Groups concerned, proposals from the various ministries, and the division's own assessment of the development programmes. The Background paper constituted the basis for discussion between the Planning Commission and the Secretaries of the central ministries/ departments concerned. In the light of the discussions and anticipated availability of the resources for the central plan, the Planning Commission took a view on the development programmes of each ministry/department and worked out tentative outlays. On the basis of such exercises done, the Planning Commission prepares the 'draft' five-yeas plan.

The central and slate plans, together with the scheme of financing for these, are finally incorporated in the draft. As we have discussed in the case of the approach paper, similasly, the draft plan is first discussed by the full Planning Commission, and then by the Union Cabinet, before presenting it to the National Development Council. After the NDC has approved the Plan, it is laid on the tables of both Houses of Parliament.

The draft plan is subjected to public scrutiny in the final stage of plan formulation. It is discussed with and commented upon by the central ministries and state governments. The draft plan is published for public discussions. The draft plan is discussed by the Parliament in a general **way,** and then in greater detail through a series of parliamentary committees. Simultaneously, the Planning Commission also holds discussions on the plans of individual states. The discussions are held at the experts level as well as at the political level culminating in a meeting with the Chief Minister of the state concerned. These meetings lead to an understanding between the Commission and the states. On the basis of discussions at different levels, and on the basis of reactions from elected representatives, experts and the public, the Planning Commission prepares the final plan document. The full Commission, the Union Cabinet, and the NDC scrutinise this document. Thereafter, it is presented to the Parliament, for its assent. The general approval of the Parliament is considered to be sufficient for the formulation of the Plan. In the case of implementation, no law is required for taking up the plan. We will now discuss the formulation of the annual plans.

7.5.2 Annual Plans

In the course of actual implementation, the annual plan is an effective instrument. Sometimes due to delays in the formulation of five-year plans or due to political or economic changes during the plan period, the annual plan becomes an integral part of the budgeting exercise, both at the central and state levels.

The procedure for the formulation of the annual plan has been the same as for the five-year plan till 1993-94, especially in the case of the states. However, while formulating the Annual Plan 1993-94 the resource evaluation was made first on the basis of which the size of the plan was to be decided in the discussion between the Deputy Chairman and the Chief Ministers. Thereafter, the detailed sectoral allocations were worked out. This approach in finalising the plan size has been highly appreciated. In thk sectoral allocation, in the state sector, greater flexibility was provided (by limiting the earmarking of funds to about *50%* of total outlay) to the states to meet the local requirements. This practice was initiated in response to long-standing demand of the Chief Ministers in the NDC for greater flexibility in the State Plan.

As the financial year in the government starts on 1st of April and the budget is preparedby February-end, work on the annual plan has to starta few months earlier, generally around September of the preceding year. The Planning Commission indicates to the state governments the important objectives of the annual plan, and the tentative quantum of central assistance to enable the states to prepare their draft annual plans. These drafts a e discussed in meetings, which are held in November-December every year, between the Planning Commission and state governments. In these meetings, the state annual plan outlays are decided along with the important items of the central plan assistance. This channel of transfer of resources from the Union to the states, in practice, is outside the purview of the transfers recommended by the constitutional body, namely, the Finance Commission. A fiscal transfer through the Planning Commission, which is anon-statutory and advisory body, has, therefore, been a subject of controversy. Despite widespread criticism from experts and political elites, this practice is continued. The state budgets are dependent on annual plans. The Central ministries' budget allocations are also dependent on their annual plans, which are worked out in consultation with the Planning Commission. Thus, the Planning Commission, in practice, is not merely an advisory body, it wields enormous power in the allocation of a substantial volume of financial resources to the states and between different departments of the Union government. By going into the details of developmental schemes and projects, it exercises considerable discretion regarding their acceptance or substantial modification. The Planning Commission has also been laying particular emphasis on the need for improving the planning process, and developing capabilities in this regard in the states.

7.6 ROLE OF PLANNING COMMISSION: REVIEW

We have studied the functions of the Planning Commission and the NDC in the process of plan formulation. We have seen that these two bodies are important in policy formulations, despite the fact that they are non-statutory advisoiy bodies. The Planning Commission is mainly responsible for development policies, and reviewing the achievement subsequently. In view of the considerations outlined as the socio-economic development, table 7.1 highlights the growth performance in the five-year plans.

It is evident from the data presented in the above table that the Tenth Five-Year Plan aims at achieving an average growth rate of the Gross Domestic Product (GDP) of 8 per cent per annum over the period 2002-2007. On the basis of comparative study 'it appears that the economy has performed better than the targets in five of the nine previous plans and even in the Second Plan. In the Third and Fourth Plans the shortfalls were largely due to exogenous shocks that could not be predicted. During the Third Plan the economy suffered due to drought in the years of 1965 and 1966. At the same time, the Indo-Pakistan War of 1965 also affected the economy. Once again there were three consecutive years of drought, that is, from 1971 to 1973 during the Fourth Plan and the first oil-priceshock of 1973. It may be stated that since the Fourth Plan the growth rate of the economy had improved steadily until the Ninth Plan, when it recorded a marginal decline. It may be seen (table 7.1) that the rate of growth of GDP during the Eighth Plan was near 6.7 per cent per annum, which has dropped to 5.3 per cent during the Ninth Plan. This was against the target of 6.5 per cent that was supposed to be achieved in the Ninth Plan period. As far as causes of such decline are concerned, they can be traced through the sectoral structure of the growth rates. During this period, the rate of growth has declined especially in the agriculture and manufacturing sectors, as compared to the Eighth Plan period. During the Ninth Plan, three of the five years witnessed poor performance as a result of weather- related problems. In addition, a slow down in the world economy also affected the level of exports. This problem, coupled with lower than expected public investment as well as the relatively poor performance in the agriculture sector, led to a reduced demand for industrial goods and consequent reduction in the growth rate

Table 7.1: Growth Performances in the Five-Year Plans in India

(per cent per annum)

Sr. No.	*Plan Period*	*Target*	*Actual*
1	First Plan (1951 - 56)	2.1	3.60
2	Second Plan (1956 - 61)	4.5	4.21
3	Third Plan (1961 - 66)	5.6	2.72
4	Fourth Plan (1969 - 74)	5.7	2.05
5	Fifth Plan (1974 - 79)	4.4	4.83
6	Sixth Plan (1980 - 85)	5.2	5.54
7	Seventh Plan (1985 - 90)	5.0	6.02
8	Eighth Plan (1992 - 97)	5.6	6.68
9	Ninth Plan (1997 - 2002)	6.5	5.35
10	Tenth Plan (2002 - 2007)	8	–

Source: Planning Commission, Government of India

Note: The growth targets were set for the first three plans (1951-66) with respect to national income. However, in the Fourth Plan the target was set with respect to net domestic product. Thereafter, in all Plans (1974-07) it has been gross domestic product at factor cost.

in the industrial sector. Disasters like the Super-Cyclone in Orissa, Earthquake in Gujarat, and Kargil war, resulted in diversion of resources from investment and consequent decline in the growth rate's. This set back suffered during the Ninth Plan period was addressed right at the outset, that is, in the Tenth Five-Year Plan. Therefore in a robust demonstration of its nascent strengths, the economy after growing at 8.5 per cent and 7.5 per cent in the two previous years (2003-2005), is projected to grow at 8.1 per cent in the year 2005-06. The growth of GDP at constant prices in excess of 8.0 per cent has been achieved by the economy in only five years since India's independence. Thus, the data regarding growth performance in the successive Five-Year Plans reflects that the track record of planning in India is reasonably good, which indeed tends to err on the side of caution. In addition, this evidence also suggests that there has been a steady improvement in the growth potential of Indian economy.

Over the years, the Indian planning system has moved from a highly centralised investment planning model to that of a directional planning methodology. The Planning Commission concerns itself with evolving a long-term strategic vision of the Indian economy, decides on priorities and works out the sectoral targets consistent with the strategic vision and priorities, The formulation of sectoral policies, programmes, and projects are mainly the responsibility of the concerned ministries and attached offices of the government. However, the Planning Commission plays an important role in indicating the initiatives that government needs to take both in terms of investments and policy changes to realise its objectives.

Its integrative role in the development of a holistic approach to policy formulation in critical areas, where both the Union and the states have a role to play, is worth mentioning. In a federal framework, an integrated approach can be developed by the Planning Commission by maintaining close links and continuous interaction with both the central ministries and state governments. This approach has been helpful in the best possible utilisation of the scarce resources. The role of the Planning Commission in investment planning, especially in maximising the output of the economy and avoiding wastage of resources and output is also appreciated. Besides ensuring the efficient utilisation of resources, the Planning Commission has been attempting to upgrade the capability of the implementing agencies by disseminating information on better delivery mechanisms and best practices.

Critique of the Role of the Planning Commission

The role of the Planning Commission has come under criticism from many quarters. First and foremost is the one relating to its role as an extra-constitutional body. It is argued that while the Constitution earmarks spheres of authority and responsibility over specific subjects and areas of activity in a federal set up between the Union and the states, the Planning Commission, which has come into existence by an executive order of the Union government, acts as a 'super-cabinet' in economic matters for the Union and the states. Moreover, its practice of discretionary grants and credit, with elaborate schemes of matching ratios for outlays, undoubtedly infringes the federal character of the Indian polity. When different political parties are at the helm at the centre and in some states, this aspect has assumed significance and become a major political issue for controversies and political accusations.

On several occasions, Chief Ministers of some states have accused the Planning Commission that it has become another bureaucratic hurdle in the initiation of development schemes. There is also an opinion that the authority and power in the Planning Commission has shifted from the expert groups to civil service personnel. In practice, barring a handful of persons drawn from academia or scientific institutions, civil servants on deputation to the Planning Commission, have managed to occupy key positions as advisors and planners, replacing experts. The Secretary of the Commission has become the nodal point in plan formulation, thereby flushing out the experts.

The most dominant style of policy-making is that of appointing committees or commissions for direction on important matters. The inter-linkages between sectors and among ministries are often achieved through the appointment of these selected bodies, which arguably make the process more protracted/time-consuming, instead of contributing in any fruitful way to policy formulation. With the result, the five-year plans are seldom prepared on time. For example, the Eighth Plan's approach paper was ready only after completion of almost on year of the plan-period.

The Planning Commission is also subjected to the criticism that even during plan formulation the Coinmission is guided more by political pressures or expediency than by its expert judgement. The annual planning in the sense of an overall, co-ordinated and directed multi-instrument governmental initiative is often absent. The actual process of plan formulation has lost its meaning and has become merely a ritualistic and cumbersome exercise. It is, sometimes, also argued that the Planning Commission is ineffective, as it has little power in the process of implementation of the plans.

Last but not the least, some critics ask that why should we have a Planning Commission? The members drawn from among the best talent available in their area of expertise seem to have very little say in the final outcome of the plan. It has a separate division to deal with agriculture, and other divisions to deal with education, health, etc. "The perspective is as fragmented as it is in the operating wing of the government" (Ishwar Dayal, 1996). The Department of Economic Affairs in the Ministry of Finance is considered adequate to decide upon macro-economic priorities and policies. Similarly, the other ministries can decide on sectoral matters. In this context, the structure of the Commission and the dynamics of how it functions often obliterate decisive contribution by the members. Moreover, the Planning Commission developed a segmented structure and has become a shadow organisation of the ministries of the government.

However, diametrically opposite views have also been expressed in this regard: the Planning Commission, though an advisory body, is consulted by the central ministries regarding all the important issues. It provides expert advice and ensures that the decisions taken are in conformity with the strategy and policies indicated in the plan. In practice, the Commission conducts evaluation of the projects/schemes, which generates data for effective development planning. Their results provide valuable guidance in making mid-course corrections, if necessary in the implementation of programmes.

The Planning Commission, therefore, has some control over plan implementation through the mechanisms of annual plans, project appraisal's, policy evaluation, etc. Hence, neither it is an ineffective ornamental body nor a super-cabinet, but can be considered as a co-ordinatos in the process of evolving a framework for governmental schemes and projects for development. In the process of policy formulation, it has to make compromises and give weight to political considerations in addition to its own framework. However, we have seen that the process of plan formulation is a lengthy one and dependent on the development perspective of the political leaders. There is a need to bring significant changes in the planning procedure to maintain its relevance. The Planning Commission has also been laying emphasis on the need for improving the planning process and capabilities in the states, which bear the primary responsibility for creating and maintaining most of the socio-economic infrastructure in the country.

In our mixed economy, role of the government involves market regulation and public sector initiatives. Similarly, the Planning Commission in India is a product of the mixed economy logic. As long as India's commitment to a mixed economy continues, the Planning Commission will remain relevant for policy formulation.

However, certain constraints emerging from the current trend towards globalisation, liberalisation and privatisation, would force a reorientation in the role of the Planning Commission. It has to adopt more of market-friendly approaches and be sensitive to global trends on movement of capital, technologies, services and goods. The protectionist policies of the pre-WTO (World Trade Organization) regime are no longer relevant to an economic context dominated by neo-liberal econoinic paradigm and the forces of globalisation. Price fluctuations in the global market for items, such as, crude oil, metals, food products, etc. have an immediate and often an adverse impact on the economy of India. Again, outsourcing of services by advanced western countries – entirely in the private sector offers favourable trends for the Indian economy. In many spheres, especially in attracting foreign investments, the state governments have been pro-active. The changing global economic scenario presents challenges as well, as opportunities to the Planning Commission.

One should note that the context is open to many key players to take initiatives in view of the need for quick responses. These key players are widely spread, among the political elites at the central and state levels, public and private sector executives, multi-national corporations and so on. Instead of adhering to notions of centralised decision-making and pre-fixed plans, the Planning Commission has to assume a more dynamic role as a watch dog of the economy, as a facilitator, and as a think tank. A re-orientation in its role requires greater inputs from experts in the field of economics, science, information technology, patenting, etc.

7.7 CONCLUSION

To conclude, it can be stated that the Planning Commission has to analyse the economic, financial, social, and political situation; diagnose reasons for success and failures in performance; and evaluate capabilities to execute and recommend improvements. One important component of the Commission's task is policy formulation. It appoints a large number of technical, sectoral and special committees; thereby involving political leaders, administrators, experts and members of non-governmental organisations in formulating national economic policies. Finally, the Planning Commission formulates the five-year plans, which lay down the national goals to be achieved and the strategy to be followed.

This Unit has helped us to understand the role of the Planning Commission in detail. We have discussed the structure of the Planning Commission and its role in the planning process as an independent body. We have examined the role and composition of the NDC in detail. This Unit has highlighted the importance of above bodies despite the fact that they are non-statutory advisory bodies. The Planning Commission also has some control over plan implementation. In addition, the process of plan formulation and the manner in which different units of the Indian federation and their agencies interact in the planning process have been described. Lastly, the Unit has dealt with various criticisms and controversies in the context of the role and power of the Planning Commission and highlighted the need for a reorientation in its role in the context of liberalisation, privatisation and globalisation.

7.8 KEY CONCEPTS

Macro-Economic Policy	:	This Policy is related to the national economic system as a whole.
Perspective Planning	:	It is a long-term overall planning taking into view all aspects of the economy and the inter-sectoral relationships.
Project Appraisal	:	Evaluation of a project to estimate its achievements as against the established goals, estimated cost, time and resources.

7.9 REFERENCES AND FURTHER READING

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7.10 ACTIVITIES

1) Why should we have a Planning Commission? Support your arguments with current examples?
2) Describe the composition and role of the Natibnal Development Council.
3) Observe and analyse the process of plan formulation in India and make suggestions for re-orientation of the policy-makers.
4) Discuss the view that the Planning Commission is a 'super-cabinet' for the Union and states.